

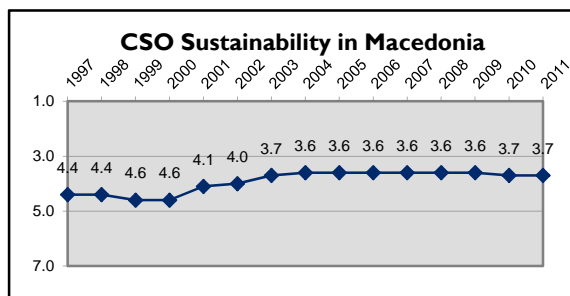
2011 CSO SUSTAINABILITY INDEX

– MACEDONIA

15th Edition – May 2012

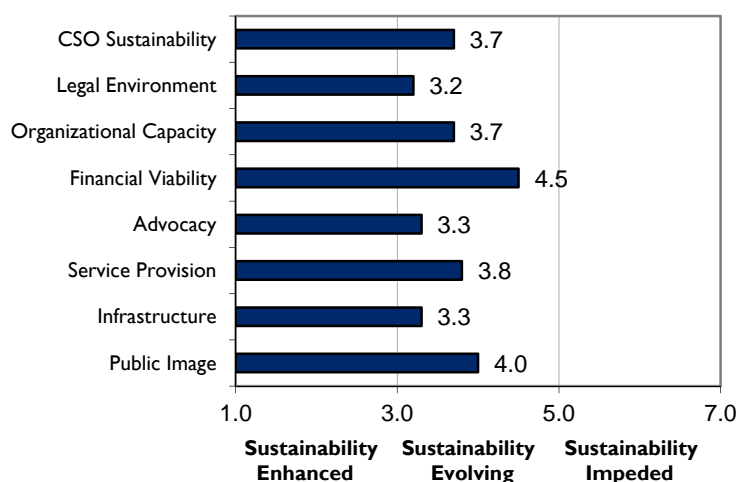
CSO SUSTAINABILITY: 3.7

The sustainability of CSOs in Macedonia decreased slightly in 2011. The global financial crisis reduced foreign donor funding and the difficult environment constrains CSOs' ability to advocate for their constituents' interests. The government continues to be intolerant of diverse opinions or constructive criticism of governmental policies or policy-making practices, in some cases even accusing CSOs of being enemies or opposition. In addition, the government supports government-organized NGOs (GONGOs) to provide the appearance of civil support for its initiatives. CSOs' organizational capacity remains weak, marked by a lack of ideas, weak relationships with constituents, poor governance, and high



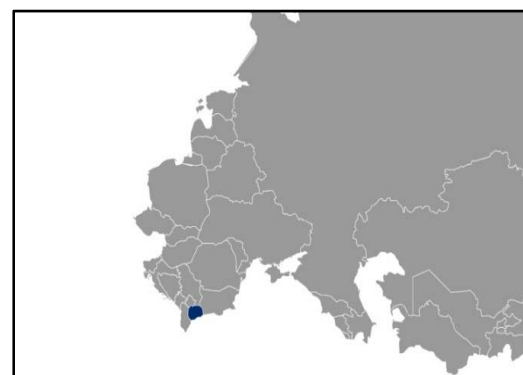
and foundations registered in 2010, only 3,506 had re-registered by the end of October 2011, when the re-registration period for associations came to a close.

2011 Scores for Macedonia

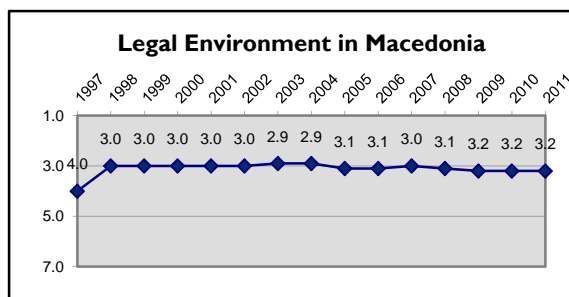


turnover. The public overwhelmingly believes that CSOs function to serve private interests.

Following the adoption of the new Law on Citizens' Associations and Foundations (NGO Law) in 2010, existing CSOs had to re-register in 2011 - a process that has been difficult for many organizations, especially foundations. Of the 11,457 associations



LEGAL ENVIRONMENT: 3.2



Several laws affecting CSOs changed in 2011, resulting in the contraction of civil society and the imposition of significant administrative and financial burdens. While the 2010 NGO Law generally improves the regulation of civil society, it is not yet implemented fully or applied consistently. In addition, other laws need to be revised to address contradictions and ambiguity.

The new NGO Law required all existing associations and foundations to re-register between April and October 2011. However, only about 30 percent of organizations re-registered during this period. To some extent, the low re-registration rates reflect the large number of inactive organizations in the sector. However, grassroots organizations also lack the organizational and administrative capacities to complete the re-registration process, despite the training and guide developed by the Macedonian Center for International Cooperation (MCIC) in collaboration with the Central Registry of Macedonia and international experts.

Those CSOs that re-registered were usually able to complete the process within the statutory timeframe of five days. However, some CSOs experienced problems with the process. First, the Central Registry's regional offices do not have a clear understanding of the law and therefore apply it inconsistently. For example, although the procedure is legally free, some offices required CSOs to pay fees. Second, the new law requires foundations to have initial capital assets of €10,000 to register or re-register, twice the amount required under the former law. Additionally, according to a provision in the Law on Employment that has existed since 1997 but was not implemented until 2010, unemployed individuals who found CSOs lose their unemployment status, which provides them with free healthcare and social welfare benefits.

The new NGO Law introduces public benefit status for CSOs that engage in activities that benefit the public. These organizations are entitled to greater tax and customs exemptions than other organizations. However, these benefits need to be specified within the Taxation Law. The Cabinet of Ministers is responsible for conferring public benefit status based on the advice of a cross-sector commission. A year and a half after the law was enacted, the commission has still not been established, so no CSOs have been granted public benefits status.

Other laws also impose burdens on CSOs. The 2008 Law on Money Laundering Prevention and Other Criminal Proceeds and Financing Terrorism applies to CSOs, as well as financial institutions, as they are viewed as having large financial turnovers that create possibilities for money laundering. The law does not, however, apply to political parties or religious communities. According to amendments made to this law in 2011, all CSOs are required to develop a detailed program with rules, procedures, and measures to prevent money laundering and financing of terrorism. This is particularly burdensome for small organizations. CSOs with more than fifty employees must also form a separate department to prevent money laundering and financing of terrorism. The Office for Preventing Money Laundering and Financing Terrorism has provided CSOs with assistance in developing the required internal procedures. Despite the fact that most CSOs operate with very small budgets, the fines for failing to develop such procedures range from €30,000 to €60,000.

The government also adopted amendments to the Law on Lobbying in 2011. According to the amendments, civil associations, but not foundations, can engage lobbyists, but only at the invitation of the legislative body. All lobbyists must be registered at the national level, even if they want to act on the

local level, and only individuals can register as lobbyists. There is currently only one registered lobbyist in Macedonia.

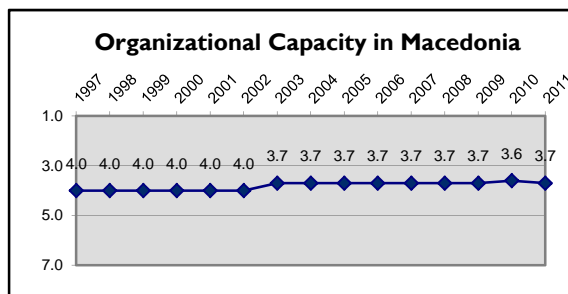
The government continues to be intolerant of CSOs that are critical of its policies. CSOs that criticize government policies or actions are subject to administrative impediments and state harassment, as well as accusations of being opposition or enemies.

Local CSOs, led by the organization Konekt, continued to work with the Ministry of Justice in 2011 to draft revisions to the Law on Donations and Sponsorships in order to eliminate possible inconsistencies with the NGO Law, simplify legal procedures for claiming tax benefits, and revise tax incentives in order to encourage the further development of philanthropy. In cooperation with international experts, Konekt analyzed the implementation of the current law and facilitated several discussions with CSOs regarding the new law being developed by a working group in the Ministry.

MCIC and the Association of Tax Workers, in cooperation with international experts, conducted an analysis of the tax framework for CSOs in 2011. The resulting recommendations for improving the system will be used to launch discussions on concrete proposals for reform in the upcoming year.

Although some organizations, such as MCIC, and international projects, such as the EU-funded Technical Assistance to Civil Society Organizations (TACSO), offer legal assistance to CSOs, the number of trained lawyers and accountants remains low. The expert pool continues to be concentrated in Skopje.

ORGANIZATIONAL CAPACITY: 3.7



The civil sector in Macedonia suffers from a noticeable lack of ideas and innovation, as demonstrated by the large number of organizations working on the same topics with similar activities and outputs. For example, a recent call for proposals focused on energy efficiency projects by ELEM, the electric company, attracted numerous proposals revolving around similar activities.

Most CSOs, even large organizations, have weak relationships with constituents and lack strategic plans. Most organizations are project-oriented and have limited capacities to provide critical services to their constituents on a continuous basis.

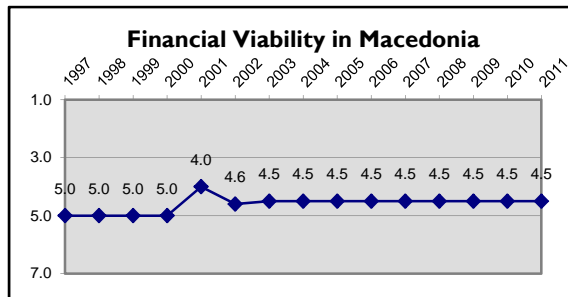
The law delineates the division of responsibilities between the general assembly (for associations) or board of directors (for foundations) and staff members. However, only a few CSOs - typically larger organizations - have clearly defined organizational and management structures.

The CSO sector employs a negligible workforce. According to the Draft Strategy for Cooperation of the Government with the Civil Society Sector, in 2009, the sector employed just 2,079 persons, 0.4 percent of employed persons in the country. CSO leaders estimate that the average employee spends between one and one and a half years in the sector as a result of low salaries, unspecified job requirements, and project-bound employment relationships. Only larger CSOs have in-house professional capacity, such as information technology (IT) specialists and accountants; most organizations outsource these services when needed.

The law prescribes taxes on volunteers, dissuading CSOs from recruiting volunteers. According to research on social responsibility conducted by MCIC in 2010, only 5.8 percent of the population volunteered an average of more than ten hours a year. Most people who do volunteer are young, while older, retired persons are rarely involved in the sector despite the experience and knowledge they could share.

Most CSOs have basic office equipment and even smaller organizations can afford a computer. Software usually imposes a greater financial burden on CSOs than hardware. As a result, many organizations use unlicensed software programs, but try to purchase licensed software through project funding when possible. In smaller communities, Internet access remains an issue. CSOs, especially in smaller communities, also have difficulty securing office space. Twelve municipalities provide free office space and Internet connections to CSOs, but other municipalities are unable to provide any assistance and do not cooperate with CSOs at all.

FINANCIAL VIABILITY: 4.5



Macedonian CSOs continue to struggle with weak financial viability. The vast majority of registered CSOs - 85 percent - have annual budgets below 100,000 MKD (approximately \$2,100) and lack funding diversity. Even CSOs with larger budgets often depend on a single donor, usually foreign. Many donors, including the EU, require co-funding, which is often impossible for smaller organizations to secure. CSOs' dire need for funding drives them to design

and implement donor-driven projects, instead of focusing on activities that support their missions and visions.

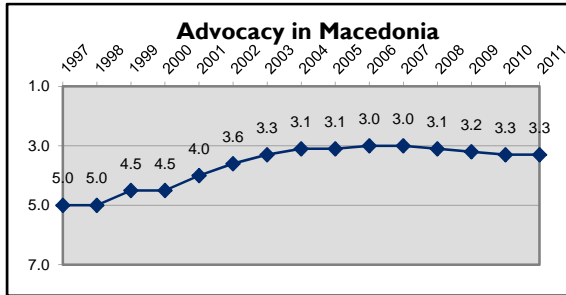
Foreign donors are still the major source of funding for the sector, but many of them are decreasing or cutting their funding. The Norwegian Embassy, one of the most significant supporters of civil society in Macedonia, announced in October 2011 that its embassy in Macedonia would close in mid-2012 due to restructuring of the country's foreign policy. In addition, projects funded by American, British, and Swiss donors have been reduced or closed, while experts also expect Swedish Sida to begin reducing its support in Macedonia.

Local funding sources are still negligible. Government funding for CSOs is very limited. CSOs are often reluctant to apply for government funds because of a fear of politicization and lack of transparency in the allocation of resources. Philanthropy is also very limited. CSOs themselves consider their methods of mobilizing local donors to be uninventive and ineffective. CSOs have more success raising funds for social purposes, emergencies, or terminal illnesses, such as a child's medical treatment, than for long-term developmental issues.

The business sector, on the other hand, is increasingly interested in funding civil society, and the global financial crisis has not had a major effect on financial support from the business sector to date. Big companies are most likely to have corporate social responsibility (CSR) initiatives. For example, ELEM allocated €500,000 for small energy efficiency and environment projects in accordance with its Declaration for Corporate Social Responsibility for 2012. Unfortunately, CSOs do not always take advantage of funding opportunities, as there is little tradition of cooperation between the sectors.

The implementation of the 2007 Law on Sponsorship and Donations, which specifies tax benefits for donors, remains challenging due to the complex administrative procedures and the lack of public awareness of the law's provisions. Nevertheless, donations and sponsorships have continually increased since the law introduced tax incentives.

ADVOCACY: 3.3



CSOs advocate both through mechanisms established by law and informal communication with government institutions. However, ambiguities in the Law for Lobbying have undermined lobbying and advocacy efforts. CSOs also continue to struggle with expressing criticism on both the national and local levels. CSOs believe that the government sees diversity of opinion only as opposition and not as a core value of a democratic society, resulting in CSOs

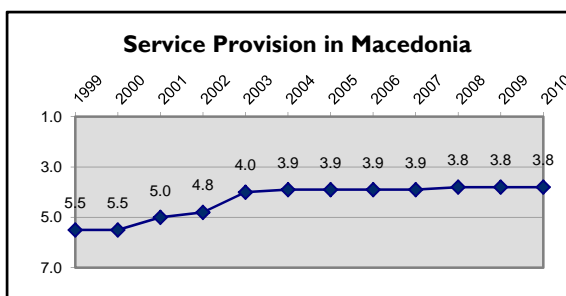
practicing self-censorship.

Despite the difficult advocacy environment, CSOs achieved several advocacy successes in 2011. The National Transplant Foundation successfully advocated for the adoption of a new legal framework on organ transplantation. The Center for Regional Policy Research and Cooperation Studiorum worked with the Ministry of Health to prepare several strategies, including the Safe Motherhood Strategy, which the government adopted. Most significantly, forty-five youth CSOs succeeded in persuading parliament to withdraw the Law on Youth after organizing protests in front of parliament. Youth CSOs asked parliament to revise the law to provide them with greater involvement in decision making. The government decided to develop a new draft and substantially involve youth CSOs in its development. Despite these positive examples, CSOs continue to believe that law and policy making processes should allow greater CSO participation.

A working group including a broad range of CSOs is preparing a new strategy for cooperation between CSOs and the national government. Several municipalities have also prepared local cooperation strategies. MCIC is assisting three pilot municipalities to prepare their own strategies and offers a guide for other municipalities interested in doing the same.

Several CSOs work to improve advocacy and involve civil society more widely in policy and decision making by providing capacity building activities including training, free legal aid, and preparation of manuals.

SERVICE PROVISION: 3.8

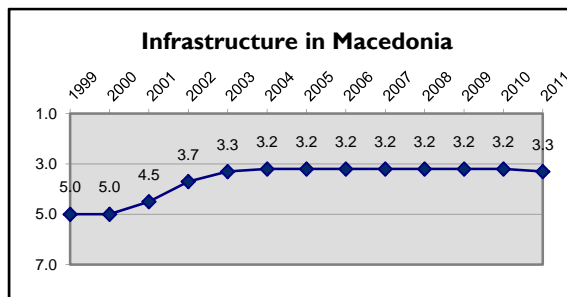


Service delivery by CSOs is still largely dependent on funding from the donor community, which has been decreasing. Services are generally provided by CSOs that are familiar with the local community and therefore usually reflect community needs. CSO services include basic services (such as obtaining official identification for the Roma population), health and education services, and housing and utilities

assistance. Despite these and other examples, CSOs still do not offer highly diversified services, reach targeted markets, or provide services on a financially sustainable basis.

CSOs are legally permitted to provide expert services for the central or local governments, and state bodies are slowly beginning to use this capacity and delegate and contract with CSOs to deliver public services. For example, the Ministry of Labor and Social Policy and the Veles and Bitola municipalities have contracted with local CSOs to provide social and other services. Also in Bitola and Prilep, local CSO ROMA S.O.S. assisted in preparing and adopting Local Health Action Plans with local government funding.

INFRASTRUCTURE: 3.3



Local CSOs have access to a wide range of support services and specialized trainings, with materials available in local languages. Intermediary support organizations (ISOs) and resource centers are primarily funded by foreign donors, with minimal support from the central and local governments and limited income from the training services they provide. TACSO provides CSOs with information, training, conference facilities, logistical assistance, and in some cases

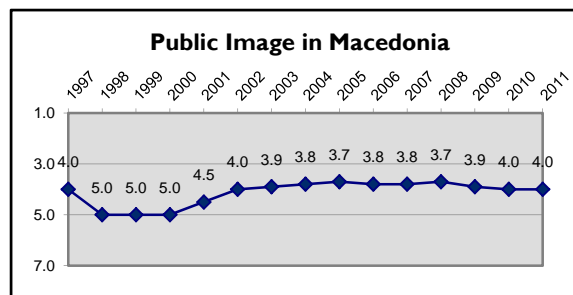
coordination of joint CSO events. MCIC, the Institute for Democracy, Solidarity and Civil Society (IDSCS), and some smaller organizations provide local CSOs with capacity building and specialized training in areas such as financial operations and project proposal writing. The Foundation Open Society Macedonia (FOSM) previously supported NGO Support Centers in many communities. However, when their core financial support came to an end a few years ago, these centers reduced their assistance to CSOs and reoriented themselves to other projects and services.

Local community foundations and other organizations, such as the Center for Institutional Development (CIRa), re-grant international donor funds, but do not receive substantial funding from local sources.

CSOs form networks and coalitions predominantly within specific sectors. Some cross-sector networks, such as the Civil Platform of Macedonia, have existed for many years. New networks have also emerged, such as the Macedonian Anti-Poverty Platform, with over forty member associations and foundations, and the National Network to End Violence against Women and Domestic Violence, which has twenty member organizations.

Over the years, a small number of CSOs have established communication and partnerships with the central and local governments to work on joint projects and achieve visible results. For instance, the mayor of Veles works with the Green Coalition on various environmental initiatives, and the Ministry of Economy works with the Macedonian Enterprise Development Foundation (MEDF) and Konekt on an entrepreneurship project funded by the EU. CSO partnerships with the business sector and media are scarce, as the value of such partnerships is not yet sufficiently recognized.

PUBLIC IMAGE: 4.0



Media coverage of CSOs has not dramatically changed in recent years. CSOs agree that the media's interest in covering CSO events and activities depends on the presence of high public officials, such as ministers and mayors.

Media coverage is generally better at the local level than on the national level. However, CSOs believe that local media coverage and awareness of CSOs' work has declined since the 2005 reform of the public

broadcasting service which eliminated public media outlets at the local level. Commercial media entities have less interest in broadcasting information about CSO events and activities.

Government perception of CSOs, particularly those that are critical of government policies or actions, is extremely negative. The general public perception of CSOs remains poor. The prevailing public opinion is that CSOs only serve personal purposes or interests. Within the business sector, however, increased communication with CSOs has led to more interest in cooperation, and in some cases provision of funding.

CSOs mainly rely on personal contacts and the Internet, including web sites, mailing lists, and social media, to disseminate information. CSOs do not trust media outlets because of their limited independence. The European Commission's 2011 country progress report concludes that the government has increasing influence over the media.

Many CSOs have started to publish annual financial and audit reports online to increase their transparency and fulfill their legal obligations.

The Civil Society Organization Sustainability Index (CSOSI) is a key analytical tool that measures the progress of the civil sector in the Central and Eastern Europe and Eurasia (E&E) region. The Index tracks the progress of the civil sector in twenty-nine countries over the past fifteen years. The Index examines the overall enabling environment for civil society, focusing on NGO's legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. Each dimension is rated along a seven-point scale with 1 indicating a very advanced level and 7 indicating a low-level of development. The Index is developed by the U.S. Agency for International Development in partnership with local organizations in each of the Index countries.

For more information, please contact Centre for Regional Policy Research and Cooperation "Studiorum" at office@studiorum.org.mk.

The English version of the 2011 CSO Sustainability Index for Central and Eastern Europe and Eurasia can be found by visiting the link: http://transition.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/

2011 CSO SUSTAINABILITY INDEX SCORES

COUNTRY	Legal Environment	Organizational Capacity	Financial Viability	Advocacy	Service Provision	Infra-structure	Public Image	CSO Sustainability
NORTHERN TIER								
Czech Republic	2.8	3.0	3.2	2.1	2.4	2.8	2.4	2.7
Estonia	1.7	2.3	2.4	1.7	2.3	1.6	1.9	2.0
Hungary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Latvia	2.3	3.0	3.3	2.1	2.5	2.4	3.2	2.7
Lithuania	2.2	2.9	3.2	2.0	3.4	3.0	2.6	2.8
Poland	2.2	2.6	2.7	1.7	2.2	1.7	2.2	2.2
Slovakia	2.8	3.0	3.4	2.5	2.5	2.3	2.4	2.7
Slovenia	3.3	3.8	4.4	3.5	3.5	3.6	3.7	3.7
<i>Average</i>	2.5	2.9	3.2	2.2	2.7	2.5	2.6	2.7
SOUTHERN TIER								
Albania	3.9	3.9	4.6	3.6	3.7	4.0	3.8	3.9
Bosnia	3.4	3.4	4.8	3.1	3.9	3.8	3.3	3.7
Bulgaria	2.2	4.4	4.6	2.7	3.2	3.3	3.2	3.4
Croatia	2.9	3.0	4.3	3.1	3.2	2.7	3.0	3.2
Kosovo	3.5	3.8	4.7	3.8	3.9	3.7	3.8	3.9
Macedonia	3.2	3.7	4.5	3.3	3.8	3.3	4.0	3.7
Montenegro	3.5	4.3	4.9	3.5	4.0	3.9	4.3	4.1
Romania	3.6	3.5	4.3	3.4	3.1	3.2	3.6	3.5
Serbia	4.1	4.3	5.4	3.6	4.2	3.7	4.5	4.3
<i>Average</i>	3.4	3.8	4.7	3.3	3.7	3.5	3.7	3.7
EURASIA: Russia, West NIS, and Caucasus								
Armenia	3.9	3.9	5.2	3.4	3.9	3.5	4.0	4.0
Azerbaijan	4.7	4.5	5.5	4.6	4.6	4.4	4.8	4.7
Belarus	6.9	5.1	6.5	5.8	5.5	5.4	5.9	5.9
Georgia	3.3	4.1	5.0	4.3	4.1	4.3	4.1	4.2
Moldova	4.2	4.0	5.0	3.6	4.4	3.6	4.0	4.1
Russia	4.5	4.3	4.8	4.0	4.2	4.0	4.7	4.4
Ukraine	3.5	3.5	4.3	2.6	3.3	3.4	3.6	3.5
<i>Average</i>	4.4	4.2	5.2	4.0	4.3	4.1	4.4	4.4
CENTRAL ASIA								
Kazakhstan	3.9	4.2	4.6	3.9	4.0	3.7	4.1	4.1
Kyrgyzstan	3.9	4.3	5.3	3.2	4.0	3.7	4.1	4.1
Tajikistan	4.9	4.5	5.6	4.8	4.4	4.5	4.5	4.7
Turkmenistan	6.2	5.3	6.0	6.0	5.2	5.2	5.5	5.6
Uzbekistan	6.0	5.5	6.2	5.9	5.4	5.6	5.6	5.7
<i>Average</i>	5.0	4.8	5.5	4.8	4.6	4.5	4.8	4.8
<i>Eurasia & Central Asia Average</i>	4.7	4.4	5.3	4.3	4.4	4.3	4.6	4.6

N/A = Due to logistical problems, scores were not reported that year