



2021 CIVIL SOCIETY ORGANIZATION SUSTAINABILITY INDEX

FOR CENTRAL AND EASTERN EUROPE AND EURASIA
25th EDITION – JANUARY 2023

Cover Photo: Students from different ethnic backgrounds release balloons with messages of peace in the City Park sky. Through joint student activities like this, USAID's Youth Ethnic Integration Project enables positive interactions among ethnically diverse youth at the school and community level, improving the interethnic integration and strengthening civic culture among youth in North Macedonia.

Photo Credit: Photo Courtesy of the Macedonian Civic Education Center

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Developed by:

United States Agency for International Development
Bureau for Democracy, Conflict and Humanitarian Assistance
Center of Excellence on Democracy, Human Rights and Governance

Acknowledgment: This publication was made possible through support provided by the United States Agency for International Development (USAID) under Cooperative Agreement No. AID-OAA-LA-17-00003.

Disclaimer: The opinions expressed herein are those of the panelists and other project researchers and do not necessarily reflect the views of USAID or FHI 360.

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INTRODUCTION

The United States Agency for International Development (USAID) is pleased to present the twenty-fifth edition of the *CSO Sustainability Index (CSOSI) for Central and Eastern Europe and Eurasia*, covering developments in 2021. This year's CSOSI reports on the state of CSO sectors in twenty-four countries in the region.

For a quarter century, the CSOSI has provided local civil society organizations (CSOs), governments, donors, academics, and others with critical information on trends affecting the sustainability of the CSO sectors in Central and Eastern Europe and Eurasia. It reports on advances and setbacks in seven key components or “dimensions” of the sustainability of the civil society sector: legal environment, organizational capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image.

The CSOSI's methodology relies on CSO practitioners and researchers, who in each country form an expert panel to assess and rate these dimensions of CSO sustainability during the year. The panel agrees on a score for each dimension, which ranges from 1 (the most enhanced level of sustainability) to 7 (the most impeded). The dimension scores are then averaged to produce an overall sustainability score for the CSO sector of a given country. An editorial committee composed of technical and regional experts reviews each panel's scores and the corresponding narrative reports, with the aim of maintaining consistent approaches and standards to facilitate cross-country comparisons. Further details about the methodology used to calculate scores and produce narrative reports are provided in Annex A.

The *CSO Sustainability Index for Central and Eastern Europe and Eurasia* complements similar publications covering other regions. The various regional editions of the *2021 CSO Sustainability Index* assess the civil society sectors in seventy-three countries, including thirty-two in Sub-Saharan Africa, eight in Asia, eight in the Middle East and North Africa, and Mexico.

A publication of this type would not be possible without the contributions of many individuals and organizations. We are especially grateful to the individuals who participate in the expert panels. Their knowledge, perceptions, ideas, observations, and contributions are the foundation upon which this Index is based.

In addition, special thanks goes to Eka Imerlishvili from FHI 360, the project manager; Jennifer Stuart from ICNL, the report's editor; and Erin McCarthy and Christina Del Castillo from USAID. A full list of acknowledgements can be found on page ii.

Happy reading,



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December 9, 2022

ACKNOWLEDGMENTS

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EXECUTIVE SUMMARY

The *2021 CSO Sustainability Index for Central and Eastern Europe and Eurasia* marks a significant milestone, culminating a quarter-century of reporting on the status of CSO sectors in the region. This year's Index reports on developments across seven key dimensions affecting the sustainability of the CSO sectors in twenty-four countries with diverse historical, political, and cultural backgrounds.

While in many ways, the world has changed dramatically since the first edition of the *CSO Sustainability Index* was published in 1997, CSOs across Central and Eastern Europe and Eurasia continued to operate in challenging environments in 2021. This year's reports show that CSOs proved their value by responding ably to urgent needs in their societies, in part by continuing to adopt digital tools to improve their work. Although a majority of governments in the region recognize the important role CSOs play in society, a small but growing number seek to neutralize or delegitimize independent CSOs that criticize government policies and promote democracy and human rights.

ANOTHER CHALLENGING YEAR

CSOs in Central and Eastern Europe and Eurasia continued to face a variety of health and political challenges in 2021.

The COVID-19 virus continued to spread and wreak significant havoc on public health and economic performance in 2021, although to a lesser degree than in 2020. Governments eased and reimposed restrictions in response to new waves of infections in the spring and fall, but largely tried to avoid complete lockdowns in the face of faltering economies and public resistance to more extreme measures. Vaccines started to be distributed in most countries in the first quarter of the year, although the reach of these efforts varied significantly. For instance, while 66 percent of the population in Latvia had been inoculated by the end of the year, just below the European Union (EU) average of 68.8 percent, the comparable figure in Bulgaria was only 30 percent, largely because of misinformation about the vaccine and poorly organized vaccination campaigns.

While the urgency of the health crisis receded somewhat, the region was beset by political turbulence and polarization, often hampering policy-making processes and thus CSO advocacy efforts. In 2021, national-level elections were held in Albania, Armenia, Bulgaria, the Czech Republic, Moldova, and Russia. Elections in Bulgaria were particularly noteworthy. In addition to two rounds of voting in presidential elections, three separate rounds of parliamentary elections were held during the year as the winners of the first two elections were unable to form governments. CSOs in countries holding elections educated voters, advocated for their platforms with the candidates, and monitored the elections.

In other countries, including Estonia, North Macedonia, Romania, and Slovakia, governments were reconstituted after losing public confidence. In Estonia, for example, the ruling coalition collapsed at the beginning of the year under corruption allegations. The newly formed government appointed Kaja Kallas as prime minister, making her the country's first female government leader.

Several countries were plagued by deep political polarization. Georgia entered 2021 already deep in political crisis following allegations of election fraud and an opposition boycott of parliamentary elections in late 2020. Political turmoil peaked in February, when police stormed the headquarters and detained the chairman of the country's main opposition party. The European Commission brokered an agreement to end the political stalemate in April, but the ruling party quit the agreement in June, while the main opposition party did not sign it until September. The situation was similar in Serbia, where the ruling parties had an overwhelming majority in parliament in 2021 as the opposition largely boycotted parliamentary elections in June 2020. There, the European Parliament facilitated a dialogue between the ruling and opposition parties, but CSOs criticized the resulting agreement, noting that the ruling party had rejected substantive improvements to the electoral process. Political deadlock was also considerable in Bosnia and Montenegro, hampering political processes.

The situation in Belarus was particularly dire. Following a rigged presidential election in 2020 and ensuing protests, the state implemented a multi-pronged policy to repress Belarusian society and silence any critical voices and centers of dissent, including by cracking down on CSOs. By the end of 2021, there were nearly 1,000 documented

political prisoners in Belarus, while it is estimated that up to 200,000 people have fled the country since August 2020.

Relationships between countries in the region were also tense. Following their forty-four-day war in the fall of 2020 over the territory of Nagorno-Karabakh, tensions remained high between Armenia and Azerbaijan, with several violations of the ceasefire agreement throughout 2021. Meanwhile, tensions between Ukraine and Russia escalated at the end of the year, with Russia gathering troops near the Ukrainian border and in the occupied Crimea, which were used to launch an unprecedented and devastating invasion of Ukrainian territory in February 2022.

Despite these turbulent and often difficult conditions, the *2021 CSO Sustainability Index for Central and Eastern Europe and Eurasia* depicts a civil society recovering from the unprecedented strain of the first year of the global COVID-19 pandemic. Six countries—the Czech Republic, Latvia, Bulgaria, Croatia, Romania, and Azerbaijan—recorded improvements in overall CSO sustainability, while three—Hungary, Belarus, and Russia—reported deterioration. This shows considerable progress over the situation in 2020, when just two countries reported improvement in their overall CSO sustainability scores, and three noted overall deterioration. The causes for improved sustainability were diverse, although public image and financial viability were the most common contributors.

Indeed, dimension-level score changes show much more variation in 2021 than in previous years. While in the past, individual dimensions have sometimes changed—either positively or negatively—in nearly half of the countries covered by this edition of the Index in a single year, in 2021, the most dynamic dimensions still only recorded changes in less than one-third of the countries. For example, in 2020, twelve countries recorded improvements in sectoral infrastructure and eleven in organizational capacity, whereas in 2021, the dimensions with the largest number of countries reporting positive trends were sectoral infrastructure and public image, with just seven countries noting improvement in each. Although the dimension-level scores do not paint as clear of a picture this year, several trends are apparent in this year's reports.

CSOS RESPOND TO COMMUNITY NEEDS

CSOs across the region provided vital services in response to pressing needs in 2021, again proving their value to society. As in 2020, CSOs played an important role in mitigating and reducing the negative effects of the COVID-19 crisis in their communities. According to a 2021 mapping study in Georgia, nearly half of the surveyed CSOs conducted emergency response and public health programming in response to the pandemic. CSOs across the region distributed food packages, personal protective equipment, and medicine, provided counseling services, and organized awareness-raising campaigns to educate people about the virus and the vaccine. In North Macedonia, for example, Banka Za Hrana organized the massive #WeStandTogether initiative in August: in just eleven days, the organization, together with twenty charities and over 200 volunteers, delivered 1,620 food packages, 6,480 protective masks, and 1,620 sanitizers to families across twenty municipalities in the country. In the Czech Republic, CSOs administered vaccinations much faster than the public authorities were able to do so.

CSOs also developed new services to address emerging needs during the pandemic. In Slovenia, the Legal Network for the Protection of Democracy (LNPD) was established to monitor and protect the rule of law in the midst of the government's responses to and restrictions around COVID-19. In its first year, LNPD filed over 150 complaints to state offices, including the state prosecutor's office; helped file over fifty lawsuits against government actions and measures, as well as a criminal charge against a governmental official; and trained volunteers to monitor the excessive use of force by police or violent behavior by protesters. In Montenegro, CSOs such as Safe Women's House provided online counseling and legal assistance to survivors of gender-based violence, which increased around the world during the pandemic. The Latvian Scouts and Guides developed new services to lessen the social isolation of young people by organizing opportunities for them to spend time together online, while acquiring knowledge about civic activism and teamwork.

CSOs also ably responded to other emerging needs in their countries. CSOs in both Armenia and Azerbaijan provided critical services in the aftermath of the 2020 war over Nagorno-Karabakh, including humanitarian, psychological, and legal assistance to displaced people, people who lost their homes, and families of captured, killed, wounded, or missing soldiers and civilians. In Armenia, many CSOs that traditionally focus on human rights,

advocacy, and government accountability changed their mandates to respond to the humanitarian priorities and reach new groups of beneficiaries.

CSOs in Poland and Lithuania demonstrated their agility in response to a humanitarian crisis on their borders with Belarus that was orchestrated by Belarusian authorities. After the EU and other western countries intensified sanctions on Belarus in response to the increasingly autocratic rule in the country, the Belarusian government encouraged migrants, primarily from the Middle East, to come to Belarus, promising them easy access to the EU. Reports further indicated that Belarusian authorities directed migrants to the border and cut border fencing to enable them to cross into the EU. The Lithuanian Red Cross and the Lithuanian Refugee Council monitored the situation of illegal migrants, issued reports, and advocated for the migrants' rights, including the right to education for migrant children. In Poland, aid, migration, and human rights organizations, in cooperation with a network of activists, quickly organized a system of assistance for the thousands of refugees who were trapped at the border. However, this work was hampered when the president, at the request of the prime minister, declared a state of emergency in the border zone in response to the influx of migrants that prevented media and CSO activists from entering the area.

Croatian CSOs continued to respond to the needs of the victims of a deadly 6.4-magnitude earthquake on December 28, 2020, that caused extensive damage in Petrinja, Glina, and Sisak. CSOs collected clothes, hygienic items, and food. The Psychological Help Platform published on its website a list of toll-free telephone numbers that provide help and support; the Zagreb Psychological Society made a video about trauma; and the Game Association provided psychosocial services. In addition, many CSOs worked together to address the growing problem with stray animals after the earthquake, including by spaying and neutering dogs and cats to prevent future problems.

These efforts, however, only resulted in improved service provision scores in four countries—Lithuania, Romania, Moldova, and Azerbaijan—while the vast majority of countries—seventeen—recorded no change. In addition to the broadened range and reach of services noted in all four countries, CSO service provision in both Lithuania and Moldova got a boost from increased government commitment to contracting CSO services.

In Belarus, the government initiated a concerted campaign to liquidate CSOs in 2021. While this caused CSO service provision to decline significantly, the CSO sector also launched new services to protect itself, including legal consultations, psychological services, capacity-building activities, shelters, and internships for human rights defenders, journalists, activists, and cultural workers. Most of these services were provided by CSOs outside of the country but targeted people and organizations remaining in Belarus. CSOs also provided services to a new target group: the large number of Belarusians leaving the country. In the countries where Belarusians settled, including Poland and Lithuania, CSOs offered support centers and integration and cultural programs, such as Belarusian Sunday school for children in Vilnius.

CSOs' effective response to the pandemic and other urgent societal needs often resulted in increased public appreciation for the sector, which is reflected in the public image dimension. The sector's public image improved in seven countries: the Czech Republic, Latvia, Bulgaria, Romania, Azerbaijan, Moldova, and Ukraine. In Latvia, the sector's public image improved moderately, driven by increased recognition of the key role CSOs played in responding to the pandemic and remediating its consequences. The sector's improved public image in Azerbaijan, Moldova, Romania, and Ukraine was also driven at least in part by the role CSOs played in responding to the pandemic and other urgent needs.

Positive public recognition of the important role CSOs played in responding to societal needs was also evident in other countries, even if it did not lead to a change in the public image score. The Bosnia report, for example, notes that public perceptions of CSOs seemingly improved over the past few years as CSOs were often the first to respond to emerging needs during the pandemic. In Armenia, CSOs' public image improved as a result of their day-to-day work addressing humanitarian issues. In Slovakia, several campaigns initiated by CSOs in response to the pandemic helped to improve the sector's reputation by showing CSOs' agility and willingness to help. A study in Poland found that CSOs' public image and recognition of their role improved in 2021 due to continued reporting on their work, especially in the context of the pandemic and the crisis at the border with Belarus, by private media independent of the government. Likewise, in Serbia, CSOs were more visible in 2021 due to their efforts to address current socio-political circumstances, including poverty and environmental issues. In many of these countries, however, these positive developments were canceled out by misinformation and rhetorical attacks on the sector, including by governments and government-controlled or aligned media, preventing improvements in the scores for this dimension.

CSOS ADOPT DIGITAL TOOLS

Driven by the new reality created by the COVID-19 pandemic, CSOs across the region increasingly digitalized their work in 2020 and 2021, advancing several aspects of their work.

As pandemic-related restrictions hindered CSOs' ability to engage with their constituents in person, CSOs increasingly used digital tools, including social media platforms, to maintain and build relationships with their stakeholders. This contributed to improvements in organizational capacity in several countries, including Armenia, Kosovo, and Slovenia. The Slovenia report, for example, notes that CSOs' increased use of new digital communication tools improved their connections with their constituents and enabled them to continue to adapt their activities and services to pandemic-related circumstances. While not leading to changes in the organizational capacity score, these trends were also seen in other countries, including Albania, where CSOs' use of digital tools enabled them to involve beneficiaries in the design and implementation of project activities. During 2021, for instance, the Albanian Network for Rural Development (ANRD) consulted with 500 local stakeholders to design and advocate for new rural sector governance policies. In Hungary, CSOs developed online ways, including newsletters and social media, to keep in touch with their members and supporters and recruit new ones. However, reports for countries such as Moldova and the Czech Republic note the limitations of using digital tools to reach particular constituencies, including elderly people, poor families, and people with disabilities, posing an obstacle to constituent interaction for CSOs that work with these populations.

CSOs' growing use of social media also contributed to improvements in their public visibility. Country reports for Albania, Armenia, Czech Republic, Georgia, Kosovo, Moldova, Poland, Romania, and Serbia all noted that CSOs made more proficient use of social media and other digital tools to enhance their visibility during the year. In Romania, for example, CSOs' increased online presence and attention to communicating about their work and results in 2021 spurred greater acknowledgment of the sector's contributions from business and government actors.

CSOs' adoption of digital tools also helped them adapt to the remote working arrangements necessitated by pandemic conditions. Throughout 2021, CSOs across the region effectively used platforms such as Zoom, Microsoft Teams, and Slack to manage their work and organize both internal and external meetings, discussions, and training sessions.

The increased use of digital tools also advanced the use of crowdfunding in the region. The first crowdfunding platform for CSOs in North Macedonia—eCrowd—was launched in 2021, enabling several initiatives to garner support during the year. For example, the Donate a Computer initiative secured enough funds to buy a vehicle to collect used computers from around the country, which it will then repair and donate to vulnerable citizens. In Slovenia, Danes je nov dan (DJND, Today Is a New Day) started a new crowdfunding platform called Huda pobuda (Awesome Initiative). In the platform's first round, three initiatives were selected to receive funds. In Georgia, Orbeliani is a quickly growing crowdfunding platform that supports community-led projects. In Armenia, the ReArmenia collaboration platform successfully raised funds through online crowdfunding platforms and then used them to support innovative projects; Armenian CSOs have also started to integrate "donation" sections into their websites. In some countries, crowdfunding has been a popular way of raising funds for several years, and these mechanisms continued to grow in effectiveness during the year. In Slovakia, for example, more than EUR 4 million was raised through DARUJME.sk in 2021, a significant increase from EUR 3.1 million in 2020 and EUR 1.6 million in 2019.

The increased use of technology also fueled advances in the infrastructure supporting the sector in several countries, particularly by enhancing access to capacity-building opportunities. In Poland, for example, access to technology enabled CSOs to participate in trainings, workshops, and live online meetings, while also lowering the costs of such trainings and increasing access to experts from Poland and other countries. The Bulgaria and Moldova reports also point to the increased availability of training, most of which was provided online, as a contributor to their improved sectoral infrastructure during the year.

Other reports also noted increased online training opportunities in 2021. The Armenia report notes that the increased digitalization of the sector allowed CSOs to seek new capacity-building opportunities in the virtual domain beyond what is offered in the country. Similarly, CSOs in Ukraine took advantage of free online courses on the Coursera, Prometheus, and EdEra platforms on topics such as nonprofit management, human rights, and civic education. In Russia, 9,000 people took part in fourteen online courses offered by the St. Petersburg-based NGO

Kitchen educational platform in 2021. However, limitations to the usefulness of online training were also noted. In Lithuania, for example, the initial pandemic-inspired enthusiasm to take advantage of virtual offerings faded and organizers struggled to recruit audiences for their online trainings, while several reports note that online training and consultancy opportunities can be less effective than face-to-face events.

The situation in Belarus was somewhat of an anomaly in terms of the use of digital tools. In the face of widespread repression, many Belarusian CSOs stopped actively communicating with their constituencies and closed their websites and social media pages to avoid attracting unwanted attention from the authorities. However, some organizations continued to communicate with their target groups via social media tools, often through closed (i.e., non-public) formats. At the same time, some CSOs working from abroad developed their communication channels on social media. For example, the Telegram channel of the Human Rights Center Viasna had over 13,000 subscribers.

MIXED TRENDS IN LEGAL ENVIRONMENTS

Divergent trends were seen in the legal and regulatory environments governing CSO sectors in Central and Eastern Europe and Eurasia in 2021. While six countries recorded improvements in the legal environment dimension, seven reported deteriorations. With some exceptions, these score changes largely reflect the growing divide between countries with governments that support CSOs and those that seek to neutralize independent voices.

The legal environments governing CSOs improved in the Czech Republic, Bulgaria, Kosovo, North Macedonia, Azerbaijan, and Ukraine in 2021. Most of these countries have scores that fall within the top half of all scores in the region in this dimension, and the slight improvements in 2021 seemingly demonstrate their governments' continued recognition and support of the role CSOs play in society. CSOs in the Czech Republic, for example, have long benefited from a legal framework that facilitates their registration and operation, including provisions that encourage philanthropy by allowing private donors to lower their income tax base by making donations for public benefit purposes. In 2021, the Czech Republic's legal environment score improved slightly as the limit for allowable tax deductions was increased. The legal environments governing CSOs in North Macedonia and Ukraine both improved in 2021 with the adoption of government strategies related to civil society development and other related fields. In Kosovo, the already enabling legal environment for the sector became slightly more predictable as government compliance with the requirements regarding funding criteria, public announcements, and the evaluation of proposals increased. With the fourth highest score in this dimension in the region, Bulgaria's legal environment improved in 2021 as the occasional state harassment reported in previous years was absent in 2021 as a result of the change in government.

Azerbaijan is the obvious exception to this trend. While its legal environment score improved in 2021, it continues to have one of the least enabling legal environments for civil society, not only in Central and Eastern Europe and Eurasia, but across the seventy-three countries covered in the 2021 editions of the Index worldwide. In 2021, the legal environment for CSOs in Azerbaijan eased slightly with the introduction of a web-portal allowing CSOs to amend their registration documents and register funding. However, CSOs continued to operate in a highly bureaucratic and restrictive environment, and political and civic activists, journalists, and citizens who express opinions critical of the authorities are regularly subject to criminal prosecution and harassment.

Seven countries—Belarus, Russia, Hungary, Serbia, Poland, Albania, and Georgia—reported worsened legal environments for the sector in 2021. Five of these countries have governments that aim to control or neutralize independent voices. Belarus is the most extreme example of this. In 2021, the government instituted a targeted policy to bring the CSO sector under total state control, resulting in a legal environment score of 7.0, the lowest possible score on the Index's scoring scale. Hundreds of CSOs lost their legal status and the police conducted numerous raids against CSOs and persons affiliated with them, while the country's political leaders openly spoke of their intention to cleanse the country of "vile" organizations. These actions resulted in a massive relocation of CSO leaders and activists to other countries.

The legal environment governing CSOs in Russia deteriorated in 2021 for the ninth consecutive year, as a number of new laws that entered into force in late 2020 and 2021 increased state control over critical and independent voices, assemblies and protests, informal education, international organizations, and citizens' monitoring of elections. Two of the country's flagship human rights groups were liquidated by court order, while other human

rights groups announced their own liquidation, ceased operations in the country, or relocated their team members outside of the country due to pressure and persecution. Freedom of expression was challenged during the year, with the government blocking several websites, including that of OVD-Info, a group that provides information and legal support to people detained at protests. At the same time, the authorities continued to crack down on dissenting voices under the pretext of COVID-19.

Civic space in Hungary, once considered a stable democracy, has deteriorated precipitously since 2010, when a government led by Prime Minister Viktor Orbán of the center-right Fidesz party came to power. The legal environment governing Hungarian CSOs deteriorated again in 2021 as a result of the government's ongoing efforts to pass restrictive legislation. While the parliament finally retracted the infamous 2017 Act on Foreign-Funded Organizations, which stigmatized CSOs based on their funding sources, it introduced a new act governing organizations "capable of influencing public life" with similarly worrying clauses. In addition, although withdrawn after just a few weeks, a governmental decree published in June would have obliged all CSOs to list the names of their individual donors in their reports, effectively banning anonymous donations. Meanwhile, state harassment of CSOs continued in various forms, including surveillance, government propaganda, fines, and public smear campaigns.

Serbia and Poland demonstrated similar trends to varying degrees. The legal environment in Serbia deteriorated in 2021 for the seventh consecutive year. The cause for the worsened score in 2021 was state harassment of CSOs, including lengthy financial inspections, as well as threats and violence by hooligan groups suspected to be connected to the ruling party. In addition, the Ministry of Interior frequently banned civic assemblies and charged activists with misdemeanors and fines. The legal environment in Poland, while still among the top half of countries in this dimension, fell for the fifth year in a row as the populist government proposed a number of legal changes that would subject CSOs to increased government control. In addition, public institutions increasingly abused and harassed CSOs and civic activists, particularly in the context of the humanitarian crisis at the Polish-Belarusian border.

While the legal environment governing CSOs in Slovenia did not report a change in score, the right-wing government formed in March 2020 has taken worrying steps to undermine the rule of law and democratic institutions, including the media and judiciary, indicating that it may follow a similar path as the aforementioned countries. During the year, many Slovenian CSOs reported fear of retaliation for their advocacy and criticism of the government through targeted inspections, public smear campaigns, and other forms of harassment.

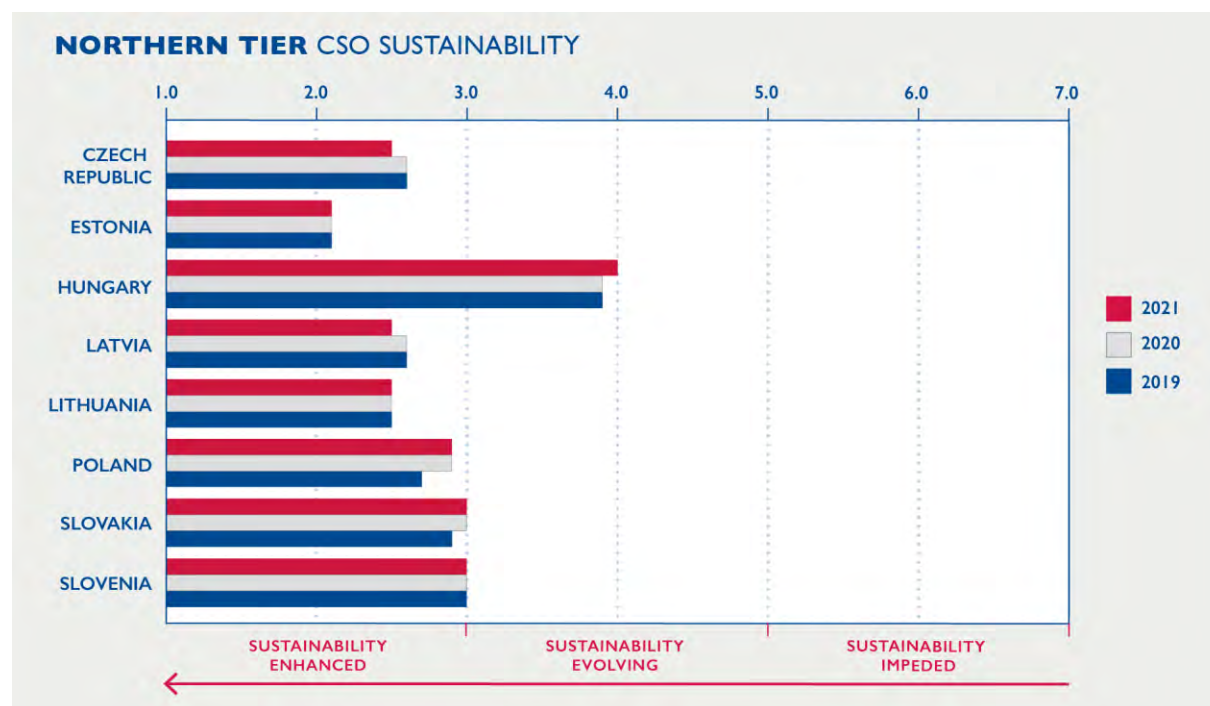
REGIONAL TRENDS IN CSO SUSTAINABILITY

The twenty-four countries covered by this edition of the *CSO Sustainability Index* continue to vary widely in terms of their overall levels of CSO sustainability. As in past years, average CSO sustainability scores largely fell along sub-regional lines in 2021.

In general, the Northern Tier countries (the Baltic and Visegrad countries) continue to boast the highest overall levels of CSO sustainability, with seven of the eight countries in this sub-region recording scores that fall in the highest category of sustainability, Sustainability Enhanced. Estonia continues to have the highest level of sectoral sustainability, not only in the *CSO Sustainability Index for Central and Eastern Europe and Eurasia*, but in any of the other regional editions of the *CSO Sustainability Index*. CSOs in Estonia, as well as most other Baltic and Visegrad countries, operate within supportive legal environments, have significant organizational capacities, and are strong advocates and service providers. While financial viability continues to be one of the weakest dimensions of sustainability, CSOs in these countries have access to relatively diverse sources of funding, including government grants and contracts, individual and corporate philanthropy, and tax designations; foreign donors are generally relatively minor sources of funding for these CSO sectors. Hungary has the lowest level of CSO sustainability among the Northern Tier countries and is the only Northern Tier country with a score that falls in the middle category of sustainability, Sustainability Evolving. As described above, Hungarian CSOs operate in a hostile environment in which they are largely unable to influence government decision making and are regularly subjected to smear campaigns. Overall CSO sustainability in Hungary deteriorated slightly further in 2021, driven by negative developments in the legal environment, organizational capacity, and financial viability dimensions.

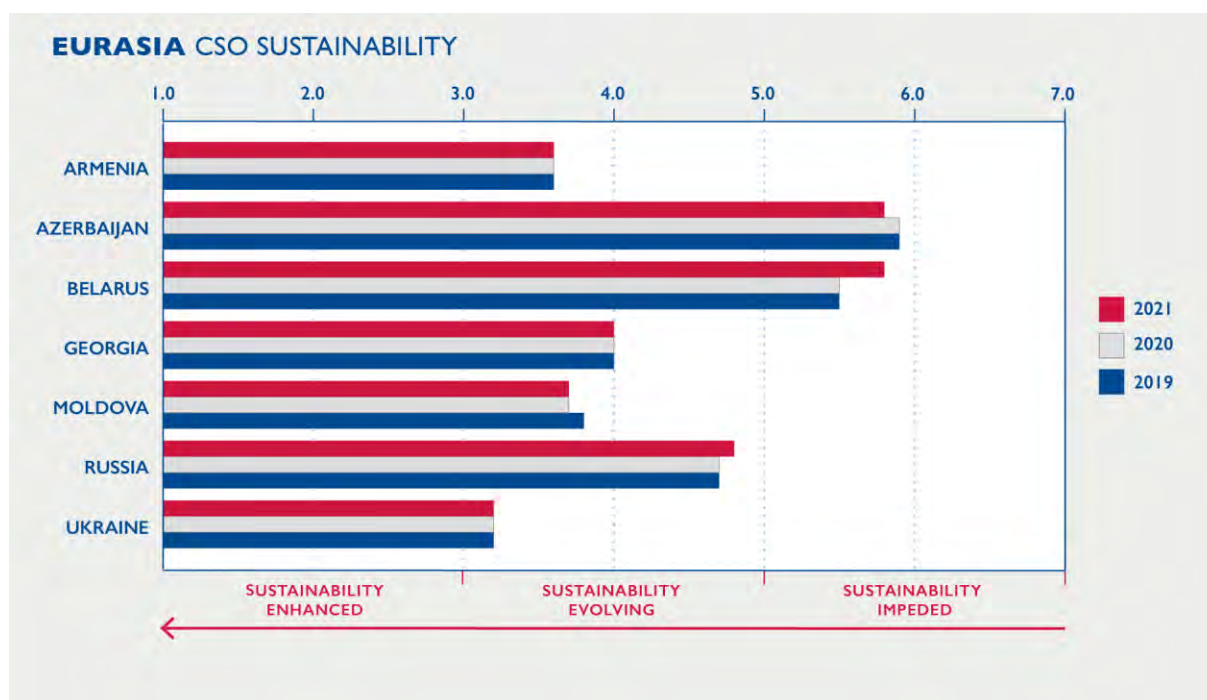
In 2021, the Czech Republic and Latvia recorded improvements in their already high levels of overall sustainability. With these improvements, the two countries are now tied with Lithuania for the second highest level of

sustainability in the region (and all the countries covered in the various editions of this year's Index). In the Czech Republic, improved CSO sustainability was driven by positive developments in the legal environment, financial viability, and public image, while in Latvia, notable improvements in the sector's financial viability and public image outweighed slight deteriorations in advocacy and sectoral infrastructure.



On the other end of the spectrum, CSOs in Eurasia generally have the lowest levels of sustainability in Central and Eastern Europe and Eurasia. Belarus and Azerbaijan are once again the only two countries in this edition of the Index with overall CSO sustainability scores in the lowest category of sustainability, Sustainability Impeded. With significant deterioration in overall CSO sustainability in Belarus and slight improvement in Azerbaijan, the two countries are now tied for the lowest overall CSO sustainability scores in Central and Eastern Europe and Eurasia and share the dubious honor of having the lowest overall CSO sustainability scores of any country in any regional edition of the Index. With the government's full-scale war on civil society, Belarus registered deteriorations in every dimension of CSO sustainability, with most dimensions falling by 0.3 points or more. Azerbaijan, on the other hand, recorded slight improvements in the legal environment, financial viability, and public image dimensions. On the other end of the spectrum, CSOs in Ukraine benefit from a relatively high level of sustainability just under most of those in the Northern Tier countries.

The only other country in Eurasia that registered a change in its overall score in 2021 was Russia. Driven by the increasingly repressive environment in the country, overall CSO sustainability deteriorated, with negative developments noted in the legal environment, financial viability, advocacy, service provision, and public image dimensions.



Overall CSO sustainability in the Southern Tier (Southeastern Europe) falls somewhere in between the other two sub-regions. All nine countries in this sub-region continue to have overall scores that fall within the Sustainability Evolving category. Croatia has the highest level of CSO sustainability among the Southern Tier countries, followed closely by Bulgaria, while Serbia has the lowest overall score.

Three Southern Tier countries reported improvements in their overall CSO sustainability scores in 2021. Bulgaria's overall score improved as a result of positive developments in three dimensions. The new government that was formed at the end of the year was more open to working with CSOs, contributing to improvements in the legal environment and public image dimensions, while the infrastructure supporting the sector improved as CSOs had increased access to trainings and increasingly formed partnerships with each other. In Romania, an increase in local philanthropy and foreign funding spurred a moderate improvement in financial viability, which in turn supported slight improvements in organizational capacity and service provision. The infrastructure supporting CSOs also slightly improved in 2021 as collaboration within the sector increased, and public image improved with the growth of CSO outreach and visibility online. In Croatia, overall sustainability improved as a result of positive developments in a single dimension: the infrastructure supporting the sector was boosted by increasing cooperation in the sector.

Albania, on the other hand, was the only Southern Tier country recording a deterioration in overall CSO sustainability in 2021. The legal environment declined slightly due to several changes to the legal framework for CSOs, while prolonged restrictions on assemblies, limited transparency, and lack of opportunities to consult with the government undermined CSOs' advocacy initiatives. In addition, the CSO sector's public image deteriorated slightly as a result of the constant government and government-influenced media attacks on CSOs and activists.



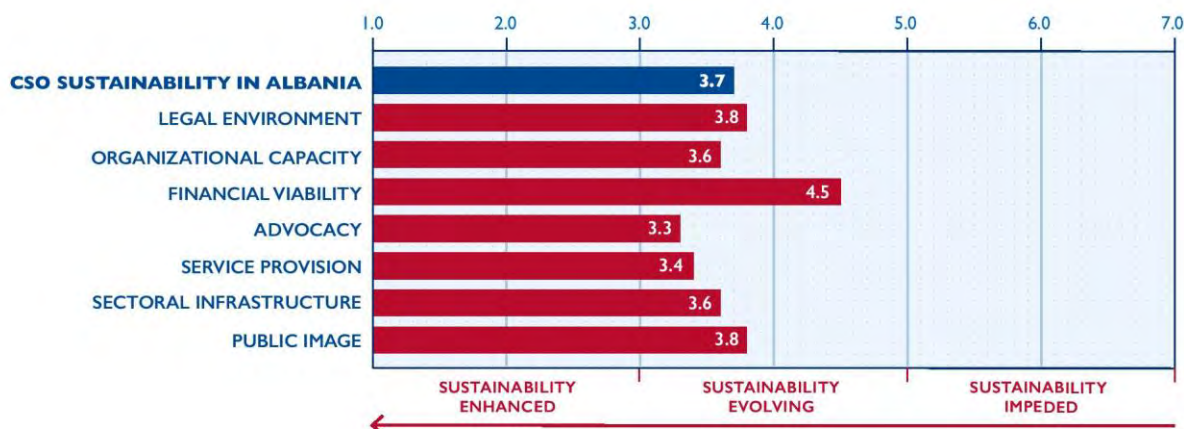
CONCLUSION

The country reports that follow provide an in-depth look at the state of CSO sectors in twenty-four countries across Central and Eastern Europe and Eurasia during 2021, further detailing the trends outlined above. We hope that this annual survey continues to capture useful trends for CSOs, governments, donors, and researchers supporting the advancement of CSO sectors.

ALBANIA

* Capital: Tirana
Population: 3,095,344
GDP per capita (PPP): \$13,300
Human Development Index: High (0.796)
Freedom in the World: Partly Free (67/100)

OVERALL CSO SUSTAINABILITY: 3.7



Albania held parliamentary elections in April 2021, in which the Socialist Party won a third consecutive mandate. While the Organization for Security and Cooperation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR) found that the elections were generally well organized, CSOs criticized the selective application of sanctions for illegal assemblies and the misuse of state resources and functions by the ruling party and other public figures. In addition, credible allegations of vote buying, intimidation, and violence were reported, undermining the integrity of the election, according to Freedom House's 2022 *Nations in Transit* report. A few weeks before the elections, a database containing the personal data of 910,000 voters, including their alleged political preferences, was leaked online, raising concerns that voters could be vulnerable to political pressure.

Media freedoms in Albania seriously deteriorated during 2021. According to the World Press Freedom Index (WPFI), media was subject to increased political pressure and attempts to control information during the ongoing pandemic and elections. Albania dropped twenty places in the WPFI in 2021 compared to the previous year.

Albania continued to manage the negative social and economic impacts of the ongoing COVID-19 pandemic and reconstruction following the 2019 earthquake. Restrictions on gatherings and movement remained in place while the vaccination process proceeded. According to the European Commission (EC) 2021 progress report, civil society provided support and services to the most vulnerable people affected by the COVID-19 pandemic.

The EC report also stated that Albania fulfilled all the conditions set out for the first Inter-governmental Conference on accession negotiations, which was held in mid-2022, while also noting that limited progress was made in 2021 in implementing the Roadmap on Creating an Enabling Environment for Civil Society.

Overall CSO sustainability did not change in 2021, although there were slight deteriorations in the legal environment, advocacy, and public image dimensions. The legal environment declined slightly due to several changes to the legal framework for CSOs. Prolonged restrictions on assemblies, limited transparency, and lack of opportunities to consult with the government undermined CSOs' advocacy initiatives, while the CSO sector's

*Capital, population, and GDP for all country reports are drawn from the Central Intelligence Agency, The World Factbook, available online at <https://www.cia.gov/the-world-factbook/>. Human Development Index data available at <http://hdr.undp.org/en/composite/HDI>. Freedom in the World data available at <https://freedomhouse.org/report-types/freedom-world>.

public image deteriorated slightly as a result of the constant government and government-influenced media attacks on CSOs and activists. Other dimensions of CSO sustainability remained largely unchanged.

According to the Tirana District Court, as of the end of 2021, a total of 12,240 CSOs were registered nationwide. During 2021, a total of 278 new organizations (156 associations, 73 centers, and 49 foundations) were registered. According to the tax authorities, 2,217 CSOs were financially active during 2021.

LEGAL ENVIRONMENT: 3.8



During 2021, the government introduced several changes to the legal framework for CSOs that resulted in a slight worsening in the score for this dimension.

In June 2021, the government enacted Law No. 80/2021 on the Registration of Non-Profit Organizations as part of a broad set of money laundering and countering the financing of terrorism measures. CSOs were largely excluded from consultations during the drafting of the law. In principle, the sector welcomed the initiative, which purports to enhance the enabling environment and transparency of CSOs by streamlining registration procedures and creating an online CSO registry. However, 119 CSOs raised serious concerns about the law, arguing that the vague powers it grants the government would have a chilling effect on civil society,

especially organizations focused on public accountability. In August 2021, Albania's High Judicial Council, mandated by the law to create the online CSO registry, held that it could not do so due to lack of funds provided for this purpose. As a result, the registry had not been created by the end of the year.

The law also failed to reflect the recommendations of civil society regarding necessary data privacy safeguards for information included in the online CSO registry. CSOs viewed this as particularly concerning in light of the significant data breaches that occurred in 2021 on government databases managed by the National Agency of ICT, in which the salaries, alleged political preferences, and other sensitive information of Albanian citizens were exposed to the public.

CSOs' day-to-day operations continued to be hampered by the slow pace of required court procedures. For instance, under Law No. 8788 on Non-Profit Organizations, CSOs are legally required to submit any changes to their internal statutes or governance procedures to the Tirana District Court. During 2021, the court's service provision timeframes worsened, most likely because of an ongoing judicial reform initiative that has decreased the number of judges and increase the court's workload.

Beyond Barriers, a CSO focused on non-formal youth education, held consultations with CSO networks on the legal framework for volunteerism throughout 2021. During these consultations, CSOs identified several key challenges, including the lack of a framework to legally recognize volunteer work, contract volunteers, and calculate the value of volunteers' social contributions, as well as lack of clarity around the volunteer registry. In January, Partners Albania (PA) published an analysis of the legal framework for volunteering which highlighted the need to remove formal barriers to volunteering, burdensome financial obligations for volunteers, and registration requirements for the provision of volunteerism services.

Article 262 of the Criminal Code requires prior authorization for protests. According to the Ombudsperson, however, prior permission should not be required to hold a rally, as a simple notification should enable state authorities to facilitate such gatherings, while ensuring public order and protecting the rights of others. In May, the Constitutional Court ruled that the requirement for prior authorization for protests was unconstitutional, thus removing the main basis for criminal prosecution of participants in unauthorized gatherings.

At the same time, however, the Technical Committee of Experts that implements measures to combat the COVID-19 pandemic continued to restrict gatherings. Non-compliance with these restrictions was subject to a fine of ALL 5 million (approximately USD 48,000). However, the police applied sanctions arbitrarily, allowing some

electoral rallies and other public gatherings, while banning others. Four organizers were arrested and thirty protesters were criminally charged for organizing and participating in a protest against the construction of a hydropower plant in Mirditë; nine oil workers were criminally charged for participating in a protest in Ballsh; and two independent candidates were fined for organizing public assemblies during the electoral campaign.

Certain forms of state harassment still persist, and organizations that receive government funding often refrain from publicly criticizing government actions as they fear they will lose funds. CSOs have noted that tactics such as online trolling and phone calls to exert pressure continue to be a problem. Moreover, frequent and often uncoordinated inspections by social service authorities and labor inspectors are problematic for organizations that provide shelter services to victims of violence and anti-trafficking, as these organizations are reluctant to expose their client lists to third parties.

In September, the Council of Ministers issued a decision establishing the Agency for Media and Information. This agency aims to centralize decision making on all media appearances, publications, and requests for information processed by the executive branch. Media organizations and civil society raised concerns that this agency will be used to enhance government control and reduce transparency, rather than advancing the public's right to access to information.

In December 2021, the Commissioner for the Right of Information and Protection of Personal Information published draft amendments to Law No. 119/2014 on the Right to Information. Journalists and CSOs criticized certain aspects of the draft amendments, which are currently undergoing public consultations. For instance, the draft amendments exclude the courts and prosecutors from the scope of the law, which undermines the public's right to access information from these important public actors.

Legal opportunities for CSOs to mobilize financial resources remained unchanged during 2021. A CSO may engage in economic activities to generate income, provided revenues do not account for more than 20 percent of its overall annual budget. Law No. 7892 on Sponsorship recognizes corporate donations as deductible expenses under certain conditions. Individuals continue to lack tax incentives to donate to CSOs. Local taxes such as property, signboard, and environmental taxes place a significant burden on the finances of organizations, especially those engaged in service provision.

Under Law No. 92/2014 on Value-Added Tax (VAT), grants are exempted from VAT if they are used for the purposes of an organization's non-profit activity and the organization does not supply goods or services to donors in return for the grant. In addition, as taxable entities, CSOs are eligible for VAT reimbursement under certain conditions. However, the process of obtaining VAT reimbursement for CSOs' projects has been a long-standing challenge for the sector. The General Directorate of Taxation reimbursed VAT for four CSO projects across the country during the year, which was seen as moderate progress. The National Resource Center for Civil Society in Albania (NRCCS) conducted awareness-raising actions and training to familiarize CSOs with the VAT reimbursement procedure for foreign grants.

CSOs have limited access to specialized legal expertise, which is mostly concentrated within Tirana.

ORGANIZATIONAL CAPACITY: 3.6

CSO's organizational capacity remained largely unchanged in 2021.

Organizational challenges, such as a lack of resources, infrastructure, and an established culture of work, continued to disproportionately affect local, rural, and smaller organizations. Most well-established CSOs operate in Tirana and have more resources. Local CSOs typically have limited access to funding and human capital, which limits their ability to develop their organizational capacities. This is reinforced by the ongoing practice of international donors to direct most of their support to larger, well-established CSOs. In addition, many CSOs lack core funds to support their operational needs and allow them to become sustainable.

CSOs at the local level tend to establish stronger and more sustainable connections with their constituencies than national organizations. However, the increasing use of digital tools has provided an opportunity to maintain closer relations and involve beneficiaries in CSO activities and project design. During 2021, for instance, the Albanian Network for Rural Development (ANRD) consulted with 500 local stakeholders to design and advocate for new rural sector governance policies.

As a result of donor programs aiming to build CSOs' organizational capacity, CSOs increasingly engaged in strategic planning, program design, and the development of well-defined missions. These improvements were most evident in CSOs operating in large urban areas. However, CSOs' missions and strategic planning are often secondary to current donor priorities or agendas, and the suspension or reduction of various funding streams due to the COVID-19 pandemic increased some organizations' dependence on one or a few donors, causing them to focus only on activities of interest to that donor.

CSOs have internal management structures and clearly define the division of responsibilities between staff and board members in their statutes. However, these structures are largely formal and instituted to comply with legal requirements, rather than governing the day-to-day activities of many organizations. National organizations such as the Balkan Investigative Reporting Network Albania, Open Society Foundation Albania, and the Albanian Helsinki Committee (AHC), among others, actively interact with their boards. Donor requirements have also incentivized most CSOs to adopt internal organizational policies and procedures to govern their activity.

The lingering effects of the pandemic and the ongoing reliance on project-based funding limited CSOs' ability to hire permanent staff and pay staff salaries in 2021. According to data from the 2020 Monitoring Matrix on Enabling Environment for Civil Society Development for Albania, the civil society sector employed 9,793 people in 2020. A 2020 country report by the European Training Foundation showed that the majority of surveyed CSOs in Albania (61 percent) have between one and four paid staff and collaborators and only 7 percent have between fifteen and forty-nine paid staff and collaborators. CSOs' ability to retain staff and hire quality professionals was also negatively impacted by the ever-worsening phenomenon of "brain drain," as young professionals migrate to developed countries to obtain higher salaries and better quality of life.

According to the 2020 Monitoring Matrix on Enabling Environment for Civil Society Development, 42 percent of surveyed CSOs engaged between one and ten volunteers and only 2 percent engaged more than 300 volunteers. However, Albania's legal framework over-regulates the sector and makes it difficult for CSOs to involve volunteers in their activities. In May 2021, Beyond Barriers and the Center for Progress and Development held Albania's first National Volunteerism Conference to create a national platform on volunteering. Conference participants proposed the creation of standards to help organizations establish and manage sustainable systems for volunteer engagement.

While CSOs explored the use of new digital tools to meet the challenges of the pandemic, many organizations did not adopt meaningful technological upgrades or innovations, both because of a lack of funds and an apparent lack of will among some CSOs to embrace digitalization. CSOs commonly use social media platforms such as Facebook or Twitter to facilitate their operations. However, they rarely utilize project management and tracking platforms or software to coordinate and standardize work among project team members.

ORGANIZATIONAL CAPACITY IN ALBANIA



FINANCIAL VIABILITY: 4.5

CSOs' financial viability remained largely unchanged in 2021, as it was affected by both positive and negative developments.

According to the 2021 EC Report on Albania, the COVID-19 pandemic further weakened the civil society sector's financial sustainability, which was already challenged due to Albania's unfavorable legal and fiscal framework. The 2020 Monitoring Matrix on Enabling Environment for Civil Society Development found that the fiscal treatment of the sector, including the lack of VAT refunds for grants, continues to negatively affect CSOs' operations and activities. No progress was made in addressing the measures related to the financial and tax treatment of CSOs provided in the Roadmap on Creating an Enabling Environment for Civil Society 2019 – 2023.



Foreign donors, including European Union institutions, foreign embassies, development agencies, and foreign political party institutes, continue to be the most important source of funding for CSOs in Albania. Public institutions, in particular ministries and municipalities, are also an important funding source.

Sub-granting schemes remained an important source of financial support for CSOs. For example, PA, with funding from the Norwegian Ministry of Foreign Affairs, implemented the Program for Civil Society for Albania and Kosovo; this program issued its third call for proposals in May 2021 through which five CSOs received a total of EUR 128,000. With funding from the Swiss Agency for Development and Cooperation (SDC), Lëviz Albania issued eight calls for grants up to CHF 60,000

(approximately \$62,740) for CSOs, informal groups, and activists working to improve local democracy and government accountability. However, CSOs point out that small-scale funds often create significant administrative burdens that hinder CSOs' ability to develop their programs.

CSOs receive some grants from the national government. The Agency for Support of Civil Society (ASCS) provides only minimal financial support to the sector and is not regarded as a viable funding source for CSOs due to budget cuts in recent years. In April, ASCS published a call for project proposals for financial support up to ALL 2 million per project (approximately USD 17,800). The National Youth Agency (NYA) provided support for youth-based organizations in 2021.

The new Law on Public Procurement entered into force in March 2021 and enabled CSOs offering social services to participate in public procurement procedures. However, the government issued few relevant public procurements and few CSOs took advantage of this opportunity in 2021. According to Public Procurement Agency data, only seven non-profit organizations participated in public procurement calls and four ultimately received funding; these were mostly focused on agricultural services.

Several CSOs experimented with crowdfunding to supplement traditional funding sources in 2021. One promising example was a crowdfunding initiative conducted by Down Syndrome Albania and PA's smile.al platform, which was established in cooperation with the private sector and raised funds for five projects.

In January 2021, the government enacted the Law on the Central Registry of Bank Accounts, which requires all legal persons, including non-profit organizations, to provide relevant information regarding their bank accounts for the purpose of creating a registry to detect, identify, and investigate criminal activity. A group of CSOs submitted a legal opinion on the law to the Ministry of Finance that notes concerns regarding the institution that would administer the registry and the right of other interested institutions to obtain the information contained in the registry without prior court approval. However, these recommendations were not fully reflected in the final law. As a result, these CSOs argued that the law should be reviewed by the Constitutional Court.

CSOs increasingly engage in service provision, including social entrepreneurship, to diversify their income. Law No. 10192/2009 allows confiscated assets to be converted into public property and supports an effective model of inclusive social business to provide services, training, employment, and support to vulnerable groups.

CSOs are increasingly mindful of the need to guarantee adequate financial management of their resources and grants and to strengthen their compliance with donor requirements. To this end, CSOs continue to invest in more sophisticated financial management systems and training for their staff. NRCCS' yearly NGO Academy, for example, enables CSOs' financial staff to receive training on financial management and internal financial procedures, budgeting and accounting, securing financial support through grants, and reporting obligations.

ADVOCACY: 3.3

Although CSOs conducted advocacy on a wide range of issues in 2021, lack of transparency, infrequent government consultations, and continued COVID-19 restrictions have undermined CSOs' ability to influence public policy over the past few years, resulting in a slight deterioration in this dimension.

Parliamentary elections were held in April 2021. Despite the limited scope for engagement under pandemic restrictions, several CSOs monitored the elections throughout the country. These observers reported the misuse of state resources during the campaign and irregularities on election day. Additionally, CSOs conducted voter education programs to raise public awareness on voting rights, the electoral reform introduced in 2020, and the importance of public participation by marginalized communities and youth.

According to the *Trust in Governance 2021* survey by the Institute for Democracy and Mediation (IDM), more than half of Albanians perceived local and central governments as being not transparent in 2021. Court hearings and public meetings were often held behind closed doors due to COVID-19 measures, denying access to journalists and watchdogs. In 2021, the Albanian Helsinki Committee (AHC) was excluded from the National Commission for Asylum and Refugees, leaving it without civil society representation. A civic monitoring report published by IDM revealed that municipal transparency programs remain incomplete, and that municipalities were least transparent regarding information on citizens' participation in decision making. On a positive note, parliamentary committees continued to livestream their work as a good practice to advance public participation and scrutiny of the legislative processes.

Public consultations with CSOs remained largely a formality with limited impact. For example, a group of CSOs criticized inadequate consultations and parliament's use of an accelerated procedure to enact a package of justice reform legislation, while forty-four CSOs publicly condemned consultations held on the government's plan to update the map of environmentally-protected areas as an inadequate "box ticking" exercise. Parliament approved new Rules of Procedure for Accreditation, Accommodation, and Orientation of Mass Media without any public consultations. Following CSO and media criticism of the regulation's potential negative impact on transparency, however, parliament consulted with stakeholders and revised the Rules.

According to a Res Publica report, the average time within which institutions responded to freedom of information requests in 2021 was the worst on record. Freedom of information requests were often followed by lengthy court procedures. As noted above, local and international organizations deemed the new Agency for Media and Information as an effort to consolidate government control and limit access to information.

CSOs submitted several legislative initiatives to parliament in 2021. For instance, a CSO coalition proposed a draft law to create a national register of persons convicted of sex crimes, after successfully collecting 22,428 signatures from citizens. The Center for Civic and Legal Initiatives and the Environmental Center for Development Education and Networking (EDEN) prepared a draft Law on Class Action Lawsuits, which a member of parliament then submitted for parliamentary consideration at the joint request of seventy-three CSOs. AHC provided technical assistance to the Farmer's Union to prepare and submit proposed amendments to the law for agriculture and rural development and the law on VAT. None of the above-mentioned legislative initiatives have not yet been adopted by parliament.

CSOs pursued their advocacy efforts through public campaigns, petitions, and other engagement tools. An online petition launched by Eco Albania to designate the Vjosa river as a national park received over 50,000 signatures and wide national and international support, though the government did not take action in 2021. Juxtaposing Political Offers (POP), a network of twelve CSOs working to promote accountability and citizen engagement at the local level, organized campaigns in multiple municipalities to advocate for the implementation of community-selected policy priorities in the areas of public services, local democracy and good governance, economic



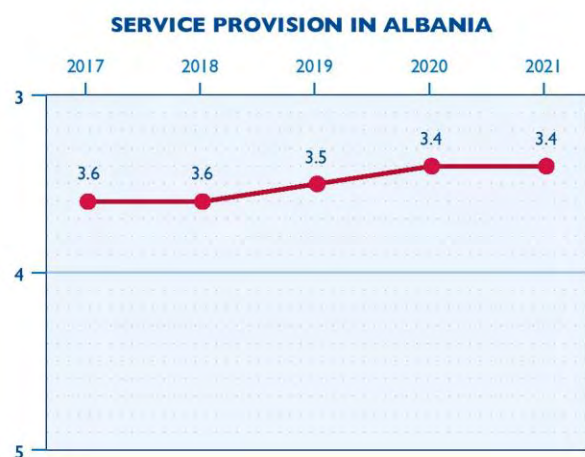
development, and local social matters. As a result, five municipalities committed to addressing community requests in 2022. IDM held its first national deliberative polling exercise, which surveyed 1,200 citizens' perceptions on matters of public interest and potential solutions. IDM will submit its findings to parliament to inform legislative decision making.

Finally, CSOs used strategic litigation to address human rights violations and challenge controversial government decisions. After a database containing the personal data of 910,000 voters was leaked on the eve of the parliamentary election, Guxo, a youth CSO, pressed charges against the Socialist Party on behalf of 162 citizens and filed a complaint with the Data Protection Commissioner. Res Publica provided legal representation to the media that first reported on the database after the Special Prosecution Office against Organized Crime and Corruption (SPAK) ordered the seizure of its computer servers. Res Publica brought the matter to the European Court of Human Rights (ECHR), which ordered SPAK to halt the seizure. The ECHR order was subsequently upheld by Albania's national courts, thus setting an important precedent on the protection of journalistic sources. However, by the end of 2021, no one had been held legally accountable for this incident.

AHC successfully challenged the constitutionality of provisions of the Law on State Police that allowed unauthorized surveillance, which the Constitutional Court found violated the right to private life. Tirana Legal Aid Society (TLAS) brought a lawsuit before the Administrative Court of First Instance challenging the civil registry's refusal to register a lesbian couple as parents, which was unsuccessful. TLAS plans to appeal and seek the repeal of legislation denying same-sex couples' access to equal parental rights. Open Society Foundation for Albania's legal clinics provided legal representation to a local community trying to prevent the construction of two hydropower plants in Zall Gjoçaj National Park. In January, the Administrative Court of First Instance abolished the license allowing the private company to produce energy in one of the hydropower plants. The decision was upheld by the Administrative Court of Appeal. In July, the High Court suspended the construction of two other hydropower plants over Valbona River in the culmination of a lawsuit filed by the Organization to Conserve the Albanian Alps (TOKA) six years ago. CSOs filed several successful anti-discrimination complaints with the Commission for the Protection from Discrimination pertaining to the rights of the Roma community, Egyptians, persons with disabilities, and LGBTI+ people.

The European Youth Forum announced that Tirana would be the European Youth Capital for 2022. As part of the initiative, youth CSOs will be able to apply for funding for projects in eight programmatic areas such as promoting volunteerism, encouraging active participation, promoting European identity, and increasing investment in youth.

SERVICE PROVISION: 3.4



CSO service provision did not change significantly in 2021.

CSOs remain the main private providers of social services in the country. During the year, they provided critical health, housing, and psychological services; legal aid; educational services; and research. CSOs were particularly important in providing services to the Roma and Egyptian communities, LGBTI+ people, persons with disabilities, women victims of domestic violence and trafficking, children, and the elderly. With funding from UN Women, for example, CSOs provided services, shelter, legal aid, and socio-economic reintegration support to survivors of gender-based violence and women from vulnerable groups. Due to limited resources, many CSOs focused on the continuation of

existing service activities, rather than introducing new services.

In 2021, CSOs were able to offer in-person services as COVID-19 restrictions were eased, increasing the effectiveness of their services. However, continued restrictions on gatherings posed an obstacle to the organization of certain activities. According to the EC progress report for 2021, CSO services for vulnerable persons affected by the pandemic complemented and sometimes replaced state interventions.

CSO service provision depends heavily on donor support and few CSOs generate revenue through these activities, which poses a challenge to their sustainability. Overall, social enterprises in Albania struggled to ensure sustainability and the Fund for Supporting Social Enterprises provided no funding in 2021.

Government support for CSO service provision is insufficient. ASCS provided limited financial support to CSOs offering psycho-social services to youth, survivors of domestic violence, marginalized communities, and persons who have recovered from COVID-19. The Agency for the Administration of Sequestered and Confiscated Assets provided EUR 154,000 from seized criminal assets to seven CSOs offering services to crime and trafficking victims. The Ministry of Justice (MoJ) allocated EUR 66,000 to support CSOs' legal aid programs and, in March 2021, ten CSOs applied for this funding. However, none of these CSOs was selected and the MoJ did not distribute these funds in 2021. On a positive note, the MoJ began drafting a methodology to assess project applications and improve the funding process.

At the local level, municipalities have minimal budgets for social care and therefore provide limited support to CSOs. Data and studies on local needs for specific services are lacking and sometimes must be provided by CSOs themselves when applying for public funds. The government provided support through the Social Fund to sixteen of the sixty-one municipalities in the country. Some municipalities used this funding to financially support CSO services. However, CSOs raised concerns about lack of transparency, nepotism, delays in accessing funds, and government attempts to influence the internal decision making of CSOs that received support.

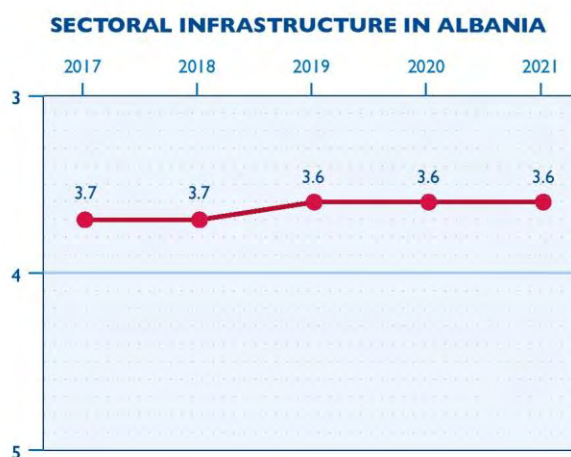
SECTORAL INFRASTRUCTURE: 3.6

The infrastructure supporting the CSO sector remained largely unchanged in 2021. The majority of capacity-building activities for the sector continued to be organized online, although CSOs began to hold some activities in person as COVID-19 measures were eased.

NRCCS continued to provide training and technical assistance to CSOs. In 2021, NRCCS continued to offer its long-running NPO Academy, through which twenty-three directors and managers of organizations from eight cities across Albania received training on organizational governance, human resource management, strategic communication and planning, advocacy and lobbying, and fundraising and financial management. NRCCS also organized online information sessions on the process of fiscalization (electronic reporting of invoices); beneficiary owner registration; and the fiscal framework and VAT reimbursement procedures for CSOs. In addition, NRCCS published briefing materials to raise awareness of legal changes affecting CSOs and provided technical assistance to four new CSO networks and coalitions on internal consolidation, strategic planning, advocacy, lobbying, fundraising, and cooperation with law enforcement institutions.

CSOs also had access to a wide variety of training opportunities offered by other organizations. IDM trained ninety local CSO representatives and activists on mechanisms to participate in the parliamentary process and twenty-four CSOs on Albania's anti-money laundering framework. Further, IDM trained six grantees on monitoring public administration reform and EU citizen consultation methods, as well as project management and reporting. Lëviz Albania mentored its grantees on the use of innovative and creative advocacy tools. Olof Palme International Center (OPIC) provided thematic assistance and mentoring to partner CSOs on strategic planning, advocacy and communication, internal management, and coalition building, and organized international experience sharing events for partner CSOs. The Albanian Women's Empowerment Network (AWEN) trained CSOs on the process of fiscalization, gender analysis, and gender mainstreaming. PA introduced a new initiative to strengthen CSO crowdfunding capabilities. EDEN provided training to CSOs on environmental diligence in the process of Albania's EU integration. EDEN also trained CSOs on the components of the Green Agenda for the Western Balkans.

Several organizations provided support to CSOs by regranteeing international donor funds. AWEN provided twenty-five grants to CSOs working to promote gender equality and address gender-based violence with funding from the

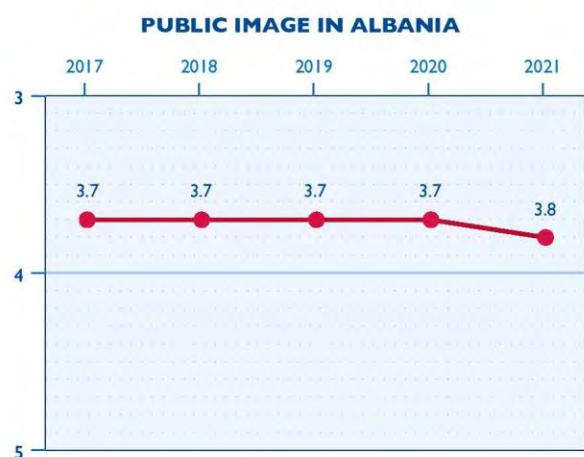


Swedish International Development Cooperation Agency (Sida) and the Austrian Development Agency. OPIC provided thirteen grants to CSOs, trade unions, and a CSO network focused on human rights, local democracy and good governance, and youth with support from Sida. The Kosovar Civil Society Foundation and PA provided five grants to CSOs for media, anti-discrimination, anti-corruption, and environment-related activities through a program funded by the Norwegian Ministry of Foreign Affairs. Lëviz Albania, with the support of SDC, awarded fifty-two grants to CSOs and non-formal civic actors for advocacy initiatives and engagement at the local level, including support for networking and alliance-building amongst civic actors. The Resource Environmental Center provided small grants to ten women-led CSOs and start-ups promoting green products through a program supported by the Global Environment Facility. Civil Rights Defenders provided three grants to CSOs working on media issues, as well as Roma and Egyptian rights with the support of Sida. In a welcome development, some organizations have started to promote CSO coalition building and networks through their grant programs.

CSOs continued to cooperate, undertake joint actions, and build networks to increase their impact and visibility. During 2021, membership in ANRD increased both thematically and geographically. This heightened the impact of ANRD's March 2021 advocacy and networking event, Albanian Rural Parliament, by ensuring the participation of 600 local stakeholders who gathered to discuss agricultural and rural development challenges. CSOs also increasingly engaged in joint actions with informal groups of activists. During the year, for example, several activists and CSOs worked together to organize nationwide protests against gender-based violence, indicating the start of a feminist movement. Environmental activists received continuous support from CSOs in their legal battles and protests against construction projects deemed as harmful to the environment.

Cooperation between CSOs and the national and local governments remained insufficient and CSOs do not trust that their input will be considered by government bodies. On a positive note, however, CSOs cooperated with independent institutions, local media, and universities throughout the year to exchange information, raise public awareness, and increase the visibility of different causes. For instance, CSOs cooperated with universities to organize voter education activities among students during the electoral period. Although cooperation between CSOs and the private sector remained underdeveloped in 2021, a positive example was seen in the cooperation between IDM and private sector associations to increase non-state actors' capacity and awareness of the framework of anti-money laundering policies.

PUBLIC IMAGE: 3.8



The CSO sector's public image worsened slightly in 2021 as a result of the ongoing attacks on the sector by the government and government-influenced media over the past few years.

The government frequently undermined the credibility and image of civil society and informal movements. Freedom House's *Nations in Transit* report noted that during the 2021 general elections there were vicious campaigns against activists, reporters, and civil society, among others. These campaigns were marked by discriminatory language, misogyny, intimidation, threats, and even violence. For example, human rights activists who advocated for changes in laws affecting the LGBTI+ community were often subject to homophobic slurs and threats. In addition, the co-authors of a study on state

capture and corruption in Albania published by Transparency International and IDM were attacked in the media in an effort to diminish the study's findings.

Media coverage and public discourse during the year focused disproportionately on political parties and the 2021 parliamentary election, rather than civil society activities. Established CSOs attract media attention, but traditional media outlets rarely cover CSOs that work with minority groups such as the Roma community, which undermines the ability of these CSOs to garner public attention. CSOs also gained local and international media coverage for protests they organized on sensitive issues such as price increases, domestic violence, and LGBTI+ rights.

According to IDM's *Trust in Governance 2021* survey, the public perceived CSOs as the fourth most trusted domestic institution, with 52.6 percent of respondents indicating that they trust CSOs, after religious institutions (67 percent), educational institutions (57.1 percent), and the armed forces (54.6 percent). These results are similar to those of the prior year. More than half of survey respondents agreed that the media and CSOs advance government accountability. CSOs were also perceived as one of the most independent institutions from political interests.

The CSO sector's positive image was due in part to the support of green movements that advocate for the protection of biodiversity and local communities that are affected by large infrastructure projects such as airports or hydropower plants. For example, the movement to protect Vjosa, the last wild river in Europe, mobilized significant citizen support. Eco Albania advocated and impacted citizens' perception of this issue through innovative online campaigns and petitions.

The private sector demonstrated a growing understanding of the important role of CSOs, particularly for cross-cutting issues such as the promotion of social entrepreneurship, philanthropy, and anti-money laundering.

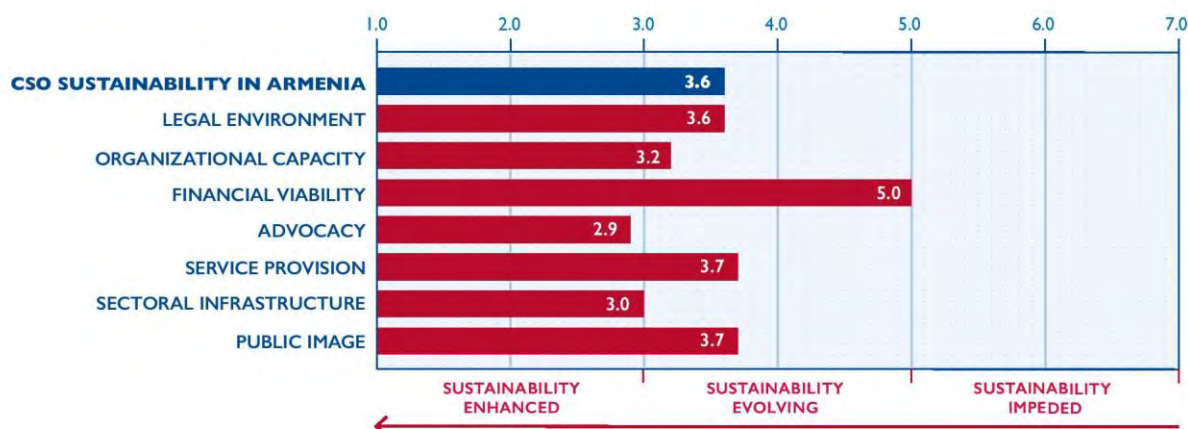
The COVID-19 pandemic spurred CSOs to increase their online presence. CSOs made more proficient use of social media and other digital tools to promote their activity and to reach their target groups. This trend is more apparent in CSOs operating in Tirana and large urban areas.

In July, NRCCS published the Code of Standards for Non-Profit Organizations in Albania, a self-regulatory mechanism aiming to improve non-profit organizations' effectiveness, good governance, transparency, and accountability. The Code is modeled on international and regional best practices for CSOs. By demonstrating the sector's commitment to a rigorous self-regulatory mechanism, CSOs hope that the Code of Standards will encourage learning and change within the sector, consolidate the sector's partnership with other stakeholders, and increase the legitimacy and credibility of CSOs.

ARMENIA

Capital: Yerevan
Population: 3,000,756
GDP per capita (PPP): \$12,600
Human Development Index: High (0.759)
Freedom in the World: Partly Free (55/100)

OVERALL CSO SUSTAINABILITY: 3.6



In 2021, Armenia continued to deal with the aftermath of its defeat in a forty-four-day war with Azerbaijan over the territory of the Republic of Artsakh (also known as Nagorno-Karabakh). As a result, much public attention during the year was focused on national security issues, the humanitarian crisis in Artsakh, and the unstable situation on the Armenian-Azerbaijan and Artsakh-Azerbaijan borders. Despite the November 9, 2020, ceasefire agreement that ended the war,¹ Azerbaijani military forces frequently initiated hostilities in the border regions of Armenia in 2021. For example, in May, Azerbaijani military troops advanced across the sovereign territory of Armenia, while in November, large-scale hostilities broke out, resulting in casualties and the capture of soldiers from the Armenian side. Overall, the Armenian public was frustrated with the war's devastating outcome and plagued by uncertainty about the future. The post-war political, social, and economic situation in Armenia also impacted CSOs, making humanitarian and social agendas the priorities for them.

Armenia also faced a significant political crisis during the year. After Armenia's defeat in the war and the signing of the ceasefire agreement, the opposition organized protests against the current government, led by the Civil Contract Party. In February, a new wave of anti-government protests broke out after Armenian military officials demanded the resignation of Prime Minister Nikol Pashinyan. In April 2021, Pashinyan resigned as prime minister to resolve the political crisis, triggering snap parliamentary elections that were held in June. Pashinyan's Civil Contract Party won a parliamentary majority and Pashinyan was re-appointed as prime minister. Under the leadership of two former presidents, Robert Kocharyan and Serzh Sargsyan, two opposition blocks—Armenia Alliance and I Have Honor Alliance—received parliamentary seats. International organizations and the Constitutional Court of the Republic of Armenia deemed the elections to be free, competitive, fair, and well-organized, and the Constitutional Court upheld the election results after the opposition contested them. The political situation stabilized after a new government was formed in August 2021.

Reflecting the positive experience with the snap elections and successful implementation of electoral reforms, judicial reforms, and progress in democratic governance, Freedom House changed its rating for Armenia in its 2022 Nations in Transit report from a semi-consolidated authoritarian regime to a transitional or hybrid government. At the same time, the rating for media independence in the same publication declined as lawmakers

¹ The ceasefire was brokered by Russia and signed by Prime Minister Nikol Pashinyan of Armenia, President Ilham Aliyev of Azerbaijan, and President Vladimir Putin of Russia.

from the ruling party re-criminalized certain forms of defamation and insults against public figures, thereby threatening the freedom of speech and media.

The COVID-19 pandemic continued to impact Armenian society in 2021. The total number of COVID-19 cases in the country reached 344,930 as of December 31, 2021, while the number of fatalities reached 7,975. Two waves of infection hit the country in 2021: one in March and April, and another in October and November, with between 1,500 and 2,500 daily cases on average at the peaks. Although the government promoted vaccinations among the population, given the spread of conspiracy theories and distrust in the vaccines, only 31.9 percent of the population had received at least one dose of the vaccination by the end of the year, and only 23.4 percent were fully vaccinated. Despite this, most of the COVID-19 related restrictions, such as the mandatory wearing of face masks, social distancing, and restrictions of public gatherings, were either gradually removed or weakly enforced, and the rate of infections had fallen by the end of the year.

The CSO sector's overall sustainability remained largely stable in 2021, with improvements in some dimensions balancing out deterioration in others. Driven by further digitalization and capacity building of CSOs, the organizational capacity of the sector improved during 2021. In contrast, advocacy worsened as CSOs' participation in decision making and public dialogue declined. Financial viability also declined, driven by the increasingly disproportionate access to foreign donor funding and ongoing complaints about the nontransparent distribution of public funds.

The Electronic Register of the Ministry of Justice (MoJ) provides information on the number of legally registered public organizations and foundations. According to MoJ statistics, the number of public organizations increased by 523 in 2021 to a total of 5,659. The number of foundations also increased, from 1,335 in 2020 to 1,476 in 2021. Meanwhile, as mentioned in previous reports, 225 legal entity unions remain registered on the books, even though they have not been considered legal bodies since legislative changes were made in 2017. These legal unions are supposed to modify their charters and re-register as either foundations or public organizations. However, the process has stalled largely due to a lack of legislative enforcement.

According to the *Artsakh Press*, there are approximately 250 CSOs registered in the Republic of Artsakh. Most of these work in the areas of philanthropy and social aid, youth, health, education, science, culture, art, and sports. Experts estimate that less than 20 percent of registered CSOs are active, the vast majority of which are concentrated in the capital city of Stepanakert. As a result of the forty-four-day war, some CSOs, especially those operating in territories occupied by Azerbaijani military forces, ceased their operations, while others changed their mandates to engage in philanthropy, humanitarian assistance, and social aid.

LEGAL ENVIRONMENT: 3.6



The legal and regulatory environment governing CSOs remained essentially unchanged during 2021.

Overall, CSOs operate in a free environment. The legislative framework enables the registration of two types of organizations—membership-based public organizations, regulated by the Law on Public Organizations, and non-membership foundations, regulated by the Law on Foundations. The registration process for both is easy and straightforward. CSOs can register in the regional offices of the State Register in the MoJ. Although traditional businesses can register online, there is still no online registration system for CSOs. Registration of a public organization or foundation takes ten to fifteen days and costs approximately USD 20.

While registration procedures are easy, the processes

for liquidating and closing CSOs remain complicated, resulting in an excessive number of defunct organizations remaining on the books.

CSOs may operate without registration as long as they comply with general legal regulations and do not engage in formal financial transactions. However, informal civic groups still have access to some sources of funding, including crowdfunding and local philanthropy.

The Law on Public Organizations and the Law on Foundations precisely regulate the internal governance of CSOs, with both providing clear roles and responsibilities for the relevant board members, supervising committees, executives, members, and staff. The laws also guarantee the independence of CSOs by restricting intervention in a CSO's internal affairs by the state or any third-party actor as long as the CSO complies with the law.

An amendment to the Law on Public Organizations adopted in May 2021 allows CSOs to represent their constituencies in court in cases related to environmental protection and the protection of the rights of persons with disabilities. CSOs welcomed the change as previously they were only allowed to initiate public interest cases in the area of environmental protection and/or represent their constituencies in court through a notarized power of attorney. However, the procedures for representing constituencies in court are still complicated and bureaucratic.

According to amendments to the Law on Public Organizations adopted in March 2020, beginning in May 2021, CSOs are required to submit annual activity reports with information on their mission and goals, implemented projects, income, and expenditures, among other information. Templates and reporting requirements are provided by the State Revenue Committee (SRC). Though CSOs have concerns that the new reporting requirements impose additional burdens on them, they also perceive the changes as a positive step toward enhancing the sector's overall transparency and accountability. According to the European Center for Not-for-Profit Law's CSO Meter, in 2021, SRC issued 790 warnings to public organizations and 356 to foundations for not meeting reporting requirements in a timely manner. Furthermore, SRC fined CSOs if they still did not comply after the warning notifications were sent. Twenty-one CSOs were fined AMD 50,000 (about USD 100) after the first notification and ten CSOs were fined AMD 200,000 (about USD 420) following the second notification.

Martial law, which was established during the Nagorno-Karabakh war, remained in force until March 2021, although the government lifted the provision on public assemblies and strikes in December 2020. However, public assemblies were still prohibited through August 2021 by COVID-19 pandemic restrictions. Despite the restrictions, public assemblies were still organized from time to time. Several incidents of violence by law enforcement bodies were reported during these protests and demonstrations, indicating the disproportionate usage of the police force.

In 2021, the government imposed restrictions that could obstruct the freedom of speech and media. These included limitations on the free movement of journalists in the parliament and in several regions in Syunik Marz. CSOs and international organizations also expressed concerns that authorities may violate the freedom of expression by abusing the criminalization of defamation and insults against politicians and public figures and pressure media organizations and public figures criticizing current officials. By the end of 2021, nine criminal cases were already opened against people accused of insulting public figures, including Prime Minister Pashinyan. In addition, CSOs and the Committee to Protect Freedom of Expression (CPFE) reported increased violence against journalists covering opposition protests and demonstrations.

In a rare incident of state harassment, a CSO leader and human rights activist representing minority rights was charged with "actions aimed at the incitement of national, racial or religious hatred" in November 2021. The case was initiated in response to an interview in which the activist spoke about the problems and discrimination faced by the Yezidi minority in Armenia. Despite multiple statements and petitions by CSOs and international human rights organizations, such as Freedom House, Human Rights Watch, and the Helsinki Citizens' Assembly, the case was sent to court.

CSOs are legally allowed to mobilize financial resources from foreign donors and through fundraising campaigns, the provision of goods and services, and participation in procurement procedures. The income generated through such activities should be used only to accomplish the goals stipulated in the organization's charter.

CSOs are at a disadvantage when competing for public procurements with traditional businesses, as public organizations receiving public funds in excess of AMD 10 million (about USD 20,000) are obliged to pass independent audits. Therefore, CSOs have to include audit expenditures in their bids, unlike traditional businesses, which are not subject to mandatory audits for projects they implement using public sources. Moreover, the entrepreneurial activities of CSOs are subject to a 20 percent value-added tax (VAT) and distinct accounting

operations, while traditional businesses enjoy access to simple tax regimes. At the same time, however, CSOs are less frequently subjected to tax inspections than traditional businesses. CSOs interested in social entrepreneurship prefer to establish separate for-profit organizations or operate as private entrepreneurs rather than engage in entrepreneurial activities directly as this allows them to enjoy an improved tax regime with low tax rates and simplified bureaucracy.

CSOs with an annual turnover exceeding AMD 115 million (about USD 280,000), including income from grants, must pay 20 percent VAT. Projects deemed charitable by the State Humanitarian Commission and those implemented under inter-governmental agreements between Armenia and the respective donor countries are eligible for VAT exemptions.

Fiscal incentives to promote donations to CSOs are limited. Commercial organizations can deduct up to 0.25 percent of their gross annual income for donations made to eligible CSOs. Individual donors do not receive any tax deductions for their contributions.

CSOs can receive legal advice from various CSOs, including but not limited to the Armenian Lawyers' Association (ALA), Transparency International's Anticorruption Center (TIAC), the A.D. Sakharov Armenian Human Rights Protection Center, the NGO Center (NGOC), and the Eurasian Partnership Foundation (EPF). As remote work has become more common over the past two years, legal expertise has become more available for CSOs both in the capital city and in secondary cities. However, demand for legal assistance in the sector is not high, and specialization in CSO laws is not an attractive field for legal consultants. Accordingly, the number of experts in this sector is still limited.

ORGANIZATIONAL CAPACITY: 3.2

Organizational capacity improved in 2021, driven by continued improvements in digitalization and capacity building. However, there is a lack of comprehensive research on the development of CSOs' organizational capacities.

In the wake of the crises facing the country in 2020—namely the COVID-19 pandemic and the Second Nagorno-Karabakh War—CSOs continued to provide humanitarian assistance to their constituencies in 2021. CSOs focused on addressing newly emerging needs such as those of vulnerable families impacted by COVID-19, people displaced during the war, and wounded soldiers and their families. As a result, they developed fieldwork capacities, including skills to identify people in need, conduct rapid assessments, work with new constituencies, coordinate with different actors during the provision of assistance, and cooperate with local self-governmental bodies. In addition, a wide range of both urban and rural CSOs expanded their skills in using information and communication technologies (ICTs) to build relationships with their potential constituents and beneficiaries.

In response to the shocks of 2020, CSOs re-evaluated their strategies and policies in 2021 with a focus on resilience and preparedness for emergencies. During the year, some donor-funded projects also targeted CSOs' resilience and sustainability. For example, with funding from the European Union (EU), the COVID-19: Civil Society Resilience and Sustainability project provided digitalization grants to CSOs to sustain their operations, improve their online work, and mitigate the immediate and longer-term impacts of COVID-19. Another EU-funded project, Eastern Partnership (EaP) COVID-19 Solidarity Program, targets the capacities of CSOs and watchdog initiatives for inclusive recovery policies and sectoral reforms. In addition, local CSOs implemented the USAID-funded COVID-19 Response to Communities Project, which targeted community resilience and COVID-19 impacts. However, there continue to be gaps between CSOs' defined missions and strategic plans and their actual activities, as CSOs often act in an ad hoc manner, aligning their work with available grants and projects.



CSOs have access to guidelines, capacity development, and self-assessment tools developed within the framework of different donor-funded projects to support their internal management and project implementation capacities. For example, in 2021, within the USAID-funded Data for Accountable and Transparent Action (DATA) project, partner organizations launched the Youth Programming Assessment Tool Kit to help youth organizations foster the effectiveness of their projects. On the other hand, though many CSOs have adopted policies, procedures, and systems guiding their internal governance, only relatively large CSOs follow them. In particular, small CSOs lack clear divisions of the roles and responsibilities between their board and staff members. CSOs increasingly acknowledge conflicts of interest and seek to avoid such issues to the extent possible.

Only relatively large CSOs with access to longer-term funding can afford to maintain permanent staff. As a result, small CSOs mostly rely on short-term service provision contracts when they have active projects. As a rule, CSOs outsource professional services, such as accounting, IT, marketing, and legal services, and only a few large CSOs can afford to maintain such staff permanently. CSOs, especially regional ones, successfully engage volunteers. Although the rate of volunteering decreased somewhat in 2021 after it surged in 2020, the culture of volunteering is developing among youth who perceive it as a good starting point for their future career opportunities. According to the Charities Aid Foundation's World Giving Index 2022, which covers developments in 2021, 11 percent of respondents in Armenia reported volunteering in the previous month.

In 2021, CSOs continued to improve their skills and usage of digital technologies as they adopted remote working arrangements and focused on their online presence and visibility on social media. CSOs used various platforms, such as Zoom, Microsoft Teams, and Slack, to organize online meetings, discussions, and training sessions, and manage their work. CSOs' activity on social media platforms, including the most popular networks, such as Facebook, YouTube, Instagram, and Telegram, also increased. The shift to remote work enabled CSOs to realize some savings due to reductions in costs associated with maintaining permanent offices, transportation, and utilities. Regional CSOs, especially youth initiatives and organizations, continued to enjoy access to free office space in buildings owned by local self-governmental bodies. Relatively cheap internet is accessible throughout the country. CSOs still do not pay significant attention to cybersecurity issues.

FINANCIAL VIABILITY: 5.0



Financial viability, which has long been the weakest dimension of CSO sustainability in Armenia, worsened further in 2021 due to the increasingly disproportionate access to foreign donor funding and ongoing complaints about the lack of transparency in the distribution of public funds. The war and COVID-19 changed the landscape and target areas of donor and state funding, with sectors such as culture and sports receiving less funding. As a result, CSOs report that the overall volume of funding for certain types of projects and the diversity of target areas shrank during 2021. Though CSOs acknowledge the importance of self-financing and seek different approaches to reach it, most remain highly dependent on foreign donor funding.

Prominent foreign donors in Armenia supporting the CSO sector include the EU, USAID, Open Society Foundation (OSF), and the Black Sea Trust for Regional Cooperation. In addition, small grants are provided by the Swedish, Dutch, and German governments; the US, Czech, and Japanese embassies; and Robert Bosch Stiftung and Friedrich Ebert and Heinrich Boell Foundations. Some large foreign projects in 2021 included the USAID-funded DATA (2020-2022), Civic Engagement in Local Governance (CELoG, 2014-2022), and Media for Informed Civic Engagement (2014-2022) programs; and the EU-funded Strong CSOs and Local Partnerships for Accountable Communities and Inclusive Social Protection in Armenia (2021-2024), COVID-19: Civil Society Resilience and Sustainability (2020-2024), and EaP Civil Society Facility (2021-2024) programs.

Small and newly founded CSOs express concerns regarding their limited access to foreign donor funding as primarily large and well-known CSOs receive most of this money. At the same time, large organizations often award sub-grants to smaller organizations. Once an organization receives such grants, they are more familiar with the established procedures and are more likely to receive future funding. Donors that support social enterprises mainly fund newly established social enterprises. In contrast, older social enterprises face difficulties in the market given the overall worsened socio-economic situation in the country.

CSOs receive public funds from both central governmental and local self-governmental bodies. In 2021, the government allocated about AMD 75 million (approximately USD 187,000) in support to CSOs. CSOs increasingly criticize the allocation of public funds by the government, as organizations that support government policies or have links to government officials frequently receive state funding through non-transparent, non-competitive grant allocation procedures.

Local philanthropy and diaspora giving suffered somewhat in 2021 as the government failed to assure proper transparency and accountability in the distribution of funds collected through the All-Armenian Fund. This fund collected more than USD 170 million during the war, USD 105 million of which was transferred to the government; no public information was made available on how these funds were spent. People are more likely to donate to informal small public initiatives and fundraising campaigns initiated by CSOs that address specific and distinct issues, such as support to a vulnerable family or a wounded soldier or coverage of accommodation or health-care expenses of people in need. According to the World Giving Index 2022, 16 percent of respondents in Armenia reported donating money in 2021.

CSOs increasingly use online platforms and other electronic tools and instruments to raise funds. For example, the ReArmenia collaboration platform successfully raised funds through online crowdfunding platforms and then used them to support innovative solutions to problems. CSOs have also started to integrate “donation” sections into their websites. In addition, after the war, new funds were created and named after killed soldiers which successfully raised funds for public projects.

Corporate philanthropy decreased in 2021 compared to 2020, with companies preferring to carry out their own corporate social responsibility projects, thereby bypassing CSOs.

The economic situation in the country, which has been shaped both by the pandemic and the war, continued to negatively impact CSOs’ capacities to generate income through the provision of services, products, and renting assets.

Mandatory reporting requirements from SRC and donor organizations encourage CSOs to maintain sound financial management systems. In addition, CSOs undergo external audits when required by the state or donor organizations. As a rule, CSOs outsource financial management and accounting services.

ADVOCACY: 2.9

CSO advocacy deteriorated slightly in 2021. Given the overall unstable political situation in the country and national safety concerns, CSOs widely engaged in self-censorship, avoiding criticism of the government. At the same time, the government was unwilling to engage with CSOs in shaping public policies and carrying out reforms. In 2021, Armenia’s score on V-Dem’s civil society participation index decreased from 0.8 to 0.74,² indicating a decrease in the extent to which CSOs are routinely consulted by policymakers.

Public councils, which are formally attached to the ministries, should ensure CSOs with access to government decision-making processes. However, these bodies were mostly inactive during 2021, both before and after the elections. Legal acts of greater public importance may be subject to broader consultations such as parliamentary hearings and discussions with CSOs. However, formal and informal consultation procedures with CSOs initiated by the government were also limited during the year. Several of the most important legal acts during the year were adopted in a hasty manner without proper consultations and discussions. For example, in April 2021, the parliament adopted a new Law on Elections; only a limited number of CSO representatives were involved in the

² V-Dem uses a scale from 0 to 1, where 0 stands for low participation and 1 indicates high rates of participation.

drafting and discussion of the legislative reforms. In addition, the process was rushed and did not allow sufficient time for broader engagement and meaningful participation of interested CSOs. A report by the International Budget Partnership (IBP) and civil society partners, including TIAC in Armenia, finds that the level of accountability in COVID-19 fiscal policy responses was limited and lacked transparency, proper citizen engagement, and oversight.

Draft legal acts are posted on the www.e-draft.am portal, allowing the public to review, discuss, and comment on them. However, CSO representatives do not consider the e-draft.am portal as a useful advocacy tool, as it does not enable meaningful and reciprocal communication. CSOs report that even subscribers to the portal do not receive proper notification when new draft legal acts are posted. In addition, many do not find the provision of their comments to have meaningful impact. Accordingly, drafts receive limited engagement, and though the number of published legal acts increased, the number of comments provided by users decreased by 51.4 percent in 2021 compared to 2020. In addition to www.e-draft.am, in September 2021 the government launched a unified electronic platform for petitions (www.e-petition.am), similar to change.org, through which citizens have the opportunity to submit individual and collective petitions related to the activities of the national, regional, and local authorities. Another online tool about governmental reforms is www.reforms.am portal, launched in 2021 by the Union of Informed Citizens NGO and funded by the US Embassy in Armenia. However, this platform only provides access to information and does not enable feedback to the government.

Given the overall political instability, border insecurity, and uncertainty over the status of Artsakh, CSOs self-censored their criticism against the incumbent government and limited their advocacy efforts. CSOs active in promoting democracy, anti-corruption, human rights, and government accountability tried to stay passive to avoid being targeted by anti-governmental and populist groups. In addition, many CSOs changed their priorities to address urgent humanitarian needs. In this context, CSO oversight over the government suffered.

Despite these challenges, there were several successful examples of CSO-government collaboration during the year. For instance, in March, the new Law on Higher Education and Science was adopted, establishing a new and more sustainable system for student self-governmental bodies within state universities. Some of the final provisions were advocated for mainly by the Restart Foundation for Science and Education, which was founded after the 2018 political changes and engages in promoting educational reforms in addition to anti-corruption initiatives.

The DATA project focuses on building CSOs' capacities to engage in fact-based policy-making processes by obtaining, analyzing, and reporting reliable data. In 2021, the project awarded sub-grants to enable such work and provided various capacity-building support. Around twenty CSOs received capacity-building training on policy paper development and advocacy, including problem identification, data collection and research, and policy communication.

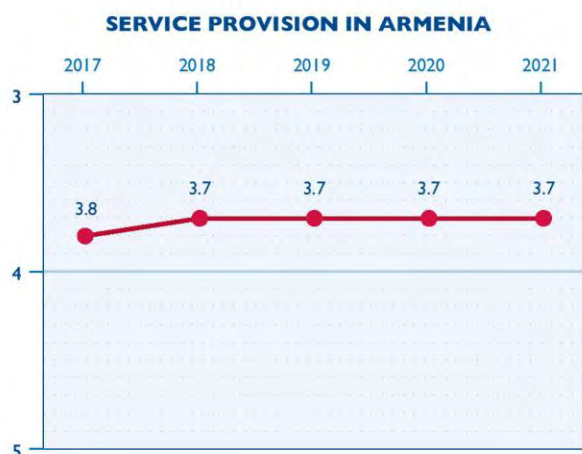
Overall, governmental initiatives shaping the legal and regulatory environment of the CSOs were limited in 2021 due to changes in priorities in the post-war environment. Accordingly, though CSOs acknowledge the importance of such reforms, such advocacy was limited in 2021.



SERVICE PROVISION: 3.7

CSO service provision remained essentially unchanged during 2021 and continued to be shaped by the post-war situation in the country.

In 2021, CSOs continued to provide a wide range of services to their constituencies and beneficiaries. Given the humanitarian issues at hand, many CSOs focused on providing humanitarian, social, economic, health-care, psychological, educational, and cultural services to affected populations. Many CSOs that traditionally provide



services in human rights, advocacy, and government accountability changed their mandates to respond to the humanitarian priorities and reach new groups of beneficiaries. Those groups included but were not limited to women and children displaced from Artsakh, people who lost their homes, and families of captured, killed, wounded, or missing soldiers and civilians. In addition, new funds were created. For example, the newly established Aren Mehrabyan Foundation, named after a soldier killed during the war, provides training and employment opportunities for people with disabilities. The foundation successfully collected funds through an online donation button integrated on its website.

The mitigation of COVID-19-related restrictions during 2021, which had challenged CSOs in 2020, enabled CSOs

to again provide field-based goods and services in line with the newly developed virtual ones. Overall, CSOs demonstrated a solid ability to address their constituents' and communities' priority needs, expand their range of services, and involve new target groups whenever critical situations arose.

The Law on Public Organizations stipulates that CSOs should not discriminate in the provision of goods and services on the basis of race, gender, ethnicity, sexual orientation, or other characteristics of the beneficiaries, and CSOs generally follow this rule. Membership associations primarily provide goods and services to their members; however, some of their activities target audiences beyond their members. For example, the Social Entrepreneurship Association, Corporate Governance Center, Small and Medium Business Association, and Chamber of Commerce and Industry develop products or provide services that are of broad use and accessible to all businesses regardless of their membership.

CSOs have developed a range of paid services in areas such as consultancy, research, and leasing spaces. In a limited number of cases, CSOs offer publications, workshops, or expert analysis on a commercial basis. Nevertheless, there are still few festivals, exhibitions, or conferences that foster the demonstration and sales of CSO goods and services. CSOs established new social enterprises, such as the Social Entrepreneurs International Academy and Innovative Tourism, but overall, the sector still has a limited capacity to recover costs.

The government mostly appreciates the services provided by CSOs in the social sector, and the Ministry of Labor and Social Affairs (MLSA) commonly outsources social services to CSOs. For instance, MLSA supports psychological services and shelters for victims of domestic violence through eleven support centers operated by local CSOs throughout the country. In another example, in late 2020, MLSA transferred responsibility for implementing the Japanese Social Development Fund Project Promoting Social Inclusion and Self-Reliant Livelihood Activities, with a budget of USD 2.7 million, to the Armenian Association of Social Workers (AASW); the project was implemented in 2021 and 2022.

SECTORAL INFRASTRUCTURE: 3.0

The infrastructure supporting the CSO sector did not change in 2021.

Active intermediary support organizations (ISOs) and resource centers, such as EPF, NGOC, Partnership and Teaching NGO, TIAC, the Infotun (information house) network, Armavir Development Center, and ALA, continued to provide assistance to CSOs in 2021. The CSO DePO portal continued to house CSO-related information in a single location, providing access to up-to-date announcements, resources, news, and opportunities. ISOs and resource centers provide most of their services to CSOs free of charge. Local sub-granting was inconsiderable in 2021.

CSOs, both Yerevan-based and regional, continued to have access to online and in-person capacity-building and training programs. However, most trainings were provided online, which CSOs indicate is less effective than face-to-face training. At the same time, the increased digitalization of the sector allowed CSOs to seek new capacity-building opportunities in the virtual domain beyond what is offered in the country. Training opportunities were

also available within donor-funded projects, including those supported by the EU, USAID, and United Nations Development Programme (UNDP), and included CSO capacity building, youth entrepreneurship, advocacy, women's empowerment, and other topics.

CSOs regularly work in consortiums and acknowledge the benefits and efficiency of such collaboration in addressing complex issues. The largest-scale donor-funded projects, especially those funded by the EU, promote CSO cooperation by allocating grants exclusively to CSO coalitions. For example, DATA is implemented by a consortium of five organizations. The project also supported five networks working in diverse areas including labor rights, state procurement, socio-ecological development of communities, mental-health issues, and strategic development. In addition, several active coalitions positively impact their respective areas' overall landscape and operate regardless of the availability of donor funding. Such partnerships include, for instance, the Coalition to Stop Violence Against Women (an umbrella organization including ten CSOs) and the CSO Anti-Corruption Coalition of Armenia (consisting of more than seventy CSOs). Despite the increased cooperation among CSOs, the overall environment remains more competitive than collaborative. As a result, organizations are grouped under the umbrellas of different donors and compete against each other.

There are several examples of CSO-business collaboration. For example, Viva-MTS, a telecommunication company, and Fuller Center for Housing Armenia provided support and housing to displaced and socially vulnerable families, while Partnership and Teaching NGO organized business training among youth in partnership with HSBC Bank. However, such cases are exceptional and the number of such partnerships declined in 2021, after recording an increase in 2020 in response to the humanitarian crises. CSO-government collaboration is also ad hoc and not institutionalized, and there are no strategic plans underlying such collaboration. The extent of collaboration depends mostly on the personality of high-ranking officials in the ministries or local self-government bodies. Positive exceptions include MLSA, which has strong links with CSOs providing social services, and MoJ's Legislation Development Center, which collaborated with diverse stakeholders throughout the year.

SECTORAL INFRASTRUCTURE IN ARMENIA



PUBLIC IMAGE: 3.7

PUBLIC IMAGE IN ARMENIA



The overall public image of CSOs remained unchanged in 2021, with both positive and negative trends noted. On the one hand, CSOs improved their public image through their day-to-day work addressing humanitarian issues. On the other hand, however, they became scapegoats for the previous regime's supporters who accused them of promoting a "western agenda" and contributing to the country's defeat in the war. Regional CSOs enjoy a more positive public attitude than those located in Yerevan, primarily thanks to their day-to-day work during the pandemic and the war and close relationships with the local population.

CSO-friendly media platforms, such as Article 3 Club (run by For Equal Rights), Media Center (managed by the Public Journalism Club), Azatutyun Radio Station/US,

Civilnet, Factor TV, and the Infocom information committee (known as the Infocom information portal), provide space for CSOs to share their messages, while CSO-hostile media outlets, funded mainly by representatives of the previous regime, provide negative coverage of CSOs. New formats in traditional and digital media outlets, such as audio and video podcasting, interviews, dialogues, and public discussions, became popular in 2021, and CSO representatives were invited to participate in such programs. For example, the Infocom information portal started

a series of video podcasts on which the representatives of different CSOs cover topics related to socio-economic and political life, education, science, etc. Other examples include Public TV, which broadcasts the TV program Public Dialogues, and Public Radio, which hosted CSO representatives on talk shows along with politicians and experts.

The public perception of CSOs improved in 2021 in response to their efforts to provide humanitarian assistance and address the needs of beneficiaries during the pandemic, the Second Nagorno-Karabakh War, and in the post-war reality. The day-to-day work of CSOs and civic initiatives at the community level with displaced people, families of killed soldiers, and socially vulnerable groups, among others, reinforced their positive image among the public. CSOs also continually improve and enhance their presence on popular social media platforms.

In their attempts to use the politically unstable situation to regain political power, former government representatives and supporters frequently targeted CSOs—particularly those focused on protecting human rights, fighting corruption, promoting democratic values, and advocacy—in their political smear campaigns against the government. These CSOs were accused of undermining the state, national security, and army, and thus of being culpable for the country's defeat in the war. In addition, CSOs were accused of promoting a “western agenda” in the country that is opposed to national, traditional, and family values. As in previous years, the word “Sorosian,” a pejorative term based on the name of philanthropist George Soros, was widely circulated and used to discredit some CSOs that receive foreign funding and are involved in advocacy efforts. However, after the snap parliamentary elections in July 2021, in which the opposition won parliamentary seats, messages against CSOs lessened, with criticism mostly directed towards the government instead.

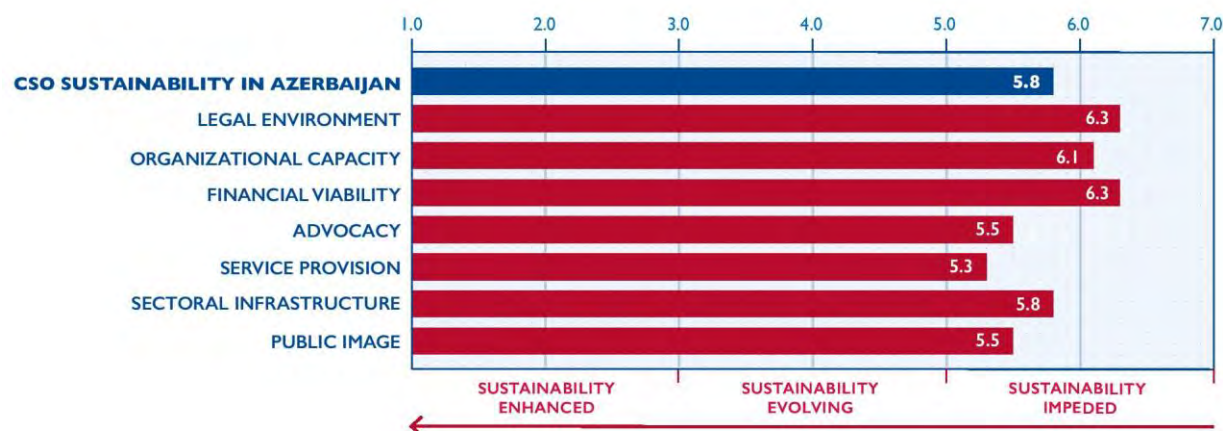
The government demonstrates a variable attitude towards CSOs, grouping them as either “favorable” and “loyal” or “hostile” and “unfavorable.” Those that criticize the government are more likely to be considered “unfavorable.” In contrast, MLSA trusts and values CSOs' service provision. Thanks to its experience implementing projects jointly with CSOs to overcome the crises caused by COVID-19 and the war, the business sector improved its understanding and perceptions of CSOs.

The sector's overall transparency and accountability improved after new reporting requirements on financial operations became effective in May 2021. However, only relatively large CSOs put extra effort into ensuring their transparency by adopting codes of conduct and disclosing user-friendly reports. As a rule, CSOs tend to publish very generic reports, and publication of detailed information on CSOs' operations and financial flows is still limited.

AZERBAIJAN

Capital: Baku
Population: 10,353,296
GDP per capita (PPP): \$13,700
Human Development Index: High (0.745)
Freedom in the World: Not Free (9/100)

OVERALL CSO SUSTAINABILITY: 5.8



Political liberties in Azerbaijan continue to be highly restricted. The country is considered “Not Free” in Freedom House’s Freedom in the World 2022 report, which covers developments in 2021, with a score of just 9 out of 100. The CIVICUS Monitor continues to rate civic space in Azerbaijan as closed. Political and civic activists, journalists, and citizens who express opinions critical of the authorities are regularly subject to criminal prosecution and harassment. During the year, there were allegations that several dozen journalists, bloggers, and activists, along with their family members and related individuals, were targeted with the Pegasus spyware, which is only sold to governments.

In December, the parliament passed a law on media that is widely viewed as further curtailing the freedom of expression. In the view of the Council of Europe’s Commissioner for Human Rights, the law “further deteriorates the situation as concerns freedom of expression and media freedom in the country by granting discretionary powers to state authorities regulating the media sector, including through licensing, excessively restricting journalists’ work, and introducing several limitations to the financial, legal and operational activities of media companies and entities.”

In March, the president issued a decree pardoning more than 400 people, including about forty opposition political activists, journalists, religious community representatives, and human rights defenders who have been identified as political prisoners by human rights groups.

In the fall of 2020, Azerbaijan engaged in intense armed clashes with Armenia over the territory of Nagorno-Karabakh, which was internationally recognized as a part of Azerbaijan, but has de facto been a part of Armenia since 1994. The Second Karabakh War resulted in several thousand deaths and allowed Azerbaijan to keep a significant amount of the territory it had regained, while requiring Armenia to hand over other areas. Occasional ceasefire violations by both parties to the dispute took place during 2021. Humanitarian and human rights CSOs have very limited access to the conflict-affected territories. In a memo issued in November 2021, the Council of Europe’s Commissioner for Human Rights called upon the authorities to create an enabling environment for CSOs wishing to engage in cross-border initiatives.

The COVID-19 pandemic continued to affect CSOs’ operation in 2021. In September, however, the Cabinet of Ministers eased the special quarantine regime given the increase in the number of vaccinated citizens across the country and the continuous decrease in the number of infections. According to the decision, beginning on October 1, 2021, public transportation was reopened on the weekends and cafés, restaurants, and shopping centers were allowed to open again as long as they enforced certain restrictions, such as wearing a mask.

Overall CSO sustainability improved slightly in 2021, with slight improvements recorded in several dimensions. While still restrictive, the legal environment improved slightly with the introduction of a web-portal for CSOs to amend their registration documents and register funding. Financial viability was enhanced with an increase in foreign and domestic support, which in turn supported a slight improvement in service provision. The public image of the sector also improved slightly over the course of the year as a result of CSOs' support to marginalized groups during the pandemic and the Second Karabakh War.

According to official data, there were 4,766 registered CSOs with the Ministry of Justice (MoJ) at the end of 2021. However, most of these groups are not active and exist only on paper. There are also dozens of unregistered groups in the country.

LEGAL ENVIRONMENT: 6.3



While CSOs continued to operate in a highly bureaucratic and restrictive environment, the legal environment improved slightly in 2021 with the introduction of a web-portal for CSOs to amend their registration documents and register funding.

Key legal acts regulating CSOs in Azerbaijan, including the Law on Non-Governmental Organizations (NGOs), Law on State Registration of Legal Entities and State Registry, and the Law on Grants, remained largely unchanged in 2021.

The registration process continues to be complex and unnecessarily bureaucratic, and it often takes months or years for CSOs to register, if they are able to do so at all. The delay continues to be largely due to the MoJ's practice of issuing multiple letters refusing registration,

each listing a different problem with a CSO's registration application, rather than listing all concerns to be addressed in one letter.

The procedures for registering foreign CSOs are even more complex and require that the foreign CSO enters into an agreement with MoJ. Any foreign citizen who intends to head a representative office or branch of a foreign organization in Azerbaijan must obtain a permanent residence permit, requirements for which remain very difficult to meet.

CSOs must register all grants from foreign sources, as well as donations and foreign service contracts, with MoJ, creating additional legal and financial challenges for CSOs. The requirements are burdensome for both CSO recipients and for foreign donors (who need to sign a special agreement with MoJ and be registered in the country). To avoid these complexities, many CSOs instead operate by registering as individual taxpayers or commercial companies, though this creates additional problems in attracting funds from foreign donors.

The United Nations (UN) Committee on Economic, Social and Cultural Rights concluded in October 2021 that the "excessive restrictions in relation to the registration of and access to grants by non-governmental organizations, both in provision of law and in practice, hinder the operations by such organizations for the protection and promotion of all human rights." The Committee therefore recommended that the state repeal any legal provisions that unduly restrict the activities of CSOs, including in relation to their registration and access to grants.

CSO operations continued to be somewhat impeded by excessive reporting obligations. Once officially registered, CSOs are obliged to report to various government agencies, such as the State Statistics Committee, the Ministry of Finance, the Tax Service, the State Employment Service, and MoJ, on various issues. Penalties for failure to submit these reports range from a few dozen dollars to thousands of dollars.

In July 2021, MoJ launched the electronic information system that had been approved by parliament in 2020. This new system enables CSOs to amend their registration documents and register grants, donations, and service

contracts online, thereby reducing the burden of these processes to some degree. According to a survey conducted by MG Consulting LLC within USAID's Empowering CSOs for Transparency (ECSOFT) project in April 2022, the timeline for registering grants was significantly reduced when applications were submitted online.

Also in 2021, the government established the NGO Support Agency, a public legal entity tasked with regulating and distributing state funds to CSOs through grant competitions. The new agency replaces the NGO Support Council but has a more democratic composition than its predecessor. In 2021, the newly established NGO Support Agency prepared new grantmaking rules that increase the transparency of the process and submitted them to the Cabinet of Ministers for approval; following delays in this approval, in early December, the President empowered the Agency to approve its temporary grantmaking rules. The Agency then awarded its first grant in December 2021.

A draft law on charitable activities was discussed in parliamentary committees in 2021. However, a limited number of CSOs were involved in the discussion and the draft law has not been made public, so it is unclear what it proposes.

The country's lack of a risk-based approach to money laundering and terrorist financing requirements poses additional legal obligations and risk to CSOs. All CSOs must appoint an internal auditor, develop an internal control system, and identify and verify customers, or face high fines. In October 2021, the International Anti-Terrorism Training Center under the Ministry of National Security hosted a seminar on Risk Assessment of Terrorist Financing in the Nonprofit Sector, co-organized by the Financial Monitoring Service and USAID's ECSOFT project. This event laid the groundwork for systematic work on developing a risk-based methodology with the participation of CSOs.

State harassment of CSOs and activists expressing critical views of the government continues to be a problem. Many government critics remain in prison and political and civic activists, journalists, and citizens who express opinions critical of the authorities continue to be subject to criminal prosecution and harassment. Women human rights defenders and LGBTI rights activists are subjected to gender-based violence both online and offline, and the government takes little action to hold those responsible accountable.

The freedom of peaceful assembly also continued to be violated in 2021. COVID-19 restrictions continued to be used to ban protests throughout the year. Even small protests by those perceived as government opponents were dispersed through the use of force and their participants, including women human rights defenders, were detained and penalized. CSOs still must obtain permission from local executive authorities in order to hold events in regions, and as the COVID-19 related ban on meetings was not completely lifted during 2021, most CSOs were forced to operate online.

The European Court of Human Rights (ECHR) issued several rulings in 2021 against the government of Azerbaijan. In May, ECHR found that the freedom of association of twenty-five CSOs had been violated in Azerbaijan in previous years. In October, ECHR found that Azerbaijan had violated the European Convention on Human Rights by illegally freezing the bank accounts of the Democracy and Human Rights Resource Centre and enforcing a travel ban on its founder in 2014.

CSOs are exempt from income tax on revenue from grants, donations, and membership fees. In 2020, the Cabinet of Ministers approved a change to the Tax Code that enabled a 10 percent income tax deduction for commercial companies making donations to CSOs specialized in science, education, health, sports, or culture. Due to the criteria, this is likely to benefit only a few state-funded public associations, such as the Writers' Unions and Artists' Unions.

In December 2021, additional changes were made to the Tax Code that make donations to foundations that have social and public benefit goals exempt from all taxation for the next eight years. The change only benefits the few CSOs that are established by the state. Other changes to the Tax Code, which entered into force on January 1, 2022, require all CSOs to provide more detailed information in bank payment orders.

The Labor Code was amended in May 2021, prompting some service contracts to be considered as labor contracts if they have a similar nature to or provisions of labor contracts. This shift may increase the financial burden on CSOs, as mandatory payments on labor contracts are high, as are punishments for violations of labor legislation.

There are a few local lawyers who are trained in or familiar with CSO-related laws. In the regions, CSOs primarily obtain legal advice from the five NGO Resource Centers and the QHT Qanunvericiliyi (NGO Legislation) Facebook page administered by MG Consulting; these resources are free and available to all.

ORGANIZATIONAL CAPACITY: 6.1

The organizational capacity of CSOs in the country remains very low. CSOs were able to maintain their limited organizational capacities in 2021 despite the ongoing COVID-19 restrictions in 2021. There is still a large gap in organizational capacity between regional- and Baku-based CSOs.

As pandemic restrictions remained in place for much of 2021, CSOs were forced to operate mostly online, affecting their ability to contact their constituencies directly. As a result, both regional- and Baku-based CSOs increasingly used the internet, social media, messaging apps like WhatsApp, and video conference platforms such as Facebook Live and Zoom to reach out to their target groups.

Lack of funding continues to be the largest obstacle to CSO organizational capacity. As a result, even large and Baku-based CSOs find it difficult to adhere to or achieve their missions and goals, and most do not have accurate long-term strategic plans or mission documents. Smaller organizations are even less able to develop strategic plans or adhere to clearly defined missions.

Though the majority of CSOs have some written internal policies, these are rarely implemented in practice, and CSOs across the country face weaknesses in their internal governance structures. Most CSOs formally have a board of directors, a director or chairperson, and a supervisory board, but in most cases these bodies exist primarily on paper, their roles limited to satisfying reporting requirements. Conflicts of interest in governance and operations remain a common problem across the CSO sector.

The overwhelming majority of CSOs still cannot afford full-time staff and have limited access to professional personnel, such as lawyers or accountants. In 2021, professionals continued to leave the CSO sector in favor of better paid opportunities in the public or private sectors. Staffing is particularly challenging for more rural and regional CSOs, as qualified staff often relocate to cities like Baku or find opportunities abroad. Following the amendments to the 2021 Labor Code on employment contracts, signing service contracts creates additional risks for CSOs. Given their continued lack of funding, CSOs increasingly rely upon volunteer services.

Given the lack of stable funding, many CSOs have no permanent offices. CSO leaders instead use their private residences as offices. NGO Resource Centers in the regions are reasonably well-equipped and offer their facilities to CSOs for events and day-to-day work free of charge. CSOs' technical equipment is outdated. Still, in 2021, CSOs continued to improve their digital skills, building upon the necessary shift begun with the onset of the COVID-19 lockdown in 2020. However, internet connectivity continues to be more limited in rural areas, limiting the access to online resources by CSOs in these areas.



FINANCIAL VIABILITY: 6.3

CSO financial viability improved slightly in 2021, due to an increase in the availability of both foreign and domestic funding opportunities.

Diversification of funding sources remained limited in 2021. Small and medium-sized CSOs rely largely on small grants from the state, which in 2021 were aimed mainly at addressing the consequences of the Second Karabakh War and the COVID-19 pandemic. Relatively large CSOs that need more funding are not interested in applying for



granted to other local CSOs.

As in previous years, CSOs also received foreign funds through affiliated commercial entities or individual service contracts. While this provides support to CSOs in the short term, it fails to build an organization's grant history. Additionally, unlike CSOs, business entities are subject to income tax and VAT on any income they receive, an arrangement most foreign donors avoid.

Government grants continued to be an important source of support for smaller CSOs in 2021. The grants allocated by the state in 2021 mainly supported projects focused on awareness raising; training for disabled people, veterans, and low-income families; training of new skills, such as using computer technology; and addressing the impact of the COVID-19 pandemic and the Second Karabakh War. Government agencies typically provide small-scale grants, and only allow organizations to receive one grant per year, making these grants unappealing to larger CSOs. Competition for government funds is primarily among pro-government CSOs.

The level of government funding increased slightly in 2021. The NGO Support Agency financed 415 grants worth a total of AZN 3.7 million (approximately \$2.18 million), fewer than the 505 projects supported in 2020 but a slight increase from their total AZN 3.6 million (\$2.1 million). The Ministry of Education held its fifth grant competition in 2021 and allocated grants to 179 projects; the total budget for the call was AZN 500,000 (\$294,000) with a maximum of AZN 350,000 (\$206,000) per project. The Youth Foundation also held a grant competition for youth organizations in 2021 and issued grants (at a maximum AZN 10,000, or nearly \$6,000) to sixty-six local projects and three international projects. The Commission on the Fight against Corruption also announced a grant competition for CSOs in 2021.

As in previous years, other sources of income for CSOs, such as membership fees, local donations, commercial tenders, and entrepreneurial activities, were minimal in 2021. Crowdfunding is discouraged by a lack of sufficient legal regulations, and anonymous donations through cash boxes are prohibited by national law. Cash donations to charitable organizations continue to be limited to AZN 200 (\$117).

According to the law, CSOs must submit annual financial reports to the Ministry of Finance. Only a handful of large CSOs disclose their financial statements to the public. Most CSOs continue to lack strong financial management systems and regulations. As described elsewhere in this report, several of the most viable CSOs in Azerbaijan operate through affiliated business companies or individual service contracts because of the restrictive legal regime governing CSOs' access to foreign funding. This has a negative impact on CSO transparency and accountability to both potential donors and the public.

ADVOCACY: 5.5

CSO advocacy remained largely unchanged in 2021.

Cooperation between CSOs and local and central government bodies remains limited. In general, government agencies are reluctant to invite CSOs to participate in public discussions and consultations, and CSOs' public advocacy activities are mostly limited to the use of social networks. The majority of government agencies still avoid

those grants. Registered foreign funding is a minor source of funding for the sector overall, but is a significant source of funding for a small group of CSOs.

No data is available on the amount and precise sources of foreign funding in 2021. However, some local organizations that previously struggled to register grants from foreign sources reported that they faced fewer obstacles in 2021. For example, while in previous years MoJ usually did not register grants awarded by the US Embassy, the Azerbaijan Micro Finance Association (AMFA) was able to register grants from both the Swiss Embassy and the US Embassy in 2021. Other foreign donors issuing grants to local CSOs in 2021 included the European Union (EU), the United Nations (UN), and the Japanese Embassy. In many cases, foreign grants are sub-

cooperation with CSOs, particularly on sensitive topics like freedom of speech, freedom of assembly, human rights, and democracy.

For instance, the draft Media Law became known to CSOs only during its second reading in the parliament. The government only considered two of the forty-five proposals from well-known media representatives in the draft law. The Media Law, which was enacted on December 30, 2021, gives the state more control over media by, for example, requiring journalists to register, providing a narrow definition of the term “journalist,” and regulating online media. Although some media-related CSOs expressed concern with the new law, they did not have sufficient time to advocate against its passage.



However, some CSOs had opportunities to provide input into policy-making processes in 2021. For instance, a representative from the Assistance to Development of Entrepreneurship and Market Economy Fund was invited to speak with parliament as an expert on the draft state budget, the only representative from the CSO sector invited to do so. Such opportunities, however, continue to be limited to certain topics and organizations.

Also in 2021, the Ministry of Education amended the accounting curriculum of higher education institutions in accordance with recommendations submitted by the Young Accountants Public Union. Additionally, the Tax Service signed a memorandum of understanding with the Young Accountants Public Union on future cooperation. The Central Bank accepted for review draft amendments to the law on banking submitted by AMFA for discussion.

The establishment of public councils, begun in 2020 by the State Advertisement Agency and the Ministry of Culture, expanded in 2021, with two new agencies—the Ministry of Economy and the Small and Medium Business Development Agency—establishing such bodies during the year. While public councils include CSO members, their powers remain limited.

The USAID-funded ECSOFT project has supported several advocacy projects in the regions as well as in Baku. For example, with ECSOFT funding, several CSO leaders wrote a “Report on the Implementation Status of Financial Transparency Measures in the National Action Plan (NAP) for the Promotion of Open Government for 2016-2018 and 2020-2022.” The report was used as the basis for discussions with the relevant state bodies, which then committed to take respective measures.

The National NGO Forum, South Caucasus Women Congress, National Platform of the Eastern Partnership Civil Society Forum (EaP CSF), and Open Government Partnership (OGP) Platform remained the most visible CSO advocacy platforms in 2021. In February 2021, a group of local CSOs also established a new coalition, Azerbaijan - 2030: For the Sake of Social and Economic Progress.

Local experts, including the OGP Platform, developed and submitted several packages of recommendations for existing CSO legislation to parliament and member of parliament Erkin Gadirli in December 2021. Among other issues, the package included recommendations to simplify registration procedures for CSOs, as well as grants, service contracts, and donations, and to eliminate some reporting obligations. As of the time of writing, the government had not responded to the proposals.

In addition, in December 2021, 138 CSOs wrote a joint appeal to the Cabinet of Ministers to encourage it to cooperate closely with CSOs and involve them in decision-making processes. There has been no reaction or response to this appeal.

SERVICE PROVISION: 5.3



Though 2021 continued to be a difficult year for CSO operations due to the ongoing COVID-19 pandemic, CSOs nonetheless were able to slightly improve their service provision over the course of the year. This progress was particularly evident in CSOs' pandemic relief work and their active assistance to war veterans and their families as a result of the Second Karabakh War.

CSOs continued to provide a range of services. In 2021, these services primarily focused on analyzing and addressing the economic impact of the COVID-19 pandemic and providing psychological and legal assistance to the victims of the Second Karabakh War, including both internally displaced people (IDPs) and the families of those killed in the conflict. Some CSOs also provided

legal and financial training to IDPs, women, unemployed citizens, and students. As COVID-19 restrictions eased over the course of the year, CSOs were able to increase their service outreach.

In 2021, certain CSOs increasingly turned to service contracts offered by government agencies to supplement their finances and maintain their operations in the midst of the pandemic and the aftermath of the war. Service contracts also tend to be easier to register than grants.

Most organizations concentrate more on their survival than meeting the needs of particular constituencies. CSO services are largely determined by the agendas of their donors—whether they are government agencies or foreign donors—which are generally based on research identifying needs, not on assessments done by CSOs themselves. Donors often prefer to work through service contracts rather than grants, but service contracts offered by foreign donors are mainly research-oriented. As a result, CSOs engage in a lot of research-oriented activities rather than assisting target groups directly.

In general, very few CSOs can offer paid services. Local communities generally are not financially able to pay for services. When paid services are offered, they are usually focused on the provision of consultations and technical assistance to government agencies, international organizations, and sometimes academic institutions, and are often contracted through an individual expert who is a member of the CSO rather than through the CSO itself. When government agencies sign service contracts with independent experts rather than with the CSO, they generally allow the experts to use their CSOs' attributes (including logos and project names).

The government has also increasingly moved toward providing some services to the population through newly established public legal entities and government agencies, rather than through CSOs. For instance, the 2020 establishment of the Social Services Agency under the Ministry of Labor and Social Protection of the Population (MLSPP) sparked concerns that CSOs might be squeezed out of certain service areas. In 2021, however, both the Social Services Agency and MLSPP held several calls for service contracts, including for the administration of care centers and awareness raising in the fight against narcotics and prevention of human trafficking. Some of these calls were open only to CSOs, while other were equally open for natural persons and commercial entities.

In general, the government continues to view CSOs with suspicion and rarely publicly recognizes their work and impact.

SECTORAL INFRASTRUCTURE: 5.8

The infrastructure supporting the CSO sector remained largely unchanged in 2021.

NGO Resource Centers in Baku, Guba, Gabala, Mingachevir, Shamkir, and Shirvan continued to provide technical support and training programs for local CSOs. Some CSOs also made use of facilities owned by government

agencies, but this was limited to organizations with close ties to the state. The NGO Support Agency was the main local grantmaking institution in Azerbaijan in 2021.

With support from the EU and the UN High Commissioner for Human Rights, the Protection of the Rights of Vulnerable Groups in Azerbaijan project provided a number of free services to CSOs, lawyers, and other stakeholders. These services include free access to the UN Civil Society Resource Center for training and other activities and access to the UN Human Rights System and the International Human Rights Library.

The overall availability of training for CSOs was unchanged in 2021. As in 2020, much of the training was provided online. Projects funded by UNDP, EU, and USAID held various trainings for CSOs on fundraising, preventing money-laundering, registration of grants, reporting obligations, and the use of MoJ's new electronic system for registration. Also in 2021, the USAID-funded ECSOFT project developed and distributed a guide on the operation of public councils, providing an important source of information and template documents for CSOs interested in serving on public councils under state agencies.

Several national CSO platforms remained active in 2021. The National NGO Forum, which was established in 1999, has 743 CSO members, and the independent Azerbaijan National Platform of EaP CSF, which was established in 2009, unites 71 CSOs. CSOs rarely form issue-based coalitions.

Intersectoral partnerships—especially between CSOs and the business sector—continued to be underdeveloped in 2021. CSOs working on certain issues were able to develop partnerships with some government agencies in 2021. For instance, Young Accountants Public Union signed a memorandum of understanding with the Tax Service and the State Examination Center to encourage ongoing cooperation. In cooperation with ECSOFT, in September 2021 the OGP Platform held a conference on Government-NGO-Business Partnership: International Experience to study international best practices of cooperation between government agencies, citizens, CSOs, and businesses.

SECTORAL INFRASTRUCTURE IN AZERBAIJAN



PUBLIC IMAGE: 5.5



The public image of CSOs improved slightly in 2021 due to the active role CSOs played in dealing with the consequences of the Second Karabakh War and the pandemic.

The government's perception of CSOs improved slightly in 2021 as demonstrated by the fact that CSOs were increasingly invited to join public discussions hosted by government agencies. For example, the Ministry of Ecology held a discussion with environmental organizations, Public TV held discussions on the future of the CSO sector, and the Garabagh Revival Fund held a broad discussion with CSOs on post-war Karabakh.

Improvements in the government perception of CSOs in 2021 were also evident in some statements by President Aliyev. In one speech, for instance, he emphasized the

role of CSOs after the war, and in March he awarded three women human rights defenders with the Shohret (Glory) order. However, in general government perceptions of CSOs continue to be mixed, depending significantly on the CSO, the issue, and the individual state official.

CSOs' response to the pandemic and support to populations affected by the war continued to boost public perceptions of the sector in 2021. In June, the USAID-funded ECSOFT project launched the Online Public Oversight Platform to receive video and photo evidence from citizens on issues of public concern (such as roads and infrastructure) and encourage solutions from the relevant government agencies. CSO involvement in this work also helped to improve public perception of their role in society.

However, many CSOs are still associated with the names of their leaders, and perceptions of the sector are driven by those personalities rather than by the organizations themselves. Some also continue to view CSOs as anti-government.

In general, CSOs have limited access to space on national television as the government is not interested in airing independent or critics voices. The new Media Law, adopted in 2021, also does not bode well for CSOs' access to the media as there is a concern that government-controlled media will only be allowed to cover events held by the government.

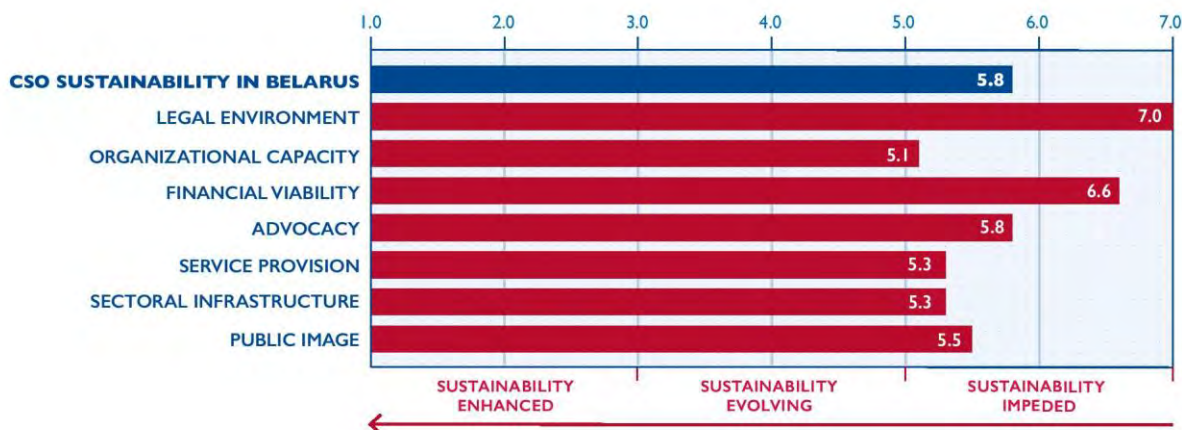
In previous years, CSOs received significant publicity through the NGO Support Council's webpage, monthly Civil Society Journal, and online CSO news portal www.qhtxeber.az (NGO news). In 2021, however, these resources were suspended as the NGO Support Council transformed into the NGO Support Agency. At the same time, the www.qht.az website, a significant online resource on the CSO sector run by the Support to Information Initiatives Public Union, published 1,440 news posts in 2021 and was viewed by 191,200 people; while this appears to be a notable decline from its audience of 300,000 viewers in 2020, this was caused in part by the removal of duplicate visitors. The online NGO TV continued to broadcast videos and news related to CSOs, and in 2021 posted 260 videos on YouTube with a total of 132,147 views; this also indicates a decline in viewership, compared to more than 177,000 in 2020. Online local OGP TV, which previously devoted several programs to CSO issues, did not operate in 2021. Also in 2021, an online portal focusing on public councils, ictimaishura.az, published 353 posts on the activities of public councils during the year, including 297 news articles, 24 videos, and various announcements and information about public council elections.

CSOs still have limited financial resources to actively promote their public image. Most CSOs are unable to hire professional public relations staff or place paid advertisements, so they rely primarily on social media, such as Facebook and YouTube, to share information about their work. Most CSOs do not have websites, and most reports on their work are not available to the public. CSOs still do not typically adopt or adhere to codes of ethics.

BELARUS

Capital: Minsk
Population: 9,413,505
GDP per capita (PPP): \$19,100
Human Development Index: Very High (0.808)
Freedom in the World: Not Free (8/100)

OVERALL CSO SUSTAINABILITY: 5.8



Belarus' political crisis and fraught human rights situation deteriorated further in 2021. In 2020, a rigged presidential election and ensuing protests led to a government crackdown on civil society that continued in 2021. By the end of the year, there were 969 documented political prisoners in Belarus. In mid-2021, the government began a concerted campaign to liquidate CSOs. During 2021, more than 300 CSOs were liquidated or were undergoing forced liquidation, while another couple hundred decided to self-liquidate. The authorities also actively repressed journalists. According to the Belarusian Association of Journalists, during 2021, 32 media workers were imprisoned, 113 journalists were detained, and dozens of journalists and media offices were subjected to 146 searches. In this repressive environment, it is estimated that up to 200,000 people have fled Belarus since August 2020.

In this difficult context, CSO sustainability decreased significantly in 2021. CSO leaders faced searches, arrests, interrogation, and criminal prosecution, while organizations had their legal status revoked without cause, equipment and documents confiscated, and bank accounts blocked. State-owned media launched a propaganda campaign against civil society that deployed hate speech and conspiracy theories against CSOs. Many organizations and activists were forced to leave the country. As a result, Belarusian civil society now largely operates from outside of the country.

Many of the CSOs that remained in the country stopped or suspended their activities, while others halted public activities. CSOs were forced to constantly shift their plans, priorities, and activities, and to focus on their organizational survival rather than capacity development. CSOs' ability to access the groups they serve decreased, especially for CSOs providing services to vulnerable communities. CSOs in Belarus no longer have any space to conduct advocacy activities. Despite the unprecedented level of repression, personal risk, and operational challenges that they face, Belarusian CSOs continue to operate both from within the country and in exile in the hopes of improving the situation in Belarus.

As of January 1, 2022, there were 2,978 registered public associations (including 226 international, 785 national, and 1,967 local associations), 227 foundations, 25 trade unions, 45 unions of public associations, and several hundred nonprofit establishments registered in Belarus. Hundreds of CSOs were forced to liquidate in 2021; however, most of these had not yet completed the time-consuming liquidation process by the end of the year and are therefore still included in these statistics. Only thirty-six new public associations registered in 2021—the lowest number of newly registered organizations in the last decade. At the same time, relocated CSOs actively registered in Lithuania, Poland, Georgia, Ukraine, and other countries.

LEGAL ENVIRONMENT: 7.0



In 2021, the legal environment governing CSOs in Belarus declined to reach the worst possible score on the *CSO Sustainability Index's* scoring scale as the state implemented a multi-pronged policy to repress Belarussian society and silence any critical voices or centers of dissent. While the score only shows a slight deterioration in comparison to the previous year according to the *Index's* scoring guidelines, the situation worsened dramatically as the government instituted a targeted policy to bring the CSO sector under total state control. Hundreds of CSOs lost their legal status and the police conducted numerous raids against CSOs and persons affiliated with them, while the country's political leaders openly spoke of their intention to cleanse the country of "vile" organizations. These actions resulted in a massive relocation of CSO leaders and activists to

other countries.

State bodies can use broad legal grounds to refuse registration, and CSOs' registration applications are commonly denied. At the same time, the unfavorable atmosphere and fear of reprisals in 2021 made it dangerous to apply for registration and fewer new applications for registration of CSOs were filed in 2021 than ever before.

The authorities began a concerted campaign to liquidate CSOs in July 2021. During 2021, a total of 309 CSOs were liquidated or were undergoing forced liquidation. Additionally, 194 CSOs, often under pressure from the authorities, decided to self-liquidate. These closures impacted not only CSOs focused on advocacy and politically sensitive issues, but also social, cultural, and urban organizations. The leaders and staff of many liquidated CSOs were forced to flee the country to avoid arrest and credible reports of torture.

In many cases, liquidation was preceded by invasive Ministry of Justice inspections in which CSOs were required to provide almost all of their internal documents. Many CSOs were unable to comply with these inspections as their leaders were already arrested, their documents had been seized by the police, and staff were banned from accessing the organizations' offices. Along with inspections of CSOs themselves, the authorities interrogated and conducted tax inspections of citizens affiliated with CSOs.

In 2021, the authorities also used allegations of financial irregularities and tax evasion to undermine CSOs. Most notably, members of Human Rights Center Viasna were arrested for tax evasion and actions violating public order and have remained in prison since July 2021. At the same time, the government conducted raids of CSO offices throughout Belarus. Nearly two dozen individuals associated with CSOs were prosecuted and dozens more were interrogated. CSOs were also prosecuted under a wide range of articles of the Criminal Code, including Article 361-1, which was amended in 2021 and criminalizes "creating or participating in an extremist group."

Many civil society activists were detained or criminally prosecuted during the year. Eduard Babaryka, a leader of the dissolved crowdfunding platform MolaMola and son of alternative presidential candidate Viktor Babaryka, has been detained without judicial review since mid-2020. Although the detained employees of a few organizations were ultimately released from custody in 2021, many other CSO activists were criminally prosecuted. Among them were Volha Harbunova (Radislava), Viktor Fianchuk (APB/BirdLife Belarus), Uladzimir Matskevich (a philosopher and one of the founders of the CSOs Flying University and Eurobelarus), and Tatiana Kouzina (SYMPA

On December 21, 2021, Belarus' parliament passed a law reinstating criminal liability for organizing or participating in the activities of non-registered CSOs (Article 193-1 of the Criminal Code). This provision had been removed in July 2019 following criticism from CSOs and international organizations. Article 193-1 includes punishment of up to two years in jail for violations and could therefore become a renewed tool of repression against civil society. In addition to threatening informal grassroots initiatives, Article 193-1 introduces a serious threat of criminal persecution for the members of CSOs that were forced to liquidate and therefore lost their registration.

Several other laws impacting CSOs were also introduced or worsened in 2021. The Law on the Protection of Personal Data, which came into force in November 2021, imposes strict obligations and criminal liability on CSOs as personal data operators. The law requires data operators to obtain the consent of individuals before collecting their personal data and to ensure the protection of personal data. According to the law, however, consent is not required if a CSO collects the data to achieve its statutory goals and does not distribute the data. Thus, when the Ministry of Justice requires a CSO to provide a list of its members and then issues a warning for failing to provide the list or uses this as the basis to liquidate the CSO, it is violating the law. During the year, the government also expanded the types of information CSOs must publish under anti-money laundering and countering the financing of terrorism reporting rules. Public associations and foundations must now publicly report information on their foreign donors and events, as well as on journalists or bloggers attending these events.

In August, the government adopted a new law on counteracting extremism in a sweeping and inconsistent manner calculated to disrupt civic participation and the open dissemination of information. The 200-page list of materials considered “extremist” and therefore prohibited is extensive. In 2021, hundreds of people were arrested for alleged possession of books, photographs, or even hyperlinks to popular Belarusian websites and social networks labeled by the government as “extremist.”

Belarus’ political leaders and the Ministry of Justice announced a planned special Law on Civil Society in 2021 aimed at bringing the sector under total state control. According to official statements, this law will establish that only certain types of government-controlled organizations are included in the concept of “civil society,” thereby excluding the independent organizations that define a true civil society.

CSOs have limited access to foreign donations. CSOs can only officially receive foreign aid for a narrow list of allowable purposes and must register the aid with the government and pay fees to do so. On November 8, 2021, the Foreign Gratuitous Aid Decree was amended to classify Belarusian citizens who were outside of the country for more than 183 days within the twelve previous months as foreign donors. The decree also classified any anonymous donation to a CSO as foreign aid, thereby subjecting it to registration.

Public associations are prohibited from engaging in business activities. If foundations or institutions engage in such activities, the income from such endeavors is subject to taxation at the same rates as the income of any company. As public associations cannot engage in entrepreneurial activities, they cannot compete for public procurements. Furthermore, the tender conditions for state procurements are usually formulated in a manner that is unfavorable for CSO participation. The law does not specify a special public benefit status or the notion of social entrepreneurship.

CSOs are generally subject to the same taxation as other legal entities. Membership fees and internal donations are exempt from income tax. CSOs can apply for tax exemption for foreign donations; such exemptions may be partially or fully refused. CSOs can also seek to be included in a list of organizations included in the Tax Code that are fully tax exempt; currently, only seventeen CSOs are included in this list.

The tax system does not provide incentives for businesses or individuals to provide charitable aid. Moreover, the provision of a donation to a CSO that is not enumerated in the Tax Code is sometimes treated by regulatory agencies and tax inspectorates as a potential risk that requires more inspections. In addition, donations from corporate donors must be formalized through a written contract with the recipient.

CSOs’ access to legal aid deteriorated significantly in 2021. The broad repression of civic activism impeded legal assistance as human rights CSOs, which traditionally provide legal aid services, relocated to foreign countries. The government further exacerbated this problem by blocking access to certain legal websites from abroad. At the same time, CSOs that relocated and registered abroad often lacked legal aid to navigate laws governing CSOs in the countries of their relocation. Additionally, many lawyers who had worked on cases involving politically motivated prosecution had their licenses revoked, further limiting the availability of legal representation for CSOs.

ORGANIZATIONAL CAPACITY: 5.1

The CSO sector's organizational capacity suffered an extreme deterioration in 2021. As a result of the government's concerted efforts to liquidate independent CSOs, such organizations can no longer operate legally. Those organizations that still operate from within Belarus are therefore focused on their organizational survival.

In 2021, CSOs' ability to develop relationships with their constituencies, volunteers, and target groups was undermined by the challenging conditions in which they operated. Many organizations stopped actively communicating with their constituencies and closed their websites and social media pages due to fear of attracting unwanted attention. Some liquidated CSOs restarted operations under new names, which reduced their visibility and recognition among target audiences. The number of public events organized by CSOs also decreased significantly.

ORGANIZATIONAL CAPACITY IN BELARUS



Strategic planning was a central challenge for CSOs. Fifty of sixty-two organizational respondents to a survey conducted by SYMPA in spring 2021 noted that long-term planning was not feasible, and thirty-eight stated that project and plan implementation was impossible due to the constantly changing conditions. Additionally, fifty-one respondents indicated that it was true or partially true that their organizations had been forced to cease long-term plans for "an uncertain amount of time." When the study was repeated in the second half of the year, several CSOs indicated that they had formulated two- to three-year strategies.

CSOs' internal management processes were also disrupted by the difficult context. CSOs prioritized the safety of their members and employees over operating in an open and transparent manner. Some CSOs encountered challenges convening general meetings and elections of their governing bodies, as required by their statutory procedures. These CSOs often adopted emergency procedures transferring certain powers to their executive bodies.

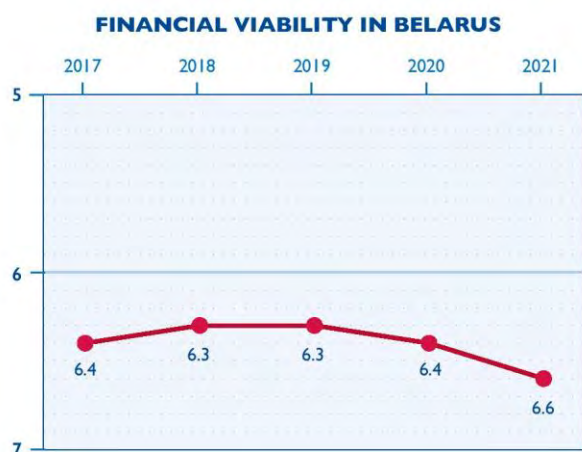
Many CSO representatives left Belarus and relocated to Georgia, Lithuania, Poland, Ukraine, and other countries. CSO staff who stayed in Belarus worked in extremely risky conditions and faced pressure and threats of persecution. As noted in the SYMPA study, CSOs were often unable to hire staff due to security concerns about entrusting new employees with sensitive tasks or information in the current context. In other cases, CSOs' employees departed their organizations for the commercial sector or positions in Belarus or foreign countries. Staff working from exile often do not have permanent status and therefore also operate in a state of uncertainty.

CSOs' technical advancement significantly worsened in 2021 due to the confiscation of laptops, smartphones, hard drives, and other devices during government searches of CSOs' offices and the apartments of their representatives. Office equipment, even if not confiscated, in many cases remained in sealed offices that CSOs are prohibited from accessing. In 2021, CSOs continued to adopt measures to ensure their digital security, such as creating security standards and procedures, encrypting devices, and switching to secure messengers.

FINANCIAL VIABILITY: 6.6

The unprecedented pressure on Belarussian CSOs in 2021 seriously undermined their financial viability, as restrictions limited CSOs' ability to diversify their funding and decimated the financial infrastructure of many CSOs.

During the year, the authorities froze the bank accounts of many CSOs. For example, the government's Investigation Committee (IC) froze the bank account of Imena, which had collected over USD 545,000 to support charity projects, including assistance for terminally ill children in hospices.



In addition, as noted above, many CSOs and activists faced financial inspections during the year and were forced to submit financial records to law enforcement and financial control bodies. These inspections were used to intimidate and harass organizations and activists. Further, the authorities used the results of inspections as a basis to close down CSOs and criminally prosecute their members.

Criminal charges against CSO leaders were often linked to their financial activities. For example, the authorities brought criminal cases against individuals who had given financial support to persecuted activists. Thus, the Minsk Directorate of the IC prosecuted Alexey Leonchik and Andrey Stryzhak, the co-founders of BY_help and BYSOL, for paying protesters' fines. Human Rights

Center Viasna faced criminal prosecution for alleged tax evasion.

The mass deregistration of CSOs restricted their access to resources, as unregistered organizations are banned from conducting any activities in Belarus, including fundraising. Many CSOs were forced to abandon fundraising activities that had become widespread in recent years, such as raising funds through their websites, the online payment database, and donation boxes. CSOs' ability to collect membership fees also deteriorated. The mass deregistration of CSOs and pressure from the government on businesses also significantly reduced business support for civil society. This sharp decline in the availability of domestic funding limited CSOs' opportunities to diversify funding sources and made them even more dependent on foreign funding.

The government also restricted CSOs' access to foreign funding. Belarusian citizens outside of the country and anonymous donors were classified as foreign donors and the authorities refused to register foreign aid for most non-profit organizations, including those that had previously been able to do so. At the same time, many international donors, organizations, and institutes continued to support Belarusian CSOs both within and outside of the country, and some even increased their support. All foreign funding for Belarus now benefits organizations independent of the state as donors no longer channel any support through the state.

The number of CSOs receiving state support through subsidies for office space fell from 195 at the end of 2020 to just 23 by the end of 2021. Defamation of CSOs, their mass liquidation, and other forms of harassment undermined socially responsible business and state social service contracting.

In 2021, Belarusian public associations and foundations were subject to a new requirement to publish extensive information about all revenue and expenses under the Law on Measures of Prevention of Money Laundering, Terrorist Financing, and Financing of Proliferation of Weapons of Mass Destruction. Compliance with this requirement imposed a significant burden on CSOs' financial management systems. Further, the authorities used even minor flaws in financial reports as grounds to issue heavy fines, arrest civic actors, and liquidate CSOs. In addition, the mass relocation of Belarusian civic actors and registration outside of Belarus significantly complicated CSO financial management.

ADVOCACY: 5.8

CSO advocacy saw a cataclysmic decline in 2021. Belarus' political crisis and deep polarization allowed no space for CSOs to conduct advocacy. Additionally, Belarus left the Eastern Partnership (EaP), a joint initiative of the European Union (EU), its member states, and six Eastern European partner states. As Belarus is no longer a member of the EaP, government officials do not participate in the initiative's dialogue platform, thus depriving CSO representative of an important advocacy opportunity.

Changes in legislation and law enforcement practices, including those criminalizing the organization of and participation in the activities of an unregistered organization, made it hazardous for CSOs to engage in advocacy in 2021—even for non-political causes. For example, the director of a rural community center in Pinsk was convicted

twice in December 2021 for his campaign to preserve trees in a public cemetery and sentenced to a total of thirty days of administrative arrest for “disobedience to the order of an official.”

CSOs had few opportunities to formally interact with governmental bodies in 2021. The government neglected to publish important draft laws on the official legal forum for public discussion, while draft laws that were published sometimes received no comments. Even CSOs that had previously participated in the review of field-specific draft legislation, such as the Belarusian Helsinki Committee, were unable to do so during the year. CSOs’ informal communication channels with government officials were similarly limited.

The number of collective petitions submitted to the Petitions.by platform declined significantly—from 730 in 2020 to 400 in 2021. This trend illustrates that many people in Belarus—including CSO representatives—have lost their belief in the effectiveness of legislative advocacy.

In a rare example of advocacy during the year, wildlife protection CSOs advocated for a new animal protection law, gaining high-level political support from Alexander Lukashenko and member of parliament Maria Vasilevich. These CSOs conducted a letter writing campaign, met with officials, and brought regional deputies to animal control stations. Despite these activities, the law was not adopted during the year.

During 2021, a border crisis flared up between Belarus and the EU, in which several tens of thousands of immigrants, primarily from the Middle East, attempted to enter Lithuania, Latvia, and Poland from Belarus. The crisis began in July, when Alexander Lukashenko threatened to “flood” the EU with “human traffickers, drug smugglers, and armed migrants.” At least twenty-four people lost their lives while attempting to cross the border. The government engaged with non-liberal and populist CSOs during this crisis. Organizations such as Otkrytye Serdtsa (Open Hearts) and Sistemnaya Pravozaschita (Systematic Rights Protection) presented this as an exclusively humanitarian crisis, ignoring Lukashenko’s responsibility for its underlying causes.

Given the severe restrictions on advocacy within Belarus, many CSOs—primarily those operating outside of Belarus, with the support of informants inside the country—instead focused on international advocacy related to the human rights situation in Belarus in 2021. For example, Belarusian human rights defenders advocated through the UN Special Rapporteur on the situation of human rights in Belarus and the UN Human Rights Office’s fact-finding mission on Belarus. In conjunction with other human rights CSOs, the Belarusian Helsinki Committee prepared an alternative report to the UN Committee on Economic, Social and Cultural Rights, and the Belarusian National Youth Council RADA sent an alternative report on youth rights in Belarus to this body.

ADVOCACY IN BELARUS

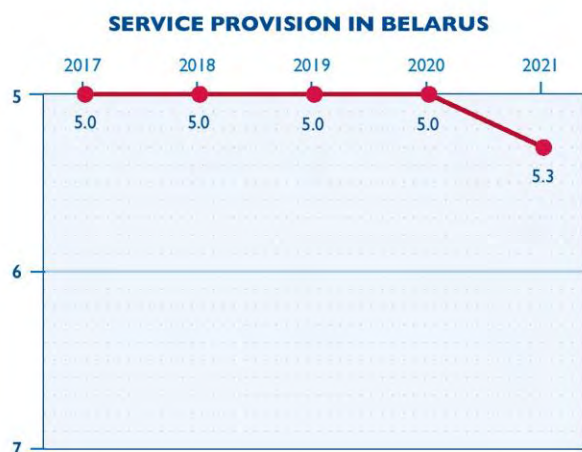


SERVICE PROVISION: 5.3

In 2021, CSO service provision was affected both by the ongoing COVID-19 pandemic and increasing repression against civil society.

In 2021, forced closures caused many CSOs to stop providing services. For example, a prominent organization working with people with disabilities was forced to halt its activities throughout Belarus. A public association focused on older people and domestic violence was shut down in Barysaw, and a women’s rights organization closed its hotline for women victims of violence. Certain services, such as those focused on counteracting violence against women, were critically endangered by these changes.

Those services that continued to be provided in Belarus were generally made available online or in a hybrid format. CSOs developed virtual training courses and lectures on civic education, self-help, and urban community development, among other topics. Some CSOs provided services through automated chatbots, including the Zvarot chatbot to resolve local issues in rural areas and the Green Phone nature protection chatbot. Podcasting also became a popular media format for CSOs. Cultural activities that could not be conducted in-person went



online, including performances by Kupalaucy theatre troupe; the Victory Artists online festival; and Belarussian language courses. CSOs also offered a wide range of services to support political prisoners and their families.

The growth of online service provision influenced which consumer groups received services. Some groups such as the elderly or rural citizens were unable to use online tools due to their limited access to or usage of the internet. For example, some services, such as online environmental consultations, were used primarily by younger consumers, while previously, more mature consumers were the main beneficiaries of offline and phone consultations. CSOs working with vulnerable groups, including people with disabilities and retirees, continued to provide in-person services in cases where

online services could not be offered.

During the year, service CSOs' communication with their target groups was increasingly limited. Nonprofit organizations could not advertise their services in governmental media. Meanwhile, independent media were closed or declared "extremist." Liquidated organizations closed their websites and social media pages. CSOs continued to communicate with their target groups via social media tools, often through closed (i.e., non-public) formats. The political crisis also led to a decline in expressed demand for some services, as people were afraid to contact CSOs for fear of repression. The reduced access to their target groups limited the ability of CSOs to identify their clients' needs.

At the same time, in response to this repression, the CSO sector launched programs to save itself. CSOs provided services to support human rights defenders, journalists, activists, and cultural workers. CSOs provided legal consultations, psychological services, capacity-building activities, shelters, and internships. During the year, several CSO sector surveys, such as the SYMPA survey, were conducted to help identify CSOs' changing needs. Most of these services were provided by CSOs outside of the country but targeted people and organizations remaining in Belarus.

In the countries where Belarusians relocated, CSOs provided services to a new target group: Belarusians abroad. CSOs offered support centers, initiative hubs, and integration and Belarussian cultural programs, such as Belarussian Sunday school for children in Vilnius.

Inside Belarus, the possibilities for CSOs to recover costs were greatly limited due to the prevalence of online modes of operating and by civil society groups' legal status, as liquidated CSOs and CSOs under investigation could not receive any payments and donations. Some CSOs received partial compensation that enabled them to provide certain services, such as Belarussian education for adults and children and coworking spaces in foreign countries.

Neither the government at the national or local levels recognize the value that CSOs can add in the provision of social services. CSOs' attempts to monitor the provision of such services by the state were considered extremist actions and prosecuted.

SECTORAL INFRASTRUCTURE: 5.3

The extremely unfavorable conditions facing Belarussian civil society in 2021 significantly undermined the infrastructure supporting the sector.

Most intermediary support organizations, thematic networks, and umbrella organizations mentioned in previous reports were forcibly liquidated in 2021. Some CSOs continued to support Belarussian CSOs and activists from abroad, both providing support online and organizing meetings and trainings in third countries. A number of umbrella and infrastructural CSOs stopped their operations altogether. A few intermediary support organizations continued to operate but stopped doing so publicly.

CSOs continuing to operate inside Belarus, especially in the regions, were negatively affected by the closure of venues where they could organize events and meetings. At the same time, Belarusian CSOs created these types of venues in countries where they relocated.

Local grant-making capacity in Belarus has always been limited and deteriorated further in 2021. During the year, several Belarusian CSOs announced grant competitions but did not publish information about them in open sources. Regranting by the Mutual Understanding NGO, which supports projects for people affected by the Nazi regime in Germany with funding from the German EVZ Foundation, remained one of the few open and legal domestic regranting programs for CSOs.

Physical and digital security, burnout prevention, and project management were among the most popular training topics among CSOs both within Belarus and abroad in 2021. There was an evident need to develop the basic competencies of new activists and initiative groups in organizational and project management. The Belarusian National Youth Council RADA organized several training courses for youth CSOs and activists, including an online course on organizational management in times of crisis, the school of visual art RADAvizual, and the Youthink course on developing skills for the future.

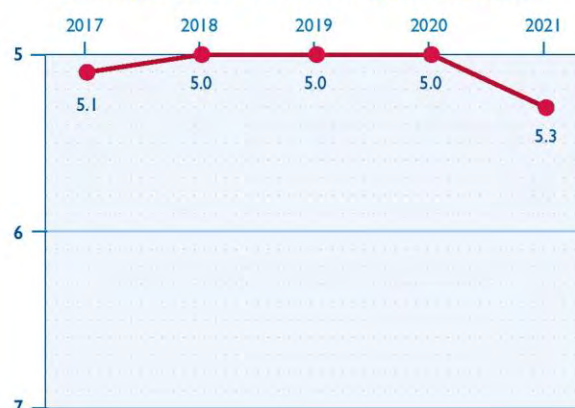
At the beginning of 2021, most educational programs were provided online. In the second half of the year, many activities were offered in-person. This involved significant risks and challenges for training organizers in Belarus and abroad. In Belarus, the number of experienced trainers and organizational development experts had drastically decreased as they had relocated to other countries. Bringing participants from Belarus to events in other countries was complicated by restrictions on crossing the border and COVID-19 measures for entering other states. During the year, Georgia was the most accessible country in which to organize events involving the participation of people from Belarus.

In 2021, there was a crucial need for support for the relocation of activists and organizations from Belarus abroad. This support was provided by the Belarusian Human Rights House in Lithuania, among other organizations.

Despite the forced liquidation of a number of formal networks and umbrella organizations in Belarus, CSOs continued to work together, often informally. For example, CSOs formed coalitions to organize events such as the Zero Discrimination Week and the Week against Torture. Several CSO coalitions founded in previous years continued their operations, while new coalitions emerged. Of particular note in this regard is the ByNGO Partnership, which unites seven CSOs committed to providing support to Belarusian CSOs and defending their rights, wherever these CSOs are located.

Intersectoral partnerships were minimal in 2021. Belarusian CSOs had practically no relationship with the government authorities, while cooperation between CSOs and the business sector decreased, due to the widespread repression in the country and the risk to businesses of engaging with liquidated CSOs.

SECTORAL INFRASTRUCTURE IN BELARUS

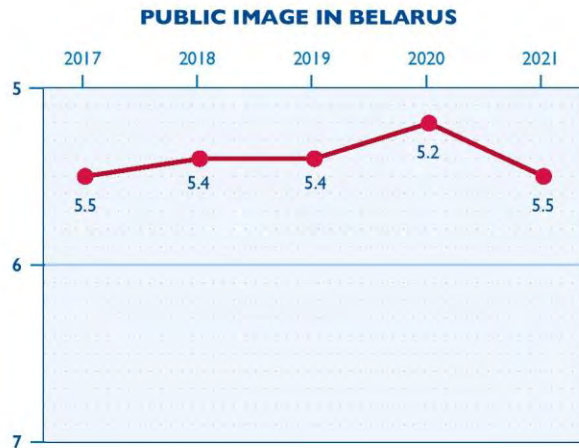


PUBLIC IMAGE: 5.5

The CSO sector's public image deteriorated significantly in 2021.

Coverage of CSO activities in the media decreased as many independent outlets were closed down or labeled "extremist." Some CSOs avoided publishing information about their activities in the media to avoid attracting unwanted attention.

CSOs—both those still operating from within Belarus and those that moved abroad, which often still had current or former employees in the country—also published less information about their activities on their own due to fear of repression. CSO websites no longer contained information about organizations' representatives. The



authorities blocked a number of CSO websites, while others stopped updating them or closed them down. Many CSOs rebranded on social media. CSOs stopped publishing activity reports or only distributed them to trusted partners and donors.

At the same time, some CSOs working from abroad developed their communication channels on social media. For example, the Telegram channel of the Human Rights Center Viasna had over 13,000 subscribers. New CSOs also developed their own Telegram and YouTube channels.

State-owned media conducted a propaganda campaign against civil society in 2021. For example, the propagandist Andrei Mukavozchyk attacked CSOs in a government-controlled newspaper and stated that

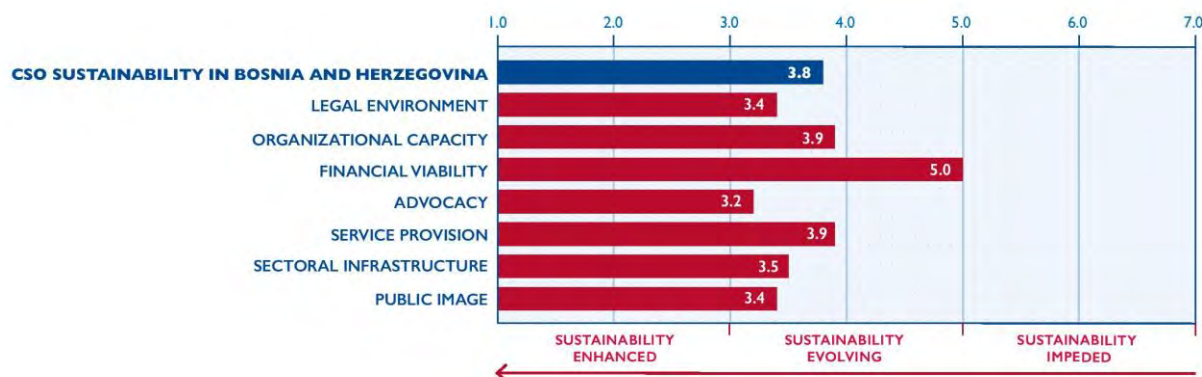
“Belarus is heavily sown with ‘civil society’ weeds,” among other incendiary statements. CSOs receiving foreign funding were particularly stigmatized. During the year, state media outlets published or broadcast numerous stories about CSOs committing financial crimes, evading taxes, and funding protests with foreign grants, including stories about the misuse of funds by the UN Country Office in Belarus. CSOs were also attacked on pro-government Telegram channels such as Harakiri and Yellow Plums, and on YouTube. State-funded CSOs also participated in propaganda campaigns to support government policy and defame other CSOs.

While government repression undermines the accuracy of public opinion polling in Belarus, state-sponsored anti-CSO propaganda likely fostered a more negative image of civil society among supporters of the regime. At the same time, according to a Chatham House Belarus Initiative survey, by the end of 2021, CSOs—in particular, independent human rights organizations and trade unions—were among the most trusted institutions in Belarusian society, and the only institutions with a positive trust level, calculated as the difference between trust and distrust levels, were those beyond the control of the state. The trust level reached 17 percent for independent media, 15 percent for independent human rights organizations and independent trade unions, and 5 percent for the Orthodox Church. Official trade unions and pro-government media, meanwhile, had negative trust levels of -22 percent and -43 percent, respectively.

BOSNIA AND HERZEGOVINA

Capital: Sarajevo
Population: 3,816,459
GDP per capita (PPP): \$14,300
Human Development Index: High (0.780)
Freedom in the World: Partly Free (53/100)

OVERALL CSO SUSTAINABILITY: 3.8



During 2021, 291,313 cases of COVID-19 were recorded in Bosnia and Herzegovina (BiH), including 13,442 COVID-19-related deaths. Measures to combat the COVID-19 pandemic continued to be in place in at the beginning of the year. However, as the Constitution of BiH does not provide the possibility of declaring a state of emergency at the state level, the state government declared a state of natural disaster, while the entities—the Federation of BiH (FBiH) and Republika Srpska (RS)—adopted their own decisions. This resulted in a piecemeal approach, with different restrictions in place in different parts of the country. In RS, for example, an order issued before the holiday season prohibited public gatherings of more than 120 people and private gatherings of more than seventy people. Additionally, in the spring of 2021, movement between cantons was prohibited.

Similarly, BiH did not prepare a country-wide vaccine strategy. Instead, the entities each procured their own supplies of vaccines. In addition, the European Union (EU) donated vaccines and medical equipment to the country. Due to insufficient awareness of the importance of getting vaccinated, thousands of vaccines were destroyed because they expired. By November 2021, only around 20 percent of citizens had been vaccinated.

The transparency and accountability of the government's crisis management was brought into question by the so-called respirator affair, which involved the procurement of unusable respirators by FBiH authorities at the end of April 2020. The State Prosecutor's Office filed an indictment against the Prime Minister of FBiH and others in connection with the scandal in December 2020. The case was still ongoing at the end of 2021.

The leading political parties in BiH disagree on almost all issues, leaving the country in a political stalemate. Corruption continues to be one of the biggest obstacles towards the country's EU accession. According to the European Commission, BiH has not made progress in rule of law and no actions have been taken to address the previous findings of the Expert Report on Rule of Law.

Economic growth in 2021 reached 7.1 percent, following a contraction of 3.1 percent in 2020. However, unemployment remained high, especially among young people, while inflation accelerated. Women were disproportionately affected by the pandemic, facing problems returning to work, obtaining adequate health care for themselves and their family members, and organizing online school for children.

CSO sustainability remained largely unchanged in 2021. The only dimension recording a change in score during the year was sectoral infrastructure, which improved as smaller organizations had more opportunities for capacity building. CSOs in BiH continue to be fragmented, institutionally weak, financially unsustainable, and highly dependent on the political and financial support of the international community. Many CSOs continued to provide social and humanitarian aid in response to the pandemic.

The Unified e-Register of Associations and Foundations maintained by the BiH Ministry of Justice listed a total of 27,432 legal entities, including both associations and foundations, at the end of 2020. This includes organizations registered at the state, entity, and cantonal levels, as well as those registered in Brčko District. However, the registration bodies at these various levels do not regularly submit changes to the database; as a result, the database risks becoming irrelevant just a few years after its establishment. The register only contains basic information about registered organizations, but does not list contact information, making information about CSOs' work inaccessible to the public.

LEGAL ENVIRONMENT: 3.4

LEGAL ENVIRONMENT IN BOSNIA AND HERZEGOVINA



The legal environment governing the CSO sector in BiH did not change notably in 2021.

BiH's complicated state structure presents administrative obstacles to CSOs. Four laws govern associations and foundations in BiH: the Law on Associations and Foundations of BiH and separate laws within each of BiH's constituent entities: FBiH, RS, and Brčko District. Associations and foundations can register at any of eighteen administrative offices: the Ministry of Justice of BiH, the Ministry of Justice of FBiH, the five Basic Courts in RS, Brčko District, and ten cantonal ministries of justice.

CSOs must register to engage in legal or financial transactions. Associations can be founded by a minimum of three individuals or legal entities (in any combination),

while foundations require only one individual or legal entity as a founder. A founder must be a BiH citizen, resident, or registered legal entity (domestic or foreign). Minors can serve as members, but not founders. CSOs can pursue any legal goals, regulate their internal affairs, and operate in accordance with their statutes.

The legal framework does not allow CSOs to reimburse travel expenses easily. Reimbursement can only be done as part of a contract, which requires the payment of taxes. This places additional and unnecessary financial and administrative obligations on CSOs.

Associations and foundations continue to be free to carry out economic activities that are related to their statutory activities. They may also undertake economic activities that are not directly related to the achievement of their goals if they establish separate commercial legal entities; in such cases, the total profit from unrelated activities must not exceed one-third of the organization's total annual budget or 10,000 BAM (approximately \$6,000), whichever is higher.

Laws governing the tax treatment of CSOs at the state and entity levels are still not harmonized. In RS, legal entities can deduct up to 3 percent of their annual income for donations to organizations providing humanitarian, cultural, sports, and social services and up to 2 percent for sponsorship expenses. In FBiH, legal entities can deduct up to 3 percent of their total income for donations for humanitarian, cultural, educational, scientific, and sporting purposes that are given to legal entities or individuals with no other income, and up to 3 percent for sponsorship expenses. Individual donors in FBiH can deduct the value of in-kind, material, and financial donations for cultural, educational, scientific, health, humanitarian, sports, and religious purposes up to 0.5 percent of income earned in the previous year. In RS, individual taxpayers can deduct expenditures for sponsorships and donations up to 2 percent of total income in that tax year. In both RS and FBiH, only self-employed persons can access these deductions. Donations above the prescribed amounts can also be fully deducted based on decisions of the competent ministries.

CSOs can request refunds on value-added tax (VAT) paid on goods and services under projects that were funded by the U.S. government and the EU Instrument for Pre-Accession (IPA) programs. Humanitarian, charitable, sports, and similar organizations do not have to pay VAT on the goods and services they provide to their members in exchange for membership fees. Despite this, there have been a few instances in which the Indirect Taxation

Authority (ITA) attempted to collect VAT from CSOs: first, in 2020, on all grants implemented by the Nahla Center for Education and Research in the past five years, and then in 2021, on the Institute of Youth KULT. Thanks to the prompt reaction of civil society and legal counsel, ITA dropped the case against Nahla, while the case involving KULT was still ongoing at the end of the year. These incidents showcase how public authorities interpret the law subjectively, creating legal uncertainty and posing a major threat to the sector. After inspections by entity tax administrations, associations in Tuzla Canton, Canton 10, and Posavina Canton had to pay penalties for unpaid taxes.

CSOs continue to have limited access to free or affordable legal advice. Vaša prava BiH is the biggest provider of free legal aid to citizens, as well as local CSOs. Other organizations, like Medica Zenica, the Center for Civil Society Promotion (CPCD), and KULT, also provide limited legal advice to other CSOs. However, this support is usually provided as part of funded projects and is therefore not sustainable.

ORGANIZATIONAL CAPACITY: 3.9¹

Organizational capacity in the CSO sector remained largely unchanged in 2021.

CSOs increasingly build relationships with their constituencies. For example, several advocacy human rights organizations have most of their staff based in the field, enabling them to build stronger ties with the people they support. Service providing organizations engage their beneficiaries in the development of services, thus increasing mutual trust. Donors, however, claim that CSOs fail to cooperate with their constituencies on a day-to-day basis, and only develop such relationships when problems arise.

Many CSOs have clearly defined missions and target groups, but most still do not have long-term strategic plans and instead adjust their work according to the interests and goals of donors. Many CSOs simply do not have the capacity for serious strategic planning.

According to the Law on Associations and Foundations, CSOs are required to have assemblies, but not boards of directors, and therefore many lack the structures and procedures needed to make their operations more transparent and accountable. Where boards do exist, their functions are largely reduced to approving reports or participating in required sessions.

Most organizations in BiH are small, grassroots organizations that lack a strategic approach to their internal management. Advocacy organizations, on the other hand, often have annual plans, statutes, and regulations that define their governing bodies' responsibilities. In addition, several of these organizations have institutional policies such as codes of conduct, finance manuals, and complaint mechanisms, as well as conflict of interest policies, and policies to protect employees from sexual harassment and ensure security and safety at work.

On average, CSOs engage three employees on employment contracts. However, some organizations have no permanent employees and instead hire staff occasionally and temporarily based on project needs, under either work contracts or volunteer contracts. CSOs' ability to retain employees is also affected by the fact that large and international organizations headhunt human resources from smaller CSOs. According to data from entity statistics bureaus and tax offices, CSOs employed between 3,063 and 4,247 people in 2021, which is 3.5 percent of the total number of employees outside of the agricultural sector in BiH. According to the Charities Aid Foundation's World Giving Index 2022, which reports on developments in 2021, 10 percent of people in BiH reported volunteering.

ORGANIZATIONAL CAPACITY IN BOSNIA AND HERZEGOVINA



¹ The Organizational Capacity score was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score did not reflect a deterioration in Organizational Capacity, which remained largely the same in 2018 as in 2017.

While this is a slight increase from the previous year, when just 7 percent indicated that they had volunteered, it is still one of the lowest rates of volunteering in the world.

Most CSOs have outdated information and communication technology (ICT), and there are almost no grants that allow small associations to purchase new equipment. However, almost all CSOs have internet access, and a smaller number of CSOs have their own websites and engage with constituents largely through Facebook and other social media platforms. In 2021, CSOs continued to organize most activities online, and increasingly used innovative platforms to organize such activities.

FINANCIAL VIABILITY: 5.0

FINANCIAL VIABILITY IN BOSNIA AND HERZEGOVINA



The financial viability of the CSO sector remained largely unchanged in 2021, and CSOs continue to face great financial uncertainty.

The majority of major CSOs depend on foreign grants. Foreign funding remained at largely the same level in 2021 as in previous years, although in some cases, funds were redirected or delayed because of the pandemic. The biggest foreign donors include the Delegation of the EU, USAID, Swedish International Development Cooperation Agency (Sida), Swiss Agency for Development and Cooperation (SDC), and the Norwegian Embassy. Areas of support include the fight against corruption and organized crime, public administration, judiciary, security, environment, agriculture, education, infrastructure, and business

development. Bosnian CSOs are eligible to compete for funding through the EU's Citizens, Equality, Rights and Values (CERV) 2021-2027, which has a total budget of EUR 1.6 billion to support CSOs promoting democracy and the rule of law at the local and national levels.

As a result of foreign donors' administrative demands and reporting requirements, which are often the same regardless of grant size, fewer CSOs are interested in applying for these funds. Grassroots organizations continue to lack the capacity to adequately respond to donors' administrative demands.

According to Transparency International in Bosnia and Herzegovina (TI BiH), in 2019 and 2020, governments at all levels in BiH allocated over BAM 121 million (approximately \$72 million) to CSOs. Sports clubs, veterans' organizations, and religious communities received the most money. The greatest percentage of funds (49 percent) was distributed at the local level, while the state-level government provided only 3 percent of the total.

Public funding for CSOs was reduced and redirected in 2020 and 2021 as a result of the pandemic. Ministries at the entity and cantonal levels often reallocated funds to other uses as CSOs had to restrict or cancel numerous events and activities because of the pandemic. During 2021, no specific government mechanisms provided support to CSOs, and most CSOs could not apply for local economic recovery measures.

Transparency in the allocation of public funds to CSOs continues to be a problem despite the Council of Ministers of BiH's adoption of the Rulebook on the Criteria for Financing and Co-Financing Projects in Areas of Public Interest Implemented by Associations and Foundations in 2020. Different government bodies continue to use different procedures to allocate funds to CSOs, ranging from the use of public calls for funding to allocation based on submitted requests. In addition, application forms, applicants' rights during and after the allocation procedure, and evaluation methods vary widely. As in 2020, in 2021 there were a significant number of cases of authorities using irresponsible or non-transparent funding processes. Untimely publication of calls for funding, delays in the allocation of funds, and the allocation of funds after the end of the year or the deadline defined by the grant agreements are all common problems.

At the local level, funds often go to CSOs with close ties to local political leaders, frequently with informal arrangements to return a percentage of the funds to individuals in power. In addition, some of the funding from the

budget line for CSOs goes to associations of war veterans, persons with disabilities, and families of fallen soldiers, many of which receive funds without submitting formal applications.

Many local self-government units, cantonal ministries, and federal ministries do not have any information on the funding of CSOs on their websites, although some do publish information about the associations that received funds. Local governments do not engage in any monitoring or analysis of the implementation of allocated funds to review progress or find solutions or strategies for future activities.

A survey conducted by CPCD in 2021 on the impact of COVID-19 on civil society found that over 61 percent of CSOs believe that government bodies do not allocate public funds to associations and foundations in a transparent manner, while 30.8 percent believe that they do so in a partially transparent manner and 3.5 percent believe the process is almost entirely non-transparent. Only 3.5 percent of CSOs believe that the allocation of funds is transparent, indicating a very low level of trust by CSOs in government.

According to the report by CPCD, about 94 percent of the authorities do not identify goals to be achieved through funded activities, result indicators, or sources of verification. Most of the surveyed authorities and CSOs agree that certain associations and foundations should have continuous sources of public funding.

Membership fees and earned income are generally not common sources of income for CSOs. Very few associations have the capacity to provide services on a market-driven, fee basis. Social entrepreneurship is a new branch of the economy that provides great opportunities to reduce unemployment and social inequality. Within the scope of an EU-funded project, the Local Democracy Foundation and Lara Foundation awarded grants to twenty-four social enterprises in 2021.

Most CSOs lack quality financial management systems or do not operate in a transparent manner. Audits are generally carried out only when grants cover these costs, which is generally only the case for large, multi-year projects implemented by large associations. Audits of overall CSO operations are rare. The law requires all CSOs to submit annual financial reports to the Agency for Intermediary, IT, and Financial Services (APIF) in RS and the Financial Information Agency (FIA) in FBiH, but many CSOs do not meet these requirements. In 2020, 15,298 CSOs (including 9,136 in FBiH and 6,162 in RS), or 55 percent of registered organizations in the country, submitted annual reports. CSOs that do not submit these reports may be forced to close or be financially sanctioned. No data is available for 2021.

ADVOCACY: 3.2

CSO advocacy did not show any notable change during 2021.

All state-level draft laws must be posted on the e-consultation platform, allowing any interested member of the public to provide input. Sixty-six state institutions were registered to use the platform in 2021. The largest number of registered users on the e-consultation platform expressed their interest in cooperation with the BiH ITA.

Regular consultation processes generally take place only at the level of the BiH Council of Ministers. During 2021, a total of 528 consultations were held (compared to 541 in 2020) and 438 reports were published on conducted public consultations (compared to 408 in 2020). The government continued to adopt many legal documents in 2021 through the use of abbreviated or urgent procedures that do not allow for public consultations. At lower levels, most consultative procedures are respected only on paper, not in practice, and there is little political will to actively include public consultations in the decision-making process.

At its session in March, the Council of Ministers of BiH adopted an action plan for the Open Government Partnership for 2019-2023. With an aim to implement the measures from the Action Plan, the Ministry of Justice

ADVOCACY IN BOSNIA AND HERZEGOVINA



held online presentations for CSOs on how to participate in consultations through the e-consultation platform. In addition, in cooperation with the BiH Civil Service Agency, trainings in the fields of transparency, productivity, and innovation were held for consultation coordinators, deputy coordinators, and consultation leaders. By the end of 2021, over 220 civil servants from various BiH institutions and over 200 CSO representatives had participated in these presentations and trainings.

The Advisory Body of the Council of Ministers of BiH for Cooperation with Non-Governmental Organizations started to work in December 2020. It is responsible for improving cooperation between the Council of Ministers and CSOs and creating an enabling legal, institutional, and financial environment for the activities of the non-governmental sector in BiH. During 2021, members of the Advisory Body organized online discussions with representatives of CSOs to discuss the challenges they face, as well as possible directions of action.

The current Law on Freedom of Access to Information in BiH has several shortcomings, such as the lack of proactive disclosure of information, problems with the appeals process, undefined ways to conduct public interest tests, and inconsistencies with other laws that restrict the right to access information. During 2021, TI BiH conducted research that found that institutions have insufficient capacities to respond to requests for information. In December 2021, the Ministry of Justice of BiH prepared the draft Law on Freedom of Access to Information at the Level of BiH Institutions. This new version of the law is harmonized with various EU policies on open data and the re-use of public sector documents. According to a coalition of CSOs, including the Foreign Policy Initiative BH, the draft law has several flaws, including a lengthy list of exemptions or potential limitations on access to information kept by public bodies, as well as the prospect of extending the deadline for responding to requests for access to information for an additional fifteen days. The draft was still being worked on at the end of the year.

As part of the Program for Strengthening Public Institutions in BiH, in 2021, the Public Administration Reform Coordinator's Office initiated an assessment to identify potential future open data initiatives in cooperation with the General Secretariat of the Government of FBiH.

CSOs actively engage in advocacy initiatives, but these efforts have limited effect on decision-making processes. In general, government bodies are unwilling to cooperate with CSOs, although there are a few exceptions, such as the Institution of Human Rights Ombudsman of BiH. Government institutions rarely base their decisions on high-quality policy research and use information from civil society selectively.

The Coalition Pod lupom actively advocates to improve the quality of elections in BiH. In 2021, the coalition advocated for improvements to the election process through the implementation of judgments of the European Court of Human Rights and the Constitutional Court of BiH, and amendments to the BiH Election Law and Central Election Commission implementing acts.

CSOs played a key role in putting pressure on judicial institutions to investigate the “respirator” affair. CSOs also informed the public about the process through campaigns, reports, and announcements and encouraged citizens to get involved and ask for information about how their tax money is spent.

As a result of the long-term efforts of organizations for children with special needs, the Parliament of FBiH adopted a Law on Parent-Caregivers in FBiH in September 2021, which came into effect in December. With the adoption of this law, parents and guardians of persons with disabilities have the right to the status of caregivers of persons with disabilities. They will thus receive monthly compensation, health insurance, and the payment of pension and other contributions.

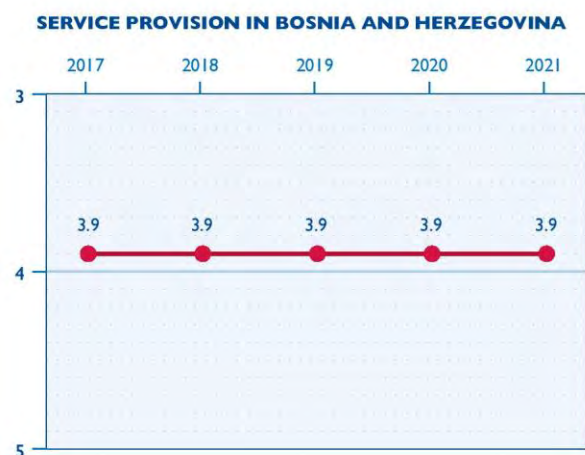
During 2021, Initiatives and Civil Actions (ICVA) launched a new initiative with the Regulatory Agency for Communication aimed at requiring all state and private television stations to make at least 10 percent of their programs accessible to people with hearing impairments, as well as to blind and partially sighted people, within the next two years. Currently, less than 1 percent of television programs are accessible to these categories of citizens. A draft law containing these requirements is expected to be adopted in 2022. In December 2021, ICVA organized the first regional conference on Accessibility of Media Services.

CSOs also advocated for the protection of natural areas, rivers, and caves, and contributed to changes to the Law on Electricity in FBiH. However, CSO representatives do not participate in meetings of the Inter-Entity Coordination Body for the Environment, which is responsible for coordinating all environmental matters.

Activists continue to be exposed to political pressure, threats, blackmail, and violence, hindering the effectiveness of advocacy initiatives. During 2021, this was an issue for environmental activists protesting the construction of

small hydropower plants. For example, the director of the Aarhus Center, Emina Veljović, was subject to verbal attacks and sexist insults by a representative of the investors and owners of a small hydropower plant during a public debate in Mostar on the draft Law on Amendments to the Law on Electricity in FBiH.

SERVICE PROVISION: 3.9



The level of CSO service provision did not change significantly in 2021. CSOs continued to provide social services such as safe houses, day care centers for people with mental challenges and abandoned children, and telephone hotlines to protect children from violence. CSOs also played an important role in mitigating and reducing the negative effects of the COVID-19 crisis in their communities. In some cases, CSOs were the only source of information about the crisis. For example, women with disabilities stated that CSOs for persons with disabilities and women with disabilities created Viber groups, organized informal gatherings online, and opened a telephone line information line, which proved to be a reliable source of news. Moreover, civil society has proven to be extremely valuable in the process of monitoring and reporting on actions at the local level, as

well as in community education.

CSOs also play a special role in responding to natural and other disasters. Among the CSOs engaged in providing humanitarian assistance during disasters are Caritas, Merhamet, La Benovalencija, and Dobrotvor. Other organizations involved in protection and rescue efforts include associations of divers, mountaineers, Gorska rescue service, speleologists, and scouts.

Sumero association is currently the largest organization focused on the rights of people with intellectual disabilities in BiH. Humanitarian association Pomozi.ba, which receives more than EUR 3 million a year largely through individual donations, is a leader in providing health, social, educational, and similar services to vulnerable groups.

CSO services generally reflect the needs and priorities of their constituents and communities. CSOs determine these needs through conversations, discussions, and focus groups with community members, as well as cooperation with other CSOs and monitoring reports and research. CSOs provide donor-funded services to beneficiaries for free.

In a unique example of a partnership between decision makers and civil society, CSOs, centers for social work, international organizations, SOS Children's Villages of BiH, and the Federal Ministry of Labor and Social Policy worked together to promote the new Law on Social Services in FBiH. The law aims to improve the provision of social services and the creation of equal opportunities for vulnerable segments of the population. The Law on Social Services had not yet been adopted by the end of the year but had been sent to the competent cantonal ministries for their opinions.

According to research conducted by CPCD, CSOs faced many challenges affecting their ability to provide services in 2021. Through focus groups organized by CPCD, many CSO representatives expressed concern that they are not sure what the future holds for them. This uncertainty is exacerbated as the global fight against the pandemic increases problems in program implementation, staff coordination, financial systems, planning, security, and communication. In most cases, the measures limiting free movement and assembly to mitigate the spread of COVID-19 did not exempt CSOs and therefore added to the challenges they faced in providing support to target groups. At the same time, CSOs are required to innovate to ensure that interventions can be carried out efficiently and in a timely manner, in the face of unprecedented difficulties.

There were no changes in the level of cooperation between the governmental and non-governmental sector in 2021. Government authorities still do not look favorably on the possibility of greater cooperation with CSOs. In terms of funding services, authorities continue to favor those of existing state institutions, regardless of the

questionable quality of their services. This lack of political will is partially an issue of jurisdiction: several areas that CSOs engage in, including social services, education, culture, and sports, are on the margins of government policy.

SECTORAL INFRASTRUCTURE: 3.5

The infrastructure supporting the CSO sector improved slightly in 2021, with increasing opportunities for capacity building for smaller organizations. Larger, more sustainable organizations increasingly support small grassroots organizations through sub-granting and assistance in developing project applications, monitoring and evaluating project activities, and reporting.

Organizations such as TI BiH, CPCD, Foundation Mozaik, and KULT re-grant around EUR 1 million in grants to other organizations in BiH on an annual basis, increasing the sustainability of local civil society and its ability to adequately respond to the needs of local communities. For example, CPCD is one of the implementers of the SMART Balkans project, which is funded by the Norwegian Ministry of Foreign Affairs.

Together with its partners in Albania and North Macedonia, CPCD awards grants to CSOs from the Western Balkans to empower them to play a stronger and more active role in strengthening participatory democracies, Euro Atlantic integration, and creating peaceful and inclusive societies.

Over the past few years, larger organizations, with the support of foreign donors, have established various resource centers that provide significant support to smaller organizations. Some of the most important of these resource centers are the EU resource center, SMART resource center (run by CPCD), and Snaga lokalnog (Network for Building Peace). In addition, Centers for Civic Initiatives (CCI), KULT, and Mozaik provide some support to smaller organizations and their websites provide valuable resources. However, these resource centers are not sustainable without continuous financial support.

Networking and partnership projects have also increased, offering multiple benefits. Partnership projects increasingly build capacity by sharing knowledge, strengthening regional networks, and increasing the understanding of civil society about the challenges in the region. Networks often facilitate partnerships, study visits, and preparation of regional reports. For example, the Balkan Civil Society Development Network operates a research center and provides grants for organizations in the Western Balkans and Turkey.

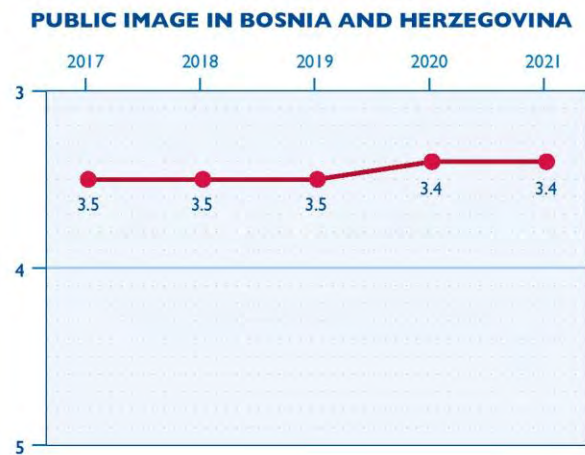
A number of coalitions unite CSOs working in different programmatic areas. Coalition Pod lupom supports democratization processes by contributing to free and fair elections in BiH. The Coalition for the Protection of Rivers unites environmental organizations and movements focused on protecting rivers. The Initiative for Monitoring the European Integration of Bosnia and Herzegovina is an informal coalition of CSOs that monitors reforms and the application of EU policies, laws, and standards.

CSOs have access to a great deal of training. During 2021, for example, sixty CSO representatives attended workshops organized by KULT with the support of USAID that were aimed at strengthening CSOs' internal organizational capacities. KULT also developed an index of organizational capacity development in 2021 that allows CSOs to identify their organizational strengths and weaknesses and develop strategic plans to further their development.

SECTORAL INFRASTRUCTURE IN BOSNIA AND HERZEGOVINA



PUBLIC IMAGE: 3.4



The public image of the CSO sector remained unchanged in 2021.

Public perceptions of CSOs seem to have improved over the past few years as CSOs were often the first to respond to emerging needs during the pandemic. The floods and fires that affected BiH in 2021 presented another opportunity for CSOs to demonstrate their role in protecting citizens.

Despite the visible and measurable contributions of civil society over the past few years, there is still a lack of confidence in the civil sector in BiH. Local organizations are more often recognized by local communities—both direct beneficiaries and local governments—while larger organizations generally enjoy the trust and support of smaller organizations that often cooperate and partner

with them.

A discrepancy exists between CSOs' perception and citizens' attitudes towards CSOs. According to the BiH country report in the EU TACSO 3 project, over 80 percent of surveyed CSOs in BiH think that citizens trust CSOs. At the same time, CSO representatives in focus groups and interviews note the presence of skepticism and negative stereotypes about civil society among citizens.

Media plays a crucial role in the development of civil society's public image. The way the public thinks about the work of civil society often depends on media content and the existence of dedicated media space promoting CSOs' project activities. CSOs' projects often receive prominent media coverage which helps increase their social impact. CSOs increasingly use social networks to raise public awareness of their work.

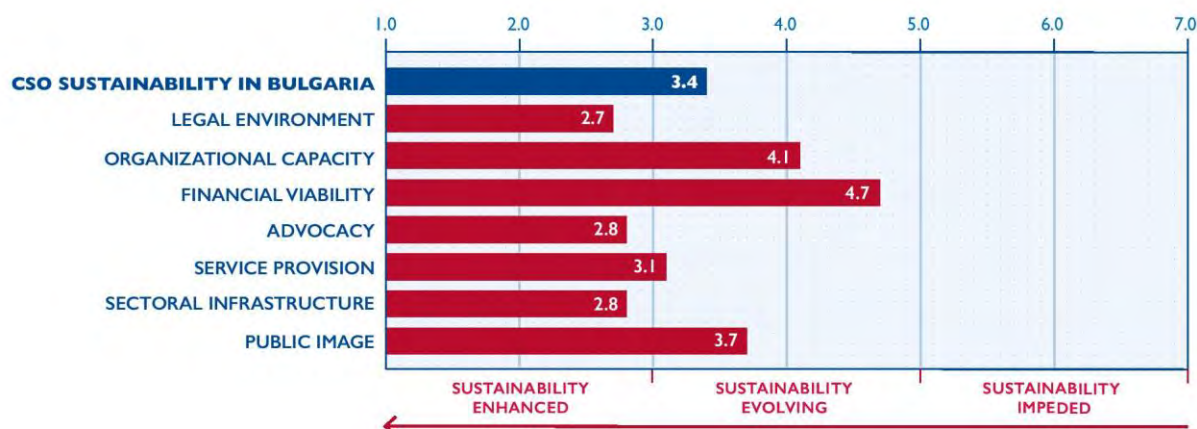
Government officials, especially at the local level, do not respect local CSOs as relevant partners, but view cooperation with CSOs as a requirement, given pressure from the international community and funding conditions. Businesses perceive CSOs as having inadequate skills. One of the rare instances when CSOs and businesses cooperate is when a CSO is the founder of a social enterprise.

CSOs are increasingly accountable and transparent in their project activities. However, few CSOs make their annual narrative and financial reports available on their websites. A Code of Ethics for CSOs in BiH was developed in 2017. An additional ten organizations subscribed to the Code of Ethics in 2021, bringing the total to approximately 166.

BULGARIA

Capital: Sofia
Population: 6,873,253¹
GDP per capita (PPP): \$22,400
Human Development Index: Very High (0.795)
Freedom in the World: Free (79/100)

OVERALL CSO SUSTAINABILITY: 3.4



2021 was politically turbulent in Bulgaria, with three parliamentary elections and a presidential election

¹ held during the year. Two of the three parliamentary elections were won by new parties that promised to change Bulgaria's model of governance. After the winners of the first two elections were unable to form governments, voter turnout dropped to just over 40 percent for the November 2021 elections. Finally, there was a glimmer of hope at the end of the year as four parties managed to reach an agreement and form a coalition led by the new political party "We continue the change." The new government demonstrated a desire to be transparent, including by livestreaming the coalition negotiations.

For most of the year, the political turbulence made it difficult for CSOs to interact with the authorities as officials were waiting to see the new political landscape. Once the new government was established, however, it demonstrated a willingness to work with CSOs and engaged several CSO representatives as advisors or in other capacities. In a significant change, no party in the government openly attacks civil society. Still, anti-CSO rhetoric has not completely disappeared, and two opposition parties (Revival and Movement for Rights and Freedoms) continue to spread negative rhetoric about CSOs.

Bulgaria was hit with several waves of COVID-19 in 2021, with the government imposing various restrictions to deal with the outbreaks. On October 21, 2021, the government made it mandatory to have a COVID-19 "health pass"—a digital or paper certificate showing that someone has been vaccinated, tested negative, or recently recovered from the virus—in order to enter restaurants, movie theatres, shopping centers, gyms, and other places. The measure was met with protests, in part because of the extremely low rate of vaccination in the country. Bulgaria had the lowest vaccination rate in the European Union (EU), with less than 30 percent of its population vaccinated by the end of 2021. Despite the public opposition, the requirement to have a certificate remained in place through the end of the year.

Despite the turbulent context, the sustainability of the civil society sector improved slightly in 2021, driven by positive developments in three dimensions—legal environment, sectoral infrastructure, and public image. The legal environment improved as CSOs were not subject to state harassment, as they had been over the past few years. The reduction in the government's hostility to the CSO sector also contributed to the sector's improved public image. Finally, CSOs had increased access to trainings and increasingly formed partnerships with each other, driving

¹ The incumbent President Rumen Radev was re-elected in two rounds of voting held in November.

an improvement in the infrastructure supporting the sector. The other dimensions of sustainability did not record any changes in scores.

A total of 2,779 CSOs registered with the Registry Agency in 2021. Of these, 1,379 were newly established organizations, while 1,400 organizations transferred their registrations from the courts, as required by amendments to the Law on Non-Profit Legal Entities (hereinafter the CSO Law) that went into force in 2018. The total number of organizations registered with the Registry Agency at the end of the year exceeded 23,000. According to data from the National Statistical Institute, 13,736 CSOs submitted financial reports in 2021, as required by law. This number may provide a more accurate estimate of the number of active CSOs in the country than the number of organizations in the Registry Agency.

LEGAL ENVIRONMENT: 2.7



The legal environment for civil society improved slightly in 2021 as, in contrast to previous years, CSOs did not report any specific cases of state harassment.

Registration, which continues to be carried out by the Registry Agency, is fast and relatively inexpensive. However, many organizations continue to be denied registration: almost two-thirds of applications to transfer registration from the courts and slightly less than half of those for new registration are rejected. On the positive side, the Registry Agency acknowledges this problem and in 2021, the National Justice Institute had experts from the Bulgarian Center for Not-for-Profit Law (BCNL) organize training on the CSO Law and its implementation for all registration officials in the Agency.

In 2021, the Committee of Ministers of the Council of Europe requested Bulgaria to comply with decisions of the European Court of Human Rights (ECtHR) related to the registration of the United Macedonian Organization Ilinden (UMO Ilinden). UMO Ilinden, which aims to protect the rights of the Macedonian minority in Bulgaria, was denied registration more than fifteen years ago. Despite several statements by the ECtHR, the organization has still not been registered.

Despite CSO advocacy, the CSO Law was not amended in 2021 to allow CSO bodies to hold online meetings, although there were court decisions that argued that online meetings can take place even without legislative changes. This creates practical problems for CSOs and demonstrates their unequal treatment compared to state institutions and companies, which are explicitly allowed to make formal decisions online.

Legislation clearly defines the authorities' oversight powers. In a positive development, draft amendments to the Law on Youth that would establish and regulate a Public Council for Youth Questions composed of CSOs were discussed during the year. There was also a proposal to revise the criteria for social enterprises under the Law on Social Enterprises, but the Social Ministry ultimately did not agree to any change, despite the fact that only thirty-five organizations had registered as social enterprises in the ministry-run register as of mid-March 2022.

According to the Financial Action Task Force (FATF), before introducing any measures, the government should carry out a risk assessment of the nonprofit sector. The risk assessment should inform the government if CSOs in general or a specific segment of the sector (e.g., religious organizations) present greater risks of being used to finance terrorism or launder money. In 2021, the State Agency for National Security initiated a dialogue with CSOs around the nonprofit sector risk assessment in Bulgaria, which could lead to loosening of the requirements for CSOs. This is a positive development as previously there was little communication between the agency and CSOs.

In contrast to previous years, no specific cases of state harassment were noted in 2021. In addition, restrictive amendments to the CSO Law that would create a special register of foreign-funded CSOs and impose several restrictions on such organizations, including requirements for their board members to submit asset declarations, were not reintroduced in the new parliament.

All associations and foundations that work in one of the public benefit areas listed in the CSO Law can obtain status as public benefit organizations. Public benefit organizations have to comply with additional requirements, such as making their narrative reports public. In exchange for the increased transparency, they receive additional benefits, including tax deductions for their donors.

CSOs are exempt from taxes on their income from nonprofit activities including grants, membership fees, and donations. However, like companies, they are subject to a 10 percent corporate tax on their profits from economic activities. Donors can deduct donations made to public benefit organizations up to 5 percent of the annual income for individuals and 10 percent of the positive financial result for companies. Social media advertisements are treated as the import of services from abroad (as Facebook and Google are registered abroad). CSOs purchasing advertisements are therefore required to register under the value-added tax (VAT) system and submit monthly reports to the National Revenue Agency, which is burdensome on CSOs.

CSOs can engage in economic activities, take part in public procurements, and receive income from various sources, both in the country and abroad. However, access to EU funding continues to be subject to the *de minimis* rule, under which grant funding from the EU is considered state aid and is limited to EUR 200,000 per organization over a three-year period. CSOs with higher turnover note that banks impose fees for bank accounts and deposits exceeding BGN 200,000 (EUR 100,000), an extra cost that CSOs have problems covering.

There is increased need for legal advice in the thematic areas in which CSOs operate. BCNL offers legal support to CSOs and provides access to various legal resources. As part of a new initiative to extend its outreach, in 2021, BCNL supported organizations in Russe and Varna to provide legal consultations, but there is still a need for more specialized support outside of Sofia.

ORGANIZATIONAL CAPACITY: 4.1

CSO organizational capacity did not change significantly in 2021. While CSOs continued to face problems related to the pandemic, most CSOs successfully adapted to the new circumstances. At the end of the year, however, high inflation rates made it difficult for CSOs to deliver promised activities because of the increase in prices.

There seems to be a decreasing number of active CSOs, as demonstrated by the fact that just 220 organizations submitted proposals for the Open Society Institute-Sofia strategic grants competition in 2021, down from 364 in the first call in 2018.

The COVID-19 pandemic has created problems for CSO constituency building. Organizations find it hard to maintain direct contact with their constituents, as many planned events were moved online, hindering direct communication. On the other hand, the last two years have demonstrated the importance of digital communication, although an effective digital communication strategy requires a professional approach and small CSOs cannot afford communications professionals. Many traditional organizations do not communicate about their work, which is necessary to attract supporters. At the same time, some new movements, such as For the Good, attract a lot of public attention through social media.

Most CSOs address current needs without making long-term strategic plans as the pandemic has made long-term planning virtually impossible. Established organizations have the structures required by law, including general assemblies of their members and boards of directors, but newly established movements tend to be more spontaneous and less structured. While some movements, like For the Good, decide to institutionalize, many others are short-lived.

According to the most recent official statistics, CSOs employed 28,672 people and engaged 72,065 volunteers in 2020, the first year of the COVID-19 pandemic, down from more than 29,000 employees and 86,000 volunteers in 2019. Organizations lack resources to address the burnout of employees related to the COVID-19 pandemic.



According to the National Youth Forum, many youth organizations have decreased their staff numbers. According to the Charities Aid Foundation's *World Giving Index 2021*, just 12 percent of Bulgarians volunteer for CSOs, placing Bulgaria in 89th place out of the 114 countries surveyed.

The internet is accessible and affordable in Bulgaria. CSOs actively use social media, but many lack the skills to present themselves effectively. For example, their websites are not maintained properly and they provide chaotic information on Facebook, such as pictures without any text. Similarly, CSOs have limited capacity in the area of cybersecurity and pay little attention to this issue.

FINANCIAL VIABILITY: 4.7



The financial viability of the CSO sector did not change significantly in 2021.

Diversification continues to be a major problem. CSOs focused on certain topics, such as human rights, continue to be dependent on foreign funding. The America for Bulgaria Foundation (ABF) continues to be the biggest foundation donor for CSOs. In 2021, ABF approved new grants to CSOs amounting to \$3.78 million and disbursed a little over \$8 million in funding to CSOs. Another major donor at the national level is the Active Citizens Fund, funded by the European Economic Area and Norway, which provided nearly BGN 6 million (approximately EUR 3 million) for strategic projects in 2021. A few local donors re-grant funds from other sources, generally foreign donors or corporations. For

example, the Bulgarian Fund for Women awarded BGN 200,000 (EUR 100,000) that it received from foreign and corporate donors to its target CSOs in 2021.

CSOs receive limited government funding on a competitive basis. According to the CSO Law, the Civil Society Development Council (CSDC) should have been established by January 1, 2018. However, it had still not been established by the end of 2021. As a result, the BGN 1 million (EUR 500,000) that it was supposed to distribute to CSOs was lost again in 2021. The government rarely provides support to CSOs as co-funding under various EU programs. For example, the Bulgarian Safer Internet Center receives support from the EU to cover half of its costs but receives no government support despite the fact that it provides a service that benefits the whole country.

Article 10a of the Law on Gambling states that gambling companies have to pay social responsibility fees that the Ministry for Youth and Sports then uses to fund youth programs. Under the 2021 program, the Ministry distributed more than EUR 2.7 million to CSOs. However, the program's selection process has been criticized for not being sufficiently transparent (no external evaluators were used in 2021); allowing a very short application period (the program was announced on January 12 and applications were due on January 27); and allowing grantees just six months to implement projects. There was also a large discrepancy between the amounts provided under the different program priorities: the size of grants under one priority area (organization of national information campaigns) was almost EUR 350,000, while grants were limited to just EUR 25,000 under another area (changes of behavior of young people), despite the fact that the different program areas were defined quite broadly and had similar objectives in practice. Moreover, around 40 percent of applications were rejected at the stage of administrative compliance.

There continue to be questions about the privileged treatment of some organizations when it comes to access to government funding. For example, when the Ministry of Youth and Sports distributed funding to CSOs at the beginning of 2021, four organizations received the largest grants (around BGN 675,000 or EUR 337,500 each) for prevention of addiction. However, some of these organizations did not even have websites at the time of application. The new minister launched an investigation into the grant-making procedures, but no results had been announced by the end of the year.

There were two new opportunities for CSOs to receive financial support from the EU in 2021, although both of these opportunities had limitations. First, CSOs were listed as eligible beneficiaries under the EU Resilience and Recovery Plan, although they are not the primary targets or beneficiaries under the Bulgarian plan. The EU Citizens, Equality, Rights and Values Programme (CERV), on the other hand, prioritizes funding to CSOs, but the capacity of Bulgarian CSOs to apply is limited. Particularly problematic is the fact that there is a 10 percent co-funding requirement for re-granting and minimum grants are EUR 2.5 million, meaning that any applicant intending to re-grant CERV funding to smaller Bulgarian CSOs must secure EUR 250,000 from other sources of funding. Bulgarian CSOs are also eligible for funding through other EU programs, such as Horizon, Erasmus, and Life, but they have to compete with other European organizations for these funds.

On the country level, the EU Operational Program Administrative Capacity launched a call for new projects for civic participation in October 2021 with a total budget of BGN 11,145,970 (around EUR 5.6 million). The objectives of the call were subject to public consultation. This funding will be awarded and begin to have impact in 2022. CSOs can also apply for funding under other operational programs, but the conditions are not supportive. For example, WWF was selected to receive funding under the Maritime Affairs and Fisheries program, but it refused to sign a contract when its budget was substantially decreased without any explanation and without reducing the expected outputs. In addition, as already described in the Legal Environment section, the *de minimis* rule for EU grants still applies, which limits the amount of national-level EU funding that one CSO can benefit from.

According to an analysis by the Bulgarian Donors' Forum, just 0.63 percent of all companies that submitted tax declarations in 2020 reported making donations. Despite this, the level of corporate donations increased significantly, reaching more than BGN 58 million (almost EUR 30 million) in 2020, up from BGN 41.7 million in 2019. Some of the companies with the most significant giving programs for CSOs include Lidl, Vivacom, and Raiffeisenbank. Individual donations also increased, from BGN 11.2 million in 2019 to BGN 14.6 million (around EUR 7.3 million) in 2020. However, most people do not make donations for human rights, advocacy, or organizational development in general, but instead give for specific causes, the top three of which are social needs, health care, and natural disasters. Moreover, 2020 was marked by the onset of the COVID-19 pandemic, which led to a significant increase in health-care-related donations. The most popular donation methods remain donation boxes and charitable SMS. A number of crowdfunding platforms facilitate the collection of donations by CSOs; the two biggest ones are maintained by Bulgarian CSOs – platformata.bg by BCause Foundation and dmsbg.com by the Bulgarian Donors' Forum.

Most CSOs do not have resources to invest in the preparation of fundraising campaigns. In 2021, BCause organized an accelerator, a two-day training program that helps CSOs plan their fundraising campaigns. Agora Foundation, with support from ABF, is also investing in the development of local philanthropy by funding projects that support local philanthropy and revive philanthropic culture.

Although more than 2,300 CSOs have self-declared themselves as social enterprises,² only a few organizations have managed to turn this into an important source of funding. For example, Future for Children in Kazanlak produces cookies.

CSOs are obliged by law to publish their financial reports and submit them to the state authorities. Most CSOs engage accountants to prepare these reports.

² This data is collected through the annual statistical information provided in the annual reports of CSOs and indicates the number of CSOs that consider themselves to be social enterprises. However, only thirty-five organizations have registered as social enterprises with the state; these organizations need to comply with the legally-set criteria for a social enterprise and are eligible for support from the state. The huge discrepancy between these two numbers indicates that the requirements to register as social enterprises might be inconsistent with the practical situation in Bulgaria.

ADVOCACY: 2.8

Overall CSO advocacy was affected by both positive and negative developments in 2021, leaving it unchanged overall. Although the constant elections and changes in the composition of parliament and government blocked long-term advocacy, there was optimism at the end of the year as the new government started seeking input from CSOs and several civic activists joined the government.

There continues to be a lack of understanding of citizen participation in the country. Authorities are more interested in CSOs validating their proposals than working with them to develop policies jointly. At the same time, there is a lack of active participation in public consultations. For example, very few comments were submitted on the youth-related policies and documents published on the government consultation portal www.strategy.bg in 2021.

As described above, the CSDC, which is designed to serve as a forum of cooperation between the government and CSOs, had still not been established by the end of 2021. On a positive note, despite some attempts to eliminate it, parliament ultimately maintained the Parliamentary Committee for Interaction with CSOs and its Public Council, which is composed of CSOs. The development of the new Open Government Partnership (OGP) Action Plan was restarted in 2021. The government also took steps to establish a multi-stakeholder forum with the participation of CSOs; a regulation on its establishment was adopted in April 2021, but it was not formed by the end of the year. CSOs were actively involved in advocacy related to these processes.

The Ministry of Health showed more openness in 2021 by providing a public report on its expenditure of donations received for COVID-19 response. On the other hand, it adopted the national program for mother and child health without consulting CSOs, as it has done in the past. Some government agencies continued to be confused by the differing and sometimes contradictory CSO opinions on various topics, and therefore preferred not to engage with CSOs at all in order to avoid being subject to criticism from some of these groups.

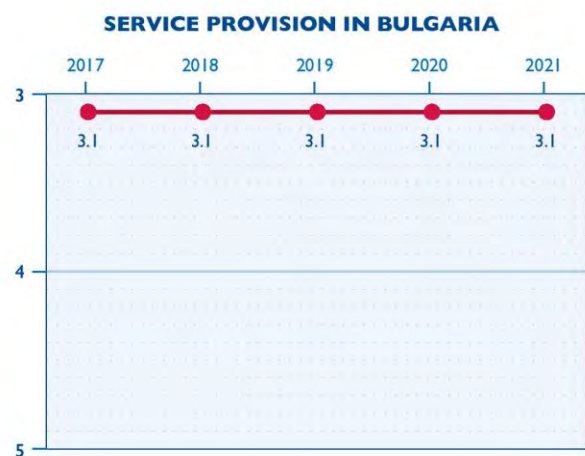
There were some positive examples of cooperation at the local level. For example, municipalities adopted or are considering regulations on public consultations and the introduction of online consultation systems. However, implementation lags behind. Moreover, authorities at the local level do not always accept criticism. For example, one municipality that adopted a regulation on public consultations was not happy with the results of a CSO-prepared local participation index and blocked future cooperation with CSOs.

Despite the challenges, there were several examples of successful advocacy during the year. For example, environmental organizations successfully got Karadere, Irakli, and Coral beaches designated as protected areas, something they have been fighting for for years. The Coalition for a Green Re-start successfully advocated for increased funding for biodiversity as part of the Bulgarian EU Recovery and Resilience Plan. The Association of Parks in Bulgaria trained citizens on how to join forces locally in order to advocate for environmental cases. In addition, the foundation Life with Down Syndrome successfully advocated for a change in the Regulation for Medical Expertise that means people with Down Syndrome no longer need to verify their medical status constantly.

In 2021, CSOs advocacy focused on changing the CSO Law to expressly allow for online meetings of CSO bodies once again failed, as described above.



SERVICE PROVISION: 3.1



CSO service provision did not change in 2021. CSOs provide a variety of services, including consultancy services to the government; education and training; support to refugees; advice to corporate donors on selection of causes for support or the development of corporate social responsibility (CSR) programs; and services to youth.

CSO services respond to the real needs of the communities they serve. CSOs try to assess those needs by collecting data, including through questionnaires, analysis, and evaluation of activities. Often, CSOs respond faster to needs than the authorities. Many CSO services serve vulnerable groups who cannot directly pay for the services they receive; instead, the government (local or national) covers the costs of those services.

One of the biggest problems for social service providers in 2021 was inflation, specifically in electricity prices; as prices increased, CSOs therefore had to raise funds to cover the extra costs. Eventually, the government decided to compensate service providers for these increased expenses.

The number of goods and services offered by social enterprises has increased. A platform for the sale of social enterprises' products (<https://www.darpazar.bg/bg>) offers a wide array of CSO products ranging from souvenirs to clothes and food. However, CSO-run social enterprises still need to improve both their marketing skills (to reach new clients) and production skills (to be able to match the potential increase in demand).

CSOs are the main partner to the government and the main private provider of social services in the country. Over the past few years, however, the interaction between the government and CSOs has transformed from a partnership into a purely contractual relationship. Social service providers complain that authorities are not sufficiently flexible. For example, a cultural events space in Sofia was developed through a partnership between the municipality and a CSO that united different artists. However, rather than delegating the management of the event space to the CSO, the municipality instead hired the CSO's director as a municipal employee.

In 2021, out of 1,634 social services funded by the national government, 274 (almost 17 percent) are delegated to CSOs, while only 21 are delegated to other private providers. Compared to the available data for 2019, the number of services contracted to CSOs remains almost unchanged, but the overall number of services provided by the government has increased, meaning the share of services delegated to CSOs has decreased.

SECTORAL INFRASTRUCTURE: 2.8

The infrastructure supporting the civil society sector improved slightly in 2021, driven by the increased availability of trainings, as well as partnerships among CSOs.

CSOs continue to receive support from thematic organizations and networks in which they are members. For example, the Bulgarian Donors' Forum provides its members with several services, including the DMS (donor message service) platform, which provides fundraising services to CSOs, and a mentorship program. The Active Citizens Fund also supports such activities and has organized a number of trainings for CSOs. The CSO House (a co-working space managed by BCNL that also provides services to CSOs) opened affiliates in Ruse and Varna in 2021 to provide local capacity-building support and legal consultations.

Several companies give grants to CSOs. For example, Raiffeisen Bank restored its support to CSOs in 2021, after only supporting anti-COVID initiatives in 2020. Bulgarian CSOs often distribute foreign funds to local organizations. For example, a consortium of Bulgarian CSOs distributes the Active Citizens Fund.

Training is widely available to CSOs. Most training was provided online in 2021. BCNL provides various training sessions related to CSO legal requirements, financial management, and economic activities on a regular basis and in

2021, again organized the CSO Summer School, an in-person, five-day training program for CSO activists. NGOBG correspondents in the country provided support to CSOs to present their work to the public more effectively and helped improve CSO communication capacity in 78 percent of cases (among the 100 organizations with which it worked). The Association of European Journalists organized training focused on countering fake news and also developed the website factcheck.bg.

Partnerships among CSOs were strong in 2021. The newly established Coalition for Green Re-start has already achieved some of its objectives, including having a vice prime minister for the climate. Existing networks, such as the National Network for Children and Citizen Participation Forum, also continued operating. The Coalition for Media Literacy is also active and organized trainings on media literacy during the year.

Successful intersectoral partnerships from previous years continued to function in 2021, and new ones were formed. For example, the Workshop for Civic Initiatives Foundation (WCIF) continues to manage Lidl's grantmaking programs for CSOs. In 2021, BCNL initiated a partnership with Viber to develop chatbots to spread information about civic freedoms and social enterprise products. WWF partnered with the South-Western state enterprise to prepare forests for climate change.

SECTORAL INFRASTRUCTURE IN BULGARIA



PUBLIC IMAGE: 3.7

PUBLIC IMAGE IN BULGARIA



CSOs' public image improved in 2021 for the second year in a row as media coverage of CSO activities increased and the government's perceptions of the sector improved.

Although CSOs are still not very visible in the mainstream media, which tends to prefer sensational news, media coverage of CSOs' work increased in 2021. Several specialized news shows, such as Good Stories on Bulgarian National Television, promote CSO-related stories. Active Citizens Fund has supported many projects that involve collaboration between CSOs and media, including an effort by Darik Radio, one of the biggest radio stations in Bulgaria, to produce radio shows focused on civil society issues. Green Balkans is implementing a project under the EU Life Program in

which all the other partners are media.

According to research conducted by Open Society Institute (OSI) in October 2021, CSOs are among the least trusted institutions in Bulgaria, with only 16 percent of people expressing trust in them. However, even fewer people trust parliament and political parties. Close to half (46 percent) of people do not trust CSOs, a smaller percentage than those expressing a lack of trust in the courts, the government, political parties, and the parliament. Meanwhile, 38 percent have an undecided opinion about CSOs, a higher percentage of respondents than are undecided on other institutions. The main reason for the lack of trust is that people do not have information about CSOs. People with positive attitudes have either had personal contact with or heard positive things about CSOs.

In 2021, the NGO Information Portal carried out a survey among CSOs, according to which 44 percent believe there is strong anti-CSO rhetoric in the country and 14 percent state they are directly affected by this rhetoric. These numbers are lower than those in a similar survey carried out in 2018, when 46 percent felt that there was strong anti-CSO rhetoric in the country and 21 percent stated that this rhetoric directly affected them.

Government perceptions of the sector improved with the appointment of the first caretaker government that was appointed prior to the first elections in 2021, when the populist party was no longer in the government or parliament. The situation improved even more when the new government, which showed greater openness towards CSOs, took over at the end of the year, as described in other parts of this report. The business sector continues to engage with CSOs and see them as partners.

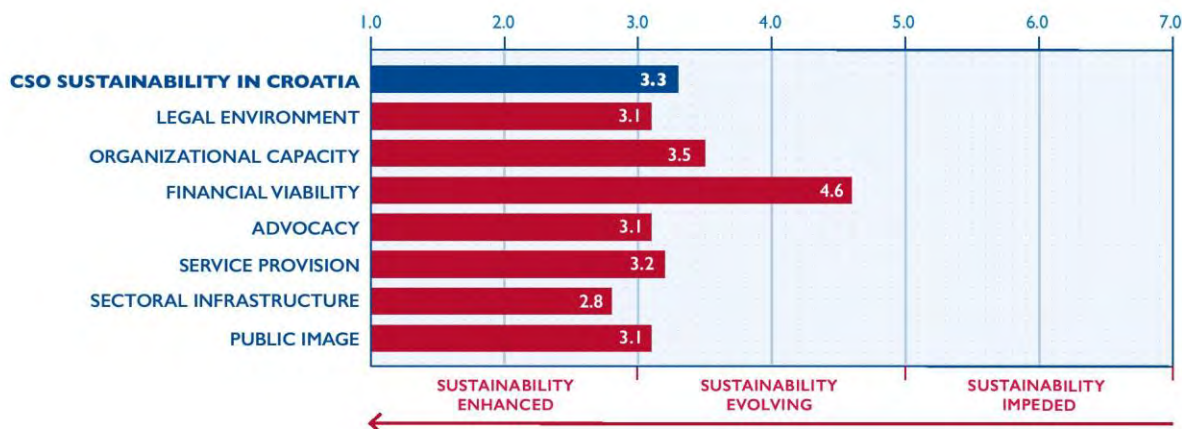
CSOs make increasing efforts to communicate and present their work to the public. CSOs must proactively engage the media because of the limited capacity within the media. CSOs have also noted problems with promoting their campaigns in social media. For example, the BCNL campaign One Click Away from Parliament, which provided information about the parliament's website, was banned in social media as a political campaign even though it was supported by the parliament's administration.

A total of fifty-seven organizations have committed to the WCIF Ethical Standards, which were publicly launched in 2020. CSOs follow the legal requirements and submit their financial reports to the Registry Agency, which is supposed to publish them but does not comply with this obligation.

CROATIA

Capital: Zagreb
Population: 4,188,853
GDP per capita (PPP): \$26,500
Human Development Index: Very High (0.858)
Freedom in the World: Free (85/100)

OVERALL CSO SUSTAINABILITY: 3.3



The COVID-19 pandemic continued to affect all aspects of life in the Republic of Croatia during 2021. The government put various restrictions in place during the year to control the spread of the virus. As infection rates rose at the end of the year, employees in certain sectors were required to have COVID certificates, which could be obtained either by being vaccinated or testing negative. In addition, restrictions on the size of indoor gatherings were reimposed. By the end of the year, less than 60 percent of the population had been fully vaccinated.

The ongoing pandemic also had a significant impact on the economy, particularly as tourism, an important segment of the Croatian economy, was stifled for the first half of the year. Inflation increased significantly at the end of the year.

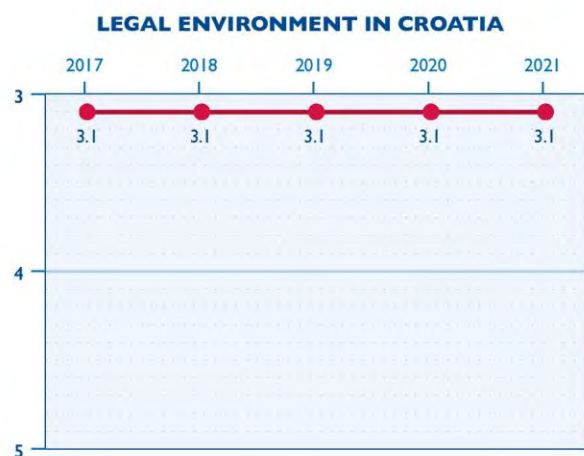
Local elections were held in Croatia in May 2021, resulting in the four largest cities—Zagreb, Rijeka, Split, and Osijek—getting new leaders. We Can! (Možemo!), a relatively new left-wing green party, received the most votes in the elections in Zagreb, but fell slightly short of a majority and therefore had to form a coalition with the Social Democratic Party to secure a majority in the city council. In the second round of voting, Tomislav Tomašević from We Can! was elected mayor of Zagreb with the highest number of votes ever (199,630 votes or 62.25 percent). Tomašević has a background as a civil society activist.

The country dealt with the aftermath of a deadly 6.4-magnitude earthquake that struck the area near Petrinja on December 28, 2020. Much of Petrinja, Glina, and Sisak was left in rubble, and other nearby places suffered extensive damage. People across Croatia united to send assistance to the earthquake-affected areas.

Despite this difficult context, CSO sustainability improved slightly in 2021, driven by a slight improvement in the infrastructure supporting the sector.

According to the Register of Associations, towards the end of 2021, there were 50,627 active registered associations, 314 more than in 2020. During 2021, 1,802 associations were in the process of terminating their operations, while 13,625 were removed from the Register because they ceased to exist. CSOs have to register with the Register of Non-profit Organizations at the Ministry of Finance in order to receive state funds on the national or local level. On December 31, 2021, there were 39,888 organizations registered with the Ministry of Finance, an increase of 866 over the past year. A total of 28,103 organizations submitted financial reports to the Ministry of Finance during the year, which might offer a more accurate estimate of the number of active CSOs in the country.

LEGAL ENVIRONMENT: 3.1



The legal environment governing the CSO sector did not change significantly in 2021.

CSOs in Croatia are primarily governed by the Law on Associations and the Law on Foundations. The legal framework clearly defines the rules for internal management, the scope of allowed activities, financial reporting requirements, and the procedures for terminating organizations. The law is enforced in accordance with its stipulations.

Associations can independently determine their scope of activity, aims and activities, and internal organization, and perform any activities that are not contrary to the Constitution and the law. Associations freely participate in the development, monitoring, implementation, and evaluation of public policies, as well as the formation of

public opinions, and are free to express their views and opinions and to take initiatives related to issues of their interest.

The CSO sector is supported by three government institutions: the Office for Cooperation with NGOs, the Council for Civil Society Development, and the National Foundation for Civil Society Development. The National Strategy for Creating an Enabling Environment for Civil Society Development 2017-2021, which should have been adopted by 2017, was still not adopted in 2021. However, during its session on February 4, 2021, the Government of the Republic of Croatia adopted a decision to launch the preparation of such a strategy for the period 2021-2027. The working group tasked with preparing the plan, which included CSO representatives, was created in June 2021.

CSOs are still faced with administrative harassment in the form of administrative burdens and the inefficiency of the public administration, as well as the inefficient system of European Union (EU) funds management. Due to inadequate training, the tax administration and state and local public administration employees often interpret rules and laws differently. In addition, CSOs that criticize local or national policies are sometimes subject to sudden inspections of their finances or other matters. On the local level, CSOs often refrain from criticizing local governments because they are dependent on funding from local budgets.

CSOs are able to generate revenue through the provision of services and enter into contracts with government bodies. They can also organize fundraising campaigns, although the legislative framework in this area is still not clearly regulated. CSOs can receive donations from foreign donors without legal restrictions.

All CSO income, including income from economic activity, is exempt from taxation. Humanitarian organizations are also exempt from paying value-added tax (VAT) on purchases made for humanitarian purposes, and all CSOs—regardless of their area of activity—are exempt from VAT while using income from EU sources. Individual and corporate taxpayers have the right to income tax deductions up to 2 percent for charitable donations to CSOs.

CSOs continued to have limited access to legal advice in 2021. Most lawyers still do not show an interest in the legal regulations governing CSOs. Quality legal advice is almost exclusively available through other CSOs that employ legal professionals or through acquaintances. Most CSOs that give legal advice are based in larger towns, while CSOs in rural areas frequently have no one to turn to for legal information and advice. The Law Clinic of the Faculty of Law in Zagreb provides legal advice to CSOs, among other activities.

ORGANIZATIONAL CAPACITY: 3.5¹

Organizational capacity in the CSO sector remained largely unchanged in 2021.

CSOs continue to struggle to build constituencies and obtain public support for their work due to insufficient staffing and increasing administrative demands. In spite of these problems, there were some successful initiatives in 2021. For example, a sudden increase in the number of work-based sexual harassment cases was recorded due to the activism of the civil initiative #nisamtražila (#Ididnotaskforit), which enabled victims to report their traumatic experiences.

Dependence on project-based funding continued to jeopardize CSOs' ability to adhere to their missions in 2021, driving them to focus on the programmatic areas in which funding is available. Also, some CSOs closed their doors because of a lack of funds to pay staff salaries and continue their operations.

All CSOs, regardless of their size and level of professionalism, are legally obligated to adopt strategic plans. CSOs increasingly note the development of strategic plans when applying to tenders. The Active Citizens Fund, a program of the European Economic Area (EEA) and Norwegian Financial Mechanism, issued a significant call for proposals in 2021 focused on strengthening active citizenship. Given the lack of other funding opportunities, many CSOs prepared strategic plans that diverged from their primary purposes in order to take advantage of this funding opportunity. Tools and capacities for measuring the impact of CSO work are still underdeveloped.

CSOs' internal management structures did not change in 2021. CSOs with greater human and financial resources have structured internal management systems that generally include an assembly, board of directors, and supervisory and advisory boards. In such organizations, there tends to be a clear delegation of responsibilities between various bodies and the management board actively participates in CSO management. Larger CSOs also inform the wider public about their expenditures and agendas on an annual basis, and they use professional services in their work.

The share of CSOs with stable staffing is still relatively low. Limited human resources are an obstacle to developing stronger, more professional, and more sustainable CSOs. Employment of new staff is most frequently done on a project basis, without any elaborated system or strategy. Poor financial viability within the sector generally impedes the employment and retention of professionals and educated young persons. Smaller CSOs experience a greater fluctuation of employees, as they lose human capital that they had invested in over time.

According to the latest Report on Performed Services or Activities of Volunteer Work Organizers by the Ministry of Demographics, Family, Youth and Social Policy, 5 percent more reports on organized volunteer work were submitted in 2020, the most recent year for which data is available, than in 2019. However, the number of registered volunteers indicated in these reports decreased by 25 percent and the number of volunteer hours decreased by 7 percent compared to 2019. Overall, 48,386 volunteers worked for approximately 3 million volunteer hours, providing services valued at roughly HRK 11.3 million (approximately \$1.6 million). Individuals still recognize the need to help those in need, and therefore increasingly volunteer in organizations and initiatives that protect vulnerable groups. For example, after the devastating earthquake that hit Petrinja, Sisak, and the surrounding areas in the last days of 2020, an initiative called Chefs Cook at Home sprang into action, preparing hot meals for the victims for two weeks.

ORGANIZATIONAL CAPACITY IN CROATIA



¹ The Organizational Capacity score was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect a deterioration in Organizational Capacity, which remained largely the same in 2018 as in 2017.

CSOs invested a great deal of effort in developing their technical capacities in 2021, as an increasing number of organizations switched to hybrid modes of working. However, some local CSOs still lack basic office and technological equipment. Few CSOs use adequate cybersecurity measures.

FINANCIAL VIABILITY: 4.6



Financial viability remained largely unchanged in 2021.

CSOs continue to be largely reliant on project-based funding, which limits their scope of activity and makes it difficult for them to mount an efficient response to crises and other urgent needs in their communities or advocacy work unrelated to the priority areas of announced tenders. Many CSOs adjust their missions to respond to available funding opportunities.

Most CSOs have diverse sources of funding, including the state budget, the National Foundation for Civil Society Development, and various EU funds. Funds from local authorities are also important. During 2021, the City of Zagreb reduced funding for CSOs for the second year in a row.

During 2021, several tenders were issued on the national level. For example, the Ministry of Labor, Pension System, Family and Social Policy announced two calls for funding: HRK 3 million (approximately USD 465,000) was made available for CSO projects focused on women and children who are victims of domestic and sexual violence and alleviating and promoting social inclusion and integration of socially vulnerable groups, and HRK 71 million (approximately USD 11 million) was budgeted for CSO projects that provide services to assist disabled persons. The central state office for demographics and youth announced two calls for projects focused on young persons (with a budget of HRK 10 million, approximately USD 1.55 million) and support to parenthood (with a budget of HRK 8.6 million, approximately USD 1.33 million). This was an improvement in comparison to 2020, when none of these usual annual tenders were issued.

Although national tenders are one of the most significant sources of funding, the relationship between CSOs and the government institutions that award this funding continues to be marked by mistrust. In addition, CSOs continued to report problems related to the duration of tenders, and the excessive administration related to reporting.

In 2021, Croatian CSOs were able to apply for funding from the EU program Citizens, Equality, Rights and Values (CERV), which supports CSOs in EU member states that are active on the local, regional, and/or national level. The programmatic focus of CERV includes the protection and promotion of EU values; non-discrimination and gender equality; citizens' engagement and participation; and countering violence, including gender-based violence. The first call was issued at the end of November 2021. CSOs could not apply for any EU funds on the national level in 2021. Many organizations continue to note the excessive administrative demands related to implementation and reporting for EU-funded projects. Additionally, there continues to be a problem of awarding funds according to the "fastest finger" principle in which funding is allocated based on the order in which applications are received.

Towards the end of 2021, the Office for Cooperation with NGOs announced that it was conducting an evaluation to identify CSOs' priorities for funding within the four main program areas of the EU Operational Program Efficient Human Potential 2021-2027 (labor market, education and lifelong learning, social inclusion, and health care) and to determine the capacities of CSOs to implement projects funded by the EU.

According to the report Giving Croatia 2020, which was published by Catalyst Balkans in 2021, the corporate sector donated almost EUR 20 million during the year. Most of these donations came from large companies and focused on alleviating the consequences of the earthquake. Associations, such as Rotary Clubs, also became donors. The Foundation for the Promotion of Partnership and Development of Civil Society, in cooperation with the University of Juraj Dobrila and FET "Dr. Mijo Mirkovic," conducted research on corporate philanthropy in

Istria in March 2021. The survey showed that the most common form of donation is financial (40.5 percent), followed by goods and volunteering (24.3 percent each), while 5.4 percent donate in other forms. On the other hand, 5.4 percent of respondents reported that they did not donate at all.

Through its 5.5 Fund, the SOLIDARNA Foundation for Human Rights and Solidarity raised HRK 17.3 million (approximately USD 2.7 million) from individuals and companies to support the sustainable reconstruction and recovery of Sisak-Moslavina County. SOLIDARNA issued a tender valued at HRK 1 million (approximately USD 155,000), with financial support per project of up to HRK 200,000 (approximately USD 30,000). Ten local initiatives ultimately received support.

The use of crowdfunding continues to grow. A notable crowdfunding example focused on raising funds for the areas devastated by the earthquake in late 2020. The Association for Promotion of IT, Culture and Coexistence (IKS) Petrinja and Local Democracy Agency Sisak launched the campaign “Community in the center- if I had somewhere to...live” in 2021; the initiative raised EUR 6,665 to establish and equip two cultural community centers.

The Croatian Community of Counties (HZŽ) in cooperation with Mladenka Majerić and the Konrad Adenauer Foundation, launched the project Yellow Spot in 2021, with the support of the Office for Cooperation of NGOs and the Association of Croatian Cities. One of the project’s activities is to train associations on fundraising to increase their financial viability. Training participants will be selected through a tender process that began during 2021.

In December 2021, the National Foundation for Civil Society Development published the results of its tender for institutional support. Financial support was allocated to CSOs focused on democratization and social development, as well as associations that had not previously received institutional support from the national foundation, associations of disabled persons, and associations for consumer protection. The foundations Kultura nova and Croatia for Children also announced competitions for funding in 2021.

CSOs continue to receive funds from foreign institutions, embassies, and other international organizations. In October 2021, the Active Citizens Fund Croatia announced its fourth tender for projects that contribute to the Fund’s goals: increased watchdog function of civil society; increased support for human rights, rule of law, and good governance; and strengthened democratic culture, civil awareness, and civic engagement. A total of EUR 2,625,000 was made available through the tender. The Embassy of the Republic of France also announced a new funding competition for CSOs in 2021 with three priority areas: gender equality and the fight against gender discrimination, reconciliation and promotion of tolerance, and environmental protection and the fight against climate change. The estimated budget for 2021 was EUR 15,000, with a maximum of EUR 3,000 available for individual projects.

CSOs do not generate significant revenue through the sale of their products and services, in part because many community members still expect CSO services to be free. Social entrepreneurship is still underdeveloped, although there are some positive examples. For example, Zadruga Ruke employs women who are victims of domestic violence to grow seasonal vegetables in greenhouses in Bilje, thereby increasing their economic independence.

CSOs submit financial statements that are made public through the Register of Associations maintained by the Ministry of Finance. Audits are generally only conducted at the request of donors.

ADVOCACY: 3.1

CSO advocacy remained unchanged in 2021.

An e-Consultation system has been operational in Croatia for six years, enabling all interested parties, including CSOs, to participate in public consultations. However, CSOs note that government representatives are not obliged to accept their comments, and practice in this area seems to indicate that CSOs are only being involved in the consultation process as a formality. For example, all comments submitted by environmental organizations during the consultations for the fifth report on the implementation of the Convention on Access to Information, Public Participation in Decision-Making, and Access to Justice in Environmental Issues were either duly noted (which does not indicate any concrete follow-up) or rejected. A 2021 report by the Information Commissioner

finds that government bodies have reduced the time periods during which consultations take place. In addition, some bodies fail to publish reports about conducted consultations.

An e-consultation focused on a new Social Welfare Act was announced in 2021, in which more than 1,800 comments were submitted. Employees of the social welfare system and many representatives of the academic community, professional chambers, and CSOs opposed the reform as it centralized the system; however, this opposition had no impact and very few of the comments were considered or accepted. In addition, Prime Minister Plenković refused to meet with representatives of professional chambers and other experts connected to the social welfare system.

Ultimately, the law was adopted without taking the profession's opinion into consideration, demonstrating the lack of cooperation between the government and experts, including CSOs.

CSOs are frequently members of various government working groups. However, CSOs that engage in advocacy on behalf of vulnerable groups are sometimes excluded from working groups or the development of relevant strategies. For example, a working group was formed in the middle of 2021 to prepare the National Youth Program for 2022-2024. The working group brought together representatives of state administration bodies, public institutions, the academic community, and youth organizations. However, no representatives of the Youth Network Croatia, which has more than seventy member organizations, was included. In addition, information about the members of working groups charged with the development of certain policies, as well as the criteria according to which they were selected, is frequently unavailable.

The Council for Civil Society Development is an advisory body to the government that promotes cooperation between the government and CSOs and the implementation of acts creating an enabling environment for civil society development, the development of philanthropy, social capital, partnership relations, and cross-sector cooperation. The Council for Civil Society Development has been recognized on the EU level as an example of good practice of including CSOs into the work of public administration. In February 2021, the government issued a decision re-establishing the Council for Civil Society Development for the period 2020-2023.

CSO cooperation with local authorities remains relatively modest, with government representatives often remaining aloof. CSOs' dependence on funds from local budgets limits their criticism of these same local authorities. While some CSOs criticize and advocate for changes despite their financial dependence, most organizations do not speak out publicly.

The new authorities in Zagreb announced the termination of the "parent-educator" measure, which provides financial compensation to unemployed parents raising three or more children, if at least one of these children is of preschool age. The measure benefited 3,800 parents with 20,000 children. During 2021, parent-educators organized several protests against this decision. The decision was under litigation at the end of the year, with the involvement of several CSOs.

During 2021, strict COVID-19 measures, including a ban on public gatherings, were in place. These reduced opportunities to advocate by limiting the ability of CSOs to organize protests or demonstrations.

In 2021, the initiative Right of Every Child to a School Meal continued to push for school meals for all children in order to alleviate child poverty. Through its research, this initiative found that a significant number of children do not eat at school because their parents cannot afford to pay for their meals. Based on this finding, it is raising attention to the inadequacy of co-financing of school meals for poor children. As a result of these efforts, the Ombudsperson for Children, the President of Croatia, and a number of political parties and coalitions expressed their support for this initiative.

In 2021, the National Foundation for Civil Society Development began to implement the European Social Fund (ESF) Program "Thematic Network for socio-economic development and promotion of social dialogue in the context of improving working conditions." The program emphasizes the development of dialogue and cooperation

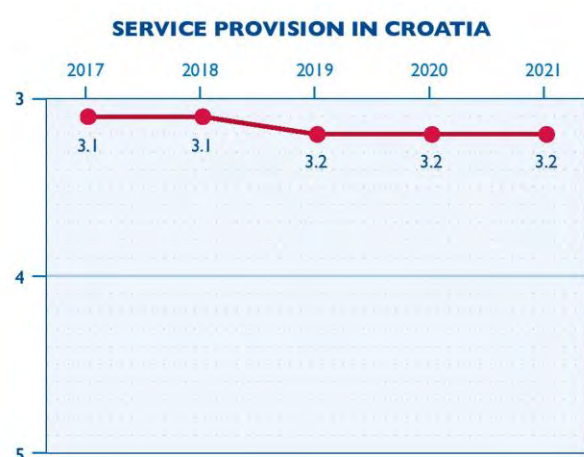


between CSOs, local and regional self-government units, social partners, and higher education institutions. Efforts supported so far indicate great potential for various lobbying initiatives.

CSOs advocated to ensure adequate and affordable social housing units to satisfy the housing needs of those who cannot afford housing at market prices. The aim of the campaign is the adoption of an appropriate legal framework for social housing, including the Law on Social Housing and the Strategy of Housing Policy until 2030. For the fourth year in a row, the Croatian Federation of Disabled Workers' Associations organized the national campaign "A week with disabled workers" to educate the public about the problems faced by disabled workers and disabled persons and to discuss proposals for their solutions. The campaign also aimed to establish cooperation with state authorities in charge of the implementation of public policies pertaining disabled workers.

CSOs did not engage in any notable advocacy to improve the enabling environment for the sector in 2021.

SERVICE PROVISION: 3.2



CSO service provision did not change notably in 2021. CSOs continue to play a significant role as service providers and provide a wide range of social services. CSOs reacted quickly to the extraordinary situations caused by the COVID-19 pandemic and the earthquakes and adapted to new circumstances by modifying their services and actively developing services in communication with their beneficiaries. For example, CSOs provided homeless individuals with sanitizer, masks, and other means of protection. In response to the earthquake, CSOs collected clothes, hygiene items, and food. The Psychological Help Platform made a list of toll-free telephone numbers that provide help and support available on its website. The Zagreb Psychological Society made a video about trauma, while the Game Association provided individual and group psychosocial services. In

addition, many CSOs worked together to address the growing problem with stray animals after the earthquake and to spay and neuter dogs and cats to prevent future problems.

In the area of climate, the Association for Nature and Environment Protection Green Osijek is implementing a climate change mitigation program to raise awareness about the preservation and restoration of wetland and flood ecosystems and biodiversity, including protected species.

CSOs regularly communicate with local stakeholders and beneficiaries, giving them insight into the needs of local communities. Many CSOs also use already existing research and data sources to identify needs. However, CSOs rarely undertake systematic assessments of community needs and priorities or directly collect data, generally because they lack the needed capacities. This is particularly a problem in smaller CSOs with fewer staff. CSOs do not openly or visibly discriminate against anyone in the provision of their services.

Pandemic-related restrictions hampered the provision of services in 2021. On December 16, 2021, the Civil Protection Headquarters issued a decision introducing a special security measure in the social welfare sector (Official Gazette No. 138/21). This decision mandated COVID-19 testing for all employees engaged in social welfare, including those in social welfare institutions, associations, religious communities, other legal entities, and craftspeople and natural persons who perform social care as a professional activity and work at least twice a week. Testing was not required for employees who were vaccinated or recovered from COVID-19, unless they had signs of respiratory infection or other symptoms of COVID-19. This decision had a significant impact on CSOs engaged in social welfare as it required additional resources to cover the testing costs. At the same time, individual users, who were subject to the same requirements, struggled to pay for testing, limiting their access to certain services.

Some organizations closed their doors in 2021 due to their inability to cope with the effects of the pandemic and the lack of financial support, so their services ceased being available. Other organizations, such as Home of Hope, which operates a homeless shelter, were threatened with closure. The Croatian Homeless Network was faced

with the same problem but was able to continue providing social services thanks to support from individuals and volunteers.

A new Social Welfare Act was adopted in 2021. CSOs criticized the new law, claiming that it centralized the social welfare system and would not improve access to services or reduce the risk of poverty and social exclusion.

There continued to be a lack of support from the state and local authorities to continue or further develop social services. Key strategic documents that should have been adopted in 2021, such as the Strategy of Poverty and Social Exclusion and the Strategy of Social Entrepreneurship, were not adopted. The lack of interest in adopting these strategies demonstrates the attitude of the authorities towards CSOs.

The system of contracting social services is problematic. There is a lack of continuity in contracting, which threatens the sustainability of social services that are funded in this manner. In 2021, there was some contracting in areas such as domestic violence.

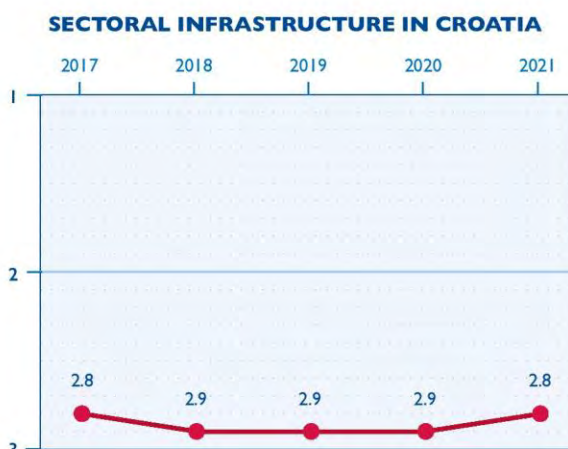
Service provision largely depends on available tenders and the capacities of CSOs to apply and receive funds. Most CSOs lack knowledge about market processes, but a growing number of CSOs provides services, such as workshops and training programs, at market prices. From December 2021 until April 2022, the first cycle of the program Center of Social Innovations, implemented by the ACT Group, supported innovative work to improve services or products that benefit numerous vulnerable groups. Through this program, the Association of the Blind from Međimurje County created plans to form a social enterprise that would offer medical massage services by trained blind persons with highly developed tactile abilities.

SECTORAL INFRASTRUCTURE: 2.8

Although it continues to be centralized, the infrastructure that supports civil society improved slightly in 2021, driven by increasing cooperation within the sector.

For several years, the National Foundation for Civil Society Development has operated regional branch offices in Split, Rijeka, and Osijek. These offices provide support to beneficiaries of the European Social Fund in order to increase the impact of financed projects. Information about the work and achievements of these branch offices was not publicly available in 2021. The Office for Cooperation with NGOs provides support to NGOs, including information about competitions and legal obligations. Some local action groups (LAGs), which bring together representatives of local self-governments, CSOs, and businesses to develop, implement, and monitor local development strategies, provide support to CSOs, which is particularly important for CSOs in rural areas.

A number of local entities provide grants to local CSOs to address locally identified needs and projects. The Active Citizens Fund is managed by Community Foundation Slagalica from Osijek in consortium with the SOLIDARNA Foundation from Zagreb, Association for Civil Society Development SMART from Rijeka, and the Center for Information Service, Cooperation and Development of NGOs (CNVOS) from Ljubljana. It supports projects that focus on democracy, active citizenship, good governance and transparency; human rights and equal treatment through the prevention of discrimination; social justice and social inclusion of vulnerable groups; gender equality and prevention of gender-based violence; and environment and climate change. Several other local organizations also allocate small grants to CSOs. In addition to supporting earthquake recovery efforts in 2021, the SOLIDARNA Foundation awarded funds to support the education of poor children; to provide support to victims of domestic violence; and for cultural programs The Slagalica Foundation, Zamah Foundation, Istra Foundation, and Kajo Dadić Foundation also awarded small grants to CSOs, with funds they raised from local sources, including local self-governments.

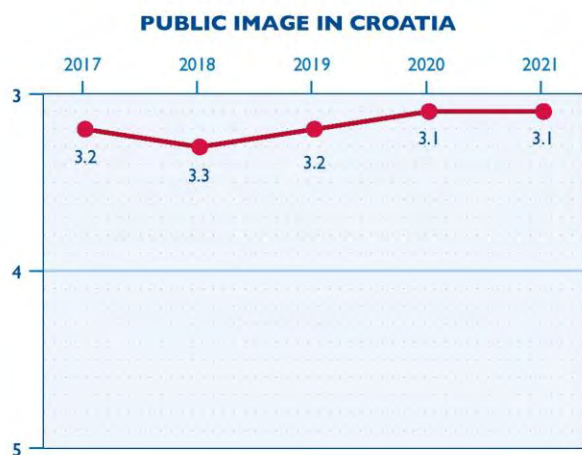


CSOs increasingly exchange information, promote their interests, and advocate for changes in society through different networks, platforms, initiatives, and associations. In 2021, some projects promoted CSO networking. For example, the ESF-funded initiative “Thematic Network for socio-economic development and promotion of social dialogue in the context of improving working conditions” announced a call for projects in 2021. An example of cooperation supported through this call is the Croatian Homeless Network, whose members work together to improve care of the homeless. The Network for Local Sustainable Development was established in 2021 within the project SUSTINEO – Through Collaboration, Participation, Research and Education to Sustainability, which is implemented by ODRAZ - Sustainable Community Development in cooperation with ten partners. Cooperation of CSOs through such activities has the potential to have a long-term effect on information exchange, association, and advocacy for common causes and interests.

CSOs have access to training on CSO management, but these opportunities are not equally accessible throughout the country in terms of physical and digital availability. Training materials are mainly available in the Croatian language. For the fourth year in a row, ACT Group from Čakovec organized the Academy of Business Skills, which addresses strategic management, social enterprise, accounting, and other topics relevant for CSOs. Some LAGs also provide training for CSOs.

There are numerous examples of intersectoral partnerships for the realization of common goals, most of which are project-based. Within the project Work Action: STEM, the Foundation for Civil Society Development Istra works with CSOs, representatives of the academic community, local authorities, schools, and cultural associations to raise public awareness of the importance of education in the STEM field and to increase scientific literacy among children and youth.

PUBLIC IMAGE: 3.1



The public image of CSOs did not change notably in 2021. CSOs are presented in a polarized manner that reflects society’s general attitude towards them. While CSOs active in the area of human rights or LGBTI rights are labeled negatively, those that advocate for and work with vulnerable social groups (e.g., children, the ill, or areas affected by the earthquake) are presented positively. A broader public understanding of the importance of CSOs in the context of democratic political culture continues to be lacking.

Some media outlets, especially newspapers, criticize particular organizations and civil initiatives, which impacts the image of the sector as a whole and contributes to public distrust in civil society. In 2021, harsh criticism was directed at the Spasime initiative, which opposes

domestic violence. An article in Slobodna Dalmacija claimed that “Many [CSOs] are financed from abroad and have a certain political agenda of ideological colonization, and under the disguise of the fight for equality they are working on destruction of society from within. They are an extended arm of certain politics (generally left-wing ones), so they have a para-spy character.”

During the election campaign for the mayor of Zagreb, the previous work experience of Tomašević with CSOs and civil initiatives such as Green Action, Youth Network Croatia, and the Right to the City was criticized as being inadequate. Despite this, he was elected as mayor of the capital city.

The business sector’s perception of CSOs was unchanged during 2021. Businesses continue to recognize CSOs as active members of local communities, as well as frequent organizers of tourist events and proponents of innovative local solutions like social entrepreneurship. As indicated by the process of adopting the new Law on Social Welfare, in which the comments and proposals of CSOs were not taken into consideration, government authorities frequently view CSOs as irrelevant stakeholders in the creation of social or public policy.

CSOs mainly publish information about their activities on social networks and web sites. CSOs' relationships with journalists are underdeveloped and CSOs not do adequately recognize the role of the media or use free or paid advertisements in the media to improve their visibility. CSOs primarily develop contacts with the media to fulfill obligations related to promotion and visibility under funded projects. While CSOs are able to more easily make contacts with the media and work on their image at the local level, it remains extremely difficult for them to gain national recognition. CSOs have limited capacities to respond to negative media content.

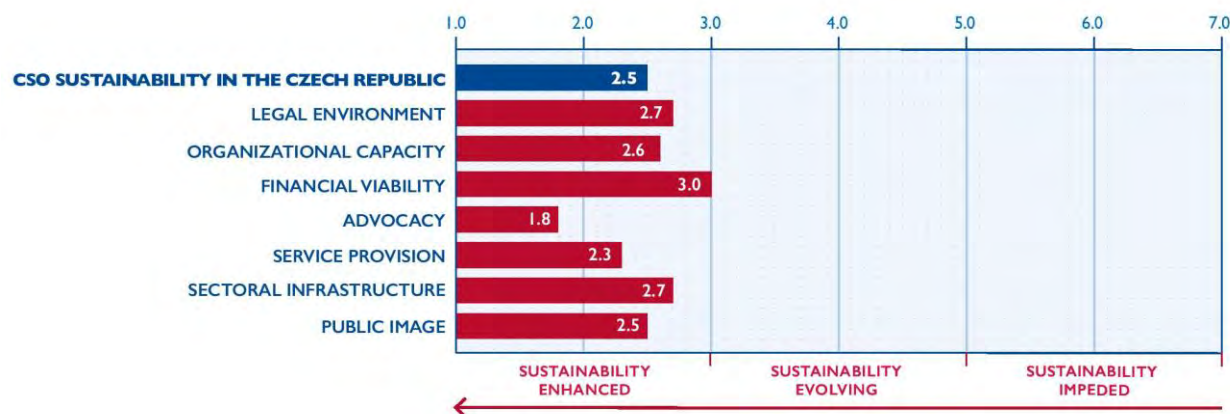
An increasing number of civic initiatives were visible in the media in 2021, most of which formed in response to social problems such as the termination of a former right or the eruption of a scandal related to politics. For example, the Croatian Association of Parent-Educators, which played a prominent role in protesting the decision to terminate the parent-educator measure in Zagreb, received a lot of media space in 2021 because of great public interest in the issue.

CSOs strive to be transparent in their work by preparing and publishing annual reports, reports on current activities and fund management, and calls to individuals to get involved in their work. Most CSOs still do not have formally adopted codes of ethics, although they adhere to principles of ethical conduct in their work. In addition, some leading CSOs include such principles in their strategic documents.

CZECH REPUBLIC

Capital: Prague
Population: 10,705,384
GDP per capita (PPP): \$38,300
Human Development Index: Very High (0.889)
Freedom in the World: Free (91/100)

OVERALL CSO SUSTAINABILITY: 2.5



As in 2020, the COVID-19 pandemic heavily impacted Czech society as well as the civil sector in 2021. From the start of the year until late spring, strict restrictions were kept in place in hopes of limiting the continued spread of the virus. Travel between districts and social gatherings were restricted, schools and offices were closed, and face masks were mandatory across the country. These measures were lifted as cases dropped notably by June, only to then rise again in October, leading restrictions to be reimposed through spring of 2022.

CSOs continued to help manage the crisis in 2021, building on their experience from 2020. CSOs were also actively involved in helping the victims of a tornado that destroyed several South Moravian villages in the early summer of 2021. Because of the pandemic-related restrictions on movement, gatherings, opening hours, and occupancy for venues such as restaurants and theaters, CSOs were unable to hold in-person events and meetings for most of the year and had to terminate most of the public services that were an important source of income for many of them. Nevertheless, the majority of CSOs were able to cope with these challenges, and the civil society sector proved its resilience once again.

Economic growth in the country remained stalled, heavily impacted by the pandemic and the resultant mass closure of businesses. While the government directed large amounts of state funding to increase pensions, salaries for government employees, and subsidies to CSOs, this significantly worsened the state's debt burden. In early October, elections were held for the lower house of parliament, the Chamber of Deputies, and a new government coalition was formed. At the same time, an energy crisis began, leading to a sharp increase in electricity, gas, and heat prices and the collapse of some supply companies, while inflation rose sharply. The new government was forced to address these problems urgently, but simultaneously committed itself to stop deepening the state debt.

CSO sustainability improved slightly in 2021, driven by positive developments in the legal environment, financial viability, and public image. The legal environment improved slightly with an increase in tax benefits. The sector's financial viability improved slightly as more public funds were available and CSOs increased their fundraising efforts. The score for public image improved slightly in 2021 as a result of incremental changes over the past several years that were insufficient to justify a change from one year to the next but have led to a cumulative improvement in public image. Among these improvements was an increase in media coverage in recent years. Some media outlets, however, continued to circulate disinformation and damaging stories about CSOs and their work. Other dimensions of sustainability remained unchanged. Limited capacities forced many CSOs to make strategic decisions regarding the scope or focus of their activities during the year. In doing so, organizations with well-established decision-making processes and internal governance bodies had an advantage. In 2021, CSOs carried out several advocacy campaigns, focused primarily on taxation and public collections, and successfully advocated for stricter

rules for animal breeding. CSOs continued to provide a wide range of services and to receive critical support, including legal services, expert advice, and training, from the existing sectoral infrastructure.

According to the Czech Statistical Office, 132,566 CSOs were registered in the Czech Republic at the end of 2021, a slight drop compared to the 135,465 recorded in 2021. This number includes 121,938 associations (including subsidiaries), 4,004 registered legal entities (i.e., religious organizations), 2,464 public benefit organizations, 2,230 endowment funds, 1,386 institutes, and 544 foundations. To make the sector more transparent, the Ministry of Justice has started to identify inactive associations in the public register (those that do not submit the legally required information and documents to the register), of which there are currently about 40,000. The decrease in the overall number of CSOs is likely due to the liquidation of inactive CSOs. In the Czech context, the terms CSO, public benefit organization, and nonprofit organization are used interchangeably.

LEGAL ENVIRONMENT: 2.7

LEGAL ENVIRONMENT IN THE CZECH REPUBLIC



The legal environment governing CSOs in the Czech Republic improved slightly in 2021 as the limit for allowable tax deductions was increased.

The Czech Republic has a well-established legal framework for the registration and operation of CSOs. There are several legal forms of CSOs in the country. The regulations governing associations are more relaxed, while those for foundations and organizations providing services are more demanding. Most CSOs register with the courts, while religious organizations register with the Ministry of Culture. The registration process for CSOs is simple and usually quick and entails no or minimal costs. Registration is more complicated for CSOs that want to obtain special status that authorizes them to provide specific services, such as health or social services that are

regulated by other legislation. There are no constraints on the formation of unregistered organizations and informal initiatives, but they may not enter into contracts, apply for subsidies, organize public collections, or otherwise act as legal entities.

The authorities do not consistently enforce CSOs' legal obligations, and the penalties for non-compliance are limited or non-existent. Many CSOs take advantage of this fact and do not comply with legal obligations. Accounting regulations for CSOs are particularly burdensome, and even more complex than they are for commercial entities. The registration of public collections is also excessively bureaucratic.

Beginning in 2021, CSOs were required to submit data in the register of the actual (beneficial) owners. Most of the data for CSOs should be transcribed automatically from public registers, but the system is not designed to capture all of the specifics of CSOs and will need to be fine-tuned.

The laws only provide minimal restrictions on the possible activities of CSOs; for example, it is illegal to create armed associations to replace the activities of security forces. The authorities do not impose obstacles on CSOs carrying out their activities within the framework of the law. CSOs can only be abolished if they spread extremist ideologies, call for violence, etc. Such cases, which are quite rare, require court decisions and the courts are very restrained in this respect. While some CSOs do report harassment by the authorities, these incidents are usually based on personal disputes and are not a systemic problem.

Freedom of speech is guaranteed in the Czech Republic. CSOs express themselves publicly and are often very critical of the government. CSOs, like other legal entities, have the right to challenge official decisions in court. However, they rarely use this possibility because of the high costs and duration of court proceedings.

Anti-pandemic measures in 2021 limited the possibilities to organize gatherings, significantly complicating the activities of associations. Public protests and demonstrations were also restricted. Outside of these pandemic-related measures, CSOs are able to hold meetings, protests, and demonstrations.

CSOs are exempt from income tax under certain conditions, and neither donations nor grants are subject to taxation. Private donors can lower their income tax base by making donations for public benefit purposes. In 2020, the Tax Act was amended as part of the pandemic response to increase the total allowable deduction from 10 percent for legal entities and 15 percent for individuals to a uniform 30 percent on taxable income in 2020 and 2021. Negotiations on the possibility of further extending this arrangement began with the arrival of the new government at the end of the year.

CSOs can freely receive foreign funding and engage in fundraising activities, and they are permitted to charge fees for their services and products. CSOs should operate income-generating activities as a side activity and use the income to cover costs in the main (public benefit) activity. CSOs can bid for state contracts and contracts from local governments. An amendment to the Public Procurement Act in 2020 increased opportunities for CSOs as it requires the consideration of social and environmental impacts in such contracts. Though the new rules went into effect in January 2021, the COVID-19 pandemic slowed the use of these public procurement opportunities. Nevertheless, it remains an important possibility for CSOs in the future.

Several lawyers provide legal advice to CSOs in the capital city as well as in the regions. In addition, online counselling services run by umbrella organizations usually provide fairly reliable answers to CSOs' most common questions.

ORGANIZATIONAL CAPACITY: 2.6

Organizational capacity within the CSO sector remained largely unchanged in 2021.

CSOs' constituency-building efforts were heavily impacted by the ongoing COVID-19 pandemic and the measures to contain it. In particular, direct contact with supporters and donors was limited throughout most of the year. CSOs countered this negative trend somewhat by becoming more active on social media. However, the impossibility of face-to-face interactions and gatherings was particularly detrimental for organizations with older members and supporters, who were more difficult to reach online.

Every CSO must state its purpose when registering. However, only a fraction of CSOs clearly defines their missions. Only a few CSOs—mainly larger organizations and those with a higher level of professionalization—engage in strategic planning. Due to the COVID-19 pandemic, most CSOs have revised their plans to adapt them to the current situation.

Most CSOs measure the success of their work in very simple ways, such as the mere fact that activities were held. In some cases, CSOs measure their impact using industry standards; for example, environmental CSOs use standards developed by the Ministry of the Environment.

Different legal forms of CSOs have different requirements in terms of governance structures. Associations, which are membership organizations, may decide on their own approaches, whereas foundations, endowment funds, and service-providing CSOs, including institutions and public benefit organizations, must have specific bodies such as boards of directors and supervisory boards. In practice, these bodies often exist only formally, with the burden of both operations and governance residing with the executive body. Basic organizational structures should be defined in a CSO's founding documents. CSOs develop internal guidelines according to need and the type of activities they are involved in. However, the quality of these guidelines is often low.

During the COVID-19 pandemic, the role of CSO governance structures increased considerably as governing bodies had to make decisions about their organizations' future directions in the face of unexpected financial and social problems. Online voting became more common, which in many ways has streamlined management. Many organizations are therefore incorporating this option into their statutory documents.

ORGANIZATIONAL CAPACITY IN THE CZECH REPUBLIC



The number of people employed by CSOs remains relatively stable. In 2019, the most recent year for which data is available, there were 114,982 full-time employees, representing 2.16 percent of total employment in the country. Only a small number of professional CSOs have paid employees. CSOs often engage part-time employees, who can change more frequently. The number of employees in a particular CSO is often dependent on the funded projects, which are time-bound.

Maintaining qualified staff was difficult even for commercial entities during the COVID-19 pandemic, let alone for CSOs, which cannot compete in terms of salaries. Paradoxically, CSOs' ability to retain employees has been negatively affected by the increase in minimum wage in January 2020, as they are often unable to afford these higher salaries or hire new employees. Smaller CSOs often outsource certain functions, including accounting and payroll, legal services, information technology (IT) administration, and public relations services.

CSOs are committed to the development of their staff but had fewer resources for training activities in 2021. In the face of the ongoing COVID-19 pandemic, staff training has largely moved online, and CSOs had to learn to use different tools and approaches, including an increase in work-from-home arrangements. This did not have any evident impact on the quality of CSOs' work.

CSOs regularly integrate volunteers in their work. In 2019, the volume of volunteer work was valued at CZK 57.7 million (approximately \$2.4 million). However, preliminary data indicates that this decreased by about 20 percent in 2020 due to the pandemic. According to 2019 data from the Czech Statistical Office, over 40 percent of volunteers worked for CSOs regularly, approximately 48 percent worked irregularly, and around 10 percent engaged only once. One-off volunteering is thought to have increased in 2021 as many people stepped up to help the regions affected by the tornado. In terms of the type of work done by volunteers, 48 percent was administrative, 21 percent was management and other professional work, and around 30 percent of volunteers did unskilled and ancillary work. The transition of volunteers to employment positions is common in CSOs.

CSOs' access to technology remained unchanged in 2021. CSOs mostly use older but functional equipment. Employees who work from home often use their own personal equipment. CSOs can obtain office software at discounted prices. TechSoup has operated in the country for a long time and large companies such as Microsoft and Google also have programs to support CSOs. The internet is widely available and CSOs use social media and other applications that enable communication. CSOs have had to learn to use online conferencing software and equipment.

There are significant differences in the approaches to cyber and information security among CSOs: while most organizations are not very concerned about it, some, such as Pferda, have already been the targets of attacks. The Association of Public Benefit Organizations of the Czech Republic (AVPO ČR) has introduced a process to gauge organizations' cyber security measures when they apply for Seals of Approval, which provides donors and the public with a sense of assurance that a public benefit organization fulfils its mission and properly manages funds. The National Cyber and Information Security Agency also provides consultations.

FINANCIAL VIABILITY: 3.0

The sector's financial viability improved slightly in 2021 as more public funds were available and CSOs increased their fundraising efforts.

CSOs increasingly seek to diversify their resources. However, their level of success in doing so varies, and organizations with expensive operations, such as service providers, cannot realistically compensate for shortfalls in public subsidies. The limited diversification of resources means that CSOs are usually unable to build up financial reserves.

CSOs receive funding from both public and private sources and also cover some of their costs with revenues from their activities. According to the latest figures from the Czech Statistical Office, in 2019, CSOs received CZK 6.2 billion (approximately \$255.4 million) from corporate donors, CZK 4.6 billion (\$189.5 million) from individual donors, and CZK 3.8 billion (\$156.5 million) from membership fees. Public sources of funding—including subsidies from EU funds, which amounted to about CZK 6 billion (\$247.1 million), as well as subsidies from public sources valued at CZK 30.2 billion (approximately \$1.24 billion)—account for the largest share of the sector's finances. According to preliminary data, the volume of domestic subsidies increased to CZK 33.2 billion (\$1.37 billion) in

FINANCIAL VIABILITY IN THE CZECH REPUBLIC



2020. CSOs also earn some funds through the implementation of public contracts, but this was not an important source of funding in 2021.

Support from corporate donors has declined slightly for several years in a row (CSOs received CZK 6.5 billion, nearly \$268 million, in corporate donations in 2017). Rather than supporting CSO efforts, larger companies increasingly implement public benefit projects themselves as part of their corporate social responsibility (CSR) activities. These are often environmental projects such as tree planting. On the other hand, small and medium-sized companies have shown increased interest in CSO activities.

Foreign donors are not a significant source of funding for CSOs, representing only around 1 percent of the

sector's total funding. Although little data is publicly available regarding foreign funding, most of it seems to come from international agencies and embassies and primarily supports humanitarian aid and human rights organizations. (EU funds are considered domestic funding, as they are co-financed by national budgets.)

Most organizations actively fundraise. For much of the year, COVID-19 restrictions made it impossible to hold public events, so many CSOs turned to online fundraising tools. Darujme.cz was the most used donation portal, but other portals such as DarujSprávně.cz and Znesnáze21 also saw large increases in donations.

The growth of regular long-term donations has been slow but steady. They are complemented by one-off donations, which jump dramatically whenever there is an acute need, such as the tornado that destroyed several communities in southern Moravia in the summer of 2021.

CSOs may earn income from both main and secondary economic activities, and earned income is increasing in importance as a source of CSO funding over the long term. In 2019, revenues from the sale of goods and services at market prices accounted for 9.7 percent (CZK 9.5 billion, approximately \$391 million) of total CSO funding, including 0.1 percent from renting out properties. CSOs increasingly offer products of high quality, and their supporters are happy to pay more for their products than for comparable products without charitable added value. However, income from CSOs' activities, such as admission fees and running cafés and shops, was severely limited in 2021 as a result of the pandemic measures, which prevented CSOs from organizing public events and having direct contact with their supporters and donors.

CSOs rarely receive contracts from the government. However, this could change in the coming years thanks to planned legislative amendments. Member organizations collect membership fees, which form a substantial part of their income.

Larger organizations generally have professional financial management systems, including financial managers, while in smaller organizations, financial management functions are often performed by directors or are outsourced. CSOs generally only conduct financial audits when required to by law or a donor.

ADVOCACY: 1.8

In 2021, CSO advocacy remained at largely the same level as it was in 2020.

Several CSOs are involved in the development of policies and strategic documents. Cooperation takes place both formally through advisory and working bodies and informally. At the national level, the Government Council for Non-Governmental Nonprofit Organizations, chaired by the prime minister, serves as an advisory body bringing together CSOs and officials from various ministries. In addition, CSOs have opportunities to comment on draft laws and policies. CSO involvement is regulated by several documents which, although they do not usually have the weight of law, are binding for the public administration. The most important of these is the Strategy for Cooperation between the Public Administration and NGOs for 2021–2030. However, CSOs lack the capacity to take advantage of all the opportunities offered, which are generally unpaid and quite demanding in terms of both

time and expertise. The Methodology for Civil Society Participation is currently being developed, but no funds have been allocated for its implementation so far. The new government has declared its interest in deepening cooperation with CSOs.

In accordance with legislation, CSOs can ask the public administration for information and file complaints. Some municipalities have also increased their use of social networks, and the Pirates Party, for instance, has an online forum available to the public. These additional platforms, however, have not had a significant impact on the level of communication between CSOs and the public administration.

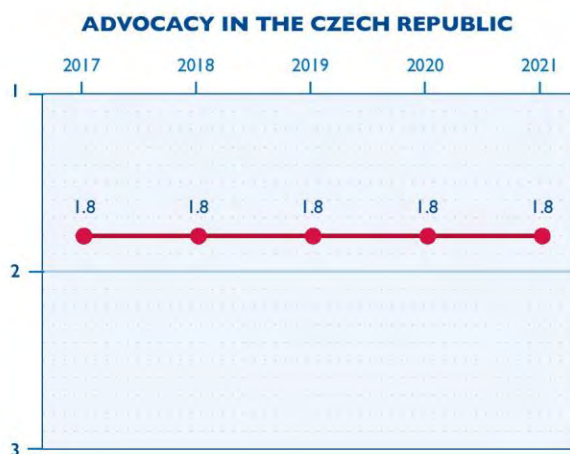
CSOs routinely establish formal and informal coalitions and initiatives, such as Reconstruction of the State, Million Moments for Democracy, and Alliance of Responsible Organizers of Public Collections, to promote certain ideas and changes. CSOs advocate for change with various degrees of success, often through processes that take many years. For instance, for several years, CSOs have advocated for amendments to the Public Collections Act to lessen the administrative burden on CSOs collecting donations, allow them to use those collections to pay for activities and operations, and simplify the rules for holding collections.

The influence of CSOs that attack liberal democracy and promote radical and undemocratic ideas has grown in the wake of the COVID-19 pandemic and the vaccination campaign. Some of these groups undermine democracy by questioning fundamental values and spreading fake information. They also routinely attack other CSOs and question their usefulness.

In the past year, CSOs have influenced the shape of many laws. For example, environmental and animal rights CSOs successfully advocated for an amendment of the Animal Welfare Act to define and prohibit breeding farms, end cage breeding, and prohibit dressage of wild animals. The so-called Summer of Grace Bill was also a significant achievement in 2021, helping hundreds of thousands of individuals with unpaid debts to public sector institutions, including hospitals. The regulation allowed the debtors to pay only the original debt and a low flat fee, forgiving fees from debt collectors and significant interest rates. Several business associations, including the Chamber of Commerce, the Czech Bar Association, and the Chamber of Tax Advisors, named this the second most important law of the year. Among CSOs, People in Need, Charity of the Czech Republic, and Rubicon were the most active in promoting it. Partial data show that the law has already resulted in several tens of thousands of foreclosures being stopped, including those of more than 14,000 people indebted to the health insurance company alone.

CSOs engage in direct lobbying through meetings with legislators, representatives, and officials.

Although the legal framework governing CSOs in the Czech Republic is quite functional, various CSO groups routinely seek changes that are specifically related to their field of activity. On intersectional issues, CSOs lobby for legislative changes in the areas of taxation, public collections, and financing. With high expectations of the new government, CSOs' efforts to modify some laws (such as the Law on Social Services and the support system for people with disabilities) or to advocate for new laws (such as on social entrepreneurship) are growing.



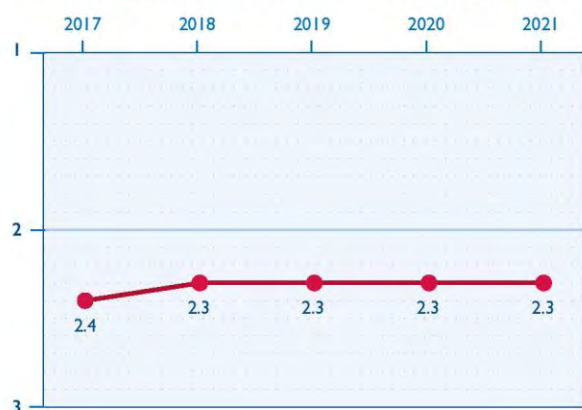
SERVICE PROVISION: 2.3

CSO service provision remained largely unchanged in 2021.

CSOs continue to provide a wide range of services and are the dominant providers of social services. In the social area, CSOs focus mainly on smaller and cheaper services, which include outreach and preventative services. CSOs are not afraid to experiment and come up with new approaches to services.

CSOs continued offering all possible services online in 2021, including education, early care, crisis management, and therapy. On the other hand, activities in the cultural sphere were not well-suited to online formats and therefore were offered at a much smaller scale in 2021.

SERVICE PROVISION IN THE CZECH REPUBLIC



CSOs have well-mapped needs of their target groups. Many service providers are small organizations that are in direct contact with their target groups. Collecting and working with data is costly and requires expertise, so most CSOs only collect the information and data they need to meet the requirements of subsidy providers or donors. Those that do collect data rarely have the capacity or resources to use it effectively to inform their operations.

CSOs' ability to respond flexibly to community needs in 2021 was evident, for example, in the provision of COVID-19 vaccinations: CSOs were able to provide people with vaccinations in a short period, while the public administration required several weeks to do the same.

CSOs routinely provide services beyond their membership base in a non-discriminatory manner. CSOs also provide services to other CSOs, as well as companies, public administrations, and churches, with room for collaboration with universities.

CSOs can charge for their services and raise additional funds through secondary economic activities. CSOs often price their products and services not according to the real costs but the ability of their beneficiaries to pay. CSOs that are less dependent on subsidies typically must have a stronger understanding of the market, and therefore are better able to price their products and services.

The public administration takes CSOs' services for granted and often treats them as inferior, an opinion that is reinforced by the use of subsidies that subordinate CSOs to the government. CSOs expect the new government to improve these relationships, especially as several politicians now in the government previously worked with CSOs.

SECTORAL INFRASTRUCTURE: 2.7

The infrastructure supporting CSOs did not change notably in 2021.

A network of organizations, including Impact HUB, NROS, neziskovky.cz, and Open Society Foundation, offer training and other services to CSOs. Associations that bring CSOs together, such as AVPO ČR and the Association of Non-Governmental Non-profit Organizations in the Czech Republic (ANNO ČR), also offer such services. Some of these services are subject to fees, but these are generally much cheaper than similar services offered in the commercial sphere. Commercial organizations also offer CSOs services, but they often fail to take into account the specifics of CSOs as they do not have experts focused on this sector. During the COVID-19 pandemic, CSOs' access to capacity-building services improved, as many training and consultation activities were conducted online, eliminating the need to travel.

Foundations and endowments provide grants for CSO activities, with corporate foundations and endowments distributing the largest amounts. Though 2021 data is not yet available, foundations and endowments seemingly increased their support in response to the COVID-19 pandemic and the tornado in South Moravia. However, focusing on current acute needs often means that there are fewer resources left for long-term activities.

SECTORAL INFRASTRUCTURE IN THE CZECH REPUBLIC



There is no unified network of CSOs, but CSOs communicate and coordinate with each other when necessary. Although emergency measures impeded the transfer of information between CSOs in 2021, there was growing interest in this type of cooperation over the past year. Examples of this include the This Is Who We Are campaign, which covered a wide scope of CSO activities; the post-tornado aid coordination group; and a campaign to compare CSO wages with those in other sectors to demonstrate how undervalued CSO work often is. Communication within the sector is facilitated by membership in associations such as AVPO ČR and ANNO ČR. Membership in working and advisory bodies set up by the public administration on various topics is also beneficial.

The number of CSO management experts has gradually increased. Training is available in the capital city and the regions and is also available online. While available training covers a wide range of topics, the quality of instructors varies widely, with some people with no real work or training experience providing such support. The range of textbooks and publications on the topic of CSO management is not very wide.

CSOs are gradually learning to build partnerships with companies, the media, and state authorities, and environmental and social enterprises have been particularly successful in this regard. Public administrations declare partnership with CSOs, but the level of cooperation and responsiveness varies. At the regional level, local action groups bring together representatives of businesses, local governments, and CSOs in more than 90 percent of the country's territory. These stakeholders also cooperate through the CSR Stakeholder Platform, the Social Responsibility Association, and other frameworks. Partnerships between the media and CSOs are also emerging. For example, public television's viewers' council includes CSO representatives.

PUBLIC IMAGE: 2.5



The score for the public image dimension improved slightly in 2021 as a result of incremental changes over the past several years—including increased media coverage—that were insufficient to justify a change from one year to the next but have led to a cumulative improvement in public image.

CSOs appear in the media and have gained more media coverage in recent years. Several factors influence this: the increased activity of CSOs themselves, cooperation with specific media hosts, and social changes. Public media are particularly interested in cooperating with CSOs and provide quality coverage of issues in which CSOs have a natural role. CSOs have also gained coverage in some commercial media, particularly related to efforts around the COVID-19 pandemic and the South

Moravian tornado. Media attention toward CSOs is mostly positive. While some negative stories are published—for example, about the abuse of subsidies—this is largely balanced out by positive stories, such as coverage of the Vičkovi Family Foundation's sizable pledge to open a children's palliative care center.

However, some outlets linked to extremist groups or with politically biased and opaque ownership structures also spread disinformation about CSOs. Negative stories about CSOs that are anti-democratic have also had a notable impact on public perceptions of CSOs, especially once the stories are circulated on social networks. Further, though professional media distinguish between news and advertising, some outlets do not follow proper journalistic standards and therefore do not distinguish between news and paid content. This issue was particularly evident in the form of “news” articles attacking democracy and CSOs, produced by sites like Parlamentní Listy and Aeronet, which are known to promote disinformation.

The perception of CSOs in society did not change fundamentally in 2021. CSOs continue to be seen in a predominantly positive light and their usefulness in dealing with crisis situations is recognized. To the extent that there is mistrust, it is often because people do not understand the importance and benefits of CSOs or the principles on which they operate. Some people use services provided by CSOs but do not realize that the provider is a CSO.

The Festival Svobody initiative, an open group of independent civic initiatives and organizations, hosts events every year to commemorate November 17, the Day of Freedom and Democracy and International Student Day—most known in the Czech Republic for sparking the Velvet Revolution in 1989. In 2021, the initiative launched the This Is Who We Are campaign to increase public confidence in the CSO sector. However, according to one evaluation, the campaign did not have significant impact, possibly due to the fact that public attention was largely focused on the pandemic and the upcoming elections.

The government recognizes the value of CSO services and often considers CSOs a source of expertise. However, some individuals both within and outside of the government perceive CSOs as a source of trouble and unrealistic visions, a waste of money, and unaccountable actors. Perceptions of CSOs in the business sector vary. Some corporations cooperate with CSOs as part of their CSR strategies.

CSOs increasingly try to make themselves visible. Many organizations have contacts with journalists. In addition, some media actively express interest in the activities of CSOs. In recent years, *Deník Blesk* newspaper, Česká televize (Czech Television), and Český rozhlas (Czech Radio) have added charity episodes to programs such as *Where's My Home*, *On the Hunt*, *Advent Concerts*, and *StarDance*.

Since the pandemic started, the use of social media in Czech society has increased. While CSOs actively use social media, only a few are able to reach the wider public in this way, as CSOs usually do not have the capacity to communicate professionally via social media. However, a growing number of people from nonprofit organizations have received training on how to effectively use Twitter or write for the internet.

More professional organizations have developed codes of ethics for their activities or fundraising. There are also more general codes developed by umbrella or professional organizations to which other organizations subscribe, such as the Fundraiser's Code developed by the Czech Fundraising Center.

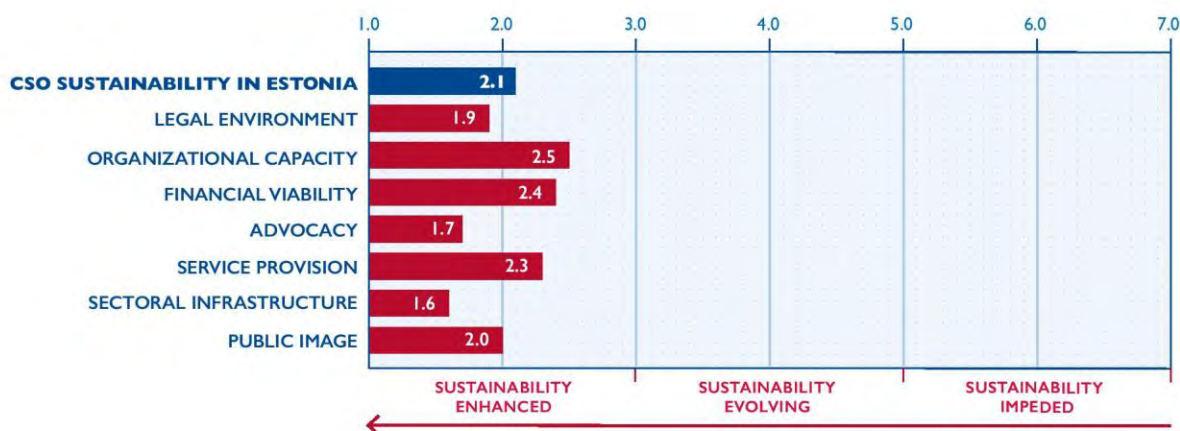
CSOs that are concerned with their reputation aim to be transparent. Most legal forms of CSOs are obliged to publish annual reports or at least financial statements. However, there are large differences in the quality of these documents. Some organizations do not fulfil this obligation at all, while others do so only formally, in a way that does not contribute meaningfully to transparency. On the other hand, many CSOs, especially those that are active in fundraising, produce high-quality annual reports.

Several competitions recognize high-quality CSO reports. For example, Via Foundation's annual report won the Golden Semicolon 2021, awarded by the PR Club. The Donors Forum also awards prizes for annual reports. The Alliance of Responsible Collections continued to operate in 2021. There is increased interest in the Seal of Approval (managed and granted by AVPO ČR) and the NGO of the Year competition (organized by NROS Foundation).

ESTONIA

Capital: Tallinn
Population: 1,211,524
GDP per capita (PPP): \$35,600
Human Development Index: Very High (0.890)
Freedom in the World: Free (94/100)

OVERALL CSO SUSTAINABILITY: 2.1



2021 was another turbulent year in Estonia. The year began with a change of government as the pandemic continued. The previous government consisted of three parties—the Centre Party (the largest political party in Estonia), the right-wing party Isamaa, and the far-right Conservative People's Party of Estonia. The three-party coalition collapsed in mid-January because of allegations of corruption. A new government was formed by the Reform Party, which initially won the 2019 elections but was unable to form a governing coalition, and the Centre Party. Kaja Kallas assumed the role of prime minister, becoming the first female government leader in Estonia. When the new government came to power, it canceled a referendum the previous government planned to hold in April on the topic of marriage equality for same-sex couples.

Unfortunately, the change of government did not reduce polarization in the country. Tõnis Saarts, one of Estonia's leading political scientists, concluded the year on ERR, the national broadcasting company, by stating “the anxiety-inducing trend of deepening polarization cannot be overlooked, whether we are talking about the marriage referendum at the start of the year, anti-vaccination sentiment from this fall, or the recent rhetoric against the shift to a greener ecosystem.

Under the previous government, the development of civil society was the responsibility of the Minister of Population Affairs. With the change of government, responsibilities were shuffled again, and civil society once again came under the purview of the Minister of the Interior. This is likely to mean that civil society receives less attention from the minister, although for some organizations—particularly those focused on minorities, human rights, and gender equality—this might be a good thing.

Local government elections took place in October. Turnout for the local elections was 54.7 percent, an increase compared to 2017. The Centre Party and local electoral alliances won the most votes in the elections. In many local communities, local civil society activists ran as candidates under electoral alliances.

The COVID-19 pandemic continued to take a toll on the population in 2021. Although less strict than in 2020, restrictions continued to be in place to control the spread of the virus. For instance, there were limits on the number of people that were allowed to gather for both indoor and outdoor events and the times that bars and similar businesses were allowed to be open. In addition, a COVID certificate providing proof of vaccination, having had COVID-19, or a negative COVID test started to be required to enter bars, restaurants, and other public venues; this was later modified to just require proof of vaccination. The vaccination campaign began at the beginning of the year, and over 60 percent of the population was fully vaccinated by the end of 2021. However,

some segments of the population were reluctant to vaccinate and organized some small-scale protests to express their opposition.

Overall CSO sustainability did not change in 2021. The only dimension in which a change in score was reported was advocacy, which improved slightly as CSOs' role in policy-making processes was further institutionalized during the year. Civil society has proven to be capable and trustworthy, helping both the state and those in need by organizing campaigns, collecting donations, and volunteering. As Anneli Roosalu, the director of the National Foundation of Civil Society (NFCs), wrote in Postimees in May, Estonia would not survive the COVID-19 crisis without the civil society sector.

According to the Estonian e-business registry, in 2021 there were a total of 23,598 associations and 824 foundations registered in the country. Although there are sustainable organizations all over the country, the greatest number are located in Tallinn and Harjumaa. The most popular area of work for CSOs is recreational activities.

LEGAL ENVIRONMENT: 1.9



The legal environment governing the CSO sector did not change significantly in 2021 and remains quite supportive.

The CIVICUS Monitor continues to rate Estonian civic space as open, while Estonia is rated as Free in Freedom in the World, Freedom House's annual study of political rights and civil liberties worldwide. According to the Freedom in the World country report on Estonia, "Estonia's democratic institutions are generally strong, and both political rights and civil liberties are widely respected."

CSOs can register as either associations or foundations. Associations can register through a very easy process that can be completed online in just a few minutes. Registration of an association requires just two people. Registering a foundation is more complicated and

requires a notarized registration application, memorandum of association, articles of association, and other documents. Foundations cannot register online.

All state fees will increase beginning in 2022, which will affect CSOs. For example, registering changes in the commercial register will cost EUR 10 instead of EUR 7, while initial registration costs will increase slightly to EUR 30 for associations, EUR 80 for foundations, and EUR 10 for religious associations.

The legislation concerning the activities of associations has undergone a substantive and systematic analysis over the past few years. As a result of this process, a new Law on Assembly (which covers both associations and foundations) was developed that harmonizes and updates the regulations governing registration of all legal entities. Only a few changes affect CSOs. For example, applicants can now apply for registration on a specific date up to six months in the future, but only in the case of mergers or similar reorganizations. In addition, the registrar can indicate if it has difficulties in contacting the legal entity and disclose information on fines. Both of these measures will provide information on the reliability of an organization for prospective donors and partners.

Parliament passed an amendment to the Gambling Tax Act in 2021 that implements a long-standing plan to decouple expenses from receipts. The level of funding from the gambling tax to be disbursed by the Ministry of Social Affairs to CSOs will initially remain at this year's level but will no longer increase or decrease with changes in tax revenues. In addition, this amendment removes mention of the specific areas that can be funded, an issue that has been controversial in the past.

CSOs and their representatives may operate freely, openly express criticism, and address all matters of public debate. CSOs are generally free from harassment by the central government, local governments, and the tax agency. No incidents of government harassment of CSOs were reported in 2021.

CSOs may earn income by charging fees for goods and services, establishing social enterprises, engaging in fundraising campaigns, and accepting funds from foreign donors. CSOs are allowed to compete for government contracts and procurements at the central and local levels.

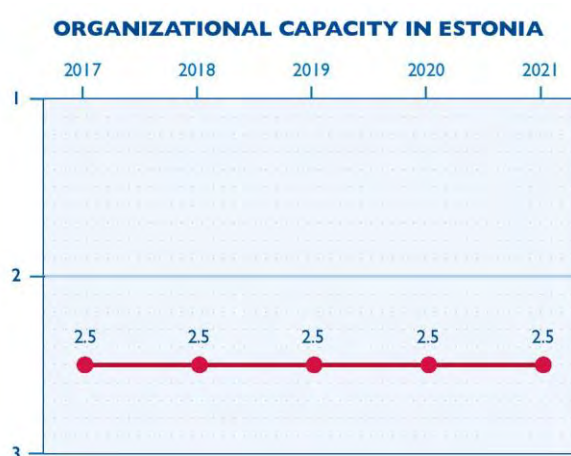
CSOs that engage in charitable work may apply for status as public benefit associations and foundations, which makes them eligible for income tax breaks. Political parties, professional organizations, and business associations are not eligible for this status. Individuals may deduct donations to public benefit organizations of up to EUR 1,200, and legal entities may make tax-free donations to public benefit organizations of up to 10 percent of the previous year's profit or up to 3 percent of personnel costs during the current year.

Very few lawyers are trained in or familiar with CSO-related laws, but in most cases in which CSOs utilize the services of lawyers, such as appealing funding decisions in court, expertise in CSO law is not necessary. Lawyers sometimes work with CSOs pro bono or at reduced costs.

ORGANIZATIONAL CAPACITY: 2.5

Organizational capacity within the CSO sector in Estonia did not change in 2021 and remains fairly high. CSOs have access to several capacity-building opportunities from umbrella organizations like the Network of Estonian Nonprofit Organizations (NENO), professional advocacy organizations like Mondo, NFCS, and the government.

The COVID-19 pandemic and the related restrictions continued to impact CSOs in 2021. After postponing their activities in 2020, several service providers and social enterprises had to permanently terminate their work in 2021 because of the continuation of restrictions. For example, several children's daycare organizations had to close because parents chose to keep their children at home to avoid contact.



The capacity gap in the sector widened as a result of the pandemic: while stronger organizations were able to adapt and continued to grow, smaller ones were often left behind. For example, the experts evaluating project applications for NFCS reported that the quality of applications from smaller CSOs has decreased, with projects tending to be less thought through and strategic.

In light of the continuing pandemic and constantly changing restrictions, organizations had to be very flexible and able to quickly cancel or postpone activities, come up with solutions to problems, and find new ways to operate. Organizing large events was particularly challenging because it was unclear what the situation would be several months in the future. The requirement to have a COVID certificate also caused tension, with some organizations deciding not to hold in-person events because they did not want to restrict their audience to vaccinated people. For example, the Estonian Cooperation Assembly in cooperation with local community organizations canceled their traveling exhibition in some locations to avoid asking their target groups for COVID certificates.

Most CSOs clearly identify their potential constituents and beneficiaries and actively seek to develop relationships with them. CSOs often involve their constituencies in their activities or otherwise ensure that their activities represent constituents' needs and interests. However, some organizations continued to face challenges reaching their target groups in 2021 as they are used to having a more hands-on approach or their target groups are harder to reach online, as is the case with the elderly and rural communities. At the same time, many organizations report that the number of people attending their events increased. For example, the Estonian Village Movement Kodukant organized a hybrid conference that it anticipated would be attended by 100 people online, but more than 300 ended up attending. Such changes can only be accommodated with online events. At the same time, the Finno-Ugric Capital of Culture struggled to attract an audience for an in-person event in June.

In order to register, every CSO must have a defined objective; most CSOs also have mission statements. According to the National Civil Society Strategy Impact Evaluation, which is carried out every five years, in 2019,

about 20 percent of CSOs had written strategy documents. Smaller CSOs often lack the capacity to incorporate strategic planning techniques into their decision-making processes.

Larger CSOs generally have clearly defined management structures, including an explicit division of responsibilities between the board of directors and staff, as stipulated in the law. All CSOs must specify policies and procedures in their bylaws when they are formed. CSOs' bylaws often define additional rules, such as the number of people on management boards.

According to the 2019 National Civil Society Strategy Impact Evaluation, approximately 23 percent of CSOs employed permanent staff. Organizations that depend on volunteers and interns have struggled to continue functioning because the pandemic has restricted people's movement and many people avoid unnecessary contacts. According to the Charities Aid Foundation's *World Giving Index 2021*, which reports data from 2020, 18 percent of respondents in Estonia reported volunteering.

CSOs are generally able to afford modern information and communication technology (ICT) and internet access. Most CSOs were able to make the appropriate investments and adopt new ICT tools to adapt to the COVID-19 restrictions.

FINANCIAL VIABILITY: 2.4



The CSO sector's financial viability remained unchanged in 2021. Although support from the government is growing and donations increased, these positives were balanced out by rising inflation during the year. According to Statistics Estonia, salaries increased by 6.9 percent, the housing price index increased by 15.1 percent, and the consumer price index rose by 4.6 percent. Many CSOs had to reduce their staff or activities given the increased costs.

The amount of funds provided to CSOs from national and local government sources has increased over the past several years. In 2018, the national government provided CSOs with EUR 166 million and local governments provided over EUR 64 million. By 2020, these figures had increased to EUR 200 million and EUR

68 million, respectively. However, only 21 percent of CSOs benefit from this funding. Funding from local governments, which 35 percent of CSOs benefit from, decreased slightly from 2019 to 2020 because of local governments' financial situation. Despite this, the overall amount was still higher than it was in 2018. Data on 2021 funding was not yet available at the time of writing this report.

Advancing strategic partnerships between ministries and CSOs, including through longer-term contracts and more sustainable cooperation, is an advocacy aim of NENO and other umbrella organizations. In 2021, NENO published a [guidebook](#) for public officials and CSOs on how to improve cooperation. The Ministry of Education and Ministry of Social Affairs both continue to improve their design of and conditions for strategic partnerships. While the overall direction of change is positive, there are still some problems with the conditions of such partnerships. For example, CSOs express concern about the time it takes to evaluate applications and negotiate and sign contracts. Another challenge is advancing understanding of these principles in other ministries.

NFCS is a state-financed civil society fund and a critical source of financial support for Estonian CSOs. However, NFCS' budget has remained largely unchanged for the past decade. NFCS distributed most of its funding in 2021 through capacity development grants, while it also issued a few smaller calls for proposals for organizing large events and visiting international events.

According to the [report](#) "Analysis of local government funding for local CSOs: Post - administrative reform financing practices in local governments," which was published by NFCS and carried out by the University of Tallinn in 2021, all local governments involved in the analysis provide financial support to CSOs. The report concludes that compared to 2015, the amount of support allocated by local governments to CSOs has increased

by 68 percent. In addition, since 2016, the financing of associations by local governments has become more structured and transparent. While in 2016, almost one-third of local governments lacked procedures for financing associations, in 2020 all seventy-eight local governments included in the analysis had such procedures.

At the same time, several local municipalities canceled funding calls in 2021 because of financial difficulties created by the pandemic. For example, the municipality of Tartu canceled a funding call for CSOs in the area of culture in 2021 because of a lack of funds.

Estonian CSOs have access to several foreign funding opportunities. The largest amounts of foreign funding come through EU calls for grants, including the European Commission's Citizens, Equality, Rights and Values program. The Active Citizens Fund (ACF), supported by the European Economic Area (EEA) and Norway and implemented by the Open Estonia Foundation, is the largest Estonia-based foreign funded grant program. Between 2019 and 2024, ACF will make a total of EUR 6 million available to Estonian CSOs through public project competitions and other measures. In 2021, the Open Estonia Foundation launched an open call for institutional grants under ACF, through which it awarded approximately EUR 500,000. The aim of the call was to support medium-sized advocacy and watchdog organizations in achieving their strategic objectives, while also focusing on capacity building and sustainability. In 2022, ACF will launch its last funding calls and then will be terminated. ACF has been an important source of funding for CSOs in Estonia, particularly those that do not get funding from the state, including Transparency International Estonia and several environment organizations. However, ACF's grants are relatively small, the grant periods are short, and competition for the funds is quite high. CSOs can also apply for grants under several smaller programs based in Estonia, including that offered by the Nordic Council of Ministers' Office in Estonia.

In 2020, according to the Estonian Tax and Customs Board, CSOs collected a record EUR 48.7 million in donations. This includes EUR 19.7 in donations from individuals and EUR 11.6 million from companies; the rest (EUR 17.4 million) was in the form of anonymous donations. Both individual and corporate donations have increased steadily over the past few years. NENO and the [network of organizations collecting donations](#) contributed to this success, in part by organizing the donation campaign [Annetamistalgud](#) (part of the Giving Tuesday movement), which took place for the third time in 2021. Through this campaign, 128 initiatives collected EUR 189,202, a new high.

CSOs increasingly raise funds through crowdfunding. Over the past ten years, more than 165,126 individuals have contributed approximately EUR 5,695,118 to 1,585 projects through the local crowdfunding portal Hooandja.

According to the 2019 National Civil Society Strategy Impact Evaluation, 57 percent of associations earned income by charging fees for goods or services.

In general, CSOs have sound financial management systems. Audits are not obligatory, although some larger funders require project audits, and some organizations voluntarily conduct audits to demonstrate their transparency. The majority of organizations state they do not need additional financial management training. Donors like ACF and the Good Deed Foundation, however, note the need to further develop some financial management skills, including the ability to account for funding from different projects through a single management system that takes different donors' requirements into account.

ADVOCACY: 1.7

CSO advocacy improved slightly in 2021 as the government adopted several plans and policies that further institutionalize CSOs' role in policy making. CSOs continue to prove themselves to be trustworthy and professional partners for the government and strategic advocates of their stakeholders' interests.

Cooperation between the government and CSOs continues to follow the principles outlined in the Estonian Civil Society Development Concept (EKAK), which is coordinated by a twenty-two-member committee composed of government and CSO representatives. With the change in government, the committee was again chaired by the minister of interior in 2021. Some committee members have expressed concern that the committee, which only meets once a year, does not meaningfully advance cooperation between CSOs and the government and therefore needs to be revised.

The change of government had a positive impact on some CSO advocacy initiatives. For example, the parliament approved an amendment to the Psychiatric Care Act proposed by the Social Democrats, which allows people under the age of eighteen to seek the services of a psychiatrist without requiring consent from their parents. The Psychiatric Care Act, which was blocked by the far-right conservative party in the previous government, can be considered an advocacy win for the coalition of mental health organizations.

In 2021, the government approved good practices for dealing with lobbyists, which also apply to CSOs and advocacy experts. This is considered an important step forward in promoting transparency in decision making. For example, the guidelines newly require high-ranking public officials to disclose lobbying meetings. However, the practices are not as comprehensive as they could be, and members of parliament, for instance, do not have to disclose such meetings.

In early 2022, Transparency International Estonia analyzed the initial data on lobbying meetings disclosed by high-ranking public officials, as required by the new guidelines. The analysis reveals that only 18.4 percent of the meetings disclosed in 2021 involved CSO representatives compared to 60 percent with people representing business interests.

In 2021, the government developed the Coherent Estonian Development Plan 2021-2030, which includes a program for civil society called Community-based Estonia 2022–2025. The program was developed in cooperation with civil society actors who then were tasked with leading some parts of the program. Program activities focus on supporting the development of civil society in order to promote an informed and active population, able and caring communities, capable and sustainable CSOs and social enterprises, and transparent and inclusive policy making. Under this strategy, responsibility for advancing civil society's inclusion in decision-making processes will be carried out by two public officials working in the Ministry of Interior and not NENO or any other CSO, as was previously the case.

The Citizen Initiative Portal continues to enable citizens to write proposals, hold discussions, and send digitally-signed electronic petitions to the parliament. The parliament must consider any proposal that receives at least 1,000 signatures from citizens over the age of sixteen. Since 2014, a total of 258 initiatives have collected 334,358 signatures and 133 initiatives have been submitted to parliament. In 2021, the most popular initiatives were related to the marriage equality referendum the previous government wanted to organize.

The overarching vision of Estonian development cooperation is to ensure peace and stability, contribute to the eradication of poverty, and help attain the Sustainable Development Goals by sharing Estonia's reform experience with other countries undergoing transition. In 2021, the Estonian Center for International Development (EstDev) was created under the Ministry of Interior. The creation of this new entity complicates policy making, funding, and the implementation of projects in this field, which now involves the Ministry of Foreign Affairs, EstDev, and CSOs. While there is optimism that positive forms of cooperation will be developed, larger CSOs in the development field note that the process of developing this new organization was not very inclusive or transparent and that developing effective cooperation between parties is inherently challenging.

During the period leading up to the local elections in October, several organizations worked with electoral alliances and parties on the local level to advance their advocacy goals. Several organizations also advocated for more content-focused debate and campaigning. For example, the think tank Praxis and youth organization Estonian Debating Society put together a campaign to advise the public on how to avoid political manipulation, while SALK worked to promote transparency in campaign expenses and to attract youth voters. Other organizations like Transparency International Estonia, LGBT Association, and the Estonian Fund for Nature also advocated for their causes during the election period. For example, the animal rights organization Loomus developed an election compass for people to identify animal-friendly politicians. Several of these campaigns and projects were funded by ACF.



As the legal environment governing CSOs in Estonia is already quite enabling, CSOs do not spend much time advocating for improvements in the system. As mentioned above, the Law of Assembly is undergoing revisions; CSOs have been involved in this process. In addition, several CSOs were involved in the process of amending the Local Self-Government Organization Act, which was approved by the government in 2021. One amendment to the act allows at least 1 percent of village and city residents to present public initiatives. In addition, a local referendum can be initiated with the support of at least 10 percent of the residents of the respective municipality. The new act is planned to take effect in 2023.

SERVICE PROVISION: 2.3



Service provision by CSOs did not change significantly in 2021. While it was difficult to provide some types of services during the pandemic, CSOs adapted by creating new services and sources of income. In most cases, the goods and services that CSOs provide continue to reflect the needs and priorities of their communities.

CSOs provide a wide range of goods and services in a variety of fields, including basic social services, such as health, education, and welfare, as well as youth employment. Many CSOs offer extracurricular activities like sports, choir, folk dancing, and other cultural activities. All of these services were affected by the pandemic and the related restrictions. The number of clients fell drastically as sports clubs and other organizations were required to check vaccinations. At

the same time, service-providing CSOs had to continue paying fees, salaries, and utility expenses, which was difficult for many, especially given rising inflation rates during the year.

Organizations offering catering services also struggled as many meetings and events continued to be held online during the year. For example, a social enterprise called Siin&Sääl (Here & There) traditionally provides catering and a café and organizes workshops on topics like African dancing, Sri Lankan food, or Syrian handicrafts. Siin&Sääl is run by refugees living in the country and people with a migration background, in conjunction with the Estonian Refugee Council. While it was able to create and open an e-shop in 2021, the organization struggled to continue operating.

Some communities that are traditionally dependent on foreign tourists also had to quickly adapt and focus on local people and regional tourists. For example, local CSOs in Setomaa developed offerings to attract more local tourists. At the same time, Domus Dorpatensis in Tartu, which operated a guest house before the pandemic, reorganized and now offers apartments for long-term rent. This reorientation, however, meant that it had to let go of the majority of its staff as long-term renting means less work on a daily basis.

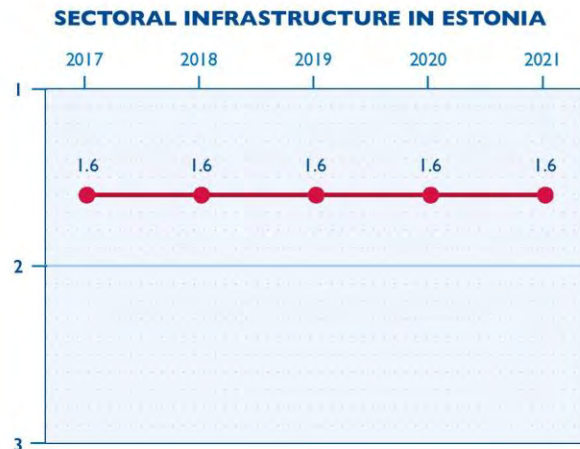
Domestic violence has always been an area of concern in Estonia. Between 2011 and 2019, the number of domestic violence crimes increased gradually, but the growth came to a halt over the last two years. In 2021, 3,760 domestic violence crimes were registered, 6 percent less than in 2020. At the same time, the number of women turning to shelters (which are run by CSOs) has increased as awareness and willingness to ask for help grows. Funding for these shelters, however, has not increased and quite often they need to collect donations and find other sources of revenue to operate with high quality.

The government at both the national and local levels recognizes the value of CSOs' services through its public statements, policies, and practices. Local municipalities, ministries, and other public bodies outsource services from CSOs and also delegate service provision to CSOs.

SECTORAL INFRASTRUCTURE: 1.6

The infrastructure supporting CSOs in Estonia continues to be well established, with no significant changes in 2021.

Umbrella organizations, networks, and regional development centers all continue to be important sources of support for CSOs, offering information, training, technical assistance, advice, and opportunities to cooperate. People interested in establishing a CSO or other form of civic activism can turn to the portal mtyabi.ee for advice, tools, and funding information. Local organizations can get training, information, and other types of support from the County Development Centers located in every county. Since the onset of the pandemic, there has been an increase in the number of participants in the online events organized by the County Development Centers.



NFCS provides support to CSOs so they can pursue their objectives consciously and purposefully. The Good Deed Foundation continues to manage two funds—the Impact Fund and the Education Fund—which collect resources from Estonian entrepreneurs. The Võimalus Fund supports the implementation of cultural, sports, youth, and other nonprofit projects on Saaremaa, an island in the west of Estonia.

Several umbrella organizations advance cooperation and impact in their areas of work. For example, NENO coordinates several networks, including the network of organizations collecting donations (156 members), organizations focusing on advocacy work (36 members), organizations focused on involving volunteers (50 members), and organizations promoting open government (30 members). The Estonian Chamber of Environmental Associations is a coalition that coordinates the more than fifty organizations engaged in climate work in the country. The Estonian Human Rights Center coordinates the network for equal treatment.

While co-creation and cooperation are often-used buzzwords, true cooperation continues to be challenging, as polarization and rivalry are still widespread in the civil society sector. Conflicts among and between organizations even sometimes reach the media. For example, media covered the Estonian Association of Families with Many Children's decision to terminate the membership of the Tallinn and Harju County Association of Large Families after a public dispute.

Developing leadership capacity continues to be a need among CSOs. Through ACF, NENO implements a development program for future civil society leaders. In 2021, the first group of thirteen people successfully graduated the year-long program; the second cohort of the program started in November. NENO also coordinates two groups in which current executives can share information related to leadership. County Development Centers provide trainings and workshops for leaders of local level organizations. According to donors including ACF and NCSF, CSOs also ask for training and support on topics like communication and networking.

According to the 2019 National Civil Society Strategy Impact Evaluation, 69 percent of CSOs have permanent partnerships. CSOs most frequently cooperate with local governments (40 percent of CSOs report such cooperation) and with other associations (reported by 39 percent of CSOs). Sixteen percent of organizations have partnerships with businesses.

PUBLIC IMAGE: 2.0

CSOs' public image was stable in 2021. CSOs engaged in advocacy and service provision continue to benefit from media coverage in local and national, public and private, and traditional and online media. CSOs also continue to use social media to reach their audiences and raise awareness.



During the COVID-19 pandemic, mental health organizations found it fairly easy to get media coverage. The organization Peaasi and VATEK (the coalition of mental health organizations) worked with other partners, the Ministry of Social Affairs, and media on their successful advocacy campaign that resulted in the government's approval of the Green Paper on Mental Health, which makes proposals to improve the prevention and early detection of mental health problems and the timely provision of high-quality mental health services throughout Estonia.

In general, cooperation between media and CSOs is improving as trust between them grows. For example, NENO has advocated to end the [protection money allocation system \(sometimes also referred to as "pork barrel funding"\)](#) for years now. Through this system, politicians distribute about EUR 6 million a year without regard to the state development plans. Media outlets are increasingly interested in the topic, so NENO no longer has to actively seek coverage for the topic.

A growing number of associations have become well-known in the eyes of the public. Organizations that increased their public visibility during 2021 include the teachers' substitute program ASÕP, mental health service provider Peaasi, and the cross-sectoral cooperation platform Rohetiiger, which aims to create a balanced economic model for Estonia and the world. Organizations that collect the largest sums of donations are also widely known. For example, the Gift of Life is a privately-initiated cancer treatment support foundation whose mission is to help cancer patients. In 2021, the foundation collected EUR 3.26 million in donations.

In general, both the business sector and government officials (local and national) have a positive perception of CSOs—both those providing services and engaging in advocacy. In some fields, however, even well-established and professional organizations are not well perceived by other stakeholders. For example, environmental organizations find it challenging to cooperate with ministries and businesses in the area of forestry.

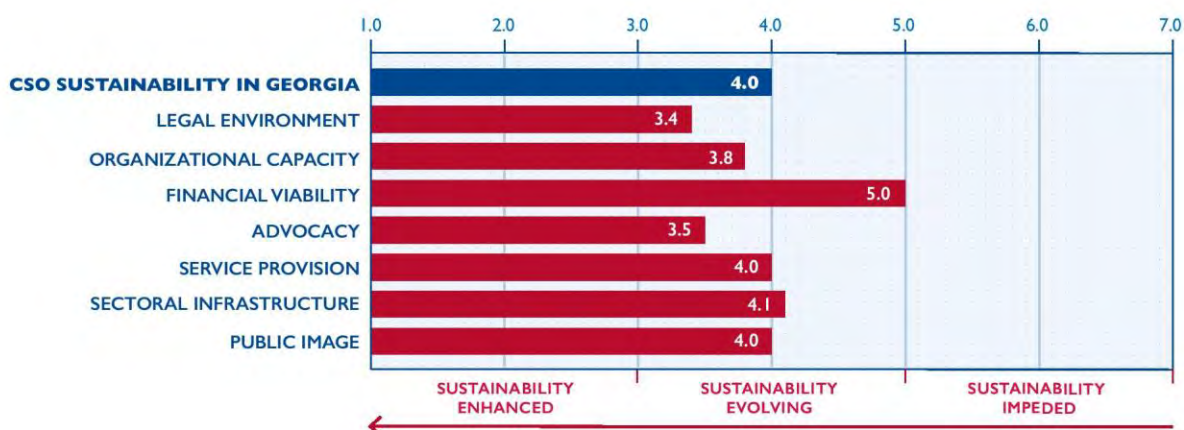
CSOs regularly strive to publicize their activities and promote their public image. Some organizations see the media as a partner and have developed successful relationships with journalists or effectively approach the media in a professional manner. Others engage media representatives on their boards. For example, the news manager of the Estonian National Broadcasting company is a board member of Opinion Festival. Many other organizations like the Bullying-free School Foundation and NENO have communication experts as board members.

CSOs are fairly transparent. A code of ethics for CSOs has existed since 2002. CSOs can also sign onto several good practices and codes of conduct. For example, the Good Practice of Fundraising is a self-regulatory tool for improving transparency in fundraising; by the end of 2021, 156 organizations had subscribed to this tool. CSOs often make annual reports on funding available on their websites. Such reports can also be requested from the business registry for a small fee.

GEORGIA

Capital: Tbilisi
Population: 4,935,518
GDP per capita (PPP): \$14,100
Human Development Index: Very High (0.802)
Freedom in the World: Partly Free (58/100)

OVERALL CSO SUSTAINABILITY: 4.0



Georgia entered 2021 already deep in political crisis following allegations of election fraud and an opposition boycott of parliamentary elections in late 2020. Political turmoil peaked in February, when police stormed the headquarters and detained the chairman of the United National Movement (UNM), Georgia's main opposition party. In April, the European Council (EC) brokered an agreement to end the political stalemate. Among other requirements, the agreement committed the ruling Georgian Dream party to holding snap parliamentary elections in 2022 if it received less than 43 percent of the vote in 2021 local elections and to halt judicial appointments until concerns about "transparency, accountability, and impartiality" in the appointment process were addressed. UNM did not sign the agreement until September 2021.

Georgian CSOs criticized Georgian Dream for violating the EC-mediated agreement, including its failure to halt judicial appointments and to undertake meaningful electoral reforms ahead of local elections. In July 2021, fifty Georgian CSOs and media outlets urged the EC President to continue his "close engagement with Georgia's leadership and speak publicly against democratic setbacks, and work with Georgia's civil society to ensure the country's progress on the path to the Euro-Atlantic integration."

Amid widespread local and international criticism for failing to honor its commitments under the deal, Georgian Dream quit the EC-brokered agreement in late July 2021 and openly criticized the European Union (EU) and US diplomatic missions in Georgia, further straining the country's relationships with its main foreign allies. The government also refused an EU loan that was conditioned on implementation of the judicial reform commitments. In a statement issued on July 28, 2021, eighteen local CSOs stated that Georgian Dream's withdrawal from the EC-brokered deal "constitutes a straightforward rejection of Georgia's Euro-Atlantic course."

Local elections were held in October, against the backdrop of former president Mikheil Saakashvili's surprise return to Georgia and his subsequent arrest for long-standing charges, including abuse of power and misappropriation of state funds. According to the Organization for Security and Cooperation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR) Election Observation Mission, the local elections were "generally well-administered but held against the backdrop of a protracted political crisis and characterized by hardened polarization. Contestants were able to campaign freely in a competitive environment that was, however, marred by wide-spread and consistent allegations of intimidation, vote-buying, pressure on candidates and voters, and an unlevel playing field." Despite general expectations that Georgian Dream would struggle to reach the threshold introduced by the EC-brokered deal, it ended up receiving 46.74 percent of the popular vote, with UNM receiving 30.68 percent.

Despite its early successes in managing the COVID-19 pandemic, Georgia was one of the world's hardest hit countries in 2021, ranking seventh in deaths per capita according to data from the World Health Organization. Although the country's COVID-19 death toll continued to climb, vaccination rates lagged. However, the government's serial failures in handling the pandemic were overshadowed in 2021 by the economic slowdown, political crises, and local elections.

The Public Defender's Office and State Inspector's Service, supported by local civil society groups, were propelled into the spotlight in 2021 for their principled stance over alleged abuse at the Ninotsminda orphanage, which emerged after Georgia's Ombudsperson raised concerns after being denied access to a church-run boarding school. The controversy attracted public scrutiny to the issue of child abuse, including the launching of several investigations, and the Georgian Orthodox Church's immense informal power.

In November 2021, the State Inspector's Service, which is tasked with monitoring personal data protection and probing the abuse of power, announced the launch of an investigation into "the possible inhumane treatment" of former President Saakashvili. Less than three weeks later, the State Inspector's Service announced that it found the Ministry of Justice and its Special Penitentiary Service guilty of violating Georgia's personal data protection law by releasing several controversial video clips of the former president. The Inspector's Service also instructed the Ministry of Justice and the Penitentiary Service to delete the footage from Facebook and their official websites. In late December 2021, the Georgian Dream-led parliament fast-tracked hearings and voted to abolish the State Inspector's Service in the face of harsh local and international criticism.

The government's retaliatory criticism against critical media and civil society groups continued to shrink civic space and stigmatize the role played by these actors in Georgia's democratic transition. When far-right radical groups assaulted media workers during counter-demonstrations against a Pride march in Tbilisi in July 2021—marking a "calamitous turning point" for media freedom, according to Reporters Without Borders—the government failed to act fast and prosecute the perpetrators. At the same time, media reports throughout 2021 revealed questionable surveillance practices, including Georgian authorities' massive eavesdropping on western diplomats, media, and civil society.

Although the operational context for CSOs worsened in 2021, overall CSO sustainability remained largely unchanged, with civil society continuing to play a key role in providing advocacy, services, and commentary on social and political developments—from the public health crisis response to the widely-contested elections—throughout the year. Organizational capacities improved despite the financial challenges that local CSOs faced, while the public image and legal environment declined.

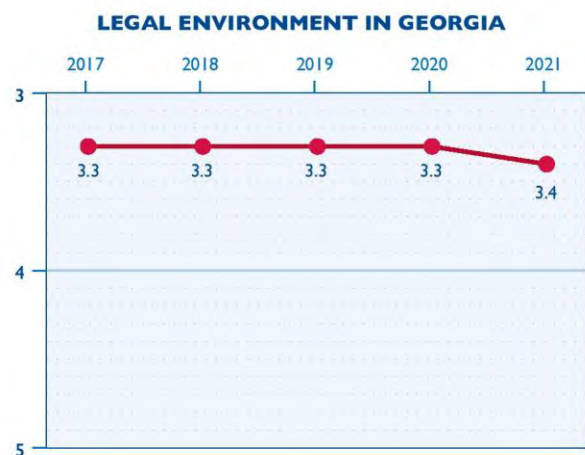
Legally, CSOs operate as non-entrepreneurial (non-commercial) legal entities (NNLE). According to the National Agency of Public Registry, there are over 30,000 NNLEs on record. However, this number is not reflective of the actual number of operational CSOs in the country, as liquidating a CSO is still an overly complicated procedure, which the majority of founders choose to forego. The EU-funded *Civil Society Organizations in Georgia: Mapping Study* estimated that in 2021 only between 1,200 and 2,300 entities could be classified as CSOs.

In addition, CSOs share NNLE status with a range of public institutions that are owned and operated by municipal or central governments. According to the Institute for Development of Freedom of Information (IDFI)'s 2021 study *Employees and Remuneration Expenses of Municipal N(N)LEs and LLCs*, there were a total of 524 NNLEs established by 48 of the 69 municipalities in Georgia. These government-owned NNLEs, which perform a variety of sports, educational, tourism, cultural, and other functions, have become the subject of scrutiny by watchdog CSOs due to their limited transparency and accountability. For example, IDFI's report describes the case of Tsageri Municipality, where a municipality of 8,800 residents employs almost 1,000 people in municipal NNLEs.

Civil society continues to struggle in the Russia-occupied territories of Georgia—Abkhazia and South Ossetia. According to Freedom House's *Freedom in the World Report* for 2021, "the freedom of assembly is largely respected, and civil society organizations, particularly groups representing Abkhazia's war veterans, exert influence on government policies." However, fewer funding opportunities are available for CSOs in Abkhazia and South Ossetia, undermining their institutional capabilities, compliance management, organizational development, and equipment, among other aspects of their operations. Collaboration between CSOs across the dividing lines took a significant hit in 2021. On December 6, 2021, the "foreign ministry" of Abkhazia announced that the de facto government will be requiring prior approval for any projects implemented by "foreign non-governmental and international organizations" going forward. In line with this announcement, in early January 2022, the de facto government of Abkhazia banned the Confidence Building Early Response Mechanism (COBERM), a project that is

funded by the EU and implemented by the United Nations Development Programme (UNDP) and has worked with conflict-affected communities and civil society groups in Georgia proper and Georgia's occupied territories since 2010.

LEGAL ENVIRONMENT: 3.4



The legal environment governing CSOs deteriorated in 2021. While procedures and regulations for registering and operating CSOs remain mostly favorable, administrative harassment against civil society activists, including detentions and unreasonably hefty fines, became more commonplace during the year.

CSOs are able to register freely. Registration templates for organizational statutes are publicly available on government websites and at Public Service Halls operated by the Ministry of Justice. Registration requires a single founder and is typically completed within two days at a cost of GEL 200 (about USD 70). Same-day registration is available for double the price. Liquidation procedures remain lengthy and complicated, which may inflate the number of CSOs that are registered but no

longer operate.

In August 2021, Georgia's legislature passed the new Law on Entrepreneurs. Originally adopted in 1994 and substantially overhauled in 2021 as part of Georgia's obligations under the Deep and Comprehensive Free Trade Agreement with the EU, the law sets additional legal requirements for locally registered legal entities, including civil society groups. The new compliance standards affect registration, branding, business correspondence, and employment. The majority of CSOs are still unaware of the new requirements, which take effect in 2024. CSO leaders strongly criticized the government's failure to inform civil society about the new law or to inclusively consult with CSOs about its content.

The operational context for civil society deteriorated significantly in 2021 due to the government's failure to enforce protections for fundamental freedoms. As noted above, in July 2021, the government tacitly allowed attacks on media workers by far-right groups, which left dozens severely injured. Lekso Lashkarava, a camera operator for the government-critical TV Pirveli, was found dead days after he was brutally assaulted by the far-right mob. Nineteen Georgian CSOs called for the immediate resignation of Prime Minister Irakli Garibashvili and Interior Minister Vakhtang Gomelauri in response to this incident.

At the same time, the government exerted increasing pressure on activists and informal CSOs through steep fines and detentions for "disorderly conduct" (according to Article 166 of the Administrative Code) and "non-compliance with a lawful order" (Article 173). In 2021, the parliament passed changes to the Administrative Code that significantly increased the penalties under Articles 166 and 173. For instance, the range of applicable penalties under "disorderly conduct" increased from between GEL 500 and 1,500 (approximately USD 160 to 480) or jail time up to fifteen calendar days to between GEL 1,500 and 2,000 (approximately USD 480 to 640) or jail time of between five and fifteen days.

Georgian law allows CSOs to mobilize financial resources through fundraising. CSOs may conduct economic activities, such as selling goods and services, and their income is taxed at the same rate as that of commercial entities and other organizations. Although various government grants are available, many CSOs do not utilize them due to concerns about the politicization of grantmaking mechanisms.

Tax legislation allows CSOs to request refunds on value-added tax (VAT) on their grant expenditures. Most donors allow CSOs to retain the recovered funds. Additionally, agreements between Georgia and several foreign governments, such as the US and EU, waive VAT payments altogether. Corporate donors are technically eligible for deductions on a minor portion of their net profits, but the provision has been rendered moot since Georgia reformed its taxation model in 2017.

CSOs that register as charities may waive VAT on charitable donations. However, many CSOs do not seek this status to avoid the potentially burdensome requirement to submit annual financial reports to the tax authority, given their broad distrust of the government. The EU-funded 2021 CSO mapping study found that only one-tenth of Georgian CSOs had charity status.

CSOs can seek legal assistance from other specialized CSOs, including Georgian Young Lawyers Association (GYLA), the Georgian Democracy Initiative, and Rights Georgia, both in Tbilisi and regional cities.

ORGANIZATIONAL CAPACITY: 3.8¹

CSOs' overall organizational capacity improved slightly in 2021. CSOs capably adapted to the emergency situation caused by COVID-19 and continued their operations despite the shrinking civic space in the country. In particular, CSOs collaborated effectively with various stakeholders, both public and private, in the pandemic response, aided by an influx of funding focused on the COVID-19 crisis.

Overall, the civil society sector is well-established and able to influence the narratives and political agendas around the issues on which they focus. Individual organizational capacities vary, however, and there is a stark contrast between Tbilisi-based and regional organizations. These capacity gaps are driven by disparate access to donors and funding opportunities. The operational focus of most CSOs remains donor driven.



Constituency building continues to evolve, including in the context of the growing number of active informal social movements. According to the EU-funded mapping study, 89 percent of surveyed organizations reported that they had met and consulted with their constituents on project planning and design or organizational strategy and priorities. Constituency-driven organizations, such as youth and student CSOs, environmental groups, professional associations, minority organizations, and disabled peoples' organizations, continued to successfully engage with their beneficiaries in 2021, typically planning and implementing their activities in consultation with their beneficiaries. In contrast, CSOs' human rights, advocacy, and watchdog campaigns are often driven by donor funding decisions, though some donors consult with beneficiaries. USAID Georgia, for example, consulted extensively with local stakeholders in 2021 before publishing the draft solicitation for a wider co-creation process for an upcoming media program. However, CSOs feel that some large donors allocate resources based on their own funding priorities that do not always align with the local context and needs.

Many CSOs struggle to implement strategic planning processes. Some CSOs report that the need to respond to shifting donor priorities makes it impractical to plan beyond their immediate projects.

Most CSOs have internal systems and guidelines in place, including written procedures governing executive functions, cost practices, staffing, and other internal processes and operations. Donors typically require project closeout audits, which help to ensure compliance with donor regulations. It is common for CSOs to have boards of directors and there are clear divisions of responsibilities between boards and executive staff, at least on paper. In reality, however, most boards exist only formally and do not actively engage in the governance of CSOs. Further, a large proportion of CSOs, both large and small, remain "one person" organizations that depend on particular individuals, usually the founders, thereby hindering long-term sustainability.

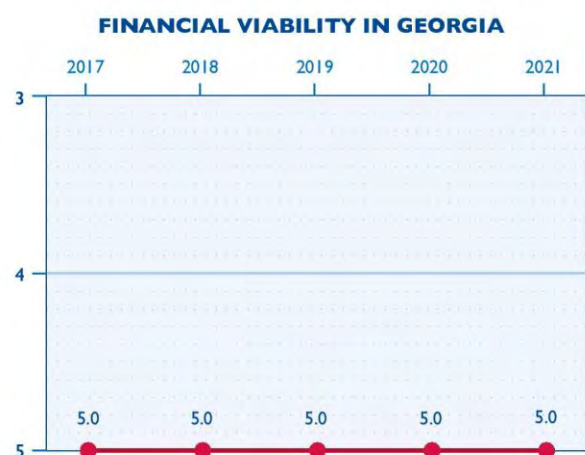
¹ The Organizational Capacity score was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score did not reflect an improvement in Organizational Capacity, which remained largely the same in 2018 as in 2017.

According to the EU-funded mapping study, Georgian CSOs tend to be small, with eight full-time employees on average, while about one-fifth of CSOs have one or no permanent employee. CSOs struggle to retain skilled staff, due to their financial instability. High-performing local CSOs are rarely able to compete with the salaries of US- and EU-based nonprofits operating in Georgia. Further, few local CSOs can invest meaningfully in staff development, depending instead on donor-funded training opportunities. As more Georgians access online and remote work opportunities, the local nonprofit sector is further challenged as a competitive employer. Most CSOs that implement foreign donor-funded projects have personnel policies that govern labor relations. CSOs are often unable to afford external IT, legal, and other professional services, and depend on internal staff for these functions.

Many CSOs recruit and work with volunteers, although this is often done on an ad hoc and unstructured basis. According to the Charities Aid Foundation's World Giving Index 2022, which reports on developments in 2021, 22 percent of Georgian respondents reported engaging in volunteering. There are continued attempts, including the EU-funded www.volunteer.ge, to promote more structured approaches to volunteerism in Georgia.

The cost of office space, utilities, equipment, and other overhead expenses is a recurring concern among CSOs. Internet connectivity, for example, while widely available, is a substantial expense. Although most CSOs are unable to afford communication staff, Georgian CSOs are increasingly present on social media and networking platforms. Cybersecurity is a growing concern for CSOs due to the government's intrusive surveillance practices.

FINANCIAL VIABILITY: 5.0



Financial viability did not change in 2021 and continues to be a core challenge for Georgian CSOs. Few CSOs are able to meaningfully diversify their funding sources, and many remain dependent on a single donor. While CSOs had access in 2021 to short-term project-based funding, especially for initiatives related to the COVID-19 pandemic, the availability of consistent long-term funding was limited.

According to USAID's Country Development Cooperation Strategy for Georgia, the civil society "sector is largely dependent on donor funding." According to data from the Organization for Economic Cooperation and Development (OECD), official development assistance (ODA) disbursements to Georgia increased from \$405 million in 2019 to over

\$680 million in 2020. According to 2021 EU data, out of the EUR 820 million invested in Georgia's development between 2014 and 2020, an estimated EUR 42.75 million (5 percent) was awarded to CSOs for their work on justice sector reform, strengthening oversight, business support services, civil society sustainability, vocational education, training, and employment. USAID/Georgia awards approximately 10 percent of its total portfolio directly to local partners.

However, foreign nonprofit organizations tend to win the majority of funding from Georgia's main development partners, leaving most local CSOs with only smaller, short-term pass-through funding opportunities. Local CSOs report that these short-term funding opportunities, while important to their work, make limited contributions to their organizational development and financial viability.

A few foreign organizations, however, provide sustained support to their local partners. The German aid group Bread for the World, for example, has provided substantial funding to support the development and financial sustainability of several Georgian CSOs for more than a decade. Similarly, Swedish International Development Cooperation Agency has built lasting partnerships with a small group of local CSOs.

Domestic funding for COVID-19 responses subsided in 2021, as the sense of urgency regarding the pandemic waned. Government agencies became less reliable as funding sources for local CSOs in 2021 in terms of both the amount of funding provided and the reputational risks to CSOs if they accept government funds. The EU-funded mapping study revealed that only 31 percent of Georgian CSOs reported receiving state funding between 2018 and

2020, with a total of about GEL 4.3 million (approximately USD 1.4 million) distributed to these CSOs. Corporate social responsibility, a potential funding source for CSOs, also subsided during the pandemic as businesses struggled financially.

Philanthropy is undeveloped in Georgia. According to the World Giving Index 2022, only 3 percent of Georgians reported donating money to a charity in 2021, making it the lowest ranked country on this metric. A promising model for local fundraising is Orbeliani, a quickly growing crowdfunding organization that supports community-led projects.

Few membership-based organizations collect dues and, for those that do, yearly membership revenues can barely cover one month's rent. In contrast, industry groups such as the Business Association of Georgia (BAG) collect substantial revenue through membership fees.

Service-oriented CSOs continue to earn revenue from consulting, training, coaching, and other services marketed to government and business clients. Revenue, however, has seemingly declined since the pandemic started in 2020. Many donors, particularly the EU, continue to prioritize social entrepreneurship and invest in social startups but few examples of sustainable social enterprises exist.

Larger and more established organizations typically have advanced financial management systems, including procedures to ensure transparency in managing donor funds. Many local CSOs are unable to retain qualified financial management staff as they are unable to meet salary requirements. Annual audits are common among the more established CSOs, but few make their financial statements public. Most CSOs publicly disclose their sources of funding and projects.

ADVOCACY: 3.5

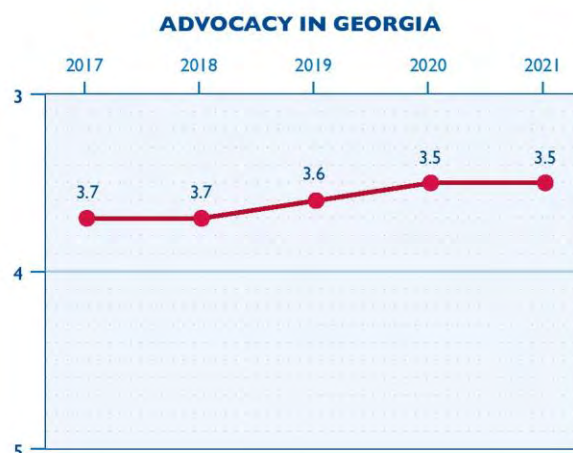
Civil society advocacy did not change significantly in 2021. Although the quality of interactions deteriorated, CSOs continued to actively engage with all levels of government. Government officials are open to productive and fruitful collaborations on non-controversial issues, but less accepting of CSO input on governance, judiciary, anti-corruption, media, and other sensitive areas. The government's refusal to halt judicial appointments, for instance, illustrated the authorities' disregard for input from both domestic civil society and international partners, such as the EU and US.

Although Georgian law requires public consultations on public policy, meaningful public consultations on both policies and legislation remain rare. In 2021, for example, the government amended the Law on Entrepreneurs, which affects CSOs, without consulting or notifying civil society.

While the government involves CSOs in working groups and commissions, it often disregards their contributions. As a result, CSOs sometimes boycott these mechanisms. In July 2021, for example, the Coalition for Independent and Transparent Judiciary, which unites forty local CSOs, refused to participate in the parliament's working group for the selection of Supreme Court judges.

Legal mechanisms that enable CSOs to perform a watchdog function over government policies are increasingly difficult to use, as public institutions respond less frequently to freedom of information requests. According to a 2021 Institute for Development of Freedom of Information report, the response rate to Freedom of Information Act requests dropped from 90 percent in 2013 to 80 percent in 2020.

CSO advocacy coalitions are common but are mostly project-based and often short-lived. A promising example of a more sustained advocacy effort is the Coalition for Euro-Atlantic Georgia, which was established by twenty-two local CSOs in 2016 to campaign for Georgia's continued progress towards EU and North Atlantic Treaty Organization (NATO) membership. This coalition actively commented on Georgia's strained foreign policies in



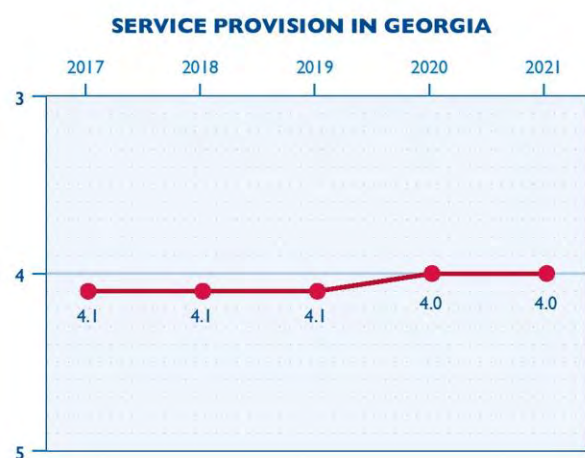
2021. While Georgian CSOs have a strong history of conducting joint advocacy campaigns, such collaborations have been rare in the past few years.

CSOs frequently comment in the media and influence public debate on pressing social and political issues. In 2021, informal social movements became increasingly active in organizing public protests and campaigns. Public protests against the Namakhvani hydropower plant succeeded in forcing the government to cancel the nearly USD 1 billion energy project. Workers and unions conducted successful strikes in 2021 at Rustavi Azoti, the Chiatura Mines, Borjomi mineral water factories, and the port of Batumi.

Illiberal groups continued to proliferate in 2021. On July 5, far-right groups rallied on Tbilisi's main avenue to prevent the Tbilisi Pride March from taking place. According to a report by the US Mission to the OSCE, "The mobs went largely unchecked by authorities as they attacked citizens and also broke into and vandalized the offices of the Shame Movement, the Human Rights Center, and Tbilisi Pride." Twenty-seven embassies issued a joint statement condemning the "violent attacks on the civic activists, community members and journalists, as well as the failure of the government leaders and religious officials to condemn this violence". These targeted assaults on activists and media workers—to some extent endorsed by the government—marked a significant setback for civic space and fundamental freedoms in Georgia. The government also failed to remove a metallic cross that was illegally installed by these groups in front of Georgia's parliament. The radical group Altinfo subsequently registered a political party, the Conservative Movement, and propagates anti-Western, anti-democratic, and anti-CSO sentiments.

CSOs have been lobbying for some legislative and policy results for years, including improvements to the legal and operational environment for CSOs, but with limited results. While many CSOs actively collaborate with the parliament, the parliament has limited influence, as Georgia's political landscape—including the work and decisions of the parliament—is excessively dominated by the executive branch.

SERVICE PROVISION: 4.0



Service provision remained unchanged in 2021. CSOs continued to provide a wide range of health, education, relief, employment, environment, governance, and other services to communities, government, and businesses, while also playing an active role in Georgia's COVID-19 response. According to the 2021 EU-funded mapping study, nearly half of the surveyed CSOs conducted emergency response and public health programming in response to the pandemic.

Although the CSO sector overall provides a diverse range of services, many individual CSOs lack the financial resources to diversify their product lines. CSO services typically respond to local needs, which they identify by actively collecting data and feedback through surveys, focus group discussions, and key informant interviews.

However, CSOs' ability to develop projects and programming to meet these needs depends on the priorities and schedule of international donors. Many donors allowed grant recipients to modify project activities and budgets as needed in the context of the emergency response to the COVID-19 pandemic.

Georgian CSOs are mostly value-driven organizations, commonly upholding high standards of integrity in partnerships, as well as of equality in producing, marketing, and delivering their projects and services. CSOs generally provide services to various clients without discrimination.

The number of industry and membership associations that offer a diverse range of services to their members has been growing steadily. The Small and Medium Enterprise Development Association (SMEDA), for example, is a membership-based, independent nonprofit organization that was established in 2021 and whose membership and range of services quickly expanded. SMEDA provides tax, audit, training, legal, and other services for its members, while at the same time providing educational programs and opportunities for the wider public. According to a

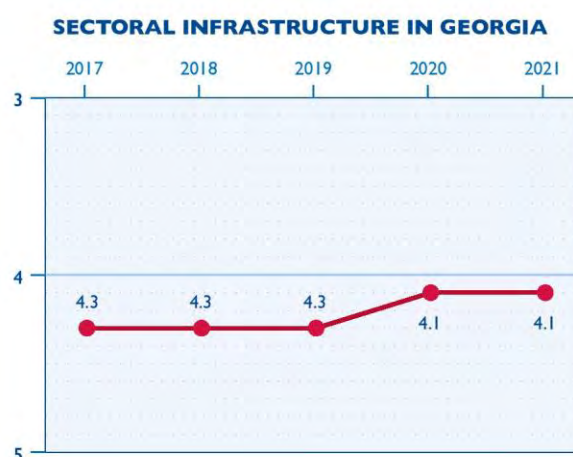
2021 Georgian Institute of Politics study, at least thirty-one Georgian CSOs actively worked with small and medium enterprises to strengthen value chains, increase sales, and promote exports through EU and USAID projects.

While many CSOs generate income from the services they provide, these revenues are insufficient to sustain them. As a result, even high-performing service CSOs are dependent on grant revenues. For example, Partners Georgia and the Center for Training and Consultancy provide training services to the government, donors, CSOs, and businesses. Despite their success in this area, both organizations increasingly depend on international donor funds to enable them to offer competitive services.

The government recognizes the value of CSOs in providing social services. The government and CSO sectors collaborate actively in non-controversial fields such as the provision of basic social services. For example, the Ministry of Health outsources a variety of social services to CSOs. However, as noted above, relationships remain strained on more sensitive issues, as the government and the ruling party continue to publicly undermine the credibility of CSOs, their work, and their staff.

SECTORAL INFRASTRUCTURE: 4.1

The infrastructure supporting the CSO sector did not change significantly in 2021. Overall, the infrastructure is insufficient to support the number and diversity of organizations in Georgia. Few support organizations and resource centers exist. The USAID-supported network of Centers for Civic Engagement (CCE) offers free space and other services to regional CSOs while charging fees to organizations from Tbilisi. CCEs are registered as local nonprofits and are currently working to increase their sustainability. The EU funds a similar network of organizations providing mentorship, physical space, and other support services for local CSOs and community organizations. The COVID-19 pandemic undermined access to and use of this infrastructure, but demand for these services is expected to rise as pandemic restrictions subside.



There are few local grantmaking organizations, such as the Open Society Georgia Foundation, Europe Foundation, the United Nations Association of Georgia (UNA-Georgia), and Women Fund in Georgia, as well as several government institutions. UNA-Georgia, for example, provided annual funding for at least twenty local CSOs from 2011 to 2021 under USAID and other donor projects. International NGOs actively re-grant EU and USAID funds to local CSOs as well.

Orbeliani, as noted above, is at the forefront of innovating local crowdfunding for CSOs. The curated online platform allows any person or organization with online access to collect co-financing for projects, such as a village library, sports field, playground for special needs children, sewing and tailoring courses, or other local needs-based initiatives.

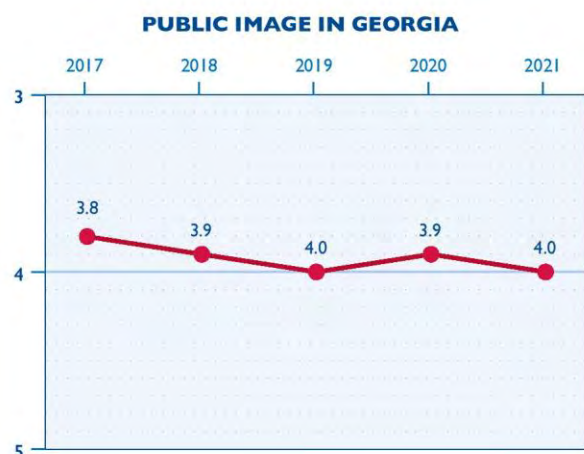
Training on planning, management, fundraising, and advocacy is available to CSOs, while training to build technical skills, such as accounting, financial management, board development, and constituency building, is less common. The USAID-funded Human and Institutional Capacity Development project works to address these gaps. While available trainings generally meet CSO needs, their scopes and level of effort rarely do. For example, training on fundraising tends to be either too general or irrelevant to the local context. CSOs also identify grant-writing for US and EU funding, as well as general literacy on donor procedures and regulations, as a significant gap in training opportunities.

CSOs engage in multiple thematic coalitions, including strong and active coalitions that bring together CSOs focused on people with disabilities, ethnic and religious minorities, and various health issues. Cooperation among CSOs is most common around high-profile events such as elections, and CSOs issue joint statements on major

policy and political developments. However, CSO networking and coalitions have been adversely affected by the pandemic. Polarization and radicalization among CSOs also undermine the organization and cohesion of the sector. Georgian civil society lacks both sector-wide forums and willing facilitators to strengthen cooperation on mutual interests and common aims.

As noted above, CSO-government relationships continued to deteriorate in 2021 on high-profile, controversial issues while collaboration on non-political topics, such as education, employment, economy, and health, was more successful.

PUBLIC IMAGE: 4.0



According to a 2021 survey conducted by the Caucasus Research Resource Centers (CRRRC), only 20 percent of Georgians trust or fully trust CSOs. While this was a decrease from the prior year's already low figure (24 percent), it is important to note that most Georgian institutions received even lower scores.² These results indicate a high level of distrust for most institutions among the public. USAID's Country Development Strategy for Georgia notes that "many citizens question civil society's commitment to their mission of serving the Georgian people versus their commitment to securing donor funds and thus being donor-driven." To address the issue, USAID plans to help "build trust in Georgian civil society by helping them better connect and represent their communities." Despite this decline in public trust towards CSOs, local CSOs believe that the

sector's visibility improved in 2021 due to CSOs' contributions to the COVID-19 emergency response and engagement on Georgia's various political crises throughout the year.

Although many CSOs work on social and economic issues that are priorities for the public, such as employment, this work rarely gets coverage in the media. Instead, media tends to cover more political aspects of CSOs' work, including that related to governance, elections, and minority rights. Media and the public thus tend to incorrectly generalize that all of civil society is focused on these topics, fueling the sense that there is a disconnect between the public and CSOs. As Georgians continued to struggle with high unemployment, record inflation, and expensive health care, they were less focused on issues such as governance, elections, equality, and minority rights that are key CSO priorities. For example, a December 2021 National Democratic Institute poll found that a low percentage of Georgians identified the following issues as top concerns: the court system (2 percent), fair elections (1 percent), and freedom of speech (1 percent). No respondents mentioned media independence or minority rights as important issues of concern. Caucasus Barometer 2021, a respected annual opinion survey conducted by CRRRC, revealed that 52 percent of Georgians are hardly interested or not at all interested in Georgian politics.

According to a November 2021 study titled "Hate Crime, Hate Speech, and Discrimination in Georgia," funded by the Council of Europe, while 44 percent of Georgians know that they could address a CSO if they were discriminated against or the victim of hate crime or hate speech, only 12 percent would do so.

Media organizations and journalists showed continued interest in collaborating with CSOs in 2021 to advance public health communication during the pandemic. Independent media extensively covered CSO commentaries on the elections, as well as Georgia's strained relations with the EU and US. At the same time, the government-controlled media provided a platform for the ruling party's smear campaigns on CSOs. The media and political opposition continued to show a limited understanding of the role CSOs play in Georgia's democracy.

² The levels of trust in other institutions were: the executive (19 percent), judiciary (18 percent), legislature (16 percent), media (14 percent), and political parties (9 percent).

The government's continued broadsides against CSOs, as well as the Russian government's disinformation campaigns against the west and their "CSO allies," continue to damage the public image and credibility of CSOs. The government attacks CSOs both directly and indirectly through government-controlled media and other channels. The business sector's perception of CSOs is improving, as demonstrated by the growing incidence of CSO collaboration with businesses, especially on COVID-19 response, education, and other non-political issue areas.

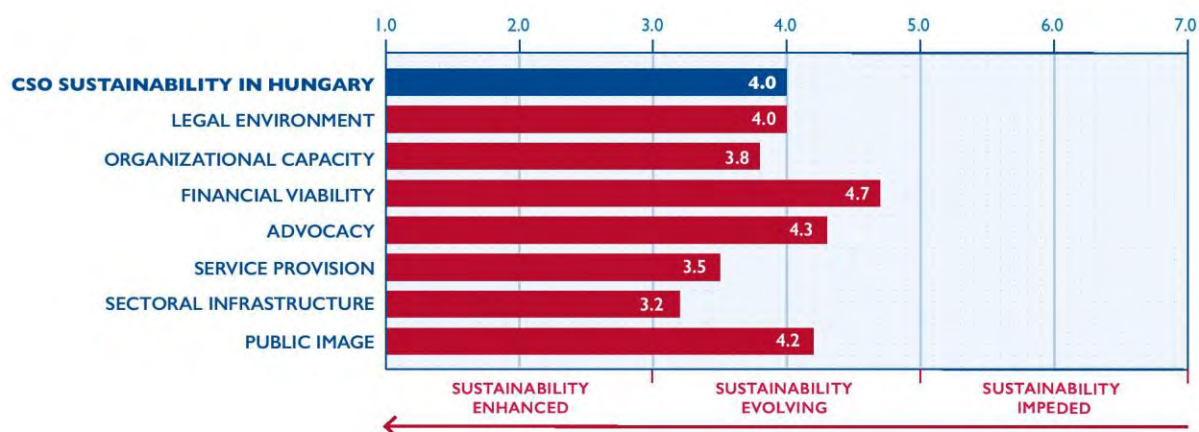
CSOs' social media presence continues to increase every year as more Georgians turn from TV to social media and the internet as their primary source of information. According to the 2021 CRRC survey, 21 percent of Georgians turn to social media and 18 percent to other sources on the internet for news updates, while 53 percent still consider TV their main information source. GYLA has 62,000 followers on Facebook, while Georgia's leading election watchdog, the International Society for Fair Elections and Democracy, has 38,000 followers. By comparison, UNICEF Georgia has a similar social media following as GYLA on Facebook, Georgia's preferred social media platform, though it has a larger communications budget. The majority of CSOs are unable to afford dedicated communication staff and struggle to update their official communication channels.

Most Georgian CSOs provide substantial public information about their projects and funding sources, though many do not disclose their annual audits. Some CSOs have adopted a voluntary code of ethics spearheaded by the Civil Society Institute, a local advocacy group. Donor guidelines also serve to regulate the sector's accountability and operational integrity.

HUNGARY

Capital: Budapest
Population: 9,699,577
GDP per capita (PPP): \$31,000
Human Development Index: Very High (0.846)
Freedom in the World: Partly Free (69/100)

OVERALL CSO SUSTAINABILITY: 4.0



Two phenomena dominated public attention in Hungary in 2021: the continuation of the global COVID-19 pandemic and the upcoming parliamentary elections.

Even before the second wave of the pandemic could die down, a third wave hit Hungary hard in mid-February. After some delay, in early March the government reintroduced containment measures, including compulsory mask-wearing in all public spaces (including open-air spaces), the closing of most non-essential shops, and online schooling. The number of infections only started to decrease significantly towards the end of May. By that time, the total death toll had reached 30,000, the highest in Europe on a per capita basis. After a quieter summer, a fourth wave, though not as bad as the previous ones, hit in autumn 2021. The underfunded and overburdened health-care system was unable to deal with all of these waves of infection appropriately, and the government did little to improve the situation in the hospitals. Meanwhile, vaccination progressed fairly well, with roughly 60 percent of the population being inoculated by the end of the year.

People who suffered social consequences, such as unemployment, as a result of the pandemic continued to receive limited or no support from the government. Furthermore, during the second half of the year, the impacts of the global economic recession started to be felt in Hungary, most visibly manifesting in inflation of 7.4 percent by the end of the year. Many CSOs continued to play an essential role in mitigating the unfolding social crisis caused by the pandemic by providing information and relief and contributing to online schooling efforts.

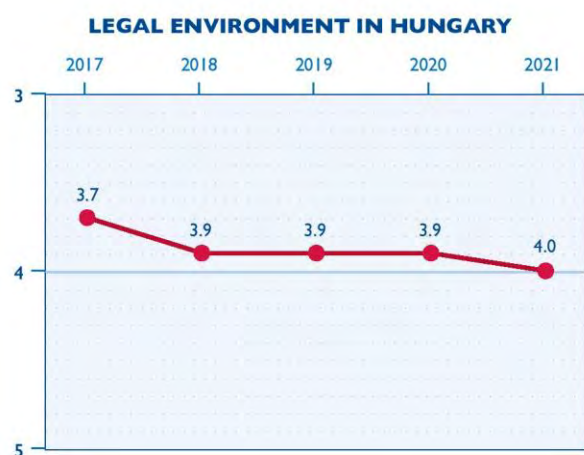
Despite the pandemic-related struggles, the government's popularity remained largely stable, in part due to the very restricted information and one-sided propaganda in the dominant pro-government media. With parliamentary elections scheduled for spring 2022, all government communication—including about the pandemic—was geared towards the campaign. As part of this effort, the government continued its hate-mongering against sexual minorities. In June, anti-pedophilia legislation was introduced in parliament. Last-minute amendments banned “homosexual propaganda to minors,” referring to the appearance of lesbian, gay, bisexual, transgender, and intersex (LGBTI) people in media and schools. Despite domestic and international protests, the law, including the controversial amendments, was approved, although many questions regarding its definitions and applicability were left unanswered. Reports from affected organizations show that the number of attacks (especially verbal attacks) on and conflicts with LGBTI people increased in the following months. In addition to the harmful blending of gender and sexual orientation with the abuse of children, the central message of the government's propaganda was that it does not want to “leave the sexual education of children to LGBTI activists.” This effort has resulted in the elimination of sensitization and civic education programs carried out by CSOs as schools are afraid to cooperate with them.

The April 2022 parliamentary elections took place in a markedly different manner than previous ones. Learning from similar experience in the municipal elections of 2019, in spring 2021, the six main opposition parties from all sides of the political spectrum joined forces and agreed to organize primary elections in September. More than 800,000 people cast ballots in the primary elections, which benefited from extensive attention from independent media. As a result of this process, one consensus opposition candidate was chosen to run in each district, making the election a one-on-one competition against the governing party, Fidesz. This was the opposition's only realistic chance to compete with Fidesz. This new approach mobilized civil society, with CSOs providing some of the logistics, technical background, and volunteers for the process.

In this difficult context, overall CSO sustainability deteriorated slightly in 2021, driven by slight negative developments in the legal environment, organizational capacity and financial viability dimensions.

The latest data published by the Central Statistical Office for 2020 shows little change in the makeup of civil society compared to the previous year. Both the overall number (34,000 associations, 19,000 foundations, and 8,000 other types of nonprofits) and the objectives of organizations remained practically the same as in 2019. The total income of associations and foundations also remained unchanged, at about HUF 900 billion (approximately \$3 billion).

LEGAL ENVIRONMENT: 4.0



The overall domestic legal framework governing civil society in Hungary deteriorated slightly in 2021 as a result of the government's ongoing efforts to pass restrictive legislation.

Special decrees introduced in 2020 that made virtual board meetings and assemblies simpler remained in effect in 2021. Otherwise, the core legislation governing the operation of CSOs, including the Civil Code (2013) and the Act on the Right to Association, Public Benefit Status and the Operation of and Support to Civic Organizations (2011, the Nonprofit Act for short) did not change.

CSO registration remained unchanged in 2021. The registration process, which now is done largely through an electronic/online system, is generally smooth. However, differences in the practices of individual

regional courts continue to persist, creating some uncertainty and unpredictability in the process.

From a legal standpoint, organizations can operate freely. However, CSOs continue to feel that both regulation and oversight impose unnecessary administrative burdens on them. Larger organizations, especially those with public benefit status (20 percent of all registered organizations) and those receiving public funding, must meet rigorous reporting obligations. They must publicly report on their accounts and activities, the collection of donations, and the use of any funds received through the 1 percent personal income tax assignment on an annual basis.

The major legislative development of 2021 was that in April the parliament finally acted on the June 2020 ruling of the European Court of Justice and retracted the infamous 2017 Act on Foreign-Funded Organizations, which stigmatized CSOs based on their funding sources. However, it was replaced with another new act on organizations "capable of influencing public life." This act includes similarly worrying clauses subjecting organizations with annual budgets above HUF 20 million (\$66,700) to inspections by the State Audit Body regardless of whether they receive public funding. The practical consequences of this law are not yet clear, but new administrative burdens and inspections of selected CSOs are expected.

Another short-lived piece of legislation also posed new threats to CSOs. In June, a governmental decree was published without any prior notice or consultation that obliged all CSOs to list the names of their individual donors in their reports (without any threshold amount), effectively banning anonymous donations. Many organizations immediately protested the decree, receiving broad coverage in independent media outlets (most of

which also collect donations). As a consequence, just two weeks later, the decree was withdrawn just as quietly as it was introduced.

State harassment of CSOs continued in various forms in 2021. The so-called Pegasus surveillance scandal, in which political and business figures as well as journalists were found to have been subject to surveillance, was found to have targeted at least one CSO lawyer activist in Hungary. Despite the public outcry, there were no consequences for the illegal wiretapping of mobile phones, with the government basically hushing the issue up. Other forms of harassment affected individual organizations. In a notable instance, the director of a leading independent think tank, Political Capital, was the target of government propaganda following an interview he gave to Politico criticizing the government's pandemic policies. He and his family also received death threats in e-mail and social media. In another example, the Oltalom Charitable Association/ Hungarian Evangelical Brotherhood received a HUF 250 million (more than \$800,000) fine from the tax authority for non-payment of taxes, following an attempt to cut the gas at their premises in autumn 2020. The root cause for this omission was that following a 2016 ruling of the European Court of Human Rights, the government failed to restore the organization's church status, thereby causing them to lose billions in subsidies to finance their services to homeless and poor people to which they were rightfully entitled.

CSOs such as the Hintalovon Foundation for Children's Rights, which was wrongfully accused of spreading "LGBTQ propaganda," continue to win slander cases against government propaganda outlets in courts. At the same time, the independence of courts is under attack: following legal changes over the past few years, a growing number of senior judges, including those in the Supreme Court, are appointed through politically motivated procedures. While overall judicial independence is not yet curtailed, these are warning signs for future rulings.

Legislation on CSO taxation and access to resources did not change in 2021. In theory, CSOs can raise funds freely, earn income, and enter into contracts, though in practice the situation is more complicated (see the Financial Viability section). The continued absence of any tax benefits for individual donations is a sore point. However, taxpayers continue to have the option of assigning 1 percent of their income tax to a CSO. The so-called "immigration tax," which was passed in 2018 as part of the "Stop Soros" law package and imposes a 25 percent tax on the income of organizations supporting immigration, remains in effect, although it is not implemented in practice.

Local legal capacity did not change in 2021. A few CSOs—particularly the Hungarian Civil Liberties Union (HCLU) and Global Network of Public Interest Law (PILnet)—and some state-sponsored projects continue to provide such services. However, demand continues to outpace supply. In addition, there are large geographical differences—while legal aid to CSOs is expanding to the countryside, it is still concentrated in a few urban centers.

ORGANIZATIONAL CAPACITY: 3.8

The organizational capacity of Hungarian CSOs worsened slightly in 2021 mainly because of the general economic decline, which led to staff shortages.

Most CSOs have successfully adapted their operations to the circumstances of the pandemic, including by developing online ways, including newsletters and social media, to keep in touch with their members and supporters and recruit new ones. A growing number of organizations make conscious efforts to build their constituencies and mobilize volunteers, with the larger, more institutionalized ones also introducing or operating customer relationship management (CRM) systems. The success of the primary elections, which mobilized 10,000 volunteers, also motivated activism and participation. Of course, geographic differences persist, with CSOs finding it much harder to involve people in rural areas as opposed to urban centers. Also, after struggling to maintain their memberships and constituencies during the first year of the pandemic, some organizations found it hard to rebuild. For example, Fridays for Future, a climate movement of young people, had just found its voice in 2019 and relied



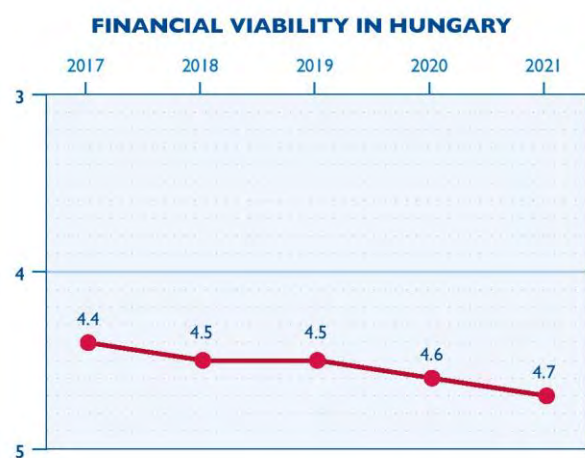
strongly on street activism. The movement came to a virtual standstill during the pandemic and just started to slowly reinvent itself in late 2021.

Under these circumstances, the use of strategic planning and internal management systems remains limited to the most professional national CSOs that operate with significant paid staff. In organizations that rely more on volunteers, both internal capacity limits and the uncertainties of the external environment hinder strategic planning and operations.

Retaining paid staff turned out to be a major difficulty in 2021, even among the largest organizations. With increasing inflation, especially in the second half of the year, many employers introduced significant salary increases, and CSO remuneration generally could not keep up with this trend. As a result, many organizations that were forced to lay off staff when the pandemic first hit in 2020 found it increasingly difficult to recruit staff from the labor market. CSOs also report staff burnout and mental exhaustion caused by the persisting uncertainties. CSOs often resort to using voluntary or occasional help to fill needs for professional expertise, such as from lawyers and IT specialists.

CSOs' technical capacity did not change notably in 2021. While most CSOs possess and use basic equipment to some extent, there are large differences in the level of advancement, and organizations often lack the resources to update their assets. In addition, in many cases, activists and staff members use their own equipment for organizational purposes. Most CSOs use IT for a variety of activities, including videoconferencing, developing their visual brands, and sustaining communication, including on social media. Awareness about and attention to cybersecurity remains limited to those CSOs most prone to attacks, including human rights defenders and investigative journalists.

FINANCIAL VIABILITY: 4.7



CSOs' financial viability deteriorated slightly in 2021 as public funding sources are increasingly biased towards organizations loyal to the government. In addition, the loss of a significant foreign funding source was a major blow to independent CSOs. Different types of CSOs continued to face great disparities in their funding levels, with some CSOs having access to abundant resources, while others struggle for survival.

According to the latest official statistics, slightly less than 40 percent of the sector's total income in 2020 stemmed from public funding, around 20 percent came from private sources, and the rest originated from generated income and a variety of other sources. However, financial resources were very unevenly distributed across the sector, with more than 70 percent of all CSOs

operating on an annual budget of less than 5 million HUF (\$16,600). Despite the short-term losses many CSOs suffered during the first year of the pandemic, a survey carried out by Simpac Nonprofit Ltd in 2021 indicated that the income of only one-quarter of respondents decreased in the longer run.

The distribution of public funding continues to lack transparency. In addition, as a result of political bias, independent organizations, while not formally excluded from applying for public funding, rarely secure grants. In addition to the continued availability of ongoing sources of public funding such as the National Cooperation Fund and the Village Civil Fund (created in 2020), the government created another new fund for CSOs in 2021. With a total allocation of HUF 4.4 billion (about \$14.6 million), the new City Civil Fund supports CSOs and community activities in settlements with more than 5,000 inhabitants. However, investigative journalists revealed that about half of the fund's biggest beneficiaries were organizations directly controlled by local Fidesz politicians or their affiliates.

Local municipalities, which bore the brunt of financial cutbacks under the guise of the pandemic, are not in a position to provide significant support to CSOs, though in some cities funding was provided to CSOs in the

framework of the EU's Community-led Local Development program, essentially the only EU support available to CSOs in 2021.

Domestic institutional philanthropy in the form of grantmaking foundations also remains very underdeveloped. Corporate philanthropy is more widespread, with several corporations, including Tesco, Vodafone, and E.ON, running regular small grant programs. However, corporate giving was strongly affected by the pandemic.

Independent CSOs—for example, those engaged in human rights or LGBTI issues—remain dependent on international philanthropic and institutional donors, as well as individual giving. A growing number of international donors, including the Sigrid Rausing Trust, Civitates, and Mercator Foundation, are active in Hungary. The two regional centers supported by the Open Society Foundations (see Sectoral Infrastructure section) made a final round of grants to local groups in 2021.

A major development affecting CSOs' financial viability in 2021 was the unsuccessful conclusion of negotiations concerning the third period of the European Economic Area (EEA)/Norway Grants. The donors and the Hungarian government signed a Memorandum of Understanding (MoU) in late 2020 and then announced an open call to find a Fund Operator to manage the Active Citizens Fund. However, the parties could not come to the required consensus to select a mutually acceptable candidate. According to the MoU, if no agreement is reached in this respect within seven months, the support to Hungary becomes void. This deadline was passed at the end of July, and thus, as the Norwegian Foreign Minister announced, "no programs will be implemented in Hungary under the EEA and Norway Grants scheme during this period," making Hungary the only country of the fifteen eligible to be excluded. This means that Hungarian civil society will be deprived of EUR 10 million in funding over the coming years.

Individual giving has steadily increased over the past few years and continued to do so in 2021. According to a poll commissioned by Telenor company that was carried out at the end of the year, 70 percent of respondents occasionally make small donations to causes they care about, with the most popular being animal welfare (35 percent) followed by health and healing (24 percent) and poverty (22 percent). In 2021, the decreasing trend of 1 percent income tax assignments reversed; the amount assigned increased by HUF 900 million (approximately \$3 million) to HUF 10.5 billion (\$32 million), while the number of taxpayers who took advantage of this opportunity increased by 40,000 to 1.66 million compared to the previous year. CSOs are also becoming more and more professional in collecting donations, especially online, but also through other creative tools, such as collections by "ambassadors" and Giving Tuesday.

Earned income generally continues to comprise a small portion of CSOs' total income. However, a growing number of larger CSOs—including both advocacy organizations such as HCLU and service providers like the Real Pearl Foundation—maintain webshops and sell merchandise.

Most CSOs maintain an adequate level of transparency, publishing annual reports and accounts as required by law. Only professional organizations, which are more exposed to potential attacks, maintain more sophisticated financial management systems.

ADVOCACY: 4.3

CSO advocacy did not change significantly in 2021.

Hungarian legislation from 2010 provides for public participation in lawmaking. In practice, however, decisions generally continue to be made behind closed doors, without any involvement by the affected stakeholders. The government generally circumvents existing consultation mechanisms, for example, by having individual members of parliament (MPs) from the governing party submit significant bills and abolishing or not convening existing consultative bodies and committees. While data for 2021 is not available, in 2020 parliament adopted 159 government-submitted laws, only one of which was published for comments on the government's dedicated webpage. Even when drafts are circulated, the periods for comments are often extremely short, in some cases just a few hours. Besides, both the central government and parliament routinely ignore CSOs' pleas and petitions for dialogue and remain unresponsive—or downright hostile—to any criticism or proposals coming from "outside." Thus, traditional channels of CSO advocacy—both formal (such as consultative bodies and processes) and informal (petitions and signature collections)—effectively ceased functioning years ago. In practice, only organizations friendly and close to the government can effectively engage in lobbying.

Throughout 2021, the government sustained several measures introduced under the guise of the pandemic, including the extended deadline for government agencies to respond to freedom of information requests (45 days instead of 15) and the total ban on peaceful assemblies. In the absence of other options, CSOs increasingly used online petitions, especially through the ahang.hu platform, to advance their causes, but these generally had little or no effect on decision-makers. The ban on peaceful assemblies remained in place until mid-May 2021, despite being criticized by human rights organizations for being unjust, disproportional, and discriminatory, especially as certain larger gatherings, such as those for religious purposes, international hunting exhibitions, and sports competitions, were allowed. The first major demonstration was held just a week after the ban was lifted, with thousands of people protesting against a planned Budapest campus of the Chinese Fudan University (supported by the Hungarian government). This and other protests in the second half of the year, including Budapest Pride, took place without violence.



The government also used the pretext of the pandemic to obstruct participation through other measures. For example, it has declared a growing number of questionable investment projects to be of “national strategic importance” by decree, thereby legally exempting them from public oversight or control. A recent example was the contested industrial investment planned in Göd, a small town near Budapest, which drew much popular protest.

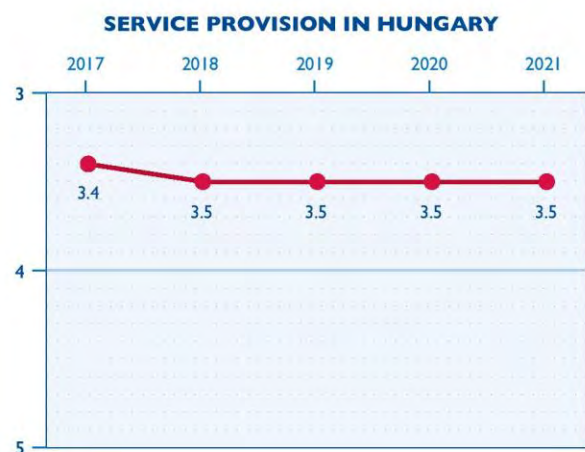
While the opposition-led local governments elected in 2019 make honest efforts to engage in dialogue with civil society, their efforts are often hindered by their lack of capacity and expertise, and thus, bring ambiguous results. At the same time, citizen assemblies are becoming more popular. In 2021, for example, the city of Miskolc with the help of DemNet Foundation and the local Dialogue Association organized a successful citizen assembly process to discuss and formulate recommendations on air quality issues.

Under these circumstances, CSOs’ advocacy efforts rarely bring results. In 2021, the few successful cases mainly involved environmental campaigns to stop controversial investments such as waterfront developments in several locations around Lake Balaton and a planned experimental oil drilling project in the western border area. In addition, labor movements and unions of teachers (and people otherwise involved in public education) remained active and continued to campaign for educational reforms and an increase in teachers’ salaries.

The campaign and organization of the primary elections spurred broad civic mobilization in 2021: besides contributing to the process itself, many CSOs used this opportunity to spotlight their issues, activate citizens, and later to engage in election monitoring. Government officials and media often labelled these organizations as being “political” and not truly civic.

In June 2021, the Civilization coalition came out with the Civil Minimum 2022, a set of 13+1 measures in four areas—legislation, funding, dialogue, and social support—that should form the basis of a future governmental civil society strategy. Parties and candidates running for the next elections were asked to include these in their programs and to commit themselves to adopting and implementing such a strategy should they be elected. Three main opposition parties and a dozen candidates publicly committed to this program before the primaries. Towards the end of the year, Civilization also received verbal promises to include these points in the united opposition’s election program.

SERVICE PROVISION: 3.5



The conditions and characteristics of CSO service provision remained largely unchanged in 2021 and continued to be influenced strongly by the pandemic.

CSOs generally provide a range of services, mainly in fields such as social care, health, education, and culture. In 2021, they continued to focus on responding to needs generated by the pandemic, especially through the provision of relief and social services. CSOs are less active in the areas of research, professional services, and consumer protection. Most services provided by CSOs fill in (large) gaps in the state and institutional system, and therefore target deprived or marginalized geographic regions and social groups, including those living in poverty or with disabilities, Roma, homeless people, and drug users, and usually reach far beyond their own

members. This was characteristic during the pandemic, too, when many CSOs had to reorient their services to meet acute needs. This orientation also strongly influences cost recovery, which is practically non-existent, as members of the target groups are generally unable to contribute to the cost of the services they receive. CSOs therefore finance their services in other ways, including individual and corporate donations, as well as support from international organizations.

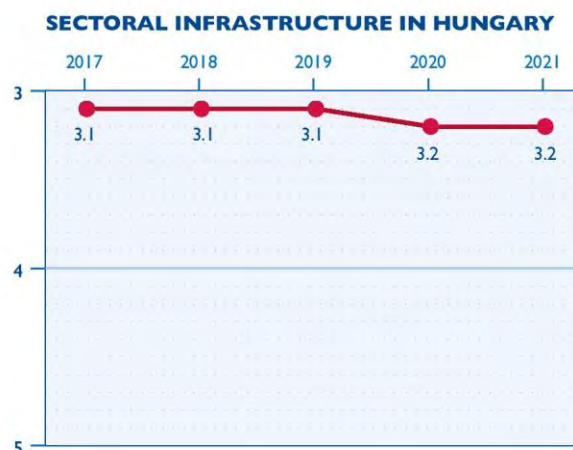
There is practically no systematic data on the needs of various communities or vulnerable groups. However, most service-providing CSOs work closely with their constituencies and therefore have first-hand (though anecdotal) information about these needs, which they respond to accordingly. CSOs also receive direct and continuous feedback through social media, which helps them adapt their work.

CSOs are often the first to respond to new needs or problems. Despite this, the state does not recognize the value of their services. On the contrary, as CSOs' work often reveals or highlights the dysfunctions of institutional systems, they are instead subject to smears and vilification. Only local organizations are able to work without harassment, and even if the government acknowledges their efforts in its lip service, this is rarely coupled with adequate financial support. The situation at the local level is mixed, with Fidesz-led governments following the example of the national government, while opposition-led municipalities tend to make efforts to develop and provide services jointly with CSOs. However, as most services have been nationalized and centralized, there are fewer opportunities to do so.

SECTORAL INFRASTRUCTURE: 3.2

The infrastructure supporting the CSO sector did not change notably in 2021.

CSOs continue to have access to resource centers, which increasingly provide online services. NIOK in Budapest and the regional organizations in the major urban centers of Pécs, Szeged, Debrecen, and Miskolc that emerged as a result of targeted support programs by the Open Society Foundations (OSF) and Civic Europe are especially important in this regard. The state-appointed system of county Civil Information Centers continues to operate, but its level of professionalism is generally considered rather low, as in most places these functions are performed by local organizations with little or no track record or expertise.



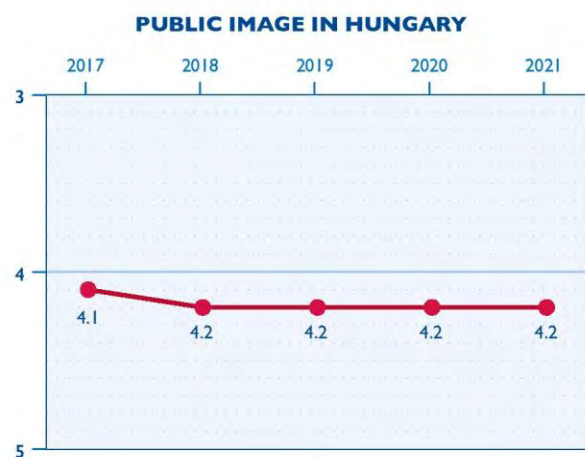
In 2021, the two regional small grant programs of OSF in the southwest and northeast of the country gave out their final round of grants. At the same time, existing community foundations in the 9th district of Budapest (Ferencváros) and in Pécs became more consolidated, while new community foundations were formed in Eger, Nyíregyháza, Nagykanizsa, and in the 2nd and 3rd districts of Budapest. Generally, the notion of community giving is gaining ground, even if it has not yet manifested in much actual financial support.

Civilization, a coalition focused on defending civic space in Hungary, continued to be a significant actor throughout the year with close to forty “full” members and a growing “outside” circle. In addition to issuing common positions and statements on a number of issues affecting the sector, it implemented joint communication campaigns and launched the Civil Minimum 2022 initiative described above. In a new development, CSOs working in specific sectors formed their own coalitions. Notable examples include the platform of CSOs engaged in housing issues and the Egalipe network of pro-Roma advocacy organizations. LGBTI organizations formed the Rainbow coalition in response to the homophobic legislation passed in summer. Also, more traditional networks, such as that of the environmental movement, continued to operate. However, there is still a long way to go to expand the reach of these networks to more remote, rural areas.

Cooperation with other sectors is more mixed. Advocacy organizations have strong links with independent media. Businesses cooperate with CSOs in pursuit of specific goals and issues, such as children’s health and women’s equality, based on their corporate social responsibility (CSR) strategies. Several organizations, including Effekteam Association and the Body of Ethical Fundraising Organizations, help generate CSO-business cooperation.

CSOs have access to a variety of short-term trainings, with online forms (webinars) becoming the norm. The most in-demand training topics are still communications, fundraising, and general organizational and project management. There are fewer available opportunities in more specialized areas or for in-depth, longer learning. The programs supported by OSF and Civic Europe—Stronger Roots implemented by NIOK and the East Wind operated by Dialogue Association and Association of Alternative Communities in Northeast-Hungary—offered a combination of year-long training and mentoring programs coupled with small grants to a limited number of CSOs (twelve and six, respectively). MA courses on civic and community studies are offered by universities in Budapest and Győr.

PUBLIC IMAGE: 4.2



The public image of the CSO sector was affected by conflicting trends in 2021, resulting in no change in the score for this dimension.

As in previous years, pro-government media outlets, which comprise the vast majority of the Hungarian media landscape (including the public broadcaster, all commercial radio stations, and regional newspapers), remained generally hostile towards independent CSOs. These outlets mostly do not report on CSOs’ activities, or if they do, it is in a negative light or a scandalous manner. The main targets in 2021 were LGBTI and children’s rights organizations, which were accused of spreading “homosexual propaganda,” “gender craze,” and the “transsexualization of children,” in addition to similar such falsehoods. These attacks, along with the legal

changes described above, efficiently deterred teachers and principals from working with these organizations and allowing them to bring their sensitization courses to schools. In addition, CSOs continue to be accused of being “agents of the Soros network.” But the sensitivity of organizations toward such smear campaigns seemingly decreased, as they became used to or adapted to this situation (and therefore may report less intensive harassment). On the other hand, the remaining independent media increasingly covers CSOs’ activities, not least due to the proactive roles they played during the pandemic and the help they can provide to investigative journalism, for example in corruption cases. In addition, in the last few years, activists have created new YouTube channels and podcasts that regularly discuss matters relevant to civil society that have gained in popularity. For example, the Partizán Youtube channel, which offers a variety of interviews and debates, has 267,000 followers.

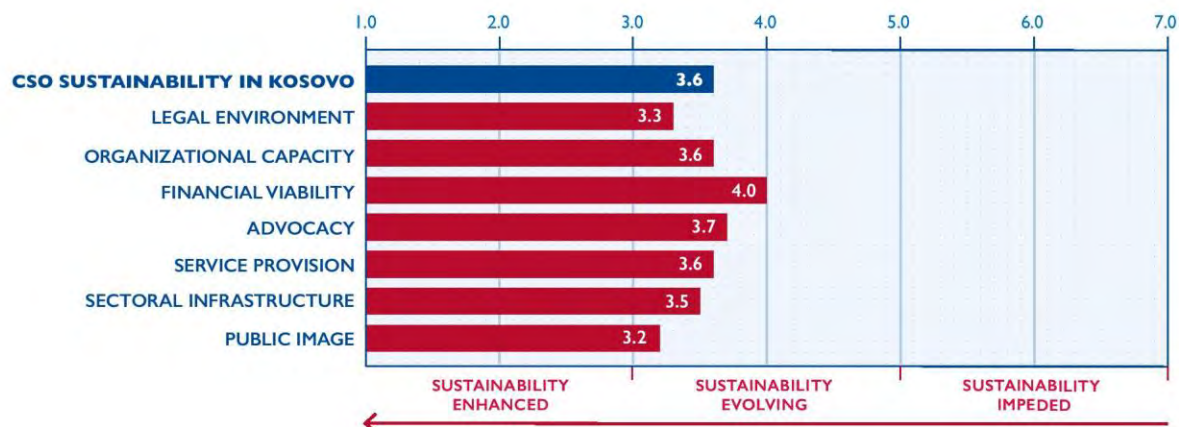
Despite the negative coverage, the public still largely views civil society positively, in part thanks to CSOs' visible efforts in the face of the pandemic. According to a poll commissioned by Civilization and carried out in late 2021, 16 percent of respondents said they or their families or friends received some kind of assistance from a CSO, up from 11 percent in 2019. In turn, 36 percent said they gave help to a CSO. At the same time, fewer respondents (47 percent compared to 65 in 2019) believe CSOs should criticize the government. The latest data related to the 1 percent personal income tax assignments indicates that the organizations most harassed by the government received significantly more from more people in 2021 than before. For example, Háttér' Association, a leading LGBTI group, tripled its income from this source compared to the year before. Nevertheless, the extreme polarization of Hungarian public life influences opinions about civil society as well.

Under these circumstances, CSOs must increasingly develop their own communication tools, especially social media. Facebook remains the dominant platform, although Instagram is increasing in importance. While larger organizations use these with increasing sophistication, the lack of resources may hinder their success, as without paid advertisements, their reach remains limited to the "usual" circles.

The government's opinion of CSOs remained the same, dividing the sector into 'good,' loyal (and more and more government-organized) organizations, and 'bad,' critical organizations. On the local level, this is determined by the municipalities' colors: Fidesz mayors follow the government's lines, while opposition-led municipalities usually strive to engage and develop cooperation with CSOs, with varying levels of success. The business sector's attitudes are mixed: while some companies openly engage with critical organizations on controversial issues (such as child abuse), others are more cautious and keep a low profile or only support large, traditional charities such as the Red Cross. But generally, an increasing openness on the side of corporate actors can be observed.

CSO self-regulation did not change in 2021. CSOs publish annual reports in accordance with their legal obligations, and those frequently targeted by the government are particularly rigorous about their transparency. Yet, there are still no broadly accepted written codes of conduct, and no attempts to develop one. The Body of Ethical Fundraising Organizations, which has about fifty members, is the only significant actor in this field.

OVERALL CSO SUSTAINABILITY: 3.6



The COVID-19 pandemic continued to impact most aspects of life in Kosovo in 2021. Widespread dissatisfaction with social distancing measures put pressure on the government to ease restrictions whenever the COVID-19 infection rate declined. The crisis conditions of the COVID-19 pandemic, as well as the war-like rhetoric surrounding the fight against it, re-ignited war-related trauma in many Kosovars. Uncertainty about the future, frequent changes in social distancing measures, and other adaptations to life during the pandemic required significant lifestyle and consumption changes for most Kosovars. As in other countries, domestic violence reached new peaks during the pandemic.

Regular local elections and snap national elections were held in 2021. At the central level, the new government coalition comprised of Vetevendosje and Guxo represents one of the most stable coalitions in Kosovo's history. At the local level, many municipalities experienced changes in political leadership, with some of the more experienced leaders being ousted after many years in power.

Kosovo's primary foreign policy challenges continue to be Euro-Atlantic integration and resolving the dialogue to normalize relations with Serbia, which has been ongoing for more than a decade. The international community supporting the discussions has insisted on the full implementation of past agreements, but there were no major developments in that regard during the year, as both countries were focused on domestic elections.

Kosovo, alongside Montenegro and Bosnia, continued to oppose the Open Balkans initiative, an economic and political zone that is supported by Albania, Serbia, and North Macedonia. Kosovo instead favors the so-called Berlin Process, a platform for high-level cooperation between the six Western Balkan countries, which it views as the only formula that will ensure a European future for the region.

Kosovo experienced significant economic uncertainty in 2021, which were exacerbated by global transportation and logistical challenges stemming from the pandemic. The government implemented economic assistance programs that helped to stabilize the economy. In addition, remittances from the diaspora, which represent a significant supplement to consumption in Kosovo, increased in 2021 and alleviated some of the financial hardship experienced by vulnerable groups.

Government funding for CSOs increased significantly in 2021. Emergency assistance packages for CSOs, which were administered alongside regular support schemes for CSOs, raised total public assistance for civil society from approximately EUR 15 million to approximately EUR 29 million. This funding increase improved the situation for many organizations in Kosovo, which rely on public funding for their survival.

CSOs had to adapt to the reality of the COVID-19 pandemic again in 2021. Most CSOs organized their activities and gatherings when social distancing measures were relaxed, which required significant ad hoc planning and delivery. Remote work arrangements continued to be widespread and were usually combined with office days for tasks that could not be completed from home. Donor organizations also adapted their rules to the pandemic, such as introducing COVID-19 safety measures for their activities and events. This increased project implementation costs due to the need to purchase items such as masks and disinfectants. It also increased the per-person cost of activities due to the reduced number of persons attending events.

Despite this difficult context, CSO sustainability remained unchanged in 2021, although improvements were noted in a number of dimensions. The legal environment improved slightly as it became more predictable, allowing CSOs to operate with greater ease. Similarly, the sector's financial viability improved due to increased availability and predictability of public support for CSOs. Many CSOs successfully adapted to the challenges of the COVID-19 pandemic, driving a slight improvement in organizational capacity. The infrastructure supporting the sector also improved slightly as CSOs had access to more capacity-building activities during the year. Advocacy, service provision, and public image remained unchanged.

A total of 11,232 organizations were registered in Kosovo as of the end of 2021. This represents an increase of nearly 1,000 organizations over the past year, double the growth in the previous year. Many organizations, however, are not active but remain registered due to the lack of clarity in the deregistration process. The majority of registered organizations are member-based associations, while approximately 500 are foundations.

LEGAL ENVIRONMENT: 3.3



While the laws governing CSOs did not change in 2021, the legal environment for CSOs became more predictable, driving a slight improvement in the score for this dimension. For example, a government report on public financing for CSOs in 2021 indicates a significant improvement in the percentage of budgetary institutions that complied with reporting obligations, from a 48 percent non-compliance rate in 2020 to just 31 percent in 2021. Improved governmental compliance with the requirements regarding funding criteria, public announcements, and committee evaluations benefited CSOs that receive this funding by making it more predictable.

Registration of organizations under the Law on Freedom of Association is easy and most steps can be completed

online. CSOs continued to freely operate in 2021 without major impediments or fear of harassment from the government. While organizations that are supportive of government actions received preferential treatment in some cases, the government did not pursue measures to eliminate or restrict criticism.

Registered CSOs must submit annual narrative reports to the NGO Liaison and Registration Office and tax/financial reports to the Kosovo Tax Administration. The Tax Administration treats CSOs as economic operators and requires them to use the same annual reporting forms as businesses, which raises some difficulties for CSOs, whose operations differ greatly from those of private businesses. Similarly, other laws related to commerce, competition, and imports treat for-profit and not-for-profit entities equally, which can complicate CSO operations.

Some CSOs enjoy public benefit status, although the practical dividends of this designation are limited. Further, public benefit status must be renewed annually and imposes additional reporting requirements.

A 2021 publication by the civil society platform CIVIKOS notes that the legal environment for volunteering should be improved in line with international standards, and that there should be separate funding mechanisms for youth volunteer programs.

CSOs can engage in fundraising campaigns and accept donations from local and international individuals and corporate donors. CSOs are allowed to earn income, but all earned income is taxable, in order not to disrupt competition in the market. Commercial and competition laws in Kosovo have been almost fully harmonized with the EU Acquis on single market competition and allow CSOs to compete for public funding and contracts by treating them as eligible economic operators. The Social Enterprise Law, which was passed in 2018 to diversify sources of income for civil society, has yet to be implemented in practice. Although relevant legal and technical documents have been prepared, the Office for Social Enterprises within the Ministry of Finance and Transfers has not yet been established, preventing the implementation of this law.

Charitable donations by individuals and corporations are tax deductible. An increasing number of local corporations are involved in giving campaigns, charity initiatives, and other philanthropic activities in their communities. However, many companies that donate to CSOs do not claim tax exemptions due to the challenges associated with following the procedures of the Law on Sponsorship in the Field of Culture, Youth, and Sport. In April 2021, the Ministry of Culture, Youth, and Sports published guidelines on sponsorships and tax forms on its website to address this challenge. Commercial and competition laws in Kosovo have been almost fully harmonized with the EU Acquis on single market competition and allow CSOs to compete for public funding and contracts by treating them as eligible economic operators. International donor funding is exempt from all taxes, including value-added tax (VAT) on purchases made. Earned income is subject to taxation.

CSOs have access to legal services, which are available in Prishtina and in larger administrative centers. However, there is limited demand for these services, largely because CSOs have limited ability to pay for them.

ORGANIZATIONAL CAPACITY: 3.6

Organizational capacity in the sector improved slightly in 2021, as many CSOs successfully adapted to the challenges of the COVID-19 pandemic. Although engagement has yet to reach pre-pandemic levels, CSOs' capacity to engage volunteers slightly improved during the year as they started to organize more events and field activities again. The overall trend of increased digitalization also continued, with additional organizations incorporating new digital technologies in their work.

Few organizations have developed strong constituencies among local communities, although there is strong popular support for issues such as environmental protection and combating gender-based violence. In particular, environmental issues have mobilized communities and brought together environmentalists, community leaders, and media organizations. For example, when the company Kelkos brought a strategic lawsuit against public participation (SLAPP) against environmental activists related to claims about the company's environmental practices, stakeholders rallied to the defense of the activists and the lawsuit was dropped. CSOs focused on culture and persons with disabilities have also successfully built their constituencies, while think tanks and CSOs focused on democracy and governance are sometimes criticized for their alleged lack of constituencies and legitimacy.

All CSOs must have clearly defined missions in order to register. In practice, however, few CSOs strictly adhere to their missions or strategic plans. Short-term project funding, which most CSOs depend on to finance their activities, hinders organizations' capacity for strategic planning in the medium and long terms.

Although more than 95 percent of the legally registered CSOs in Kosovo are member-based associations, few of these hold legally required members' meetings. Further, only a small number of organizations have clear internal management structures or a clear division of responsibilities between board, management, staff, and members. Many CSOs also do not have clear guidelines or application procedures for new members, which limits membership growth.



The short-term nature of most CSO funding also undermines organizations' ability to hire and maintain full-time staff on permanent contracts. This reliance on short-term funding also prevents CSOs from adhering to the labor law, which requires employers to offer permanent contracts after two years. Most CSOs cannot afford professional IT, legal, and accounting services. Volunteer engagement improved in 2021 but has yet to reach pre-pandemics levels as only some of their activities and in-person events that traditionally utilize volunteers were organized during the year. According to the Charities Aid Foundation's *World Giving Index 2022*, which covers developments in 2021, 11 percent of respondents in Kosovo reported that they had participated in volunteering activities in the previous month.

CSOs' investments in infrastructure and equipment also depend on grant funding. Consequently, CSOs that receive multiple grants generally have the most advanced technology and equipment. However, many donor organizations restrict funding to project activities and do not allow CSOs to use funding to buy equipment, thereby undermining their ability to maintain up-to-date equipment and technology. Remote working arrangements, which CSOs embraced during the pandemic, further increased organizations' use of digital technology, including virtual meetings. Most CSOs maintain a presence on social media platforms to engage with their constituencies.

FINANCIAL VIABILITY: 4.0



The CSO sector's financial viability improved moderately in 2021 due to the increased availability and predictability of public funding, which is the largest source of funding for CSOs in Kosovo. The 2021 Report on Public Financial Support for Non-Governmental Organizations shows that public funding increased across all categories of support. Fifty-seven government institutions awarded more than EUR 29 million to CSOs, which includes EUR 15 million from central government bodies and EUR 14 million from municipalities. This represents a significant increase in comparison to the average of EUR 15 million given in previous years.

The number of CSOs receiving public funding also increased significantly in 2021. While just 420 CSOs received support from the central government in 2020,

this number rose to 1,073 in 2021, while the number of CSOs receiving municipal support increased from 939 to 2,677. Although the increase is significant, the total number of beneficiaries still represents only 27 percent of all registered organizations. The government's financial assistance program to mitigate the effects of the pandemic, which included a component for CSOs, accounted for much of the increase in both funding amounts and CSO beneficiaries. In addition, the change in governments at both the central and local levels, as well as the increased use of online applications and the improved quality of award processes likely contributed to the increases. It remains to be seen whether the 2021 funding levels will be maintained in the following years.

CSOs obtain most of their funding from local sources, including central and local government bodies and local foundations re-granting funding from major international donors. While many CSOs have several funding sources, a significant number of organizations continue to rely on a single donor, which limits their financial sustainability. The majority of CSOs plan and operate on a short-term basis and their finances tend to be unpredictable beyond a few-months' outlook. This puts significant pressure on organizations to apply for projects and activities that diverge from their core missions and purposes.

USAID and other sources of US government funding continue to be the largest source of bilateral funding available to CSOs, alongside Swedish, Swiss, Norwegian, Danish, and Dutch government sources. During 2021, USAID launched the Citizen Engagement Activity, which supports CSOs to build constituencies, diversify their resource and partner base, and affect change; the program issued its first public calls for support for CSOs in early 2022. Engagement for Joint Action (EJA Kosovo) supports civil society initiatives that contribute to a democratic and inclusive society in Kosovo. The program, which is implemented by Kosovo Civil Society Foundation (KCSF) and co-financed by the Swiss Agency for Development and Cooperation (SDC), Sweden, and the Government of the

Grand Duchy of Luxembourg, announced several calls for proposals in 2021. The Geneva-based Global Community Engagement and Resilience Fund (GCERF) continued to provide grants for CSOs in Kosovo focused on the de-radicalization of returning foreign fighters. The EU is the biggest multilateral funder in the country; Kosovo-based CSOs can apply for both local and regional EU funding opportunities. Most donors only provide project-based support, although some like the Swedish International Development Cooperation Agency (Sida) and the EU Office in Kosovo provide a handful of more developed and established organizations with core funding.

Few local CSOs are able to meet the demanding standards required to directly receive funding from major foreign donors. Therefore, international donors continued in 2021 to delegate grant-making responsibilities to more developed local re-granting organizations.

Local philanthropy is undeveloped, with both individual and corporate giving primarily oriented to more traditional welfare-related causes, as well as sports events and cultural activities. However, the number of corporations and individuals involved in philanthropic giving is on the rise. For example, the corporation Buçaj LLC awarded EUR 30,000 to Artpolis, a local feminist CSO, in 2021. According to the *World Giving Index 2022*, 56 percent of respondents in Kosovo reported that they had donated money in the previous month.

Professional business associations collect membership fees, although most other registered associations do not. While a small number of local organizations conduct regular fundraising campaigns, funding from these campaigns seldom represents a significant portion of their budgets.

Few CSOs in Kosovo earn significant revenue from services, products, or the rent or lease of assets. Cultural and sports events, which offer CSOs great potential to generate income, began to be organized again in 2021—albeit with reduced capacity due to social distancing measures. While some CSOs have established social businesses, these initiatives are often subsidized by donor funding. Educational CSOs like Kosovo Education Center, TOKA, and Let's Do It Peja; media CSOs like the Balkan Investigative Reporting Network (BIRN); and other organizations like Kosovo 2.0 and Betimi per Drejtesi successfully earn income by selling their goods and services both locally and online. As noted above, the Law on Social Enterprises remained unimplemented in 2021 as the Ministry of Finance and Transfers had not yet established an office to register social enterprises.

CSOs must have basic digital financial management procedures to comply with reporting requirements, as the Tax Administration only accepts electronic submissions. In 2021, CSOs increasingly digitalized their financial management processes as part of the transition to remote work. Despite this progress, most CSOs in Kosovo still do not have well-developed accounting and financial management systems. Only a limited number of organizations can afford advanced financial and accounting tools, while most CSOs use spreadsheets to track their finances. Professional financial services are available, but few CSOs can afford them. CSOs with annual budgets of EUR 50,000 or more are required by law to undertake independent financial audits from licensed auditors. Few organizations publish annual financial reports and statements on their websites and they generally provide this information only to donor organizations to satisfy grant requirements.

ADVOCACY: 3.7

CSO advocacy remained unchanged in 2021. As in previous years, civil society activists achieved several major advocacy successes in 2021. The implementation of the government's 2020 policy against sexual harassment, which was delayed because of the change in government, as well as a similar policy at Prishtina University that was approved in 2021 represented significant victories for Kosovo's feminist movement. Environmental CSOs, particularly in the Dukagjini region, were active in protecting natural and environmental resources from commercial exploitation. As noted above, CSOs and media successfully rallied to support environmental activists who were the subject of a SLAPP lawsuit. CSO and media reports on environmental violations also caused the Ministry of Environment to conduct inspections, halt development projects, and discontinue certain licenses, and led to the dismissal of the head of the Environmental Protection Agency for alleged corruption. CSOs active in social dialogue and labor relations actively participated in the amendment of legislation on these topics, which was still under review at the end of the year.



CSOs also maintained a significant presence throughout the electoral process, and as in previous election cycles, political candidates paid increased attention to CSOs during the campaign. The environment for engagement with the new government on policy issues improved in 2021 partly due to the stability of the government and the presence of civil society actors in the government. At the same time, CSOs' opportunities to advocate for legislative and policy reforms were limited in 2021 due to the government's focus on the election and pandemic response.

The Government Strategy for Cooperation with Civil Society 2019-2023 remains the formal channel for government cooperation with the sector. Although the first objective of the strategy is to increase the participation of civil society in policy making, little progress has been made in this area since the strategy's adoption. Public hearings are mandatory for all legislative and regulatory processes that affect communities at both the local and central levels, and CSOs are invited and often participate in working groups and public hearings on policies, strategies, and laws. Despite this, public participation in the policy-making process remains limited. Central government institutions have been able to use the Online Public Consultation platform for years. In 2021, municipalities were added to the platform; however, the system remains underutilized by both municipalities and citizens.

Most formal and public advocacy is conducted by liberal, rights-based organizations that promote individual and collective rights and freedoms. For example, the Center for Social Group Development advocates for the rights of the LGBTQI community; the Kosovo Disability Forum advocates for the rights of persons with disabilities; Artpolis promotes the feminist agenda; and the Group for Legal and Political Studies advances labor rights. CSOs can criticize the government, although doing so may limit an organization's access to funding from public sources.

Watchdog and media organizations such as BIRN obtain public information through access to information requests to monitor government spending and decisions, procurement processes, and hiring practices. These groups often serve as whistleblowers on corruption and other government scandals. CSOs also cooperate with the Ombudsperson institution to advance a rights-based agenda and protect marginalized groups from discrimination.

Politicians, CSOs, media, and citizens are comfortable with the concept of lobbying and this term is often used interchangeably with "advocacy."

Civil society actors did not engage in major advocacy efforts to reform the legal framework for CSOs in 2021.

SERVICE PROVISION: 3.6



CSO service provision remained largely unchanged in 2021. A recent CIVIKOS report notes that service provision CSOs, many of which have more than twenty years of experience, are generally professional and well-established. The report finds that most service providing CSOs have between four and ten permanent staff and annual budgets of EUR 60,000 or more with funding from Kosovo's government, municipal governments, and international donor organizations.

CSOs serving vulnerable communities played an integral role in the COVID-19 response by providing hands-on relief services and enabling public institutions to access the communities they serve. CSOs also continued to provide a range of services related to domestic violence and human trafficking; childcare; health; and persons with

special needs, among other programmatic areas. CSO services generally reflect the needs of their beneficiaries, though demand for these services exceeds their availability. CSOs are the exclusive providers of services for victims of trafficking and domestic violence and children without parental care.

Member-based organizations offer services without discrimination, although they sometimes charge fees to non-members. Organizations in Kosovo generally advertise their services broadly and apply a "first come, first served" approach to service provision.

Few organizations are able to recover a significant portion of their operating costs through the services they provide. A small number of organizations earn income through commercial activities, social enterprises, renting of assets, management services, participation fees for training programs, or similar activities.

The Ministry of Finance and Transfers and municipal governments contract with CSOs to provide social services. The ministry awards contracts worth several million Euros to CSOs each year. Municipalities have had extensive responsibilities to provide social services since 2011, when social service provision was decentralized. However, the financial resources provided by the central government to municipalities for this purpose is insufficient and smaller municipalities encounter difficulties in offering quality social services and contracting CSOs to do so. Despite the barriers, municipalities award contracts to CSOs to help implement significant portions of their local strategies (for example, on local development, environmental protection, and tourism).

In 2021, the Ministry of Finance and Transfers began to publish foresight plans online. The availability of this information enhanced the ability of service providers to plan and manage their cash flow. Previously, most service providers had to improvise and make ad hoc arrangements because of the unpredictability of public funding; this also resulted in serious cash flows in many CSO service providers.

Given the new government's more open approach to CSOs, CSOs anticipate that they will have new opportunities to partner with public bodies to provide environmental protection and other types of services.

SECTORAL INFRASTRUCTURE: 3.5

The infrastructure supporting the sector slightly improved in 2021. More CSOs held capacity development activities in person, although participation was limited due to social distancing. Additionally, the Forum for Civil Initiatives opened the Civil Society House to serve as a permanent resource center for the sector. The impact of this initiative remains to be seen in 2022.

Larger CSOs such as KCSF operate resource centers when grant funding is available; these centers stop operating or reduce activities when they run out of funding. Most intermediary and support centers offer training and services to CSOs for free or at reduced cost subsidized with donor funding. Only a small number of programs require co-payments from participants.

Donors continue to entrust local re-granting foundations to manage sub-awards to smaller organizations, given the cost-effectiveness of using local partners instead of international intermediaries. Local grant-making foundations managed several re-granting schemes in 2021. KCSF managed grant schemes funded by several bilateral donors. Community Development Fund (CDF) continued grant-making activities funded by Sida, while other local grant-making CSOs like the Kosovo Foundation for Open Society (KFOS) maintained similar funding levels as compared with 2020. Kosovo Women's Network continued its micro-grants program, the Kosovo Women's Fund.

Civil society networks and coalitions are active when donor funding is available. In 2021, the Coalition for Social Justice and Socio-Economic Rights actively engaged in policy analysis and formulation as core legislation relevant to its mission was under review in 2021. Similarly, Democracy in Action, the civil society coalition monitoring the election process, conducted successful activities to ensure a transparent, fair, and accountable election. CSOs monitoring government spending and senior civil servant recruitment often form informal alliances to monitor these issues; they also often arrange joint press conferences and issue statements. CDF coordinates a consortium of thirteen organizations through its Human Rightivism project, though consortium activities cease when funding is exhausted. The CSO Coalition for Child Protection (KOMPF), which actively promoted children's rights for a decade, was largely dormant in 2021 after the 2020 passage of the Law on Child Protection.

Local resources exist to address most of the training needs of CSOs. In comparison to 2020, when little training was offered because of strict social distancing measures and lockdowns, more training was available in 2021. Training activities were carried out both in person (with higher implementation costs) and online throughout 2021. Trainings focused on organizational and project management are offered in Prishtina and major administrative centers. Trainings on more specialized topics such as software development and social media are also available, although these tend to require co-payments and are less common. Environmental CSOs could benefit from more advanced training and certification on topics such as ISO environmental standards.

Few CSOs actively establish partnerships outside the sector. When intersectoral partnerships occur, they generally focus on local causes or charities and are limited in time and scope.



PUBLIC IMAGE: 3.2



CSOs' public image did not change significantly in 2021. CSOs were most visible during the year in relation to the election process and their participation in the COVID-19 response. Several CSOs conducted public debates with electoral candidates as a way to secure commitments on their priority issues. Civil society monitoring of the electoral process also received significant coverage in the media and public discourse.

The activities of CSOs in Prishtina are covered more widely in the media than those of organizations in more remote and rural areas. In general, coverage of CSOs is positive and CSOs frequently engage media organizations in long-term partnerships to ensure the visibility of their work. Some cultural and sports CSOs jointly produce thematic shows with TV stations or provide them with

exclusive coverage of their events and content. Some CSO activists are regular columnists for established media outlets and write about their priority topics and objectives. CSO activists are often invited to participate in debates and to share their expertise on national and local television. For example, the leaders of CIVIKOS and Leadership and Growth Council (LGC) have recently begun appearing on two different TV stations; this has also improved the gender balance on these panels. Public service announcements on television are aired free of charge, while corporations must pay for advertising.

CSOs are positively perceived by the public. Citizen perception surveys show high levels of support for civil society, comparable only with support for the Kosovo Security Force. In the latest UNDP Public Pulse, which was published in November 2021, 55.62 percent of respondents were firmly convinced that CSOs serve as a truthful monitor of democratic developments in Kosovo. Although there was a 2 percent decline in this metric from 2020, the trust placed in CSOs exceeds that of most public institutions. Most people in Kosovo have a basic understanding of the importance of civil society, and many volunteer to participate in CSOs' activities.

As noted, the recent election and new governing coalition appear to have created greater space for civil society involvement in public policy. This greater openness is also due to the considerable number of civil society activists who joined the public sector during the election year, giving the government increased ties to and trust in civil society. CSOs and the public sector have shown signs of increasing cooperation at the central and local levels to implement activities and technical assistance. Additionally, the government views CSOs as a valuable source of expertise on specialized issues such as sustainable development and environmental protection.

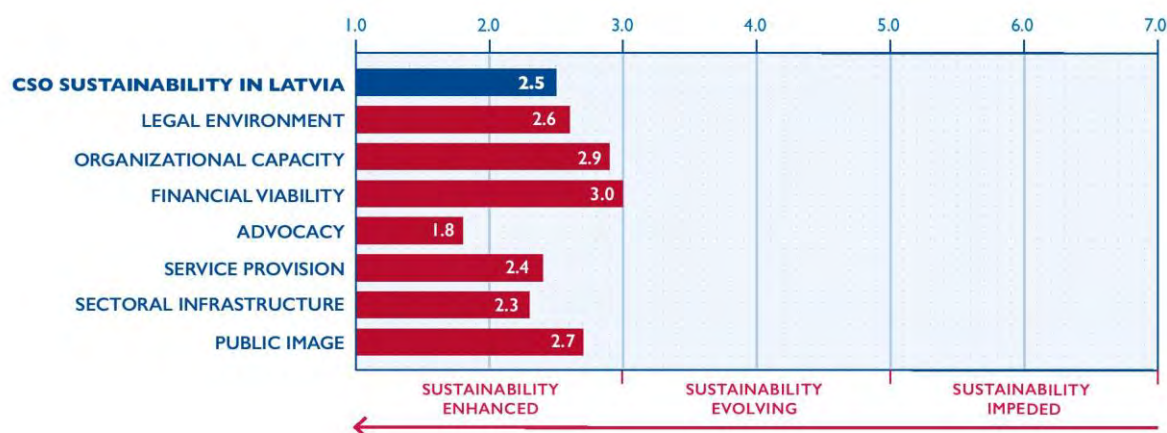
CSOs promote their activities extensively through traditional and new media. CSOs increasingly use online tools to disseminate information about their work and engage their constituencies and the wider public, including through livestreaming events and using social media influencers to publicize their initiatives.

Financial and organizational transparency remains a challenge for the sector. While many CSOs publish annual narrative reports detailing their activities, few publish their financial information or audit reports. The CSO sector does not have a code of ethics, although groups such as CIVIKOS have attempted to introduce such mechanisms.

LATVIA

Capital: Riga
Population: 1,842,226
GDP per capita (PPP): \$29,900
Human Development Index: Very High (0.863)
Freedom in the World: Free (88/100)

OVERALL CSO SUSTAINABILITY: 2.5



The COVID-19 pandemic continued to shape social life in Latvia in 2021. The state of emergency that was announced in 2020 remained in place through April 2021. After another wave of infections hit the country in the fall, the government instituted another state of emergency in October 2021 that introduced restrictions on gatherings and other activities to stop the spread of the virus. Vaccines started to be available in Latvia at the beginning of 2021, and over 66 percent of the population was fully vaccinated by the end of the year.

In 2021, after several years of work engaging policy makers, civil society activists, and organizations, the Cabinet of Ministers of Latvia approved Guidelines for the Development of a Cohesive and Active Civil Society for 2021–2027 to govern the country's approach to civil society and democracy. The guidelines identify priority areas to invest in to make the population of Latvia more knowledgeable, active, and involved in the country's development over the next seven years. Priority areas include national identity and belonging, a culture of democracy and inclusive citizenship, and integration. An implementation plan for the guidelines for the periods of 2021 to 2023 and 2024 to 2027 will be adopted. However, by the end of 2021, the government had not yet adopted an implementation plan for the period 2021 to 2023.

The overall sustainability of the CSO sector improved slightly in 2021, driven by notable improvements in the sector's financial viability and public image. CSOs had access to unprecedented levels of funding and were recognized for playing a key role in responding to the pandemic and remediating its consequences. At the same time, CSOs' advocacy and the infrastructure supporting the CSO sector both deteriorated slightly. CSOs had fewer possibilities to provide meaningful input into government decision-making processes and for the first time in more than a decade, the government did not provide any financial support for regional NGO support centers. All other dimensions of CSO sustainability remained unchanged.

According to the Lursoft Ltd database, 909 CSOs were newly registered during 2021 (slightly less than in 2020) and 254 were liquidated (slightly more than in 2020), leaving a total of 25,504 registered CSOs at the end of the year. However, data provided by the State Revenue Service indicates that only 11,526 CSOs submitted annual reports on their financial activity in 2021, which may be a better indicator of the number of active organizations in the country.

LEGAL ENVIRONMENT: 2.6



The legal environment governing CSOs did not change notably in 2021.

No amendments were made to the main laws governing the establishment and operations of CSOs—the Law on Associations and Foundations and the Public Benefit Organizations Law—in 2021. The registration process for CSOs continues to be easy and accessible. CSOs can submit registration documents electronically using secure electronic signatures or by mail. In-person registration has not been possible since the beginning of the COVID-19 pandemic in 2020.

In 2021, the Ministry of Justice developed proposals for amendments to the Law on Associations and Foundations with the involvement of CSOs. The proposed amendments would require associations and

foundations to indicate their spheres of activity more clearly; prescribe a regulation for remote participation and voting at members' meetings; and simplify the liquidation process for inactive associations and foundations, as well as those that are not compliant with regulatory requirements. Public consultations on the proposed amendments began at the end of the year.

Certain short-term provisions of the COVID-19 Management Law introduced in 2020 that supported CSOs were prolonged in 2021. For example, these provisions allowed members of associations to participate and vote in remote general meetings, prescribing how this should be carried out and recorded, and extended the deadline for submitting annual reports. CSOs were also freed from lease payments on property owned by the state and local governments until June 30, 2021, and again from October 11, 2021, until the end of state of the emergency. Finally, the recognition of gifts of goods and services to social groups adversely affected by the emergency as operating expenses, which thereby exempts them from corporate income tax if certain conditions are met, was extended during the state of emergency.

CSOs continue to be classified as high-risk entities for money laundering, which hinders their ability to open and maintain bank accounts. The 2018 Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing requires all legal entities, including CSOs, to declare their "beneficial owners." In January 2021, the Financial and Capital Market Commission (FCMC) issued an explanation of the definition of beneficial owners in CSOs. Both CSOs and banks indicated that the new instructions clarify the application of the requirement. Also in January, the Association of Financial Industry, in cooperation with Civic Alliance Latvia (CAL) and FCMC, organized a seminar to increase credit institutions' knowledge about the activities of associations and the requirements to prevent the proliferation of money laundering and terrorist financing. Teams of credit institutions and associations participated in the interactive workshop and identified improvements to promote cooperation between CSOs and the financial sector in Latvia.

While the restrictions adopted to limit the spread of COVID-19 affected CSOs' activities, there are no examples of the state unduly intervening in the activities of CSOs or terminating their activities based on political grounds. CSOs are free to express their views on various matters, as long as they do not provoke violence or discrimination.

No changes were made to the regulations on donations in 2021. Individual and corporate donors continue to receive tax exemptions for donations to CSOs.

In 2020, several amendments were adopted to the tax laws that had an impact on the CSO sector in 2021. Most notably, beginning in the second half of 2021, persons who are engaged under the special royalties' tax regime, which is often used by CSOs, had to reorganize and start paying taxes as registered economic operators (self-employed), which entails higher taxes. In response to strong criticism of the tax reform, parliament adopted amendments to the Personal Income Tax Law in November 2021 that postponed the implementation of the new requirements for persons engaged under the special royalties' tax regime recipients for another year.

In June 2021, a new Accounting Law was adopted, which entered into force on January 1, 2022. The new law allows volunteers to perform accounting functions in associations and foundations, as long as the management body has entered into a written agreement with them that specifies the obligations, rights, and liability of such persons. Another significant change affecting the non-governmental sector is that associations, foundations, trade unions and their associations, and religious organizations can now keep accounting registers in a single-entry system as long as their turnover (revenues) from economic transactions during the two previous consecutive reporting years does not exceed EUR 100,000 per year, instead of the previous EUR 40,000.

CSOs may receive foreign funding, implement fundraising campaigns, engage in economic activity, and compete for government contracts.

There are few lawyers in Latvia specifically trained and specialized in CSO law. Organizations based both in the capital and in other cities around Latvia occasionally offer legal consultancies on CSO matters, and a few lawyers provide pro bono consultations to specific organizations.

ORGANIZATIONAL CAPACITY: 2.9

Organizational capacity in the sector remained largely unchanged in 2021.

CSOs regularly work with their constituencies. While CSOs found it difficult to reach out to stakeholders during the first year of the pandemic, in 2021, they had adapted to the new circumstances and introduced electronic means of communication to stay in touch with their constituencies and partners. During the year, new civic initiatives promoted citizen participation around concrete community needs. For example, Train of Democracy engaged residents of Riga in its advocacy efforts to change the municipality's decision regarding the framework of the state's Rail Baltic project.

CSOs with available funds have started to develop systems that allow them to plan and execute activities based on qualitative data. CAL, for example, has initiated a research project on the CSO sector through which it will issue regular reports on the activities of CSOs, trends in their development, and improvements needed in the legal and financial field. The first report issued was "Problems and solutions of classification of Latvian associations and foundations."

Well-developed organizations design and implement strategic plans. The National NGO Fund supports a wide spectrum of capacity-building projects for CSOs, including the development of organizational strategies. In addition, organizations are required to prepare and publish strategic plans to be eligible to apply for funding from ACF. Many organizations, however, continue to determine their approaches and activities based on the availability of donor funding.

Generally speaking, CSOs have sound management systems in place. CSOs' statutes define their internal management and decision-making structures. The ability to organize membership meetings remotely helped CSOs engage their members during the pandemic.

CSOs' ability to attract and maintain knowledgeable and professional staff varies widely and is based largely on individual organizations' ability to attract adequate funding. CSOs struggle to provide stable job opportunities to their staff, as most of their income is project based. Despite this, there are people who spend their entire professional lives working for CSOs.

CSOs engage volunteers to support different groups in society. In 2021, many people engaged in volunteer activities to support those affected by the pandemic, such as providing food to medical personnel, collecting information and communications technologies (ICT) for children in schools, and educating volunteers to take care of sick people. The organization Hospiss LV, which aims to raise awareness about the importance of palliative care



services, has trained about 134 volunteers. However, according to the Charities Aid Foundation's *World Giving Index 2021*, which reports data from 2020, Latvia has one of the lowest rates of volunteering among the countries studied, with just 7 percent of respondents indicating that they volunteered in the previous month.

CSOs generally have access to the technologies needed for their work. After the initial difficulties surrounding the pandemic, CSOs largely mastered the use of information technology tools and approaches in 2021. For example, in 2021, the Latvian Rural Forum organized its biannual Latvian Parliament of Rural Communities, which is focused on rural development issues, in a hybrid model, with some activities taking place in person, while others were organized remotely.

FINANCIAL VIABILITY: 3.0



The financial viability of the CSO sector improved significantly in 2021, as CSOs had access to unprecedented levels of funding.

CSOs had access to increased government funding in 2021. CSOs received approximately EUR 2 million from the National NGO Fund, which is administered by the Society Integration Fund (SIF), in 2021. In addition, SIF, a public foundation, made a total of EUR 600,000 available to CSOs to reduce the negative consequences of the pandemic; twenty-one CSO projects were supported through this program in 2021. SIF also provided a total of EUR 396,000 to eleven CSOs for projects focused on informing the public about COVID-19 vaccinations and about EUR 200,000 to Latvian diaspora organizations and minority organizations. In total, SIF supported 170

different CSOs in Latvia in 2021. Line ministries in the fields of youth, culture, environment, and other sectors also provide different grant schemes. The government also offered CSOs other forms of support, including extensions of tax payment deadlines, grants to ensure the flow of working capital, and downtime benefits and subsidies for CSO employees.

SIF normally administers a program that makes co-financing available to CSOs receiving funds from the European Commission, international organizations, or other foreign donors; however, this program was suspended in 2021.

The Latvian Environmental Protection Fund, which is a government body, announced a tender for CSOs working in the field of environmental protection. Organizations with strong financial and organizational capacities were able to receive funding for projects of up to EUR 25,000.

Many municipalities provide small grants to CSOs for local projects focused on educational, cultural, and sports activities. For example, in 2021, Jelgava municipality awarded funding to CSOs through a competitive process for projects that promote the activity of residents and address development, cultural, and social issues in the city. Other municipalities, however, offer no funding to CSOs. Some municipalities are also preparing to implement participatory budgeting processes that engage citizens.

CSOs receive some support from the business sector, although this is provided in an unsystematic manner. In 2021, CSOs explored possibilities to improve cooperation with the state-owned financial institution ALTUM, which provides loans, guarantees, and investments in venture capital funds in areas that the state has identified as important and supportable, and in which sufficient funding from credit institutions is not available.

Foreign funding is an important source of support for civil society in Latvia. CSOs are able to apply for funding from several EU programs focused on issues such as education, training, youth, sport, culture, and rural development. In 2021, Latvian CSOs were eligible for funding from the European Commission's new Citizens, Equality, Rights, and Values (CERV) Program, which had a total budget of EUR 1.6 billion to support CSOs promoting democracy and the rule of law at the local and national levels.

ACF, which is implemented by a consortium of six CSOs, receives funding from the European Economic Area and Norwegian financial instruments to support civil society by strengthening its role in promoting democratic participation, supporting active citizenship, and protecting human rights. In 2021, it issued an open call for proposals focused on capacity building, with a total budget of EUR 1,600,000. Through this tender, it received 269 proposals from CSOs registered in sixty-five different municipalities in all regions of Latvia.

During the year, CSOs also received significant financial support from the public for activities responding to needs stemming from the COVID-19 pandemic. For example, Hospiss LV attracted EUR 335,710 through individual donations for its Table for Us campaign, which provided free meals to doctors during the pandemic; the campaign also attracted a significant amount of volunteer support. Crowdfunding exists in Latvia but is still not widely used.

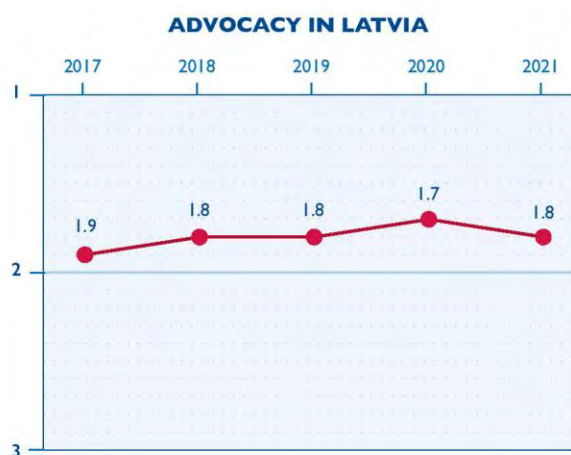
Some CSOs develop income-generating activities to sustain their services for socially vulnerable groups. CSOs also participate in state and municipal procurements to provide service to government institutions.

Larger organizations have sound financial management systems in place, employ bookkeepers, and issue financial reports.

ADVOCACY: 1.8

Although CSOs engaged in intensive advocacy in 2021, they had fewer possibilities to provide meaningful input into government decision-making processes, leading to a slight deterioration in the score for this dimension. CSOs express growing frustration with the government's lack of openness towards meaningful CSO participation in policy making.

A report published by the Foundation of Public Participation concludes that political efficiency in Latvia remains generally low. According to the national social survey conducted at the end of 2020, 80 percent of respondents stated that ministers, members of parliament, and other institutions do not take their interests into account when designing and passing laws. At the same time, 17 percent fully agreed and 44 percent somewhat agreed that CSOs can offer better solutions for important issues on the political agenda.



The annual forum aimed at building cooperation between LR Saeima (the parliament of Latvia) and CSOs took place remotely in 2021. The 2021 forum focused on the resilience of the state and society during the COVID-19 pandemic. The Council for the Implementation of the Memorandum of Cooperation between NGOs and the Cabinet of Ministers (the Memorandum Council) selected priorities for the years 2021-2023, including the development of an enabling environment for CSOs, the financial stability of CSOs, and public participation and decision-making processes.

Work in LR Saeima on the development of the Advocacy Transparency Law progressed rapidly in 2021. The law will enable citizens and other interest groups to monitor the activities of representatives implementing advocacy and lobbying initiatives. CSOs including Transparency International Latvia, CAL, and the public policy center Providus advocated for this law and worked hand in hand with the parliamentary commission to draft it.

The organization ManaBalss (MyVoice) continues to create, develop, and maintain digital democracy tools to improve public participation in decision-making processes. Initiatives that collect over 10,000 electronic signatures on ManaBalss are passed to a special commission that determines whether they should be considered in the legislature. In 2021, LR Saeima considered twelve citizen-initiated legislative changes on the national level. In addition, two citizens' initiatives were implemented on the municipal level. ManaBalss also facilitates citizen participation in the evaluation of pending parliamentary and government legislative acts on its platform Open2Vote.eu. In 2021, users of the platform registered 30,420 votes (up from 11,940 in 2020) on 113 legislative acts under consideration. More than 10,400 new users were registered on the Open2Vote community during the year, compared to just 1,418 in 2020.

In 2021, the State Chancellery launched a portal (the TAP portal) to modernize the decision-making process of the Cabinet of Ministers. The portal promotes the efficient and transparent development, harmonization, approval, and monitoring of legislation and improves the environment for public participation in the process of creating draft legislation, thus realizing the principles and values of open governance, improving the quality of regulation, and ensuring compliance. While CSOs laud this development, they also express concerns that some groups of citizens are likely to face challenges expressing their views as they lack understanding of the public policy process and skills in using ICT systems to share their opinions. Additional training for system users is therefore required.

Within the framework of the project Involving and Effective Public Participation, CSOs, civil servants, and other stakeholders assessed public participation processes at the local and national levels, including the public administration's experience in organizing these processes. As a result of this process, guidelines were prepared that include recommendations for facilitating citizen participation in public policy processes.

Cooperation between state institutions and CSOs in crisis management is often inadequate. For example, ministries developed the country's Recovery and Resilience Plan without engaging civil society. CSOs reacted by building a coalition to advocate for the inclusion of support for CSOs in the plan. As a result of these advocacy actions, there is now a special program focused on supporting CSOs, as well as several cross-cutting principles related to supporting CSOs through other programs.

Forty-four Latvian CSOs joined 250 international organizations in advocacy that successfully persuaded the European Parliament to increase the budget for the CERV Program from EUR 643 million to EUR 1.6 billion. In addition, due to pressure from Latvian CSOs, the Ministry of Foreign Affairs made changes to the national position on the European Commission's work program that stress support for the establishment of an instrument to finance CSOs in EU Member States.

Representatives of various groups form CSOs to defend their interests. During the COVID-19 crisis, for example, organizations such as the Association of Self-Employed Musicians and the Council of Private Producers were formed.

In 2021, CSOs organized several effective social media campaigns on topics that are important to society. For example, on March 8, MARTA Center launched a campaign demanding Latvia's ratification of the Istanbul Convention on preventing and combating violence against women and domestic violence. As part of the campaign, MARTA Center designed a special postcard that individuals could send to members of parliament to ask them to ratify the convention; the post-card was downloaded more than 600 times. In addition, thanks to the continuous efforts of CSOs, the Constitutional Court ruled that the Istanbul Convention provision on the implementation of special measures to protect women from violence was compatible with the Latvian Constitution; MARTA was consulted in the preparation of the court's decision.

CSOs are building public awareness about sustainable development. In 2021, for example, the association Green Freedom launched the campaign Uncover the T-shirt! to illuminate the environmental impacts of the clothing industry and search for solutions to foster the circular economy. The campaign's aim is to raise awareness and impact the habits of young people towards sustainable development.

CSOs generally cooperate well with local municipalities. At the beginning of 2021, for example, the Kurzeme Planning Region invited residents and interested groups to discussions on the Kurzeme Planning Region Development Program 2021-2027. The Kurzeme NGO Center called for a public discussion and advocated for the allocation of resources to foster active society.

In 2021, CAL issued more than eighty written proposals to amend laws and regulations and attended more than 460 meetings about public policy towards civil society.

SERVICE PROVISION: 2.4



CSOs provide a variety of services in different areas, including basic social services, education, economic development, environmental protection, and governance and transparency. During the COVID-19 pandemic, CSOs initiated voluntary actions to support people in need. For example, CSOs provided food, organized educational campaigns to convince people to get vaccinated, and developed volunteer management systems. MARTA provides services to support victims of violence and to prevent domestic violence. CSOs also provide services in very complex and difficult areas, in which results may not be visible for decades. For example, the Latvian Center for Human Rights has started an initiative to strengthen the capacity of civil society to recognize intolerance and discrimination, respond effectively, and provide appropriate assistance to

victims of discrimination.

In thirteen locations across Latvia, the Creative Center—OPEN provides space where young people up to the age of thirteen can spend their free time. In 2021, about 300 young people used these services, which meet a well-recognized need, particularly among young people whose families face some difficulties. All costs are covered by donations, with some municipalities providing additional support.

During the COVID-19 pandemic, the Association of Latvian Museums (ALM) developed tools to make museums more accessible to the public, including a catalog of 175 Latvian museums and a program through which CSOs provide cultural activities to school children with state funding.

CSO services generally respond to the needs of their constituencies and members, as well as their local communities. CSOs conduct needs assessments and adjust their organizational plans to best respond to the needs of their target audiences. In 2021, for example, the Latvian Scouts and Guides developed new services to lessen the social isolation of young people by organizing opportunities for them to spend time together online, while acquiring knowledge about civic activism and teamwork.

CSOs showed their responsiveness to community needs during the COVID-19 pandemic by developing new activities and creating innovative solutions that allowed them to organize events while still respecting the epidemiological restrictions in place. For example, association Nometne Mellene (Camp Blackberry), a small community-based organization, started to organize walking tours for children in the forest.

CSOs generally provide their services to broad constituencies, and most organizations provide their services without discrimination. However, some ideologically-driven organizations do not provide services to groups with different values.

When CSOs have donor-funded projects, they generally provide services for free. CSOs charge participation fees for other services.

While the government recognizes the value of CSO services, it often does not provide sufficient financial support for the provision of services. For example, the government only partially subsidizes the Latvian schools that diaspora organizations like the European Latvian Association run outside of Latvia.

SECTORAL INFRASTRUCTURE: 2.3

For the past twelve years, a network of five regional NGO support centers provided critical support to CSOs in the region, with financial support from the government. In 2021, for the first time in more than a decade, the government did not provide any financial support to these centers, leading to a slight deterioration in the score for the sectoral infrastructure dimension.

CAL provides about 400 consultations to CSOs every year on topics such as registration, finances, advocacy, and human resource management. There is still a need to develop more practical forms of support, such as civil society incubators that provide support to local communities and aspiring civic activists.

CSOs have access to funding from several local grantmaking organizations, including a few community foundations that focus on local charity initiatives. The Viduslatgale Trans-Regional Foundation is one of the most active community foundations in the country.

Organizations regularly build new coalitions in specific fields. In 2021, eight CSOs working in the field of HIV/AIDS initiated a network by developing and signing a memorandum of understanding stating their common goals. Also during the year, Dienvidlatgales NGO Center restored the CSO network of Latgales region by organizing training for CSO leaders, re-establishing cooperation as stipulated in a special memorandum with local municipalities, and designing a strategy for the coming years.

CSOs have access to training, both from other CSOs and commercial organizations, on a variety of topics, including leadership development, human resource management, financial management, and accounting. Donor-funded projects often include organizational development capacity-building activities. CSO leaders also often participate in conferences organized by consultancy firms on various management topics.

Intersectoral cooperation between CSOs and the private sector is increasing. For example, the Latvian Social Entrepreneurship association cooperated with Luminor Bank to announce a competition for social businesses in 2021. The winner received EUR 2,000 to support its social business ideas. ALM, in collaboration with Mobilly, designed tools to purchase electronic tickets for museums in fifty-four museums in Latvia. CSOs also created partnerships with businesses to support those in need, support medical personnel, and build support mechanisms for local communities.

In January 2021, CAL started operating the Co-operation Think Tank project with funding from the State Chancellery. The project brings together various stakeholders—including CSOs and government representatives, as well as business representatives and other professionals—to come up with solutions to specific issues, including transparency, citizen participation, and CSO financing.

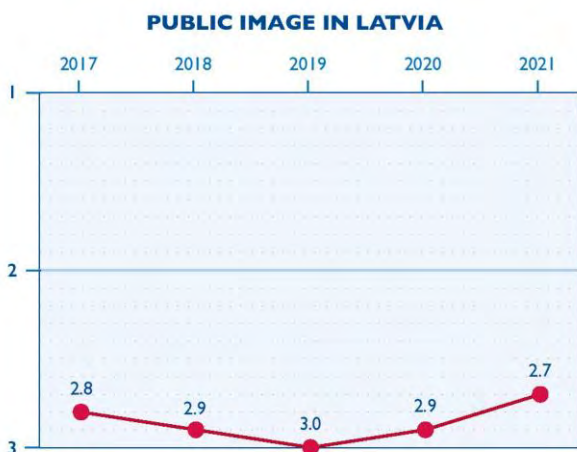


PUBLIC IMAGE: 2.7

The public image of the CSO sector improved moderately in 2021 as CSOs were recognized for playing a key role in responding to the pandemic and remediating its consequences.

CSOs benefit from significant media coverage. In 2021, news programs covered CSOs' initiatives related to the pandemic on a daily basis. One notable example is a TV program about the environment called *Zaļgalvis* (Green Head) that is produced by the online magazine Satori (which is a CSO), VFS FILMS studio, and Television of Latvia. Through fourteen-minute-long episodes, the program shares stories and explains to people how to live in an environmentally-friendly manner.

CSOs generally benefit from a positive public perception. This is particularly true of public benefit organizations that organize campaigns to collect funding for socially vulnerable groups or animals. The organization *Palīdzēsim.lv*



organizes the annual event Labdarības nedēļa (Week of Charity), in which schools, employers, and institutions are invited to participate in charity initiatives. The number of people participating in this campaign continues to increase. Schools take advantage of this opportunity to organize events within the local communities and engage children in volunteer actions.

According to research conducted by Providus at the end of 2020, 41 percent of the Latvian population is ready to participate in multi-day discussions aimed at finding solutions to socially important problems. At the same time, the population is divided on whether participation in such discussions should be paid for. Overall, mutual trust in Latvian society is quite low, with only 32 percent of Latvians believing that most people can be trusted.

This lack of trust limits citizen participation in CSOs.

CSOs in Latvia enjoy a more positive public image than political parties. A study conducted by the University of Latvia on the situation during the COVID-19 pandemic found that CSOs believe that politicians use CSOs to legitimize their political decisions.

In 2021, several civil society representatives received the highest award from the state, the Order of the Three Stars, demonstrating the extent to which the state recognizes and appreciates civil society's contributions to Latvian society.

The business sector views CSOs as partners, as indicated by the number of corporate social responsibility programs that involve cooperation with CSOs. Businesses promote voluntary work by their employees in cooperation with CSOs.

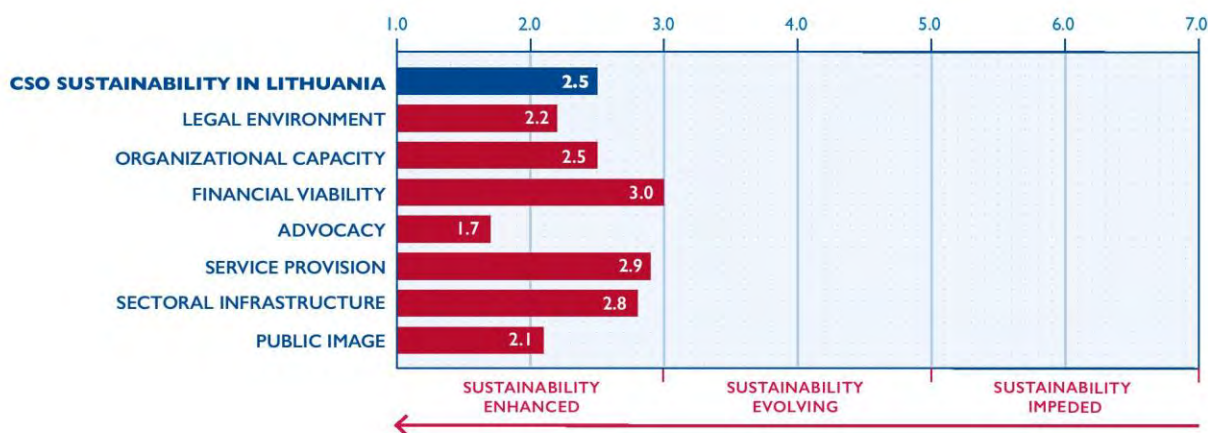
CSOs use social media to promote their activities and distribute information about their work. Organizations create both open and closed thematic groups and share information about events, campaigns, and other activities.

The majority of organizations still lack financial transparency and do not issue annual reports. Within the framework of the Accountability and Transparency in the Civil Society Sector project, there are plans to promote transparency in the sector by providing CSOs with clear guidelines on what information they should report to the State Revenue Service and through their narrative annual reports. In addition, CAL, the State Chancellery, and the Icelandic Citizens' Fund are implementing a joint project called Public Participation - the Key to the Future of Democracy. In 2021, this initiative published a document that identifies five principles of good governance for CSOs to increase the transparency and accountability of CSOs.

LITHUANIA

Capital: Vilnius
Population: 2,683,546
GDP per capita (PPP): \$36,700
Human Development Index: Very High (0.875)
Freedom in the World: Free (89/100)

OVERALL CSO SUSTAINABILITY: 2.5



2021 was another turbulent year in Lithuania, marked by the continuing COVID-19 pandemic, massive illegal migration organized by the authorities of neighboring Belarus, and polarization around the topics of COVID-19 restrictions and human rights.

The year began on a positive note as Lithuania launched its vaccination campaign against COVID-19 in the spring. By the end of the year, about 65 percent of Lithuania's population was fully vaccinated, while about one-third of the country's inhabitants refused to vaccinate. A fourth wave of infections hit Lithuania in the fall. The peak in the number of cases approached that of the second wave in 2020, and the number of COVID-related hospitalizations and deaths surged.

In 2021, Lithuania registered about 4,000 illegal migrants, forty times more than in 2020. This was largely the result of a wave of would-be asylum seekers from the Middle East encouraged by Belarusian authorities to fly to Minsk and then cross the border into the European Union (EU). Lithuania hastily strengthened its frontiers with border guards, troops, and fences; revised its asylum procedures to turn back migrants; and expanded accommodations and food systems to address the flow. Human rights activists criticized Lithuania's handling of the migrants, especially the authorization to force most migrants back into Belarus.

Despite the challenges related to the pandemic and migration, Lithuania's economy continued to grow, with gross domestic product (GDP) expanding by 5.1 percent in 2021.

A new government formed by a coalition between a center-right political party and two liberal parties took office in October 2020. In 2021, it focused on implementing its program, with new human rights legislation at the top of its agenda. The government was, however, forced to back down on its plans due to massive protests organized by some traditionalist CSOs.

The European Commission's *2021 Rule of Law Report* concluded that civic space in Lithuania remained open. The report noted that Lithuanian authorities provided financial support to CSOs to help alleviate the impact of COVID-19 restrictions, the first time that subsidy measures, which were previously only available to businesses, were designated for CSOs. The report also highlighted the importance of the NGO Fund as a mechanism for providing sustainable institutional support for CSOs.

The sustainability of the CSO sector remained stable in 2021. The only dimension of sustainability recording a change was service provision, which improved slightly as local governments demonstrated increased interest in outsourcing services to CSOs and CSOs broadened the range of services they offer. CSOs actively participated in

drafting legislation but achieved no significant reforms in the sector's legal environment. CSO advocacy continued to be strong but did not demonstrate significant change. Government support sustained the sector's organizational capacity and financial viability throughout the second year of the pandemic. While provocative CSOs organized massive protests that disturbed the public order, public trust in the sector grew, leaving the sector's public image unchanged overall.

As of the end of 2021, a total of about 34,000 organizations were registered in Lithuania under the laws of associations, charitable foundations, and private nonprofit entities. Approximately 14,000 CSOs submitted annual reports to the Center of Registers during the year, indicating that more than half of registered organizations were inactive. Lithuania's Center of Registers de-registered approximately 3,700 organizations during the year.

LEGAL ENVIRONMENT: 2.2



The legal environment governing CSOs did not change significantly in 2021. The only notable change that took place was in the Law on Public Establishments, as a result of which organizations no longer need to hire the heads of organizations through labor contracts but can now use voluntary agreements for these positions, as they can for other staff.

CSOs continue to register and operate under the Laws on Associations, Charitable Foundations, and Private Nonprofit Entities. Registration is generally fast and smooth and can be completed online. Those choosing conventional registration processes in 2021 encountered delays, since COVID-19 restrictions significantly limited access to notary publics.

The NGO tag, which was introduced by the Center of Registers in 2020, is a voluntary label that a CSO meeting specific criteria can add to its profile in the Register of NGOs to indicate that it is a public benefit organization. In 2021, the national government and donor community increasingly used the NGO tag as a criterion for eligibility in funding competitions. In 2021, over 1,000 organizations declared themselves to be in compliance with the NGO tag requirements, bringing the total to about 1,700, while four lost the status following random inspections.

While CSOs generally operate freely under the law, in 2021, some organizations in smaller municipalities were subject to attempts to destabilize their activities. For example, in some cases, authorities arranged for a disruptive member to join an association and impede decision making. The legal regulations regarding the use of municipal-owned real estate allow for favoritism by local politicians who may reward CSOs with free premises.

In 2021, regulatory bodies threatened to fine and close the Karštos pėdos (Hot Footprints) transparency initiative for violating data protection rules. Karštos pėdos, which is a joint online initiative of the nonprofits Media4Change and Siena Investigative Journalism Center, consolidated publicly available data on politicians and high-ranking civil servants and their relationships with public money and developed a tool to facilitate the work of journalists in investigating potential conflicts of interest. There were also other cases in which politicians and government officials used the EU General Data Protection Regulation (GDPR) to shield themselves from CSO scrutiny. However, this strategy was blocked following the journalism community's strong advocacy supporting the public's right to information. On the last day of the year, an amendment to the Law on Public Information came into force that expands the definition of a public person, preventing individuals benefiting from public procurement from being covered by the GDPR.

CSOs are able to earn income through the provision of goods and services. However, CSOs are required to pay the same profit tax rates as businesses—5 percent for small CSOs on all goods and services sold and 15 percent for large CSOs. Profit tax is not levied on earned income if it is used to satisfy public interest within two years.

CSOs can also compete for government contracts. In various policy documents, the government has committed to increasing the outsourcing of public services to private providers. In 2021, this process devolved to the local levels,

with municipalities adopting different approaches to legally implement the contracting of CSO services. Some local authorities have created obstacles for CSOs by imposing burdensome conditions, including requirements for excessive financial information.

In 2021, the government clarified the contracting status for small-scale procurements. CSOs participating in procurements under EUR 30,000 are no longer considered contracting authorities and are therefore subject to fewer administrative requirements.

Individuals do not receive any tax benefits for donating to CSOs but can assign 1.2 percent of their income tax obligations to CSOs. Businesses can deduct twice the amount of their charitable donations from their profits when calculating income tax.

CSOs had insignificant access to local legal support in 2021. Umbrella organizations, the NGO Law Institute, and the NGO Information and Support Center (NISC) continue to provide training and consultations on legal aspects of CSO work. CSOs usually can only afford lawyers on a project basis and legal firms see little value in providing pro bono services to CSOs.

ORGANIZATIONAL CAPACITY: 2.5

The organizational capacity of CSOs did not change notably in 2021. Strong and active groups improved their technical base and utilized the pandemic-related shift to virtual activities to broaden their constituencies. In contrast, organizations that suspended their activities during the pandemic regressed, losing supporters and contacts. Experts estimate that about half of Lithuania's CSOs, especially smaller organizations serving the older population or providing services requiring direct contact with clients, were dormant during 2021.

Lithuanian CSOs continue to have abundant opportunities to strengthen their organizational capacity. In 2021, at least 200 Lithuanian CSOs participated in dedicated capacity-building programs offered by the Ministry of Social Security and Labor (MoSSL) and the Active Citizens Fund (ACF), financed by European Economic Area (EEA) and Norway Grants. Pandemic relief money distributed by the government also allowed CSOs to invest in their organizational capacity. CSOs primarily used these discretionary funds to further their technical base and to maintain staff.

Online project activities increased CSOs' access to various audiences. For instance, Transparency International Lithuania noted growth in its international constituency and an influx of volunteers from the country's regions. However, online fatigue grew over the course of the year, making it increasingly difficult for CSOs to reach out to constituencies.

Most CSOs have a clear thematic focus and a clearly defined range of activities. Umbrella organizations encourage members to develop strategic plans and assist them in planning programs. In addition, broader frameworks, through which CSOs cooperate with the government, increasingly promote strategic planning. For example, the 2020 Law on Regional Development established that CSOs should participate in the development of regional economic and social strategies, which allows them to better identify their niche in regional development. Similarly, the 'smart village' concept, in which multi-actor groups are developing strategies for the new funding cycle of the EU LEADER Program, is gaining ground at the local level. Despite such developments, few organizations display strategic visions, and the programs of many regional CSOs still follow the availability of funding. The pandemic also made it difficult for CSOs to plan events and services.

Many CSOs continue to operate without boards of directors. Small CSOs incorporated under the Law on Public Establishments (*viešoji įstaiga*) are frequently founded and managed by the same person. Associations are required to have governing bodies, but these met less frequently during the pandemic. General meetings were delayed, impacting the rotation of boards and reporting to the government. Although some associations were unable to

ORGANIZATIONAL CAPACITY IN LITHUANIA



hold online assemblies because their members were unwilling to participate in such meetings, many capitalized on opportunities to organize in-person general assemblies between lockdowns.

Government subsidies helped sustain CSO staffing levels during the pandemic. According to employment statistics, CSOs employed a total of 121,754 people in 2021, up slightly from 121,096 in 2020 and 121,506 in 2019. This figure included 884 people employed by charitable foundations, 6,884 by associations, and 113,986 by private nonprofit entities. Roughly 7,000 organizations—including at least 700 government-funded entities established as private nonprofits—had at least one employee in 2019, 2020, and 2021. The total payroll for nonprofit employees stayed at approximately EUR 3.4 billion in 2021.

Employment stability in the sector remained low since calls for proposals relating to key government programs failed to be announced by the year's end. Unreliable funding also forces CSOs to hire inexperienced staff while society and the government expect high-quality expertise from the sector. In 2021, the Lithuanian Union of Local Community Organizations surveyed 500 of about 2,000 active community organizations. The survey revealed that 82 percent of organizations in rural areas and 67 percent in towns did not have paid staff. Only 8 percent of rural organizations had a paid position during the entire year and 10 percent hired staff on a project basis; the corresponding percentages for CSOs based in towns was 2 and 30 percent. Children's daycare centers are an exception; accredited centers are granted government funding for three-year terms and are required to hire social workers and other qualified staff.

The Civil Society Institute's Civil Empowerment Index assessed so-called "pandemic volunteering," concluding that about 9 percent of Lithuania's population actively volunteered in 2021, which was comparable with pre-pandemic levels. Less than 1 percent of the population began volunteering during the pandemic. Instead, people who had previously volunteered shifted their volunteer activities to different organizations and issues. Traditional community volunteering shrank and the massive volunteering at hospitals during the pandemic's first year decreased in 2021, while the numbers of people volunteering with the Red Cross and other CSOs responding to illegal migration from Belarus grew exponentially during the year.

According to the survey by the Lithuanian Union of Local Community Organizations, 41 percent of CSOs in towns and cities and 77 percent of organizations in rural areas owned or rented premises. CSOs in rural areas often have access to premises provided by the municipal administrations for free or minimal fees. CSOs have good access to information and communications technologies (ICT) and there is reliable internet coverage throughout the country.

FINANCIAL VIABILITY: 3.0



The CSO sector's financial viability remained largely stable in 2021.

CSOs continue to rely heavily on government funding. Such funding was particularly important for the sector's viability during the pandemic. In 2021, the government disbursed EUR 2.6 million in grants to 498 CSOs to alleviate the consequences of the pandemic. Grants of up to EUR 20,000, with an average grant size of EUR 7,000, were awarded to CSOs working in the field of social policy. Organizations could utilize the funds at their discretion to improve their material base, pay salaries, organize voluntary activities, and train volunteers and employees. As key CSOs coordinating volunteers for COVID-19 relief activities, the Red Cross and the Food Bank received additional funds from the government.

MoSSL continued its CSO support programs in 2021. During the year, it provided EUR 637,000 to build the capacity of fifteen national CSOs and EUR 790,000 to strengthen sixteen CSO umbrella organizations. Funding for community organizations reached almost EUR 2.2 million. In addition to funding CSOs, the 2021 program covered the costs of consultants based in ten municipalities to help local communities embark on more ambitious projects.

Annual funding for community CSOs has remained in the range of EUR 2 million since it was first introduced in 2014. However, its proportion of the overall national budget has fallen dramatically; appropriations for local communities initially constituted 0.3 percent of the budget but had declined to 0.13 percent by 2021.

Funding for children's daycare centers increased by over EUR 2 million from the previous year to a total of EUR 7.5 million in 2021. This funding was better targeted and more generous due to a recently-established standard for accreditation. Depending on the number of children being cared for, a CSO receives between EUR 17,300 and 21,300 per year. In total 454 accredited children's daycare organizations received continuous funding for three years, allowing them to better plan activities and staffing.

With the exception of daycare centers, the national and municipal governments provide CSO funding on a yearly basis. This support typically comes late in the year and must be spent and accounted for by the end of the same calendar year. CSOs are critical of these procedures because they negatively affect the efficiency of spending and the quality and continuity of their programs.

The sector was particularly disappointed with MoSSL's administration of the NGO Fund in 2021. The long-awaited support mechanism launched its first call for proposals on October 22, 2021, for projects to be implemented by December 31 of the same year. Qualifying projects were selected on a first-come, first-serve basis. The Fund supported fifty-six projects totaling EUR 1.268 million.

Different government agencies use different project applications and administration systems. The sector was most critical of the project management software used by MoSSL and the NGO Fund. In contrast, CSOs lauded the European Social Fund Agency's Alternative Investment Detector (AID) for providing flexible and efficient support that strengthens organizations while permitting experimentation and innovation. AID launched its EUR 2.6 million investment mechanism in August 2020 and was active throughout 2021.

According to data from MoSSL, municipalities allocated EUR 35.5 million to 4,800 NGOs in 2021. Funding levels were uneven and ranged from EUR 37.46 per capita in the Kaunas municipality to EUR 0.06 EUR in the Šiauliai region municipality. CSOs also complain that the different systems and requirements used on the municipal level complicate access to funds. For example, assorted departments of the Klaipėda municipality apply different requirements and procedures when funding local CSOs. In addition, CSOs find it difficult to track opportunities and time-consuming to prepare the necessary documentation to apply for different funds. The result is a low level of competition, and local governments complain that there is not sufficient demand for their funding.

The most significant source of foreign funding in Lithuania is ACF, which is managed by the Open Society Fund Lithuania. In 2021, ACF increased its overall funding by EUR 600,000, adding to the previously allocated EUR 9 million, EUR 5.6 million of which was distributed during the first program cycle (2020-2023). ACF, which will run through 2024, did not issue new grants in 2021.

Individual tax allocations to nonprofits (including government-funded nonprofits such as schools, hospitals, political parties, and artists) grew by EUR 1.2 million from the previous year, reaching EUR 21.3 million in 2021. Of this increase, the majority—EUR 0.9 million—went to CSOs. The number of individuals who designated a portion of their income tax to CSOs rose slightly from 317,400 in 2020 to 318,000 in 2021. Nearly 18 percent of all designations went to organizations working with children and families, including educational establishments such as nurseries. Income tax allocations are the main funding source for animal welfare charities. For example, *Penkta koja* (Fifth Foot), which is regularly among the top beneficiaries of the mechanism, has collected over EUR 200,000 in allocations each year for the past several years.

The local online fundraising platform Aukok.lt raised EUR 578,000 in 2021. This amount is significantly higher than the platform collected in pre-pandemic years but is far below the record of EUR 907,000 raised in 2020 for pandemic relief.

Annual fundraising concerts on TV remained popular but did not set any records in 2021. The Food Bank's annual charity concert raised EUR 165,000 in 2021, compared to EUR 241,000 in 2020 and EUR 207,000 the year before. CSOs stopped organizing live fundraising events due to the pandemic and there were fewer social events that CSOs could use as fundraising opportunities.

According to the Department of Statistics, business support to CSOs in 2021 totaled approximately EUR 100 million, a figure that has remained steady over the past several years. Environmental organizations such as the

Wetlands Restoration and Protection Foundation benefitted from increased business support in 2021 as companies expanded their efforts to measure and offset CO2 emissions.

Organizations that have been selling their services for years increased their income in 2021. For example, Innovator's Valley in the Zarasai Region launched several new initiatives adapted to the COVID-19 restrictions, including open-air educational experiences, volunteer camps, and photography contests. However, there were few newcomers to the market, which may be partially due to the disruptions caused by the pandemic.

The quality of CSO accounting and reporting remains low. Legal amendments that freed organizations from the requirement to hire professional accountants came into force in 2021. Some organizations welcomed the change for alleviating an administrative burden, while others fear that it may have negative effects on CSOs' financial management. Independent financial audits remained limited to larger, more prosperous national CSOs. Funds for independent audits are typically incorporated into CSOs' capacity-building programs; however, financial decisions are usually made too late into the year to allow for quality audits.

ADVOCACY: 1.7

Advocacy remains the strongest dimension of CSO sustainability, and CSOs continue to have access to government decision-making processes through several mechanisms at the national, regional, and local levels.

The National NGO Council started a new two-year term in 2021. The Council, which was established in 2014 within MoSSL, switched its affiliation to the Prime Minister's Office in 2021. The transfer boosted the Council's status and demonstrated that the sector is significant not only in the social sphere but across all government functions.

In 2021, CSOs actively engaged in the development of national strategies. A monitoring committee for a new EU financial mechanism was established, and CSOs working in different programmatic areas were invited to participate in the committee's work. CSO representatives were also part of an inter-agency working group that was formed to support the development of a Concept of Open Government. During the year, public consultations were held and CSOs submitted proposals for open government partnership activities. The National Council of Community Organizations initiated discussions on the Government's Public Administration Development Plan. The Council mobilized journalists and think tanks to emphasize the importance of the Plan as it will establish the basis for outsourcing and budgeting of public services over the next decade. The Council also highlighted the lack of coordination in the development of the Plan and the Concept of Open Government and facilitated dialogue between their working groups.

CSO-government collaboration in the legislative process improved in 2021. In June 2020, the Seimas adopted amendments to the Law on Lobbying, according to which public interest organizations may register as "influencers of legislation." By registering as influencers, CSOs provide data on their advocacy interests and receive certain privileges, including the right to receive information on legislative developments on relevant topics and participate in meetings of legislators. In 2021, over thirty CSOs registered and officially declared their interest in certain laws; these organizations contributed to over 200 legal acts. CSOs also had diverse opportunities to participate in the legislative process through umbrella organizations, and individual parliamentarians sought out CSOs for their expertise when initiating new laws and legislative amendments.

Ten Regional Development Councils were established in 2020 to plan and monitor social and economic developments in their respective regions and undertake corresponding funding decisions. By law, each council includes an advisory group with representatives of employers, trade unions, the local community, and at least five CSOs. While CSOs on these councils were keen to address strategic issues, most councils took too long to be established and engaged only in procedural matters in 2021.



The participatory budgeting initiative facilitated by Transparency International Lithuania continued to expand. By 2021, twenty-two of sixty municipalities were implementing participatory budgeting, thereby involving citizens in the process of deciding how public money is spent. Overall, however, community organizations do not take full advantage of opportunities to shape local agendas. Only a small number track politicians' agendas and engage in decision making, even when these decisions directly affect them or their constituencies.

In May 2021, the Movement of Lithuanian Families organized the Great Family Defense March, which brought together about 10,000 people to oppose the ratification of the Istanbul Convention on preventing and combating violence against women and domestic violence, as well as laws on partnership, decriminalization of drugs, and legalization of non-Lithuanian characters in personal documents. The Movement held several disruptive actions throughout the year to urge the government to step down and called on society to mobilize around wedge issues, such as 'defending traditional family values' and abandoning COVID-19 restrictions. Human rights groups, with the support of mainstream media, countered by launching petitions and addressing politicians. However, the unruly protests seemingly had greater impact on politicians: the ratification of the Istanbul Convention was further delayed, and deliberations regarding the Law on Partnership were postponed.

Lithuanian LGBTQ+ groups organized the Kaunas Pride March in September 2021. The city's municipality did not welcome the March and disorderly groups of citizens protested the event. To prevent incidents, the March's 2,000 participants were guarded by a large contingent of police.

In response to the wave of illegal migration across the border with Belarus, the Lithuanian Red Cross and the Lithuanian Refugee Council monitored the situation of illegal migrants, issued reports, and advocated for the migrants' rights, including the right to education for migrant children.

Although nonprofits generally avoid engaging in costly and lengthy litigation, the Baltic Environmental Forum (BEF) won an important court case in 2021. The issue began in 2019, when the organization initiated a case against the Ministry of the Environment for halting the expansion of the *Punia Šilas* ancient forest reserve. Having lost the court case at all levels in Lithuania, BEF appealed to the Court of Justice of the EU, which decided in its favor. The case was significant not only because it reached the EU Court but also because it was the first time in which a Lithuanian CSO operating in the field of environmental protection was recognized as operating to protect the public interest. Individuals provided at least EUR 3,400 in crowdfunding to cover BEF's legal fees and 15,000 people signed a petition supporting the lawsuit.

In 2021, CSOs advocated for amendments to the Law on the Development of Non-governmental Organizations, which was passed in 2019. The main propositions related to clarification of the concept of public benefit organization and improvement of the financing and operation of the NGO Fund. CSOs also lobbied to narrow the circle of possible recipients of the 1.2 percent income tax designation to public benefit CSOs.

SERVICE PROVISION: 2.9



CSO service provision improved slightly in 2021. Local governments increasingly demonstrated interest in outsourcing services to CSOs. In turn, CSOs slightly broadened the range of the services they provided at the national and local levels. Although the rapid transfer of public services to CSOs seen in previous years stopped, the new licensing model by which children's daycare services began to be delivered in 2021 promises to speed up the provision of services in other areas. In addition, impact measurement has begun to transform the service sector and open up new roles for CSOs. CSOs also provided critical services in response to the pandemic and illegal migrant crisis.

In 2021, CSOs launched services in new areas, such as environmental care, funded by municipal authorities, and humanitarian assistance to migrants, procured by the national government. The national government also delegated

the function of chaperoning persons who had returned from penal institutions to municipalities. From the start, municipalities were strongly encouraged to outsource these services to nonprofits, and CSOs quickly established themselves in this niche. Funded by the EU LEADER Program, local community organizations also developed and began offering services in the areas of tourism, educational experiences, and recreation.

The work of CSOs in social service delivery, especially those serving the elderly in their homes, gained further traction among municipal administrations in 2021. The major cities of Kaunas and Klaipėda outsourced most of their services for the elderly to CSOs and quickly witnessed the benefits as the CSOs offered quality and efficient services valued by their clients. Smaller municipalities, including those of Rokiškis and Lazdijai, followed suit in contracting with CSOs. Others, which failed to find potential providers among local organizations, actively sought out the contacts of nonprofits from other municipalities and CSO umbrella organizations.

Children's daycare centers were fully transferred to CSOs via a new law and licensing model; this model will be applied to other social services starting in 2022. The licensing model is superior to project funding and public procurement because it provides equal opportunities for all organizations—budgetary entities and CSOs have equal access to premises and other government resources and receive equal pay for their work.

With the exception of daycare centers, however, the new government that came to power in 2020 did not promote outsourcing of services to CSOs as strongly as the previous one. In addition, municipal authorities do not possess a uniform approach to outsourcing: some have embraced outsourcing while others continue to favor budgetary institutions over CSOs. As a result of these trends, the percentage of transferred services did not change significantly during the year and remained at 12 percent.

Meanwhile, in 2021, CSOs providing services from their premises struggled to compete with municipalities' own units that have become independent service providers, meaning they essentially have changed their legal status from that of a budgetary institution to a public establishment. These units typically inherit a strong financial and material base and gives them a competitive advantage over CSOs in terms of providing services.

In addition, the price of natural gas skyrocketed in 2021, causing heating bills to rise by an average of 90 percent across the country and negatively affecting CSOs providing services from their premises. The government did not establish a mechanism to help reduce the strain on CSO budgets.

The mechanism of social impact bonds (SIB) was launched in 2021. Through this mechanism, private investors pre-finance services provided by CSOs or social enterprises and the government purchases the investments and returns the invested amount with interest if the agreed-upon results are achieved. At the same time, municipalities increasingly embraced the concept of impact procurement, in which municipal governments purchase results (impact) instead of funding specific services. The Kėdainiai municipality, for example, planned to abolish all barriers preventing children from benefitting from non-formal education and sought the expertise of CSOs in setting the indicators for the procurement of this process. The city of Klaipėda outsourced an assessment of the efficiency of services for the elderly to a CSO.

The instrument of reserved procurement introduced in 2019 to simplify procurement from CSOs did not work out in practice. The instrument lacked support from the Public Procurement Office and municipal administrations were either unsure about how to utilize the new instrument or not motivated to alter established procurement practices.

CSOs increasingly apply a social business model when providing services. For instance, the Klaipėda Association of Communities adopted an internationally recognized model of participatory budgeting and implemented it in the Klaipėda municipality. It then marketed the guidelines for the model's implementation to several other municipalities.

Not all services provided by CSOs proved to be financially viable. The Social Integration Institute, which offers a Social Taxi service, did not receive support from any of the EU's Structural and Investment funds in 2021 to assist with the financial burden of maintaining the special vehicles and related expenses necessary for transporting those with limited mobility. Generally, CSO funding programs willingly finance training but do not favor investing in service infrastructure.

SECTORAL INFRASTRUCTURE: 2.8

The infrastructure supporting the sector did not change significantly during 2021.

The NGO Information and Support Center (NISC) continued partnering with the National NGO Coalition (NNC) and the NGO Law Institute to train CSOs on the topics of social enterprises, reporting, and accountability. NISC, the Lithuanian Association of Local Community Organizations, and the Union of Lithuanian Rural Communities provided mentoring to local communities in implementing projects funded by MoSSL. NNC coached CSO representatives delegated to the Regional Development Councils on their mandates and advocacy strategies.

ACF continued building the capacity of its sixty-five grantees in project management, communications, financial literacy, and other operational skills that the CSOs identified as weaknesses. ACF also continued its mentorship program and the NGO Academy, a half-year comprehensive capacity-building program for CSOs. In 2021, the Academy graduated thirteen participants and selected its second cohort of seventeen participants. ACF started to measure the impact of its capacity-building programs and will evaluate its success based on indicators such as the diversification of CSOs' financial resources, scope of organized campaigns, and licenses obtained.

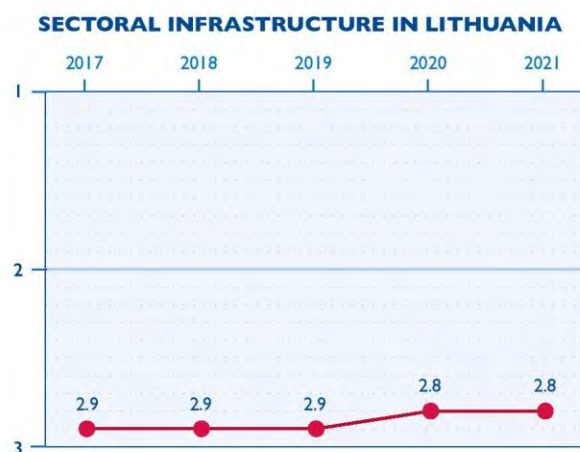
Although CSOs had access to many training events, the quality of some events disappointed CSOs, while others that were well-prepared and addressed important topics were underattended. The initial pandemic-inspired enthusiasm to take advantage of virtual offerings gave way to weariness and organizers struggled to recruit audiences for their online trainings. To streamline the offerings, NNC and ACF launched a dialogue on CSO capacity-building goals and results.

As described above, the NGO Fund started operating in 2021 and is poised to serve as the main local grantmaker in the country. ACF regrants funds from the EEA/Norwegian Grants Mechanism, but it did not award new grants in 2021.

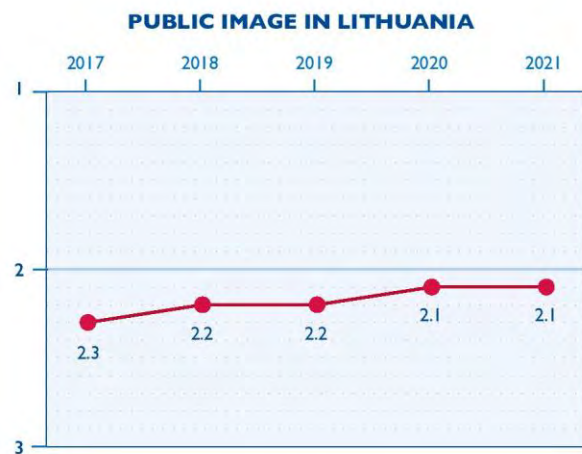
Umbrella organizations continued to serve as information centers for CSOs operating in particular areas. The Network of Anti-Poverty Organizations, for example, supported its members by reviewing their annual reports and measuring the impact of their members' activities.

CSOs do not utilize international networks sufficiently. Barriers for their participation in international support networks include insufficient knowledge of available networks, poor command of foreign languages among the staffs of regional CSOs, high costs in terms of human resources, and a lack of trust among smaller CSOs regarding the benefits of such participation. Animal charities were an exception—they successfully cooperated with Scandinavian CSOs, enabling positive exchanges of experience and practical solutions for finding homes for stray animals. Cooperation within the animal welfare sector also grew within the country as CSOs finally reached a unified position regarding the mandatory microchipping of pets.

Intersectoral partnerships expanded during the pandemic and remained strong in addressing the challenge of illegal migration. CSOs and businesses came together to support Lithuania's Border Police, as it dealt with the large-scale illegal migration orchestrated by the Belarusian authorities. Freedom TV, an independent media channel run by a CSO, launched the fundraising campaign "Hold on, Border Guards!" to supplement the salaries of those addressing the crisis at the Belarus-Lithuania border. The Lithuanian Riflemen's Union, a paramilitary public organization, mobilized volunteers to observe unprotected parts of the border, while the Food Bank, Red Cross, and other CSOs delivered humanitarian aid to migrants.



PUBLIC IMAGE: 2.1



The CSO sector's public image was affected by both positive and negative developments in 2021, leaving it unchanged overall. While public surveys demonstrated growing trust in and affiliation with CSOs, the sector's public image was tarnished by the polarization of society around human rights issues and the rise of controversial CSOs that incited riots and devalued the role of mass public actions.

In 2021, the Vilnius public opinion and market research company carried out its bi-annual public opinion survey on trust in CSOs, which is commissioned by NISC. The study confirmed the growing level of public trust in the sector, an ongoing trend since 2012. The public's full confidence in CSOs has grown by 5.2 percent since 2018, reaching 57.2 percent. Only 5.5 percent of respondents

indicated that they do not trust CSOs.

The Civil Society Institute released the results of its 2020 Civic Empowerment Index (CEI) in 2021. According to the CEI, civic empowerment increased to 41.3 out of a possible 100 points, beating the record of 39.7 points in 2019. The rise was mostly due to the growth of civic activism, which reached the highest average value since 2007, 44 out of 100 points. However, the public's perceptions of civic influence in society, which had increased significantly in 2016 and continued to rise in 2019, declined from 61.2 to 55.7 points in 2020. In the eyes of the population, the influence of all groups, but most of all NGOs and communities, fell during the pandemic. The CEI also measured organizational membership within Lithuanian society, finding that 53 percent of respondents claimed to belong to an organization, association, or movement, a 20 percent increase from 2016. At 23 percent, the most popular form of organizational membership was in local community organizations.

The Corruption Map of Lithuania, a public opinion survey carried out by the Special Investigation Service of the Republic of Lithuania, included a question on satisfaction with services received. A vast majority (84.5 percent) of respondents expressed satisfaction with the services of CSOs. The same survey found that 41 percent of businesses and 36 percent of citizens believe that CSOs are corrupt or partially corrupt; these figures were the lowest since 2011.

Lithuania's media demonstrated a divided approach to CSOs and movements. In its coverage of the sector, the mainstream media drew a line separating 'good' and 'bad' actors, using the latter term to refer to groups behind the Families' March and related initiatives. This media bias was unprecedented and further polarized society's views. The rise of controversial CSOs and their protest actions which turned into riots also raised doubts in the sector's role and intentions and discredited mass public action as a means of addressing important issues, despite the fact that CSOs and professional unions have successfully organized peaceful public protests for years.

The concept of an "NVO" (the Lithuanian equivalent of a CSO) became further established in public discourse. Media mostly stopped using the term "*visuomenininkai*," which primarily denotes unassociated citizens actively participating in public life, when referring to CSOs. This helped improve public perception of the sector and its role in society.

In 2021, CSOs took part in all government working groups addressing the COVID-19 pandemic but were treated by the government as sources of information rather than peer decision makers. The government's perception of CSOs varied depending on organizations' support for government policies. The government actively praised humanitarian organizations that helped it manage the pandemic and migration crises. However, some politicians publicly attacked CSOs for spotlighting human rights violations in the government's treatment of illegal migrants and accused them of attempting to destabilize the country. As a result, some human rights organizations refrained from publicizing violations, relying on the government's promises to improve the situation.

Participants in the NGO Academy organized by ACF identified a lack of skills in working with business, which affects businesses' perception of CSOs. A few CSOs have developed business volunteering initiatives. One

prominent example is the Food Bank; its operations rely on teams of business volunteers to help with food storage.

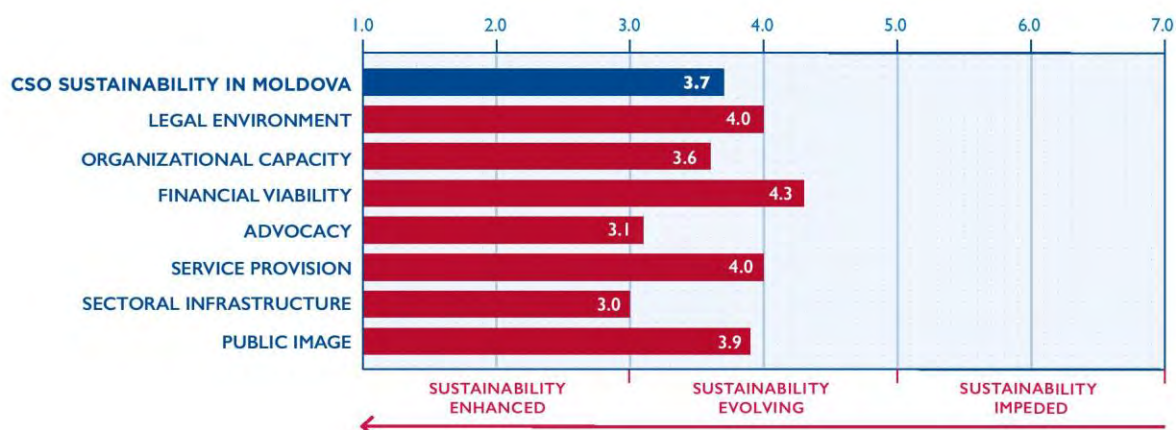
Major national organizations are competent in raising awareness about their activities. They regularly post on social media and publish reports. Some situation reports, like the Annual Review of Poverty and Social Exclusion published by the National Network of Anti-Poverty Organizations, are authoritative sources referred to by Lithuania's authorities and media as well as international institutions. However, many smaller CSOs believe that they should focus on doing good rather than promoting themselves. The majority of the sector continues to lack the human resources and skills necessary for quality promotion.

According to Transparency International Lithuania, very few organizations have codes of ethics or codified internal procedures.

MOLDOVA

Capital: Chişinău
Population: 3,287,326
GDP per capita (PPP): \$12,300
Human Development Index: High (0.767)
Freedom in the World: Partly Free (62/100)

OVERALL CSO SUSTAINABILITY: 3.7



Two events shaped the operating environment for civil society in the Republic of Moldova in 2021: the COVID-19 pandemic and snap parliamentary elections.

The COVID-19 pandemic continued to affect Moldova's economy and society. In 2021, over 230,000 new cases were confirmed and over 7,000 people died. In response to the ongoing risks, the National Extraordinary Public Health Commission (NEPHC) limited the size of meetings to fifty people, restricted assembly venues and, in some cases, prohibited assemblies altogether. The restrictions were lifted starting in May and were not imposed again until the end of the year. While the restrictions were in place, CSOs continued to conduct most of their activities remotely. However, CSOs' increased use of online tools allowed them to operate without major disruption.

Following the resignation of Prime Minister Ion Chicu in December 2020, the key political parties in the parliament proved unable to form a new government. After the Constitutional Court confirmed that the constitutionally-mandated period for forming a new government had passed, President Maia Sandu dissolved the parliament in April 2021. Snap parliamentary elections were then held on July 11. The pro-western *Partidul Actiune si Solidaritate* (Party for Action and Solidarity – PAS) achieved a parliamentary majority of 63 out of 101 seats. CSOs actively monitored the elections through exit polls, the use of election observers, and regular monitoring reports. Promo-Lex, a CSO focused on democracy and civic space, organized 881 short-term election observers who recorded 450 incidents (i.e., violations of electoral rules) at polling stations in the country and abroad. The Civic Coalition for Free and Fair Elections (CALC), a platform of thirty-four Moldovan CSOs, declared the elections “partially free and partially fair,” noting concerns over the use of hate speech (some of which was directed at CSOs), improper use of administrative resources, failure to consider electoral appeals, and biased media coverage of electoral candidates.

A new government led by Prime Minister Natalia Gavrilita was sworn in on August 6, 2021. The new administration's priorities included addressing the pandemic, pursuing justice reform, and unblocking foreign funding tied to the implementation of reforms by the previous government. Despite CSOs' advocacy, the government failed to prioritize the needs of civil society in its action plan. Nevertheless, the new parliament and government are much more open towards cooperation with CSOs and have created opportunities for collaboration to address persistent challenges related to access to information and CSO participation in policy-making processes.

In this context, overall CSO sustainability did not change in 2021, although service provision, sectoral infrastructure, and public image all improved slightly. Service provision advanced as CSOs demonstrated increased capacity to provide services related to the COVID-19 pandemic, increased the amount of income they generated from the provision of services, and benefited from an improved legal framework for the contracting of social and

home-based care services. The increased availability of capacity-building opportunities spurred an improvement in sectoral infrastructure, while the sector's public image improved as public trust increased, the business sector had a more positive perception of CSOs, and CSOs demonstrated improved public relations capacities.

According to the State Register of Nonprofit Organizations (SRNO), there were 14,939 non-commercial organizations registered in Moldova as of December 2021. Approximately 13,746 of these organizations can be considered CSOs; the rest are public institutions, political parties, and other socio-political groups that do not correspond to the definition of CSOs used by the CSO Sustainability Index. About 78 percent (10,681) of registered CSOs are public associations, non-commercial organizations founded by two or more individuals or legal entities to achieve non-commercial purposes. The other 22 percent include religious organizations, foundations, private institutions, trade unions, water users' associations, employers' associations, non-commercial periodicals, and others. In 2021, 438 new CSOs were registered, including 388 public associations, 17 foundations, and 11 private institutions. According to data presented by the National Bureau of Statistics (NBS), only about 30 percent of registered organizations filed reports with NBS in 2021, approximately 80 percent of which are based in Chisinau. As all CSOs are required to submit annual financial statements to NBS, this is often considered a better indicator of the number of active organizations in the country.

The situation of CSOs in the Transnistrian region—a breakaway territory in the eastern part of Moldova—did not change substantially in 2021. They continue to work under difficult conditions and experience frequent harassment and repression from the local authorities. CSOs in the region that receive foreign funding cannot engage in so-called “political activities,” including protests, criticism of local governments, and advocacy activities aimed at changing or impacting government policy. Representatives of these CSOs often register similar organizations on the right bank of the Nistru River to benefit from the Republic of Moldova's enabling legal framework. However, CSOs from the Transnistrian region encounter various challenges in registering and opening bank accounts in Moldova due to restrictive provisions in the Law on Preventing and Combating Money Laundering that banks use to refuse to open bank accounts for CSOs that have members or persons in their governing bodies that are from or reside in the Transnistrian region. According to the Register of Public Associations and Political Parties of the Transnistrian region, as of December 2021 there were 617 registered CSOs, of which 13 were registered in 2021.

LEGAL ENVIRONMENT: 4.0



The legal environment governing the CSO sector did not change significantly in 2021.

The Law on Non-Commercial Organizations (hereinafter referred to as the NCO Law), which was adopted in 2020, establishes an enabling framework for public associations, foundations, and private institutions. The law provides clear requirements regarding CSOs' internal governance, segregation of managerial and executive functions, reporting obligations, and other issues. Any individual or legal entity, with the exception of public authorities and institutions or state and municipal enterprises, may be a member of a public association. To become legally registered, a CSO must submit a predefined list of documents set in the law. CSO registration can take up to fifteen days, which is longer

than the registration of commercial entities, which is often completed within twenty-four hours, or in four hours in urgent situations.

Although the NCO Law provides that registration is free of charge for most forms of organizations, the Public Service Agency (PSA) charges fees to register some types of organizations, as well as for various registration-related services such as checking the name of the organization, issuing confirmations from the Register of Legal Entities, and expediting registration. CSOs deem the cost of these services—which range from USD 25 for various confirmations to USD 68 for registering trade unions and water users' associations—to be excessive. The NCO Law also provides that CSOs must amend their bylaws by August 27, 2022, if their internal statutes do not align

with the current legal framework. Non-compliance may result in an organization's forced liquidation. According to the European Center for Not-for-Profit Law's CSO Meter, around 3,000 NCOs re-registered in 2021; the overall number of CSOs subject to this requirement is unknown.

In April 2021, parliament passed Law 50/2021 on Local Action Groups (LAGs). LAGs are partnerships that include nonprofit organizations, local public authorities, and commercial entities as members. Under the new law, LAGs can register and obtain official legal recognition, allowing them to have their own bank accounts and sign legal documents, which will facilitate their development. In October 2021, the Ministry of Agriculture and Food Industry (MAFI) published a guide for LAGs that explains how to establish and register a LAG.

Either during the registration process or when changing its legal representative, a CSO must submit a statement regarding its beneficial owner, which is required by the Law on Preventing and Combating Money Laundering. Several CSOs have criticized this requirement because the administrators and leaders of NCOs cannot be considered beneficial owners of their activities and projects. In one case, the bank accounts of Amnesty International Moldova Association were frozen in 2021 because the organization failed to declare a beneficial owner.

CSOs are subject to less frequent financial inspections than commercial entities. According to the CSO Meter, the government conducted inspections of 7.9 percent of registered commercial entities in the first nine months of 2021, as compared to 1.9 percent of nonprofit organizations. CSOs do not report widespread or frequent government harassment. However, there continue to be abuses regarding the interpretation of the legal provision on CSO registration by PSA employees, with CSO representatives reporting cases where PSA employees refuse to register changes to their bylaws unless certain information is displayed exactly as written on the bylaws template provided on the PSA website.

The law allows public associations, foundations, and private institutions to carry out any activities that are legal in the country; however, the Tax Code exempts income only for those activities deriving directly from the purposes described in an organization's bylaws. For other activities, CSOs must pay a 12 percent income tax.

As in previous years, individuals may direct 2 percent of their taxable income to an accredited CSO. According to the Law on Philanthropy and Sponsorship, corporate taxpayers have the right to make tax-deductible donations (monetary and non-monetary) for philanthropic and sponsorship purposes, but their value may not exceed 5 percent of the companies' taxable income during the fiscal year.

Some progress was achieved in 2021 with respect to CSO funding and access to resources. Following an October 2021 Constitutional Court decision, the parliament amended the NCO Law to eliminate restrictions on CSOs providing paid services to political parties and social-political organizations during elections, thereby broadening CSOs' potential sources of income. Additionally, in March 2021, the Council for the Prevention and Elimination of Discrimination and Ensuring Equality considered a complaint brought by the Alternative Media Association against the Ministry of Finance and the State Tax Service. The complaint argued that the exclusion of CSOs from certain subsidies for loan interest was discriminatory, as commercial entities enjoyed access to these subsidies. The Council agreed with the complainant and recommended that the authorities ensure immediate equal treatment of CSOs and grant them access to the relevant subsidies.

Since the NCO Law came into force, CSOs have frequently sought legal support to update their bylaws and registration with the PSA. Organizations such as CONTACT Center, Center for Organizational Consultancy and Training (CICO), and Legal Resources Center from Moldova (LRCM) provide legal services to CSOs. In 2021, for example, CONTACT Center provided free legal, financial, and accounting support to sixty CSOs from both the Transnistrian region and the entire territory of the Republic of Moldova.

ORGANIZATIONAL CAPACITY: 3.6

The organizational capacity of CSOs remained largely unchanged in 2021. While CSOs did make some progress in digitalization and mobilization in response to the COVID-19 pandemic, these positive developments were offset by the negative effects of the pandemic on organizational capacity.

According to a survey of forty-six CSOs conducted by People in Need Moldova in February 2021, one-third of responding organizations reported that their work was severely affected by the pandemic, while the remaining

two-thirds indicated that they were moderately affected. Also due to the pandemic, a third of CSOs had to resort to staff layoffs. CSOs also reported reduced pay, increased stress levels, and higher workloads as a result of conditions during the pandemic. At the same time, however, according to a questionnaire, some CSOs were able to improve their capacities as a result of a capacity-building program implemented by the CONTACT Center.

CSOs also enhanced their capacity to identify and build relations with potential constituents and beneficiaries. The number of taxpayers who utilized the 2 percent assignment mechanism increased from 28,506 people in 2020 to 34,805 people in 2021, suggesting improved CSO capacity to interact with constituents. At the same time, CSOs used online tools such as Zoom, Google Meet, and Microsoft Teams to interact with a greater number of people from various regions. Some CSOs redirected their efforts towards combating the effects of the COVID-19 pandemic and providing support to vulnerable people, including people with disabilities. However, limited access to information and communication technology, especially among elderly people, poor families, and people with disabilities, continued to pose an obstacle to constituent interaction for CSOs that work with these populations.

Most CSOs in Moldova do not have strategic plans and do not consider the development of such plans a priority. Only well-developed CSOs conduct regular strategic planning activities, while other CSOs rely on project-based planning. According to a survey conducted at the beginning of 2022 by CONTACT Center among organizations that benefited from its institutional support, fewer than half (45 percent) had strategic plans in 2021. Similarly, an assessment conducted by CICO in December 2021 of US Embassy-funded CSOs found that only 30 percent had strategic plans. Despite these challenges, capacity-building support from resource centers and funding organizations enabled more CSOs to develop strategic plans in 2021. For instance, National LEADER Network and Solidarity Fund PL in Moldova, the Moldovan branch of a Polish organization, helped twenty-two LAGs to update and improve their local development strategies, and ERIM Moldova – IREX Europe provided support to five CSOs to develop strategic plans.

The new NCO Law does not oblige CSOs to have permanent governing and audit bodies, but it does require them to have general oversight bodies called the founder (for private institutions), general assembly (for public associations), and council (for foundations). CSOs are also obliged to have administrators (i.e., an executive body). Although the law further stipulates that organizations that do not meet these criteria and do not comply with the law can be liquidated starting from August 27, 2022, a large percentage of existing CSOs have not adjusted their bylaws to comply with these provisions. Governing bodies often exist only on paper and their members have limited involvement in the governance of their organizations.

Typically, only well-established CSOs with access to long-term financing employ permanent staff, while smaller CSOs hire personnel on a contract basis to work on specific projects. Given the lack of stable resources, CSOs that are able to hire staff usually have small executive teams limited to “core” functions within the organization, such as accountants and project coordinators. For example, the CONTACT Center survey found that 78 percent of responding CSOs had fewer than five employees. Many CSOs also lack adequate human resource policies and procedures. The CICO assessment of US Embassy-funded CSOs found that only one-third had human resource policies and procedures.

Besides hired staff, many CSOs recruit volunteers to participate in their work. According to the Charities Aid Foundation (CAF) *World Giving Index 2022*, which reports on developments in 2021, 13 percent of the adult population in Moldova had participated in volunteer activities in the previous month, compared to 16 percent in 2020. The CICO assessment of US-Embassy funded CSOs found that around two-thirds of surveyed CSOs engaged volunteers, although fewer than 20 percent had written frameworks on volunteer management or were accredited as volunteer host institutions. According to the Register of Host Institutions for Volunteering Activities published by the Ministry of Education and Research, only eighty-five organizations were accredited as volunteer host institutions as of December 2021, of which only forty-six were CSOs.

ORGANIZATIONAL CAPACITY IN MOLDOVA



CSOs adopted a wide range of digital tools in 2020 and 2021 in response to the pandemic. As most employees and volunteers worked remotely, the use of videoconferencing grew substantially. As a result, online conferences, training, and activities replaced traditional face-to-face events. Throughout the year, CSOs used Zoom and other online platforms to a significant extent in their work. CSOs' presence and promotion on social media, particularly Facebook, grew as well. Most CSOs seem to have successfully adapted to the new reality, although there is no official data or analysis on how these changes affected their impact and effectiveness.

FINANCIAL VIABILITY: 4.3



According to data received from NBS, Moldovan CSOs received USD 233 million in revenue in 2021, 7 percent less than in 2020, but 18 percent more than in 2019. This slight decrease, however, did not influence the overall financial viability of the CSO sector in Moldova. CSOs outside the capital city continue to encounter significant funding challenges due to a lack of qualified finance staff and limited access to funding sources.

CSOs continue to depend heavily on foreign funding. According to various studies and surveys carried out over the last few years, about 70 percent of CSOs' annual revenues come from foreign grants. This dependence on foreign funding limits civil society's sustainability and resilience.

The European Union (EU) is the largest donor to civil society in the Republic of Moldova. As of the end of 2021, CSOs were implementing twenty-two EU-funded projects with a total budget of approximately EUR 22 million. USAID continues to support Moldovan CSOs based on the 2020-2025 Country Development Cooperation Strategy; according to [foreignassistance.gov](https://www.foreignassistance.gov), USAID provided USD 2.4 million for democratic participation and civil society in 2021. Sweden actively supports civil society and in 2021 provided USD 3.56 million to domestic and international CSOs to implement projects in Moldova, USD 878,000 of which was directed to domestic CSOs. The German Agency for International Cooperation (GIZ) provided grants to local CSOs through the Citizens' Empowerment in the Republic of Moldova project. In 2020 and 2021, more than 100 local CSOs obtained funding under this program. LAGs and their members benefited from funding opportunities in 2021 such as the LEADER-EU Rural Development Fund, financed by USAID and PolishAID with more than USD 1.1 million.

As noted above, individuals may direct 2 percent of their taxable income to an accredited CSO. In 2021, there were 665 CSOs registered as potential beneficiaries of this mechanism, an increase of 131 from 2020. Accredited organizations collected about USD 551,694 in 2021, an increase of approximately 68 percent from 2020, when there was a 27 percent decrease compared to 2019 due to COVID-19. A 2021 NGO Council assessment concluded that the mechanism could be improved by increasing the transparency of beneficiary organizations, preventing abuse of the mechanism by public institutions that direct money towards affiliated CSOs, and establishing a clearer procedure to report how funds are used.

Companies that offer donations to CSOs officially benefit from tax benefits according to the Law on Philanthropy and Sponsorship. However, the existing law does not encourage companies to engage in philanthropic activities due to the bureaucratic procedures involved in fiscal reporting. In addition, corporate social responsibility is still uncommon in Moldova and many companies do not have a vision on how they would support CSOs or other social initiatives.

Despite an enabling legal framework, the majority of CSOs do not conduct economic activities. According to the CONTACT Center survey, fewer than one-third of respondent CSOs conducted economic activities or developed social entrepreneurship initiatives in 2021. However, according to data from NBS, CSOs earned USD 49.4 million through economic activities in 2021, an increase of about USD 8.7 million compared to 2020 and USD 11.6 million compared to 2019. This was the only category in which CSOs recorded increased revenue in 2021. Social

entrepreneurship is still underdeveloped, and there were still just four accredited social enterprises in 2021, three of which employ people with disabilities.

Crowdfunding has enabled CSOs to diversify their funding streams in recent years. Three major crowdfunding platforms—particip.md, sprijina.md, and caritate.md—continued to be active in 2021, while a fourth platform, www.guvern24.md, resumed operating after being discontinued in 2018.

Government ministries channel public funding to CSOs through direct grants (in such fields as culture, youth, or environment) and by contracting for the provision of social services. The Ministry of Education awarded grants to thirty youth CSOs in 2021 totaling USD 367,467, approximately USD 100,000 more than it awarded in 2020. However, the Ministry had allocated USD 452,488 for this purpose; not all allocated funds were expended due to the pandemic, as many activities took place in an online or hybrid format, reducing their costs. The Ministry also allocated USD 56,560 to co-fund youth CSOs, with local public authorities allocating the same amount.

The majority of CSOs, particularly local ones, do not have financial management systems in place and perform financial management only on a project basis. Similarly, few organizations develop consolidated annual budgets or publish annual financial statements. Despite the legal obligation to do so, fewer than one-third of all CSOs submit financial reports to the authorities. External audits are usually conducted only for large projects funded by foreign donors.

ADVOCACY: 3.1

CSO advocacy did not change significantly in 2021. The advocacy environment improved after the July parliamentary election and the appointment of a new government, which has expressed increased openness towards CSOs and their initiatives. The new government participated in meetings with civil society representatives and many key members of the government came from the civil sector. Although some CSO advocacy initiatives were successful, several draft laws and initiatives were postponed or suspended due to the political crisis, COVID-19 pandemic, and the transfer of power.

The authorities cooperate with CSOs via various mechanisms. The Law on Decision-Making Transparency provides that authorities should consult citizens and CSOs when making decisions and developing public policies by organizing debates, hearings, or referendums, or by establishing standing or ad hoc working groups.

While the implementation period for the 2018-2020 Civil Society Development Strategy (CSDS) ended in 2020, the authorities have not yet developed a new strategy. According to the 2021 Report of the State Chancellery on CSDS implementation, only 50 percent of the ninety-four planned and monitored activities were implemented in full, 20.2 percent were implemented partially, and 29.8 percent were not implemented at all.

Several important mechanisms for government-CSO cooperation remained inactive in 2021. For example, neither the National Participation Council, the Civil Society Council under the President, nor the Advisory Platform under the Parliament were revived in 2021. Similarly, the State Chancellery's Human Rights and Social Dialogue Coordination Division, which includes a CSO cooperation focal point, did not operate in 2021. On a positive note, certain local and regional authorities actively collaborated with CSOs. In Soroca, Cahul, and Causeni districts, for example, CSOs worked with the local public authorities via District Councils for Participation to enhance citizen access to information about policymaking and improve local governance.

CSO networks including the National NGO Council and the National Platform of the Eastern Partnership Civil Society Forum (NPEPCSF) continued to engage with state institutions to advocate for civil society interests and initiatives. In 2021, the NGO Council sent several requests to the PSA, presidency, and parliament asking them to appoint new members to the committee responsible for awarding public utility status to CSOs so that it could relaunch its work. Also, the NGO Council submitted a series of requests to the public authorities, asking them to



publish information on the funds received through the taxable income allocation mechanism. NPEPCSF published a list of policy priorities for the new government and launched several public calls and statements on environmental protection, support for the business community, and other pieces of legislation. The Platform for the Promotion and Development of Philanthropy (PPDP) submitted several proposals to the authorities to amend the legal framework on philanthropy and sponsorship, focused on more clearly defining terms, expanding the list of areas considered to be philanthropic activities, and clarifying the rules on how to use and record donations. No action had been taken as a result of these proposals by the end of 2021, although discussions continued in 2022.

Although the new government and parliament expressed openness towards civil society, transparency in government decision making still remains a challenge. For example, parliament considered and voted on draft legislation and amendments to laws governing the Prosecutor's Office, National Integrity Authority, and National Anticorruption Center without consulting the public. In response, LRCM and thirteen CSOs filed an appeal requesting that parliament organize genuine public consultations and refrain from examining draft laws as a matter of urgency without plausible justification. The Government Action Program that was adopted in October 2021 failed to include any priorities related to civil society, and CSOs' advocacy to incorporate these priorities was unsuccessful.

Despite these challenges, there are several positive examples of efficient government-CSO collaboration. For instance, the National LEADER Network and Solidarity Fund PL Foundation in Moldova cooperated with MAFI to draft the concept of the Law on Local Action Groups, which was passed in April 2021. In October 2021, parliament ratified the Istanbul Convention on preventing and combating violence against women and domestic violence, following the sustained involvement and advocacy of civil society and development partners. During 2021, a civil society representative from Promo-Lex Association and two human rights experts were included in the NEPHC, enhancing the ability of civil society to ensure that the Commission's decisions on COVID-19 are in line with a human rights-based approach.

SERVICE PROVISION: 4.0



CSO service provision slightly improved in 2021 due to CSOs' increased capacity to provide services related to the COVID-19 pandemic. In addition, CSOs benefited from an improved legal framework for contracting home-based medical and social care services.

The legal framework allows CSOs to provide services directly or by establishing for-profit entities, including social enterprises. The range of services provided by CSOs did not change significantly in 2021. The primary areas in which CSOs provide services are education, legal support, entrepreneurship, institutional development, and at-home health care. Organizations such as the Life Without Violence Coalition provided financial and legal support, as well as psychological services, to domestic violence survivors.

In 2021, CSOs continued to provide pandemic-related services, including the distribution of food packages to vulnerable people, protective equipment, and medicine. According to a Ministry of Health report on internal donations provided to the government and medical institution for combating the COVID-19 pandemic, about 30 percent of these domestic donors in 2021 were CSOs.

The services provided by CSOs generally correspond to the needs of their beneficiaries and are provided without any discrimination. Most CSOs provide goods and services to individuals beyond their own members. In order to understand the range of services demanded by constituents, CSOs develop studies, conduct research, or use questionnaires. For example, in May 2021, the Coalition Life Without Domestic Violence distributed a questionnaire to its member organizations to identify their needs and priorities. In addition, as in previous years, CSOs have access to other studies that assess community needs. For example, in 2021, the Keystone Moldova

Association published a study on access to health services during the pandemic. However, in many cases, CSOs provide services in response to donors' needs, which do not always meet constituents' needs or expectations.

Government Decision No 948/2020 came into force in January 2021 and provides a new methodology to estimate the cost of at-home social and medical services. This will make it easier for CSOs to estimate the costs of their services and receive contracts from local public authorities.

As noted in the financial viability section, CSOs earned more income in 2021 through paid services than in previous years. However, CSOs' ability to charge for services is limited by beneficiaries' ability to pay. According to a 2017 study conducted by the Ministry of Health, Labor and Social Protection in partnership with the Network of NCO Providers of Community-Based Care Services, around 21.8 percent of beneficiaries responded that they were able to pay partially for services, while only around 1 percent were able to pay in full. In some cases, CSOs do not know that they are authorized to provide paid services or prefer to apply for funding within grant programs instead of allocating scarce resources to develop paid services.

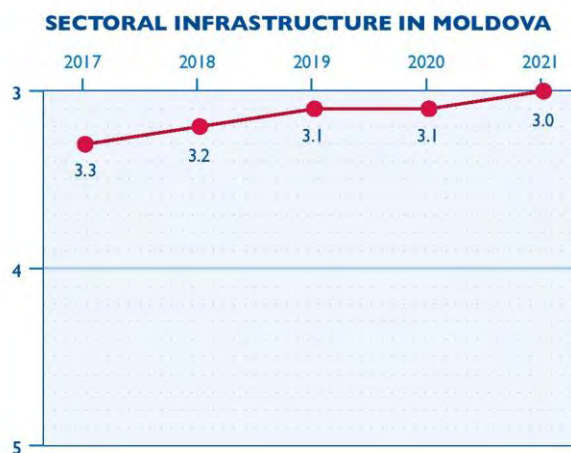
Government support and appreciation of CSO services was mixed in 2021. On the one hand, local and central authorities acknowledged the positive role of CSOs as service providers in the unprecedented circumstances of the COVID-19 pandemic. Further, a new regulation was enacted to provide fiscal benefits to organizations that employ people with disabilities. On the other hand, in 2021 nearly forty CSOs lost their public utility status, which strips them of access to related benefits (fiscal benefits, free or preferential use of public property, non-reimbursable funding, and contracting services), as the committee responsible for issuing or renewing such status stopped operating in 2020. Due to the committee's inactivity over the past two years, around thirty-four CSO applications for public utility status were pending at the end of 2021.

SECTORAL INFRASTRUCTURE: 3.0

The infrastructure supporting the CSO sector improved slightly in 2021 due to the increased availability of capacity-building opportunities and programs.

During 2021, intermediary support organizations and resource centers continued to provide technical assistance and support to CSOs from Chisinau and the regions. CONTACT Center and CICO provided CSOs with training, consultancy, and mentoring activities under various support programs funded by foreign donors. At the regional level, CONTACT Cahul and ProEuropa Center provided support to CSOs from the southern part of the country and the Autonomous Territorial Unit (ATU) Gagauzia. CASMED, Pro Cooperare Regionala (ProCoRe), and Dacia Youth Resource Center, among other organizations, provided support to CSOs in the northern region. In addition, during the year the National LEADER Network in partnership with Solidarity Fund PL in Moldova supported the creation and strategic planning processes of eight new LAGs. In total, twenty-two LAGs received help in updating their local development strategies. The National LEADER Network and Solidarity Fund PL in Moldova also collaborated with CICO to develop policies and standard procedures for thirty LAGs through the Sustainable Territorial Partnerships for the Rural Economic Development of Moldova initiative. This project also provided training on fundraising, financial management, and good governance to LAG staff. However, most of these activities were conducted online due to the COVID-19 pandemic, and many believe that online training and consultancy events have been less effective than face-to-face events.

Sub-granting capacity grew in 2021, consistent with trends in recent years. The Konrad Adenauer Foundation continued to provide funding to CSOs in the regions through the EU-supported Development of Civil Society at the Local Level in the Republic of Moldova program. With funding from USAID and Polish Aid, Solidarity Fund PL in Moldova and the National LEADER Network provide grants to LAGs. UNDP and UNICEF manage an EU-

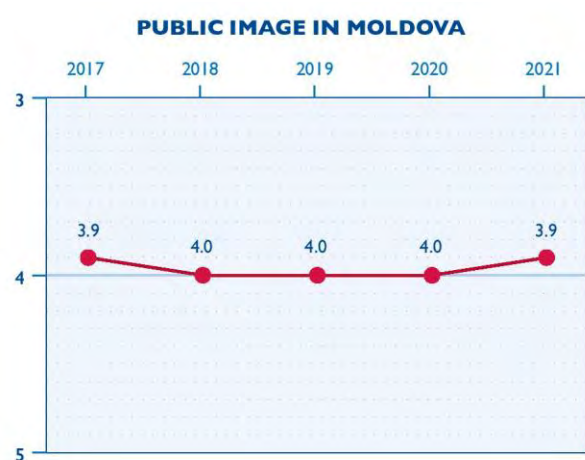


funded grant program with a budget of EUR 80,000 for CSO projects focused on increasing the access of vulnerable groups to public services in the Cahul and Ungheni regions.

Existing CSO platforms and networks such as the NGO Council, NPEPCSF, and the Alliance of Organizations for People with Disabilities (AOPD) continued to function and several new ones were established in 2021. For example, in July more than forty CSOs established the North Regional Network to enhance CSO-citizen collaboration and address environmental and infrastructure challenges in the Northern region.

Cooperation between CSOs and public authorities at the national level stagnated in 2021 due to the authorities' predominant focus on the pandemic and the parliamentary election. At the same time, cooperation between CSOs and local authorities, as well as with businesses, progressed due to the increased activity of LAGs, which bring together the public, entrepreneurial, and civic sectors. Fifteen new LAGs were established in 2021, bringing the total in the country to forty-seven.

PUBLIC IMAGE: 3.9



The public image of the CSO sector improved slightly in 2021, driven by an increase in public trust, the improved perception of the sector by businesses, and CSOs' improved public relations capacities.

However, 2021 was also marked by a series of attacks and smear campaigns directed against CSOs and media organizations. Several users of social networks, as well as politicians, launched defamatory accusations against journalists from the Association of Alternative Media and other media institutions. At the same time, at a press conference in October 2021, Prosecutor General Alexandr Stoianoglo accused several CSOs, independent media, and some development partners of discrediting him. In response to the allegations, thirteen CSOs signed a public address condemning the Prosecutor General's

statements against CSOs.

Despite such attacks, available data suggests that the population's trust of CSOs increased slightly. According to the June 2021 Public Opinion Barometer, 29.8 percent of survey respondents reported that they trust NGOs, as compared with only 23.1 percent in October 2020. The reason for the improved image and trust among the population may be due to the decrease in attacks by the authorities following the elections, the active involvement of CSOs in promoting several draft laws, and the support provided by CSOs during the pandemic, including their role in raising awareness about the COVID-19 vaccination. The appointment of many civil society representatives to key government positions may have also been a contributing factor.

Media affiliated with the Socialist Party of the Republic of Moldova criticized CSOs focused on freedom of expression and the rule of law but did not attack affiliated organizations such as Molodaya Gvardiya (Young Guard), the Socialist Party youth organization. In contrast, independent media provided objective coverage of CSO initiatives such as the Stop Fake campaign (Association of Independent Press), Stop Bullying campaign (Terre des hommes Moldova), and Promo-Lex's campaign against hate speech and discrimination.

Business attitudes towards CSOs also improved slightly in 2021 due to joint initiatives implemented during the pandemic and through LAGs. Nonetheless, many members of the business community have a limited understanding of the CSO sector and only larger companies such as Orange and Moldcell routinely support corporate social responsibility activities or charitable projects.

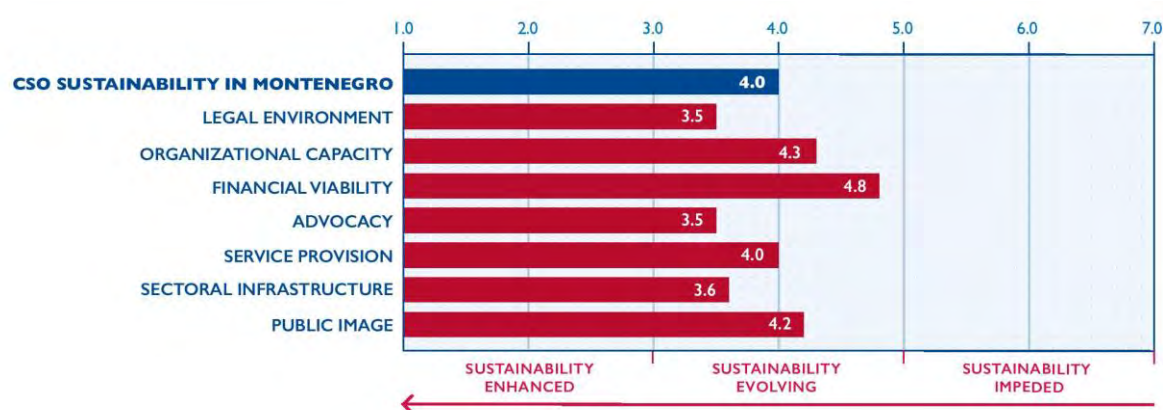
CSOs improved their public relations capacity and social media skills during the pandemic. Due to the restrictions in place for much of the year, the majority of CSO activities were held online, where CSOs were more present and active. CSOs focused their efforts on promoting their activities and communicating with their constituents through Facebook and Instagram, which are the most popular social media platforms in the country.

The sector's capacity for self-regulation did not change significantly in 2021. Only well-established CSOs consistently update their internal policies and procedures and publish financial reports or statements. Although the new NCO Law requires CSOs to publish annual activity reports, many CSOs fail to comply with this requirement. Further, when CSOs do publish annual reports, they often lack details on the organization's activities and financial operations.

MONTENEGRO

Capital: Podgorica
Population: 604,966
GDP per capita (PPP): \$18,300
Human Development Index: Very High (0.832)
Freedom in the World: Partly Free (67/100)

OVERALL CSO SUSTAINABILITY: 4.0



A deepening political crisis plagued Montenegro in 2021. Conflict between the government and the majority coalition in parliament delayed the adoption of new legislation, stalling reform processes and making it virtually impossible for CSOs to engage in advocacy and watchdog efforts. Ethnic tensions were also prominent, culminating in September 2021 when a group of citizens opposed the anointment of Joanikije II of the Serbian Orthodox Church as the new Metropolitan of Montenegro. The government's response and clashes between police and protesters brought Montenegro to the verge of civil conflict.

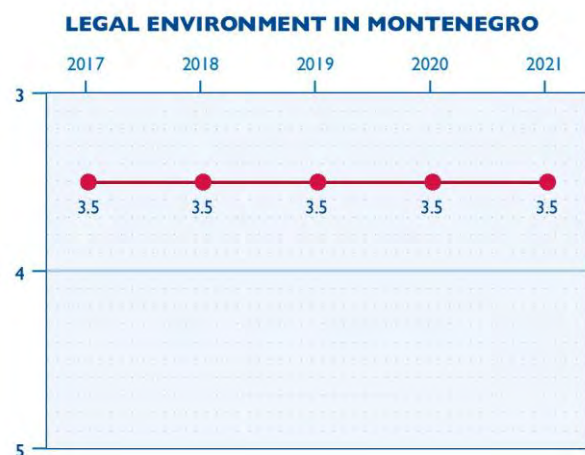
Montenegro's European Union (EU) accession process largely stagnated in 2021. Although the government prepared special action plans to address recommendations from a recent European Commission report, it has not prioritized EU integration.

Montenegro continued to navigate challenges related to the COVID-19 pandemic, including vaccine supplies. Several protective measures were in place at the start of 2021, including a ban on public gatherings and the closure of intercity traffic on certain days. These measures were eased as COVID-19 cases dropped and, by the summer, most restrictions had been lifted, with the exception of a requirement to have a health certificate showing that you had been vaccinated, tested negative, or recently recovered from the virus to enter restaurants and shopping malls. Montenegro's vaccination campaign began in February 2021 and about 45 percent of the population was fully vaccinated by the end of the year.

Key legislative initiatives to improve the enabling environment for CSOs were not adopted in 2021, despite government promises to prioritize its strategic partnership with the sector. Significant delays in government financing of CSO projects and programs jeopardized the sustainability of social services that are not provided by state institutions themselves. CSOs continued to serve as constructive critics of the government and to respond to threats to democracy but were falsely accused by public officials of being motivated by improper political agendas, conducting flawed surveys, and working to advance foreign interests in Montenegro. Despite these challenges, overall CSO sustainability remained unchanged in 2021, with no changes in scores in any dimension of sustainability.

The law recognizes two forms of non-governmental organizations (NGOs): non-governmental associations and non-governmental foundations. According to the Ministry of Public Administration, Digital Society and Media (MPA), 6,426 NGOs are registered in Montenegro, including 6,062 associations, 120 foreign NGOs, and 244 foundations. In 2021, 389 new NGOs were registered and 21 were deleted from the Registry. The largest number of registered NGOs is active in the fields of culture, education, protection of human and minority rights, social services, and health care.

LEGAL ENVIRONMENT: 3.5



The legal framework governing CSOs in Montenegro did not change significantly in 2021.

CSOs in Montenegro continue to be governed by the Law on Non-Governmental Organizations (hereinafter the Law on NGOs), which clearly defines rules for the establishment, registration, legal capacity, financing, and other aspects of CSO activities. This law does not apply to trade unions, political parties, religious communities, or organizations established by the state. In 2020, MPA initiated a process to analyze the implementation of the Law on NGOs and identify needed amendments and formed a working group of government officials and three CSO representatives to contribute to the analysis. However, the analysis was not completed in 2021 and, as of March 2022, the working group had only held three

preparatory meeting and announced a public debate.

CSOs do not encounter significant barriers to registration. Three persons are required to register a non-governmental association, at least one of whom must have a domicile, residence, or seat of office in Montenegro. A minor who is at least fourteen years of age may serve as a founder of a non-governmental association with their legal guardian's consent. A non-governmental foundation may be established by one or more persons, regardless of their residence, domicile, or seat of office. A foundation can also be established according to a will. A foreign NGO may operate in Montenegro after registering its representative office. MPA may refuse to register a CSO if its statutory objectives conflict with Montenegro's Constitution or laws.

MPA maintains the [e-register of NGOs](#) and regularly publishes information on active and deleted CSOs based on e-register data. However, the e-register contains only basic information on CSOs. To better serve as an information resource for CSOs and other stakeholders, the e-register would need to include data on CSOs' statutes, contact information, and management.

Although a new Strategy for Cooperation between State Administration Bodies and NGOs for 2022 to 2026 (hereinafter referred to as the Strategy 2022) was due in 2021, it was still in draft form at the end of the year, with public debates organized only in 2022. Two CSO representatives are participating in the working group preparing Strategy 2022. The Strategy will present strategic and operational priorities for government actions to address key challenges to the CSO sector including: inadequate government support for CSO sector development; lack of an efficient online procedure for CSO registration; the insufficient planning framework for government cooperation with the CSO sector; excessive licensing requirements for social protection CSOs; and the inadequate normative framework for volunteering.

Despite government statements about the importance of strategic partnership with civil society, tensions continued to arise when CSOs criticized official policies during the year. For example, after the Network for the Affirmation of the Non-Governmental Sector (MANS) called for an investigation into oil exploration concessions on Montenegro's coast, the Minister of Capital Investments suggested that the MANS campaign was motivated by improper political and personal considerations. Similarly, when the Center for Civic Education (CCE) published a public opinion poll evaluating the government's performance, the Minister of Education, Science, Culture and Sports issued an official statement insulting CCE's director and accusing CCE of conducting false research.

At the start of the year, the pandemic-related ban on public gatherings remained in place. However, the ban was frequently violated during local election campaigns in spring 2021 without any consequences. By the summer, the government ended the ban and instead issued guidelines instructing participants in public gatherings to maintain a safe distance and requiring them to have health certificates.

The right to peaceful protest is generally protected in Montenegro. However, the anointment of Joanikije II of the Serbian Orthodox Church as the new Metropolitan of Montenegro resulted in violent clashes between protesters and the police. While Eastern Orthodoxy is the dominant religion in Montenegro, many accuse the Serbian Orthodox Church of serving Serbian interests. Ethnic tensions were further inflamed by the decision to hold the inauguration at a Serbian Orthodox Church monastery in the town of Cetinje, the former capital and a symbol of Montenegro's struggle for sovereignty and independence. On the day of the inauguration, protesters blocked access to the city, resulting in a police siege and dozens of injuries in conflicts between police and protesters.

The Law on Corporate Income Tax recognizes donations to registered NGOs as tax-deductible expenses up to 3.5 percent of total revenue for the year. Only donations that support the causes envisaged by the law qualify for those benefits. The Law on Personal Income Tax recognizes donations as deductible expenses up to a maximum of 3 percent of the donor's gross annual income. For projects funded by the EU, all expenditures above EUR 50 are exempt from value-added tax (VAT). In 2021, the government adopted the economic program Europe Now!. While this program increased the minimum average wage and decreased the tax rate on full-time employees, it raised the income tax rate for temporary engagements from 9 percent to 15 percent. As many CSOs use temporary contracts to engage employees, this increases the tax burden on them.

CSOs generally do not pay income tax as they are established to perform nonprofit activities. Under the Law on NGOs, CSOs may perform economic activities set out in their statutes and obtain income up to EUR 4,000 in a given year or 20 percent of total revenue for the previous year. Any income that exceeds this limit must be paid into the state budget.

No lawyers or CSOs are specialized on providing legal assistance to CSOs in Montenegro.

ORGANIZATIONAL CAPACITY: 4.3

Organizational capacity within the CSO sector did not change notably in 2021 and continued to be impacted by challenges related to the COVID-19 pandemic. During the year, many organizations focused on completing project activities from 2020, especially those requiring in-person activities, such as the provision of services, training seminars, and conferences. Smaller CSOs continued to hold online activities, while some larger CSOs organized hybrid events with limited in-person attendees and online streaming.

Although constituency building remains a challenge for many CSOs, some organizations have managed to establish close connections with their target groups. For example, CSOs that provide social services have developed mechanisms to communicate with and engage their clients in their activities. Most often, these are CSOs focused on specific problems and target groups, such as parents, children with disabilities, the LGBTQI population, and people with disabilities. In 2021, environmental CSOs worked closely with local constituents to organize protests against hydropower plant projects, as well as air pollution in Pljevlja, a city in northern Montenegro.

According to the Law on NGOs, a non-governmental association must have an assembly and an authorized representative, while a non-governmental foundation must establish a board of directors and have an authorized representative. A CSO's statute may also provide for other types of governing bodies. Most CSOs in Montenegro have a president and an executive director who manage the organization.

ORGANIZATIONAL CAPACITY IN MONTENEGRO



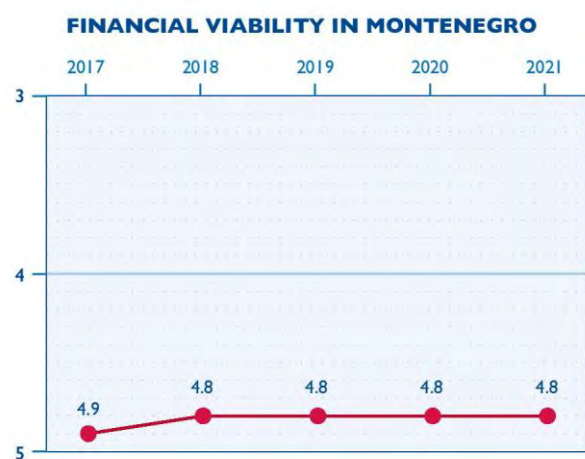
Most CSOs are small local organizations with limited human and financial resources that mainly conduct project-based planning. Larger CSOs implement strategic planning for periods of up to two years.

According to the draft of Strategy 2022, Montenegrin CSOs employed 1,458 people at the start of 2021. Nearly 47 percent were employed in CSOs in Podgorica, highlighting the pronounced disparity in CSOs' geographic distribution. CSOs are subject to the Labor Law if they employ full-time staff. A fixed-term contract can last for a maximum of thirty-six months, after which the employee receives a permanent contract, which imposes additional obligations on the employer, such as the payment of severance pay in case of termination. The Labor Law provides an exception in the case of project-based employment, which allows CSOs to engage staff on fixed-term contracts for more than thirty-six months. In 2021, the government continued to implement the Professional Training Program for Higher Education Students, which enables CSOs to hire trainees, albeit for a limited period.

According to the Charities Aid Foundation's *World Giving Report 2021*, 11 percent of Montenegrins reported volunteering. The proposed Law on Volunteering, which had been pending since 2019, was withdrawn from parliamentary consideration in 2021. The draft of Strategy 2022 envisages reforming Montenegro's legislative framework on volunteering to improve the normative framework and incentivize the development of the volunteer sector.

Although most CSOs are equipped with basic information and communication technology (ICT), larger CSOs with more resources were better able to adapt to the "new ways of working" during the pandemic, such as remote work, video meetings, online seminars, and livestreaming of events. Some CSOs still do not have websites, and they communicate exclusively through social media networks.

FINANCIAL VIABILITY: 4.8



The financial viability of CSOs did not change significantly in 2021.

The draft of Strategy 2022 states that CSOs obtained EUR 34.7 million in revenue in 2020. Approximately 85 percent of registered CSOs reported annual income below EUR 5,000 and only 3.5 percent of CSOs had more than EUR 50,000 in revenue. Only nine CSOs had more than EUR 500,000 in turnover, seven of which were based in Podgorica.

Throughout the pandemic, donors—both foreign and government—have approved adjustments to CSOs' plans and activities based on the rapidly changing situation. For example, some donors approved no-cost extensions to give grantees more flexibility amid the challenging circumstances of the public health emergency.

According to the Law on NGOs as amended in 2017, the state must allocate at least 0.5 percent of its annual budget to fund NGOs: 0.3 percent for NGO projects and programs in areas of public interest; 0.1 percent for protection of persons with disabilities; and 0.1 percent to co-finance NGO projects and programs supported by the EU. According to preliminary MPA data, government ministries launched open calls for funding proposals in all programmed areas in 2021. However, by the end of the year, the government had distributed only EUR 2,621,539.87 for public interest projects and programs, 70.6 percent of the total funds (EUR 3,713,205.40) allocated for this purpose. The total amount allocated for co-financing of EU projects (EUR 928,301.25) was distributed to twenty-five CSOs.

CSOs' access to government funding was hindered by several factors in 2021. A four-month delay in the adoption of the state budget delayed ministries' calls for proposals and decisions on project financing. The largest number of open calls was announced in October and November 2021, well after the legal deadline of March 1. Government ministries do not have a legal obligation to make funding decisions by a specific date. This uncertainty complicates the process of planning and implementing CSO project activities. In addition, the number of independent evaluators dropped from forty in 2018 to thirty in 2020, undermining the project proposal review process.

According to an MPA study on the financing of NGOs, key challenges in the financing process include complicated funding procedures, uneven funding patterns, favoritism toward more established NGOs, inadequate procedures for choosing independent evaluators, and inconsistent open call publicity materials.

At the beginning of 2021, MPA initiated a new process to determine priority areas of public interest and funding levels for these areas. As noted by the government, this process could not start before the March 1, 2021, statutory deadline due to the delay in passing the new state budget.

International funding sources are crucial for Montenegrin CSOs' functioning and sustainability. Among the most important are EU funding sources, including the Instrument for Pre-Accession Assistance (IPA), Europe for Citizens, Creative Europe, Erasmus+, and the European Instrument for Democracy and Human Rights (EIDHR). Significant non-EU donors include the Balkan Trust for Democracy (BTD), the National Endowment for Democracy (NED), the Rockefeller Brothers Fund (RBF), the United Nations Development Programme (UNDP), as well as foreign embassies. Developing effective project proposals for these donors often requires significant human and logistical resources that only well-established CSOs possess. If less established CSOs engage in projects supported with these funds it is generally through re-granting schemes. Foreign funding levels did not change notably in 2021.

Local CSOs still have weak financial viability and rely on funding from local governments. Local government support for CSOs continues to be characterized by a lack of relevant data and a non-transparent allocation process.

According to the *Report on the State of Philanthropy in Montenegro*, developed by Catalyst Balkans in cooperation with the CSO Fund for Active Citizenship (fAKT), the total value of donations in 2021 was EUR 12,871,934.52¹. Catalyst Balkan's data on COVID-19 donations show that in the period from March 2020 to February 2021, the value of donations per capita in Montenegro was EUR 15.7, which is significantly higher than that in other countries in the region.² CSOs rarely use innovative ICT approaches to raise funds and there are no significant examples of Montenegrin CSOs using crowdfunding platforms in 2021.

In 2021, fAKT continued to award the Iskra philanthropy award to companies, associations, and individuals. Among others, the award was given to the informal association Nine Good Women for its work with sick children and medical staff in COVID-19 centers, and the support it provided in Croatia after the devastating earthquake near Petrinja in the last days of 2020. Slobodanka and Momcilo Pajovic, private donors from the United States, received an award for their donation to fight the pandemic.

CSOs are subject to the same financial reporting requirements as private companies. Audits are not required for all CSO projects, although all EU-funded projects over EUR 60,000 are subject to audits. Capacities for quality financial management vary within the CSO sector. Smaller organizations may not have dedicated staff and accountants to perform financial management tasks, while larger CSOs are able to hire financial managers.

ADVOCACY: 3.5

CSO advocacy remained largely unchanged in 2021. Political tensions between the government and the ruling majority in parliament continued to impede reform initiatives and prevented substantial consultations and collaboration between CSOs and policymakers.

The Decree on the Election of NGO Representatives to the Working Bodies of State Administration Bodies and the Conduct of Public Debates in the Preparation of Laws and Strategies (hereinafter, the Decree) prescribes the participation of the civil sector in government working bodies on new legislation and public policy. According to the Report on the Implementation of the Decree in 2020, the most recent information available, the government held public hearings for only twenty-one out of the forty draft laws it prepared and initial public consultations were conducted for only three laws. Similarly, the government held initial public consultations for only one out of eight

¹ This data includes all individual donations, not just those to CSOs.

² The value of donations per capita in other countries of the region include: EUR 10.7 in North Macedonia, EUR 6.3 in Serbia, EUR 6.2 in Croatia, EUR 6 in BiH, EUR 2.8 in Kosovo, and EUR 1.1 in Albania.

strategies and conducted public debates on only two strategies. For four strategies and one program, the government held neither public consultation procedures nor public debates. Additionally, most ministries did not publish lists of laws to be considered in public debates, despite the legal obligation to do so.

Ministries regularly publish calls for CSOs to participate in working groups for the preparation of laws, regulations, and strategic documents. However, according to the Report on the Implementation of the Decree, CSOs were not invited to participate in working groups related to key laws drafted in 2020, such as the Law on Administrative Disputes and the Law on the Prohibition of Discrimination.

The draft version of Strategy 2022 states that the e-Participation and e-Petition portals are rarely used. For instance, only one comment was submitted through the e-Participation portal from 2019 to 2020. Furthermore, while fifty-eight petitions were submitted on the e-Petition portal between December 2020 and December 2021, the majority were not discussed within the relevant ministries and citizens did not receive feedback on their petitions. In some cases, government ministries provided justification for rejecting e-petitions that did not conform to the e-Petition portal's rules.

According to a 2021 report by the Centre for Development of Non-Governmental Organizations (CRNVO), fifty-four CSO representatives participated in twenty-five parliamentary committee sessions in 2020. The majority (twenty-nine) of these participated in the Committee on Human Rights and Freedoms.

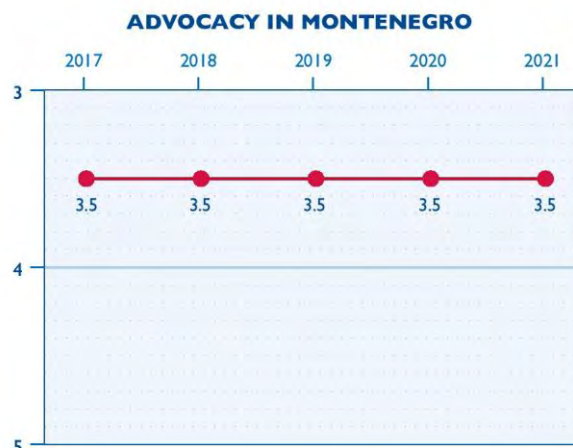
CSO representatives served on the new National Council for the Fight against High-Level Corruption, which the new government established in 2021 to address the most serious cases of corruption. Stevo Muk of Institute Alternative was elected as a member of the National Council and Vanja Čalović of MANS headed the National Council's team of experts. Under amendments to the Law on State Prosecutor's Office, CSOs are now allotted a representative on the Prosecutorial Council, which oversees the appointment and functioning of state prosecutors.

In September 2021, Dragan Koprivica of the Center for Democratic Transition resigned his membership in the Council of the Statistical System because Council members were given inadequate time to cast their votes on a draft law on Montenegro's census. A group of CSOs also launched an initiative to exclude categories such as ethnicity, religion, and mother tongue from future censuses, in part to comply with EU accession requirements. According to the report on the public debate for this law, the proposal was not accepted, although the law is not yet under parliamentary consideration.

CSOs reported that it is often difficult to perform their watchdog functions because of problems with accessing public information, including the low response rates by the government and state-owned enterprises to information requests. According to the Agency for Personal Data Protection and Free Access to Information, out of a total of 4,805 requests sent to authorities in 2020, the Agency received 3,000 complaints, indicating underlying problems in the actions of first-instance bodies.

CSOs participate in public consultations organized by local governments, but active participation of CSOs in local decision making remains limited. According to a CRNVO report on cooperation between NGOs and local self-governments in 2020, the main barriers to CSOs' access to local decision-making processes included lack of transparency, irregular updating of municipal websites, irregular meetings of municipal representatives with local CSOs, and insufficient visibility of designated government contacts for CSOs. The report shows that in 2020, twenty CSO representatives were elected to eighteen working groups formed by local self-governments to prepare normative acts or design projects and programs; however, there was a lack of transparency in the election processes for these CSO representatives.

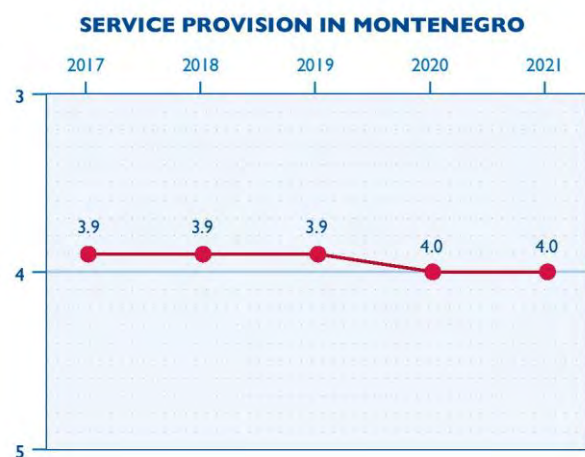
In December 2021, the government agreed to compensate individuals who had been included on public self-isolation lists during the pandemic, in response to a legal process initiated by CSOs. The Center for Democratic Transition, Media Institute of Montenegro, and Atlantic Council of Montenegro conducted research and regularly published reports to counter pandemic-related disinformation.



After the adoption of the Law on Life Partnership of Persons of the Same Sex in July 2020, the first same-sex marriage in Montenegro was held in July 2021, when the law took effect. CSOs focused on LGBTQI issues have provided funding to support the law's full implementation. Additionally, five CSOs launched the Platform for Joint Action to support the advancement of the human rights of LGBTQI persons.

The Council for Cooperation between State Administration Bodies and CSOs monitors the implementation of the Strategy for Improving the Stimulating Environment for CSO Activities and gives opinions on draft regulations and other documents related to the work and development of CSOs. Along with MPA, the Council is a key government body involved in strengthening strategic cooperation with CSOs. However, the Council has been largely inactive since October 2020 and it held only one session in 2021.

SERVICE PROVISION: 4.0



CSO service provision did not change notably in 2021. Among the most common services provided by CSOs are legal aid, psychological services, consumer protection, whistleblower protection, social and child protection, assistance to persons with disabilities, education, and health care.

The COVID-19 pandemic continued to negatively impact the provision of services by CSOs in 2021. Many smaller CSOs continued to suspend or limit in-person activities and work with beneficiaries. Some CSOs, such as Safe Women's House, provided counseling and legal assistance to survivors of gender-based violence through online video calls. The number of gender-based violence cases reported to the Safe Women's House decreased in 2021 compared to 2020 but was still 30 percent higher

than in 2019.

CSOs must obtain licenses to provide some services, including community support services, such as day care, home help, and personal assistance, accommodation services, and advisory, therapeutic, and socio-educational services. Procedures to obtain a license are demanding, time-consuming, and expensive, posing a significant obstacle to CSOs, as noted in the draft of Strategy 2022. Additionally, several laws and ministries regulate service provision and licensing in different specialized areas, increasing the regulatory burden. The Strategy 2022 draft envisages analyzing and reforming existing licensing procedures.

Currently, the government does not conduct multi-year planning to support service delivery by CSOs, which limits the CSO sector's strategic development and sustainability. As noted in the Strategy 2022 draft, this particularly impacts service provision to populations with long-term needs, such as people with disabilities, as CSOs working in these areas do not have guaranteed government support to sustain their activities. Importantly, several CSOs provide services that the state is unable to provide; for example, most social protection services are provided exclusively by CSOs. However, the financial sustainability of these activities depends on donor support, which is very limited. Government ministries are not required to consistently fund services they have licensed, so service continuity often depends on the personal commitment of CSO employees.

Social entrepreneurship is nascent in Montenegro. CRNVO maintains a [website](#) to promote successful examples of existing social enterprises and their products. Work centers and supervised workplaces for people with disabilities are considered social enterprises. The Law on Professional Rehabilitation and Employment of Persons with Disabilities regulates their establishment and activities, as well as subsidies for employers of persons with disabilities. Social enterprises face significant financial challenges and often rely on grants to supplement their income. Over the past ten years, several CSOs have recommended public policy reforms, such as a special law on social entrepreneurship, to address this challenge. In 2019, the Institute for Entrepreneurship and Economic Development proposed that the government define "social entrepreneurship" in the Companies Act to legally recognize and facilitate support for the social enterprise sector, however this has not happened yet. The draft of

Strategy 2022 fails to address social entrepreneurship apart from noting that the prior strategy's recommendations in this area were not implemented.

SECTORAL INFRASTRUCTURE: 3.6

The infrastructure supporting the CSO sector remained largely unchanged in 2021.

CRNVO continued to manage the Resource Center, an EU-funded initiative that works to strengthen the managerial and technical capacities of CSOs, as well as cooperation between CSOs, local and national authorities, and the academic community. The Resource Center aims to make its services accessible to CSOs throughout Montenegro through a national center in Podgorica, four local resource centers, and a Mobile Resource Center that conducts regular outreach in other cities.

fAKT is the only domestic foundation that awards grants to CSOs. In 2021, fAKT awarded grants for nine projects with a total value of EUR 18,205. Funds for these grants are provided by BTD and USAID.

CSOs participate in several national coalitions. Prominent examples include Together Towards the Goal with 100 member organizations and Open Platform with around 30 members; however these coalitions do not actively engage in joint activities. Instead, CSOs most frequently collaborate on an ad hoc and informal basis to address issues of concern when they arise. Montenegrin anti-corruption CSOs regularly participate in regional coalitions and networks on good governance and the fight against corruption, such as Southeast Europe Leadership for Development and Integrity (SELDI), Accountability, Technology and Institutional Openness in South East Europe (Action SEE), and Western Balkan Civil Society Empowerment for a Reformed Public Administration (Weber).

In 2021, trainings, conferences, and seminars were impacted by frequent changes in national COVID-19 measures. Many trainings were organized online due to restrictions on in-person participation. Some trainings and seminars were held both online and in person, though this hybrid approach was not common. The Resource Center organized a training series for small and medium-sized CSOs on communication strategies, human resources, strategic planning, advocacy, and financial management.

In 2021, cross-sectoral cooperation remained very limited. Beyond several existing CSO-media partnerships, there were few examples of such cooperation. A rare exception was collaboration between the NGO Urban Garden and Podgorica's municipal government to build Montenegro's first urban garden.

SECTORAL INFRASTRUCTURE IN MONTENEGRO



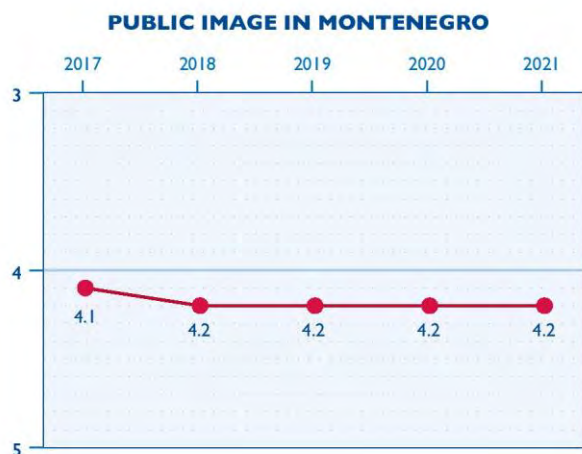
PUBLIC IMAGE: 4.2

The CSO sector's public image remained essentially unchanged in 2021.

Montenegro's political crisis spurred increased participation of CSO representatives in the media, with CSO representatives participating in numerous televised debates on the crisis with nationwide coverage.

Public opinion polls suggest a trend of declining trust in CSOs among Montenegro's citizens. According to polls from the Center for Democracy and Human Rights (CEDEM), 34 percent of survey respondents reported that they trust CSOs in December 2021, as compared to 39.3 percent in 2019 and 37.9 percent in 2020. Recent studies indicate that this may be part of a broader decline in public trust in institutions.

Several scandals involving CSOs received significant media coverage during the year. The alleged illegal distribution of Ministry of Health funding to certain CSOs for activities related to AIDS, tuberculosis, and malaria became a major media controversy. The new government determined that the implicated CSOs received more than EUR



100,000 above the legal limit under the Law on NGOs. Significant media attention was also given to the government's licensing of and financial support for a social service and child protection CSO despite its director's criminal record.

A CRNVO survey on citizens' attitudes towards CSOs conducted in early 2021 indicates that some citizens perceive the terms "NGO" and "CSO" differently. Eighteen percent of respondents reported negative reactions to the term "NGO," while only 5 percent reacted negatively to the term "CSO." The public is strongly divided over the role of NGOs in society. While 45 percent of citizens think that NGOs work in the public interest, the same proportion of citizens think that NGOs work either in the interest of their leaders (19

percent), political parties (15 percent), foreign countries (7 percent), or the government (4 percent). Two-thirds of respondents believe that NGOs provide a good opportunity for citizens to self-organize to solve important social issues. The CRNVO survey also indicates that one out of every five citizens believe that NGOs should be banned because they serve the interests of other states, though this is a decline in the percentage who reported believing this in 2019.

Although the business sector recognizes the important role CSOs play in the reform process, CSOs continued to struggle to establish strategic cooperation with the business sector in 2021. The government has declared its commitment to cooperating with NGOs; despite this, some institutions interpret CSO proposals and initiatives as criticism of their work.

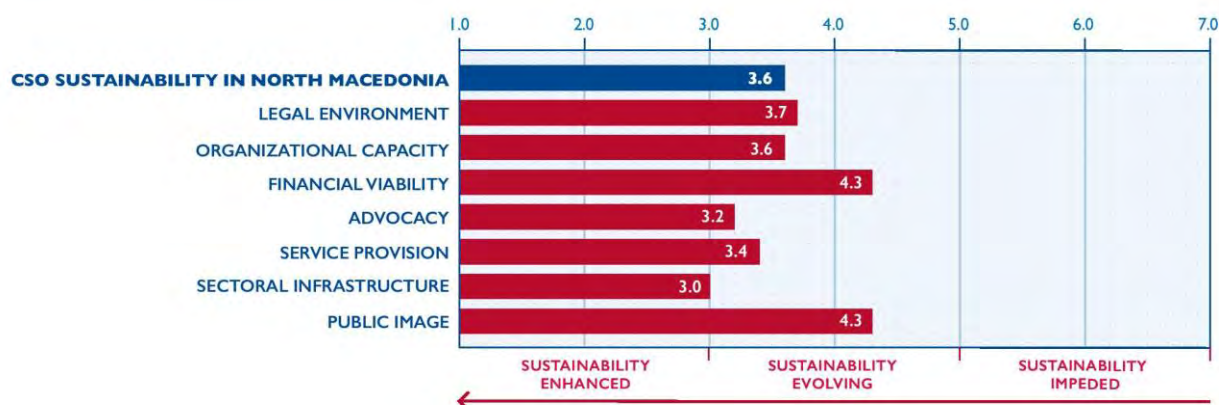
CSOs rely heavily on social media to publicize their activities. CSOs generally do not have dedicated public relations or communications staff. In 2021, CSOs continued to embrace new forms of communication to present their work, including videos, infographics, and other materials designed to share on social networks. Larger CSOs have invested in video production to present their work and issues in an accessible way.

A significant number of CSOs publish annual reports on their websites, although some organizations do not have their own websites. Some CSOs also publish audit reports on their financial operations, although these are less common than annual reports.

NORTH MACEDONIA

Capital: Skopje
Population: 2,130,936
GDP per capita (PPP): \$15,800
Human Development Index: High (0.770)
Freedom in the World: Partly Free (67/100)

OVERALL CSO SUSTAINABILITY: 3.6



Throughout 2021, the COVID-19 pandemic continued to have a severe impact on socio-economic and political life in North Macedonia. To limit the spread of the virus, the government imposed and lifted various measures in response to different waves of the virus. Notably, health certificates showing that you were either vaccinated, had tested negative, or had recently recovered from COVID became mandatory for entering restaurants, malls, and other public spaces, and for organizing and participating in public indoor and outdoor events. By December 2021, approximately 40 percent of the population was fully vaccinated. The relatively low vaccination rate spurred the continuation of pandemic restrictions, while businesses suffered from high rates of absenteeism, further hampering economic recovery. In this context, civil society actors continued to provide targeted support to their constituencies, especially marginalized segments of the population, such as the elderly, disabled, impoverished people, and minorities.

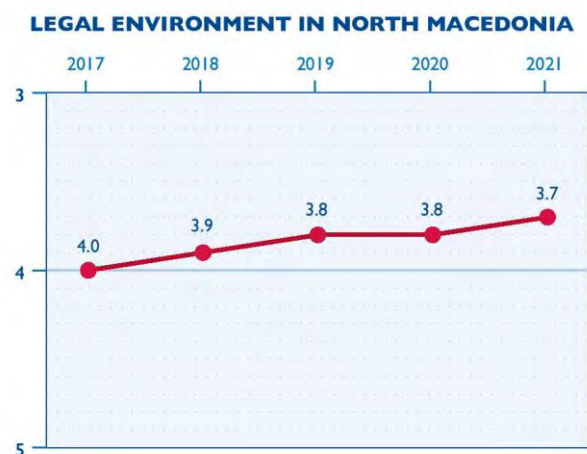
Near the end of the year, political events and government reshuffles affected the country. An alliance between the Social Democratic Union of Macedonia (SDSM) and the Democratic Union for Integration (DUI) had governed the country since parliamentary elections in July 2020. However, in local elections in late October 2021, SDSM lost control in nearly all major cities, including in the capital Skopje, winning only sixteen municipalities compared to the forty-two municipalities won by the opposition party, the Internal Macedonian Revolutionary Organization-Democracy Party for Macedonian National Unity (VMRO-DPMNE). In the aftermath of this loss, Prime Minister Zoran Zaev resigned from all political posts, triggering a reshuffle within the SDSM-DUI governing alliance. This brought policy-making processes in the country to a stalemate, hindering CSOs' work.

North Macedonia's long-standing attempts to join the European Union (EU) continued to be stymied in 2021, as Bulgaria continued to veto the opening of EU accession negotiations due to unresolved disputes over language and history. This veto negatively impacted the public's interest and trust in the EU enlargement process. As North Macedonia celebrated thirty years of independence, the country held its first population census since 2002, gathering information on the population size, ethnic and religious affiliations, and more.

In 2021, overall CSO sustainability in North Macedonia remained largely unchanged. A slight improvement in the legal environment balanced out a slight deterioration in financial viability. The legal environment governing the sector improved with the adoption of new strategies and other legislative changes, while financial viability was negatively impacted by a decrease in state funding. All other dimensions remained unchanged. CSOs continued to engage in wide-ranging advocacy and service provision efforts in 2021, despite the decline in financial viability and the ongoing pandemic restrictions.

According to data provided by the Central Registry of North Macedonia (CRNM), a total of 14,395 organizations were registered in the country as of the end of 2021, 8,725 of which were active. These figures indicate a huge increase of registered organizations, rising from 10,812 in 2020. However, the data publicly listed by CRNM continues to lack precision and should be considered with caution, especially given the apparent volatility of the numbers.

LEGAL ENVIRONMENT: 3.7



In 2021, the legal environment in which CSOs operate in North Macedonia improved slightly with the adoption of several strategies and other legislative changes.

The 2010 Law on Associations and Foundations (LAF) continues to provide a relatively clear and enabling framework for the operation of associations and foundations, defining requirements for organizational governance, reporting obligations, and other aspects of CSOs' work. The process to register a CSO continues to be generally fast and easy to complete.

In 2021, the Ministry of Justice announced plans to amend the LAF in accordance with the government's Strategy for Cooperation with and Development of Civil Society. The planned changes would affect the public benefit status of CSOs, the definition of political

activities, distribution and monitoring of state funding to CSOs, income-generating activities, public-private partnerships, and informal groups. However, working groups to define and propose specific changes to the LAF had not been initiated by the end of the year.

Several other reforms of the statutory framework have also been long expected, although an apparent lack of political will or the government's lower prioritization of civil society matters continues to cause delays. For example, although changes to the Law on Donations and Sponsorship of Public Activities were anticipated, none were introduced in 2021. A working group, including CSO representatives, was created to reform state financing for CSOs, but the process was notably delayed and the working group only began to meet in 2022.

Positive developments in 2021 included the adoption of new government strategies affecting the sector. The new Strategy for Cooperation with and Development of CSOs was adopted at the end of 2021 and covers 2022–2024. The National Strategy for Promotion and Development of Volunteering 2021–2025, adopted in September 2021, protects the rights of volunteers, promotes volunteering, and requires the state to support CSOs' and other public institutions' efforts to engage more volunteers, while providing the necessary infrastructure. Civil society actors were actively consulted throughout the drafting process for both of these strategies and most of their suggestions were adopted.

Civil society also claimed small victories in 2021 as its input was incorporated into several draft laws. First, the working group amending the Criminal Code accepted changes proposed by CSOs, according to which CSO legal representatives would no longer be treated as public officials, and thus would not be subject to criminal proceedings for "abuse of official position and authorization." Second, the draft Law on Civil Procedures establishes a special procedure for protecting collective rights, such as equality, environmental rights, and consumer rights, and gives specialized CSOs legal standing to initiate such procedures on behalf of their constituencies or target groups. Finally, CSOs' suggestions in the working group reviewing the Law on Volunteering received substantial consideration. Proposed changes ease the administrative obligations for setting up and running volunteering programs. While not yet formally adopted, these draft laws are all expected to have a positive impact on the CSO sector.

In another positive development in 2021, the government adopted a report on targeted risk assessment, the first of its kind to equally include CSOs in its methodology. The report found that 87 percent of the CSOs in North Macedonia present a very low risk of financing terrorism.

On the other hand, new provisions introduced in 2021 to the Law on Protection of Personal Data and the Law on Prevention of Money-Laundering and Financing of Terrorism complicated the work of CSOs. Misinformation regarding the date on which the requirements arising from the Law on Protection of Personal Data go into effect caused uncertainty throughout the CSO sector. In addition, meeting these requirements, which are intended to align with European data protection standards, could impose costs disproportionate to the size and capacities of some CSOs. However, the concrete provisions of the law and implications for CSOs remain to be seen.

Simultaneously, provisions of the Law on Prevention of Money-Laundering and Financing of Terrorism imposed additional administrative burdens on CSOs, including the requirement to provide detailed information on their ownership structure. Failing to register a “real owner” in a timely manner can result in high fines. Cooperation with the Financial Intelligence Unit improved CSOs’ understandings of their obligations under the law, helping many CSOs avoid possible penalties. CSOs also developed closer working relations with banks in addressing these new requirements in 2021, which was important as banking rules for CSOs have been broadly considered unfavorable.

There were no reports of state harassment of CSOs in 2021. As in previous years, CSOs face no legal restrictions on their ability to access various funding sources, including economic activities, fundraising campaigns, foreign donors, or government procurement tenders.

The Law on Donations and Sponsorship in Public Activities continued to provide CSOs with exemptions from value-added tax (VAT) on foreign grants and domestic donations. Income derived from sources other than economic activities is exempt from profit tax. CSOs’ economic activities are subject to a preferential tax rate of 1 percent of the total generated revenues from economic activity in the calendar year on amounts that exceed MKD 1 million (EUR 16,260). Volunteer costs are also exempt from the personal income tax.

The Civil Society Resource Center and the Macedonian Young Lawyers Association (MYLA) continued providing legal support to CSOs around the country in 2021. Of particular importance was MYLA’s free legal advice clarifying the legal provisions regarding real owner registration.

ORGANIZATIONAL CAPACITY: 3.6

Organizational capacity of the CSO sector in North Macedonia remained largely unchanged in 2021.

Though the international donor community acknowledges the CSO sector’s need for capacity building, limited support is available for institutional and strategic development, such as financing the drafting of strategic documents, facilitating long-term strategic planning, or targeted staff training. In 2021, the Swiss-funded Civica Mobilitas program provided a few core grants. The Balkan Civil Society Development Network’s Regional Civil Society Development Hub and the mentorship programs through the EU’s Technical Assistance to CSOs in the Western Balkans and Turkey (TACSO) bolstered the capacities of CSOs with a focus on strategic development and capacity for strategic advocacy.

CSOs continued to provide targeted support to those affected by the COVID-19 pandemic in 2021. This positively affected their relationships with constituents and the wider community, though not as strongly as it had in the first year of the pandemic, as the need for targeted assistance in response to the pandemic decreased and the situation became accepted as the new norm.

While most CSOs have strategic plans, as in 2020, financial limitations continued to shift CSOs’ focus away from building their long-term capacities and implementing their strategies. Instead, CSOs focus on pursuing donor-driven projects, which sometimes are not even related to their missions, in order to ensure their survival.

ORGANIZATIONAL CAPACITY IN N. MACEDONIA

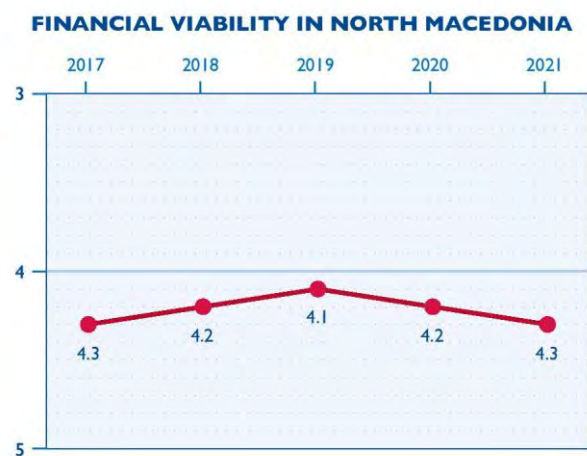


According to CRNM data, the number of CSOs continues to grow while the number of people employed in the sector remains almost exactly the same: 2,391 in 2020 and 2,398 in 2021. CSO staffing continued to be a problem within the sector, especially at the local level, where it is difficult to find qualified staff. CSOs' lack of long-term financing and inability to provide competitive salaries makes it even more difficult for them to retain employees. The volatility of staffing has also hampered the institutionalization of work processes. For example, as managers have to perform many tasks simultaneously, organizations struggle to focus on their core activities. Few CSOs are able to operate with clearly divided internal management structures.

At the same time, employment in the civil society sector has become more attractive for university graduates. According to university professors, graduates' perceptions of CSOs have improved in recent years, as students, particularly those studying political science and law, have become more engaged in the sector.

After significant improvements in 2020, CSOs' use of digital information and communication tools became relatively standard in 2021. In addition to enabling work while complying with health restrictions on movement and public gatherings, the growth of technical capacities and new working methods offered new opportunities for advocacy. However, this increase in project outputs does not necessarily increase the visibility and effectiveness of civil society advocacy activities.

FINANCIAL VIABILITY: 4.3



The financial viability of the CSO sector deteriorated slightly in 2021 due to a further reduction of state funding for CSOs from both central and local budgets.

State funding for CSOs was reduced at both local and central levels in 2021 as the government continued to reallocate funds for COVID-19 relief and public institutions issued fewer calls for project proposals. Decisions about reducing and reallocating funding away from civil society were made without prior consultation with CSOs. In December 2021, for example, the government decided to limit the funding available under the budget line dedicated to CSOs. With this decision, the adopted budget for 2022 included just MKD 15 million (approximately \$257,000) in funding, all of which was provided directly to the North Macedonian Red

Cross. The CSO sector viewed this decision as a blow and further confirmation of the state's lack of interest in supporting its work.

At the local level, organizations also suffered from reduced public budgets, which especially impacted smaller CSOs. At the same time, however, funds for sport clubs and sport activities were not reduced, which was controversial, since both CSOs and sport clubs operate on the same legal basis and therefore receive funding from the same budget lines.

Many municipalities do not offer funding to CSOs. Those that do often lack prescribed procedures for distributing funds and award grants to CSOs in a non-transparent manner that may be politically motivated. For example, the municipality of Prilep issues annual calls for proposals, but has no criteria for the projects' evaluation and selection. In 2021, the municipality granted an equal amount of financial support to all organizations applying for funding, including non-existent organizations and projects without outlined activities.

Through the EU-funded Regional Program on Local Democracy in the Western Balkans (ReLoaD), implemented by the United Nations Development Programme (UNDP), funding was offered to municipalities to develop a methodology for distributing state funds on the local level, according to which several municipalities opened calls for proposals in 2021. CSOs, however, see this as problematic, as it overrides the methodologies already developed with CSOs' support (although not practically implemented) in many of those municipalities.

Though the government's Code of Good Practices establishes clear procedural requirements, government consultation on sectoral funding priorities was limited in 2021, as was CSOs' involvement in the planning of projects and monitoring and evaluation processes.

The comprehensive reform of the framework for state funding to CSOs progressed slowly, as noted above, and working groups did not begin meeting until 2022. This reform constitutes an integral part of the government's Strategy for Cooperation with and Development of CSOs. According to the new strategy, as well as the strategy for the CSO-Government Council, central state funding should gradually increase until it accounts for 30 percent of CSOs' total revenue (or around MKD 2 million) by 2024. In the 2022 budget, which was adopted in 2021, state funding accounted for just 5 percent of CSOs' total revenue. The reform also aims to address the problems with the procedures for allocating funding.

In 2021, most CSOs continued to rely heavily on foreign support; in some cases, this drove CSOs to implement donor-driven agendas rather than focusing on their core missions. Larger organizations continued to have more access to longer-term funding support, while smaller organizations often relied on short-term funding. EU funding continued to be widely available, but its requirement for co-financing presents an obstacle for some organizations, especially since the state does not yet provide such co-financing support. Several organizations also reported that EU funding increasingly placed limits on the percentage of financial support available for salaries and human resources, in turn spurring organizations to hire external consultants rather than using and strengthening their own expertise and capacities. With funding from the Swiss Agency for Development and Cooperation, the Civica Mobilitas program continued to provide small grants at the local level. Other important sources of support for CSOs in the country include USAID through its Civic Engagement Project and the Local Works Program; the US Embassy Grants Program; and the Swedish, Dutch, the United Kingdom, and Norwegian governments.

Financial support from the business sector remained limited, at least partially stemming from the lack of a legal framework to enable and promote cooperation between the sectors. However, businesses were increasingly open to cooperation—for example, in promoting the Sustainable Development Goals—and providing non-financial support.

The first crowdfunding platform for CSOs was launched in North Macedonia in 2021, creating an alternative funding source for civil society. The eCrowd platform helps CSOs, especially newly emerging civil society actors, secure funding to implement activities. Several initiatives successfully garnered support through this platform during the year, most of which had a humanitarian character. For example, the Donate a Computer initiative secured enough funds to buy a vehicle to collect used computers from around the country, which it will then repair and donate to vulnerable groups of citizens.

In 2021, the USAID-funded Community Development Program, implemented by the Rural Development Network of North Macedonia, awarded institutional grants to four local action groups to support their efforts to mobilize local resources, including from the state, business sector, and citizens. The five-year program offers a sustainable model to catalyze locally-led development that can be replicated and scaled-up in compatible thematic sectors or geographic areas. The project aims to reinforce models of engaging local actors in the design and delivery of participatory solutions and resource allocation for the development of rural areas.

No significant changes were recorded in CSOs' financial management practices in 2021. The lack of staff with expertise in CSO financial management is a significant challenge for CSOs, especially at the local level. Very few accountants understand the specific nature and work of CSOs and are able to give guidance on donors' requirements and project-related finances and accounting. As a result, many organizations lack adequate systems and skills to comply with donors' requirements or meet financial management standards.

ADVOCACY: 3.2

CSO advocacy remained unchanged in 2021. Despite persisting difficulties caused by the pandemic and the largely pro-forma consultation of CSOs by public institutions, civil society actors took a proactive role in advocating for societal change in various domains.

Access to information is constitutionally guaranteed and operationalized by the Law on Free Access to Public Information. According to this law, all draft legislation should be published on the central ENER online platform; in 2021, however, only 41 percent of draft legislation was published on the portal (up from 34.3 percent in 2020).

The ENER platform also offers civic activists the opportunity to submit legislative initiatives online, though this option was not used in 2021.

Civil society actors were only marginally involved in important consultation processes during the year. For instance, CSOs were not consulted regarding changes to election campaign financing regulations until very late in the process. In another example, the government announced that a report on state administration reform was prepared within an EU project, within which only closed debates were held without the participation of many stakeholders, including CSOs. After the report was presented, many CSOs pointed to a number of shortcomings and problems in the plan. Despite CSOs' demands that a consultative process on the report be opened, this did not happen by the end of the year.

In addition, consultations on the drafting of the Law on the Origin of Property were insufficiently participatory. Although the drafting of this law was not included in any of the government's work programs for 2021, a working group was formed as part of a project implemented by the Council of Europe. The composition and activities of the working group were not publicly disclosed, and there is no public information on the process, despite the reactions of CSOs working on good governance and anti-corruption and demands for inclusion. Government cooperation with CSOs was particularly limited on human rights issues, and authorities' pledges to cooperate were often more declarative than genuine.

As part of the EU project Dialogue with CSOs – Platform for Structural Participation in EU Integration, CSOs were able to participate in sectoral working groups to various extents depending on the ministry leading the groups. However, their impact on outcomes was marginal.

CSOs were substantially involved in the process of drafting the Open Government Partnership (OGP) Strategy for North Macedonia in 2021. The adopted strategy includes eleven commitments for the 2021–2023 action plan, including in the areas of anti-corruption, access to justice, public service delivery, and public transparency. This action plan will provide CSOs with a clear channel to work collectively with government institutions to influence policy outcomes on identified reform priorities.

At the local level, cooperation between government authorities and CSOs has not yet been institutionalized, so CSO involvement in policy making remains more limited. However, the Law on Youth Participation, adopted in 2020, had a positive impact at the local level in 2021. For example, it allowed activists to take part in local elections in several municipalities via civic lists of independent candidates. Two civic list representatives won enough votes to secure seats in the Skopje Council, ensuring broader representation at the local level and direct involvement in policy making.

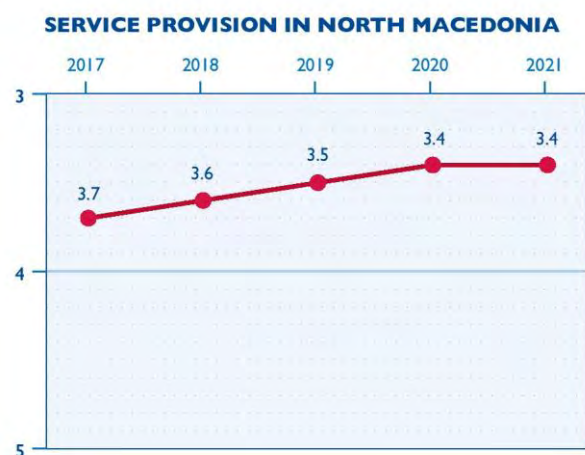
The organization of the second civic budget forum for the City of Skopje, implemented by the association EDEN, provided citizens and civil society with an additional channel for advocacy and participation. Out of the thirty-three budget proposals coming out of the forum, five were adopted during 2021, after years of advocating for those issues. The City of Skopje also established a Green Council, based on the proposals of CSOs working in the environmental sector.

CSOs implemented several successful advocacy campaigns in 2021. For instance, CSOs successfully advocated to prevent changes to the Electoral Code that could damage independent civic lists; these efforts were successful to a great extent due to their proactive approach and media presence. CSOs in the environmental sector engaged in several joint initiatives; for example, the coalition Razbistri se advocated in favor of draft amendments proposed to the Law on Waters in 2021; these amendments were still pending at the end of the year. CSOs also succeeded in ensuring their exemption from provisions in the Law on Lobbying, concluding a campaign that started in 2020. Advocacy at the local level was also successful in several cases. For example, in Veles, the sector organized a public awareness campaign around gender-based violence, demanding a fair trial for a woman who was the victim of domestic violence and was being tried for murder committed in self-defense.



In the second half of 2021, CSOs actively participated in the drafting of the Strategy for Cooperation with and Development of CSOs for 2022–2024. The participatory process of developing the Strategy was initiated with an open call for CSOs to submit proposals that were reviewed and approved by the Council of CSO-Government Cooperation. This was followed by public consultation events organized by the Civil Society Resource Center.

SERVICE PROVISION: 3.4



CSOs' service provision did not change notably in 2021. Despite declining financial support, civil society actors successfully provided services in various domains.

CSOs provide a broad range of services. In 2021, with state support, CSOs provided assistance to the elderly and those with disabilities and educational support in socially disadvantaged neighborhoods. CSOs also received government support for projects on domestic violence and gender discrimination, protecting biodiversity, and humanitarian needs. The provision of humanitarian and social services through informal organizations also gained momentum. For example, the Retweet a Meal initiative, which also received support from the president of the country, provided food for homeless and socially disadvantaged people. Banka Za

Hrana, the Food Bank of North Macedonia, organized the massive #WeStandTogether initiative in August: in just eleven days, the Food Bank, together with twenty charities and over 200 volunteers, delivered 1,620 food packages, 6,480 protective masks, and 1,620 sanitizers to families across twenty municipalities in the country.

In addition to their core services, CSOs continued providing services to address community needs arising from the COVID-19 pandemic. As the measures to contain the pandemic continued throughout most of 2021, CSOs provided services both online and in person. Service providers followed the pandemic protocols in place, although they imposed some operational difficulties in ensuring broader access to their services.

According to the Ministry of Labor and Social Policy, thirty-one new social service providers were licensed in 2021, up from just ten in 2020. Only licensed CSOs are eligible for state support in providing social services, although this is not guaranteed. For example, one of the newly licensed service providers, the crisis center Nadez, reported that it did not get any new funds after being licensed; as it had in the past, it received funding only through the national lottery, but this was insufficient to cover its total costs.

Social entrepreneurship initiatives also increased in 2021. The Fund for Innovation and Technological Development issued its first national call for social enterprises. Under this call, CSOs were eligible to submit business plans for providing services and pilot mechanisms for financing social enterprises. In September, the National Strategy for Development of Social Entrepreneurship in the Republic of North Macedonia 2021–2027 was adopted, after which the National Center for Support of Social Enterprises was established in Skopje. With these instruments, the infrastructure for social entrepreneurship improved significantly.

CSOs offer their services to individuals, other organizations, government institutions, and academia free of charge and without discrimination with regards to race, gender, ethnicity, or sexual orientation.

CSOs typically are unable to generate revenue through service provision. As services are often linked to project activities and financed by foreign donors, CSOs provide them to their beneficiaries for free, even to those that are not at social risk.

SECTORAL INFRASTRUCTURE: 3.0

The infrastructure supporting the sector did not change significantly in 2021. As in 2020, while a number of entities provide support services to CSOs, these are largely funded by foreign donors, raising questions about the long-term sustainability of that support.

The EU-funded Civil Society Resource Center, which is implemented by the Macedonia Center for International Cooperation (MCIC), continued to provide information, consultations, training, free legal advice, and event management services to other CSOs, especially benefitting smaller CSOs. When EU project funding for the resource center ended in September 2021, MCIC used its own resources to ensure that the center could continue to pursue its mission and remain operational. The EU-funded TACSO 3 program continued to provide

trainings on capacity development, the enabling environment, monitoring, visibility, and advocacy.

Several organizations continued to provide grants to local organizations. Civica Mobilias awards institutional and small grants to local organizations, while UNDP launched the second phase of its ReLOaD project in September 2021. Some decrease has been noted in the level of re-granting under EU-funded projects.

Organizations focused on civil society development, such as the Foundation Open Society -Macedonia and the Civil Society Resource Center, continued to provide trainings to CSOs in 2021. As in 2020, trainings were primarily held online and were therefore widely available across the sector.

As in 2020, a wide range of CSOs cooperated during 2021 to achieve common goals. For example, the CSO Platform for the Fight against Corruption actively opposed the Law on Strategic Investments, which was adopted without any consultations, as well as the Law on Origin of Property and amendments to the Law on Preventing Corruption and Conflict of Interest. Other examples of coalitions engaged in joint actions include the Blueprint Group for Judicial Reform, the Network for Protection against Discrimination, and Voice against Violence (a coalition focused on protecting victims of domestic and gender-based violence). While these efforts have been successful to varying degrees, they demonstrate the close cooperation among organizations working in these areas.

CSOs also continued to participate in joint initiatives with actors from other sectors. For example, the initiative Nasa Tezga—the first rural women’s e-market—was developed and promoted by an intersectoral partnership involving CSOs, the business sector, media, municipalities, and other local and national public institutions. Through the USAID-supported Partnerships for Giving project, Konekt provides valuable assistance to CSOs to team up with the business sector, utilize the expertise of companies, and ultimately establish long-term partnerships.

SECTORAL INFRASTRUCTURE IN N. MACEDONIA

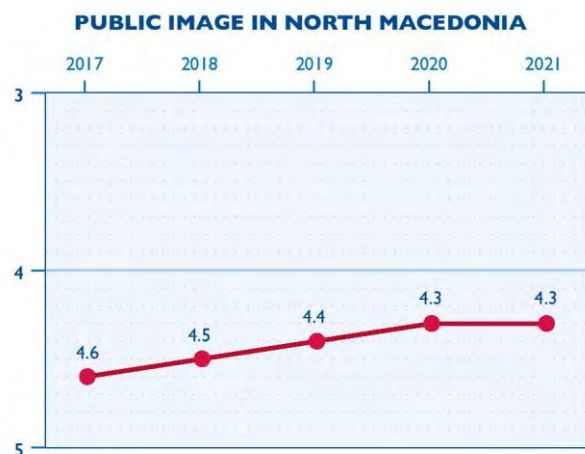


PUBLIC IMAGE: 4.3

The sector’s public image remained largely unchanged in 2021.

As in the first year of the COVID-19 pandemic, civil society actors were in high demand as interlocutors and expert commentators on different media formats, though the frequency of their public appearances decreased slightly in 2021. The media also provided positive coverage of civil society’s involvement in several local and national level working groups, in addition to their cooperation with local enterprises and other actors.

A recent survey by the Southeast Europe Leadership for Development and Integrity (SELDI) coalition assessed the public’s perception on corruption and trust in institutions. According to the survey, 47 percent of respondents consider CSO representatives to be corrupt, putting CSOs among the four least corrupted occupations, with only journalists, bankers, and teachers considered less corrupt. On the other hand, over 75 percent of the public considers judges, ministers, and members of parliament to be corrupt.



Media continued to be an important tool for CSOs to not only pursue their advocacy activities, but also to promote the visibility of their missions and work. In 2021, CSOs led several comprehensive, multi-channel outreach campaigns. For example, through the USAID-funded Civic Engagement Project, the NGO Info Center organized a comprehensive information campaign on the importance of the 2021 census. The Institute for Democracy Societas Civilis Skopje continuously campaigned in favor of anti-corruption and parliamentary oversight through a bilingual social media campaign with informative content, as well as radio messaging and web-platform marketing. However, the overall visibility of CSOs' engagement continues to leave room for improvement, especially in promoting greater public understanding of CSOs' role in political and social

processes.

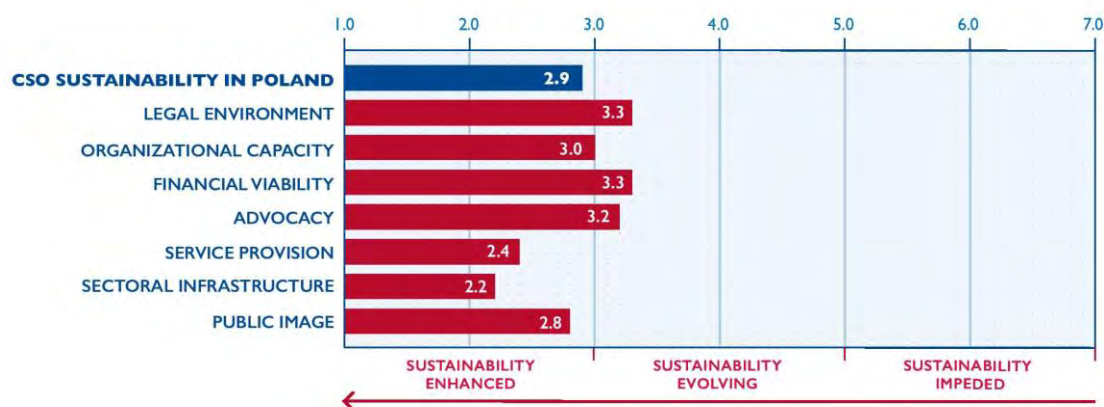
The government's perception of CSOs remained satisfactory, and many public institutions continued to recognize CSOs' role and participation in public affairs. However, anti-CSO campaigns from select political parties remained a challenge in 2021. One political party, Levica, continued its calls for the "de-Sorosization" of the country and the civil society sector and led a defamation campaign in 2021, particularly targeting the Health Education and Research Association (HERA) and its work. Negative discussions around civil society activists also circulated on social media and in closed chat groups.

In 2021, fifty-one CSOs joined together to sign the first CSO Code of Conduct for North Macedonia; by the end of the year, over sixty organizations had signed it. This CSO-led initiative identified recommendations for action and aims to safeguard the quality of the sector's activities and output. The document was adopted on a voluntary basis, demonstrating CSOs' willingness to uphold high transparency and accountability standards, and aims to simultaneously increase the public's trust in the sector moving forward.

POLAND

Capital: Warsaw
Population: 38,093,101
GDP per capita (PPP): \$32,200
Human Development Index: Very High (0.876)
Freedom in the World: Free (81/100)

OVERALL CSO SUSTAINABILITY: 2.9



In 2021, CSOs in Poland continued to be affected by the COVID-19 pandemic and the extraordinary legal measures adopted to mitigate its effects. The country was hit by two major waves of infections during the year: one that began in late February and lasted until the end of April, and another that began in early November and lasted almost to the end of the year. Restrictions to mitigate the pandemic were particularly strict in the first part of the year, with nationwide lockdowns in place from the beginning of the year until mid-January and again starting in mid-March. The vaccination campaign against COVID-19 began in January; by the end of the year, less than half of the population had been fully vaccinated.

Although CSOs quickly reorganized their work to respond to new social needs emerging over the past two years, they were heavily affected by the pandemic and received little public support. Many organizations had to suspend their activities or close down altogether, and many of those that remained active found it difficult to access public funding or participate in decision making and dialogue with the authorities. Moreover, many activists faced violent reactions from the police and others when trying to exercise their constitutional rights, including the right to public expression and protest. As a result of these difficult conditions, psychological distress and burnout has increased among people involved in the CSO sector.

In the second half of the year, CSOs again demonstrated their agility in response to the humanitarian crisis on the Polish-Belarusian border caused when Belarusian authorities brought migrants, primarily from the Middle East, to the border and effectively pushed them across. Aid, migration, and human rights organizations, in cooperation with a network of activists, quickly organized a system of assistance for the thousands of refugees who were trapped at the border. However, this work was hampered when the president, at the request of the prime minister, declared a state of emergency in the border zone that prevented media and CSO activists from entering the area. CSOs and journalists who tried to help the refugees despite the restrictions met with violent reactions from uniformed services, including arrests and searches. At the end of the year, the state of emergency in the border zone became permanent through the passage of an ordinary law.

Parliamentarians in the ruling coalition continued to verbally attack certain organizations. These groups were also deprived of access to public funding, which was increasingly redirected by those in power to entities close to them ideologically. The government also failed to listen to CSOs' opinions on bills affecting the sector and used state institutions, primarily the prosecution and police, to harass activists and organizations that criticized its work. Regardless, CSOs were able to demonstrate their strength by organizing several important and publicly recognized coalitions and networking with different constituencies, including local governments, employers, trade unions, and informal groups. This allowed CSOs to increase public recognition of their work and attract funds from individual donors.

Despite this turbulent context, overall CSO sustainability remained unchanged. While the legal environment and advocacy deteriorated, the infrastructure supporting CSOs strengthened slightly.

According to official data, at the end of the year, there were approximately 138,000 registered non-governmental organizations in the country, including 107,000 associations and 31,000 foundations; this number does not include some other forms of civic activity, such as volunteer fire brigades (of which there are approximately 16,500). During the year, approximately 5,000 CSOs, including 3,000 associations and 2,000 foundations, were newly registered. A growing number of people establishing a CSO choose to register as a foundation, rather than an association, as the law governing foundations is more accessible. The Central Statistical Office estimates that up to half of the CSOs registered in the country are inactive.

LEGAL ENVIRONMENT: 3.3



The legal environment governing CSOs' operations deteriorated further in 2021 as a number of legal changes were proposed that would negatively affect the ability of CSOs to function.

A governmental bill on non-governmental organizations (NGO) reporting announced in July proposed new obligations on CSOs on top of the already extensive regulations in this area. The bill gives broad supervisory powers over CSOs to the Chairman of the Public Benefit Committee,¹ a central body that is supposed to coordinate the government's work on civil society. The bill also provides the Committee Chairman with the power to launch audits and other control measures of CSOs without defining clear criteria for doing so. The government failed to consult CSOs meaningfully on the

bill. Work on the document was ongoing at the end of the year.

Also in July, the Minister of Education proposed to amend the law on the organization of the education system (the so-called Lex Czarnek). Apart from provisions focused on the organization of the educational system,² the bill contained provisions that directly affect the operation of CSOs. In particular, it requires a CSO to receive approval from the school superintendent, regardless of the opinion of school authorities and parents, to enter schools, thereby potentially hindering CSOs' activities in schools considerably. The current government's approach to CSOs and statements by the Minister of Education suggest that school superintendents might be particularly reluctant to allow CSOs engaged in human rights, anti-discrimination, and sex education activities to work in schools. Work on this bill was still ongoing in parliament at the end of the year.

Beginning in January 2021, all legal entities, including CSOs, are required to inform the Social Insurance Institution (ZUS) about any civil law contracts they sign for specific work³ within seven days. ZUS may check whether the notified document meets the criteria of a contract for specific work, reclassify it and demand outstanding social insurance contributions. The impact of this measure on CSOs has yet to be seen.

In May, a new draft law on social economy was published that would subject CSOs involved in such work to excessive control by the voivodes, government representatives in the regions. The bill also ignores the principles already established in the Law on Public Benefit and instead provides its own rules on social economy entities'

¹ The position of Chairman of the Public Benefit Committee is held by the deputy prime minister.

² One such provision would increase the role of school superintendents, regional representatives of the central government in the educational system, thereby reducing schools' autonomy.

³ There are two kinds of civil law contracts in Poland. One is used when the work focuses on providing an activity within a given period of time or providing a product or service that has no specific character and thus cannot be copyrighted; the other relates to the development of a unique and therefore possibly copyrighted work. This requirement concerns the second type of contract.

cooperation with public authorities. For CSOs working in the field of social economy, this contradiction may cause confusion about which law to follow first in their work.

At the end of October, an amendment to the Anti-Money Laundering and Countering the Financing of Terrorism Act came into force. It broadens the list of entities obliged to report to a dedicated register on their so-called beneficial owners, which includes people who have influence on the decisions made by registered foundations and associations. These obligations are troublesome for CSOs, since identification of these individuals is difficult, and any change related to them, including their addresses, must be reported. Incorrect fulfillment of this obligation is subject to a fine. Further, the application of anti-money laundering regulations to CSOs is disproportionate to the real threat.

Beginning in January 2021, the Law on Employee Equity Plans (a new private, long-term savings program in which capital is built jointly by employees, employers, and the state) obliges any legal entity employing staff—even if it signs just one civil contract per year—to select and sign a contract with a financial institution to provide capital plan services to it and introduce internal procedures. CSOs are not exempted from this requirement, although microenterprises are. Thus, CSOs are burdened with difficult and mostly unnecessary responsibilities, as most employees opt out of participating in the scheme.

At the end of December, the president signed the Law on Voluntary Fire Brigades. The new law, which came into force on January 1, 2022, is notable as it is the first piece of legislation that specifically addresses this important category of CSOs. The new law unambiguously recognizes voluntary fire brigades as associations regulated by the Law on Associations, while also introducing criteria that such entities must meet. The law also defines the competencies of municipalities in fire protection and the principles of their cooperation with volunteer fire brigades.

In 2021, public institutions increasingly abused and harassed CSOs and civic activists, particularly in the context of the humanitarian crisis at the Polish-Belarusian border. At the request of the prime minister, President Andrzej Duda issued a decree in September imposing a thirty-day state of emergency in the border zone of Podlaskie and Lubelskie Voivodeships. It was later extended to ninety days, the maximum period allowed by the Constitution. In effect, the state of emergency prohibited access to the border area to all entities other than state services and local residents, including media and CSOs. Recording devices were also banned in the area, thereby restricting public information about developments there. In justifying these measures, the government alleged that people providing humanitarian aid were interfering with the Border Guards and soldiers, hampering their ability to perform their duties and threatening national security.

In October, the parliament adopted a governmental bill amending the Act on Foreigners. The bill enables the local chief of the border guards to issue decisions regarding foreigners crossing the border illegally that will require foreigners to leave the territory of Poland immediately, thereby legalizing the practice of pushbacks in violation of international law obligations.

On November 17, as the maximum constitutional deadline for the duration of the state of emergency was about to pass, parliament adopted amendments to the Act on State Border Protection that de facto extended the state of emergency. The amendments allow the Minister of Internal Affairs and Administration to ban non-residents from a given area by ordinary decree. Journalists can get special permission from the local Border Guard Commander to stay in the area, but only in justified cases, on a temporary basis, and under specific rules. CSOs, on the other hand, cannot get such permission at all. The amendments also prolonged the suspension of the right to organize and hold assemblies in areas covered by a state of emergency.

CSOs, civic activists, and local inhabitants providing humanitarian assistance to refugees and responding to the systematic violations of their human rights have also faced numerous threats and other forms of repression, including brutal stops and searches of their property and smear and intimidation campaigns in the media. For example, volunteers of the Crisis Intervention Post run by the Club of Catholic Intelligentsia were detained and held in a police car for several hours on December 15. A dozen police officers armed with automatic weapons conducted a search, questioned the volunteers until five in the morning, and confiscated all of their computers and phones (including their private phones), other electronic equipment, and documentation.

CSOs were also subject to pressure from public authorities and discrimination and harassment by authorities or third parties in a few cases unrelated to the border with Belarus. In the middle of the year, at least a dozen CSOs that had previously been criticized by politicians from the ruling majority simultaneously received information that

bombs had been planted in their offices. They had previously received letters threatening them and accusing them of being foreign agents. The police quickly closed most of the cases, sometimes without even initiating investigations. In another example, the school superintendent in Malopolska voivodeship drew up an official list of CSOs that were prohibited to be in schools.

In August, conservative activists submitted a civic legislative initiative to the parliament that would amend the Act on Assemblies. The draft bill, called Stop LGBT, would ban Pride parades and similar public gatherings on the grounds that they allegedly “promote” same-sex relationships and the adoption of children by same-sex couples. To date, legislative action on this bill remains frozen in the parliament.

Public authorities and other parties also repressed LGBTI and women’s rights activists in other ways. In July, six lawsuits were opened against the founders of The Atlas of Hate for harming the reputation of local government units. The Atlas of Hate is a website that maps local municipalities that have passed anti-LGBTI resolutions written by the fundamentalist religious organization Ordo Iuris Institute (so-called “LGBT-free” municipalities). At the end of December, the first judgment acquitted the defenders.

In January, the government finally published a Constitutional Tribunal ruling from October 2020 that almost totally bans abortion. The protest movement against the decision continued in the face of increasing pressure from state authorities. In winter, the demonstrators, media representatives, and even opposition members of parliament (despite their immunity) were met with a brutal police response. Police officers locked demonstrators in ‘kettles’ (confined areas created in a public space that were blocked off by extensive numbers of police officers, which was particularly dangerous during the pandemic), took them to police stations dozens of kilometers away from their homes, and held minors in detention overnight without informing their parents. Leaders of the Polish Women’s Strike and organizations supporting them received death, rape, and bomb threats. There has been little to no response from the authorities to investigate these incidents. At the same time, government officials and state-owned media verbally attacked the movement. Women’s rights defenders and other protesters also faced judicial harassment. One of the movement’s leaders, for example, is facing over ninety criminal charges for her role in the protests.

In late 2021, a major surveillance scandal occurred as Canadian Citizen Lab revealed that an independent prosecutor and a few people close to the main opposition leaders were subject to surveillance through the Pegasus program. Although no cases of surveillance of CSO activists were reported, this has increased concern within the sector.

In contrast to the deteriorating legal environment described above, the procedures for registering new CSOs improved slightly in 2021. An amendment to the National Court Register Act that entered into force in July introduced mandatory electronic communication with the court for all entities listed in the register of entrepreneurs. This makes the registration process more accessible, as it no longer requires travel to the court to file documents in person. For most associations and foundations that do not conduct economic activity, electronic communication with the court is voluntary. Smaller organizations can therefore continue to use paper forms. Allowing the use of electronic signatures will also facilitate the registration procedure. The portal to register with the courts is rather simple and self-explanatory. However, smaller CSOs in particular face problems providing all of the required information. Court proceedings themselves are not fully electronic, as attachments to the application still need to be submitted in hard copy within three days of filing the electronic version.

Outside of the new mode for contacting the court electronically, the rules, requirements, and procedures for registering new organizations did not change in 2021 and continues to cause significant difficulties, especially for smaller entities. Although the court should make its decision in seven days, in reality the process often takes several weeks and is hindered by inconsistent jurisprudence. Social initiatives and activist groups often do not formalize their activity both because of the problems with registration, as well as the extensive formal requirements for running a CSO.

The taxation of CSOs did not change in 2021, and taxpayers continue to be able to designate 1 percent of their income taxes to CSOs with public benefit status. However, the Polish Deal program adopted by the government at the end of the year introduced significant tax reforms that could reduce the overall pool of 1 percent tax assignments available to CSOs. The Polish Deal also proposed additional tax relief for entities supporting sports, culture, and education, areas in which many CSOs work. Thus, the program may also have a positive impact on CSOs, attracting more private money to these causes.

CSOs' legal access to various financial resources did not change in 2021. CSOs can still conduct economic activity, charge fees for their services or products, and fundraise. CSOs can also accept funds from foreign donors. However, the parliamentary majority constantly tries to reinforce the public's belief that accepting foreign funding implies that CSOs have bad intentions and are hostile to the Polish nation, and from time to time, proposes draft laws imposing additional obligations on such CSOs.

In 2021, CSOs had increased access to online legal knowledge, advice, and materials provided by umbrella and expert organizations, including through the NGO.pl portal. However, free expert legal advice is still unavailable in smaller towns. While there are still not enough lawyers with expertise in CSO law, the crisis on the Polish-Belarusian border motivated lawyers to support CSOs active in this field.

ORGANIZATIONAL CAPACITY: 3.0⁴

Organizational capacity in the CSO sector was largely unchanged in 2021, despite the difficult circumstances during the year.

A survey of 850 CSOs released by the Klon/Jawor Association in March found that the pandemic worsened the situation for 65 percent of organizations. Nearly two-thirds (63 percent) of responding CSOs reported increased work-related stress. Twenty-one percent of CSOs reported that the number of people working with them occasionally under civil law contracts had decreased. Approximately one-third (30 percent) of organizations suspended activities. Another Klon/Jawor survey conducted in late 2021 found that half of CSOs suspended a significant portion of their activities for at least six months.



The situation related to CSOs' cooperation with their constituencies and other collaborators was very complex and often contradictory. On the one hand, there was a slight improvement in CSOs' constituency-building efforts as CSOs built their membership bases and reached new beneficiaries. In particular, quite a few new people became involved with CSOs, informal networks, and social movements, especially in relation to the crisis at the Polish-Belarusian border, including through the Families Without Borders network. In addition, CSOs continued to move their activities online, enabling them to reach new people. Over time, however, fatigue with online activity set in and interest in engaging in this way waned.

On the other hand, for the second year in a row, it was more difficult for CSOs to build lasting, more formal relationships with new associates or collaborators, as people preferred to engage informally as activists. Moreover, some people stopped engaging in CSO activities due to fear of contagion.

According to both research undertaken by Klon/Jawor at the end of 2021 and data from the Central Statistical Office, the number of CSO members and volunteers decreased. However, a study conducted in Poland and across Europe for the European Economic and Social Committee (EESC) by the Institute of Public Affairs, European Civic Forum, and other partners, depicts a more varied situation, finding that during the pandemic almost equal numbers of CSOs reduced and expanded the number of volunteers they engage.

The pandemic served as an impetus for some CSOs to review their strategies. In the Klon/Jawor survey from late 2021, 21 percent of CSOs declared that they had made strategic changes due to the pandemic. Some CSOs responded flexibly to new needs, much faster than public institutions or businesses could. However, a significant number of them stopped thinking strategically and simply tried to respond to current events. Implementing

⁴ The score for Organizational Capacity was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect a change in Organizational Capacity, which remained largely the same in 2018 as in 2017.

strategies adopted before the pandemic also became difficult. After operating in crisis mode for several years because of the political, health, humanitarian, and public relations challenges they face, some CSOs—especially those dealing with human rights—are now focused primarily on surviving.

Only a small number of the largest CSOs with regular sources of funding, including public funds or high membership fees, have clearly defined internal management structures. Management in the rest of the sector is concentrated in the hands of organizational leaders. CSOs rarely engage in succession planning. Only the biggest CSOs and watchdog groups have written internal procedures. However, the growing use of crowdfunding may serve as an impetus for CSOs to increase their transparency in order to attract more contributions.

The Klon/Jawor survey from late 2021 shows a small improvement in employment practices in the sector over the previous three years. More CSOs are now using employment contracts as compared to civil law contracts (which are binding for a limited time and provide poorer social protection and workers' rights) for regular employees (22 percent and 19 percent, respectively). Large, professional CSOs are the most likely to hire paid staff on a longer-term basis, while civic organizations focused on human rights rely largely on voluntary activities. The complicated tax system forces CSOs to use expert accountants. However, only larger CSOs with financial resources can afford to hire them. Others must rely on unpaid work.

After the pandemic-driven increase in CSOs' use of electronic communication tools in 2020, the situation stabilized in 2021. The Klon/Jawor survey from late 2021 shows that while there was not a significant change in CSOs' access to equipment, they have started to use some online applications (such as online meetings tools, instant messaging, and e-banking) more often and communicate about their work widely on social media. Some local governments offered support to CSOs to purchase computer equipment, while the Polish branch of TechSoup continued to provide equipment and licenses for computer programs. In most cases, CSO activists still use their private equipment and internet connections. Smaller CSOs rarely have their own offices.

FINANCIAL VIABILITY: 3.3



CSO financial viability remained largely stable in 2021, affected by both positive and negative developments.

The importance of public funds as a funding source for CSOs has increased, due to consistent increases in government funding for CSOs, especially through the National Freedom Institute. However, government funds are still often distributed in a nontransparent way. In addition, most government funds are allocated to entities ideologically close to the ruling majority, including Catholic and radical right-wing groups. The Justice Fund, administered by the Minister of Justice, is a leading example of this. In principle, it is supposed to support victims of crime and provide post-penitentiary assistance. However, as shown by the Supreme Audit Office report from September, it has been used to support entities

affiliated with the ruling coalition and to build voter support. These funds also have been spent in violation of public finance rules. Meanwhile, human rights, minority-led, and environmental CSOs have little to no access to government funding.

Some new sources of foreign funding, primarily the regional component of the Norwegian/European Economic Area (EEA) funds as part of the Active Citizens Program, were launched in the first months of the year. Other examples of new foreign funding include the first calls for projects within the European Union (EU) Citizens, Equality, Rights and Values (CERV) program and new funding from Civitates, a private philanthropic initiative that supports democracy and solidarity in Europe. In addition, in September, USAID announced the planned launch of the new Central Europe Program. It also became a bit easier to apply for funding from the National Endowment for Democracy. Some new independent funds were also created for activities not supported by the government. For example, the Batory Foundation launched the Refugee Fund. However, the funds available from foreign donors in 2021 covered only a small portion of the sector's needs. In addition, the vast majority of foreign funding still

goes to a relatively small group of CSOs with resources and capacities to write competitive proposals and then manage the grants.

Various regional funds financed from the EU budget were largely in limbo during the year as the previous funding cycle finished and a partnership agreement for the new financial perspective was not signed. As a result of the Polish government's continued violations of the rule of law and its persistent conflict with EU institutions, the inflow of new funds for social and economic reconstruction after the pandemic based on the National Plan for Recovery (financed from the Next Generation EU program), some of which should have benefited CSOs, has stopped. These tensions also threaten to reduce money for Poland from the new EU multiannual budget perspective for 2021-2027. The European Commission's launch of infringement procedures against Poland in July for declaring more than 100 local governments as "LGBT-free" zones may further reduce EU funding in the future.

The tax reforms introduced through the Polish Deal could lead to a decrease in the revenues of local governments, which are already struggling with financial difficulties caused by the extra expenses associated with dealing with the pandemic, as well as growing fuel and energy costs, and a reduction in revenues caused by government policies. This would also likely lead to a reduction in funding for local CSOs. Reduced funding for CSOs was already reported in many communities, especially smaller communities with smaller tax bases, in 2021. However, as the Polish Deal was largely withdrawn in 2022, these negative results may not come to fruition.

The funds available to CSOs through corporate philanthropy declined in 2021, as many companies and corporate foundations, especially those in the financial sector, reduced their budgets. Corporate sponsorship is now practically nonexistent at the local level, and to the extent that it does exist, it only benefits charitable activities.

Individuals increasingly contribute funds for important causes, especially in areas where the government has taken unfavorable actions. In 2021, there were notable public collections for the Border Group (Grupa Granica) and other activities related to the humanitarian crisis at the Polish-Belarusian border. However, the limited funds that CSOs usually raise in this way generally only allow for short-term activities and temporary survival.

Every year, CSOs make better and more frequent use of various types of crowdfunding platforms. This trend was intensified by the pandemic and other emergency situations, such as the humanitarian crisis on the border. Successful examples of groups that used crowdfunding in 2021 include Grupa Granica and the Blue Line's helpline for children and young people. Online collections have limitations, though. First, crowdfunding involves a significant workload. Online collections are also mainly ad hoc and do not constitute a stable source of financial support for CSOs. In addition, not all organizations can use these opportunities equally. For example, crowdfunding is more difficult for human rights or rule of law CSOs, most of which operate regionally or locally, are volunteer-based, and lack the resources and energy to undertake such fundraising initiatives.

The Klon/Jawor study shows that over half of CSOs collect membership fees, but they constitute a small part of CSO budgets. It also finds that the percentage of CSOs conducting economic activity has increased slightly over the past few years, reaching 15 percent in 2021, up from 11 percent in 2018. The proportion of CSOs engaging in economic activity reaches a quarter when those charging for products and services offered as a part of their statutory work are included. Social enterprises are still not very stable. They are created mainly with the support of Social Economy Support Centers and within EU-funded projects and usually cease operating when projects end.

CSO financial management did not change in 2021. Most CSOs use accounting firms. Financial management is especially difficult for small CSOs, which lack regular income and qualified specialists able to handle CSOs' financial accounts. Only the largest nationwide organizations commission financial audits.

ADVOCACY: 3.2⁵

CSOs' ability to advocate for their causes deteriorated further in 2021.

In the central administration, dialogue between the government and CSOs has been reduced to a minimum. CSOs are either not invited to participate or are given a very short time to provide comments. This is the case even on laws affecting the sector, in violation of existing regulations. For example, a draft law proposes major changes to the system of NGO reporting and oversight but was drafted without the meaningful participation of CSOs. CSOs were not consulted in the initial stages of the bill's developments, in which the general ideas and assumptions are presented, and then the government made the already-finished draft public and presented it for consultation in the middle of summer holidays, ignoring CSOs' appeal to extend the process until the end of September. Work on the draft law on social economy followed a similar pattern.

Another example involves the draft law on voluntary fire brigades, which was initially prepared in April and May without the participation of volunteer firefighters. Consultations were organized only after volunteer fire brigades mobilized, which helped to significantly improve the final content of this law.

Access to decision-making processes related to the Polish Deal was also limited. The legislation was introduced in a hurry, experts' voices were ignored, and broad consultations were not carried out. This likely contributed to the fact that the law was already modified twice in the first half of 2022.

Further, draft laws developed by the government were passed on to further proceedings as parliamentary bills, without involving CSOs, which is mandatory for government draft laws. Organizations also do not receive information or responses to their comments. These concerns were confirmed by the Stefan Batory Foundation Citizens' Legislative Forum's recent report analyzing the quality of the parliamentary legislative process.

The activities of existing civil dialogue bodies are also a facade, and the selection of their members is often not transparent. For example, it was unclear how the Deputy Prime Minister decided who to appoint as new members to the Council for Public Benefit Work (a consultative and advisory body to the Chairman of the Committee for Public Benefit). Among other things, the candidate who received the support of the largest number of CSOs was not selected.

At the local government level, the situation has started to improve slightly in some places. City presidents (i.e., mayors) increasingly launch online chats and meetings with residents, and social media pages are updated. Even if these activities are being implemented by an employee rather than the president, they increase citizens' sense of participation and influence. However, communication is often one-sided, with no meaningful engagement by the authorities. The pandemic also hindered contact with officials, and some drafted policies or resolutions without consultations, claiming that it was impossible to meet. When municipal or city councils deliberated online or in hybrid forms, it was not always clear how citizens could participate. In addition, there were notorious delays in adopting programs of cooperation between local governments and CSOs, thus violating statutory requirements.

CSOs continued to actively undertake advocacy campaigns in 2021. Often, CSOs form coalitions in opposition to the government's work, for example, to support refugees crossing the Polish-Belarusian border or independent education. Many organizations and local governments, opposition politicians, activists, celebrities, and authorities got involved in efforts to stop the Lex Czarnek reform. Although the law was adopted by the parliament in January



⁵ The score for Advocacy was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. In addition to the recalibration, the score reflects a moderate deterioration in 2018.

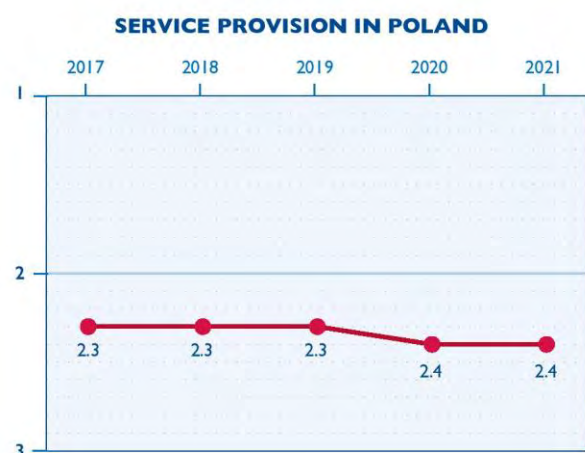
2022, it was later vetoed by the president. In another example, the Our Ombudsman initiative launched in 2020 contributed to the election of an independent candidate as Ombudsman in 2021.

The National Federation of Non-Governmental Organizations (OFOP) campaigned for transparency and the inclusion of CSOs in the programming of new European funds for 2021-27 at both the regional and national levels. Faced with a lack of activity from the government side, OFOP used its own resources to organize a series of public hearings. These efforts successfully engaged new actors, including 200 CSOs and social movements. OFOP also advocated to establish monitoring committees for national and regional programs under the EU Cohesion Policy and the National Recovery Plan. However, the government failed to respond to the comments received through this initiative and sent the final documents to the European Commission for approval without showing them to civil society.

The advocacy efforts of entities with a radical right, homophobic, or extremely conservative profile continue to grow in importance as these groups become more professional and receive large amounts of public funding. Advocacy against abortion rights was particularly visible in 2021. At the same time, state tools, including blocking access to funding, removal from consultative bodies, and negative public relations, are used to silence organizations that support victims of violence, including children, or that work for women's reproductive rights and LGBTI people.

There is still no clear distinction between lobbying and advocacy. CSOs continue to carry out activities to improve legislation, mainly to stop unfavorable changes. The most important of these efforts in 2021 was the Free School campaign organized in opposition to the Lex Czarnek reform. CSOs also cooperated with the parliamentary task force for civil society established by the opposition parties to promote a more favorable legal framework for CSOs, but these efforts did not bring any tangible results in 2021.

SERVICE PROVISION: 2.4



CSO service provision was largely stable in 2021.

The range of products and services offered by CSOs did not change significantly. The areas in which the largest number of organizations operate continue to include sports, tourism, recreation and hobbies; education and upbringing; and culture and the arts, followed by health care, social services, local development, and ecology, among other areas. In response to the pandemic, some CSOs refocused their activities in 2020, demonstrating their responsiveness and agility. Although the humanitarian crisis on the Polish-Belarusian border had a similar effect on aid organizations and those promoting human rights and support for migrants, the effects of this trend were less visible. In 2021, demand for CSOs' services for people with disabilities increased due to the

2019 Accessibility Law.

CSOs offer most of their products and services free of charge, with funding usually coming from publicly-funded projects. Social enterprises and organizations providing public services commissioned by the administration, such as care and support services for people with disabilities, work with the elderly, and volunteer promotion, recover the costs of the services provided. In contrast, CSOs focused on human rights, including women's rights and minorities, usually do not charge any fees as their services are often expected to be offered free of charge. Publications and expert analyses are usually made available online for free. A Klon/Jawor study shows that the percentage of CSOs conducting paid activities increased between 2018 and 2021 from 36 percent to 39 percent.

Through their behavior, the central authorities continue to demonstrate a lack of appreciation for CSOs' work, including the benefits they offer in the provision of public services. Similar attitudes seem to prevail among local governments, a fact that was exacerbated during the pandemic. Representatives of minority CSOs reported an increase in the recognition of their role by local authorities.

SECTORAL INFRASTRUCTURE: 2.2⁶

The infrastructure supporting CSOs improved slightly in 2021. CSOs had more access to various types of trainings, workshops, webinars, and conferences during the year. Centers and organizations supporting nonprofits continued to develop their skills in using electronic communication tools to offer such opportunities, allowing them to support organizations and individuals who were previously unable to take advantage of such opportunities due to the costs and time involved.

Grant-making entities also continued to offer various forms of support to CSOs. In 2021, the Active Citizens Program, implemented by two consortia of CSOs, distributed grants for sector-specific activities supporting civil society. The governmental National Freedom Institute also provided support for CSO capacity-building efforts.

Cooperation within civil society increased in 2021. Several coalitions were active, including one focused on programming new European funds; Free School, which advocated for the reconstruction of education and opposed the Lex Czarnek reform; and the Our Ombudsman coalition. Grupa Granica, an informal coalition of migration and human rights CSOs, monitored the situation and assisted refugees on the border with Belarus. The Grand Coalition for Equality and Choice (WKRW), a network led by the Federation for Women and Family Planning, engages approximately 120 CSOs and informal groups. Minority organizations formed the nationwide Coalition of Minority and Migrant Organizations (KOMM). CSOs have also been able to unite to develop common positions on issues important to them and to advocate around them. For example, they developed comments to the NGO Reporting Act. OFOP, the largest CSO umbrella organization, became more active in 2021 after some previous internal crises.

Access to technology enables CSO participation in trainings, workshops, and live online meetings, including through the NGO.pl portal. This has not only lowered the costs of such trainings, but also increased the accessibility to experts from Poland and other countries, thereby increasing the dissemination of knowledge. The launch of the regional component of the Active Citizens Program enabled a larger group of CSOs from outside big cities to access institutional development opportunities offered through the grants under this funding scheme.

In 2021, CSOs continued to build partnerships with other sectors in response to the government's lack of interest in cooperation. During the year, local lawyers, activists, academics, and CSOs promoting the rule of law and civic education organized Tour de Konstytucja (Tour de Constitution), a several weeks long series of events across the country aimed at raising citizens' awareness of constitutional rights. The Free School coalition was an important example of cooperation between CSOs and employers and local governments, as well as within the civic sector.

SECTORAL INFRASTRUCTURE IN POLAND



⁶ The score for Sectoral Infrastructure was recalibrated in both 2018 and 2020 to better reflect the situation in the country and to better align it with other scores in the region. The 2018 score does not reflect a deterioration in Sectoral Infrastructure, while the 2020 score reflects a slight improvement, in addition to the recalibration.

PUBLIC IMAGE: 2.8



CSOs' public image did not change notably in 2021.

The national public media, which is controlled by the parliamentary majority, and the private media close to the ruling coalition continued to attack and discredit certain CSOs or activists. CSOs working in the areas of human rights, the environment, and democracy were particularly vulnerable to such attacks.

The situation in local media deteriorated in 2021, when the largest partially state-owned oil and energy company finally took over the largest regional and local media network in the country from a foreign corporation. The various media outlets belonging to this network had their editorial staffs changed and journalists either left their jobs or gradually began self-censoring or writing directly under dictates from politicians. This resulted in less

favorable coverage or outright hostility toward independent CSOs criticizing government policies. It also resulted in such CSOs being blocked from participating in local media.

On the other hand, private media independent of the government continued to invite CSO experts to speak on current issues, including the crisis on the Polish-Belarusian border. The private media also provided more positive coverage of CSOs' work to mitigate the effects of the pandemic. Smaller organizations in local communities also received more positive coverage. Threatening this increase in coverage, the parliamentary majority attempted to pass a law (known as Lex TVN) that would force the American owners of the largest private TV company in Poland (which also has a news channel) to sell at least part of its shares to Polish businesses. However, this effort failed for several reasons, including strong public resistance.

According to a survey conducted at the end of 2020 by Klon/Jawor and 4P Group, 56 percent of respondents said that they trust CSOs. The study conducted by the Institute of Public Affairs and partners for the EESC confirmed that CSOs' public image and recognition of their role improved in 2021 due to private media's continued reporting on their work, especially in the context of the pandemic and the crisis at the border with Belarus. At the same time, the systematic attacks of the public and pro-government media on CSOs focused on civic affairs and the rule of law ironically increased public awareness of their role and importance in society. The same events fostered increased recognition of the importance of lawyers' organizations such as the Polish Judges' Association Iustitia, bar associations such as Defensor Iuris, Free Courts, and the prosecutors' association Lex Super Omnia, all of which played an important role in promoting the rule of law and supporting civic education during the year. The Free School campaign also achieved considerable public resonance, particularly in social media. However, social support for CSOs is still mostly symbolic and comes down to noticing their existence and giving them likes or comments in social media.

While the government pays lip service to the importance of CSOs in society, it still artificially divides CSOs into "good" and "bad" CSOs. Central authorities continued to recognize the role of organizations that are ideologically close to them by inviting them to participate in public consultations and granting them more significant levels of financial support. At the same time, ruling politicians expressed very negative opinions about CSOs and activists involved in supporting people affected by the crisis on the Belarusian border, accusing them of acting to the detriment of the Polish state. There was no significant change in the way CSOs are perceived by the business sector. Businesses are most likely to support the work of well-known organizations or those dealing with politically neutral topics such as helping children, the sick, or people with disabilities.

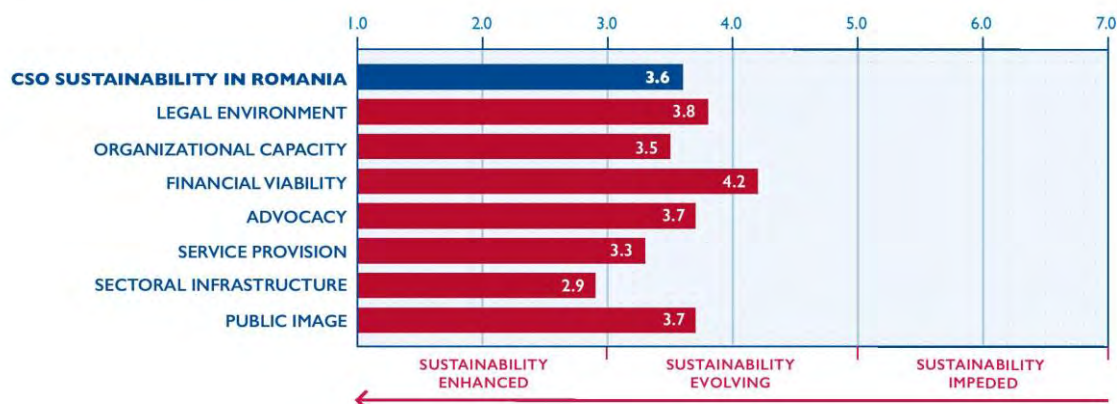
During 2021, CSOs actively promoted their image and informed the public about their work through several effective social media campaigns. For example, the Panoptikon Foundation raised awareness on the tools the authorities use to surveil citizens. The It Works (#ToDziałaj) campaign, which is run by a group of nearly thirty CSOs, continued to present stories about CSOs working on issues of public importance. Social media is especially important for civic movements and small CSOs.

No new activities to increase CSOs' accountability and transparency emerged in 2021. Although leading CSOs, including those working on advocacy, publish their annual reports, the vast majority of organizations do not.

ROMANIA

Capital: Bucharest
Population: 18,519,899
GDP per capita (PPP): \$28,800
Human Development Index: Very High (0.821)
Freedom in the World: Free (83/100)

OVERALL CSO SUSTAINABILITY: 3.6



In 2021, Romania's national environment was again shaped by internal political tensions and the management of the COVID-19 pandemic.

The December 2020 elections had ushered in a new governing coalition comprised of the National Liberal Party (PNL), Save Romania Union (USR), and UDMR (a union representing the Hungarian minority). By September 2021, the coalition began to crumble under accusations and disagreements related to the rule of law, management of the health crisis, and coalition management. The government was dismissed through a no-confidence motion on October 5. After weeks of negotiations, PNL and the Social Democratic Party (PSD) agreed on a "grand coalition," despite high tensions and recent confrontations between the parties. The new cabinet was appointed on November 25 with the former defense minister Nicolae Ciucă as prime minister.

According to the Autumn 2021 Eurobarometer, 69 percent of the population felt that Romania is headed in the wrong direction. Civil society's relationships with the government and decision makers at most levels were marked by mutual distrust, despite the government's declared willingness to cooperate, recognition of CSOs' efforts, and commitment to civic involvement in policy making. Populist movements and messages increased in visibility and influence in 2021, as the far-right party Alliance for Unity of Romanians (AUR) continued to gain prominence.

The country experienced several waves of COVID-19 infections during the year, the most severe of which was in the autumn after some restrictions were relaxed over the summer and despite the national availability of vaccines. By the end of the year, just 40.8 percent of the population was vaccinated, compared to an average in the European Union (EU) of 68.8 percent. CSO operations continued to be impacted by pandemic restrictions throughout the year. Of particular note, the limits on public assemblies were kept lower than those set for other public or private events like outdoor festivals, religious gatherings, political conventions, and baptisms.

Following a 3.9 percent decline in the gross domestic product (GDP) in 2020, domestic demand drove a 5.9 percent increase in GDP in 2021. Though this seemed to indicate a strong economic recovery, World Bank projections for 2022 remained modest at 1.9 percent growth, compounded by the energy crisis and surging inflation.

Overall CSO sustainability improved slightly in 2021, despite the challenging national context. As in 2020, CSOs proved their capacity to respond in times of crisis, stepping in where the public sector was inefficient. An increase in local philanthropy and foreign funding spurred a moderate improvement in financial viability, which in turn supported slight improvements in organizational capacity and service provision. The infrastructure supporting CSOs also slightly improved in 2021 as collaboration within the sector increased, and public image improved with the growth of CSO outreach and visibility online.

At the beginning of 2022, the National Non-Governmental Organization (NGO) Register recorded a total of 121,314 registered organizations, including 99,878 associations and 19,168 foundations. Though this data may not be entirely up to date, the registration rate of new CSOs seems to have resumed its upward trend, growing by approximately 4 percent in 2021 after it slowed during the first year of the pandemic. Less than half of registered CSOs are estimated to be active.

LEGAL ENVIRONMENT: 3.8



The overall legal environment governing CSO operations did not change notably in 2021, although preliminary steps were taken to simplify and digitize the legal processes related to the registration and functioning of CSOs.

As in 2020, the government opened a pre-consultation procedure on the opportunity to amend Government Ordinance 26/2000 (GO 26/2000), which regulates the establishment and functioning of CSOs. The process ended with no further communication following the July deadline for submission of proposed changes.

In August 2021, the Ministry of Justice announced that it would prioritize simplifying the processes to register and operate a CSO, with a focus on digitalization. To this end, the ministry initiated a separate consultation on

reforms to GO 26/2000, focusing particularly on the transfer of authority over the National NGO Register from the Ministry of Justice to the National Office of Trade Registry. This shift would presumably correct some of the current ambiguities in the registration of CSOs and speed up the process. This consultation process also ended with no follow-up and no draft law was initiated.

In addition, several members of parliament (MPs) drafted two legislative initiatives on the issue of moving CSO registration, operations, and dissolution to the National Office of Trade Registry; both were still under debate in parliament at the end of the year.

CSOs can freely express criticism of the state. In 2021, there were isolated reports of state authorities harassing activists. For instance, two journalists and a Greenpeace activist documenting deforestation in Suceava county were harassed by a group that included at least one local Forest District employee. In another incident, the mayor of Iasi refused to authorize the city's first Pride event, despite the favorable opinion given by the Public Order Commission of Iasi City Hall. The event was still held without authorization, and the authorities did not fine the organizers.

CSO operations continued to be impacted by government restrictions aimed at mitigating the COVID-19 pandemic. Public assemblies were limited to a maximum of 100 people until August when the limit was raised to 500, while the limits for other public and private events like outdoor festivals, religious gatherings, political conventions, baptisms, and weddings were much higher. (The limit for outdoor festivals, for instance, was raised to 1,000 participants.) In August 2021, the organizer of Bucharest Pride was fined for exceeding the maximum number of participants.

As in previous years, corporate donors can deduct up to 20 percent of their owed income tax, or up to 0.75 percent of their annual turnover, whichever is lower, for sponsorships.¹ According to a law enacted in November 2020, the owed income tax may also be used by an employer to pay for the private education of its employees' children aged six and under. While CSOs make up the majority of private education providers in Romania and are therefore expected to benefit from this provision, this is expected to result in a decrease in the volume of

¹ In Romanian law, the term "sponsorship" refers to any financial flow from a legal person to a CSO, while a "donation" refers to a financial flow from an individual to a CSO.

sponsorship for all other CSOs. However, the provision, which was due to enter into force in January 2022, was suspended in December 2021 for the year 2022.

Individual taxpayers continue to have the option of directing up to 3.5 percent of their owed income tax toward a CSO, church, or individual scholarship. A Government Ordinance issued in August 2021 further enabled individual taxpayers to indicate their intent to donate to the beneficiary CSO by allowing the CSO to complete the necessary procedure with the fiscal authorities, as an alternative to the taxpayer submitting the documents directly to the fiscal authority.

CSOs are legally able to fundraise and earn income, as well as to compete for public funds. CSOs, trade unions, and business associations remain exempt from income tax up to EUR 15,000 on earned income per fiscal year or up to 10 percent of total tax-exempt income, whichever is lower. Revenue from grants and sponsorships is not subject to income tax.

CSOs' capacity to navigate the complicated legal system remains inadequate. The availability of legal assistance continues to be limited, and the pro bono legal services and few specialized CSOs that cover these areas are unable to meet all the demand.

ORGANIZATIONAL CAPACITY: 3.5

In 2021, the organizational capacity of CSOs increased slightly driven by improvements in CSOs' internal management structures and strategic planning.

The Active Citizens Fund (ACF) Romania, which began awarding grants in 2020, contributed to the improvement of CSO capacities. The program, which is part of the European Economic Area (EEA) and Norway Grants 2014–2021, supports the long-term development of the civil society sector with a total budget of EUR 46 million between 2019 and 2024. Grants awarded under the program allow for 20 percent of project budgets to be allocated to capacity-building measures. CSOs have demonstrated great interest in this component, and about 77 percent of projects awarded by the end of 2021 (126 out of 164) included capacity-building activities focused on outreach and constituency building, transparent and accountable governance, effective management procedures, and diversifying funding sources. While some results are starting to be reported from these initiatives, more substantive advances are expected in the coming years.

The COVID-19 pandemic made CSOs more aware of their constituencies and, as in 2020, CSOs worked to respond effectively to constituents' priority needs and develop short-term solutions. However, CSOs' ability to build long-term relationships with their constituencies remains a challenge as public engagement is largely project-based and CSOs lack the capacity to create lasting networks.

According to GO 26/2000, all CSOs are legally required to have written missions and goals in their statutes. Large and medium-sized organizations engage in strategic planning and strive to implement their activities accordingly. In 2021, CSOs began to improve their strategic plans through projects funded by ACF Romania and other grant programs that offer opportunities for organizational development. For instance, in 2021, fourteen small CSOs enhanced their strategic planning capacities with support from Creștem ONG-uri as part of the În Stare de Bine Program, which is supported by Kaufland Romania. However, small and rural CSOs are highly dependent upon donors and therefore tend to shift the focus of their activities to match donor priorities.

CSOs' internal governance improved in 2021. Through ACF Romania, webinars were organized to help CSOs develop transparent management procedures, such as internal procedures manuals, codes of ethics and integrity, and procedures to prevent money laundering and terrorist financing. Established CSOs have functional boards, but they are not always involved in decision-making processes, while in many other small CSOs, the roles of board members are not clearly distinguished from those of staff.

ORGANIZATIONAL CAPACITY IN ROMANIA



CSOs continued to struggle to attract and retain staff in an increasingly competitive labor market. According to a survey by PwC, private sector gross wages increased by 8.94 percent in 2021. CSOs struggled to compete with these higher salaries, especially in remote areas, and staff turnover remained high. However, some CSOs were able to offer more staff training and skill development opportunities in 2021. For instance, twelve CSOs and companies joined the Transformator program developed by Social Innovation Solutions together with Raiffeisen Bank. For four months, the program provided participants with mentoring from experienced entrepreneurs, access to investment funds, and tools to make the best strategic and sustainability decisions.

Volunteer engagement increased slightly but still remained low in 2021. According to the Charities Aid Foundation's *World Giving Index 2022*, which covers developments in 2021, Romania continued to sit among the bottom pool of countries in terms of participation in volunteering activities, with a participation rate of just 11 percent (up from 7 percent the previous years).

In 2021, CSOs had slightly better opportunities to acquire equipment such as computers and printers, although such opportunities were still limited. Information security and the use of certified software systems also remains a challenge for CSOs, due to high costs. However, CSOs continued to improve their use of online platforms such as Zoom, Skype, and Microsoft Teams to communicate with stakeholders and constituencies. Civil society in Romania continued to develop digital solutions to urgent problems in society, including the COVID-19 pandemic. In addition, in 2021, Code for Romania, together with fifteen of the main funders of civil society projects, launched the Donors' Platform, on which donors upload information on their funding programs for CSOs to increase their transparency.

FINANCIAL VIABILITY: 4.2



CSOs' financial viability improved moderately in 2021 due to positive developments in local philanthropy and the availability of foreign support. Local government procurement of social services also increased in some major municipalities in Romania.

CSOs' diversification of income sources varies considerably, depending on the size and field of activity of the organization. Smaller organizations, which account for most of the Romanian sector, continue to rely on volunteering and individual contributions, occasionally receiving funding through the tax redirection mechanism and from companies and, to a very limited extent, accessing public funds (local or regional). Larger organizations, particularly those with paid staff, often manage to have a mix of funding from both foreign and

local sources, including public funds, the private sector, and individual donations. Those working on environmental and advocacy issues continue to struggle the most to access diversified funding.

The amounts allocated to CSOs by the central government and the areas supported did not change significantly in 2021. As in previous years, funding was accessible either directly to national minority organizations, sport federations, and CSOs active in the disability field, or through open calls for projects focused on combating intolerance and addressing vulnerable communities, culture, and youth. Discussions on unblocking funding from the Environment Fund resumed in 2021 but did not have any results. Social service providers continued to receive subsidies at levels comparable to previous years (totaling around \$5.3 million to 9,862 beneficiaries), though this continued to be less than the real cost of providing those services. Changes to the funding mechanism in the social assistance area and in the procurement rules for social contracting were negotiated in 2021, but it remains to be seen if those changes are regulated and applied in 2022.

Local government funding varies significantly in communities, though is generally impeded by relatively low budgets, which have been further impacted by the economic effects of the pandemic. This funding typically focuses on areas like sports, civic education, youth, social, culture, and environment, depending on local priorities. In 2021, one of the largest federations of social service providers reported that one third of its members provide services

contracted by local authorities; this showed a clear increase compared to previous years but is still far from being an extensive national practice.

Corporate philanthropy remained a solid source of income for CSOs, though the overall amount reaching the sector was below pre-pandemic levels and the substantial peak registered in 2020 in response to the pandemic challenges. According to a 2021 report by CSR Media and Valoria Business Solutions on corporate social responsibility (CSR) in Romania, 76 percent of respondents reported that their corporate budgets for CSR programs increased, with health and education remaining key areas of support, followed by the social field and environment. A significant majority (92 percent) of respondents collaborated with CSOs in the implementation of their CSR projects. In addition, large retailers and online trade platforms, banks, communication companies, and oil companies worked with CSOs in 2021, either directly (sometimes with a CSO as an advisory or support organization) or through their corporate foundations.

As in previous years, European Structural Funds 2014–2020 and the EEA Financial Mechanism 2014–2021 were the most significant sources of foreign funding for CSOs in 2021. These funds support work on education and youth, employment, local development, social inclusion, culture, and health. In 2021, ACF disbursed over EUR 14 million, after funding just a few rapid response projects in 2020. This significant funding opportunity addressed areas that typically receive less support from national sources, such as advocacy and public policy monitoring, civic engagement and participation, empowerment of vulnerable groups, organizational development, and fundraising skills and capacities. The Romanian-American Foundation remains a reliable source of funding for CSOs, and in 2021 disbursed \$3.9 million, a slight increase from \$3.8 million in 2020. That support focused primarily on rural economy, technology and innovation, and civic engagement.

CSOs' significant mobilization in response to COVID-19 positively impacted their ability to raise funds online and engage with stakeholders and volunteers. These improvements, which began in 2020, further consolidated in 2021 and are expected to last.

Additionally, though the tax incentives are relatively simple, the 2022 *Global Philanthropy Environment Index* rated Romania as having a favorable philanthropic environment (with an overall score of 4.03 out of 5), largely due to the ease of operating and the political environment (which measures the relationships between the government and philanthropic organizations, as well as public policies and practices regarding philanthropy).

Individual donations continued to be significant in 2021, particularly facilitated by the use of online fundraising platforms and tools. Though 2021 donations did not reach the peak reported in 2020 (when it was bumped by emergency needs with the onset of COVID-19), 2021 amounts still surpassed those of 2019. The platform www.donatie.ro, which facilitates SMS campaigns and direct debits, reported over 5.2 million SMS donations in 139 campaigns over the course of the year, while recurrent donations reached RON 7 million (approximately \$1.68 million) at mid-year. The peer-to-peer platform www.galantom.ro collected RON 4.2 million in donations (approximately \$1 million) in 2021, as compared to RON 5.6 million (\$1.32 million) in 2020. The platform reported fewer donors in 2021 but a 4 percent increase in the average donation size. Event-based fundraising also resumed slowly in 2021, and those with close ties in communities attracted significant resources. For instance, the International Marathon Sibiu raised over \$169,000 for thirty-four projects—double the 2020 amount—while Swimathon Bucharest, led by the Bucharest Community Foundation, raised over \$253,000, the largest amount ever collected through a sporting event. Hospice Casa Speranței raised over EUR 300,000 at its annual fundraising ball to support its palliative care services. Community foundations had some success in 2021 collecting reserve funds, thus indicating an openness on local donors' side to supporting more than just health or emergency response.

CSOs' capacity to generate revenue through the sale of products and services remained limited, but there was growth in social enterprises in 2021, primarily due to EU-funded grant schemes contracted in previous years to support the creation and development of new entities. According to the National Register, over 1,800 social enterprises were registered in 2021, compared to 518 in 2020. Investments and support for the consolidation of existing social enterprises remain low. In 2021, Fundația Alături de Voi, the leading Romanian CSO in social economy, started the process of establishing AFIN, the first nonbanking financial institution focused exclusively on supporting social enterprises; it will begin operations in 2022.

CSOs submit annual financial statements, which are publicly available on the Ministry of Finance's website. Financial audits are not a common practice among CSOs and are generally conducted only at the request of institutional donors and by larger CSOs. Typically, CSOs contract accounting expertise in order to fulfill reporting obligations to national authorities. The sector continues to face a shortage of skilled financial management staff.

ADVOCACY: 3.7

CSO advocacy capacities remained relatively unchanged in 2021. Though pandemic-related restrictions continued for much of the year, they were less restraining in the second half of the year, allowing public assemblies, events, and other traditional methods of advocacy to resume to some extent. On several occasions, the Coalition of NGOs for the Citizen alerted the authorities about the unequal treatment of public assemblies of citizens and CSOs as compared to those organized by political parties, event organizing companies, or religious groups, citing the drastically lower participation allowance for the former (in June the limit was still 100, as compared to 1,000 participants). In August, the government raised the maximum number of participants in public assemblies to 500.



Communication channels between CSOs and government authorities depend largely on the individuals in public office and their openness to dialogue. The central government and national institutions are more likely to adhere to at least the minimum legal provisions regarding transparency of their decision making, although there is significant room for improvement. Advocacy efforts are often challenged by changes in the political arena, such as the October dismissal of the government, which was followed by nearly three months with an interim government. At the local level, most city halls ignore the legal requirements for transparency, and mechanisms for involving citizens in decision making are inconsistent. For instance, according to a monitoring report of ActiveWatch and the Resource Centre for Public Participation (CeRe), in the first year of the current General Council of Bucharest (since fall 2020), only 3.29 percent of the draft normative acts were submitted for public debate.

Two major programs were adopted in 2021 that dominated the public agenda throughout the year: the National Recovery and Resilience Plan (NRRP), with a total budget of EUR 29.1 billion; and Anghel Saligny, a national investment program for local authorities amounting to approximately EUR 10 billion. Several CSOs criticized the process of adopting these programs, which was hastily done and lacked sufficient public consultation.

After several CSOs—including Funky Citizens, Expert Forum, Civil Society Development Foundation (FDSC), Salvati Copiii Romania, Greenpeace Romania, and National Alliance for Students in Romania—signed a public letter asking the government to revise the NRRP draft submitted to the European Commission, the Ministry of European Investments and Projects organized a series of public debates in the spring of 2021. The adopted version of NRRP included an allocation of EUR 43 million for CSO work. However, the mechanism of implementing the NRRP was approved in December 2021 through an Emergency Ordinance before the deadline set for public consultations.

According to an analysis by the Expert Forum, the Anghel Saligny program was also problematic as it failed to take into consideration lessons learned from a similar program implemented in the past. A public hearing was organized at the request of several CSOs, but the program was hastily adopted through an Emergency Ordinance and the process of consultation was not effective.

In 2021, social service-providing CSO platforms—including the Federation of NGOs for Social Services, Federation of NGOs for Child, Dizabnet, and Caritas—launched the Social Platform to provide a single counterpart to the state in discussions related to social policy. The platform already reported some successes in 2021, including a series of concrete discussions with the Ministry of Labor on the long awaited mechanism of direct payments of social services from the state budget at all local levels. In November 2021, the ministry endorsed most of CSOs' proposals and committed to elaborate a draft law incorporating the mechanism. The Social Platform also continued to engage in a permanent and structured dialogue with the National Authority for the Rights of People with Disabilities, Children, and Adoptions on matters related to the allocation of public resources.

CSOs also actively advocated on matters related to access to education, particularly for children in vulnerable situations and given the negative impact of COVID-19 and school closures. For instance, in response to the government's planned reform of the Romanian Agency for Quality Assurance in Pre-University Education, the Coalition for Education and others raised concerns that the proposed changes were likely to weaken the

institution and increase its political dependency, and hence contribute to the declining quality of education services. Following pressure from CSOs, the Ministry of Education organized a public hearing with more than one hundred participants. However, the authorities appeared to lack interest in a meaningful dialogue as they had evidently made their decision prior to the meeting.

CSO advocacy around environmental concerns also faced challenges in 2021, particularly when the Ministry of Environment promoted an Emergency Ordinance allowing the killing of bears seen as a threat to people and properties. Though CSOs sought alternative solutions, the ministry refused to organize public debates. Also in 2021, the Parliamentary Commission investigating the causes for the rise of energy and gas prices announced that legislation governing protected areas should be amended to allow more investment in hydropower, including inside national parks. While the option was not included in a draft law, CSOs' position about the possible negative environmental impact was largely ignored during the debates. However, CSOs successfully advocated for their inclusion in a list of those benefiting from temporary governmental caps on energy prices.

Access to and quality of public information, which is necessary to ensure meaningful public hearings and consultations, remained both a challenge for CSOs and an area of advocacy in 2021. A draft amendment to the Law on Access to Information (ATI) would have required public institutions to publish all ATI requests and related responses on their websites and increased sanctions for lack of compliance with the law. During the legislative process, however, one party introduced an amendment to allow exemptions for small administrative units and national minorities' organizations represented in parliament. The amendment would have run contrary to the purpose of the law, and due to vocal complaints from CSOs and journalists, the draft law was put on hold in parliament.

CSO representatives in the Social Economic Council who were elected and endorsed in December 2020 improved the work of the institution in 2021. The accountable and transparent behavior they promoted and practiced could influence the performance of the institution in the future and contribute to the development of communication channels between CSOs and decision makers.

CSOs working in the area of social economy actively participated in a working group established by the Ministry of Labor and Social Solidarity in 2021. The group has been tasked with screening and improving legislation relevant to the social economy, with a focus on ensuring equal status for social enterprises and regular businesses when it comes to state support and special provisions on socially responsible procurement in the procurement law.

SERVICE PROVISION: 3.3



CSO service provision slightly improved in 2021 as the diversity and geographic coverage of services provided expanded and CSOs' ability to address the needs of communities and vulnerable groups improved.

CSOs continued to provide a range of services, including work in health, social welfare, basic social assistance, and informal education, particularly for vulnerable groups. Organizations have also become increasingly active and diversified their areas of work. As in 2020, they particularly expanded their work in the field of public health in response to constituents' most urgent needs during the health crisis. For instance, Bethany Social Services Foundation and FIX Theatre addressed the lack of knowledge about health education through an innovative, experiential learning approach among 800

children in rural, remote communities in Moldova as part of a project funded by the În Stare de Bine program.

As more work moved online, the availability of some services—including, for instance, educational and therapy services and personal development for youth—increased as CSOs were able to reach more beneficiaries online. However, in-person activities and services continued to be hindered by precautions and restrictions on gatherings.

Throughout the year, CSOs continued to adapt the content and delivery of their services to meet the needs of the changing environment. For example, Opera Don Guanella Association set up a mobile shower in Iasi that was regularly used by more than 100 homeless people.

Though CSOs have limited capacity to systematically collect data about their beneficiaries, they determine needs through direct interaction with various vulnerable groups (online and offline), monitoring and watchdog activities, and research studies. For example, Mozaik Association in partnership with Samtökin '78, an Icelandic organization, started to develop an innovative Campus Pride Index to evaluate and monitor the acceptance of LGBTI students in universities. Vulnerable beneficiaries were increasingly engaged in CSO activities in 2021, mainly due to the increase in needs during the COVID-19 pandemic. For instance, in 2021, about 6,000 young people from seventeen counties who were not employed, in education, or training (NEET) benefited from online personal development workshops within the La TINeri este Puterea program organized by the Social Incubator Association, part of the #YOUthEmpowered initiative launched by the Coca-Cola HBC group.

Typically, beneficiaries cannot afford to pay for CSO services, inevitably limiting CSOs' abilities to generate revenue through service provision. In a limited number of cases, however, CSOs charge fees for products and services such as home care services, addiction treatment, and informal or alternative education for children.

The government's attitude toward and recognition of CSOs slightly improved in 2021, particularly due to the engagement of CSOs in addressing the COVID-19 crisis. However, civil society relations with the government and decision makers at all levels continued to be marked by mutual distrust, despite the government's declared interest in cooperation, recognition of CSO work, and stated desire to increase civic participation in policymaking.

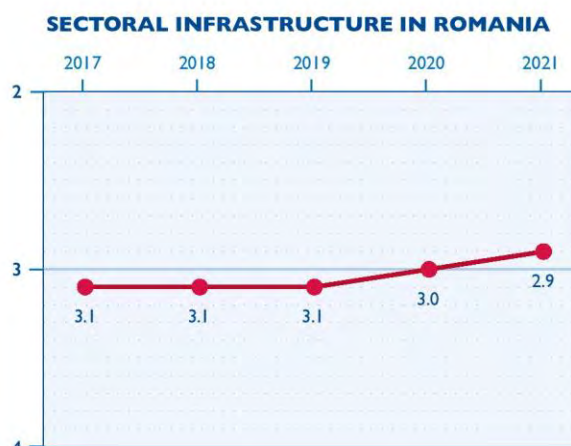
SECTORAL INFRASTRUCTURE: 2.9

The infrastructure supporting the CSO sector improved slightly in 2021, with more visible and active cooperation within the sector, the greater presence of support organizations, and increased awareness of functional intersectoral partnerships. Still, ensuring diversity and long-term availability of support and services to CSOs, particularly smaller and more rural CSOs, remains a challenge.

As noted earlier, resources provided by the EEA's Active Citizens Fund—with a total of over EUR 14 million disbursed during the year—enabled the expansion of training opportunities and support services available to CSOs. Financed projects could allocate a portion of the funds to organizational development. Furthermore, dedicated financing supported the development of fundraising skills and services supporting CSOs' sustainability; allowed more experienced CSOs to initiate mentoring or capacity-building programs alongside smaller CSOs or local grassroots initiatives; and supported the collaborative work of coalitions, networks, or representative federations of CSOs.

Various support organizations increasingly provided assistance in their particular areas of expertise, including volunteering, fundraising, digital competences and solutions, community development, communication, media literacy, legal or advocacy, civic engagement, fact checking, public budget monitoring, organizational development, and social entrepreneurship. Earned income from such services remains very low, and their provision is largely dependent upon grant-based funding or sponsorships. While the availability of online resources—including training materials and case studies—increased during the pandemic, tailored support and direct contact is essential for longer term effects, especially for grassroots CSOs.

The Romanian-American Foundation continues to act as one of the most active and strategic supporters of civic infrastructure, alongside a few large private companies that have adapted their CSR programs to enable capacity building or collaboration with and amongst CSOs.

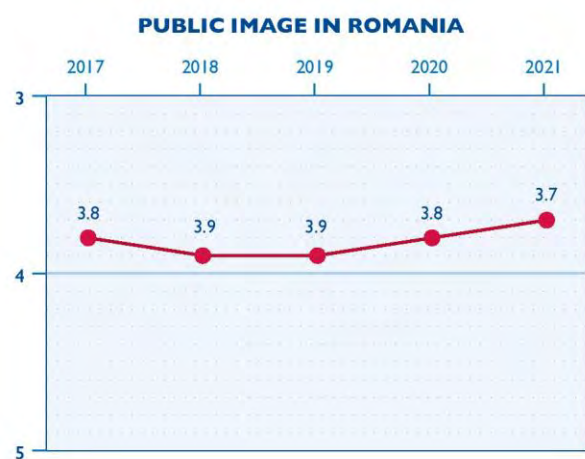


After extraordinary mobilization during the 2020 pandemic, the network of nineteen local community foundations that collaborate as part of a national federation slowly returned to business-as-usual. In 2021, the network successfully raised funds for scholarships and education, thematic funds, philanthropic sports events, and community resilience programs.

Formal and ad hoc coalitions of CSOs were active and more visible in 2021, primarily in relation to defending democratic values and national policymaking. CSO cooperation at local and regional levels varies significantly. Despite CSOs' critical self-assessment on the efficiency of their advocacy efforts and disappointments regarding government responsiveness, their mobilization on key topics in the 2021 public agenda was essential. For example, the Social Platform gathered the largest federations active in the social field to address issues like public funding mechanisms and the use of EU funds to support vulnerable groups. The CSOs for Citizens group actively collaborated on issues like freedom of assembly, transparency and ATI, digital rights, and the protection of civic defenders. Also in 2021, informal groups and coalitions of CSOs worked on issues ranging from monitoring possible legal reforms to defending the rights of the LGBTI community. Other informal groups of CSOs advocated for greater CSO input in the NRRP, and CSO coalitions were active in the areas of education, health, human trafficking, gender and sexual education, and more.

CSO collaboration with other sectors also increased in 2021. There were signs of increased trust between companies and CSOs as they built longer-term partnerships. For example, the Philips Foundation and Philips Romania partnered with Save the Children and donated medical equipment to the #DonateOxygen campaign to support the fight against COVID-19 in neonatology and pediatric wards. CSOs also continued to support private companies in the implementation of volunteering projects for employees and in the development of complex CSR programs. Cooperation between CSOs and independent media outlets, and more generally with investigative journalists, also improved in 2021, providing a better understanding of each other and the potential for consolidation when values and goals are shared.

PUBLIC IMAGE: 3.7



CSOs' public image slightly improved as they increased their online presence and attention to communicating about their work and results in 2021. This spurred greater acknowledgement from business and government actors, who showed more interest in collaborating with CSOs.

Early in 2021, as COVID-19 cases rose, CSOs working in health care, education, and social support benefitted from greater media coverage and the public better recognized the significant role they play. Organizations based in Bucharest and those that acted as frontline responders against COVID-19 particularly benefitted from national television coverage in 2021. Other CSOs received occasional coverage, based on their areas of expertise and topics of national interest. The local press

in counties like Mureș, Cluj, Bistrița, Sibiu, Brașov, Oradea, Iași, and Suceava has also published materials from CSOs. Typically, CSOs are better known in regions where the national public television and/or radio have local studios or special envoys that feature local programs and reports.

Public acknowledgement of CSO work has notably improved since the start of the pandemic. The public's increasingly positive perception of CSOs was evident through fundraising contributions and support. Public trust in CSOs remained steady in 2021; according to a survey released by the Center for Urban and Regional Sociology (CURS) in January 2022, approximately 22 percent of respondents had great or a great extent of trust in CSOs, a higher percentage than that expressed in government (15 percent), political parties (12 percent), or parliament (11 percent). Businesses similarly demonstrated a positive image of CSO work in 2021, as seen through ongoing collaborations and donations. In general, there were no threatening or negative campaigns targeting the sector in 2021.

The government continued to publicly acknowledge the role of CSOs in society, especially those involved in the provision of services such as those related to education and health. While the government opened various consultation processes to CSOs, actual consideration of CSO opinions in final policymaking remained limited, as discussed earlier.

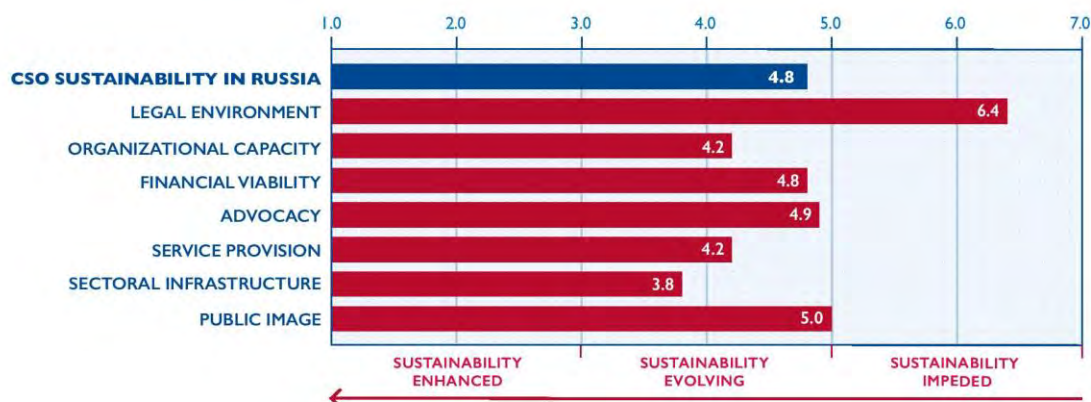
In 2021, CSOs increasingly developed their communication skills, especially through social media such as Facebook, to keep in touch with their audiences and share information on their activities. Large CSOs and those that have access to international resources, such as Save the Children, the Red Cross, and the World Wildlife Fund, benefited from notable presence on social media, as did Dăruiește viață, the Princess Margareta of Romania Foundation, Ajungem Mari, Association for Community Relations, Magic Association, Tășuleasa Social, and Conservation Carpathia Foundation. Medium and small CSOs benefited from a primarily regional audience.

Only organizations with public benefit status are required to publish annual activity reports. Despite this, medium and large CSOs generally publish annual reports in which they report on both their work and their fundraising campaigns. However, the publication of those reports is often notably delayed. Smaller organizations often publish such information on their websites.

RUSSIA

Capital: Moscow
Population: 142,021,981
GDP per capita (PPP): \$26,500
Human Development Index: Very High (0.822)
Freedom in the World: Not Free (19/100)

OVERALL CSO SUSTAINABILITY: 4.8



CSOs in Russia operated under increasingly difficult conditions in 2021. During the second year of the COVID-19 pandemic, government control over the public sphere continued to increase, including through pressure on the independent media, political opposition, and other critical voices. Various aspects of public life, including administration and service provision, continued to be digitalized, while internet censorship intensified.

Despite new restrictions, the public continued to mobilize in 2021. In January and February, thousands of peaceful protesters participated in rallies across the country in support of convicted opposition leader Alexei Navalny. Police in several cities used force against the protesters and detained over 11,000 people. Several organizations affiliated with Navalny were banned later in 2021.

In September 2021, Russia held parliamentary elections in which the pro-government United Russia party won 324 out of 450 mandates. While United Russia won fewer seats than it held previously, the composition of the new parliament (Duma) offers little hope for productive interaction with CSOs. According to Golos, an independent election monitoring group, the election was marred by procedural violations and irregularities.

Tensions between Russia and Ukraine escalated at the end of 2021, when Russia started amassing troops at the Ukrainian border. A full-scale invasion was subsequently launched in February 2022.

In this difficult context, the overall sustainability of CSOs in Russia deteriorated slightly in 2021, with negative developments noted in the legal environment, financial viability, advocacy, service provision, and public image dimensions. In 2021, CSOs felt the effect of several legislative initiatives that were set in motion in late 2020 that increased state control over critical and independent voices, assemblies and protests, informal education, international organizations, and citizens' monitoring of elections. With the ongoing restrictions on foreign funding, funding levels for the sector shrank. There were virtually no examples of successful advocacy at the national level during the year. Service provision declined slightly as the changes to the legal environment complicated the provision of certain types of services, while the government's attitude towards independent CSOs drove a deterioration in public image.

CSOs continued to adjust their activities to the challenges posed by the COVID-19 pandemic in 2021. Some CSOs shifted the focus of their work to the provision of humanitarian aid, while others drew attention to issues exposed by the pandemic such as the situation in the penitentiary system. During the pandemic, Russians increasingly helped others by donating, participating in fundraisers, and volunteering. By moving campaigns and trainings online during the pandemic, CSOs were able to reach wider audiences.

The division between socially-oriented CSOs, which focus on the provision of welfare and social services, and other CSOs continued to deepen in 2021. While the government increasingly clamped down on CSOs that it

deems as critical of its actions, it provided increasing levels of support for socially-oriented CSOs, which are relatively loyal or self-censoring. This division in the sector is best explained by a CSO leader, who said: "On the one hand, Russia has tightened the screws on all independent initiatives that enter the political arena, and on the other, it maximizes the rhetoric of supporting society in its mutual assistance, but through the 'right' resources, portals, and initiatives."

Demonstrating the government's efforts to clamp down on critical CSOs, in late December 2021, the Supreme Court ordered the liquidation of the International Memorial Society, which was focused on preserving the historical memory of the Soviet repressions of the 1930s. The next day, Human Rights Center Memorial, which focused on human rights reporting and litigation, was liquidated by another court ruling. Born in the wake of perestroika, these two groups were key symbols of the Russian human rights community.

According to the Russian Ministry of Justice (MoJ), there are 211,045 registered non-commercial, non-governmental organizations (NCOs) in Russia. However, this number includes state-owned NCOs, municipal institutions, parties, and cooperatives, in addition to independent CSOs. Experts estimate that only about 10 percent of these are active. In addition to those organizations captured in the official statistics, hundreds of individual activists and unregistered groups actively pursue various causes such as helping the elderly, advocating for local community development, and protecting the environment and the rights of various groups.

Among the total number of registered NCOs are 128,685 socially-oriented CSOs, 15 to 20 percent of which are estimated to be active. Other statistics indicate that 32,542 NCOs provide social support to citizens, 31,852 focus on sports, 25,593 on education, 22,672 on charitable and humanitarian projects, 21,815 on culture and international cooperation, 20,897 on "spiritual, moral and patriotic education," and 11,256 and 7,626 on health and children's and youth initiatives, respectively.

The CSO sector, like the political and business spheres, is highly concentrated in Moscow. The 2021 rating of state support of non-profits in Russia's eighty-five regions done by the Public Chamber and RAEX research center established that the CSO sector is most developed in Moscow, Vologda oblast, and Tatarstan.

LEGAL ENVIRONMENT: 6.4

The legal environment governing CSOs deteriorated moderately in 2021, the ninth consecutive year of decline in this dimension. In the run-up to the parliamentary elections in 2021, a number of new laws that entered into force in late 2020 and 2021

¹ tightened the grip on election monitoring, regional/local governance, education, and freedom of assembly, and penalized many activities by civil society actors. At the same time, the authorities continued to crack down on dissenting voices under the pretext of COVID-19.

According to the 2012 Law on Foreign Agents, any CSO that intends to receive foreign funding and conduct expansively-defined "political activities" must register as a foreign agent (FA). FA status imposes obligatory quarterly reporting, requirements to mark all public speech and publications as "created by a foreign agent," and heavy fines for non-compliance. It also limits the scope of an organization's interaction with official bodies. According to a new legal provision, FA CSOs must now coordinate their events and programs with the MoJ, which has the right to prohibit them. A CSO can be deregistered for failure to comply with this requirement. On

¹ These restrictive new laws include Federal Law No. 481-FZ (amendments to the Law on Counteracting Threats to National Security); Federal Laws No. 497-FZ and 541-FZ (amendments to the Law on Public Assembly); Federal Law No. 482-FZ of December 30, 2020 (amendments to the Law on Violations of Rights and Freedoms in Russia, which block foreign social media platforms); Federal Law No. 85-FZ of April 5, 2021 (amendments to the Law on Education that limit potential 'foreign influence' in the educational realm); Federal Law No. 75-FZ of April 5, 2021 (amendments to the Law on Foreign Agents; Federal Law No. 115-FZ on Counteracting Corruption and Money Laundering; Amended Art. 330-1 of the Russian Criminal Code (that introduces administrative and criminal liability for failure to apply for the "foreign agent" status if meeting the criteria); Amended Art. 128 of the Russian Criminal Code (that imposes fines or up to 5 years in the penal colony for defamation, redefining the notion of defamation); and Amended Art. 284-1 of the Criminal Code (that introduces responsibility for taking part in the activities of an 'undesirable' organization).



December 30, 2020, the Duma adopted several laws that expanded the concept of FA to include unregistered groups, staff and founders of CSOs, media, and individuals of any nationality.

Different registers exist for various groups of FAs, including CSOs, unregistered groups, media, and individuals. The government continued to arbitrarily put entities and individuals on these lists. In 2021, ten CSOs, including LGBTIQ groups and Golos, a movement protecting voters' rights, were added to the organizational FA register, bringing the total to seventy-eight. By late 2021, MoJ had also declared twenty-two media outlets, including Dozhd TV, and seventy-one journalists and activists as FAs. Anna Rivina, head of Nasiliyu.net, an FA that helps victims of domestic

violence, had to pay 150,000 rubles (approximately USD 2,500) for not self-declaring and applying to the register of individual FAs.

According to the 2015 Law on Undesirable Organizations, an undesirable foreign organization (UFO) is a foreign or international organization that poses a threat to the defense or security of the state or to public order or public health. UFOs are not allowed to work in Russia, and all contacts with them by Russian citizens and organizations are prohibited. Eighteen international organizations were declared UFOs in 2021, bringing the total number of UFOs to forty-nine by the end of the year. Several of the newly declared UFOs were European associations engaged in civil society cooperation. Among these were German-Russian Exchange, the Center for Liberal Modernity, and the Belgian International Partnership for Human Rights, all known for their humanitarian and human rights work.

In 2021, Russian legislators also significantly expanded the liability for Russians cooperating with UFOs. Organizing UFO activities—whether in Russia or abroad—is now punishable through forced labor or a prison sentence, and those found guilty of such activities are prohibited from taking office and practicing certain professions. Open Russia, an opposition group and UFO, announced in May 2021 that it would stop operating in the country in order to protect its members from criminal prosecution.

State control over CSO expenditures also intensified in 2021. Rosfinmonitoring, Russia's financial regulator, was granted the right to access information on all financial transactions from certain countries, although the list of countries was not publicly disclosed.

New amendments to the Law on Education are similarly geared towards eliminating “foreign influence” in education. The amendments, which entered into force in June 2021, give state agencies the power to vet international educational exchanges and the types of allowed non-formal education, a field in which many Russian CSOs are engaged, thereby restricting international cooperation and civil society engagement with educational institutions.

In 2021, several CSOs and activists were charged with accusations seemingly meant to send a signal to others. For instance, the St. Petersburg-based charitable foundation Sphere, which provides direct assistance to the LGBTIQ community, was accused in 2021 of having “intentions to change the laws and moral foundations of the Russian Federation” and attempts “to bring discord into Russian society.” CSOs lost almost all trials in which they faced charges during the year. One notable exception involved Humanitarian Action, a St. Petersburg-based CSO working on HIV/AIDS, which successfully challenged its inclusion on the FA list.

Team 29, a leading Russian human rights organization that has represented clients such as the Anti-Corruption Foundation and the former Kommersant journalist Ivan Safronov in court, announced in July that it was shutting down its operations in order to protect its staff and clients from possible criminal prosecution. The decision came after the General Prosecutor's Office blocked its website for the alleged “distribution of materials of an undesirable organization registered in the Czech Republic.” While Team 29 appealed the decision, this effort was unsuccessful. Later in 2021, the team members relocated outside of Russia due to pressure and persecution, following several other activists forced into exile.

Freedom of expression was challenged during the year. The government blocked several websites, including that of OVD-Info, a group that provides information and legal support to people detained at protests. Network Freedoms Project recorded a 50 percent increase in the level of internet restrictions in 2021, and reported that approximately forty-four Russian residents received prison sentences for their online posts. According to statistics compiled by Human Rights Center Memorial, 343 individuals (including Jehovah's Witnesses) were imprisoned for exercising freedom of religion or for their religious affiliation, and eighty-three individuals (including historian Yuri Dmitriev) were imprisoned on other political grounds.

During 2021, law enforcement more frequently disrupted public events and gatherings, including for allegedly violating rules related to COVID-19 or fire regulations. In March, for example, the police disrupted the Congress of Municipal Deputies in Novgorod, at which independent deputies had gathered to discuss improvements to "the political representation system" before the Duma elections, and detained people for allegedly violating the regional anti-COVID-19 health regulations. On May 1, the police prevented the premiere of *Neighbors*—a play about the protests in Belarus in 2020—at Moscow's Theater.doc. In addition, as described above, police in several cities used excessive force against peaceful protesters supporting opposition leader Alexei Navalny and detained more than 11,000 people.

In October, a group of twenty masked men disrupted a film screening at International Memorial Society. The police arrived with the National Guard. All visitors were required to fill out a questionnaire and submit their personal data. A lawyer was not allowed inside and security and fire-safety systems were confiscated. Later, officers of the Department for Combating Economic Crimes came to International Memorial's office and demanded that it submit documentation from 1989, when it was founded, through 2021 for inspection. In December 2021, following a suit of the General Prosecutor's Office, the Supreme Court liquidated International Memorial. The following day, a Moscow court issued a ruling liquidating Human Rights Center Memorial. The two groups were seen as the very essence of independent civil society in Russia after the fall of the Berlin wall. Also in 2021, the For Human Rights movement announced its own liquidation, while other human rights groups were liquidated by the state.

During 2021, international human rights monitors drew attention to escalating attacks against Russian CSOs supporting the LGBTIQ community, including the LGBT Network, Sphere Foundation, and regional groups. LGBT Network, for example, was designated an FA and subjected to a vicious smear campaign.

There were also some modest improvements to the legal environment governing CSOs in 2021. In late 2020, new registration forms were approved that simplified the registration process; these forms started to be used in 2021. While registration can be completed in about two weeks, it can be refused for a number of reasons. A norm allowing CSOs to make decisions via remote meetings was added to the Civil Code. No planned governmental inspections of CSOs took place in 2021. Several efforts were initiated to improve legislation on endowments.

NCOs are allowed to engage in business activities as long as they separately account for this income in their financial statements and use the revenues for their statutory purposes. In practice, it is more prudent for NCOs to register separate commercial entities if they are rendering commercial services.

NCOs are exempt from taxes on grants, donations, the free use of property, and other funds received for charitable purposes. All other income is taxed. Since 2020, businesses using the non-simplified taxation system have been eligible for tax benefits of up to 1 percent of revenue if they donate money or property to socially-oriented CSOs registered with the Ministry of Economic Development. Both businesses and CSOs benefited from this provision in 2021.

CSOs have access to pro bono legal advice through specialized CSOs, resource centers, and online consultations. The availability of online advice and trainings expanded in 2021, though the quality is uneven.

ORGANIZATIONAL CAPACITY: 4.2

CSOs had to continuously adapt to the constantly evolving pandemic-driven regulations in 2021. Borders mostly remained closed during the year due to the pandemic, causing many CSOs that used to have regular contacts with counterparts abroad to feel deep international isolation. Like the rest of the economy, the sector fluctuated between remote and in-person work during the year, while trying to sustain its operations. In this context, strong CSOs—those with permanent staff, developed networks, and strong ties with their constituencies, which are often

based in Moscow or other large cities—got stronger, while weak organizations got weaker, leaving overall organizational capacity in the sector unchanged.

The 2021 NGO Organizational Capacity Survey by the Pulse of NGOs project found significant variation in the organizational development of CSOs depending on their size, location, and access to technology, noting that many initiatives are focused on implementing projects rather than their ongoing development.

According to Formula of Resilience: What Makes an NGO Resilient?, a study conducted by the Higher School of Economics (HSE) in December 2021, 42 percent of respondents, which included CSO directors and their teams, successfully adapted to the new conditions, while 29 percent did not. HSE's data also indicates that at least 10,000 socially-oriented CSOs ceased to exist because of the pandemic.



The Agency for Social Information (ASI) interviewed several “strong and stable” organizations, finding that their leaders have been making special effort to motivate and support their teams, which often have been working at their limit. The COVID-19 pandemic also provided an impetus for many CSOs to strengthen ties with their communities and target groups and review their strategies and development plans. ASI's research concluded that organizational capacity among this group of pandemic “survivors” increased in 2021.

This is echoed by a survey conducted by the Charities Aid Foundation (CAF) in Russia in 2021. In this survey, 77 percent of respondents noted that their experience in the first year of the pandemic significantly improved their ability to respond to challenges. In addition, 23 percent claimed to have become more efficient, and 19 percent reported that they automated some of their processes and increased their use of digital technology.

Registered organizations formally define their management structures and decision-making systems in their charters. Boards often do not play an active role in governance, although board members in “strong and stable” organizations tend to be more engaged and informed. Smaller organizations, on the other hand, tend to have less sophisticated planning and governance systems.

Staffing in the sector also varies. According to ASI, 69 percent of CSOs had salaried employees in 2021. In HSE's December 2021 survey, 16 percent of respondents noted a lack of qualified staff and/or high staff turnover.

The COVID-19 pandemic spurred increased volunteer and community engagement in 2020, a trend that continued in 2021. CAF estimates that half of the adult population in Russia (51 percent) engaged in good deeds during the pandemic. Dobro.ru, one of the largest volunteer platforms, had over three million registered participants who provided 15.7 million volunteer hours in 2021, an increase of 64 percent compared to 2020. Dobro.Universitet, an online platform run by the Association of Volunteer Centers, reported that it trained over 100,000 new users on volunteerism, charity work, and CSO management in 2021.

There was notable volunteer activity in the area of environmental protection during the year. For example, through the Plant the Forest initiative, more than 10,000 volunteers planted over 1.6 million trees in fifty-two regions of Russia, from Kaliningrad to Buryatia. Experienced volunteers and forestry specialists conducted trainings to ensure that more seedlings take root. Plant the Forest was initiated by the independent environmental movement ECA and supported by donations from businesses and individuals.

CSOs' digital competencies continued to grow in 2021, although not as dramatically as in 2020. A study by the Potanin Foundation on the digitalization of the non-profit sector identified three clusters of CSOs. The smallest cluster (13 percent) had a high level of digitalization, while the majority of CSOs (71 percent) had a mid-level of digitalization, and 16 percent had a low level of digitalization. About 66 percent of CSOs use ten or more IT solutions simultaneously in their work, and only 25 percent have the means to enhance their digital solutions, primarily for fundraising purposes. Leading CSOs use chatbots, e-services, and artificial intelligence.

FINANCIAL VIABILITY: 4.8



CSO financial viability deteriorated slightly in 2021. According to Formula of Resilience, nearly half (48 percent) of surveyed CSO leaders said their organizations lack funds. Most of the available funding for the CSO sector comes from governmental sources. This funding, however, primarily benefits socially-oriented CSOs. CSOs that are critical of the government, on the other hand, are often on the FA list and rarely receive government funds. At the same time, many foreign funders have been banned from operating in the country altogether. As a result, diversity in funding opportunities and the volume of funds available shrank overall.

Upon request of the Ministry of Economic Development, the All-Russian Academy of Foreign Trade (AIRT) evaluated the contribution of Russian NCOs, charity, and

volunteering to the country's economy. The study found that thirty-seven types of non-profit organizations—ranging from non-governmental organizations to law firms—contributed 1.46 percent of the country's gross domestic product (GDP) in 2021, up from 1.15 percent in 2020.

The Presidential Grants Foundation (PGF) continues to be an important source of funding for many CSOs. In 2021, PGF allocated 8.3 billion rubles (approximately USD 137 million) for 4,144 grants, less than the 5,319 CSO projects that received 10.7 billion rubles in support in 2020. In 2021, PGF also provided about 1.5 billion rubles (approximately USD 22 million) for co-financing support in seventy-four regions, subject to the use of open bidding procedures. In addition, the newly established Presidential Fund for Cultural Initiatives held its first grant competition in 2021, with a budget of 3.5 million rubles (approximately USD 50,000). Its objective is comprehensive support of "culture, art, and creative industries," including projects implemented by non-profits, businesses, and individual entrepreneurs.

Socially-oriented CSOs, along with small and medium-sized businesses, were eligible for a special line of credit and subsidies as part of the government's support measures during the COVID-pandemic; over 9,000 CSOs had applied for these benefits by late November 2021.

Regional government support for CSOs continued to grow. In 2021, the city of Moscow alone provided 6.6 billion rubles (approximately USD 109 million) in financial support to non-profits via subsidies, project calls, and social advertising (the placement of content on social topics in the media for free).

According to CAF's World Giving Index 2022, which reports on developments in 2021, 42 percent of people surveyed in Russia reported donating money to charity, compared to 28 percent the previous year, a notable increase. A study by HSE estimated that 10 percent of Russians made regular financial donations in 2021, 41 percent made small donations, and 42 percent did not donate at all.

Although CAF research shows that 40 percent of non-profits in Russia have never engaged in online fundraising and do not know how to approach it, at least ten services for collecting online donations were active in Russia in 2021. These included Blago.ru, DobroMail.ru, SberVместе, Help Needed, and Planeta.ru. According to a study by CAF Russia, all platforms demonstrated growth in donations in 2021. Yandex, Russia's largest search engine, reported that over 200,000 people regularly donated through its services for a variety of causes during the year. In 2021, Yandex also supported over 250 CSOs, providing them with technological solutions, free taxi rides, and grants.

Despite the growing pressure they were under, leading human rights groups successfully collected private donations in 2021. For instance, OVD-info, which provides information about the protests and post-protest detentions, received 247 million rubles (more than USD 4 million) in donations from 120,000 individual donors. The team employs seventy-five staff and about 3,000 volunteers across the country and works with over 300 lawyers and attorneys. Over 5 million rubles (USD 82,500) was donated to Apologia protesta, OVD-Info, and MediaZona during a popular YouTube stream in February 2021. A study by the Help Needed Foundation revealed

that among internet users who reside in big cities and donate to CSOs, 15 percent gave money to human rights organizations, while the majority preferred to support organizations helping socially vulnerable groups and animals.

According to Forbes, twenty private foundations belonging to Russia's top businesspeople spent over 12 billion rubles (USD 174 million) on charity in 2021, supporting initiatives in culture, education, sports, and other areas. Many private Russian foundations continued to be focused on overcoming the effects of the pandemic in 2021. Potanin Foundation launched a grant program for the institutional development of CSOs with funding of 308 million rubles (more than USD 5 million).

Some CSOs earn revenue through the provision of products or services, although no data is available on the extent to which this happens. For example, Grani Center from Perm region produces analysis and research for the federal and local governments on government interactions with CSOs and the de-bureaucratization of social services, as well as other topics.

A registered NCO is obliged to hire an accountant and publish its annual financial statements on MOJ's website. Several types of NCOs, such as foundations with revenues over 3 million rubles (approximately USD 42,000 per year) and FA organizations, are obliged to undergo annual audits.

ADVOCACY: 4.9

The advocacy capacity of Russian CSOs remains limited and deteriorated further in 2021. While several platforms enable exchange between CSOs and the authorities, their influence on decision making has declined over the years and is now minimal or even non-existent. In addition, the state has made certain types of advocacy impossible through repressive legislation. For example, FAs are prohibited from advocating with official agencies. As a result of these trends, there were virtually no examples of successful advocacy at the national level during the year.

The Public Chamber of the Russian Federation and a network of Public Chambers in the regions facilitate interaction between CSOs and the government. Formally, these structures are responsible for monitoring the activities of federal and regional government bodies in the country. Citizens and CSOs can also engage with government institutions through public councils that exist under all federal ministries and departments. Public councils monitor the activities of federal executive bodies and participate in the discussion of draft laws and documents. However, most of these institutions have been either weakened or directly or indirectly incorporated into the centralized governance structure in the country, known as the “power vertical.” For example, very few of the public observation committees—Russia's version of the national preventive mechanism (NPM) to prevent torture—work independently anymore. An investigation by the independent media outlet Project found that in sixty-six out of Russia's eighty-five regions, chairs and deputy chairs of the committees were either formerly with law enforcement agencies or associated with the authorities.

Successful public advocacy campaigns are extremely rare. One such example in 2021 was the Greenpeace Russia campaign against a bill that would have changed the boundaries of wildlife sanctuaries and national parks and therefore allowed mining and construction in protected areas. More than 95,000 people supported the campaign by signing petitions, sharing information on the campaign, or providing small donations, and the State Duma Committee on Ecology eventually withdrew the bill. However, several other environmental initiatives, including For Zero Waste Incineration, which received the signatures of 100,000 supporters, did not have any effect on government decision making.

Socially-oriented CSOs have long advocated for the creation of a state fund to provide children with rare diseases with access to expensive medication. Such a fund—the Circle of Kindness Foundation—was finally registered in



February 2021. The foundation is being financed through additional tax revenue collected through a change in the tax code in 2021 that increased the personal income tax for individuals with annual incomes exceeding 5 million rubles (approximately USD 80,000). In 2021, 2,085 children received medication through the Circle of Kindness.

Petitions have become an important tool for people to voice their opinions. However, most campaigns, no matter how widely supported, have virtually no effect on legislative and management decisions. For example, despite numerous petitions by CSOs and the academic community, the Law on Education was amended in 2021. As described above, the amendments stipulate that only institutions with licenses for educational activities can engage in formal or informal education, so CSOs will now either have to acquire licenses to engage in such activities or discontinue them. Similarly, a Change.org petition urging the repeal of the Law on Foreign Agents collected 259,000 signatures but did not garner any official response. Petitions initiated by intellectuals, writers, journalists, and media editors in defense of attorneys Ivan Pavlov and Mikhail Benyash, historian Yuri Dmitriev, and journalist Ivan Safronov also failed to yield any tangible results.

Protests continued to be organized in 2021. The year started with widespread peaceful protests in at least 185 cities in support of the opposition politician Aleksey Navalny and against corruption. On February 5, 2021, twenty-three members of the presidential Human Rights Council published a statement condemning the excessive use of force against peaceful protesters, detention of journalists, and efforts to hinder the access of lawyers at the rallies.

Although Russia is a highly centralized country, advocacy on “socially acceptable” topics and regional and local development is possible on the regional and municipal levels. As the pandemic restrictions persisted, however, most local advocacy efforts took place through the organization of online petitions in 2021. In Kaliningrad region, for example, 40,000 people signed a petition against development plans that would have destroyed local dunes. Some of these local advocacy campaigns resulted in modest successes. In Yaroslavl, for instance, several groups of local activists convinced city authorities to change their development plans.

SERVICE PROVISION: 4.2



CSO service provision deteriorated slightly in 2021 as the changes to the legal environment described above complicated CSOs' operations and the provision of services. For example, CSOs engaged in educational activities are now required to get licenses. In addition, some CSO service providers engaged in self-censorship to avoid potential problems, including inclusion into the FA list.

Despite these complications, CSOs continue to provide a wide variety of services, ranging from humanitarian aid aimed at socially vulnerable groups to consultations, coaching, and specialized legal and financial advice. According to statistics made public by the Ministry of Economic Development, over 50 million Russians received social services from CSOs in 2020.

CSOs that provide services included on a list approved by the government can register as Providers of Public Benefit Service (PPBS). The status is granted for two years but can be extended. The status has become a “quality mark” for service CSOs. Organizations in the register can receive funds from the state and regional budgets and are more likely to receive service contracts. The growth in the number of CSOs on the PPBS register has slowed down. Several CSOs faced difficulties receiving compensation from the state for the services they rendered in 2021.

The adoption of the new Law on the State (Municipal) Social Order in 2020 was expected to stimulate competition between public institutions and non-state service providers by giving service CSOs and individual entrepreneurs the opportunity to receive state funding to provide services in fields such as education, health care, welfare provision, and tourism. However, the law was still not implemented in all regions in 2021, so it was too soon to see results.

CSOs continued to incorporate digital technologies, including AI and automation, in their service provision in 2021, which made it easier for them to contact their constituencies and collect feedback. For instance, human rights watchdogs OVD-Info and Human Rights Center Memorial launched a “complaint generator” that automates the process of writing complaints to the European Court of Human Rights. The Liza Alert foundation, which helps search for missing children, launched a Telegram chatbot to expedite its rescue actions.

According to in-depth interviews conducted by ASI of fifteen CSO service providers in Moscow in 2021, almost all have transferred their services online. This required redesigning some services, such as rehabilitation and socialization sessions for people with special needs. Most respondents said that they continue to offer the digital and hybrid services introduced during the pandemic.

Some CSOs proactively sell their services, and some segments of the CSO sector—such as resource centers—notice a growing readiness by their clientele to pay for training and consultations, according to ASI data.

Social entrepreneurship continued to develop in Russia in 2021, although the startup investment threshold remains rather high. According to the Our Future Foundation, the number of registered social enterprises reached over 6,000 in late 2021. Support measures from the state, including the first grant competition for social entrepreneurs by the Russian Ministry of Economic Development, facilitated this growth, as did the mainstreaming of impact investing.

In 2021, several ministries started elaborating methodological guidelines to address the provision of comprehensive assistance to the homeless, including access to medical care, procedures for issuing passports to the homeless, and maintaining a register of the homeless. This is an area in which CSOs have been traditionally indispensable and there is hope that the new regulations will open up broader opportunities for CSO service provision in this area.

Overall, the government’s recognition of the role of CSOs in service provision increased during the pandemic. In February 2021, the Public Chamber of Russia recognized CSOs as “a force for building trust in society and a partner in implementing state social policies.”

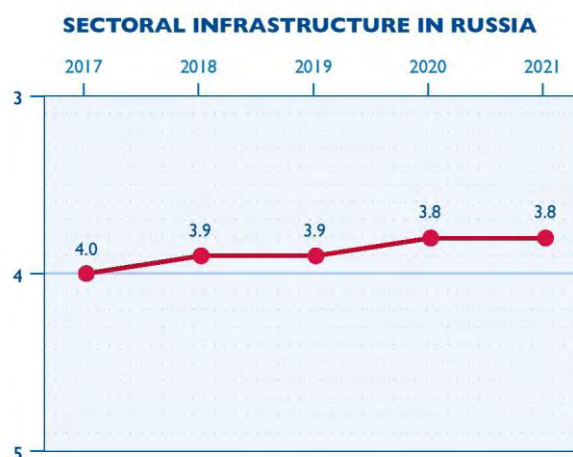
SECTORAL INFRASTRUCTURE: 3.8

The infrastructure supporting the CSO sector remained unchanged in 2021. While there were a number of new state-funded projects to support social CSOs, other CSOs faced an increasingly restrictive regulatory and operating environment characterized by a complete lack of such support.

The number of CSO resource centers in Russia’s regions continued to grow, with new centers opening in Vologda, Krasnodar, and Kursk in 2021. Growth was fueled mostly by funding from local and regional authorities as well as PGF support. Some formerly independent resource centers have been weakened or replaced by pro-government ones, whose interests do not always reflect the interests of CSOs. Resource centers provide training and consulting for CSOs, organize community events, and make relevant information accessible. Some also engage in regranting and research. These services are primarily targeted at socially-oriented CSOs. The city of Moscow continues to operate a network of eleven co-working centers, where CSO employees can co-work or hold events.

Eighty community foundations in thirty-one regions in Russia conduct independent, local grantmaking. Community foundations prioritize building trust in the local community and supporting local initiatives. They rely on donations from individuals and local businesses, grants, and regional subsidies.

Since 2015, the state-affiliated Public Chamber has organized the annual Community fora (Soobstchestvo) as a platform for dialogue between non-profits, individual activists, authorities, and businesses interested in regional development and civic engagement. In 2021, Community fora took place in Vladikavkaz, Tver, Saransk, Khabarovsk,



and Moscow. Participants in these well-attended events discussed a variety of issues related to regional development and other topics relevant to socially-oriented CSOs.

In 2021, PGF created the online resource Granty.rf, which collects and posts information about funding opportunities for CSOs from the state and regional budgets. Users can filter and track grant competitions by region, topic of interest, and deadlines, and access information on the state and outcome of the grant competitions.

The availability of online training programs continued to increase in 2021. For example, 9,000 people took part in one of fourteen online courses offered by the St. Petersburg-based NGO Kitchen educational platform in 2021. Courses covered topics such as CSO management, burnout prevention for leaders and teams, financial literacy, and business development. While there is now an abundance of training courses available online, the quality of such training activities is uneven. In addition, there is still a lack of specialized advice and services to meet CSOs' needs in areas such as accounting, legal support, and the development of customized software.

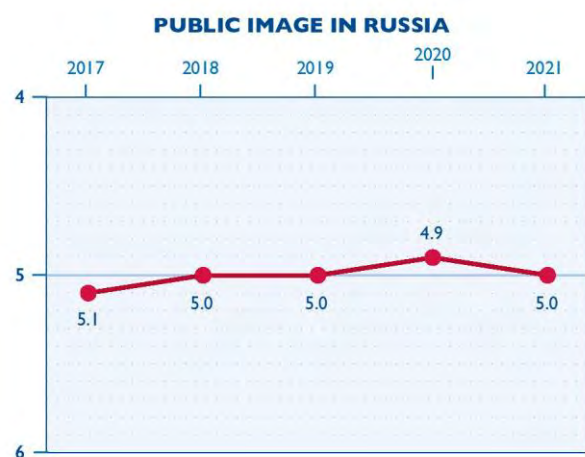
With the arrival of COVID-19 vaccines and the easing of lockdowns, CSOs resumed organizing in-person events in 2021. In late June, the White Nights of Fundraising, the main annual fundraising conference for CSOs, gathered over 400 people from all over Russia. The Moscow-based Blagosphera center, a coworking and independent initiatives space, organized dozens of community-building events during the year, including the Festival of Public Spaces in November.

The Commonwealth of Kind Cities is an independent initiative of local charitable festivals that brings together local communities around pressing local issues. In October 2021, nineteen cities and towns joined the Commonwealth, bringing the total number of members to sixty-one cities.

CSOs form and sustain coalitions and longer-term alliances in various thematic fields. For example, the Altogether Alliance unites CSOs helping children and vulnerable groups, the Donors' Forum unites donors, and the Coalition for Sustainable Development brings together CSOs promoting sustainable development goals (SDGs). The increased use of digital technologies over the past few years has resulted in increased links between CSOs.

CSOs work in partnership—both formally and informally—with the private sector, government, and media on a variety of social topics. For instance, regional governors started discussing issues related to the climate agenda and climate neutrality goals with Greenpeace in the fall of 2021. However, such multi-stakeholder partnerships are generally only created in response to crises.

PUBLIC IMAGE: 5.0



The public image of the CSO sector deteriorated slightly in 2021. While the government acknowledges CSOs working in the charitable field and recognizes their role in society, it labels independent CSOs as “foreign agents.” The population’s attitude towards CSOs largely mirrors this positioning.

The Civil Society Monitoring 2021 survey by HSE found that 54 percent of Russians aged 18 or older trust at least one type of CSO, including trade unions. However, the level of Russians’ participation in the activities of non-profit organizations is relatively low, at just 28 percent.

According to a study conducted by ZIRCON research group and commissioned by ASI, the non-profit sector’s presence in the federal media dropped slightly in 2021. Local media outlets, especially in St. Petersburg, Moscow,

Nizhni Novgorod, and Sverdlovsk regions, write about non-profits much more often than federal outlets do, and there is a pool of journalists who specialize in coverage of CSOs and the third sector. The main newsmakers, however, are charitable foundations.

To the extent that the mainstream Russian media reports about CSOs, coverage is focused on charities working on social issues or those being put on the FA list. In 2021, for example, the inclusion of the independent Alliance of Doctors on the FA list was widely covered in the media. The appeal to the president by the All Together Association to remove the obligation for CSOs to report on the foreign funding their donors receive and change the FA law was a rare case of advocacy that was covered in the federal news. The dissolution of International Memorial and Human Rights Center Memorial got a lot of media coverage, including in the international media. However, coverage in pro-Kremlin media was highly negative, accusing the groups of working to distort the image of the country.

In September 2021, *People are Kind* (Lyudi dobrye), a documentary about Russia's civil society leaders, including those of prominent human rights groups, premiered on Channel One, a major state-run broadcaster. Created by ASI, Vladimir Potanin Foundation, and Time Code Production, the film attracted an audience of 500,000 viewers.

In a unique development, two CSO leaders were recognized at the highest state level in 2021. Elena Topoleva, director of ASI and chairwoman of the Public Chamber's Commission on the Development of the non-profit sector and support to socially-oriented CSOs, received the state award for "Outstanding achievements in human rights advocacy." Faina Zakharova, president of the Life Line Foundation, which helps kids with severe medical conditions, was recognized for her charitable work through a presidential decree.

In December 2021, the Russian journalist Dmitry Muratov, editor in chief of *Novaya Gazeta*, one of the very few remaining independent media outlets in Russia, received the 2021 Nobel Peace Prize, along with Maria Ressa, an award-winning editor in the Philippines. The two were recognized "for their courageous fight for freedom of expression" in the face of authoritarian governments. The prize, which was even covered in the state-run media, drew public attention to independent voices, media, and groups. Muratov donated his prize to the Moscow-based children's hospice House with a Lighthouse, three charitable foundations, and a fund for journalists in need of medical treatment.

2021 saw some growth in support for and visibility of human rights organizations, even though their access to the mass media is limited. Many human rights CSOs use social media, such as Telegram and YouTube channels, for public outreach.

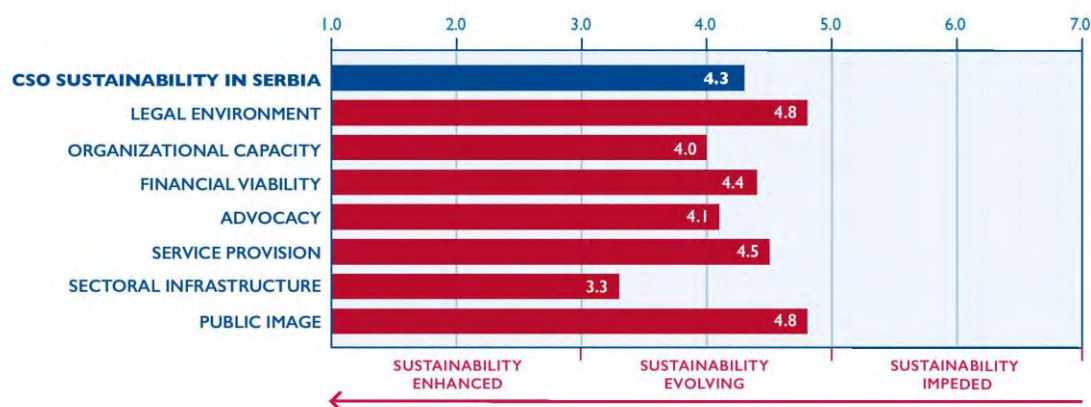
In November 2021, the independent pollster Levada Center found that 65 percent of Russians have never heard about media outlets and journalists being designated as FAs by the state. (Ironically, Levada Center itself has been listed as a FA since 2016.) At the same time, 45 percent of respondents said the FA labeling has been used to put pressure on independent public organizations.

CSOs demonstrate their accountability largely through their formal reporting obligations, including annual reports, which are available online, and financial information, which is available on MoJ's website. Some CSOs elect to publish additional reporting or join transparency initiatives such as the Global Reporting Initiative (GRI). In 2021, the Social Navigator Foundation compiled a ranking of Russia's charities using four criteria: openness, social accountability, finances, and management and risks. Only 982 organizations met the criteria to be included in the ranking, and just 244 received four stars. In 2021, human rights CSOs discussed a prospective code of ethics..

SERBIA

Capital: Belgrade
Population: 6,739,471¹
GDP per capita (PPP): \$18,200
Human Development Index: Very High (0.802)
Freedom in the World: Partly Free (62/100)

OVERALL CSO SUSTAINABILITY: 4.3



Since the opposition in Serbia largely boycotted parliamentary elections in June 2020, the parliament is now dominated by the ruling parties, with just a few opposition members of parliament (MPs). This allowed the parliament to become a stage for attacking opposition groups, CSOs, and the independent media in 2021. In its Serbia Report 2021, the European Commission finds that “inflammatory language against political opponents and representatives of other institutions expressing diverging political views was...used during parliamentary debates.” Defamatory statements, smears, and threats from the parliament came on top of the years-long negative smear campaign against independent actors conducted in the pro-government media and tabloids.

The president scheduled new elections for the spring of 2022. Representatives of the European Parliament (EP) facilitated a dialogue between the ruling and opposition parties aimed at improving the electoral environment. Some opposition organizations criticized the process after the ruling party rejected substantial improvements to the electoral process. In its analysis, the Center for Research, Transparency and Accountability (CRTA) concluded that the final proposals that came out of the EP-facilitated dialogue would not meaningfully improve the integrity of the election process.

In recent years, the number and quality of environmental CSOs, grassroots organizations, and local movements have increased. Such entities are now the most vibrant segment of civil society. Their efforts peaked towards the end of the year when thousands of people mobilized against the Rio Tinto mining project and the government, which backed it. Protesters were fined and attacked by hooligans and police using excessive force. Some of the protesters’ requests were met when the government withdrew the Law on Expropriation from parliamentary procedure and proposed amendments to the Law on Referendum and People’s Initiatives. Although the protests yielded significant results, it is unclear if the controversial mining project will continue.

Apart from this significant success, the institutional channels for civil society and government dialogue are essentially closed. Some mechanisms for participation in decision making exist, but these processes are usually dominated by government-organized NGOs (GONGOs) and political-party-organized NGOs (PONGOs), and working groups’ decisions and the topics they address do not reflect the worsening reality in the country.

Overall CSO sustainability did not change in 2021. While the legal environment and service provision both deteriorated during the year, advocacy improved slightly after years of decline. State harassment of CSOs continues to be a significant issue, with new administrative pressures, like financial inspections to determine funding irregularities, recorded in 2021. While demand for services increased during the pandemic, the government decreased funding while increasing referrals, putting enormous pressure on CSO social care providers. Other dimensions of CSO sustainability remained at the same level as in 2020.

The infrastructure supporting the CSO sector is still the most advanced aspect of CSO sustainability. A wide range of resources and services are available to different types of organizations. The demand for such services remains high, but the ability of these organizations to absorb and implement new knowledge and skills is questionable. At the same time, the concentration of significant bilateral and multilateral funds on large, primarily Belgrade-based CSOs diminishes the opportunities for grassroots and mid-size organizations to receive funding directly and build their capacities to compete for larger grant schemes.

According to the Serbian Business Registry Agency (SBRA), there were 35,733 registered CSOs as of December 31, 2021, a 3.1 percent increase from 2020. There are also 996 endowments and foundations, a 5 percent increase from 2020. Many grassroots initiatives still avoid registering and instead choose to work as informal groups, primarily because they fear state impediments.

LEGAL ENVIRONMENT: 4.8



The legal environment governing CSOs deteriorated in 2021, as state harassment of activists, media, and CSOs increased. Harassment took many forms—lengthy financial inspections, threats and violence by hooligan groups suspected to be connected to the ruling party, and frequent decisions by the Ministry of Interior to ban assemblies and charge activists with misdemeanors and fines.

The Law on Associations and the Law on Foundations and Endowments still serve as the primary framework laws for CSOs in Serbia. CSOs continue to be able to register easily through regional SBRA offices. However, electronic registration is still not available for CSOs, although it was introduced for other legal entities in 2021.

In a contentious process, the Strategy for Creating an Enabling Environment for the Development of Civil Society in the Republic of Serbia for the period 2022 to 2030 (familiarily known as the Strategy for the Development of Civil Society) was drafted in 2021. Although several CSOs took part in the working group drafting the Strategy, a significant number of the most prominent human rights and civil society development CSOs—under the banner of the Three Freedoms platform—boycotted the strategy’s development. The boycott was based partly on the short timeframe and non-participatory manner of public discussions for the Strategy’s development, but were primarily driven by the government’s lack of action to address the increasing attacks on civil society and independent media.

In 2021, parliament adopted two crucial laws that affected the legal framework for CSOs’ operations—the new Law on Referendum and People’s Initiative and a new Law on Free Access to Information of Public Importance. Both laws were adopted swiftly, justified by the emergency of European integration processes, through non-transparent manners. For example, although the government allowed interested parties to comment on the draft Law on Referendum and People’s Initiative for twenty days, the competent ministry provided a non-existent e-mail address for the submission of comments. Both laws were adopted in late 2021.

The initial version of the new Law on Referendum and People’s Initiative contained provisions that would have imposed undue restrictions on citizens’ involvement in decision making by instituting an obligation to authenticate signatures when launching a people’s initiative, which involves high administrative fees. In response to protest demands, amendments were made to the law that removed the fee for signature authentication. However, other problematic points in the law remained unchanged, including the lack of a legal remedy in cases in which the National Assembly fails to officially consider initiatives that have been submitted.

The new Law on Free Access to Information of Public Importance failed to address the key issue that hindered the law that it replaces. Namely, although the Law gives additional competencies to the Information Commissioner to fine state authorities that do not comply with information requests, the fines will be paid out of public funds. Additionally, the law fails to oblige the government to develop a procedure to enforce the Commissioner’s

decisions. Thus, the long-standing practice of state bodies ignoring the Commissioner's decisions is likely to continue.

According to reports from Three Freedoms, state harassment of CSOs was a significant problem in 2021. Although there are no legal obstacles to CSOs accepting funds from foreign donors, the Center for Judicial Research (CEPRIS), a CSO whose members are prominent critics of Constitutional amendments affecting the judiciary proposed by the government, was subject to a month-long financial inspection, allegedly to determine the regularity of its funding. State-affiliated print tabloid Srpski Telegraf published an eight-page supplement on CSOs and independent media that questioned their funding sources and missions. Those targeted in the supplement were on the so-called "list" of fifty-seven subjects investigated by the Serbian Administration for the Prevention of Money Laundering and Terrorist Financing (APML) in 2020. The nature of the information provided in the supplement provides reason to believe that APML provided Srpski Telegraf with this information.

Another concern is the Ministry of Interior's continued practice of denying approvals for protests and assemblies due to its alleged inability to ensure the safety of activists during these events. For example, police banned the properly-notified assembly of the Youth Initiative for Human Rights (YIHR) focused on removing a mural of convicted war criminal Ratko Mladić. In response, YIHR addressed the European Court of Human Rights, which obliged the Government of Serbia to report on the steps it took to ensure the protection of YIHR activists.

Individuals attending environmental protests at the end of the year were attacked by extremists and hooligans in some cities, while police failed to protect them. In some cities, police also used excessive force on protesters. In addition, several thousand protesters were charged with misdemeanors and fines for "illegal detention on the road." Most of these protesters stated that the police failed to identify themselves at the protests. Also, police officers visited many activists in the early morning on protest days, coming to their homes or workplaces to "warn" them that they would be breaking the law if they participated in protests.

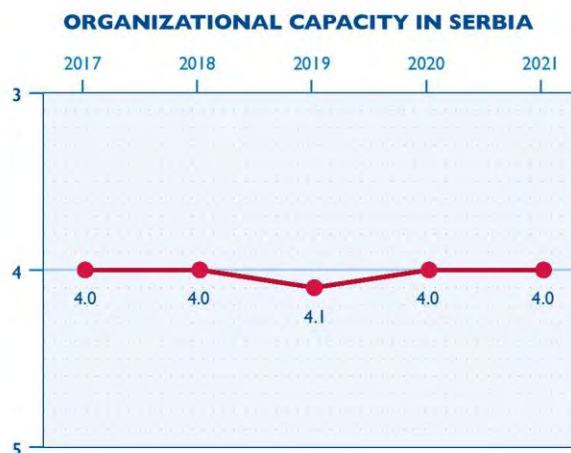
CSOs are legally allowed to earn income through the provision of goods and services by charging fees and establishing social enterprises, but the tax legislation still treats them the same as regular businesses, neglecting their social missions. CSOs are allowed to freely engage in fundraising campaigns. There are also no legal obstacles to CSO participation in public procurements, but the state still does not recognize the broader value of their participation, and there are no socially responsible public procurements. CSOs do not receive tax exemptions on income from donations, although some international grants are exempt from value-added tax (VAT) in accordance with bilateral agreements. Legal entities can classify donations to CSOs as expenses, thereby lowering their taxable income.

Partners for Democratic Change, the National Coalition for Decentralization (NKD), Civic Initiatives (CI), and other large organizations provide legal information and support to activists and CSOs. However, the scope of legal aid is limited.

ORGANIZATIONAL CAPACITY: 4.0

The organizational capacity of the sector remained unchanged in 2021. There continues to be a significant capacity gap in the sector based on organizations' size, years of operation, geographic focus, and field of operations.

In 2021, CSOs continued to effectively build and engage their constituencies through the use of crowdfunding, social networks, online petitions, and organizing protests. For example, Kreni-Promeni organized a petition opposing the Rio Tinto mining project that was signed by tens of thousands of citizens. More experienced CSOs with stronger capacities provided concrete forms of support—including legal aid, technical support for street actions, and communications support—to grassroots and local organizations.



CSOs' strategic planning practices did not change significantly in 2021. With the support of the USAID-funded INSPIRES project, several larger CSOs continued to increase their resilience by introducing different strategies, tactics, tools, and networking to respond to the challenges facing civil society, including state harassment and political polarization. Also, more than twenty mid-size CSOs were engaged in strategic planning processes as part of the institutional support provided within the For an Active Civil Society Together (ACT) program.

Although experienced CSOs continue to have sound internal management systems, most organizations still do not have fully functional and transparent governing structures or management procedures, including a clear division of responsibilities. On the other hand, newly established initiatives and grassroots groups continue to operate through flexible and adaptive structures that reflect their ad hoc nature.

According to data from the Resource Center (RC), CSOs mainly utilize internal monitoring procedures for individual projects at the initiative of their donors. CSOs carry out internal evaluations even less frequently than project evaluations. Even when such evaluations are conducted, CSOs are rarely able to incorporate learning into their programs.

Only larger organizations, which make up a small percentage of the sector, have permanent staff. In many cases, CSO staff continues to migrate to the public or for-profit sectors. A significant number of CSOs have reported staff burn-out since the onset of the COVID-19 pandemic, indicating a new need for capacity-building support.

Volunteerism is underdeveloped in Serbia. According to the Charities Aid Foundation's World Giving Index 2021, which reports data from 2020, Serbia has the lowest rate of volunteering among the countries studied, with just 5 percent of respondents indicating that they volunteered in the previous month. While some larger CSOs have protocols for volunteers and volunteering programs, others—especially smaller organizations—are underdeveloped when it comes to volunteer management. The Law on Volunteerism, which requires significant administrative procedures for longer-term engagement of volunteers, seems to further discourage CSOs from seeking volunteers, and vice versa.

As a result of the ongoing COVID-19 pandemic, community mobilization still took place primarily online in 2021. Given this, CSOs continue to have a clear need for modern IT equipment, skills, and knowledge to better use new online tools and platforms. Local CSOs, particularly in rural areas, still have challenges mobilizing citizens online.

FINANCIAL VIABILITY: 4.4¹



The financial viability of the CSO sector in Serbia did not change significantly in 2021.

There continued to be a lack of government funding for independent CSOs (at both the local and national levels), and the public resources that were available were redirected toward GONGOs and PONGOs. As Balkan Investigative Reporting Network (BIRN) stated in its Publicly on Public Competitions research, although the state directed most of the budget funds allocated for civil society (EUR 53 million) towards CSOs in 2021 (as opposed to religious groups or sports clubs, as has sometimes been the case in the past), a closer analysis reveals irregularities in public calls for funding, including favoritism towards certain CSOs and media and a lack of proper and transparent evaluation of funded projects.

For instance, in one-fifth of the public calls for financing, a single organization received half of the total funds allocated.

¹ The score for the Financial Viability dimension was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region, rather than based on change from the previous year.

Overall, the corporate sector contributed 33 percent of the total donations received by the sector in 2021, according to Catalyst Balkans. In comparison, mass individual donations account for 61 percent of the total sum donated. The most supported causes were health care (34 percent), support for vulnerable groups (17 percent), education (13 percent), and poverty (12 percent).

CSOs are becoming more aware of and proactive in seeking alternate funding sources. According to preliminary findings of Catalyst Balkans' Serbia Giving 2021 research, the share of the total number donations by companies and individuals that went to CSOs fell from 51 percent in 2020 to 41 percent in 2021. However, as a pandemic year, 2020 was exceptional, and the amount given in 2021 was more than double that in 2019 (EUR 42.5 million in 2021 vs. EUR 18 million in 2019). Out of the total donated sum, 75 percent of all recipients were CSOs, showing a steady increase. However, a single organization—Budi human Foundation, which primarily focuses on the medical treatment of children—received an astounding EUR 22 million, more than twice the amount it received in 2019 (EUR 11 million), and more than a half of all donations Catalyst recorded in 2021. CSOs are also developing new fundraising methods. For example, the National Association of Parents of Children with Cancer developed a mobile fundraising application that has steadily attracted corporate partners.

Compared to 2020, when companies suspended most of their corporate social responsibility (CSR) programs and funds and directed their efforts entirely towards pandemic relief, corporate philanthropy slowly returned to its previous dynamic in 2021. New trends in corporate philanthropy are emerging as companies are becoming more open to supporting human rights, including women's rights and LGBTI rights. For example, IKEA supported the celebration of International Day against Lesbophobia, Homophobia, Biphobia, and Transphobia.

Bilateral and multilateral donors and foreign private foundations continue to be crucial financial resources for CSOs. The Swiss government provided a total of just over CHF 3 million (EUR 2.9 million) to Serbian civil society in 2021. Amongst this support was the ACT program, implemented by CI and Helvetas with funding from the Swiss Agency for Development and Cooperation (SDC). The program Your Place in Serbia is implemented by a consortium led by NKD with funding from USAID; the program awarded approximately \$200,000 in 2021. NKD awarded another \$226,000 in grants under an EU-supported program. The Belgrade Open School (BOS) awarded grants with support from the EU Delegation in Serbia and the British Council. Grants offered by the Trag Foundation (TF) are also a significant source of funding for CSOs; in 2021, TF awarded a total of almost \$1.2 million to CSOs and grassroots groups in Serbia, most of which comes from foreign donors. In 2021, grant opportunities were available for a growing number of organizations and needs. For example, ACT, TF, and NKD offered various funding schemes, including action grants and core support. However, the concentration of significant bilateral and multilateral funds on large CSO consortia diminishes the opportunities for grassroots and mid-size organizations to receive funding directly and become eligible for larger grant schemes.

CSOs' access to commercial financial opportunities did not change much in 2021. ERSTE Bank issued four loans to CSOs during the year (the same number as in 2020), but these were smaller in value: EUR 220,000 in 2021 compared to EUR 379,217 in 2020. CSOs used these loans to purchase business premises, invest in rental properties, and pre-finance project activities. ERSTE reports growing interest among CSOs in this financial instrument.

Income-generating activities are still quite limited. The government rarely outsources services or accredited training to CSOs. At the same time, companies more actively engage CSOs to provide specific services. For example, companies often outsource CSOs to help them design diversity and gender-equality policies. CSOs also provide training for company employees on topics like gender balance and sexual harassment. Although the Law on Social Entrepreneurship is still pending in the parliament, the Coalition for Solidarity Economy Development (CoSED) expects it to expand and enable income-generating activities. In 2021, only a small percentage of CSOs earned substantial income from selling products. Earning income by renting assets is even rarer; TF is one of few examples, but the income it generates from renting an apartment it owns represents a small portion of its overall budget.

CSOs have limited fundraising capacities. According to a survey on e-learning needs conducted by Catalyst on a small, unrepresentative sample of CSOs, 41 percent of respondents stated that their organization does not have a dedicated person responsible for fundraising. Close to one-third of survey participants have only a single part-time person focused on fundraising.

CSOs' financial management capacities did not change notably in 2021. Large CSOs, foundations, and international NGOs (INGOs) have stable procedures and undergo external audits. However, mid-size and grassroots

organizations still do not have essential internal capacities for financial management and rely almost exclusively on external accounting agencies. According to the research Capacity Needs Assessment of Grassroots Organizations in Serbia conducted by TF, CSOs do not recognize financial systems and procedures as a priority in organizational development, indicating a lack of understanding of the importance of financial management.

ADVOCACY: 4.1

CSO advocacy improved slightly in 2021, as demonstrated by the significant citizen mobilization around environmental issues that achieved tangible results.

In 2021, the environmental movement, which consists of various local organizations, networks, grassroots groups, and individuals, organized a series of environmental protests across the country, in addition to a number of other advocacy efforts at the local and national levels. As a result of these efforts, the government—for the first time since the ruling party SNS came to power—took a step back and accepted citizens' demands. Thus, in December 2021, the government withdrew the Law on Expropriation from parliamentary procedure and returned it to the parliament for reconsideration. The government also proposed amendments to the Law on Referendum and People's Initiative because of citizen pressure in the streets. Other draft laws were also withdrawn in 2021 because of opposition by CSOs and professional associations; these include the Law on Police, Law on Waters, Law on Consumer Protection, Law on Obligations, and Law on Protection of Financial Services Users.



On the other hand, cooperation and communication between the government and CSOs continued its multi-year downward trend. Although the Ministry of Human and Minority Rights and Social Dialogue continued to invite CSOs to participate in different working groups with the government, CSOs generally perceive this to be an effort to mask its substantial lack of cooperation with the civil sector. Many CSOs, primarily members of the Three Freedoms platform, refused to participate in the development of the Strategy for the Development of Civil Society until the government took steps to address the increasing attacks on civil society and independent media, including through an institutional resolution to the so-called list case. CSOs also left the Working Group on Security and Protection of Journalists and the Working Group on Law on Public Information and Media. CSOs in the Working Group on the Law on Public Information and Media noted the substantial political influence of GONGOs, which represent the majority of the thirty-five members, thereby undermining the efforts of independent CSOs. Moreover, this working group ignored CSO input and supported government proposals that are inconsistent with the constitution, international laws, and good practices. In addition, while the government officially invites CSOs to participate in decision-making processes, ministers, MPs, and other state officials publicly denounce and insult some CSOs, raising further questions about the true motives behind the invitations for cooperation.

Although non-cooperation is the norm, there was still some room for joint work between CSOs and the government in 2021, primarily around issues that were not “sensitive” or question the power of the government or the president. For example, the government accepted proposals to the draft Law on Social Entrepreneurship made by CoSED and other CSOs. However, that space seems to be shrinking as well. For example, the Philanthropy Council, consisting of prominent businesses, CSOs, and the government, did not meet once in 2021, despite CSO invitations and the Council's successes in previous years. State representatives in the Philanthropy Council rejected the proposed abolition of VAT on food donations suggested by CSO and business members of the Council, even though the proposal had wide support from companies, banks, and citizens and was in line with the EU Guidelines. The Law on Same-Sex Partnerships is another example. Although the Ministry of Human and Minority Rights and Social Dialogue's working group on the draft law brought together representatives of prominent LGBTI CSOs and experts, the draft produced by the Ministry at the end of the year was not presented to LGBTI or the working group members and the entire process ground to a halt by the end of the year.

A growing number of local CSOs are building their advocacy capacity thanks to civil society support programs offered by ACT, NKD, TF, and BOS. Through these programs, local CSOs receive training and mentoring support in advocacy tools, strategies, legal mechanisms, and other topics.

As was the case in 2020, there were no CSO advocacy campaigns related directly to the civil society regulatory framework in 2021.

SERVICE PROVISION: 4.5



CSOs' provision of services deteriorated slightly in 2021 as government funding and recognition of CSO services continued to decline, despite increased demand for those services.

The socio-economic consequences of the pandemic increased the population's vulnerabilities, leading to an increased need for social services, the predominant focus of CSO service provision. Despite this, the government decreased funding for CSO service providers. Moreover, when a CSO does get government funding, it is usually insufficient. For example, Women's Center Užice received just \$10,000 from the local budget, not nearly enough to cover the annual cost of providing services for the entire Zlatibor county.

These dynamics also resulted in a higher rate of referrals from public institutions to CSOs without any increase in financial support. For instance, Novi Sad Center for Social Work stopped providing services to victims of gender-based violence and instead referred all sexual violence cases to the CSO Center for Support to Women Kikinda. This significantly increased the organization's workload and budgetary needs. In some cases, CSOs also had to compensate for the lack of necessities like food and hygiene products for the beneficiaries of institutions. For example, CSO Atina provided necessities for beneficiaries of the Center for Victims of Trafficking.

As a result of these increasing burdens, many CSOs failed to meet the requirements to renew their licenses to provide services or had to decrease the availability of their services. For example, the Human Rights Committee from Vranje reduced its SOS Helpline service for women victims of domestic violence from twenty-four hours a day to four hours due to the lack of financing.

Furthermore, in some communities, the government-funded Social Services Provision Centers are draining resources from the social services budgets while not providing quality or crucial services. This further fortifies the impression that the state perceives CSOs as competitors rather than partners in the provision of social services.

The state's provision of social care and health services is declining, sometimes leaving CSOs as the only available providers of support, particularly in areas related to HIV and gender-based violence. For instance, Association Rainbow had detected almost 20 percent of all HIV cases in its area.

The goods and services CSOs provide mostly reflect the needs and priorities of their constituents and communities. Many organizations, like Association Rainbow, Association Da se zna!, Forca Pozega, and the A I I Initiative, have good outreach programs and communication with their constituencies. CSO providers of social services offer their services without discrimination regarding race, gender, ethnicity, or sexual orientation.

CSOs have proved to be quite agile, providing quality services despite the shift to remote work and digital platforms. New online tools helped them extend some services and expand their reach. For example, the number of attendees of seminars and accredited training organized by CSOs continued to increase in 2021, due to easier access, including the lack of travel. However, the provision of some forms of direct support, like psycho-social assistance, decreased in quality, as in-person forms of support are more effective.

Few CSOs recover the costs of service provision. Although CSOs have some knowledge of the market demand for their products or services, it usually seems to be inadequate. For example, when starting a social enterprise,

many CSOs have trouble understanding the significance of marketing strategies, supply chains, or the minimum market they need to engage.

SECTORAL INFRASTRUCTURE: 3.3

The infrastructure supporting the CSO sector remained largely unchanged in 2021.

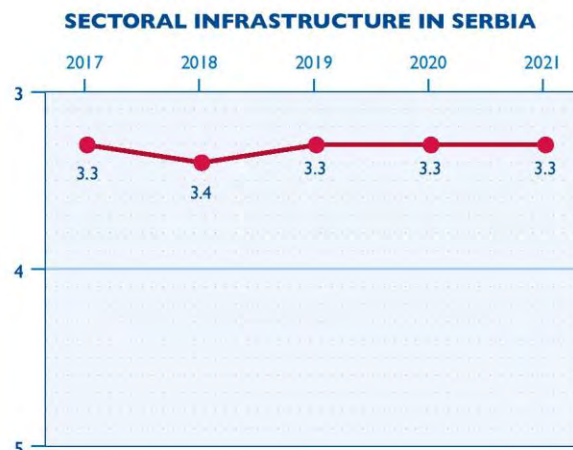
With EU support, CI, along with three local and four other national organizations, continued to be the key resource providers for CSOs through the RC program. RC builds CSOs' capacities through the provision of training, consulting, and mentoring in critical aspects of organizational development, such as financial management, operational management, fundraising, human resources, public relations, advocacy, networking, and monitoring and evaluation.

Major regranteeing programs, such as those implemented by TF, BOS, CRTA, and NKD, also provide various training and mentoring services to their grantees that complement the goals of the financial support they provide. Although these programs offer a wide array of support, there is still high demand for additional training. In particular, CSOs lack skills in communications and financial management. There is also an evident weakness among CSOs, especially among smaller and less experienced organizations, to identify their needs. Also, given that most local, small, and mid-size CSOs have no or just a few regular staff, their ability to attend training and absorb and put new knowledge into practice is limited.

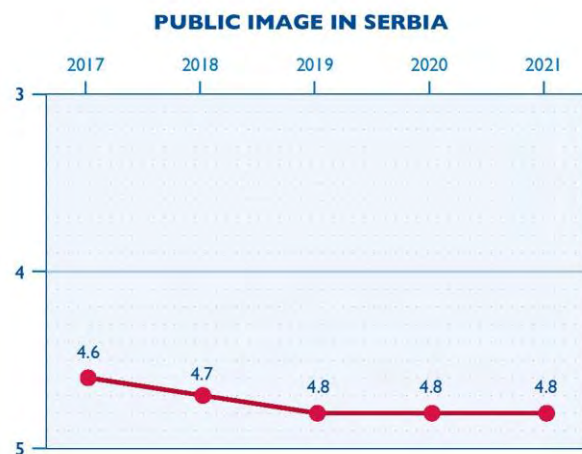
In addition to the three already established community foundations (CF) in Novi Pazar, Obrenovac, and Zaječar, three new CF initiative groups—in Pančevo, Niš, and Stara Pazova—emerged in 2021. Through TFs' Our Local Foundation – the Community has a Say! program, these groups, which are all expected to register in 2022, have already raised a total of nearly \$30,000 from citizens and businesses in their local communities and have supported thirty-five grassroots and local CSOs.

There are still no coalitions representing the whole CSO sector, nor are there plans to form such a coalition. Many CSOs are members of issue-based coalitions formed to either advocate for changes in the regulatory framework or protect rights and freedoms. The Three Freedoms Platform, a network of more than twenty-five organizations, presents the strongest voice in protecting and promoting the freedoms of association, assembly, and information. There are also long-standing CSO coalitions in the fields of philanthropy, social economy, monitoring of the judicial sector, and women's rights. In addition, new alliances emerged in 2021. These include the Coalition for Media Development and several environmental-protection alliances, such as Ecological Uprising and the Network of Women for Nature Protection.

CSOs and businesses continue to cooperate mainly around the development of philanthropy and the social economy, including through the Coalition for Giving. There is also more evidence of cooperation in less traditional areas, such as sexual harassment and gender equality. In 2021, CSOs tried to involve academia into their actions more, and there were more opportunities for university students and professors to cooperate with CSOs. For example, TF collaborated with the Institute for Philosophy and Social Theory to research the emerging community foundations. At the end of 2021, CoDSE started to map workers' unions, cooperatives, academic representatives, and other actors with a plan to begin networking the following year. Although the government initiated cooperation with CSOs through the Ministry of Human and Minority Rights and Social Dialogue, as well as various working groups, no true partnerships emerged during the year.



PUBLIC IMAGE: 4.8



The CSO sector's public image score remained the same in 2021, with both positive and negative developments recorded.

Pressure and attacks on CSOs by tabloids, pro-government media, and public officials increased in 2021. In particular, these attacks targeted anti-war and transitional justice organizations. For example, Women in Black is continuously the subject of smear campaigns, threats, and physical attacks on its property. Other CSO leaders and prominent figures were also publicly smeared. For example, ruling party MPs called leaders of CRTA "foreign mercenaries" at a parliament session after CRTA filed a complaint against an MP for violating the newly adopted Parliamentary Code of Conduct. The leader of Kreni-Promeni was accused of being a foreign

mercenary while leading environmental protests.

The negative campaign against CSOs, which starts with state officials and then cascades to the media, has a vast outreach. All television stations with national coverage, including RTS (the public broadcaster), TV Pink, TV Prva, TV Happy, and TVB92, are considered pro-government. In its media analysis of these TV stations, CRTA reports that "between July 2020 and the end of June 2021, representatives of the ruling majority garnered as much as 93% of the time in television programs covering political actors, while the opposition was present in the remaining 7% of the time." Also, "the tone of reporting on the ruling majority was mostly neutral (63%) and positive (37%)," while "negative tonality makes up 94 percent (2,826 times) of the total recorded mentions of opposition actors, while the remaining 6 percent (178) can be assessed as neutral."

State officials, MPs, tabloids, and pro-government media also attacked independent journalists and those challenging the government and the president. The independent Journalist Association of Serbia recorded 151 attacks on journalists in 2021, a slight decrease from 189 in 2020. However, as 2020 was characterized by extreme police brutality and a months-long lockdown to prevent the spread of COVID-19, the number of attacks in 2021 can actually be considered as a continuation of the negative trend over the last ten years. For example, journalists were verbally and physically attacked while reporting on the environmental protest and received warnings from police officers not to attend protests, despite calls from media associations for the police to provide journalists with a safe environment to work.

While the dominant media continue to spread a mainly negative image of civil society, CSOs were actually more visible in the public in 2021 due to CSOs' efforts to address the current socio-political circumstances, including poverty, environmental issues, lack of social support, and state harassment. On one hand, CSOs are more committed to mutual coordination and solidarity to push back against the government and pro-government media attacks. At the same time, CSOs are proactively starting joint campaigns to mobilize citizens, such as the Get Vaccinated campaign (launched by 141 CSOs and media) and the Raise the Minimum Wage campaign. In perhaps the most notable and effective campaign, Kreni-Promeni's Rio Tinto – Get off the Drina! Campaign aimed directly at the Rio Tinto mining project and indirectly at the government, as the government strongly backed the project despite public fears of its harmful effects on the environment and the project's lack of transparency. There is also a noticeable increase in media use of key terms related to activism, civic engagement, and resource mobilization in the last four years, including 2021, with NKD media clippings recording an annual increase of 15 percent.

Grassroots initiatives, especially those focused on environmental protection, help improve civil society's public image, particularly in local communities where they have direct contact with people and are building strong reputations. Some citizens perceive the entire environmental movement as a generator of change. Other organizations, like the Belgrade Center for Human Rights and CI, also helped improve the sector's image by providing legal and financial support to prosecuted protesters and activists.

Although there is a noticeable increase in the communications capacities of CSOs due to the contributions of different civil society support programs, most organizations still use "project" language when trying to reach the

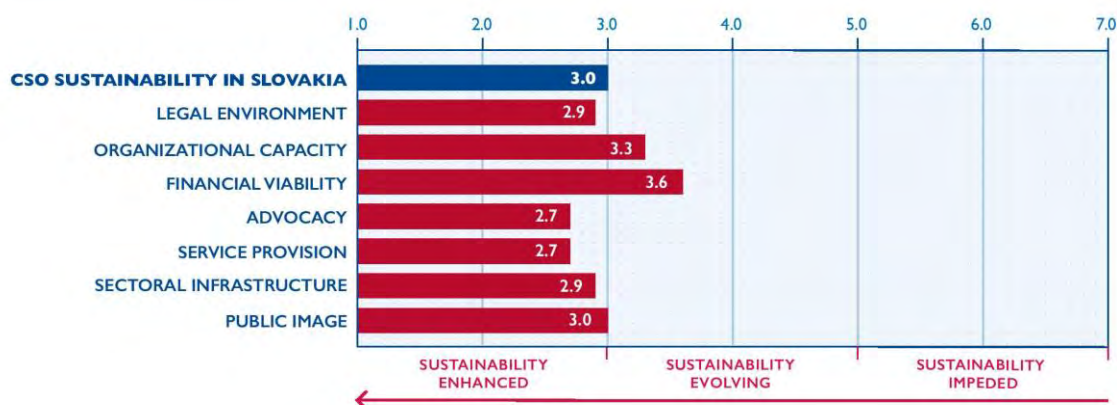
citizens. CSOs are increasingly skilled at using social media, but this is still generally not at a level that would make them more influential in shaping public opinion.

Self-regulation remained a low priority for CSOs in 2021. Established CSOs, as well as some smaller and local organizations, continue to publish annual reports. However, CSOs make limited effort to provide the public with information about their finances, with the exception of the largely unreadable financial statements that are accessible for every registered organization through SBRA.

SLOVAKIA

Capital: Bratislava
Population: 5,431,252
GDP per capita (PPP): \$30,300
Human Development Index: Very High (0.848)
Freedom in the World: Free (90/100)

OVERALL CSO SUSTAINABILITY: 3.0



The COVID-19 pandemic continued to affect all aspects of life in Slovakia in 2021. Although the country launched its vaccination campaign against the virus in December 2020, the pandemic remained out of control at the beginning of the year, and a state of emergency that was put in force in October 2020 remained in place until May 2021. In response to another wave of infections, another state of emergency was put in force on November 25, 2021, that was in effect through the end of the year. The government was criticized for its inadequate management of the pandemic, lack of communication, and secret purchase of non-certified Sputnik V vaccines. Public pressure eventually forced Prime Minister Igor Matovič to resign his post at the end of March 2021 and switch positions with Minister of Finance Eduard Heger.

Even after this change in leadership, the public was dissatisfied with the governing coalition, and support for the opposition party Smer-SD and the new party Republika (established after some members of parliament left ĽSNS, the opposition fascist party) increased significantly. To channel the public discontent, anti-government protests were organized on major holidays throughout the year despite the ban on assemblies of people not living in a single household.

CSOs actively helped to tackle the pandemic. In many cases, CSOs fulfilled the role of the state, for example, by helping vulnerable groups and addressing mental health issues. CSOs also were engaged in rebutting misinformation linked with the pandemic and vaccinations and organized volunteers to provide assistance to vulnerable groups. Despite CSOs' activities, the state does not consider them as equal partners. While CSOs are sometimes invited to participate in negotiations about public policies, they rarely get a real opportunity to affect the form of proposed measures.

A defining feature of 2021 was the continuing arrests and investigations of corruption and violent crimes by the National Criminal Agency (NAKA). The Slovak Information Service (SIS) found that some of the most important NAKA investigations were not carried out in accordance with the law, leading four NAKA interrogators and the interim director of the Bureau of the Inspection Service to be charged with abusing their power. However, the regional court declared the accusations to be unfounded. Several times during 2021, the General Prosecutors Office used the controversial paragraph 363 of the Penal Order, which grants it the power to halt a criminal prosecution, to drop charges against accused people.

In 2021, Pope Francis accepted an invitation from President Zuzana Čaputová to visit the country. During his visit, which was positively perceived, he met several Slovak personalities, including CSO representatives.

Overall CSO sustainability did not change in 2021. The only dimension recording a change in score was organizational capacity, which deteriorated slightly. This was mainly driven by the effects of the pandemic, which pushed several organizations to the brink of dissolution.

In 2021, according to a public database operated by finstat.sk, there were 67,333 registered CSOs in Slovakia, including 61,676 civic associations, 586 non-investment funds, 3,446 non-profit organizations providing public benefit services, 111 entities with an international element, and 1,514 foundations.

LEGAL ENVIRONMENT: 2.9



The legal environment governing the work of CSOs did not change significantly in 2021 and remains quite enabling. CSOs can register as civic associations, non-investment funds, non-profit organizations providing public benefit services, or foundations. Each legal form has its own registration process, all of which are quite simple and can be completed quickly. The process of registering by a notary was simplified beginning on September 1, 2021. The legal requirement for CSOs to activate an electronic mailbox was postponed to the beginning of 2023.

Based on Act No. 346/2018, the Ministry of Interior launched the Register of Non-Governmental Non-profit Organizations on January 1, 2021, thereby creating a single, up-to-date public register containing information

about CSOs. By requiring organizations to provide more information to the registry in order to be eligible for public funding, the register is expected to increase transparency in the sector.

CSOs can operate freely in accordance with the law and openly express their opinions on public affairs, including criticism of public policies and events in the country. The government may dissolve or restrict CSOs only for specific reasons stated in the law.

The government introduced several measures during the year to mitigate the pandemic, including two states of emergency. These measures enabled the government to limit movement, impose curfews, and limit the right to assemble in order to keep the pandemic under control. This affected public protests and the operation of some CSOs. Human rights organizations criticized the state's approach to locking down Roma settlements to prevent community transmission of COVID-19, as well as the limited access of vulnerable groups to education.

Representatives of both governing coalition and opposition parties continued to attack CSOs in 2021. During the pandemic, the amount of misinformation, hoaxes, and negative propaganda towards some CSOs expanded, primarily via social media.

Several laws and policies that affect CSOs were being worked on during the year. For instance, an amendment to the Act on Volunteering would create a financial framework for volunteering, including subsidies for accredited entities that provide volunteers to other organization. Towards the end of the year, an amendment of the Act on Free Access to Information was presented for cross-sectoral consultations; the amendment aims to implement the European directive on open data and the re-use of public sector information in the Slovak legal system. The Strategy of Civil Society Development for 2021–2024 was prepared during the year without engaging the sector, but had not been adopted by the end of the year.

Natural persons and businesses supporting CSOs still do not receive tax benefits. However, the Income Tax Act allows them to assign between 0.5 and 2 percent of their owed taxes to eligible CSOs. Natural persons (individuals) who volunteer at least forty hours a year can assign 3 percent of their owed taxes. The deadline for organizations to spend the funds they received through tax assignments for 2019 was prolonged until the end of 2022. In 2021, there were efforts to partially modify the tax assignment system to allow companies to also provide CSOs with in-kind donations, although no changes were made as a result of these efforts. In order to lower the administrative burden involved in the tax assignment process, starting on January 1, 2021, natural and legal persons

assigning taxes to eligible CSOs no longer need to state the seat and legal form of beneficiaries in their declarations.

Some CSOs can obtain income through fees and service provision as long as they reinvest these funds in their own operations or activities. CSOs can engage in public collections and accept foreign funding freely.

The Pro Bono Attorneys Program, administered by Pontis Foundation, continues to provide CSOs throughout the country with legal services. CSOs can also find legal information online at the First Slovak Non-profit Service Center website (I.SNSC).

ORGANIZATIONAL CAPACITY: 3.3

CSOs' organizational capacity deteriorated slightly in 2021. As in 2020, CSOs' operations were affected by the pandemic in 2021. Due to the measures imposed to mitigate the effects of the pandemic, several organizations had to dismiss staff, impacting their ability to finish projects or start new ones. In addition, the lack of resources caused several CSOs to cancel partnerships and postpone project deadlines.

In 2021, the gap in capacity between strong, well-established, and structured organizations with stable strategies in bigger towns and small organizations based mainly in the countryside became even more pronounced. Small organizations, which are mainly dependent on volunteers, faced a huge shortage of personnel during the year, mainly because volunteers were caring for family members due to closed schools, on COVID-19 sick leave, or quarantining because of contacts with people positive for COVID-19. Many organizations based in the countryside are engaged in the areas of culture and sports, which were often not able to shift their activities online. Furthermore, CSOs based in the countryside have less access to new resources. For these reasons, the situation in 2021 was very difficult for such CSOs and some were forced to cease operating.

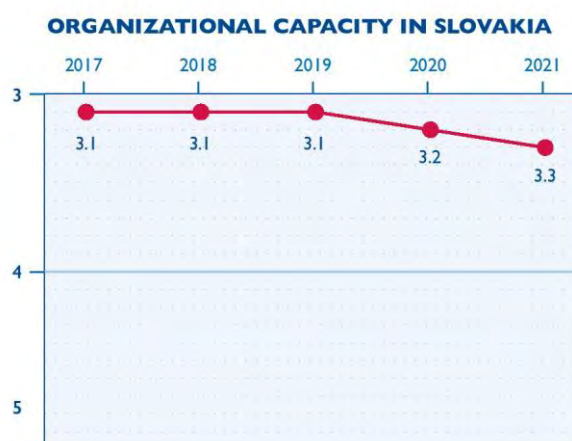
CSOs actively seek to build relations with stakeholders in society, including potential supporters and volunteers. Pandemic-related measures continued to limit direct contacts with CSOs' beneficiaries, potential partners, and donors. CSOs also had fewer opportunities to form partnerships and find supporters.

The majority of organizations have clearly defined goals and visions, which they adjusted in 2020 and 2021 to reflect the fast-changing conditions of the pandemic. Most CSOs still do not have strategic plans as they focus on fundraising to sustain their basic operations, while lacking funds to create long-term visions. Uncertainty and changing conditions further limited long-term strategic planning in 2021.

In 2021, the Active Citizen Fund (ACF), which is funded by the European Economic Area (EEA) and Norwegian Grants, launched its third call for proposals focused on CSO development. These grants support CSOs' organizational capacities by helping them to improve their skills and implement higher management standards.

Management structures vary from organization to organization. Some CSOs establish boards of directors to formally meet legal requirements, even though executive managers actually make the decisions. Others actively engage board members in their activities, fundraising, and strategic decision making. Legal regulations still do not require CSOs to have written policies, procedures, or guidelines, although donors sometimes require them. Mainly larger and well-established CSOs have codes of conduct and transparent procedures.

CSOs have long been understaffed and underfunded, and the brain drain from the sector to politics, public administration, and business continued in 2021. Qualified and senior workers are particularly difficult to replace. With the exception of employees in the social services sector, the majority of CSOs' employees still work as freelancers. Working for the CSO sector is still considered suitable mainly for young people without children due to the lack of income stability and low wages. Umbrella organizations and platforms lack funding for salaries and



their staff often work on a voluntary basis alongside their regular jobs. Most CSOs lack resources for public relations (PR) staff and activities and staff training. Volunteering increased over the past two years, particularly in the social services field where volunteers filled in many of the gaps created by the lack of employees.

CSOs were forced to shift their activities online in 2020 due to the pandemic, and many activities continued to be carried out online in 2021. Bigger and well-established organizations were able to offer webinars, debates, and lectures, which were accessible to wider audiences. This, however, was not possible for all CSOs, including many organizations focused on culture, sports, or social services, which are ill-suited to online formats. Moreover, not all organizations have sufficient technical equipment or skills to work online. Social service providers, in particular, often have very limited technical skills. The majority of CSOs also have trouble with cybersecurity.

FINANCIAL VIABILITY: 3.6



1 million.

CSOs' financial viability did not change significantly in 2021. Most CSOs are not able to attain true financial stability, as their operations are based on project funding. This reliance on project-based funding also places a heavy administrative burden on CSOs and makes it difficult to build long-term staff capacities.

CSOs try to diversify their income and actively search for fundraising opportunities. However, the pandemic and deteriorating financial conditions in the country have limited fundraising opportunities over the past few years. For example, CSOs were forced to shift several fundraising activities from the streets and carry them out online instead. The League against Cancer only raised EUR 331,000 during its annual Daffodil Day public benefit collection in 2021, while in 2019 it raised more than EUR

Foreign funding continued to be very important during the pandemic, providing many organizations with needed resources and flexibility in the face of the fast-changing pandemic conditions. ACF continues to provide CSOs with a reliable stream of funding with relatively low administrative burden. The program aims to foster civil society, support active citizenship, and strengthen vulnerable groups in Slovakia. Between 2018 and 2023, ACF will allocate a total of EUR 7.7 million through seventeen calls for proposals, in addition to organizing other supportive activities, such as training in the fields of project management, organizational development, and self-financing. ACF launched its third call for proposals in 2021, awarding almost EUR 1.7 million during the year.

In 2021, CSOs continued to be able to apply for a small number of grant schemes issued by the ministries and municipalities. Funding levels from these sources remained largely unchanged in comparison to 2020. The Ministry of Investments, Regional Development, and Informatization launched a call for proposals aimed at fighting misinformation and developing information literacy, in which EUR 120,000 was awarded. Although CSOs effectively addressed the pandemic at various levels, the sector received the least support of all segments of the Slovak economy. Because of this, several CSOs were forced to dismiss their staff, impacting their ability to finish projects and start new ones.

Businesses continue to establish and run corporate foundations and endowment funds to support public benefit activities, mainly through the tax assignment mechanism. SK-NIC, which administers the national internet domain, supports new projects focused on protecting virtual Slovakia via the SK-NIC Fund; in 2021, a total of EUR 100,000 was awarded to twelve projects, eight of which were proposed by CSOs. However, since the start of the pandemic, businesses have become more restrained in their corporate giving, and many companies have shifted their priorities to focus more on their own operational stability or supporting activities related to the pandemic.

Various crowdfunding platforms, such as DARUJME.sk, ĽudiaĽuďom, and Donio, offer CSOs the opportunity to solicit resources; however, funds raised in this manner are insufficient to cover organizations' entire operations. More than EUR 4 million was raised through DARUJME.sk in 2021, a significant increase from EUR 3.1 million in

2020 and EUR 1.6 million in 2019. EUR 3.7 million was collected on the donation portal ĽudiaĽuďom, down slightly from EUR 4.4 million in 2020, but up from EUR 2.8 million in 2019.

Although gross domestic product (GDP) fell by 5.8 percent in 2021, this did not result in a decline in income tax assignments. Instead, according to Financial Administration data, tax assignments for 2021 reached a historic high of EUR 87 million, compared to EUR 53 million in 2020 and EUR 73 million in 2019. In total, 930 organizations based in the capital gained more than EUR 36 million in tax assignments.

Little information is available about CSOs' efforts to generate income, although there are initiatives to develop sustainable social enterprises. The majority of registered social enterprises are focused on integrating or employing disadvantaged and vulnerable people into the labor market. There are also examples of sheltered workshops—workplaces that employ disabled people—that have successfully transformed and registered as social enterprises.

Well-established and larger CSOs have financial management systems that tend to be more transparent than those used by smaller organizations. Foundations, non-profit organizations providing public benefit services, and non-investment funds are required to submit annual reports to the government. Ministries have the right to audit the use of funds received through tax assignments or other public resources.

ADVOCACY: 2.7

CSO advocacy stagnated in 2021. The state still does not consider CSOs as equal partners. The engagement of CSOs in the formulation of public policies is unsystematic and often more declaratory than substantive, not providing CSOs real opportunities to affect the form of proposed measures. CSOs take part in many committees and working groups, but do not receive any financial compensation for their participation. Many important debates were carried out during the year without CSO participation, leading to criticism from the sector. For example, although sixty organizations from various areas of society asked the prime minister to engage key stakeholders in the development of the Recovery Plan, this did not happen. The Government Plenipotentiary for Civil Society Development prepared the Strategy of Civil Society Development without any participatory engagement of the sector. In response, the Chamber of Non-Profit Organizations of the Government Council for CSOs criticized the Plenipotentiary and issued a proposal for his removal from office. Work on the strategy was still ongoing at the end of the year. Several CSO representatives wrote an open letter to the government demanding that a participatory, transparent, and expert approach become common practice in the formation of public policies.



The Government Council for Human Rights, National Minorities, and Gender Equality (GCHR) met twice in 2021. At the first meeting, the council's vice president for civil society resigned and a working group was established to discuss the council's future purpose. The Government Council for CSOs still exists as a government advisory body. However, its role is largely formal and it is not perceived as a real partner to the state and has no real impact on drafting legislation. In 2021, it met only twice.

Topics such as gender equality, LGBTI rights, and reproductive rights have become highly politicized as conservative political entities have increased their representation in the parliament. Based on the government program statement (GPS), the government established a new position of Plenipotentiary for the protection of religious freedom and freedom of belief and assigned Anna Záborská, a conservative politician, to this position. At the end of 2021, processes to elect a new Children's Commissioner (the so-called children's ombudsman) were carried out, but were unsuccessful as none of the candidates for the post had sufficient support. The elections took place again in 2022, alongside elections for the public advocate, known as the ombudsman. Members of the National Council of the Slovak Republic rejected the ombudsman's 2020 activity report, which stated that several pandemic measures aimed at protecting public health also infringed on human rights and freedoms.

During the pandemic, the right to assemble was limited, thereby hindering the organization of protests. Some CSOs instead organized petitions to advocate for their interests. The Climate Needs You initiative launched the biggest online petition in Slovak history, with more than 127,000 citizens signing the first petition. Although the National Council issued a resolution acknowledging the petition, it did not approve a state of climate emergency. The initiative, therefore, launched a second petition aimed at declaring a state of climate emergency and creating a plan to reach carbon neutrality.

CSOs do not possess capacities to comprehensively monitor events in the National Council, rebut negative narratives about the sector directly among members of parliament, or successfully promote legislative proposals. At the end of 2021, the deputy prime minister for legislation issued an interim statement informing the public about the government's intention to launch draft legislation on lobbying.

The informal CSO platform SocioFórum, which brings together organizations from the social, humanitarian, and health-care areas, published an Idea Proposal on the Reform of Social Services in Critical Intervention at the end of 2021. The proposal aims to improve the provision of social crisis intervention services, in part by treating public and private social service providers equally in terms of access to financing.

Transparency International Slovakia, Fair-Play Alliance, Stop Corruption Foundation, VIA IURIS, Slovensko.Digital, Slovak Governance Institute, and INEKO initiated a joint effort in 2021 to reform existing selection procedures for important posts in the public sector. This initiative led to the establishment of a working group at the Government Office consisting of representatives of CSOs, the Government Office, and the Council of Civil Service that will review selection procedures and other related matters.

VIA IURIS, Transparency International Slovakia, and Fair-Play Alliance submitted twenty-two comments to the proposed amendment to the Act on Free Access to Information. The comments were focused on simplifying the procedure for providing and publishing information in order to improve citizen access to information.

In an effort to obtain some state support to compensate for the higher costs related to the pandemic, the Non-profit Sector Coordination Crisis Unit, which was established within the Chamber of Non-profit Organizations by the Government Council for CSOs in 2020, quickly mapped the sector's pandemic-related activity, communicated this information to state representatives, and defined matters in which it fulfills the role of state. However, these efforts did not result in any additional state compensation or support for the sector.

In March 2022, the civil association C.A.R.D.O. organized an initial meeting of a working group of voluntary organizations and legal experts that will develop its own legislative proposal to govern volunteerism.

SERVICE PROVISION: 2.7



activities were all implemented without government support.

As in 2020, service provision was impacted by the pandemic in 2021. The state of emergency imposed limitations, such as the ban on assemblies and mass gatherings, that affected the provision of services. Some services and

CSO service provision did not change notably in 2021.

CSOs provide services in many areas, responding both to community needs and donor priorities and filling in the gaps in services provided by the state. In 2021, many CSOs continued to actively engage in activities related to the pandemic, such as the distribution of personal protective equipment, provision of assistance to the most vulnerable groups in society, and the provision of psychological counselling and interventions for abused women and children. The sector also played a key role in raising awareness about vaccinations against COVID-19 and rebutting misinformation. The initiative Who will Help Slovakia continued to provide medical and protective equipment to hospitals, social service homes, and other facilities serving vulnerable groups. These

activities were shifted online, while others had to be canceled or postponed. The impact on services in the areas of sports and culture was particularly pronounced, as these services were difficult to provide online. At the same time, however, the demand for some services provided by CSOs, especially social services, assistance to marginalized communities, and education, increased. In addition, the number of CSO clients increased, as family violence and the number of people suffering from psychological problems rose.

Although the pandemic increased the demand for support in education, the state did not pay sufficient attention to the needs of children from socially deprived communities related to distance learning. CSOs therefore initiated new activities in an attempt to replace the state's role in the field of education. Many of these activities were implemented in cooperation with the business sector. For example, companies donated technical equipment and internet connections for children from socially deprived environments.

The state continues to give preference to public social service providers over private ones in the distribution of its funding. As a result, private social service providers lack funding to modernize their services and improve service quality. During the state of emergency, residential social service providers received subsidies from the state for unoccupied capacities. Thanks to pressure from umbrella organizations, subsidy rates for private critical intervention services providers were increased for the first time since 2012.

Staff working for CSOs in the area of social services experience difficulties as they are underpaid and demotivated because of their physically and mentally demanding work. During 2021, CSOs providing social services compensated for the lack of workers mainly through the use of volunteers.

Crisis helplines were overwhelmed in 2021, as their capacities were insufficient to meet public demand. For example, Linka dôvery Nezábudka reported that the number of contacts it had grew by approximately 75 percent in comparison to February 2020, before the first wave of the pandemic struck. In July 2021, the prime minister's reserve allocated EUR 310,000 to support five crisis helplines. Although this help was delayed, the crisis helplines welcomed the prime minister's declared intention to find a systematic solution to this issue.

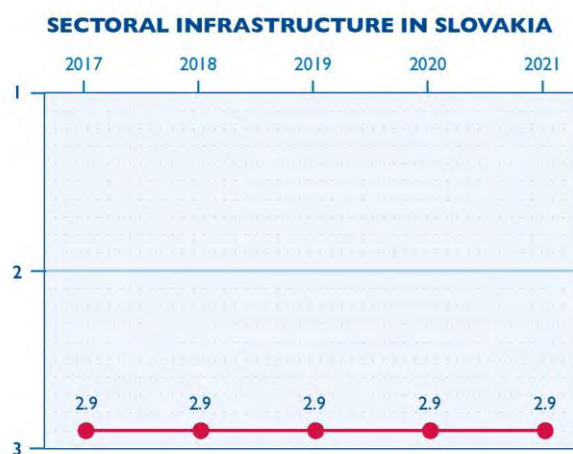
To the extent possible, CSOs continued issuing publications, organizing workshops, and publishing analyses for other organizations, academia, businesses, religious institutions, and public authorities. CSOs generally provide their services without discrimination.

Some CSOs cover their costs by charging for the services they provide. Municipalities should partially cover the costs of certain services, but the process of obtaining this funding is very time-consuming and difficult. Therefore, CSOs often finance these services through other sources, so they can still offer them for free. CSOs that provide social services receive contributions from the state. However, the client often still has to pay for part of the costs.

SECTORAL INFRASTRUCTURE: 2.9

The infrastructure supporting the CSO sector did not change significantly in 2021. Slovakia still lacks dedicated intermediary support organizations and CSO centers, as a result of which CSOs have limited access to relevant information, trainings, technologies, and technical assistance.

As in previous years, CSOs continue to establish platforms to address current topics and issues. These platforms are usually able to quickly mobilize people, obtain funding, and attract media attention. They usually begin as informal platforms and later become professionalized. Umbrella organizations and platforms often lack funds to cover salaries; their workers are usually people from the sector who perform this role as a side job for free. Platforms often fall apart due to the lack of stable human and financial resources or when funded projects end.



The platform Voice of CSOs (renamed the Platform of Organizations for Democracy in 2022) actively participates in civil society protection and development. In 2021, the platform organized the campaign Better Life for All, which aimed to show the public the diversity of non-profits and counter misinformation and lies about the third sector.

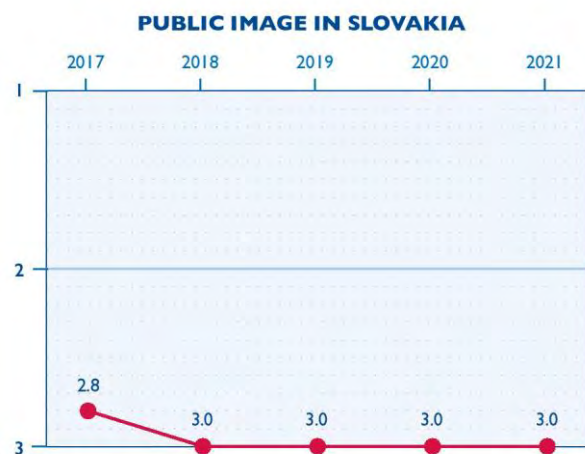
As the highest umbrella authority, the Government Council for CSOs connects several sectoral groups and platforms with the government. Its non-governmental part—the Chamber of Non-Profit Organizations—includes the largest platforms, foundations, and non-profit organizations in Slovakia and serves as an effective tool to coordinate CSOs' opinions and promote them via the Government Council for CSOs.

Eight community foundations continue to raise funds, which they then use mainly to support people and organizations in the regions in which they operate. Carpathian Foundation, which focuses mainly on the region of Eastern Slovakia, is not a typical community foundation but shares some of their features and launches several grant schemes every year. Some organizations such as Pontis Foundation and Center for Philanthropy provide CSOs across Slovakia with grants using funds obtained through tax assignments. Corporate foundations join together in the Association of Corporate Foundations and Funds, an informal platform that networks its members and advocates for the interests of the corporate foundation community in Slovakia.

CSOs have access to a sufficient array of educational activities and training covering most of their needs, including time management, public speaking, accounting, and fundraising. Not all organizations are able to afford these training opportunities. Several organizations, including Pontis Foundation, Voices, and Center for Philanthropy, provide pro bono trainings. Due to the pandemic, most educational activities were again carried out online in 2021.

CSOs continue to form partnerships with the private sector. Several private entities, such as Eset and Websupport, provide the sector with training, mentoring, and pro bono services. Business Leaders Forum is an informal association engaging businesses that are committed to becoming leaders in promoting corporate responsibility principles in Slovakia.

PUBLIC IMAGE: 3.0



The CSO sector's public image did not change notably in 2021. The second year of the pandemic, combined with the deteriorating economic situation in Slovakia and increasing international tension, contributed to increased polarization in society and attacks on CSOs. However, this situation also spurred volunteer activity and the development of new initiatives focused on helping medical staff and vulnerable groups. Several campaigns initiated by CSOs during the first year of the pandemic, such as Who will Help Slovakia and Science Helps, continued to be active in 2021. These efforts helped to improve the sector's reputation, as they showed CSOs' agility and willingness to help.

The main focus of misinformation in 2021 was not the CSO sector but the COVID-19 pandemic. However, misinformation aimed at CSOs was much stronger in 2021 than in 2020. In March 2021, at a debate organized by the European Parliament Liaison Office in Slovakia, it was stated that 56 percent of Slovaks believe in conspiracy theories, twice the rate as in the Czech Republic. Moreover, 54 percent of Slovaks think that protests after the death of Ján Kuciak, carried out by the initiative Za slušné Slovensko, were organized by foreign powers and that someone was paid to carry them out. In response to the worsening problem of misinformation, several campaigns were launched in 2021, such as I Won't Swallow the Bait, Stop Internet Fraud and Share Sensibly. In addition, businesses and their foundations awarded grants to fight against this phenomenon. For example, Férová nadácia O2 allocated EUR 60,000 to support CSO projects focused on preventing the spread of online misinformation.

In 2021, no surveys focused on society's perception of CSOs were carried out; however, CSO experts believe that trust in non-profit organizations outweighs distrust. The public often positively perceives large CSOs that receive a

lot of media attention or have volunteers active in their area, but fails to recognize the broad range of civil society's activities. However, the narrative of CSOs being foreign agents is still quite prevalent. The situation on social networks worsened in comparison to 2020, with massive spreading of negative news and hate speech, causing several people from the sector to leave Facebook.

The media paid increased attention to CSOs' activities aimed at mitigating the consequences of the pandemic. In particular, media covered organizations providing social services, which were under the greatest pressure during the pandemic and struggled to carry out their activities. However, media still perceive articles about volunteering activities, donorship, or development activities as a form of advertisement and therefore require payment for them.

CSOs are not effective at communicating about their activities. There is a lack of PR and social media capacities in the sector, as most organizations cannot afford to hire people for such positions, or they are dependent on project funding. As a result, these functions are usually combined with other responsibilities in low-paying positions, making it difficult to attract qualified candidates.

After the 2020 elections, the sector had high expectations of the new government. In its GPS, the government affirmed its commitment to civil society development, including support for CSOs and active citizens. Although government rhetoric has been more diplomatic since the change in the prime minister, politicians continue to attack the sector. For example, Prime Minister Matovič attacked CSOs focused on Roma issues, accusing them of squandering hundreds of millions of Euros.

In July 2021, the Statistical Office of the Slovak Republic announced its intent to systematically collect data about the sector, enabling comparison with foreign data. However, it is not clear if or when it will be launched, how its potential results will be presented, or what influence it could have on public opinion.

As in previous years, large and well-established CSOs publish annual reports. The Register of Non-Governmental Non-profit Organizations is expected to motivate CSOs to improve their self-regulation efforts and raise awareness about the fact that adherence to ethical principles and higher transparency can improve CSOs' credibility and help their fundraising efforts.

SLOVENIA

Capital: Ljubljana
Population: 2,101,208
GDP per capita (PPP): \$36,500
Human Development Index: Very High (0.918)
Freedom in the World: Free (90/100)

OVERALL CSO SUSTAINABILITY: 3.0



The COVID-19 pandemic continued to affect daily life in Slovenia in 2021, and the government continued to implement measures to prevent the spread of the virus. With the introduction of rapid testing, the strict lockdown that was originally imposed in October 2020 was gradually loosened at the beginning of the year, and some children were allowed to return to school at the end of January. However, a third wave of infections hit the country in April, prompting the government to order all cultural institutions, sport institutions, schools, and non-essential shops and services to be closed from April 1 to 11. Restrictions on movement and a prohibition on gatherings were also reintroduced. Slovenia moved into an orange stage of the pandemic at the end of the month, allowing restrictions to ease and schools to reopen. On August 25, the government abolished free testing and on September 15, rules were introduced requiring anyone over the age of fifteen to have a COVID status certificate or EU digital COVID certificate showing that they were either vaccinated, recovered, or had tested negative in order to attend any public gathering.

Despite the constantly changing rules, most CSOs were able to resume their activities and adapt them to the new circumstances, thanks in part to the benefit of digitalization. In this regard, the pandemic seems to have had less of an effect on CSOs in 2021 than in the previous year.

The right-wing government formed in March 2020 continued to rule the country in 2021. Civil society and individuals continued to organize anti-government protests every Friday. However, as anti-COVID measures in place at various times of the year limited or completely banned assemblies, people were forced to find new ways to protest, such as driving cars around the parliament building. Protests were often met with violent reactions from the police, who regularly used tear gas and water cannons on protesters as instructed by the government. Police officers also fined many protesters, especially visible ones who helped organize the protests. The Constitutional Court found the government's ban of freedom of assembly unconstitutional in June 2021.

In this context, state institutions' communication with civil society and the public weakened. The government maintained an unfavorable attitude toward CSOs, and negative statements by the prime minister and other government representatives continued to affect the public conversation around CSOs in both traditional media and on social media. At the local level, however, government cooperation with CSOs remained unchanged or even improved.

Despite this difficult context, the overall sustainability of CSOs remained unchanged in 2021. Financial viability deteriorated slightly, with significant drops in total CSO income and corporate donations. Organizational capacity, on the other hand, improved slightly, as employment in the sector increased and CSOs improved their use of digital platforms and information and communications technology (ICT) tools.

Other dimensions remained at about the same level as in 2020, although some positive developments were noted. Even as the legal environment remained fraught with unpredictability from state authorities, an amendment to the Corporate Income Tax Act improved incentives for corporate donations to CSOs. Despite the fact that the national government's attitudes and practices regarding public participation in decision-making processes worsened, CSOs still achieved some notable advocacy wins. CSOs navigated the continuously difficult circumstances of the pandemic and adapted their services, changed the way they reach and communicate with constituencies, and to a certain degree also digitalized their daily operations, administrative matters, and management procedures. They continued to get significant coverage in the media and have in recent years become well-known and well-regarded players in public discourse on various societal matters. For advocacy, the assessment is similar as for legal environment. While the Government significantly decreased its public participation channels, CSO nevertheless succeeded in multiple advocacy efforts, such as referendum against the changes of the Water act.

According to data obtained by the Center for Information Service, Co-operation, and Development of NGOs (CNVOS), 27,670 CSOs were registered in Slovenia as of the end of 2021, 316 less than the year before. This number includes 23,632 associations, 3,771 private institutes, and 267 foundations. Growth in the number of CSOs has continued to slow down in recent years.

LEGAL ENVIRONMENT: 2.8



Overall, the legal environment governing the CSO sector remained unchanged in 2021. While there were some positive developments, the unpredictable, non-inclusive practices for adopting legislation that began under the new government in 2020 continued in 2021, causing instability and affecting CSOs' day-to-day operations.

CSOs continue to register in accordance with provisions in the Societies Act, the Institutes Act, and the Foundations Act. Although the registration process can normally be completed in under a month at a relatively low cost, there is still some inconsistency in the way local units of the court and administrative units implement the registration procedures, particularly for associations and private institutes. CSOs also continued to face delays in obtaining public benefit status, with

some ministries taking many months to decide on requests.

In 2021, the government continued to adopt legislation as part of its response to the COVID-19 pandemic. Three omnibus laws were adopted that contained provisions affecting a wide range of legislative areas. For the most part, CSOs were included in measures intended to help the economy during the pandemic that were included in the omnibus laws. For instance, organizations temporarily unable to work could receive reimbursement for the cost of COVID-19 tests and were given a one-month extension on the deadline for submitting annual reports to the Agency of the Republic of Slovenia for Public Legal Records (AJPES) website. However, CSOs that do not have employees, which represent the vast majority of the sector, did not benefit from these measures. The omnibus laws also earmarked additional funds for the Red Cross and Caritas so that they could provide food and other support to the most vulnerable.

An amendment to the Personal Assistance Act, which came into force in November 2021, limited the provision of personal assistance services to humanitarian organizations, including organizations of disabled persons, and institutes and associations with public benefit status in the area of disability and social protection. In doing so, the amendment acknowledged the special position of these CSOs and guaranteed their involvement in the provision of these services.

One significant positive change for CSOs came in October with the adoption of an amendment to the Corporate Income Tax Act. The amendment included a provision to increase the general tax incentive for corporate donations from 0.3 percent to 1 percent of taxable income. The additional incentive for corporate donations for

specific purposes remained at 0.2 percent of taxable income, but was broadened to include sport associations, in addition to CSOs working in the fields of culture or prevention of natural or other disasters. Individual taxpayers continued to have the right to donate up to 1 percent of their income tax to eligible CSOs.

Many CSOs continued to report fear of retaliation for their advocacy and criticism of the government through targeted inspections, public smear campaigns, and other forms of harassment. In one notable case, the Ministry of Environment denied funding to the environmental CSO Lutra, Institute for Conservation of Natural Heritage after it successfully opposed the construction of a new hydropower plant on Slovenia's biggest river. Although the ministry has long provided co-funding to projects supported by the EC, the minister of environment, who held a leadership position at the company intending to build the power plant, refused to award funding to Lutra throughout 2021, thereby making the organization's access to European Commission (EC) funds extremely difficult. While the ministry claims it did not support the contract because beavers have multiplied and are causing damage and therefore no longer need protection (preservation of beavers and their habitats is at the core of Lutra's mission), CSOs are convinced that this was in retaliation for the campaign against the power plant, noting that the project's main task was to study the spread of beavers.

Formal regulations on the internal governance and operations of CSOs have not changed in many years, and the government can interfere in the registration or management of a CSO only if it engages in profit-making ventures or criminal activity, or pursues an agenda not set forth in its constitution.

CSOs continue to engage in commercial activities under the same rules and conditions as other legal entities and pay the same taxes on any profit from these activities.

Intermediary support organizations (ISOs) such as CNVOS, twelve regional hubs, and the Legal-Informational Centre for NGOs (PIC) continue to offer free legal aid to CSOs. CSOs also established a new legal network in 2021 called the Legal Network for the Protection of Democracy (LNPD), which, among other things, offers help to both individuals and organizations facing legal proceedings because of their involvement in non-violent protesting.

ORGANIZATIONAL CAPACITY: 3.0¹

Organizational capacity of the CSO sector improved slightly in 2021, primarily due to greater employment in the sector and the increased digitalization of operations.

With the onset of the COVID-19 pandemic in 2020, CSOs began to use new digital communication tools to maintain relationships with their existing members and constituencies, while also identifying new audiences. In 2021, CSOs continued this trend and enjoyed greater access to and improved efficiency in the use of ICT. This in turn improved CSOs' connections with their constituents and enabled them to continue to adapt their activities and services to pandemic-related circumstances.

The Ministry of Public Administration further supported access to and use of technology in 2021, providing a total of EUR 4,580,000 to improve the efficiency of CSOs and incentivize the digitalization of society. The initiative aimed to promote the digital transformation of CSOs and voluntary organizations (VOs); introduce new digital solutions in ten different areas, including social protection, health, environment, and human rights; and improve the capacity of both the staff and beneficiaries of CSOs. In total, forty-seven organizations received funding through the



¹ The Organizational Capacity score was recalibrated in 2018 to better reflect the situation on the ground and to better align it with other scores in the region. The score did not reflect an improvement in Organizational Capacity, which remained largely the same in 2018 as in 2017.

initiative. One of the projects was a regional volunteering network created by the regional hub Planota and several other larger organizations in the region of Goriška. The network mobilizes volunteers, primarily to respond to the needs of youth and the elderly. By digitalizing the service, CSOs were able to find volunteers more efficiently and ensure quick access to help. Other organizations that received funding also reported significant changes in their use of technology for daily operations, access to users, and users' access to their services (including among vulnerable groups), awareness raising, and ability to adapt projects to constantly changing circumstances during the pandemic.

Strategic planning continued to suffer in 2021 due to the unpredictable circumstances affecting CSOs' activities and operations, including the pandemic and related measures, funding issues, quickly changing legislation, and other challenges. These obstacles spurred CSOs to focus more on short-term goals in 2021 than on the implementation of strategic plans conceived before the pandemic.

CSOs continue to be required by law to have clearly defined missions and management structures in their statutes. Members of associations are required to meet once a year to approve plans and reports. Given the ongoing difficulties of meeting in person, CSOs continued to hold most of their board and membership meetings online in 2021. Some CSOs held in-person meetings during the summer when the pandemic-related restrictions were milder.

The most recent data on employment in CSOs, collected by CNVOS, shows that the number of employees in the sector grew significantly, from 9,096 full-time positions in 2019 to 10,670 in 2020—a jump of 17.3 percent, and by far the largest growth in recent years. A significant portion of that jump, however, likely stems from new positions added in the area of personal assistance, due to a law adopted in 2019 and subsequent additional funding by the Ministry of Labor, Family, Social Affairs, and Equal Opportunities. In contrast, the percentage of CSOs with at least one employee decreased slightly, from 7.74 percent in 2019 to 7.52 percent in 2020, further suggesting that the growth did not affect the whole sector, but rather a very narrow part of it.

According to data collected by the Ministry of Public Administration that analyzes volunteer work in organizations that have registered as VOs, the number of volunteers and volunteer hours fell significantly in 2020. Heavily impacted by the circumstances around the pandemic, 185,015 volunteers were involved in the work of 1,912 VOs in 2020, as compared to 284,131 volunteers in 1,778 VOs in 2019. This decline is also reflected in the total number of volunteer hours, which dropped from 11,334,490 in 2019 to 7,162,796 in 2020. Though data for 2021 is not yet available, many anticipate an improvement in the numbers, given the fact that lockdowns were less severe and many activities that had been cancelled or postponed in 2020 resumed in 2021. CSOs also had more time to make adjustments and were better prepared to respond to quickly changing circumstances. Some well-established humanitarian organizations further reported that they were able to use ICT tools to engage more youth volunteers in 2021 than in previous years.

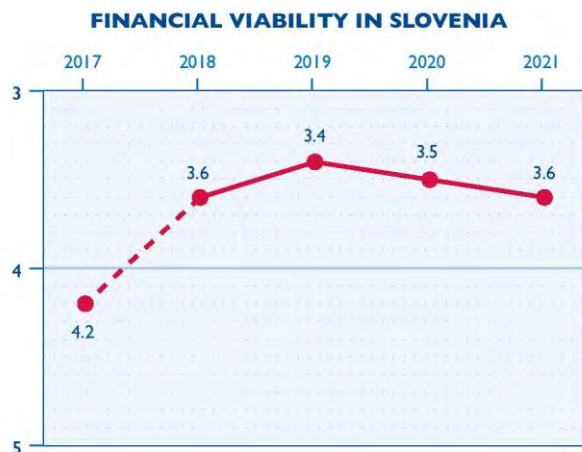
FINANCIAL VIABILITY: 3.6²

Financial viability of the CSO sector deteriorated slightly in 2021 as the pandemic spurred a decline in CSO income and corporate donations. While the overall amount of public funding for CSOs increased, support for CSOs focused on certain areas, including culture and the environment, decreased substantially.

According to data collected by CNVOS, the total income of CSOs in 2020 was EUR 894,028,840, down from EUR 986,687,883 in 2019. This decrease of 9.4 percent follows a previous trend of growth, demonstrating the pandemic's significant impact. Data from 2021 on the sector's total income is not yet available.

The total amount of public funding received by CSOs increased from EUR 416 million in 2020 to EUR 533 million in 2021. The increase is at least partially explained by the increase of payments for personal assistance services (from EUR 65.7 million to almost EUR 112 million), as well as increases in funds from personal income tax allocations and COVID-19 support measures. However, public funding continued to be cut in some areas, especially culture, environment, and migration, as regular public tenders were either not published or funding was

² The Financial Viability score was recalibrated in 2018 to better reflect the situation on the ground and to better align it with other scores in the region. In addition to the recalibration, the score reflected a moderate improvement in 2018.



significantly reduced. For instance, in 2021, the government did not award any tenders for co-funding of the EC's LIFE + programs, under which the EC provides up to 75 percent of total funding for environmental and climate action projects, despite the fact that the Ministry of Environment had guaranteed co-funding the previous year. This affected organizations that had EC-approved projects for 2021 and beyond, as they had counted on co-funding from the state.

The prognosis for CSOs focused on culture and the environment worsened toward the end of 2021. While the budget for 2022 increased funds for culture overall, it cut funding targeted at CSOs in this area. The biggest cut was made to the budget line for the promotion of cultural creativity, which primarily benefits CSOs, where

the funding allocated decreased from EUR 6.4 million to EUR 3.6 million. No funds were allocated in the budget for environmental projects for 2022 or 2023. Additionally, the climate fund, for which environmental CSOs are eligible, was reduced by 70 percent. While the cuts will mostly take effect in future years, CSOs already found this to be destabilizing in 2021, given the impact on their financial planning, staffing, and ability to implement programs.

At the same time, donations from personal income taxes nearly doubled in 2020, a result of an amendment adopted in late 2020 that raised the limit of these donations from 0.5 percent to 1 percent. These funds amounted to EUR 10.7 million in 2020, compared to 5.45 million in 2019, and started to be paid out to CSOs in 2021. The number of individuals donating also continued to grow steadily, from 496,363 in 2019 to 510,868 in 2020.

According to CNVOS, corporate donations decreased significantly in 2020, further reflecting the impact of the pandemic. Though the previous trend in these donations was positive, the percentage of businesses providing general donations fell from 7.79 percent to 5.34 percent and those making donations for special purposes (culture and natural and other disasters) fell from 1.31 percent to 0.85 percent. Total funds received through these donations thus decreased from EUR 30.32 million in 2019 to 27.66 million in 2020. There is, however, some optimism that this decline in corporate donations will be reversed in 2021 as businesses became more active again and the tax incentive for donations was increased.

Slovenia has not been a priority country for foreign donors for over a decade, so foreign support has not been a significant source of funding for most CSOs. However, some organizations working in advocacy—especially in the areas of democracy, human rights, and environment—report that they were able to obtain funding from foreign funders in 2021, as some donors have again started including Slovenia in their public tenders as they consider the space for civil society to be narrowing under the current government. For instance, in 2021, the Open Society Initiative for Europe issued a public call for proposals to support actions in defense of democracy, through which thirteen Slovene organizations each received up to EUR 10,000 for urgent advocacy, legal, and communication activities fighting the abuse of power, hate speech, and harmful legislation.

In 2021, CSOs implemented several successful and creative fundraising initiatives, especially in the areas of democracy, human rights, and rule of law. LNPD collected significant support from individual donors by regularly posting information on social media about its legal successes in combatting the government's unlawful measures and directly asking people to support them. Danes je nov dan (DJND, Today Is a New Day) started a new crowdfunding platform called Huda pobuda (Awesome Initiative), which collects funds for initiatives of any nature, with a focus on relatively new and local CSOs that would not otherwise receive funds. In the platform's first round, three initiatives were selected to receive the raised funds.

It is estimated that CSOs earn one-third of their annual revenues from services and products. The ability of cultural and sports organizations to earn revenues from their services continued to be clearly affected by the pandemic and related restrictions in 2021, although they were able to partially resume their activities. CSOs can register as social enterprises; at the end of 2021, there were 263 registered social enterprises in the county, a slight decrease from 273 at the end of 2020. Many more organizations function as social enterprises without registering as such.

Financial reporting requirements for CSOs did not change in 2021. All CSOs must submit annual financial and narrative reports to AJPES. Financial reports must be prepared according to rules and accounting standards based on the type and size of the organization. Only CSOs with annual incomes over EUR 1 million are required to be audited.

ADVOCACY: 2.6³

Overall, advocacy remained unchanged in 2021. While the national government's attitudes and practices regarding public participation in decision-making processes worsened, CSOs still achieved some notable advocacy wins.

In 2021, the government continued to breach the rules for public consultations by failing to initiate consultations, providing inadequate deadlines for consultations, or not providing deadlines at all. According to monitoring conducted by CNVOS, the government breached the rules for public consultations 72.3 percent of the time in 2021, up from the already-high 66 percent in 2020. Consultation bodies at ministries and other government offices were mostly inactive, and CSOs reported that communication with ministries and government officials deteriorated significantly, becoming less open and less frequent.

Unusual and non-participatory legislative practices have become common with the ruling government. For example, the three omnibus laws concerning supposedly urgent legislation in response to the pandemic were adopted without any public consultation.

In a concerning incident, in March 2021, the Strategic Council of the Slovenian government drafted the De-Bureaucratization Act, a “super law” changing twenty laws and abolishing more than 200 others in various and unrelated policy areas. However, the Strategic Council is appointed by the prime minister and has no formal role in law making; the prime minister also cannot submit draft laws for consideration, and the Ministry of Public Administration refused to do so. As a result, the government changed its Rules of Procedure to allow the President of the Strategic Council to submit draft laws to the government. After its adoption at the government level, the bill was submitted to the parliament. Critics emphasized that the bill has little to do with de-bureaucratization and contains many provisions that should be adopted under other legislation. The preparation of the bill also failed to include any noteworthy public consultations and could be in breach of the Slovenian Constitution because it was not prepared in accordance with standard practices. Among its numerous recommendations, the bill proposed changes to the Exercising of the Public Interest in Culture Act (ZUJIK) that would reduce expert input in the allocation of funds to cultural projects and programs and increase the decision-making power of the minister, which could increase political interference in the allocation of funds. Though legal experts and civil society protested the law through open letters, lobbying, and media work, it was successfully passed in 2022.

Despite these obstacles, CSOs continued to engage in numerous advocacy campaigns in 2021, many of which were successful. Several campaigns responded to legislative proposals that were aimed at reducing the rights and influence of CSOs under then-existing legislation. For instance, initial proposals for a new Environmental Protection Act sought to eliminate civil society from the procedures for obtaining environmental and building permits. The bill also sought to limit the powers of public agencies protecting environmental interests so they could no longer reject applications for environmental permits, but only approve or suggest corrections. CSOs engaged in awareness-raising activities and advocacy targeting the ministry and the parliament, and the story



³ The Advocacy score was recalibrated in 2018 to better reflect the situation on the ground and to better align it with other scores in the region. In addition to the recalibration, the score reflected a slight improvement in 2018.

ultimately received significant media coverage in January and February 2021, much of which criticized the Ministry of Environment's proposal. The law was ultimately adopted in April 2022, with provisions reinstating the position of CSOs.

One of the most significant advocacy campaigns in 2021 was sparked by a proposed amendment to the Water Act, which sought to remove protections that prohibited the privatization of waterfront areas and made it impossible to build private property directly on Slovenian bodies of water. In response, environmental and feminist CSOs formed a coalition called Movement for Drinkable Water and, through a nationwide campaign, collected thousands of signatures to initiate a referendum on the bill. The referendum took place in July 2021, and after a prominent media campaign, 86 percent of voters voted against the changes.

In November, a group of CSOs launched an initiative called Glas ljudstva (Voice of the People) that ultimately grew to include more than 100 CSOs and members of the popular protest movement for the protection of democracy (known as the bicycle protests). The initiative prepared over 138 demands and proposals and called on political parties and candidates for parliamentary elections, scheduled for April 2022, to respond. The goal was to force greater accountability from candidates and political parties and broadly improve the social, environmental, political, and economic situation in the country. Political parties then took a stand on the demands and committed themselves to implementing select measures if they are elected and form the government. The group, which received extensive media coverage, also conducted various activities to support public participation in election debates, monitor the election process, and inform citizens and mobilize them to vote.

The Government Office for Development and European Cohesion Policy (SVRK) published tenders to allocate funds from the European Economic Area (EEA) and Norway Grants in Slovenia that defined such strict conditions that almost no CSOs could participate. A campaign was quickly launched, led by CNVOS, that first directed its focus on SVRK. As it became clear that this would be unsuccessful, the campaign notified EEA and Norway Grants, which implemented an investigation that found that SVRK was in breach of its agreement with the donor. Ultimately, the discriminatory requirements were removed.

Also in 2021, a prolonged campaign to raise the salaries of providers of social welfare programs reached a successful conclusion. The salaries, funded by the state budget, had been reduced due to the consequences of the 2008 economic and financial crisis and were never lifted for private providers (i.e., CSOs), even as salaries in the public sector increased several times. In 2021, this was finally corrected, alongside some other suggestions from CSOs regarding the funding of these programs.

CSOs also advocated in response to several COVID-19 measures in 2021. CNVOS, humanitarian and social protection organizations, and other CSOs successfully pushed for exemptions from the requirements for COVID certificates for persons in need of emergency assistance from social welfare organizations and persons needing personal assistance from CSOs. They also ensured that unvaccinated workers in social welfare programs would not be charged for mandatory regular testing, and that the cost of testing would not fall on CSOs.

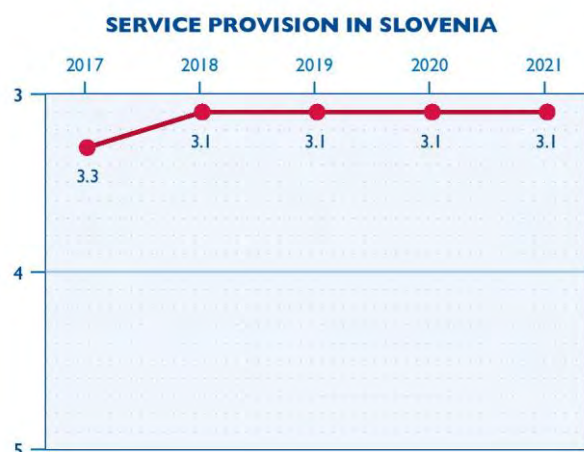
As in 2020, though national-level discussions between CSOs and the government were contentious, collaboration at the local level remained stable, and CSOs reported slow but steady progress in cooperation with municipalities. Increasingly, CSOs are able to negotiate positions as more than just service providers, but rather as partners in decision-making processes focused on how to address the needs of the community.

SERVICE PROVISION: 3.1

CSO service provision remained generally unchanged in 2021.

CSOs offer a wide range of services in diverse areas, ranging from health and education to helplines and legal support. Restrictions on movement and public gatherings imposed in response to the pandemic continued to affect CSO service provision. However, CSOs were able to build on the adaptations and flexibility they had initiated in 2020, and in 2021 further adjusted the ways they promoted and provided their services.

CSOs continued to maintain close ties with their constituencies and in some cases improved accessibility through digitalization, enabling them to respond to community needs quickly and efficiently. While there is no formalized way to identify local needs, CSOs use diverse channels and methods to keep in touch with their users and engage



them. The challenge in 2021, as in 2020, however, continued to be how to reach older populations, due both to the pandemic restrictions and the fact that some of them do not use digital tools.

CSOs generally offer their services beyond their own members without discrimination. Most services are targeted to individuals or other CSOs, but some CSOs offer goods and services, including workshops and trainings, publications, and analyses, to the public and private sectors. CSOs typically do not conduct systematic market analysis, which also makes it difficult to estimate the success of cost recovery efforts.

A few new initiatives and services stand out as particularly successful in responding to society's evolving needs in 2021. LNPD, for instance, was established to

monitor and protect the rule of law in the midst of the government's responses to and restrictions around COVID-19. In its first year, LNPD responded to over 1,150 inquiries and requests and filed over 150 complaints to state offices, including the state prosecutor's office. It also helped file over fifty lawsuits against government actions and measures and one criminal charge against a governmental official. LNPD also trained volunteers to monitor the excessive use of force by police or violent behavior by protesters.

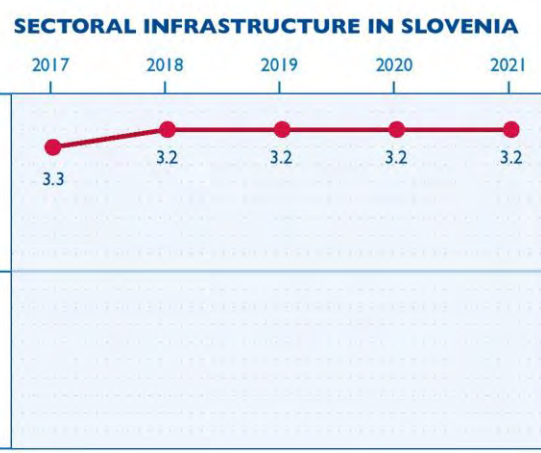
The scope of operation of humanitarian CSOs has continued to grow as the need for their services has grown. Their importance was recognized to some extent by both national and local government authorities, as evidenced by certain legislative measures and additional funds (for instance, for Red Cross and Caritas, and through additional tenders for programs in the area of social protection), and by their increasing inclusion in decision making at the local level.

CSO services continued to gain recognition from the media, the private sector, and local government. The same cannot be said for the national government, however, as rare positive messages were limited to individual CSOs providing traditional services, such as in the area of sports or social protection, while the attitude toward other CSOs and civil society as a whole remained openly negative.

SECTORAL INFRASTRUCTURE: 3.2

The infrastructure supporting the CSO sector remained largely unchanged in 2021.

ISOs continued to support CSOs in a variety of ways, offering legal and accounting support, advocacy for the sector, information services, technical support, trainings, and consultancy in other areas such as strategic planning, fundraising, project management, lobbying, and public relations. The main ISOs in Slovenia include CNVOS, regional NGO hubs, legal networks (PIC and LNPD), and various thematic networks focused on areas such as environment, culture, volunteering, and health and social services. These ISOs cover all regions in the country and most areas of CSO activity. Many ISOs are funded by public funds and membership fees and charge for some of their services.



Local grant making also did not change significantly in 2021. CNVOS continued to allocate grants from the Active Citizens Fund, funded by EEA and Norway grants. Two tenders were published in 2021: one for institutional support and one for smaller projects in the fields of human rights, democracy, social justice, and climate change, primarily for CSOs in less developed regions of the country. The Community-Led Local Development Program,

funded through the European Structural and Investment Funds, previously regranted funds for projects to be carried out by local partnerships. However, because the program started a new phase for 2021–2027, local action groups responsible for this re-granting were still forming and therefore no new tenders were published in 2021.

In 2021, cooperation within the CSO sector remained strong. CSOs formed coalitions quickly for advocacy campaigns and worked efficiently within them, as evidenced, for instance, in the campaigns concerning the Water Act and increasing the salaries for social service providers. CSOs also cooperated to improve their efficiency in delivering services to their constituents, through initiatives like the Regional Volunteering Network of LNPD and Glas ljudstva.

Intersectoral partnerships also remained relatively strong in 2021. CSOs cooperated with attorneys and law professors through LNPD, for instance. CSOs often connect with the media to implement fundraising campaigns. Through the Charity Marathon, for example, Radio 1 connects different companies and humanitarian organizations and raises funds through sport activities broadcast on the radio, including a walk across Slovenia. After a break in 2020, under the auspices of CNVOS, several CSOs and restaurants once again organized the annual charity dinner event called *Ta dobra večerja* (the Good Dinner). CSOs continue to enjoy many successful sponsorship deals with the private sector, such as the ongoing partnership between Toyota Slovenia, Zavod Sopotnik Institute, and the Olympic Committee Slovenia called *S prevozom do 1000 želja* (A Ride for 1,000 Wishes), which grants wishes to elderly people.

PUBLIC IMAGE: 3.0



Overall, the CSO sector's public image remained unchanged in 2021. CSOs continued to enjoy a strong presence and positive coverage in the media despite the fact that government authorities, including the prime minister, continued to make negative statements about them.

As in 2020, media coverage of CSOs in 2021 often reflected tensions between civil society and the government, with representatives of the government attacking CSOs on several occasions both in the traditional media and on social media. For example, in March, the prime minister stated that the state had not been investing in long-term services for the elderly but instead "spent more money for a few NGOs." This spurred a discussion in the media and on social media, to

which CSOs responded with data on the funding in question. However, the damage had already been done, mainly through the prime minister's social media accounts.

Funding for the Iskreni Institute, co-founded by the Ministry of Labor, Family, Social Protection and Equal Opportunity, also spurred public debate around CSOs in 2021. The institute received EUR 130,000 through a tender from the minister's office. As this fact gained media coverage, it sparked a wider debate on public funding of CSOs and ties to the governing parties. CSOs used the opportunity to explain funding mechanisms and present a funding analysis, but the discussion cast yet another shadow on the topic of public funding of CSOs.

Then, in November, it was discovered that an individual had fraudulently registered two CSOs with names similar to established organizations in order to extract donations from those who did not notice the difference. CSOs responded by explaining what donors should pay attention to in order to protect their donations, but the incident threatened to encourage distrust among potential donors.

Despite these scandals and negative statements from government representatives, CSOs continued to enjoy more positive media coverage in 2021. In particular, humanitarian organizations that provided services in the midst of the health crisis continued to receive a lot of positive coverage from the media. Advocacy wins by CSOs, such as the campaign around the Water Act, also received widespread media coverage and public support. CSO representatives are routinely invited to appear in the media as experts, and many programs covered CSO

activities. For example, one of the biggest daily newspapers continued to publish the section *Obrazi nevladnikov* (Faces of NGOs), presenting a different portrait of a person and the CSO they work with each week.

Public perceptions of civil society have become increasingly polarized. While there have been positive developments, the government still finds a significant audience when portraying CSOs negatively and has a significant degree of success using CSOs and how they are funded to direct attention and criticism away from themselves.

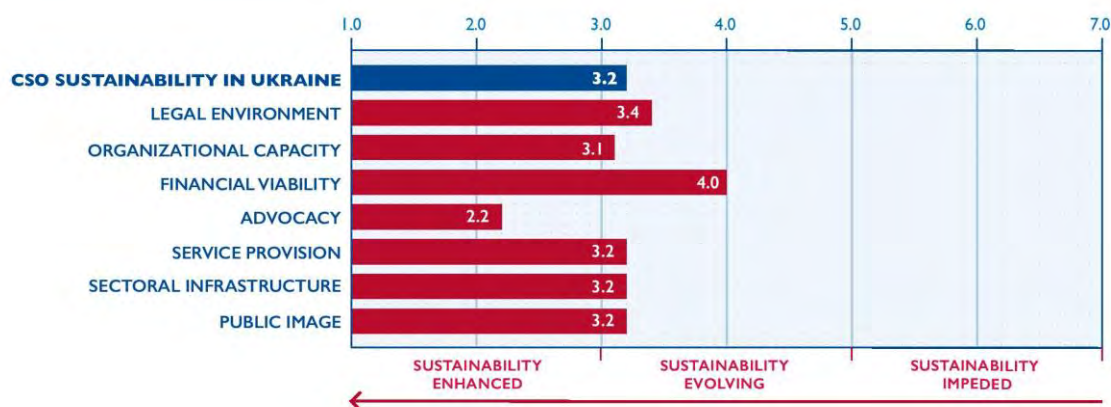
In 2021, CSOs continued to improve their public outreach. While most CSOs still do not have public relations experts, they are slowly becoming better at different aspects of communication and outreach. For instance, the Active Citizens Fund website presented its projects in a clear yet comprehensive manner, with a focus on tangible results.

Most CSOs in Slovenia do not have individual codes of conduct governing their transparency, but some have adopted codes of conduct for certain areas of work, such as mental health services and social assistance. The law also ensures a certain level of transparency in the sector, and all associations, which account for 90 percent of CSOs in the country, must publish annual reports on the AJ PES website.

UKRAINE

Capital: Kyiv
Population: 43,528,136
GDP per capita (PPP): \$12,400
Human Development Index: High (0.773)
Freedom in the World: Partly Free (61/100)

OVERALL CSO SUSTAINABILITY: 3.2



Throughout 2021, the Ukrainian government attempted to ensure the country's territorial integrity and restore its sovereignty over occupied areas in Eastern Ukraine and Crimea. During the year, Ukraine created the Crimean Platform, an international coordination mechanism focused on returning the issue of Crimea to the global agenda, protecting human rights in Crimea, and reversing Russia's annexation of the peninsula. Civil society actively participated in the Crimean Platform, which held its founding summit in Kyiv in August.

Despite these efforts, tensions between Ukraine and Russia escalated at the end of 2021. Russia gathered troops near the Ukrainian border and in the occupied Crimea, which were used to launch an invasion of Ukrainian territory in February 2022. Relations between Ukraine and Belarus also worsened against the backdrop of Ukraine's criticism of the Lukashenko regime's repression of the Belarussian people and its deepening military integration with Russia.

The Ukrainian population continued to adapt to restrictions to mitigate the effects of the COVID-19 pandemic in 2021. Although the country's vaccination effort began in March 2021, the entire country was in the "red" zone (indicated by the lack of free hospital beds for people affected by COVID-19) several times during the year. Several restrictions went into effect when an area reached the "red" level, including a prohibition on mass events and limits on the operation of catering establishments, shopping malls, entertainment establishments, educational establishments, non-food markets and shops, gyms, and swimming pools.

Although CSO sustainability was largely stable during the year, improvements were noted in several dimensions. The legal environment governing the sector improved with the adoption of the National Strategy for Civil Society Development 2021-2026, which outlines the government's commitment to developing an enabling environment for CSOs, and several other programs and pieces of legislation. Dialogue between CSOs and the government increased, enabling CSOs to advance several advocacy initiatives. The strengthened dialogue with the government, as well as the high level of trust CSOs enjoy among the population, also helped improve the sector's public image. The other dimensions of sustainability remained unchanged.

According to the Ukrainian State Statistics Service, as of January 1, 2022, there were 96,543 registered public associations, 2,071 unions of public associations, 26,915 religious organizations, 28,792 trade unions, 318 creative unions, 20,498 charitable organizations, and 1,730 self-organized bodies in Ukraine. The data does not include CSOs registered in the Autonomous Republic of Crimea or in the city of Sevastopol, as there is no access to these areas.

In the territories of Ukraine occupied by Russia, the activity of CSOs—including human rights organizations—is very limited. Key Crimea-focused CSOs continued to work from mainland Ukraine in 2021, although their

activities on the ground in Crimea remained very limited and under threat of reprisals, including criminal prosecution. A similar situation was observed in the territories of the self-proclaimed 'republics' in Donetsk and Luhansk oblasts.

LEGAL ENVIRONMENT: 3.4



The legal environment governing the CSO sector improved slightly in 2021 with the adoption of the National Strategy for Civil Society Development 2021 - 2026 and several other government programs and pieces of legislation.

CSOs operate under a generally enabling legal environment. The main legislation governing CSOs includes the Law on State Registration of Legal Entities, Individual Entrepreneurs and CSOs; the Law on Public Associations; the Law on Charity and Charitable Organizations; and a 2016 Ministry of Justice Order pertaining to the registration of legal entities and other bodies. These laws and regulations remained unchanged in 2021.

CSOs can register at the national or regional levels at Justice Departments located in twenty-four oblast centers, Administrative Services Centers, and Centers of Free Secondary Legal Aid. Charitable organizations and certain public associations also have the option of registering online. In 2021, CSOs reported some challenges related to online registration, including registration being denied due to technical issues with the online forms. In general, CSOs can register easily; it only takes three days to register a public association and one day to register a charitable organization. The registration process is free of charge. In addition to legal status, a CSO may choose to obtain nonprofit status, which exempts the income received from grants, endowments, fees, or economic activity from the 18 percent income tax as long as it is not distributed among its founders.

In September 2021, the government adopted the [National Strategy for Civil Society Development 2021-2026](#). The National Strategy defines four strategic objectives for the development of CSOs: ensuring effective procedures for public participation in the development and implementation of public policy; creating favorable conditions for the formation and institutional development of civil society institutions; stimulating the participation of CSOs in the country's socio-economic development; and creating favorable conditions for intersectoral cooperation. The strategy, which includes references to international standards related to the development of civil society, also includes strategic tasks and expected results. An Implementation Plan for 2021-2022 was also developed.

In June, the Cabinet of Ministers approved the state targeted social program Youth of Ukraine for 2021-2025. The aim of the program is to create opportunities for youth self-realization and development, as well as for their participation and integration into public life. In particular, the program should provide new opportunities for the development of youth CSOs by promoting the creation of conditions for capacity building of CSOs.

The Law on Basic Principles of Youth Policy, adopted in April 2021, established a National Youth Council, an advisory body tasked with the formation and implementation of youth policy. The National Youth Council includes representatives of youth and children's public associations.

The government also approved a law to improve the legal framework for self-organization of the population, which governs representative bodies of city residents, including house, street, and neighborhood committees, that are created to address certain issues of local importance. The draft law simplifies the procedure to establish such bodies and clearly defines their powers and jurisdiction. The law was pending in parliament at the end of the year.

Some negative legislative proposals were also under consideration during the year. A Law on Lobbying that was still under consideration at the end of the year threatens to equate CSO advocacy with private lobbying, which would impose additional restrictions and reporting requirements on CSOs engaged in advocacy. The government

also considered a draft law on the volunteer sector that would have complicated work with foreign volunteers, but it was not adopted.

The 2020 Law on Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism, and Financing of Proliferation of Weapons of Mass Destruction requires legal entities—including CSOs—to provide information on their ultimate beneficial owners, although there is still confusion as to who CSOs' beneficial owners are.

The Zmina Center for Human Rights documented 108 cases of harassment of activists in Ukraine in 2021, up from 101 in 2020. Among the most common violations were intimidation (27 cases), destruction or damage to property (24 cases), and physical assault (20 cases). Activists who defend LGBT rights (17 cases), fight corruption (16), oppose illegal construction (13), and protect the environment (11) were the most frequent targets of persecution. Among these cases were some examples of state harassment on the local level, which generally targeted activists who criticized the actions of local authorities. In most cases, the perpetrators remain unidentified due to inadequate investigation by law enforcement agencies, contributing to further attacks.

Freedom of assembly was generally guaranteed during 2021. Pandemic-related legislation did not prohibit the holding of peaceful assemblies, including protests and rallies, as long as 1.5 meters of space was maintained between people. At the same time, some assemblies on sensitive matters such as criticizing right-wing violent extremism were stopped or prevented by authorities based on anti-pandemic measures, even though they had a relatively small number of participants.

CSOs are allowed to receive funding from international donors, the state budget in the form of grants, and physical and legal persons. CSOs are also allowed to compete for government contracts and procurements at the local and central levels and to conduct economic activities. CSOs can raise funds through crowdfunding platforms.

Businesses and individuals that support CSOs continued to be eligible for tax benefits in 2021. Amendments to the Tax Code that were enacted in November 2021 exempt the value of some received social services from personal income tax (18 percent); this exemption is available if the social service is specified by the Classifier of Social Services, and the provider and recipient are both included in the register of providers and recipients of social services, which began to operate in the middle of 2022.

CSOs can get legal consultations from law firms, as well as Administrative Service Centers and regional offices of the Ministry of Justice, among other organizations. One of the largest platforms that brings together legal aid providers for CSOs is the Pro Bono platform. The Ukrainian Center for Independent Political Research (UCIPR), a non-governmental and non-partisan think tank, also provides legal aid services to CSOs.

ORGANIZATIONAL CAPACITY: 3.1

The overall organizational capacity of the sector remained largely unchanged in 2021.

CSOs' understanding of their constituencies continued to improve in 2021. Organizations frequently consult with their constituencies to determine their activities. In 2021, CSOs' communication with their constituencies continued to take place primarily online. In cases when online engagement was not possible due to the lack of technical infrastructure, CSOs turned to in-person forms of interaction, primarily among people vaccinated against COVID-19.

During the year, many CSOs identified and addressed organizational weaknesses in areas such as planning and crisis management, while also developing their ability to adapt, assess new needs, and mobilize new resources.

These developments were enabled by the support of various capacity-development programs, including



organizational development grants from USAID and the European Union (EU). However, many CSOs operating at the community level still do not understand the importance of organizational development.

Large CSOs clearly divide responsibilities between their executive and governance bodies and have well-developed administrative and financial management systems. In small organizations, organizational structures are often simplified due to the lack of staff. In 2021, CSOs paid more attention to the development of internal policies, with the support of grants focused on CSOs' organizational development. CSOs also started to more actively implement and adhere to good governance principles thanks to regional seminars offered at the end of 2020 by Ednannia in partnership with the Organization for Security and Cooperation in Europe (OSCE) in Ukraine, the Office of the President, and the Ministry of Youth and Sports, as well as the Ukrainian Forum of Philanthropists and Ukrainian Charity Exchange, in which approximately 400 CSOs took part.

The number of professional staff employed by CSOs, especially accountants and financial managers, seems to have increased in 2021. Interest in working with CSOs is spurred by the fact that a background in the CSO sector enables professionals to find work in other areas, including public administration. Small community-based organizations face significant human resources challenges, as qualified personnel move to regional centers or Kyiv, where there are better opportunities and more competitive pay for their work. Most paid employees are engaged as consultants, which allows them to pay less in taxes.

Many CSOs engage volunteers. During the year, volunteers actively helped CSOs to assist vulnerable groups and organize events, including for educational and youth projects. According to the Charities Aid Foundation's *World Giving Index 2022*, which reports on developments in 2021, 19 percent of respondents in Ukraine reported volunteering.

CSOs actively use information and communication technology in their work, which became especially important against the background of COVID-19 restrictions. Many CSO activities, including consultations, public events, and training, moved online over the past two years. Hybrid events, in which some people participate in person and others attend online, also became more common in 2021.

FINANCIAL VIABILITY: 4.0



CSOs' financial viability remained largely unchanged in 2021.

Foreign funding remains the main source of funding for CSOs. According to the European Foundation for Education, almost 66 percent of surveyed CSOs named foreign funding as their main source of support. ForeignAssistance.gov indicates that the US government provided a total of USD 100 million for government and civil society in Ukraine in 2021. The EU supported six big civil society projects in Ukraine in 2021 with total funding of EUR 8.4 million. The Renaissance Foundation supported over 400 projects implemented by more than 250 CSOs in 2021.

Public funding for CSOs increased in 2021. The Ministry of Youth and Sports announced the first online contest

for CSOs focused on youth and children with total funding of UAH 19.5 million (about USD 645,000, later reduced to UAH 13.5 million, about USD 445,000), as well as a contest for patriotic education with a budget of UAH 9 million (about USD 300,000). The Ministry of Social Policy announced an online contest to distribute UAH 90 million (about USD 3 million) to support CSOs of persons with disabilities, a notable increase from UAH 66 million in 2020. In addition, the Ministry for Veteran Affairs announced funding for CSOs in the amount of UAH 3 million (about USD 100,000). Funding for physical culture and sports CSOs was UAH 65 million (about USD 2.15 million) in 2021. In an important development during the year, the government introduced the online platform VzaemoDia, which provides information about public funding opportunities and allows CSOs to apply for this funding.

The Law on Basic Principles of Youth Policy, which was adopted in April 2021, established the Ukrainian Youth Fund, which will provide grants for youth projects. CSOs participated in consultations on the regulations governing the Fund's activities.

At the same time, some government bodies were accused of distributing funds ineffectively. Members of the tender commission of the Social Protection Fund for Persons with Disabilities, which is part of the Ministry of Social Policy, noted non-compliance with the principle of transparency, possible corruption, and improper organization during the competition. Similarly, in March 2021, the Ukrainian Cultural Foundation (UCF), a special state agency under the Ministry of Culture, was accused of distributing funds unfairly. In June 2021, UCF's Supervisory Board withdrew its approval for fifty grants. The lack of transparency in the distribution of funds has damaged the previously good reputation of this institution.

In 2021, the Chernivtsi Regional State Administration established the Bukovyna Cultural Foundation to support arts and culture, with a budget of UAH 6 million (about USD 200,000). The Foundation awarded about forty grants in seven cultural areas in 2021.

According to the World Giving Index 2022, 47 percent of respondents in Ukraine reported donating money to charity. CSOs increasingly use crowdfunding to attract local resources, raising funds on a variety of crowdfunding platforms, including [KIND Challenge](#), [Big Idea](#), [SuperTeam](#) of Tabletochki Foundation, [Patreon](#), and [Benevity](#). However, crowdfunding is still most effective to raise funds for short-term projects in “emotionally sensitive” areas, such as youth, social projects, veterans, internally displaced persons (IDPs), and others. CSOs occasionally receive financial support from private companies, primarily for charitable projects.

Membership fees are more typical among trade unions and business associations, but even in such organizations are generally an insignificant source of funding.

Some CSOs have diversified their funding sources by providing paid services to international organizations, local governments, other CSOs, and businesses. For example, the NGO VoxUkraine works with Facebook to identify fake social media posts. According to the European Foundation for Education, self-financing through the sale of goods and other means is the primary or secondary funding source for 58.5 percent of CSOs.

The financial management systems of CSOs improved in 2021, as a growing number of financial specialists and accountants is familiar with the principles of CSO work. Large organizations often employ several accountants and financial assistants, while smaller organizations usually have a single accountant.

ADVOCACY: 2.2

CSO advocacy intensified slightly in 2021 as the civil sector established an ongoing dialogue with government officials that enabled CSOs to advance several advocacy initiatives.

CSOs communicated and held consultations with government officials, parliament, and the President's Office more often and more productively in 2021 than in 2020. Representatives of the government, as well as the ruling party Servant of the People, appeared regularly at events focused on the development of the CSO sector, including the Civil Society Development Forum 2021 and Legal Reform Forum for Civil Society. CSOs primarily participated in decision-making processes through online instruments during the year due to the COVID-related restrictions on in-person events.

In 2021, the government worked with CSOs to create several important strategies, including the National Human Rights Strategy and implementation plan; the National Strategy for Creating a Barrier-Free Space in Ukraine and implementation plan; and the Strategy for the Integration of Internally Displaced Persons until 2024. CSOs provided recommendations for these strategies by participating in special task forces and public consultations.



CSOs that are members of the Reanimation Package of Reforms (RPR) engaged in several notable advocacy campaigns in 2021. One of the most important of these campaigns supported the adoption of a Law on Public Consultations, which would require all executive bodies and local self-government bodies to hold public consultations on the formation and implementation of state and regional policies and the preparation of draft strategic and program documents and regulations. These public consultations would have to include a wide range of stakeholders, including CSOs. The law awaited its second reading in parliament at the end of 2021.

CSOs also advocated for the Law on the All-Ukrainian Referendum, which was adopted in January 2021 and determines the legal basis, organization, and procedures for holding national referendums, and the Law on Administrative Procedure, which was adopted in November 2021 and passed to the president for approval. The Law on Administrative Procedure will introduce standardized rules for communication between citizens and authorities and will therefore give public activists and organizations new tools to oppose illegal construction, destruction of historical monuments, arbitrary inspections of businesses, and other matters.

A draft law introduced in parliament in early 2020 aims to introduce legislative regulations on lobbying. The law's provisions equate advocacy and public consultation with lobbying. The Parliament Committee on Legal Policy has concluded that the draft law contradicts the Constitution of Ukraine. CSOs actively advocated against this draft law, which was still in the drafting stage in parliament at the end of 2021.

In 2021, with Council of Europe funding and the involvement of CSOs, the government introduced the School Participatory Budget. This initiative, which is modeled on initiatives in Portugal and Poland, allows school students to propose projects and receive funding from local budgets in approximately twenty communities. CSOs were involved in working groups and consultations with local governments to discuss specific local characteristics and needs in order to improve the effectiveness of this project.

The Center for Democracy and the Rule of Law (CEDEM) conducted its sixth School of Advocacy in June 2021. Through this training initiative, twenty-five CSO activists were able to improve their advocacy skills.

The Ministry of Youth and Sports, the United Nations Development Programme (UNDP), and the State Institute for Family and Youth Policy organized a Civic Education for Youth Workers 2.0 training course within the framework of the Youth Worker program. Participants increased their capacity to support and ensure the participation of young people in decision making at the local and regional levels.

Local government officials exhibit varying attitudes towards cooperating with CSOs. In cities such as Mariupol, Lviv, Dnipro, and Drohobych, the level of transparency and accountability is quite high and CSOs are able to participate in decision-making processes. In other communities, public consultations are held irregularly, possibly indicating unwillingness among officials to involve additional actors in decision making, as well as a lack of funding.

As noted above, a key achievement of CSO cooperation with the authorities was the adoption of the National Strategy for Civil Society Development 2021-2026. The strategy was developed with input from CSO representatives who participated in a special platform and working groups, as well as public discussions on the draft document. During these public discussions, UCIPR and partner organizations had the opportunity to offer their expertise in areas such as development of public participation mechanisms (e-petitions), registration and legal status of CSOs, taxation of CSOs and charitable activities, and public funding of CSOs. The resulting National Strategy also includes a number of recommendations from the Legal Reforms Roadmap for Civil Society, which was developed by more than 100 CSOs in 2020. The Strategy's implementation will be monitored through quarterly and annual reports prepared by the Cabinet of Ministers and analytical reports developed by civil society.

In September, the Legal Reform Forum for Civil Society was organized as part of the Ukraine Civil Society Sectoral Support Activity, implemented by Ednannia in consortium with UCIPR and CEDEM. The Forum, which engaged representatives of civil society, government, businesses, and international organizations, provided space for a dialogue on progress in improving the legal framework for the civil sector according to the Legal Reforms Roadmap for Civil Society. The participants of the Forum updated the Legal Reforms Roadmap and formulated proposals for the two-year Implementation Plan for the National Strategy for Civil Society Development.

SERVICE PROVISION: 3.2



The overall level of CSO service provision did not change significantly in 2021.

Social services constitute a significant part of the CSO services sector. CSOs also provide educational and environmental services, as well as legal aid, mostly for free and remotely. For example, CSO Ukrainian Women Lawyers Association JurFem provides free-of-charge legal consultations to women who have been affected by domestic violence and abuse. Several veterans' organizations continue to provide services for veterans, including activities to improve social protection and medical care. In 2021, an increasing number of charitable organizations and volunteers collaborated to fight the COVID-19 pandemic. For example, through the Ministry of Health's Infovolunteers program, Caritas Ukraine

provided the elderly in nine oblasts with reliable information about public health and COVID-19 vaccinations.

The goods and services that CSOs provide generally reflect the needs and priorities of their constituents and communities. To determine these needs, CSOs communicate directly with constituents, analyze the environment, and use social media.

Government bodies and businesses sometimes commission CSOs to conduct research and analysis. For example, the government of the Dnipropetrovsk region engaged a CSO to conduct an analysis of its public budget function in 2021.

The social enterprise sector continued to develop. In 2021, CSOs advocated to enact legislation on social entrepreneurship at the national level. The Ukrainian Social Academy and SiLab Ukraine also offered courses to develop social entrepreneurship. At the local level, the Vinnytsia municipal government supported six large social entrepreneurship projects in 2021.

Government contracting of CSO social services suffered in 2021 as government funds were primarily dedicated to addressing the COVID-19 pandemic, leaving few resources for other CSO services. The Law on Social Services, which was adopted in 2020, was supposed to be a significant boost for CSOs as it granted them the status of social service providers, allowing the state to purchase these services from them. However, the process of adopting bylaws to implement the law has been prolonged, postponing these positive changes. The register of providers and recipients of social services is finally expected to be completed in 2022.

Local governments and communities continued to use the social procurement mechanism in 2021. For example, in 2021, the Vinnytsia Region State Administration allocated UAH 550,000 (approximately USD 18,700) for social procurement tenders, almost the same level as in 2020 (UAH 537,000 or approximately USD 18,250). CSOs had the opportunity to participate in these tenders.

SECTORAL INFRASTRUCTURE: 3.2

The infrastructure supporting the CSO sector did not change notably in 2021.

A number of organizations and projects continue to prioritize the organizational development of CSOs. For example, Ednannia implements USAID- and EU-supported projects to build CSOs' sustainability by developing technical, institutional, adaptive, and influential capacities. The project Women of Ukraine: Involved, Able, Indomitable, implemented by Pact with financial support from Canada, supports the organizational development of five local women's CSOs. The Marketplace, an online platform, continued to link providers of organizational development services and CSOs that need them in 2021. The network of CSO hubs supported by UNDP also continued its activities in 2021. For example, the NGO Territory of Success in Kropyvnytskyi, an active member of

the Hub, contributed to a local civil society development strategy. At the local level, the French humanitarian organization ACTED funds a program to strengthen the Azov region's environmental movement. The program includes a component to address key organizational capacity gaps of partner CSOs by developing codes of conduct and other internal procedures, as well as training activities on how to effectively manage an organization's financial resources.

In June 2021, the School of Organizational Development was organized as part of the EU4CSOs project. The school was a four-day training for CSOs that provide social services in Ukraine. The training addressed organizational, advocacy, and communication development, and was attended by twelve organizations.

Several local CSOs regrant international donor funds to other CSOs. For example, the regional offices of the charitable organization 100% Life provides grants to local CSOs for social projects with support from the EU.

In November, ISAR Ednannia held its tenth annual Civil Society Development Forum, which convened representatives of the CSO sector, international organizations, the business sector, and government to highlight the main achievements, challenges, and trends affecting Ukrainian civil society, and to strengthen dialogue between these actors. In 2021, 1,800 people from throughout Ukraine participated in live and online Forum events.

CSO networking and coalition building continued to develop. In 2021, local CSOs working with IDPs in different regions networked with larger national organizations. For example, a local CSO in the Chernivtsi region participated in an exchange with Donbas SOS, a national organization, through an institutional development grant from Ednannia. In 2021, the Renaissance Foundation provided support to more than twenty Veterans Spaces to form a coalition to develop more effectively as non-governmental actors, provide standardized services, and implement local veterans' policies.

CSO representatives had access to both online and live trainings and workshops in 2021. The Ukrainian Catholic University continued to offer its master's program in nonprofit management. CSO representatives utilized various free online courses on the Coursera, Prometheus, and EdEra platforms on topics such as nonprofit management, human rights, and civic education. Other training programs for CSOs in 2021 included the School of Information and Communication and the School for Public Activists Safety organized by the Tamarysk Center for Support of Public and Cultural Initiatives in Dnipropetrovsk Oblast.

CSOs actively develop partnerships with government actors. According to a speech by the State Secretary of the Cabinet of Ministers of Ukraine during the First Virtual Charity Summit in May 2021, cooperation with civil society is a priority for the government. Charitable foundations form some partnerships with the private sector. For example, in honor of the opening of the COMFY store in Kyiv in 2021, the store donated UAH 20 from each purchase to the Charitable Foundation Zhyznelub. The funds raised were used to purchase equipment for the elderly wards run by the foundation.

SECTORAL INFRASTRUCTURE IN UKRAINE



PUBLIC IMAGE: 3.2

The CSO sector's public image improved slightly in 2021, as civil society maintained a high level of trust among the population and strengthened its dialogue with the government.

Media coverage of CSOs in 2021 was generally positive. In particular, CSOs' involvement in fighting the COVID-19 pandemic received positive media coverage. CSO actions organized as part of the Week Against Violence were also covered by a large number of media outlets. Detector Media, a CSO with an online media outlet, regularly covers the achievements of CSOs.

According to research conducted by the Razumkov Center in July and August 2021, public trust in civil society did not change significantly in 2021. Approximately 47 percent of respondents indicated that they trust public



organizations (compared to 46 percent in 2020) and 64 percent indicated that they trust volunteer organizations (compared to 66 percent in 2020). The difference between those who trust public organizations and those who do not increased from 0.3 percent in 2020 to 9.6 percent in 2021.

The perception of CSOs by local and central authorities improved in 2021, as indicated by the fact that authorities began to cooperate more with CSO representatives and involve them in projects, discussions, and consultation processes. As CSOs established contacts with the government during the year, the government started to have more confidence in the sector. The business sector also increasingly trusts CSOs, as indicated by their growing cooperation with charitable foundations.

CSOs actively promote their image online. According to the European Foundation for Education, almost all surveyed CSOs have an online presence, either through a website or one or more social media outlets. Nine out of ten CSOs with an online presence have pages on Facebook, the most popular social media platform among surveyed CSOs. Nearly three-quarters (71 percent) of surveyed CSOs have their own websites. Approximately one-third of CSOs have Instagram pages or YouTube channels. Some CSOs also use Telegram, Twitter, and LinkedIn. Few Ukrainian organizations use TikTok.

Large CSOs generally issue annual programmatic and financial reports, while small ones either do so irregularly or not at all.

ANNEX A: CSO SUSTAINABILITY INDEX METHODOLOGY

INSTRUCTIONS FOR CSOSI IMPLEMENTING PARTNERS

I. INTRODUCTION

USAID's Civil Society Organization Sustainability Index (the Index or CSOSI) reports annually on the strength and overall viability of CSO sectors in Africa, the Middle East and North Africa (MENA), Central and Eastern Europe and Eurasia, and Mexico. The CSO Sustainability Index is a tool developed by USAID to assess the strength and overall viability of CSO sectors in countries around the world. By analyzing seven dimensions that are critical to sectoral sustainability, the Index highlights both strengths and constraints in CSO development. The Index allows for comparisons both across countries and over time. Initially developed in 1997 for Central and Eastern Europe and Eurasia, the CSOSI is a valued tool and methodology used by non-governmental organizations (NGOs), governments, donors, academics, and others to better understand the sustainability of the civil society sector. USAID is continually striving to ensure the cross-national comparability of the Index scores and to improve the reliability and validity of measurements, adequate standardization of units and definitions, local ownership of the Index, transparency of the process of Index compilation, and representative composition of panels delivering the scores.

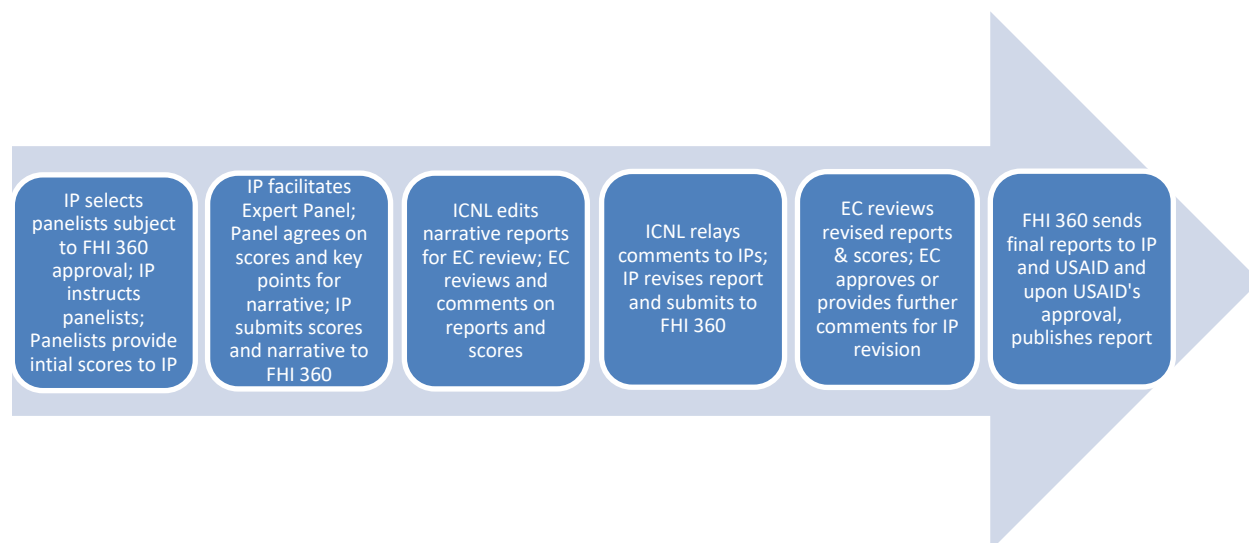
Beginning with the 2017 Index and for the following four years, FHI 360 and the International Center for Not-for-Profit Law (ICNL) are managing the coordination and editing of the CSOSI. A senior staff member from both FHI 360 and ICNL will serve on the Editorial Committee as will one or more senior USAID/Washington officials. FHI 360 will provide small grants to local CSOs to implement the CSOSI methodology in the country, while ICNL will be primarily responsible for editing the reports. Local Implementing Partners (IPs) play an essential role in developing the CSO SI and need a combination of research, convening, and advocacy skills for carrying out a high-quality CSOSI.

Local Implementing Partners should please remember:

- Panels must include a diverse range of civil society representatives.
- Panelists should formulate initial scores for dimensions and justifications individually and in advance of the Panel Meeting.
- Discuss each indicator and dimension at the Panel Meeting and provide justification for the proposed score for each dimension.
- Compare the score for each dimension with last year's score to ensure that the direction of change reflects developments during the year being assessed.
- Note changes to any indicators and dimensions in the country report to justify proposed score changes.
- The Editorial Committee will request additional information if the scores are not supported by the report. If adequate information is not provided, the EC has the right to adjust the scores accordingly.

II. METHODOLOGY FOR THE IMPLEMENTER

The following steps should be followed by the IP to assemble the Expert Panel that will meet in person to discuss the status of civil society over the reporting year, determine scores, and prepare a country report for the 2021 Civil Society Organization (CSO) Sustainability Index.



I. Select Panel Experts. Carefully select a group of at least 8-10 civil society representatives to serve as panel experts. Panel members must include representatives of a diverse range of CSOs and other stakeholders, such as:

- CSO support centers, resource centers, or intermediary support organizations (ISOs);
- CSOs, community-based organizations (CBOs), and faith-based organizations (FBOs) involved in a range of service delivery and/or advocacy activities;
- CSOs involved in local and national level government oversight/ watchdog/ advocacy activities;
- Academia with expertise related to civil society and CSO sustainability;
- CSO partners from government, business, or media;
- Think tanks working in the area of civil society development;
- Member associations such as cooperatives, lawyers' associations, and natural resources users' groups;
- Representatives of diverse geographic areas and population groups, e.g., minorities;
- International donors who support civil society and CSOs; and
- Other local partners.

It is important that the Panel members be able to assess a wide spectrum of CSO activities in various sectors ranging from democracy, human rights, and governance reforms to the delivery of basic services to constituencies. CSOs represented on the panel must include both those whose work is heavily focused on advocacy and social service delivery. To the extent possible, panels should include representatives of both rural and urban parts of the country, as well as women's groups, minority populations, and other marginalized groups, as well as sub-sectors such as women's rights, community-based development, civic education, microfinance, environment, human rights, and youth. The Panel should to the extent possible include an equal representation of men and women. If two or more representatives of the same CSO participate in the Panel, they can only cast one vote. It is recommended that at least 70 percent of the Expert Panel be nationals of the country that is being rated.

In countries experiencing civil war, individuals should be brought from areas controlled by each of the regimes if possible. If not, individuals from the other regime's territory should at least be contacted, to incorporate their local perspective.

In some instances, it may be appropriate to select a larger group in order to better reflect the diversity and breadth of the civil society sector in the country. For countries where regional differences are significant,

implementers should incorporate, to the greatest extent possible, differing regional perspectives. If financial constraints do not allow for in-person regional representation, alternative, low-cost options, including emailing scores/ comments, and teleconferencing/Skype, may be used.

If there is a USAID Mission in the country, a USAID representative must be invited to attend the panel. USAID representatives that attend are welcome to provide some words of introduction to open the event, as it is funded by USAID, and they are welcome to observe and participate in the discussion. However, they will not have the ability to cast their vote in terms of scores.

Please submit to FHI 360 for approval the list of the Panel members whom you plan to invite at least two weeks before the meeting is scheduled to occur using the form provided in Annex A. It is the responsibility of the IP to ensure that the panel composition, and the resulting score and narrative, are sufficiently representative of a cross-section of civil society and include the perspectives of various types of stakeholders from different sectors and different areas of the country.

2. Prepare the Panel meeting. Ensure that panel members understand the objectives of the Panel, including developing a consensus-based rating for each of the seven dimensions of civil society sustainability covered by the Index and articulating a justification or explanation for each rating consistent with the methodology described below. We encourage you to hold a brief orientation session for the panelists prior to the panel discussion. This is particularly important for new panelists but is also useful to update all panelists on methodology and process changes. Some partners choose to hold a formal training session with panel members, reviewing the methodology document and instructions. Other partners provide a more general discussion about the objectives of the exercise and process to the panelists.

Definition of CSO:

Civil society organizations are defined “broadly as any organizations, whether formal or informal, that are not part of the apparatus of government, that do not distribute profits to their directors or operators, that are self-governing, and in which participation is a matter of free choice. Both member-serving and public-serving organizations are included. Embraced within this definition, therefore, are private, not-for-profit health providers, schools, advocacy groups, social service agencies, anti-poverty groups, development agencies, professional associations, community-based organizations, unions, religious bodies, recreation organizations, cultural institutions, and many more.”

- Toward an Enabling Legal Environment for Civil Society, Statement of the 16th Annual Johns Hopkins International Fellows in Philanthropy Conference, Nairobi, Kenya. The International Journal of Not-for-Profit Law, Volume 8, Issue 1, November 2005.

The overall goal of the Index is to track and compare progress in the sector over time, increasing the ability of local entities to undertake self-assessment and analysis. To ensure a common understanding of what is being assessed, the convener shall provide a definition of civil society to the panel members. The CSOSI uses the enclosed definition to ensure the report addresses a broad swath of civil society.

In order to allow adequate time to prepare for the panel, distribute the instructions, rating description documents, and a copy of the previous year’s country chapter to the members of the Expert Panel a minimum of three days before convening the Panel so that they may develop their initial scores for each dimension before meeting with the other panel members. It is critical to emphasize the importance of developing their scores and justifications before attending the panel. It is also important to remind panel members that the scores should reflect developments during the 2021 calendar year (January 1, 2021, through December 31, 2021).

We also recommend you encourage panelists to think of concrete examples that illustrate trends since this information will be crucial to justifying their proposed scores. In countries with closing civic space, the IP should take initiative to ensure that expert panel members do not self-censor themselves, including by taking whatever measures possible to build trust. The confidentiality of all members must be ensured and participants must be protected against retaliation; to this end, the IP can choose to enforce Chatham House Rules.

Lastly, it is highly recommended to compile and send to panelists data and information sources to guide them as they score. Recommendations for information sources are listed below under #4.

We are very interested in using the preparation of this year’s Index to track lessons learned for use in improving the monitoring process in upcoming years. We would appreciate implementers recording and submitting any

observations they might have that will increase the usefulness of this important tool. In addition, we will solicit feedback through regional debriefs and will continue to maintain an online forum where IPs can share best practices, ask questions, and submit their comments or suggestions. These methods will be supplemented by brief satisfaction surveys that will be used to help evaluate the success of methodological and process innovations.

3. Convene a meeting of the CSO Expert Panel.

3.a. We do not require panelists to score individual indicators but only overall dimensions. For each dimension, allow each panel member to share his or her initial score and justification with the rest of the group. (Note: If two or more representatives of the same CSO participate in the Panel, only one vote can be cast on their behalf.) Although scoring will not take place at the indicator level, please be sure that panel members discuss each indicator within each dimension of the CSOSI and provide evidence-based, country-relevant examples of recent or historical conditions, policies, and events within each of the dimension narratives. Please take notes on the discussion of each indicator and dimension, detailing the justification for all dimension scores, in the template provided. These notes must be submitted to FHI 360 with the first draft of the narratives (they do not have to be translated into English if not originally written in English).

At the end of the discussion of each dimension, allow panel members to adjust their scores if desired. Then, for each dimension, eliminate the highest score and the lowest score (if there are two or more of the highest or lowest scores, only eliminate one of them) and average the remaining scores together to come up with a single score for each dimension. Calculate the average or arithmetic mean¹ of these scores for a preliminary score for the dimension. Please keep all scores on record, making sure that personal attribution cannot be made to individual panel members. Use a table similar to the one provided below to track panel members' scores without personal attribution.

Panel Member	Legal Environment	Organizational Capacity	Financial Viability	Advocacy	Service Provision	Sectoral Infrastructure	Public Image
1							
2							
3							

3. b. Once a score is determined for a dimension, please have panel members compare the proposed score with last year's score to ensure that the direction and magnitude of the change reflect developments during the year. For example, if an improved score is proposed, this should be based on concrete positive developments during the year that are noted in the report. On the other hand, if the situation worsened during the year, this should be reflected in a worse score (i.e., a higher number on the 1-7 scale).

Please note that for countries where a democratic revolution took place in the previous year, the panelists should be conscious to avoid scoring based on post-revolution euphoria. The score-change framework should be closely followed to avoid panelists scoring based on anticipated changes, rather than the actual level of change thus far.

A change of 0.1 should generally be used to reflect modest changes in a dimension. Larger differences may be warranted if there are more significant changes in the sector. The evidence to support the scoring change must always be discussed by the panel and documented in the dimension narrative. **See CSOSI Codebook – Instructions for Expert Panel Members** for more details about this scoring scale.

In addition, for each dimension score, review the relevant description of that dimension in “CSOSI Codebook – Tiers and Scores: A Closer Look.” Discuss with the group whether the score for a country matches that rating description. For example, a score of 2.3 in organizational capacity would mean that the civil society sector is in the “Sustainability Enhanced” phase. Please read the “Sustainability Enhanced” section for Organizational Capacity in “Ratings: A Closer Look” to ensure that this accurately describes the civil society environment.

¹ Arithmetic mean is the sum of all scores divided by the total number of scores.

If the panel does not feel that the proposed score is accurate after these two reviews, please note this when submitting proposed scores in your narrative report, and the Editorial Committee will discuss whether one or more scores need to be reset with a new baseline. Ultimately, each score should reflect a consensus among group members.

3. c. Discuss each of the seven dimensions of the Index and score them in a similar manner. Once all seven dimensions have been scored, average the final dimension scores together to get the overall CSO sustainability score. Please submit the table with the scores from the individual panelists together with the narrative report. Panelists should be designated numerically.

3. d. Please remind the group at this stage that reports will be reviewed by an Editorial Committee (EC). The Editorial Committee will ensure that all scores are adequately supported and may ask for additional evidence to support a score. If adequate information is not provided, the EC may adjust the scores.

4. Prepare a draft country report. The report should focus on developments over the calendar year 2021 (January 1, 2021, through December 31, 2021).

The draft report should begin with an overview statement and a brief discussion of the current state of sustainability of the civil society sector with regard to each dimension. In the overview statement, please include an estimated number of registered and active CSOs, as well as a description of the primary fields and geographic areas in which CSOs operate. Also include a brief overview of any key political, economic, or social developments in the country that impacted the CSO sector during the year. If this information is not provided, the editor will request it in subsequent rounds, which will require additional work from you.

The report should then include sections on each dimension. Each of these sections should begin with a summary of the reasons for any score changes during the year. For example, if a better score is proposed, the basis for this improvement should be clearly stated upfront. These sections should include a discussion of both accomplishments and strengths in that dimension, as well as obstacles to sustainability and weaknesses that impact the operations of a broad range of CSOs. Each indicator within each dimension should be addressed in the report.

The report should be written based on the Panel members' discussion and input, as well as a review of other sources of information about the CSO sector including but not limited to analytical studies of the sector, statistical data, public opinion polls, and other relevant third-party data. Some international sources of information and data that should be considered include the following:

- CIVICUS State of Civil Society Report - <https://www.civicus.org/index.php/media-center/reports-publications/socs-reports>
- CIVICUS Monitor - <https://monitor.civicus.org/>
- World Giving Index - <https://www.cafonline.org/about-us/publications>
- Varieties of Democracy (V-Dem) - <https://www.v-dem.net/>
- Media Sustainability Index - <https://www.irex.org/projects/media-sustainability-index-msi>
- Nations in Transit - <https://freedomhouse.org/report-types/nations-transit#.VdugbqSFOhI>
- Freedom in the World - <https://freedomhouse.org/report/freedom-world>
- Freedom of the Press - <https://freedomhouse.org/report-types/freedom-press>
- ITUC Global Rights Index - <https://www.globalrightsindex.org/en/2021>
- ITUC Survey of Violations of Trade Union Rights - <https://survey.ituc-csi.org/?lang=en>
- U.S. Department of State Human Rights Report - <https://www.state.gov/j/drl/rls/hrrpt/>
- ICNL Civic Freedom Monitor - <https://www.icnl.org/resources/civic-freedom-monitor>
- Carnegie Endowment for International Peace - <https://carnegieendowment.org/regions>
- Afro-Barometer - <http://www.afrobarometer.org/>

Please limit the draft reports to a maximum of **ten pages in English**. Please keep in mind that we rely on implementers to ensure that reports are an appropriate length and are well written.

While the individual country reports for the 2021 CSO Sustainability Index must be brief, implementers may write longer reports for their own use to more fully describe the substance of the panel meetings. Longer reports may

include additional country context information or examples and could be used for a variety of purposes, including advocacy initiatives, research, informing project designs, etc.

Please include a list of the experts who served on the panel using the form provided. This will be for our reference only and will not be made public. Also, **please remember to provide the individual panelists' ratings for each dimension** (with the names replaced by numbers).

Submit the draft country reports with rankings via email to FHI 360 by the date indicated in your grant's Project Description.

5. Initial edits of the country report. Within a few weeks of receiving your draft report, FHI 360 and its partner, ICNL, will send you a revised version of your report that has been edited for grammar, style, and content. As necessary, the editors will request additional information to ensure that the report is complete and/or to clarify statements in the report. Please request any clarification needed from the editor as soon as possible, then submit your revised report by the deadline indicated.

6. Editorial Committee review. In Washington, an Editorial Committee (EC) will review the scores and revised draft country reports. The EC consists of representatives from USAID, FHI 360, ICNL, and at least one regional expert well-versed in the issues and dynamics affecting civil society in the region. A USAID representative chairs the EC. If the EC determines that the panel's scores are not adequately supported by the country report, particularly in comparison to the previous year's scores and the scores and reports of other countries in the region, the **EC may request that the scores be adjusted, thereby ensuring comparability over time and among countries, or request that additional information be provided to support the panel's scores.** Further description of the EC is included in the following section, "The Role of the Editorial Committee."

7. Additional report revision. After the EC meets, the editor will send a revised report that indicates the EC's recommended scores, and where further supporting evidence or clarification is required. Within the draft, boxes will be added where you will note whether you accept the revised scores or where you can provide further evidence to support the original proposed score.

The report should be revised and returned to the editor within the allotted timeframe. The project editor will continue to be in contact with you to discuss any outstanding questions and clarifications regarding the scoring and the report's content. Your organization will be responsible for responding to all outstanding comments from the EC, as communicated by the project editor until the report is approved and accepted by USAID.

8. Dissemination and promotion of the final reports. After the reports are approved by USAID and final formatting is conducted, the country reports will be grouped into regional reports. Each Implementing Partner will be responsible for promoting both the final, published country report and the regional report. Your organization will conduct activities to promote the Index's use and visibility. This may include organizing a local public event, panel discussion, or workshop and making the report available electronically by web posting or creating a social network page for the country report and through the other methods described in your Use and Visibility Plan. Documentation that you have conducted these activities as described in that Plan must be submitted to FHI 360 before it will authorize the final payment.

III. THE ROLE OF THE EDITORIAL COMMITTEE

As an important step in the CSO Sustainability Index process, all country reports are reviewed and discussed by an Editorial Committee composed of regional and sector experts in Washington, DC, and an expert based in the region. This committee is chaired by a USAID Democracy Specialist and includes rotating members from USAID (past members have included experts from regional bureaus, the USAID Bureau for Democracy, Conflict and Humanitarian Assistance's Center of Excellence on Democracy, Human Rights and Governance (DCHA/DRG), the USAID Bureau for Economic Growth, Education and the Environment's Local Solutions Office, and USAID Democracy, Human Rights and Governance foreign service officers). The committee also includes civil society experts from FHI 360 and ICNL.

The Editorial Committee has three main roles. It reviews all reports and scores to ensure that narratives are adequate and compelling from the standpoint of supporting the proposed score and to determine if the proposed change in score is supported by the narrative. A compelling narrative demonstrates that a score results from the evidence of systematic and widespread cases and is not based on one or two individual cases. For example, a country environment characterized by a growing number of CSOs with strong financial management systems that raise funds locally from diverse sources is a compelling justification for an elevated financial viability score. A country in which one or two large CSOs now have the ability to raise funds from diverse sources is not. The Editorial Committee also checks that scores for each dimension meet the criteria described in "Ratings: A Closer Look," to ensure that scores and narratives accurately reflect the actual stage of CSO sector development. Finally, the Editorial Committee considers a country's score in relation to the proposed scores in other countries, providing a regional perspective that ensures comparability of scores across all countries.

CSOs are encouraged to remind their panels from the outset that the Editorial Committee may ask for further clarification of scores and may modify scores, where appropriate. **While implementing partners will have the chance to dispute these modifications by providing more evidence for the scores the panel proposed, the USAID Chair of the EC will ultimately have the final say on all scores.** However, by asking panels to compare their scores with last year's scores and "Ratings: A Closer Look" (which is essentially what the Editorial Committee does), it is hoped that there will be few differences between proposed scores and final scores. Ensuring that the narrative section for each dimension includes adequate explanations for all scores will also limit the need for the Editorial Committee to ask for further clarification.

INSTRUCTIONS FOR CSOSI EXPERT PANEL MEMBERS

INTRODUCTION

USAID's Civil Society Organization Sustainability Index (the Index or CSOSI) is a tool developed by USAID to assess overall viability of civil society organizations (CSOs) in a particular country. By analyzing seven dimensions that are critical to sectoral sustainability on an annual basis, the Index highlights both strengths and constraints in CSO development.

The Index allows for comparisons both across countries and over time. Initially developed in 1997 for Central and Eastern Europe and Eurasia, the CSOSI is a valued tool and methodology used by CSOs, governments, donors, academics, and others to better understand the opportunities, challenges, and sustainability of the civil society sector in a particular country or region. In 2021 the CSOSI was implemented in 73 countries.

For the period of 2017-2022, FHI 360 and the International Center for Not-for-Profit Law (ICNL) are managing the coordination and editing of the CSOSI. To develop the Index each year, FHI 360 provides small grants and technical support to local CSOs who serve as Implementing Partners (IPs) responsible for leading the in-country process to prepare the annual country report, using the CSOSI methodology. ICNL oversees the editing of the country reports once they are drafted by IPs. A senior staff member from both FHI 360 and ICNL serves on an Editorial Committee that reviews all reports, as do one or more senior USAID/Washington officials.

The Expert Panel (EP) members for whom this Codebook is designed participate in in-country panel discussions on the seven dimensions of sustainability covered by the Index. The IP convenes these panel discussions annually to assess the situation of civil society in their countries and determine scores based on an objective analysis of the factual evidence.

The CSOSI management team is continually striving to ensure the cross-country and cross-year comparability of the Index's scores, as well as to improve the reliability and validity of measurements, standardization of definitions, local ownership of the Index, and transparency of the Index's methodology and processes.

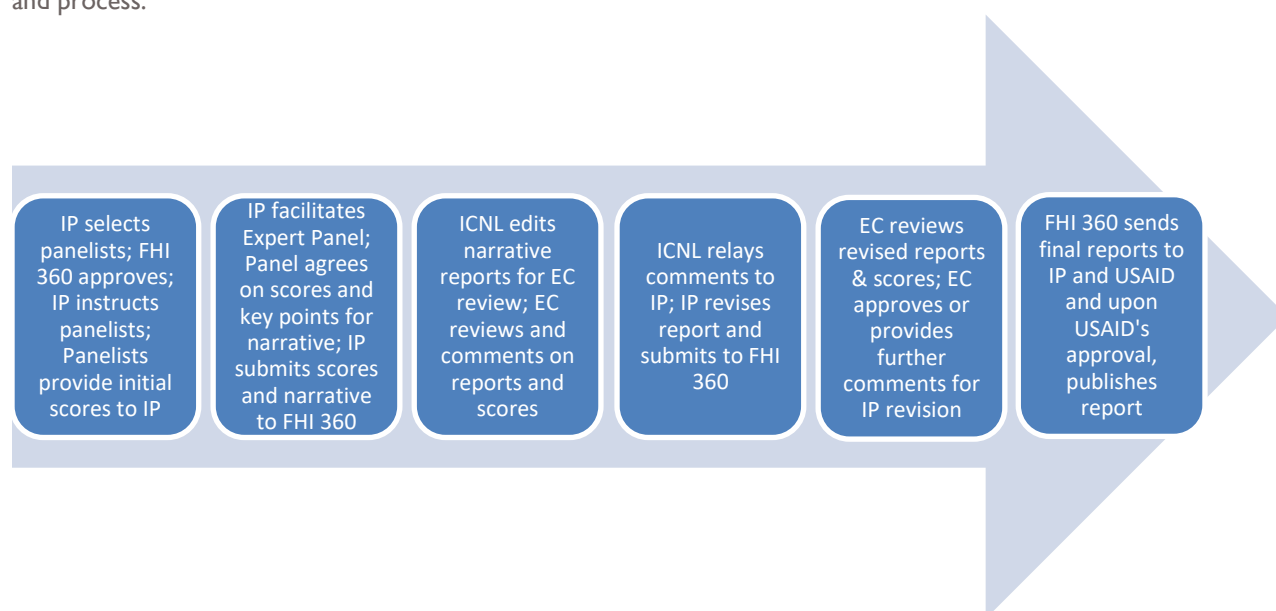
Therefore, FHI 360 has created this Codebook to inform and guide expert panel members through the scoring process. The Codebook provides definitions of the key concepts used to assess the overall strength and sustainability of the civil society sector in a given country, explains the scoring process, and standardizes the scale to be used when proposing score changes.

This document is the first part of the Codebook, providing an overview of the concepts and processes that guide the expert panel members' role in the CSOSI's methodology. The second part of the Codebook provides descriptions, or vignettes, of each score for each dimension, to standardize expert panel members' understanding of the scoring scale and to assist them in ensuring that scores are accurate.

CSOSI METHODOLOGY

The CSOSI measures the sustainability of each country's CSO sector based on the CSOSI's seven dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image. Its seven-point scoring scale used not only by CSOSI, but also variety of well-known reviews such as Freedom House in its publications "Nations in Transit" and "Freedom in the World."

The IP in each country leads the process of organizing and convening a diverse and representative panel of CSO experts. EPs discuss the level of change during the year being assessed in each of the seven dimensions and determine proposed scores for each dimension. The IP then drafts narratives that document the rationale for each score. The scores are organized into three basic "tiers" representing the level of viability of the civil society sector: Sustainability Impeded; Sustainability Evolving; and Sustainability Enhanced. All scores and narratives are then reviewed by a Washington, D.C.-based Editorial Committee (EC) for consistency, completeness, and methodological adherence, assisted by regional civil society experts. The graph below summarizes the approach and process.



Definition of Concepts

The overall goal of the Index is to track progress or regression in the CSO sector over time, increasing the ability of local entities to undertake self-assessment and analysis. To ensure a common understanding of what is being assessed, panel members need a shared understanding of the key concepts underlying their assessment.

Civil Society Organization

Civil society organizations are defined:

*"...As any organizations, whether formal or informal, that are not part of the apparatus of government, that do not distribute profits to their directors or operators, that are self-governing, and in which participation is a matter of free choice. Both member-serving and public-serving organizations are included. Embraced within this definition, therefore, are private, not-for-profit health providers, schools, advocacy groups, social service agencies, anti-poverty groups, development agencies, professional associations, community-based organizations, unions, religious bodies, recreation organizations, cultural institutions, and many more."*²

² Toward an Enabling Legal Environment for Civil Society, Statement of the 16th Annual Johns Hopkins International Fellows in Philanthropy Conference, Nairobi, Kenya. The International Journal of Not-for-Profit Law, Volume 8, Issue 1, November 2005.

This definition of CSO includes informal, unregistered groups and movements, but to be included in the CSOSI, the movement must possess the structure and continuity to be distinguished from a single gathering of individuals and from personal or family relationships. In many countries political parties and private companies establish and support CSOs, but these entities are usually either public, for-profit, or not self-governing.

Civil Society Sector

The CSOSI defines the CSO sector to include all of the following: non-governmental organizations (focused on advocacy, oversight, or service provision), social movements, community-based organizations and faith-based organizations, trade and labor unions, women's groups, youth groups, resource centers and intermediary support organizations, research institutes and think tanks, professional associations, cooperatives, and natural resource users' groups, recreational organizations, cultural institutions, social enterprises, and informal movements, networks, and campaigns.

Throughout the report, please address differences between these different types of CSOs and note where trends and developments have affected specific types of CSOs.

Seven Dimensions of Sustainability

The CSOSI measures sustainability across seven dimensions by analyzing a series of indicators related to each dimension. (see **Scoring: Dimensions and Indicators, provided as Annex A, for the full list of questions to guide your analysis of each indicator**):

1- LEGAL ENVIRONMENT: The legal and regulatory environment governing the CSO sector and its implementation.

<i>Registration – Legal procedures to formalize the existence of a CSO</i>
<i>Operation – The enforcement of the laws and its effects on CSOs</i>
<i>State Harassment – Abuses committed against CSOs and their members by state institutions and groups acting on behalf of the state</i>
<i>Taxation – Tax policies that affect CSOs</i>
<i>Access to Resources – Legal opportunities for CSOs to mobilize financial resources</i>
<i>Local Legal Capacity – Availability and quality of legal expertise for CSOs</i>

2- ORGANIZATIONAL CAPACITY: The internal capacity of the CSO sector to pursue its goals

<i>Constituency Building – Relationships with individuals or groups affected by or interested in issues on which CSOs work</i>
<i>Strategic Planning – Organizational goals and priorities for a set timeframe</i>
<i>Internal Management – Structures and processes to guide the work of CSOs</i>
<i>CSO Staffing – Quality and management of human resources</i>
<i>Technical Advancement – Access to and use of technology</i>

3- FINANCIAL VIABILITY: The CSO sector's access to various sources of financial support

<i>Diversification – Access to multiple sources of funding</i>
<i>Local Support – Domestic sources of funding and resources</i>
<i>Foreign Support – Foreign sources of funding and resources</i>
<i>Fundraising – CSOs' capacity to raise funds</i>
<i>Earned Income – Revenue generated from the sale of products and services</i>
<i>Financial Management Systems – Processes, procedures and tools to manage financial resources and operations.</i>

4- ADVOCACY: The CSO sector's ability to influence public opinion and public policy

<i>Cooperation with Local and Central Government – Access to government decision-making processes</i>
<i>Policy Advocacy Initiatives – Initiatives to shape the public agenda, public opinion, or legislation</i>
<i>Lobbying Efforts – Engagement with lawmakers to directly influence the legislative process</i>
<i>Advocacy for CSO Law Reform – Initiatives to promote a more favorable legal and regulatory framework for the CSO sector</i>

5- SERVICE PROVISION: The CSO sector's ability to provide goods and services

<i>Range of Goods and Services – Variety of goods and services offered</i>
<i>Responsiveness to the Community – Extent to which goods and services address local needs</i>
<i>Clientele and beneficiaries – People, organizations and communities who utilize or benefit from CSOs' services and goods</i>
<i>Cost Recovery – Capacity to generate revenue through service provision</i>
<i>Government Recognition and Support – Government appreciation for CSO service provision</i>

6- SECTORAL INFRASTRUCTURE: Support services available to the CSO sector

<i>Intermediary Support Organizations (ISOs) and CSO Resource Centers – Organizations and programs that provide CSOs with training and other support services</i>
<i>Local Grant-Making Organizations – Local institutions, organizations, or programs providing financial resources to CSOs</i>
<i>CSO Networks and Coalitions – Cooperation within the CSO sector</i>
<i>Training – Training opportunities available to CSOs</i>
<i>Intersectoral Partnerships – Collaboration between CSOs and other sectors</i>

7- PUBLIC IMAGE: Society's perception of the CSO sector

<i>Media Coverage – Presence of CSOs and their activities in the media (print, television, radio, and online)</i>
<i>Public Perception of CSOs – Reputation among the larger population</i>
<i>Government/Business Perception of CSOs – Reputation with the government and business sector</i>
<i>Public Relations – Efforts to promote organizational image and activities</i>
<i>Self-Regulation – Actions taken to increase accountability and transparency</i>

How to Score

The CSO Sustainability Index uses a seven-point scale from 1 to 7. **Lower numbers indicate more robust levels of CSO sustainability.** These characteristics and levels are drawn from empirical observations of the sector's development in the country, rather than a causal theory of development. Given the complex nature of civil society sectors, many contradictory developments may be taking place simultaneously. The levels of sustainability are organized into three broad clusters:

Sustainability Enhanced (1 to 3) - the highest level of sustainability, corresponds to a score between 1.0 and 3.0;

*Sustainability Evolving*³ (3.1 to 5) - corresponds to a score between 3.1 and 5.0;

Sustainability Impeded (5.1 to 7) – the lowest level of sustainability, corresponds to a score between 5.1 and 7.0.

Sustainability Enhanced	Sustainability Evolving	Sustainability Impeded
1.0 – 3.0	3.1 – 5.0	5.1 – 7.0

Scoring Process⁴

The primary role of the EP is to provide an assessment of the CSO environment based on the seven dimensions mentioned above. During the panel discussion, panel members are tasked with analyzing each dimension and any recent developments, identifying and discussing initial scores for each dimension, including their evidence for these scores, and determining their final proposed scores for each dimension. The overall score for the country will be an average of these seven scores.

³ The 'Sustainability Evolving' categorization does not assume a direct or forward trajectory. Dimension and Overall Sustainability scores that fall within this category may represent both improvements and regressions.

⁴ NOTE: For countries in which the CSOSI is being implemented for the first time, the below scoring process does not apply. Instead, please refer to the document Scoring Process for Setting Country Baselines. For countries discussing baseline score recalibration, please use the Recalibration Guidance Sheet.

Each expert panel member is asked to follow the steps below:

Step 1: Please start by reviewing last year's report and other sources of information about sectoral developments from the last year of which you are aware related to each dimension and its indicators. Then, based on the evidence, rate each dimension on the scale from 1 to 7, with a score of 1 indicating a very advanced civil society sector with a high level of sustainability, and a score of 7 indicating a fragile, unsustainable sector with a low level of development. Fractional scores to one decimal place are encouraged. See "Scoring based on Level of Change" on page 6 below for guidance on how to determine proposed scores.

When rating each dimension, please remember to consider each indicator carefully and make note of any specific, country-relevant examples of recent or historical conditions, policies, or events that you used as a basis for determining this score.

Step 2: Review your proposed score for each dimension to ensure that it makes sense in comparison to last year's score and narrative. Please carefully consider the importance of any developments and weigh more heavily those changes that have had an impact at the sector level, especially in cases when there have been both positive and negative changes. In determining the level of change, including the incremental change over the past year, look at the evidence of change, the various factors over the year being assessed that led to those changes (events, policies, laws, etc.), the durability of the change and the extent to which the change impacts the sector as a whole.

Step 3: Once you have scores for each dimension, average these seven scores together to arrive at an overall CSO sustainability score and provide all these scores to the IP before you attend the expert panel discussion.

Step 4: Attend the EP discussion. Listen to other experts describe the justification for their scores. After discussing each indicator in a dimension, you will have the opportunity to revise your proposed score. Should the panel achieve consensus regarding the scores, the consensus scores will be the panel's final proposed scores. If consensus is not reached among the panelists, the IP will average the panelists' scores, removing one instance of the highest and lowest scores each, to arrive at the final scores that will be proposed to the EC.

It is very important that the discussion includes specific examples and information that can be used to justify the Expert Panelist's scores. Therefore, please come prepared to share specific evidence to support trends you have noted during the year. If adequate supporting information is not provided, the EC has the right to adjust the scores accordingly, to ensure objectivity and methodological consistency in scoring.

Important Note: In countries with disputed territories or areas (e.g., self-declared states, breakaway states, partially recognized states, declared people's republics, proto-states, or territories annexed by another country's government), panelists should score based only on the area under the national government's control. However, these territories' contexts should be discussed, to be referenced briefly in the introduction of the country report.

In countries experiencing civil war (political and armed movements that administer parts of the country, regions governed by alternative ruling bodies), panelists should balance the situation in each of the territories when determining all scores and discuss trends and developments under each regime.

In countries where a great deal of regional autonomy is recognized (e.g., Iraqi Kurdistan), expert panelists should take those areas into account when scoring and compiling examples, and IPs should ensure the situation in these areas are well-integrated into the scoring decisions and narrative report.

For countries with closing civic space, sufficient data and information sources should be discussed to both acknowledge the changes in civic space and consider its impacts on dimensions. The panelists should respond to published sources and present their evidence to ensure the balance between positive and negative developments affecting civil society in their country. To avoid self-censorship and ensure the confidentiality of and non-retaliation against any expert panel member, the IP could choose to enforce the Chatham House Rule. When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

In countries where a democratic revolution took place in the previous year, the panelists should still closely follow the score-change framework when determining the new dimension-level scores to justify the changes, avoiding exaggerated score increases that may be due to a post-revolution feeling of euphoria. The proposed scores should always measure the actual changes thus far and not anticipated impacts in the near future.

Scoring Based on Level of Change

The level of change in a dimension from one year to the next is determined by assessing the impact of multiple factors including new policies and laws, changes in implementation of existing policies and laws, various organization-level achievements and setbacks, changes in funding levels and patterns, as well as contextual political, economic, and social developments. While individual examples may seem impactful on their own, ultimately a sector's long-term sustainability only changes gradually over time as the implications of these positive or negative developments begin to be felt and their long-term effects take hold. Therefore, dimension-level score changes each year should not in normal circumstances exceed a 0.5-point change from the previous year.⁵

When determining what weight to give different trends and developments in how they affect the scores, consider the relative scope of the changes and the duration of their impacts. Those trends and developments that will have larger and longer-term impacts on the sector as a whole should be weighted more heavily compared to those that affect only limited parts of the sector and are more likely to change from year to year. For example, a demonstrated increased capability to mobilize domestic resources (e.g. through corporate philanthropy or crowdfunding) broadly witnessed throughout the sector, or a new mechanism for long-term funding of CSOs (e.g. through a basket fund or a tax designation mechanism) would signal a longer-term change in a sector's financial viability than a one-year increase in donor funding to CSOs such as during a year of national elections or following an emergency.

In determining how the level of change in the dimension of sustainability should translate into a change in score, the following scale can be used to assist expert panel members' decision-making:

⁵ Note: This scale has been adjusted for the 2018 CSOSI to more accurately reflect the scale at which trends and developments should impact a score given the definitions of the scoring scale above.

What was the overall impact of the change(s) on the dimension?

Deterioration	<p>Cataclysmic deterioration: Trends and developments have had a completely transformative negative effect on at least one or two indicators in the dimension and significantly affected other dimensions as well.</p> <p>Example: Legal Environment – A law has banned all international CSOs and their affiliates from the country, as part of the government’s systematic crackdown on civil society organizations.</p>	0.5 or greater
	<p>Extreme deterioration: Trends and developments have had very important negative effects on at least one or two indicators in the dimension.</p> <p>Example: Organizational Capacity – Economic depression and instability have led donor basket funds to close abruptly, leaving many major CSOs without funding for their activities. Outreach efforts to constituencies have been halted due to funding shortages and many major CSOs have lost their well-qualified staff members.</p>	0.4
	<p>Significant deterioration: Trends and developments have had important negative effects on at least one or two indicators in the dimension.</p> <p>Example: Public Image – The government conducts a relentless media campaign to discredit the image of CSOs by calling them agents of foreign actors seeking to destabilize the country. At the same, the government intimidates media outlets and threatens them with retaliation should they partner with or cover CSO activities without prior approval by the government.</p>	0.3
	<p>Moderate deterioration: Trends and developments have had a somewhat negative impact in at least one or two indicators in the dimension.</p> <p>Example: Legal Environment – In an effort to increase public revenue, the government has decided to increase fees by 100% for some types of government services, including CSO registration renewal fees, which were already very high according to many CSOs. As a result, some CSOs, particularly community-based organizations (CBOs), had to delay or suspend their activities.</p>	0.2
	<p>Slight deterioration: Trends or developments have had a slightly negative impact on at least one or two indicators in the dimension.</p> <p>Example: Legal Environment – The government has decided that CSOs should submit their financial statement and annual activity report to the registration agency every year. This may have a long-term positive effect but in the short term, it has increased bureaucratic hurdles and the possibility of harassment by overzealous government officials.</p>	0.1
No Change	<p>The country has not encountered any significant trends or developments in the dimension or developments have been both positive and negative in equal measure.</p>	0
	<p>Slight improvement: Trends or developments have had a slightly positive impact on at least one or two indicators in the dimension.</p> <p>Example: Legal Environment – To facilitate CSO registration, particularly for those in rural areas, the government has decided its registration agency will allow the agency to take applications locally and process registration directly at the district level. Now, CSOs in rural areas are not required to travel to the capital to apply. However, this measure is accompanied with a small increase in the registration fee.</p>	0.1

Improvement	<p>Moderate improvement: Trends and developments have had a somewhat positive impact in at least one or two indicators in the dimension.</p> <p>Example: Service Provision – To improve the effectiveness of public service delivery, the central government has decided that at least 10% of local government contracts for basic service delivery will be set aside for CSOs. The law is lacking in specificity, particularly around the application process, but it reinforces CSOs' image as credible partners.</p>	0.2
	<p>Significant improvement: Trends and developments have had important positive effects on at least one or two indicators in the dimension.</p> <p>Example: Public Image – There has been a net increase of CSO partnerships with businesses. CSOs have also agreed to and published a general code of conduct for the sector, reinforcing a positive trend of greater transparency and accountability.</p>	0.3
	<p>Extreme improvement: Trends and developments have had very important positive effects on several indicators in the dimension.</p> <p>Example: Organizational Capacity – The government and international donors have launched a five-year multi-million-dollar basket fund to support CSO-led activities and to strengthen CSO capacity, with a special focus on skills training for CSO staff members, particularly those from CBOs.</p>	0.4
	<p>Transformative improvement: Trends and developments have had a completely transformative positive effect on at least one or two indicators in the dimension and will potentially affect other dimensions as well.</p> <p>Example: Legal Environment – A nonviolent revolution that toppled an authoritarian regime and installed a more democratic regime has produced sudden political and legal changes that will protect basic freedoms and human rights.</p>	0.5 or greater

INSTRUCTIONS FOR BASELINE RECALIBRATION

BACKGROUND

To enhance its methodology, the Civil Society Organization Sustainability Index (CSOSI) incorporated several activities into its annual process. These activities respond directly to the methodological issues identified through consultations conducted with stakeholders in 2018 and 2019.

One of these activities to strengthen the CSOSI methodology is to reset dimension-level scores which are not accurate, either because their baseline scores were inaccurate or because they have not moved significantly enough over time to reflect structural changes in the sector's sustainability. The goal of resetting these scores is to improve the cross-country comparability of scores and to increase the analytical usefulness of the CSOSI to its target audiences.

There are two scenarios in which a score can be recalibrated:

- Scenario 1 - FHI 360 informs the Implementing Partner (IP) about the dimension score(s) that the Editorial Committee (EC) has flagged for needing recalibration
- Scenario 2 - A majority of expert panelists flag the score for recalibration at the panel discussion.

Scenario 1: EC recommended recalibration

Instructions

1. **Inform participating expert panel members about the scores flagged for recalibration** – When the IP sends the expert panelists the annual CSOSI package of relevant materials, it also communicates to them the purpose of baseline score recalibration and the dimension scores that have been selected by the EC, in consultation with regional experts, for recalibration.
2. **To determine the new score(s), use Sustainability Categories and Scores – A Closer Look and a comparison to other scores in the region** – Instead of using the scoring guidance whereby proposed scores are determined by analyzing the level of change from the previous year, the scores identified for recalibration are determined by analyzing where they should fall on the one-to-seven scoring scale, as well as a comparison with the other countries' CSOSI scores for that dimension in the same region. The expert panelists should review the vignettes and illustrative examples in Sustainability Categories and Scores – A Closer Look to familiarize themselves with how various levels of CSO sustainability should correspond to the CSOSI's scoring spectrum. Scores should be proposed to the tenth decimal point based on how well they match the descriptions of the various full-point scores listed in this codebook. To help narrow proposed scores to the tenth decimal point, experts can review other countries' scores listed for that dimension in the most recent CSOSI regional report.
3. **Discuss evidence for recalibrated scores, as well as trends and developments in the past year that led to improvements and deterioration in the dimension** – The narrative report should be drafted the same as in the other dimensions, reviewing the current situation and discussing what has changed over the previous year. A note will be included in the final report that clarifies that the new score for that dimension is based on a recalibration and should not be compared with the previous year's score to make assertions about improvement or deterioration.
4. **Prepare and submit a recalibration justification note to FHI 360** – To justify a proposed baseline recalibration, or to disagree with the EC's recommendation to recalibrate a score, the IP should prepare a justification note to be sent to FHI 360. The note should summarize the panel members' decision to accept or reject a requested recalibration. It should also outline the evidence and examples provided by the panelists related to each and every dimension being recalibrated, justifying the new score specifically in relation to the vignettes in Sustainability Categories and Scores – A Closer Look.
5. **The Editorial Committee will decide to accept or reject the proposed score** – As with scoring decisions based on the level of change, the EC will make a final decision on the proposed baseline recalibration. If EC rejects the proposed new score, it will propose an alternative score for the dimension.

Scenario 2: Expert Panel (EP) recommended recalibration

Instructions

- 1. Inform participating expert panel members about the changes in methodology regarding recalibration** – When the IP sends the expert panelists the annual CSOSI package of relevant materials, it also communicates to them the purpose and the process of optional baseline score recalibration. If expert panel members believe that one or more dimension-level scores are significantly out of place, they should attend the panel discussion about a proposed score recalibration, bringing supporting evidence for the score(s) to be recalibrated.
- 2. To determine the new score(s), use Sustainability Categories and Scores – A Closer Look and a comparison to other scores in the region** – Instead of using the scoring guidance whereby proposed scores are determined by analyzing the level of change from the previous year, the scores identified for recalibration are determined by analyzing where they should fall on the one-to-seven scoring scale, as well as a comparison with the other countries' CSOSI scores for that dimension in the same region. Expert panelists that want to propose a recalibration should review the vignettes and illustrative examples in Sustainability Categories and Scores – A Closer Look for the relevant dimension(s), to familiarize themselves with how various levels of CSO sustainability should correspond to the CSOSI's scoring spectrum. Scores should be proposed to the tenth decimal point based on how well they match the descriptions of the various full-point scores listed in this codebook. To help narrow proposed scores to the tenth decimal point, experts can review other countries' scores listed for that dimension in the most recent CSOSI regional report.
- 3. Discuss evidence for recalibrated scores, as well as trends and developments in the past year that led to improvements and deterioration in the dimension** – If a majority of expert panelists want to recalibrate a score, the dimension(s) should be discussed in the context of what the recalibrated score should be. The narrative report should be drafted the same as in the other dimensions, reviewing the current situation and discussing what has changed over the previous year. A note will be included in the final report that clarifies that the new score for that dimension is based on a recalibration and should not be compared with the previous year's score to make assertions about improvement or deterioration.
- 4. Prepare and submit a recalibration justification note to FHI 360** – To justify a proposed baseline recalibration, the IP should prepare a justification note to be sent to FHI 360. The note should summarize the panel members' decision. It should also outline the evidence and examples provided by the panelists related to each and every dimension being recalibrated, justifying the new score specifically in relation to the vignettes in Sustainability Categories and Scores – A Closer Look.
- 5. The Editorial Committee will decide to accept or reject the proposed recalibration** – As with scoring decisions based on the level of change, the EC will make a final decision on the proposed baseline recalibration. If EC rejects the proposed new score, it will propose a score for the dimension(s).

Tips

If FHI 360 informs the IP that certain dimension scores have been identified for recalibration by the EC, the IP should communicate with the expert panelists which dimensions have been selected for baseline recalibration at least one week in advance of the panel discussion. This advance notification will give the panelists an opportunity to prepare evidence about the status quo in the country under this dimension to inform their selection of a new baseline score.

If the local EP decides to recalibrate the score unprompted by the EC, the IP should ensure that the panelists present evidence during the panel discussion to justify the change and include it in the recalibration justification note.

In either case, the IP should be prepared to respond to the EC's questions about the justifications for recalibrated scores.

INSTRUCTIONS FOR ELECTRONIC QUESTIONNAIRE

BACKGROUND

To enhance its methodology, the Civil Society Organization Sustainability Index (CSOSI) has incorporated several activities into its annual process. These activities respond directly to the methodological issues identified through the feedback and consultation process conducted with project stakeholders in 2018 and 2019.

One of these activities to enhance the methodology's implementation is to disseminate an electronic questionnaire or e-questionnaire to a larger group of individuals. The questionnaire allows a larger, more diverse group of individuals to contribute their perspectives and insights on the CSOSI dimensions, strengthening the representativeness and inclusiveness of the process and data, enhancing Expert Panel (EP) deliberations, and providing Implementing Partners (IPs) more evidence to improve report quality. Dissemination of the questionnaire also helps to improve the visibility of the IP and Index and foster engagement with stakeholders who are the most likely to subsequently use the Index when completed.

Instructions

- **Identify approximately 50 participants to whom to send the questionnaire** – The IP selects individuals who will expand the scope and diversity of inputs into the process. The selected individuals should include representatives of or specialists in specific sub-sectors of civil society organizations (CSOs), such as labor unions, capacity-building organizations, organizations representing marginalized and vulnerable groups, informal movements, community-based organizations, faith-based organizations, intermediary support organizations, resource centers, and research institutes. Emphasis should be placed on selecting individuals who are in other localities of the country and those located in rural areas. The objective is for the IP to select a group of people who would add new perspectives on various aspects of the sector on which the in-person panelists might not have deep expertise, as well as individuals who have broad knowledge but would be unable or available to attend the in-person panel discussion. FHI 360 and the local USAID Mission may request additions to the list of questionnaire recipients from their own network of contacts.
- **Design your e-questionnaire** – Look at the mandatory and optional questions shared by FHI 360 to design an e-questionnaire that best responds to the needs of the civil society sector in your country. You can translate the e-questionnaire into the principal local language(s) of the country. The country-specific questionnaire should be brief and should take no more than 10-15 minutes to complete.
- **Disseminate the electronic questionnaire to your selected additional participants** – The IPs can disseminate the electronic questionnaire on the online platforms of their choice or consult with FHI 360 on setting up the e-questionnaire on SurveyMonkey, to be distributed to the IP's selected additional participants. The IP can use snowball sampling to disseminate the questionnaire to both increase the number of responses as well as to diversify them. To reach larger audiences, the IP can work with local CSO umbrella organizations to tap into their mailing lists, social media pages, and other sector-specific online platforms to share the questionnaire link. The IP should ask the additional participants to complete the questionnaire within a period of two weeks or less.
- **Compile analysis of the questionnaire's results** – After the e-questionnaire deadline that the IP identified has expired, the IP compiles the quantitative and qualitative data received. In cases when FHI 360 supported the IPs to set up the e-questionnaire on SurveyMonkey's CSOSI account, FHI 360 collects the electronic questionnaire results and submits them to the IP.
- **Incorporate the findings into the panel discussion** – Statistics and examples that are raised through the questionnaire responses should be presented to the in-person panel to serve as an additional data source for the scoring process and the discussion around the relevant indicators. When responses are not conclusive or do not align with the experts' opinions, the IP should still present them at the panel discussion for the panelists' consideration.
- **Write the conclusions reached into the narrative report** – While panels should analyze the questionnaire results and use them to inform their discussions, the e-questionnaire responses do not directly translate into scoring decisions. The data received from the electronic questionnaire should be incorporated into the narrative report in the same way that the expert panelists' insights are incorporated

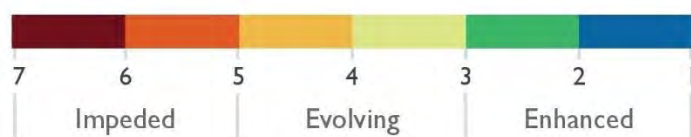
-- justifying scores, sharing without attribution to a particular individual, or reference to the questionnaire. Instead, the inputs should simply be mentioned where relevant as evidence of what has changed positively or negatively in ways that affected the sustainability of the CSO sector in the relevant year. Anecdotal evidence, specific examples, and references to events through open-ended questions may provide IPs necessary data to strengthen their narrative reports.

Tips

- When selecting additional participants, please keep the following points in mind:
 - Sending the e-questionnaire to people with whom you already have a working relationship may increase the response rate, so consider sharing it with organizations and individuals in other areas of the country with whom you have worked;
 - Sharing the e-questionnaire with donor agencies operating in your country and allowing them to propose individuals to receive the e-questionnaire can be a useful way of reaching new experts and perspectives outside of your own organization's network;
 - Sharing the e-questionnaire with civil society networks and allowing them to forward it to their member organizations' leaders, or other experts with whom they work, is a useful way of maximizing circulation outside of your network;
 - When sending out the e-questionnaire, it may be useful to commit to sending participants a copy of last year's final country and regional reports, so they feel a sense of participation in the larger process of developing the CSOSI;
 - When preparing your distribution list, consider whether the situation in the country is such that individuals may try to manipulate the e-questionnaire results. If that is a possibility, consider steps to target distribution, and establish specific time frames or other measures to address the concern.
- When disseminating an e-questionnaire, inform your audience about the survey deadline, and send a reminder a few days before the last day.
- As a best practice, the IP can compile a written overview of the conclusions and evidence of the additional participants and send it to the EP members before the panel discussion, so they can review it. If a written overview is sent out before the panel discussion, the IP can ask the expert panelists at the discussion which findings stood out most to them, to spur discussion.
- When e-questionnaire findings are not conclusive, the IP should ask the expert panelists to analyze the results to better understand the data.
- Pay special attention to geography – if your country has breakaway regions, is experiencing a civil war, or has regions' that may be unrepresented or marginalized, make extra efforts to reach people in all the relevant areas.
- Convincing the participants that their inputs are confidential is key to obtaining a high participation rate and meaningful findings. Especially in countries where self-censorship might be an issue, be very clear that only your organization and FHI 360 will see their inputs, and no comments made will be personally attributed under any circumstances.
- The IPs can use any online platform of their choice to disseminate the electronic questionnaire. In the past, FHI 360 used SurveyMonkey while some other IPs reported using Google Forms. The IPs should take relevant measures to ensure data privacy.

ANNEX B: STATISTICAL DATA

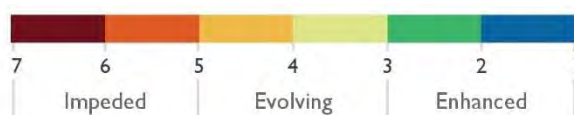
2021 CENTRAL AND EASTERN EUROPE AND EURASIA SCORES



Country	CSO Sustainability	Legal Environment	Organizational Capacity	Financial Viability	Advocacy	Service Provision	Sectoral Infrastructure	Public Image
Albania	3.7	3.8	3.6	4.5	3.3	3.4	3.6	3.8
Armenia	3.6	3.6	3.2	5.0	2.9	3.7	3.0	3.7
Azerbaijan	5.8	6.3	6.1	6.3	5.5	5.3	5.8	5.5
Belarus	5.8	7.0	5.1	6.6	5.8	5.3	5.3	5.5
BiH	3.8	3.4	3.9	5.0	3.2	3.9	3.5	3.4
Bulgaria	3.4	2.7	4.1	4.7	2.8	3.1	2.8	3.7
Croatia	3.3	3.1	3.5	4.6	3.1	3.2	2.8	3.1
Czech Republic	2.5	2.7	2.6	3.0	1.8	2.3	2.7	2.5
Estonia	2.1	1.9	2.5	2.4	1.7	2.3	1.6	2.0
Georgia	4.0	3.4	3.8	5.0	3.5	4.0	4.1	4.0
Hungary	4.0	4.0	3.8	4.7	4.3	3.5	3.2	4.2
Kosovo	3.6	3.3	3.6	4.0	3.7	3.6	3.5	3.2
Latvia	2.5	2.6	2.9	3.0	1.8	2.4	2.3	2.7
Lithuania	2.5	2.2	2.5	3.0	1.7	2.9	2.8	2.1
Moldova	3.7	4.0	3.6	4.3	3.1	4.0	3.0	3.9
Montenegro	4.0	3.5	4.3	4.8	3.5	4.0	3.6	4.2
North Macedonia	3.6	3.7	3.6	4.3	3.2	3.4	3.0	4.3
Poland	2.9	3.3	3.0	3.3	3.2	2.4	2.2	2.8
Romania	3.6	3.8	3.5	4.2	3.7	3.3	2.9	3.7
Russia	4.8	6.4	4.2	4.8	4.9	4.2	3.8	5.0
Serbia	4.3	4.8	4.0	4.4	4.1	4.5	3.3	4.8
Slovakia	3.0	2.9	3.3	3.6	2.7	2.7	2.9	3.0
Slovenia	3.0	2.8	3.0	3.6	2.6	3.1	3.2	3.0
Ukraine	3.2	3.4	3.1	4.0	2.2	3.2	3.2	3.2

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

COUNTRIES RANKED BY SCORE



Legal Environment

SUSTAINABILITY ENHANCED	
Estonia	1.9
Lithuania	2.2
Latvia	2.6
Bulgaria	2.7
Czech Republic	2.7
Slovenia	2.8
Slovakia	2.9

SUSTAINABILITY EVOLVING	
Croatia	3.1
Kosovo	3.3
Poland	3.3
BiH	3.4
Georgia	3.4
Ukraine	3.4
Montenegro	3.5
Armenia	3.6
North Macedonia	3.7
Albania	3.8
Romania	3.8
Hungary	4.0
Moldova	4.0
Serbia	4.8

SUSTAINABILITY IMPEDED	
Azerbaijan	6.3
Russia	6.4
Belarus	7.0

Organizational Capacity

SUSTAINABILITY ENHANCED	
Estonia	2.5
Lithuania	2.5
Czech Republic	2.6
Latvia	2.9
Poland	3.0
Slovenia	3.0

SUSTAINABILITY EVOLVING	
Ukraine	3.1
Armenia	3.2
Slovakia	3.3
Croatia	3.5
Romania	3.5
Albania	3.6
Kosovo	3.6
North Macedonia	3.6
Moldova	3.6
Georgia	3.8
Hungary	3.8
BiH	3.9
Serbia	4.0
Bulgaria	4.1
Russia	4.2
Montenegro	4.3

SUSTAINABILITY IMPEDED	
Belarus	5.1
Azerbaijan	6.1

Financial Viability

SUSTAINABILITY ENHANCED	
Estonia	2.4
Czech Republic	3.0
Latvia	3.0
Lithuania	3.0

SUSTAINABILITY EVOLVING	
Poland	3.3
Slovakia	3.6
Slovenia	3.6
Kosovo	4.0
Ukraine	4.0
Romania	4.2
North Macedonia	4.3
Moldova	4.3
Serbia	4.4
Albania	4.5
Croatia	4.6
Bulgaria	4.7
Hungary	4.7
Montenegro	4.8
Russia	4.8
Armenia	5.0
BiH	5.0
Georgia	5.0

SUSTAINABILITY IMPEDED	
Azerbaijan	6.3
Belarus	6.3

Advocacy

SUSTAINABILITY ENHANCED	
Estonia	1.7
Lithuania	1.7
Czech Republic	1.8
Latvia	1.8
Ukraine	2.2
Slovenia	2.6
Slovakia	2.7
Bulgaria	2.8
Armenia	2.9

SUSTAINABILITY EVOLVING	
Croatia	3.1
Moldova	3.1
BiH	3.2
North Macedonia	3.2
Poland	3.2
Albania	3.3
Georgia	3.5
Montenegro	3.5
Kosovo	3.7
Romania	3.7
Serbia	4.1
Hungary	4.3
Russia	4.9

SUSTAINABILITY IMPEDED	
Azerbaijan	5.5
Belarus	5.8

COUNTRIES RANKED BY SCORE



Service Provision

SUSTAINABILITY ENHANCED	
Czech Republic	2.3
Estonia	2.3
Latvia	2.4
Poland	2.4
Slovakia	2.7
Lithuania	2.9

SUSTAINABILITY EVOLVING	
Bulgaria	3.1
Slovenia	3.1
Croatia	3.2
Ukraine	3.2
Romania	3.3
Albania	3.4
North Macedonia	3.4
Hungary	3.5
Kosovo	3.6
Armenia	3.7
BiH	3.9
Georgia	4.0
Moldova	4.0
Montenegro	4.0
Russia	4.2
Serbia	4.5

SUSTAINABILITY IMPEDED	
Azerbaijan	5.3
Belarus	5.3

Sectoral Infrastructure

SUSTAINABILITY ENHANCED	
Estonia	1.6
Poland	2.2
Latvia	2.3
Czech Republic	2.7
Bulgaria	2.8
Croatia	2.8
Lithuania	2.8
Romania	2.9
Slovakia	2.9
Armenia	3.0
Moldova	3.0
North Macedonia	3.0

SUSTAINABILITY EVOLVING	
Hungary	3.2
Slovenia	3.2
Ukraine	3.2
Serbia	3.3
BiH	3.5
Kosovo	3.5
Albania	3.6
Montenegro	3.6
Russia	3.8
Georgia	4.1

SUSTAINABILITY IMPEDED	
Belarus	5.3
Azerbaijan	5.8

Public Image

SUSTAINABILITY ENHANCED	
Estonia	2.0
Lithuania	2.1
Czech Republic	2.5
Latvia	2.7
Poland	2.8
Slovakia	3.0
Slovenia	3.0

SUSTAINABILITY EVOLVING	
Croatia	3.1
Kosovo	3.2
Ukraine	3.2
BiH	3.4
Armenia	3.7
Bulgaria	3.7
Romania	3.7
Albania	3.8
Moldova	3.9
Georgia	4.0
Hungary	4.2
Montenegro	4.2
North Macedonia	4.3
Serbia	4.8
Russia	5.0

SUSTAINABILITY IMPEDED	
Azerbaijan	5.5
Belarus	5.5

ANNEX C: REGIONAL MAP

