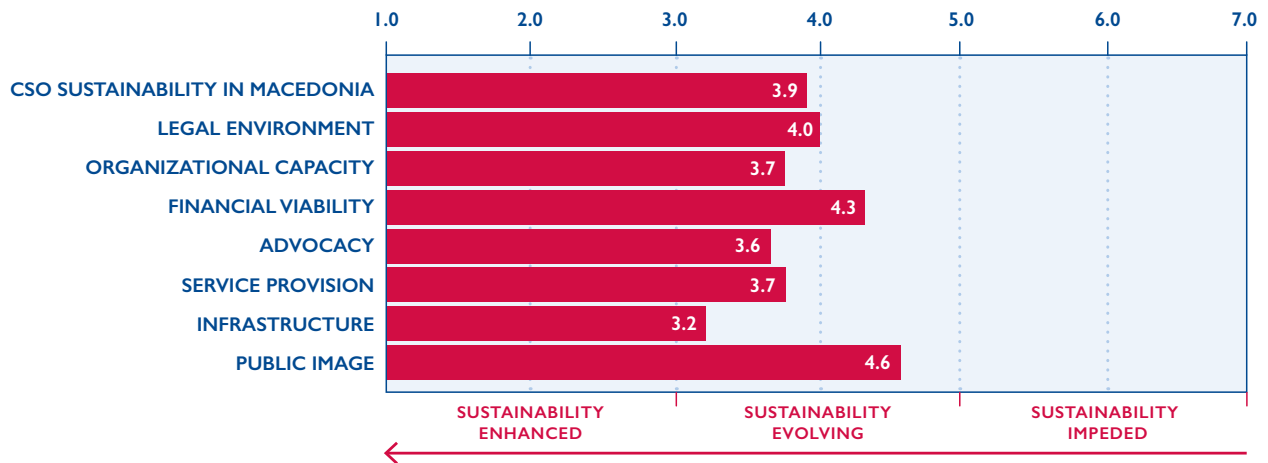


MACEDONIA

Capital: Skopje
Population: 2,103,721
GDP per capita (PPP): \$14,900
Human Development Index: High (0.748)
Freedom in the World: Partly Free (57/100)

CSO SUSTAINABILITY: 3.9



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

The first half of 2017 was heavily marked by a "de-Sorosization" campaign. This extended campaign of political persecution, led by VMRO-DPMNE and its supporters, aimed to expose CSOs as criminals and traitors and severely weakened civil society's work, resources, and reputation. Both pro-government media and state institutions carried out orchestrated attacks and smear campaigns against CSOs, accusing them of allegedly serving foreign interests to politically destabilize the country. In early 2017, twenty-two organizations that were critical of the previous government were subject to inspections by the Public Revenue Office and other institutions.

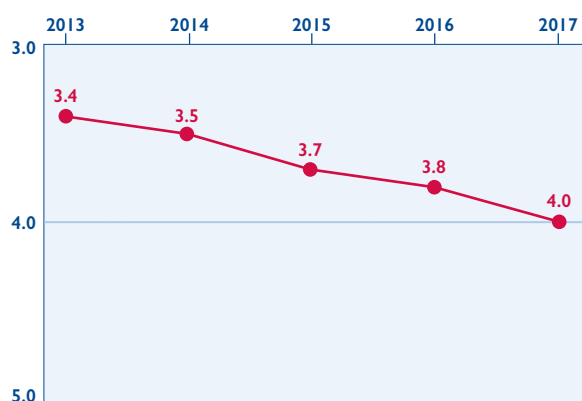
Although overall CSO sustainability did not change during the year, the hostile environment contributed to a deterioration in the legal environment for CSOs and the sector's public image. At the same time, improvements were noted in financial viability, advocacy, service provision, and sectoral infrastructure.

The new government has shown willingness to cooperate with CSOs in policy dialogue and decision-making processes. CSOs have increased their constituency-building efforts. Even with the change in political atmosphere in the second half of the year, however, civil society continued to face many problems. CSOs and activists still have to operate within a dismal economic reality and a difficult political situation influenced by political conflicts both within and outside the country.

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

LEGAL ENVIRONMENT: 4.0

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



LEGAL ENVIRONMENT IN MACEDONIA

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

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

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

The LAF allows CSOs to engage in economic activities aligned with their statutory goals, although there are various interpretations on whether earned income is subject to taxation. CSOs can participate in public procurements at the national and local levels under the same conditions as other entities.

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

In the wake of the inconclusive special parliamentary elections, CSOs were subject to serious rhetorical threats as well as institutional harassment. Smear

According to changes to the VAT Law that were made in 2015 but implemented in 2017, all types of organizations are now included as VAT payers if they reach the threshold of MKD 1 million (approximately \$20,000) in profit. As this only covers income from an organization's direct economic activities, and not income from donations, very few organizations will be affected by this change.

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

ORGANIZATIONAL CAPACITY: 3.7

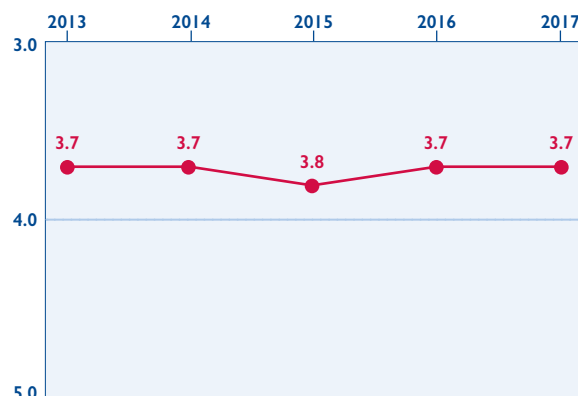
The organizational capacity of CSOs did not change significantly in 2017, although CSOs developed strong constituencies that allowed them to play a significant role in achieving societal change.

CSOs often adapt to donor priorities instead of adhering to their own strategic goals. With the exception of several larger organizations, CSOs rarely engage in strategic planning. However, due to donor-supported programs, CSOs were more engaged in strategic planning in 2017. For example, through the Civica Mobilias Program funded by the Swiss Agency for Development and Cooperation (SDC), forty-eight grantees received assistance in strategic planning and preparing organizational development plans. As part of this support, the organizations had the opportunity to reconsider their missions and visions, to revise their organizational documents, and to implement activities stated in their plans. The USAID Civic Engagement Project (CEP) provided extensive and tailored capacity development assistance to eight grantee organizations. The assistance included help developing strategic plans, capacity development plans, and annual work plans.

Most Macedonian CSOs do not have a clear division of responsibility between their boards of directors and executive staff, mainly because of their size. (According to data received from the Central Register of Macedonia, 65 percent of CSOs have annual budgets less than \$3,000.) As in previous years, donors continued to support initiatives to improve this situation. For example, the Civica Mobilias program supported the efforts of the think tank Center for Research and Policy Making (CRPM) to propose standards for good governance. However, there is still no evidence of concrete improvements from these efforts.

CSOs employ a small number of full-time staff. According to the Central Register of Macedonia, membership-based associations employed approximately 1,483 full-time staff members in 2017, approximately the same number as in the previous year. In 2017, several prominent CSO activists joined the new government as civil servants, making it somewhat easier for the CSO sector to communicate with some public institutions. CSO employees are usually hired on a project basis and are not afforded pension or health insurance benefits. Only the largest CSOs or those that have institutional support are able to invest in personnel development and training. Accounting, IT, and other professional services are usually outsourced.

CSOs primarily rely on institutional grants to update their basic equipment. The Internet is accessible to more than 65 percent of the population, including CSOs. The largest CSOs have their own websites, and others are active on social media like Facebook and Twitter.

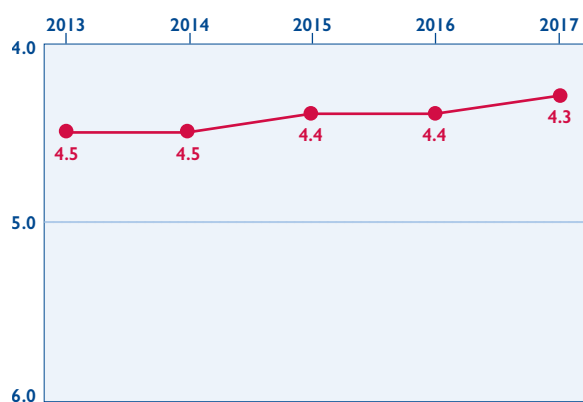


ORGANIZATIONAL CAPACITY IN MACEDONIA

FINANCIAL VIABILITY: 4.3

The financial viability of CSOs improved slightly in 2017, as a result of increases in local philanthropy. According to the 2017 CAFWorld Giving Index, Macedonia is amongst the thirteen most improved countries in terms of giving, moving from an overall ranking of 119 in 2016 to a ranking of 69 in 2017. Contributing to this improvement, 39 percent of respondents in Macedonia reported that they donated to charities in 2016, a notable increase from 26 percent the previous year. In a survey conducted by MCIC in 2017, 45 percent of CSOs responded that they have received local private donations including from individuals, businesses, and foundations.

Despite these positive developments, most CSOs have not diversified their funding sources and continue to depend on project funding from foreign sources, including the EU, USAID, SDC, the British Embassy, and the Dutch Embassy. By the end of 2017, the SDC-supported Civica Mobilitas program had awarded 221 grants worth a total of 6.5 million CHF to 195 CSOs. The Delegation of the European Union (DEU) in Skopje launched an action grant through the European Instrument for Democracy and Human Rights 2016-2017 with a budget of €1.1 million, and additional action grants through the IPA grant schemes with a budget of €5 million. In 2017, the five-year USAID-supported Civic Engagement Program awarded seventeen grants for partnerships, strategic support, youth engagement, and rapid response activities. In addition, CEP awarded three in-kind grants to its Youth Civic Engagement Award Winners.



FINANCIAL VIABILITY IN MACEDONIA

with CSOs did not distribute funding to CSOs. The planned budget for 2018 does not include a budget sub-line for the government to provide direct support CSOs.

Corporate philanthropy is still underdeveloped. Businesses do not have strategic corporate social responsibility (CSR) or philanthropy programs to support CSOs.

CSOs rarely collect funds from their constituencies. Membership fee are a minor source of income for CSOs. Formal and informal organizations use ICT to raise support for their causes, although they are more effective at collecting material donations than financial support. For example, the initiative Retvitni Obrok collects cooked meals from individuals, which it then provides to vulnerable groups. CSOs affected by financial inspections found it difficult to engage in fundraising activities during the year due to the need to redirect their human resources to respond to the inspections.

According to an analysis by Konekt, 75 percent of CSOs did not earn income from economic activities in 2017. An increasing number of organizations, the majority of which provide services to marginalized groups, are transforming themselves into social enterprises. According to the register of social enterprises developed by the Association for Research, Communications and Development Public, there are about forty CSOs in the early stages of developing social enterprises in order to finance the services they provide to their beneficiaries.

Not all CSOs demonstrate financial transparency unless they are required to do so by donors. Audits typically are conducted on behalf of specific projects.

According to MCIC's Analysis of the State Budget Support to CSOs on Central Level, published in October 2017, the amount of public funds at the central level is insufficient to meet CSOs' needs. Annually, around €5 million is awarded to CSOs through budget line 463 - Transfers to CSOs. On average, this represents just 0.14 percent of the total budget expenditure over the past four years. Most of the funds from budget line 463 are distributed through the Ministry of Justice to political parties (39 percent), through the Ministry of Labor and Social Policy to associations working with people with disabilities (32 percent), and through the Agency for Youth and Sport to sports associations (23 percent). Nearly half (48 percent) of public funds are awarded directly, without the use of a public call. In 2017, the Unit for Cooperation

ADVOCACY: 3.6

2017 was an extremely important year for CSO advocacy in Macedonia. Civil society responded to many developments in the country and conducted coordinated advocacy efforts, some of them with notable success.

The formation of the new government created many opportunities for CSOs to participate in policy making and cooperate with both national and local governments. For example, CSOs participated in the creation of or had opportunities to contribute successfully to the Strategy for Open Data, judicial reform, public finance reform, and the Law on Amnesty. On the local level, there were significant structural reforms that involved CSOs as well, such as the development of the Strategy for Representation of LGBTI in the municipalities of Strumica, Tetovo, and Kumanovo.

Cooperation with ministries also improved. For example, the Ministry of Health formed a joint working group to amend the Law on Abortion. Since the changes in management, the State Agency for Youth and Sports—one of the most criticized institutions in previous years for its lack of cooperation with the sector—started organizing monthly meetings with youth organizations. Civil society groups—including professional unions and student groups—were also invited to participate in the revision of various laws related to education reform.

On the local level, CSOs noted improved cooperation with many municipalities, especially in terms of assistance to vulnerable groups. For example, the Roma Civic Platform now has representatives in the mayor's cabinets of Stip and Kocani.

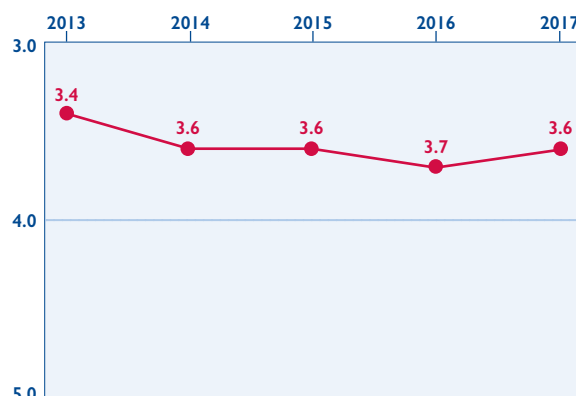
New inter-parliamentary groups were formed in the parliament. A club of young parliamentarians and an unofficial inter-parliamentary group on LGBTI already had nine MP members by the end of the year.

CSOs, especially those that work on rule of law and good governance, achieved visible results through their advocacy actions in 2017. Several advocacy initiatives were reflected in new government strategies. For example, the government's reform plan 3-6-9 heavily reflects the Blueprint for Urgent Democratic Reforms, a comprehensive document developed by seventy-three CSO representatives, scholars, and independent experts, in response to the changed political situation. The document outlined priorities and measures to guide the new government's program over the next twelve months. Policy areas addressed in the document include: public finances and economy; the justice system; the fight against corruption; elections and electoral system; public administration; oversight of the police and agencies for security and (counter)intelligence; parliament; civil society; social protection, welfare and sustainability; education and youth policies; environment; culture; and health care.

In addition, after years of advocacy efforts by human rights and women's CSOs, Macedonia ratified the Istanbul Convention - Council of Europe Convention on preventing and combating violence against women and domestic violence.

In 2017, the timeframe for submitting comments to proposed draft laws was increased from ten to twenty days, a notable development that should facilitate the involvement of CSOs and individuals in policy and law making processes. Unfortunately, most laws are still enacted through a shortened procedure that violates the public consultation period. On the other hand, the Parliamentary Commission for Euro Integration and the Secretariat for European Affairs have established good practices for consulting with CSOs.

Representatives of eight major CSOs in Macedonia developed a Draft Roadmap for civil society development in Macedonia for the period 2018–2022.



ADVOCACY IN MACEDONIA

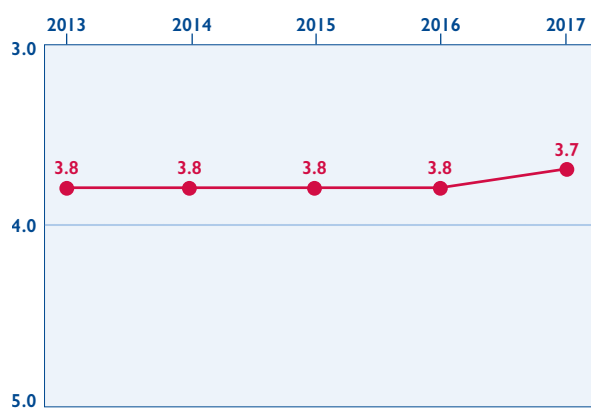
The Roadmap proposes measures in five areas: policies and institutional framework for CSOs; an enabling legal and fiscal environment that is conducive to CSOs' sustainability; state funding of CSOs; promotion of mutual cooperation among CSOs and cooperation with the public and the business sector; and self-regulation, good governance and increasing trust in CSOs. Consultations were organized around the country to jointly finalize this important document, which presents a joint vision for civil society development.

CSOs demanded that the problematic election of members to the Council for Cooperation with Civil Society in 2016 be annulled, as the government failed to take into consideration the remarks submitted by CSOs on the Decision for Establishment of the Council and the process for the election of members. As a result of CSOs' efforts, transparent consultative processes were organized to revise the Decision, and most CSO proposals were accepted. In addition, even though members had already been elected, the whole election process was annulled and restarted in late 2017.

In 2017, a new informal network was formed, which aims to advocate for changes in the fiscal treatment and financial position of CSOs. More than seventy organizations have joined the network. The coalition's priorities are to improve tax treatment of CSOs, provide tax relief for donations and sponsorship that are linked with public interest status, improve the accounting systems of CSOs, and create incentives for employment in the sector.

SERVICE PROVISION: 3.7

CSO service provision improved slightly in 2017 as a result of increased cooperation with state institutions in the second half of the year.



SERVICE PROVISION IN MACEDONIA

CSOs continue to provide a range of social services, such as social protection of children, persons with disabilities, and marginalized groups, as well as humanitarian aid to refugees and migrants. CSOs do not experience any significant obstacles to providing services, such as social protection and aid, health care, education, and free legal aid. At the same time, however, the current legislation does not stimulate CSO service provision.

With USAID funding, the Helsinki Committee for Human Rights – the LGBTI Center opened a safe house aimed at protecting LGBTI victims from all forms of violence. The City of Skopje opened the first Family Center, which offers free psychosocial support and counseling for families in conflict and violence. The center is managed by the CSO H.E.R.A and the services are offered for free.

In the second half of 2017, CSOs noted improved cooperation with state institutions, particularly the Ministry of Health and the Ministry for Labor and Social Policy, in the provision of services.

The Ministry of Labor and Social Policy awarded contracts through a public calls for proposals to CSOs that were selected to implement projects focused on improving the work of the Stip daycare center for children with autism, social protection of street children, protection of victims of domestic violence, reintegration of homeless persons, and psychosocial support of children in social risk.

The Ministry of Health also worked cooperatively with CSOs, signing service contracts worth MKD 14 million (approximately \$275,000) with CSOs in 2017. In addition, the Ministry of Health stepped in to fill the funding gap left when the Global Fund to Fight AIDS, Tuberculosis and Malaria stopped operating in Macedonia, disbursing around 80 percent of what the Global Fund was funding.

Despite improved cooperation, the state has still not established service partnerships with CSOs or taken steps to decentralize services.

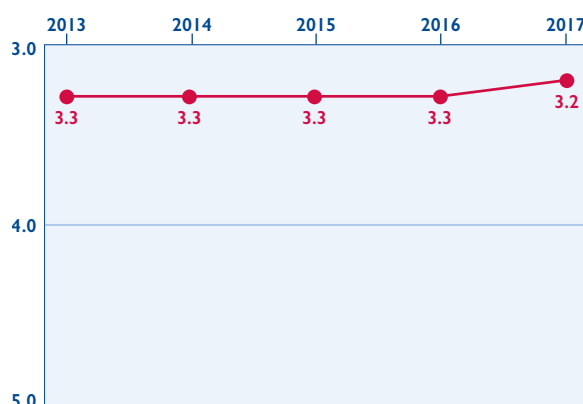
CSOs often do not have sufficient funding to entirely meet the needs of their beneficiaries. Some CSOs produce analyses and research publications, which are generally provided to institutions and the public free of charge.

SECTORAL INFRASTRUCTURE: 3.2

The infrastructure supporting the sector improved slightly in 2017, primarily due to increased cooperation within the sector and with other sectors.

The foreign-funded programs that support CSOs' infrastructure and capacity building continued to operate for much of the year. The EU-funded TACSO Resource Center, which officially ended in November 2017, offered diverse support, including a help desk, capacity strengthening services, and information on calls for proposals. The USAID-funded Civic Engagement Program and the SDC-funded Civica Mobilitas program also offered in-person and online services and information to CSOs.

MCIC re-grants SDC funding through the Civica Mobilitas program. There are four Macedonian partners on the Civic Engagement Project (CEP), which is implemented by US-based East West Management Institute (EWMI). Two of EWMI's local partners—the Association for Democratic Initiatives (ADI) and the Foundation for Internet and Society (Metamorphosis)—provide grants to local CSOs and CSO networks. A third partner, the National Youth Council of Macedonia (NYCM), provides support to young people to design and implement community-level service activities. The Foundation Open Society Macedonia (FOSM) coordinates all of CEP's capacity development assistance to grantees and carries out a significant portion of these activities.



INFRASTRUCTURE IN MACEDONIA

Highly qualified trainers offer various types of training. Trainings are typically provided for free through donor-funded programs, and transportation costs are often covered. Training materials are available in Macedonian and to some extent in Albanian. In 2017, there were many opportunities for training and education, but CSOs did not always recognize the value of those opportunities. There are fewer training opportunities on the local level.

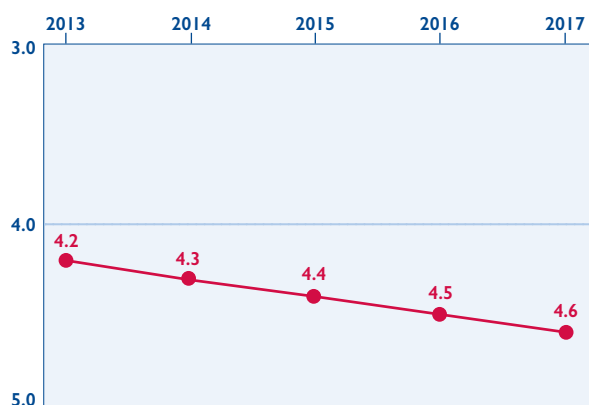
Networks and partnerships functioned extensively during the year, increasing their influence and expanding their constituencies. Initiatives such as the Blueprint became wider civil society efforts and not just the province of a few. Platforms such as the IPA 2 mechanism, Anti-Corruption platform, and Network 23 implemented joint projects, demonstrating that donors have also recognized the importance and representativeness of these platforms.

In February 2017, a Club for Responsible Businesses was formed. Founded by the CSO Konekt, the Club brings together approximately fifty companies that have committed to promoting the principles of social responsibility.

In 2017, there was increased cooperation between media and CSOs as a result of several donor programs. These programs—mainly supported by the EU and USAID—promote cooperation between CSOs and media, and also directly fund media products, such as the debate shows Top Tema on Telma TV, 360 on ALSAT, and Otvoreno on 24 vest, which often include relevant discussions and raise awareness about topics important to the sector.

PUBLIC IMAGE: 4.6

The public image of CSOs deteriorated significantly in the first half of 2017, due to the “de-Sorosization” campaign launched at the very end of 2016 by the government then in power. The campaign sought to undermine the work of organizations associated with the foundation of George Soros, along with other institutions such as USAID, and heavily shaped media coverage and political debates in the first half of the year. The change of government in the second half of the year contributed to some positive developments in terms of media coverage of CSOs; nonetheless, the long “de-Sorosization” campaign severely affected the reputation of civil society in Macedonia. According to data from MCIC, trust in CSOs decreased from 50.5 percent in 2015 to 43 percent in 2017.



PUBLIC IMAGE IN MACEDONIA

Macedonia’s ruling party and former Prime Minister Gruevski pledged to “cleanse” Macedonia’s civil society sector. Following an official proclamation read by Gruevski at the end of 2016, he made public statements in early February warning CSOs to get ready for a “final showdown.” Gruevski argued that rather than seeking support from foundations and governments outside of Macedonia, the civil sector should rely on the Macedonian government for financial support. He also alleged that 90 to 95 percent of CSOs in Macedonia are financed by George Soros or by foreign governments under Soros’ control. At the same time these claims were being made, the Stop Operation Soros initiative—a movement founded to initiate and contribute to the process of de-Sorosization in the country—began.

CSOs failed to react in a coordinated manner to these attacks on their credibility. However, there were some CSO efforts to counter the negative effects of the campaign, specifically the targeted inspections, and to increase trust and solidarity among CSOs. For example, the project “Legal competence for inspections in civil society organizations” was implemented by the Macedonian Young Lawyers Association, the Coalition All for Fair Trails and the Institute for Human Rights. The project, which was supported by the program Civica Mobilitas, provided legal support to CSOs facing inspections and developed practical guides explaining CSOs’ obligations in the field of tax and labor law, as well as their rights in such inspection procedures.

During this period of pressure on CSOs, EU institutions acted as partners to civil society, demonstrating their trust by meeting with CSO representatives before every major political visit or negotiation meeting that took place.

In the second half of the year, positive media coverage of CSOs increased. CSO experts were regularly invited to participate in TV debates on relevant topics and CSO reports and findings were regularly covered and discussed, especially in the politically “neutral” media. CSOs and media outlets also developed joint programs, as described above.

After the formation of the new government, the government’s perception of CSOs changed dramatically and CSOs were invited to participate actively in the reform process. In November 2017, the Minister of Interior announced that all inspections and investigations of CSOs had concluded, and that no evidence of CSO wrongdoing had been found.

NVO Infocentar published a monitoring report in December 2017 on the presence of the “de-Sorosization” campaign in the main media in the country. The monitoring found that from March until June, there were seven articles per day focused on this issue. After the new government was formed, the campaign continued, but its intensity decreased to an average of two articles per day. Media close to VMRO-DPMNE published 80 percent of these stories. The negative campaign mainly attacked George Soros, FOSM, certain CSOs, activists, USAID, and the US ambassador in Macedonia. Most of the published articles were anonymous, and oftentimes the same content was published in various media outlets.

In the beginning of 2017, the leader of

The business sector still does not perceive CSOs to be reliable service providers, as evidenced by the low number of business contracts with CSOs for service provision. Instead, businesses largely see CSOs as charities.

Macedonian CSOs still do not consider public relations and communication with the public as necessary components of their organizational structures or plans. As a result, CSOs do not pay much attention to creating communication strategies and do not have staff focused on these competencies. According to a report published by the Institute for Communication Studies in November 2017 titled *Connecting with Citizens: Digital Technology in the Civil Society Sector in Macedonia*, CSOs only use social media for self-promotion without regards to their target audience's interests or needs.

With funding from Civica Mobilitas, the think tank CRPM led a process to evaluate the level of regulation and good governance in CSOs. A self-regulation model was prepared and discussed on many occasions in 2017, although no agreement was reached on this model by the end of the year.

CSOs widely use social media, including Facebook, Twitter, and Instagram, to promote their activities and engage the public. Most CSOs are sophisticated in their use of social media, allocating funds for social network promotion and often having a dedicated person in charge of such initiatives. There is little self-regulation in the sector. The CSO coalition *Together towards the Goal*, which has ninety-nine CSO members, has a code of ethics, but it is unknown how widely it is implemented. All of its members are also asked to publish annual reports. Well-developed CSOs regularly publish annual reports, while only a small number of local CSOs do so.

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

There were no initiatives or changes in terms of self-regulation in 2017. Annual reports are still only published by leading organizations.