



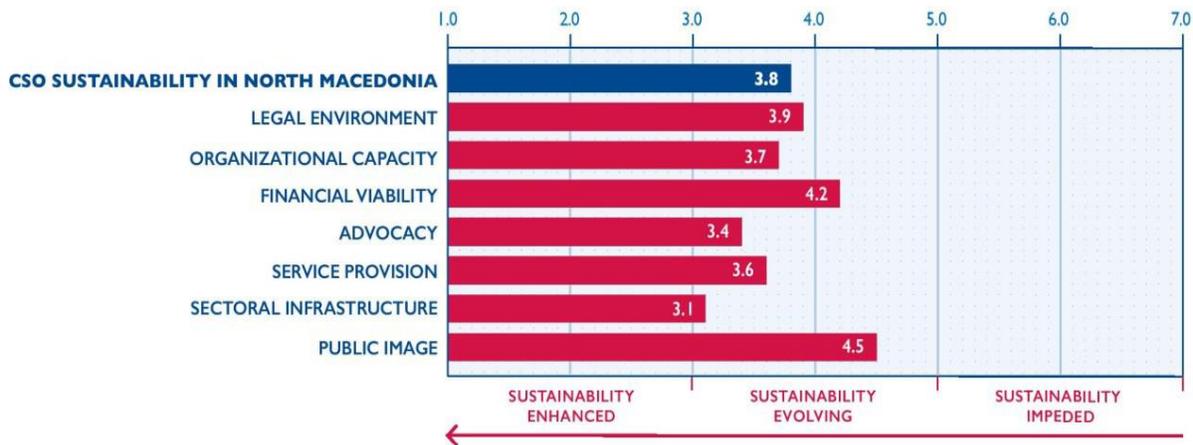
# 2018 CIVIL SOCIETY ORGANIZATIONS SUSTAINABILITY INDEX NORTH MACEDONIA



# NORTH MACEDONIA

Capital: Skopje  
Population: 2,118,945  
GDP per capita (PPP): \$14,900  
Human Development Index: High (0.757)  
Freedom in the World: Partly Free (58/100)

## OVERALL CSO SUSTAINABILITY: 3.8



After the political turbulence that marked the past few years, the situation in North Macedonia stabilized in 2018, with the new government taking positive but limited measures to increase the transparency and openness of state institutions.

In June 2018, Greek Prime Minister Alexis Tsipras and Macedonian Prime Minister Zoran Zaev announced an agreement on the long-standing political name dispute. Under the Prespa Agreement, the Republic of Macedonia is to change its name to the Republic of North Macedonia, which will allow processes to join the North Atlantic Treaty Organization (NATO) and negotiations to enter the European Union (EU) to begin.

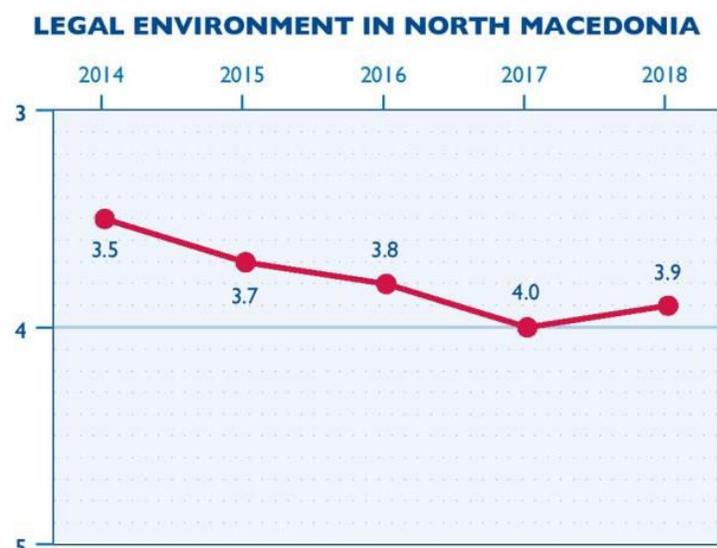
Public opinion on the agreement was split both during the negotiations and after the agreement was announced. A referendum was held on September 30 that asked voters whether they support EU and NATO membership by accepting the Prespa Agreement. Although voter turnout was 36.9 percent, less than the minimum 50 percent prescribed by law, 91.5 percent of those who voted supported the agreement, with only 5.6 percent voting against it. In spite of the low turnout, Western leaders commended the result and the prime minister urged parliament to start the process of amending the constitution. In January 2019, parliament approved a constitutional amendment approving the name change, which entered into force on February 12, 2019, following the ratification of the agreement by the Greek parliament.

Overall CSO sustainability improved slightly in 2018, with improvements noted in all dimensions of sustainability except for organizational capacity, which remained stable. The legal environment improved slightly as the institutional prosecutions of a number of CSOs noted in previous years' reports were closed in 2018. Increases in public funding, corporate support, and local fundraising bolstered CSOs' financial viability. There were increased opportunities for CSOs to participate in decision-making processes, including through consultations and working groups, and several successful CSO-led advocacy initiatives. There was also a slight improvement in service provision, especially the provision of social services, with the Ministry of Labor and Social Policy demonstrating a willingness to increase funding to and cooperation with civil society actors. The infrastructure supporting the sector strengthened with the establishment of new resource centers and increased cooperation within the sector.

The CSO sector's public image also improved slightly, although CSOs continued to be affected by the negative campaigns targeting the sector in previous years.

According to the Central Registry of North Macedonia (CRNM), there were 14,291 registered CSOs in the country in 2018. Although CRNM provided basic data about the civil sector for free in 2018 within the framework of the Open Government Partnership (OGP), challenges related to its precision, usefulness, and timeliness persist. In accordance with the new government's recommendations, CRNM provides free information to journalists, but not to CSOs.

## LEGAL ENVIRONMENT: 3.9



The legal environment governing CSOs improved slightly in 2018, as a result of changes in the tax policies that affect CSOs' work. In addition, CSOs were no longer subject to the state harassment that plagued the sector in 2016 and the first half of 2017.

The Law on Associations and Foundations (LAF) continues to provide a relatively favorable framework for the registration and operation of associations and foundations. Registration can be completed in a maximum of five days and costs less than EUR 50. The LAF is sufficiently clear with respect to organizational governance, permissible activities, reporting obligations, and other aspects of CSOs' operations.

The Law on Money Laundering and Financing Terrorism, which was adopted in 2018,

poses some possible threats to CSO operations. According to the law, all legal entities, including CSOs, need to declare their "real owners" and keep data about these "owners" in a certain manner; if those obligations are not met, they could be fined up to EUR 10,000. The law includes all CSOs in the high-risk category of legal entities, especially in terms of donations from high-risk countries. The new law has not had any effect thus far, but CSOs fear, for example, that if a bank cannot identify the real owners of a CSO, it could refuse the CSO as a client.

In 2016 and 2017, the previous government initiated investigations, including financial inspections by six different institutions, into twenty-two CSOs critical of the government. While the Ministry of Interior announced in November 2017 that its investigations were closed, proceedings by the Public Prosecutor and the Public Revenue Office were still open in 2018, as there are no time limits on these cases. Because of this, the targeted CSOs cannot obtain documents from the Public Revenue Office regarding taxes paid in previous years, which greatly limits their abilities to apply for funding.

Since 2015, CSOs have raised concerns over the definition in the Penal Code regarding the term "public official," which includes CSO managers. This means that CSO managers are subject to the same obligations as ministers, members of parliament (MPs), and other government officials, and can be investigated for abuse of official duty, in violation of international standards and practices. In 2018, the prosecutor's office in Gevgelija and Prilep initiated proceedings against representatives of two CSOs for abuse of official duty based on violations of the Penal Code.

There are no legal restrictions on CSOs' access to resources. CSOs may earn income and charge fees for goods and services. As legal entities, CSOs may compete for government procurements. They are also free to organize fundraising campaigns and allowed to accept funds from foreign donors.

In 2018, the Law on Profit Tax was amended. For the first time, these amendments make it clear that CSO income, with the exception of profits earned through economic activities, is not subject to this law. Before this law was enacted, various government institutions had different interpretations on CSOs' obligations to pay profit tax, which led CSOs to be treated inconsistently.

CSOs can access legal assistance from local experts, such as the Macedonian Young Lawyers Association (MYLA) and others. CSOs can also access some legal advice through resource centers based in the capital, as well as a couple of other cities in the country. Some donors, including the EU, recognize and fund these activities.

## ORGANIZATIONAL CAPACITY: 3.7

The organizational capacity of CSOs did not change significantly in 2018.

CSOs are still learning how to communicate with their constituencies. According to the CIVICUS Civil Society Index (CSI) 2018 implemented by Studiorum and the Macedonian Center for International Cooperation (MCIC), there was significant deterioration in the participation of citizens in societal and political issues. According to the survey, citizens are less engaged due to personal reasons, and partly due to lack of information, trust, and access to CSOs.

Strategic planning practices in the civil society sector did not change in 2018.

For the most part, CSOs only undertake strategic planning when donors support such activities. In 2018, for example, the Civica Mobilitas program, which is funded by the Swiss Agency for Development and Cooperation (SDC) and implemented by MCIC, provided such support. The USAID-funded Civic Engagement Project (CEP) also provides its grantees with extensive multi-year capacity development assistance, including organizational and advocacy capacity assessments and assistance drafting or updating strategic plans, capacity development plans, and annual work plans.

According to the 2018 CSI, many organizations do not have functional governing bodies and do not distinguish between the roles of the executive and managing bodies when it comes to decision making.

Data from CRNM indicates that the CSO sector employs approximately 1,900 people. CSOs continue to face challenges with staffing. Many employees do not consider CSOs as attractive employers because they are unable to offer long-term employment. CSOs, along with other employers, face a lack of human capital at the local level, as many qualified employees seek employment in the capital. There has also been a general brain drain of youth out of the country over the past decade. CSOs' worsened public image in recent years has exacerbated CSOs' staffing problems, as fewer people want to work in the sector. According to the 2018 CSI, organizations still do not have quality human resource management practices. Only 37.9 percent of CSOs have written equal opportunity policies, 11.9 percent of CSO employees are union members, and 34.5 percent of CSOs have publicly available policies and working standards.

The culture of volunteering is weak and there is little or no practice of young people acquiring experience through internships. According to the Charities Aid Foundation's 2018 World Giving Index, only 5 percent of respondents in Macedonia reported volunteering during the reporting period in 2017, the second lowest level recorded out of 143 countries.

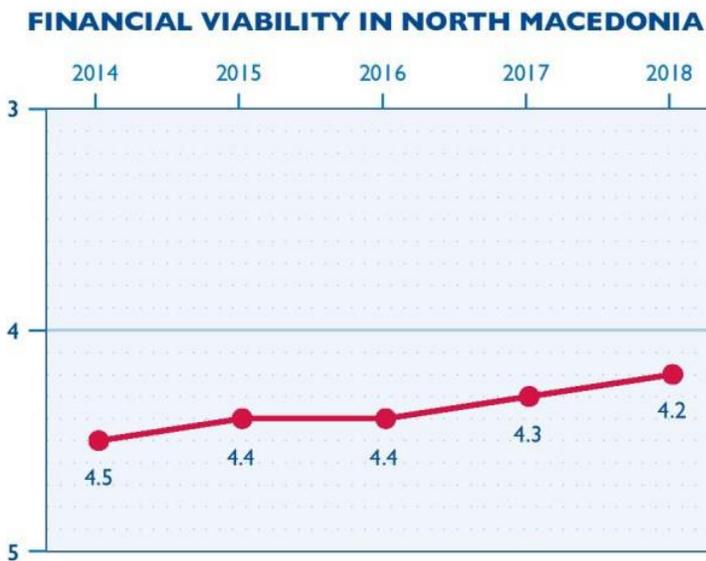
Most CSOs have access to the internet, smartphones, and other types of equipment, although not all donors allow funds to be used for equipment purchases. According to the 2018 CSI, 40.7 percent of respondent organizations

ORGANIZATIONAL CAPACITY IN N. MACEDONIA



have active websites and most CSOs use social media as their primary tool for sharing information and reaching constituents.

## FINANCIAL VIABILITY: 4.2



The financial viability of the CSO sector improved slightly in 2018 as public funding, corporate support, and local fundraising all increased.

Although CSOs are increasingly aware of the need to diversify their funding, there is no data demonstrating the extent to which they have been able to do this. In general, larger CSOs have longer-term funding from a few donors, while the majority of CSOs depend on one or two donors for short-term funding. Foreign donations are the main source of funding for CSOs.

According to the 2018 government budget, the total amount of central government funding for all nonprofit organizations, including CSOs, political parties, trade unions, sports clubs, and

others, under Budget Line 463 will increase from EUR 8 million in 2018 to EUR 12 million for 2019. Eight state institutions provide funds for CSOs, among which the Ministry of Labor and Social Policy and the Agency for Youth and Sport have the largest budgets. In 2018, the Agency for Youth and Sports allocated funds for youth CSO initiatives for the first time (previously, funds were only distributed to sports associations), and its budget for CSO initiatives in 2019 increased significantly. The Agency also adopted a Rulebook on procedures and criteria for awards, which was developed in consultation with CSOs. The Ministry of Labor and Social Policy also increased its funding for CSOs in both 2018 and 2019. The new government strategy for CSOs, adopted in October 2018, includes a commitment to public funding for CSOs, as well as a fund to co-finance EU projects, which will be initiated in 2020. As in 2017, the government did not publish a call for proposals for CSOs through the Unit for Cooperation with CSOs in 2018.

There are still several problems with government funding. Most notably, most public institutions awarding grants lack clear criteria, rules, and procedures, especially on reporting and ensuring transparency and accountability of the funds awarded. In addition, much of the public funding distributed under Budget Line 463 is awarded to sports clubs, including private sports clubs that are for-profit legal entities. Finally, the state still does not provide any funding for institutional support, which CSOs need in order to sustain their operations and stay true to their missions and objectives.

In 2018, CSOs increasingly recognized the importance of raising funds from the business community. There was significant interest in the small grants offered by the EU through the Association Konekt for local mobilization of resources and partnerships with the business sector. In addition, an increased number of companies sought partnerships with CSOs through Konekt's matching services. Research by Konekt in 2018 on corporate social responsibility (CSR) practices among companies in North Macedonia indicates that 38 percent of the 105 companies surveyed cooperated with CSOs. Positive examples include EVN's Volontira Programme, in which over 500 employees volunteered in local communities throughout the country, and Pivara Skopje, which offers paid days to its employees to volunteer in the community.

Local fundraising efforts are also increasing. There were 139 CSO applications for grants in response to an open call supported by Konekt that was aimed at promoting CSO financial sustainability through intersectoral

partnerships and local fundraising. Through this program, the CSO Bravura in the town of Delcevo raised EUR 8,000 for people with disabilities, while the CSO Open the Windows raised EUR 17,000 from companies in just a few months. In 2018, Konekt organized the first donation circle in the country, joining fifty individual donors together to support three CSOs with different missions. Through a mentoring and coaching program, CEP helped grantees improve their sustainability and engage broader segments of society to become financially stable. Grantees received assistance in how to develop social marketing and fundraising skills and how to cultivate individual and corporate domestic donors.

According to the 2018 World Giving Index, 26 percent of respondents in Macedonia reported that they donated to charities in 2017, significantly less than the 39 percent recorded in 2016, when the country was ravaged by floods, but the same level as in 2015.

The level of foreign funding did not change notably in 2018. The EU, SDC, and USAID continue to be the main donors that support CSO activities. All three donors award some institutional or operational grants that allow CSOs to adopt more strategic approaches that can achieve real change. In general, donors support activities in areas such as good governance, anti-corruption, human rights, social inclusion, environmental issues, minority rights, interethnic relations, and gender.

The extent to which CSOs engage in income-generating activity did not change significantly in 2018. According to MCIC's 2018 Report on Enabling Environment for Civil Society, only 20 percent of CSOs generate income from economic activities.

There was also increased interest in social entrepreneurship during the year, much of which is driven by the availability of donor funding for this purpose. At least three institutional grantees (Izbor, Women of Sveti Nikole, and Planetum) used financial support from Civica Mobilitas to develop concepts for social enterprises that will improve their long-term organizational and financial sustainability. CEP grantee Association for Research, Communications, and Development Public is working to improve policies and operations for social enterprises and CSOs that respond to the needs of marginalized groups and facilitate their employment. In cooperation with the Ministry of Labor and Social Policy, Public is also working on a new National Strategy for Social Entrepreneurship.

Many CSOs do not have proper financial management systems. According to the CSI 2018, there was a decrease in CSOs' transparency as CSOs failed to publish annual reports as required by the law.

## ADVOCACY: 3.4

CSO advocacy improved moderately in 2018. As a result of the new government's more positive approach towards civil society, CSOs are now involved in decision-making processes and reforms on all levels of the government and had several notable advocacy successes during the year.

As noted in the CIVICUS Monitor, space for CSOs in Macedonia improved in 2018. The government actively included CSOs in working groups on a variety of policies, strategies, and laws. For example, CSOs were involved in the government's fight against corruption, including the working group responsible for preparing the new Law on Prevention of Corruption and Conflict of Interests. CSOs were also invited to monitor tender procedures and to participate in the committees that decide on public procurements. Some institutions, such as the Ministry of Labor and Social Policy and the Ministry of Justice, had particularly good cooperation with CSOs.



For example, CSOs were involved in drafting the new Law on Social Protection with a focus on the rules governing CSO providers of social services.

Moreover, the government supported the active contribution of civil society in the development of the country's Open Government Partnership (OGP) Action Plan, which emphasizes the crucial role of civil society in ensuring that member states are inclusive, responsive, and accountable. The Action Plan also includes regular dialogue between the government and civil society, as well as the involvement of CSOs in NATO and EU accession talks.

CSOs' involvement in the policy-making process had significant impact in 2018. In addition to the examples noted above, all of CSOs' recommendations on the Strategy for Public Administration Reform were included in the final version of the strategy; CSOs will also be involved in monitoring the strategy's implementation. Comments from civil society were also incorporated in the new judiciary laws. After MYLA, FOSM, the Macedonian Bar Association, and other CSOs authorized to provide preliminary legal aid expressed their concerns during a parliamentary hearing regarding the Law on Free Legal Aid, the law was withdrawn from parliamentary procedure and returned to the Ministry of Justice for further development.

In 2018, the Parliamentary Standing Committee for Human Rights Protection held a session which included a public debate about the discriminatory violations of freedom of movement of Roma citizens. The public debate was organized upon the initiative of MYLA, the Helsinki Committee for Human Rights of the Republic of Macedonia, and Kham Delchevo. The Committee concluded that the actions of the Ministry of Interior were discriminatory.

Also in 2018, the Directorate for Execution of Sanctions granted MYLA access to the prison Kazneno popraven dom Skopje, which before was strictly forbidden. MYLA and the Directorate also signed a memorandum of cooperation.

CSOs took an active role in both sides of the referendum campaigns, with some advocating in favor of the name change and others opposing it. In addition, a coalition of ten CSOs launched a campaign called Step forward! The choice is yours! aimed at informing citizens about needed reforms and the potential benefits of Euro-Atlantic membership for the country.

On the local level, campaigns organized by local CSOs in 2017 against the opening of mines in southeastern Macedonia resulted in the government terminating its agreement with the mine concessioner in Valandovo in 2018. In addition, CSO initiatives led to the adoption of Local Action Plans for Persons with Disabilities by two municipalities (Caska and Gradsko) and a Local Youth Strategy by the municipality of Krusevo.

While CSOs' engagement in advocacy has improved, in many cases it is too early to evaluate the results of these efforts. For example, although most of the important recommendations of the Association of Journalists of Macedonia and other media organizations were incorporated in the Law on Audio and Audio-Visual Services that parliament adopted in December 2018, other laws related to media freedoms still have not been amended. In addition, CSOs still have very limited influence on some issues. For example, in discussions on the Law on Prevention of Discrimination, CSOs were able to influence the executive power's opinions of the law, but had limited influence on members of parliament, especially those who hold negative opinions towards the lesbian, gay, bisexual, transgender, and intersexed (LGBTI) community.

CSO advocacy is still limited by several factors. First, while CSOs were increasingly engaged in different policy development processes in 2018, such cooperation still depended on the personal attitudes of selected ministries and institutions. Second, CSOs are still dependent on financial support from donors for their advocacy activities, especially when engaged in long-term advocacy efforts that require the engagement of paid external experts. In addition, CSOs lack visibility and therefore often fail to get recognition for the work they are doing. Finally, there is a perception that CSOs are politicized.

After the election process for members of the Council for Cooperation of the Government with Civil Society was annulled and restarted in late 2017, an effective election was held in 2018 and the Council met eight times during the year. The Council is a consultative body of the government focused on encouraging the development of the civic sector in North Macedonia. The role of the Council is to monitor, analyze, and contribute to public policy that impacts the civic sector. Furthermore, it aims to build cooperation and partnership between the government and state bodies with civil society. The Council's main roles include participating in the preparation and monitoring of the Strategy for Cooperation of the Government with Civil Sector; analyzing the involvement of CSOs in public policy processes; providing suggestions for financing priorities for CSOs from the state budget; reviewing the spent funds; and reviewing CSO initiatives and providing opinions.

In September 2017, the Government Unit for Cooperation with CSOs issued a public call for consultations with CSOs on the creation of a new governmental Strategy for Cooperation with and Development of Civil Sector. The process resumed in 2018 with the organization of working group meetings and wider consultation events with CSOs, both online and in person. The resulting draft strategy contains three strategic goals: the normative, institutional, and financial framework for civil society development; democratization, active participation of the civil sector in societal processes, policy creation, and monitoring with a particular focus on EU integration; and the civic sector as an actor in socio-economic development. In September 2018, the strategy was reviewed at the 88th government session, but was not adopted because of the Ministry of Finance's opposition to the proposal to establish a government fund to co-finance CSO projects funded by foreign and domestic donors. The strategy, including the establishment of the co-funding component, was finally adopted in October 2018.

## SERVICE PROVISION: 3.6

CSO service provision improved slightly in 2018 as a result of increased cooperation with state institutions, especially in the social services field. The Ministry of Labor and Social Policy and the Ministry of Health work extensively with CSOs. For example, the Ministry of Labor and Social Policy provided over MKD 109 million (approximately \$2 million) in funding to CSOs in 2018 to provide various types of social support to vulnerable groups, a significant increase from the approximately MKD 85 million (approximately \$1.6 million) provided in 2017. In addition, the Ministry of Labor and Social Policy reactivated Roma information centers across the country that provide legal assistance for Roma people, and adopted and started to implement a policy to deinstitutionalize care for disabled people, something that CSOs have long advocated for.



CSO service provision is limited by the fact that CSOs only receive annual contracts with limited funds, which prevents them from investing in the long-term development of their services. In addition, according to a report on the CSO enabling environment

done by MCIC, little progress has been made on introducing proper rules to ensure transparency and accountability in the usage of public funds. To improve transparency, for example, ministries need to develop long-term strategies and publicize their results and selection procedures.

In 2018, CSO service provision increasingly expanded beyond traditional social services. New services provided included psychological support, new food providers for the homeless, and free legal aid.

Some CSOs approach their constituencies directly to determine their needs and include them in programming. For example, the Red Cross in the Lake Ohrid region gathered input from its constituencies when determining the need to establish a mountain rescue center in order to promote safe adventure tourism.

CSOs distribute and offer their publications to other organizations, relevant government institutions, and academia free of charge. CSOs generally provide their services without discrimination.

CSOs rarely get paid for their expertise or services, although there are some examples of CSOs that provide paid services. For example, the social enterprise Kopce charges symbolic prices for the clothes it makes and sells in order to cover the costs of employing people from vulnerable groups. Organizations that provide services are

generally dependent on donor funding. The government does not sufficiently understand the importance of some CSO services, such as free legal aid, or provide any real support to them.

## SECTORAL INFRASTRUCTURE: 3.1

The infrastructure supporting the CSO sector improved slightly in 2018, primarily due to the establishment of new resource centers and increased cooperation within the sector.

The National Resource Center for CSOs was established in February 2018 with funding from the EU. The National Resource Center is managed by MCIC and two partner organizations. In addition to the office in Skopje, two more offices—in Stip and Gostivar—

began operating in April 2018 as part of this project. These resource centers provide CSOs with a variety of free services, including space for meetings and events, information about available funding, information on new laws that affect CSOs, training on different topics, and small grants. Intermediary organizations and resource centers, as well as their programs, are almost exclusively donor-funded; CSOs are still not able to pay for such services.

Several local organizations and programs provide financial support to CSOs. The SDC-funded Civica Mobilitas program officially ended in 2018, but a new four-year project was announced that will start in January 2019. MCIC will continue to implement the new program. Under the USAID-funded CEP, two local organizations that serve as sub-contractors offer grants to CSOs. The Delegation of the European Union (DEU) has awarded several projects that have sub-grant components to reach many CSOs, especially at the grassroots level. There are no local community foundations in North Macedonia.

CSOs implemented several joint initiatives in 2018, including an initiative to develop a model for civil society involvement in the EU accession process. An increasing number of informal networks focused on themes such as justice, anti-discrimination, fiscal transparency, and anti-corruption receive funding from donors to fulfil their goals. The growth of coalitions and networks is also visible in the number of effective advocacy efforts during the year. The Fiscal Accountably, Sustainability and Transparency (FISCAST) Network worked with eleven municipalities and local CSOs on participatory municipal budgeting. Over twenty organizations were involved in the initiative Not in Our Name, which demanded the withdrawal of a draft law amending the Criminal Code, since the amendments provided lighter punishment in cases led by the Special Prosecutor's Office. The Civitax Group aims to analyze, research, and advocate for fiscal changes affecting CSOs, academic institutions, and individuals. In 2018, it provided an opinion on fiscal reforms. In 2017, eighty CSOs initiated the Network for Financial Sustainability, which started to operate in 2018. It has an advocacy focus but will also provide information to organizations on how to raise funds, manage their taxes, and deal with other fiscal matters. While there has been significant growth in the formation of joint initiatives and coalitions, networks formed to respond to calls for proposals are often not sustained once funded projects come to an end.

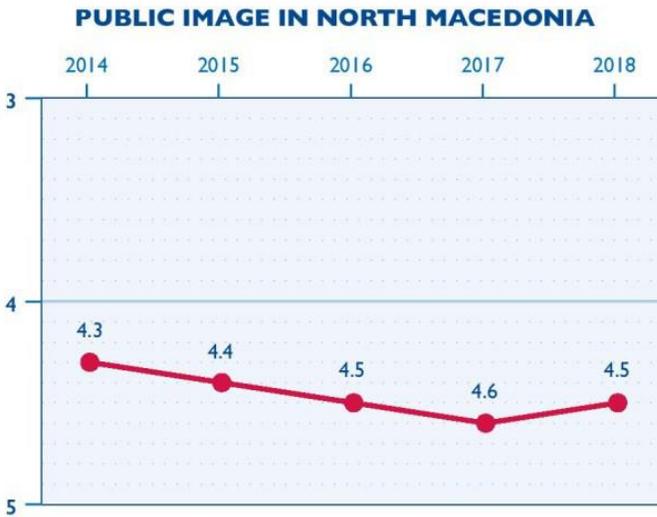
Resource centers provide trainings on topics such as good governance, institutional development and organizational strengthening, public relations, fundraising, transparency and accountability, and networking. Trainings usually take place in the capital, with the resource center providing transportation and accommodations.

There are some examples of cooperation with other sectors. For the first time, a multisectoral group for the prevention of corruption in the business sector was formed in 2018 in which CSOs participate along with the Chamber of Commerce. Cooperation with media also increased in 2018.

SECTORAL INFRASTRUCTURE IN N. MACEDONIA



## PUBLIC IMAGE: 4.5



The CSO sector's public image improved slightly in 2018, although CSOs continued to be affected by the negative campaigns targeting the sector in previous years.

According to the CIVICUS Monitor, despite the government's more positive attitude towards civil society in 2018, the opposition continued to attack civic groups by alleging their involvement in money laundering schemes involving the ruling party and unlawful tender procedures. Civil society has struggled to regain the public's trust after this long, negative campaign. Recent research by the association Public called "The Civil Sector and Changes in Society" found that 60 percent of Macedonians view civil society negatively. This is compounded by the fact that individuals do not

understand the role of civil society, even in cases where CSOs have demonstrably spearheaded positive societal change.

Despite this, the public increasingly believes that civil society influences change in society. According to the 2018 CSI, 65.3 percent of respondents perceive CSOs as having influence, an increase from 60.4 percent in 2016. A majority of people (78.3 percent) believe that CSOs have substantial or some influence in areas such as poverty reduction, support to marginalized communities and vulnerable groups, education, humanitarian assistance, health care, employment, and the environment, while 21.7 percent believe CSOs have limited influence.

Public trust in media is still low (41.1 percent, according to the CSI). The number of threats against journalists and CSOs declined from eighteen in 2017 to six in 2018; however, there are also still no sanctions against such behavior.

Overall, CSOs have a good reputation and social capital in the media. CSOs are regularly invited to participate in media programs and to share their expert opinions in political debates.

After the Colorful Revolution, several prominent CSO activists and representatives entered the government or were elected to parliament. This triggered discussions about the role and motives of civil society and could potentially have negative effects on the sector's public image.

As described throughout this report, CSOs enjoyed a positive reputation with the government in 2018. During the year, the government relied heavily on CSO expertise in the development of many policy documents and strategies. For example, changes were implemented to the Law on Public Procurement after consulting with 500 CSO representatives. No research or data is available on the business sector's perception of civil society.

More CSOs have communication strategies than in previous years. CSOs rely on social media to promote their achievements and to communicate with their constituencies.

In 2018, CSOs initiated efforts to self-regulate and improve transparency and accountability standards in the sector. With financial support from the EU, ten CSO implemented projects in 2018 aimed at improving CSO transparency and accountability. The projects focused on issues such as improving CSOs' internal rules and procedures, good governance practices, and monitoring and evaluation strategies.

**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.*