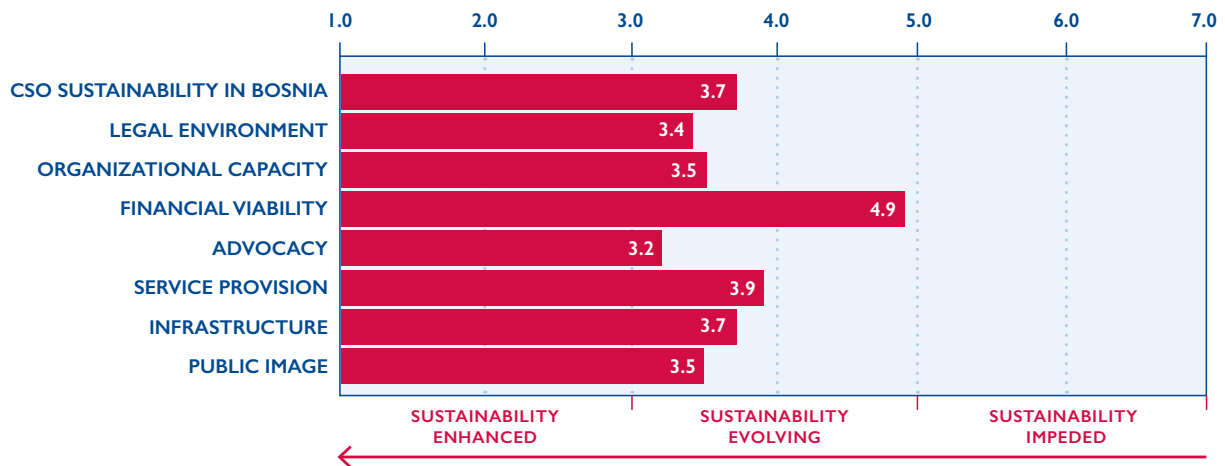


BOSNIA AND HERZEGOVINA

Capital: Sarajevo
Population: 3,856,181
GDP per capita (PPP): \$12,700
Human Development Index: High (0.750)
Freedom in the World: Partly Free (55/100)

CSO SUSTAINABILITY: 3.7



Despite pressure from the EU, authorities in Bosnia and Herzegovina (BiH) delayed completing the country's EU questionnaire, a landmark step in any country's path to EU membership, throughout 2017, finally submitting it in early 2018. Civil society contributed to the process by preparing answers to more than 700 of the 3,200 questions in the questionnaire.

The pre-election campaign for the October 2018 general elections started almost a full year in advance. With political conflicts at a high, the campaign period was marked by an almost complete standstill in the legislatures. This affected civil society directly, as the parliament failed to adopt the Law on Income Tax and the Law on Corporate Tax, both of which would have accelerated the development of philanthropy.

Because an agreement has not yet been reached between leading Bosniak and Croatian political parties with regards to the implementation of the Constitutional Court's decision that local elections be held in Mostar, there is still no municipal council in the city. As a result, CSOs in Mostar do not have the means to receive transparent financing or to initiate activities aimed at solving public problems or developing an enabling environment for the sector.

In 2017, the Council of Ministers of BiH prepared and signed an Agreement on Cooperation with Civil Society in BiH, formally establishing an institutional mechanism for cooperation between CSOs and the government. As follow-up, the Council of Ministers of BiH began the process of drafting a document to regulate transparent financing of CSOs from the budget. Civil society representatives also prepared and began promoting the CSO Code of Ethics which defines CSO standards of behavior based on the principles of transparency, openness, cooperation, mutual respect, and partnership. Media and media-based CSOs continue to be threatened by representatives of political parties. As a result, CSOs rarely produce investigative reports that provide a more comprehensive analysis of government policies.

Overall CSO sustainability in Bosnia and Herzegovina (BiH) did not change significantly in 2017, although an improvement was noted in the sectoral infrastructure dimension, largely because of an increase in the work and effectiveness of coalitions and inter-sectoral cooperation.

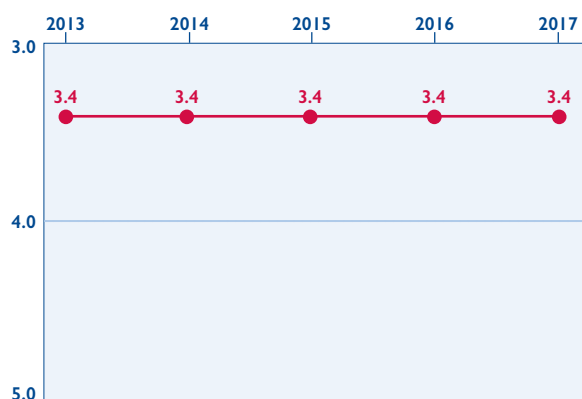
Despite significant investments over the past decade in capacity-building efforts, particularly from international institutions, CSOs continue to have limited organizational capacities. Financial viability also remains a pressing problem, and only a very small number of CSOs have a wide base of support, whether from inside the country or abroad. The government provides a significant amount of funding to CSOs, but funds are distributed in a non-transparent manner, often at the discretion of various ministries.

The EU-funded Capacity Building of Government Institutions (CBGI) Project has been working with the Ministry of Justice to create a unified registry of organizations, including all CSOs registered throughout the various levels in the country. By the end of 2017, this effort had confirmed that there are 23,601 registered CSOs in BiH (<http://zbirniregistri.gov.ba/Home>). However, only approximately 17,000 CSOs submit annual financial statement to the relevant agencies, indicating that the rest are inactive, but have not completed the process to be removed from the registry.

LEGAL ENVIRONMENT: 3.4

The legal environment in BiH did not change significantly in 2017.

Associations and foundations can register in accordance with laws at the state or entity (Republika Srpska (RS) or Federation of BiH (FBiH)) level. Registration at different levels is still not integrated. In addition, while CBGI has supported the creation of a unified registry at the state and FBiH levels, this does not yet include information from the RS.



Fees at the state level to make changes in the registry or to remove an organization from the registry were reduced in 2017. The cost of making changes in the registry of associations, foundations, foreign international associations and foundations, and other non-profit organizations was reduced to BAM 50 (\$30), while the cost of removing a CSO from the registry was reduced to BAM 10 (\$6). The fees for both of these processes were previously BAM 200 (\$120), which presented a significant burden on most CSOs and prevented them from recording any changes, thus resulting in an inaccurate registry. Registration fees remain unchanged, at BAM 200 (\$120).

LEGAL ENVIRONMENT IN BOSNIA

order to address changes requested by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Financial Action Task Force on Money Laundering (FATF) to prevent money laundering and terrorist financing. The amendments require updates to the registries to make them more accurate, require CSOs to provide more detailed financial reporting to state agencies, and allow any legal entity, including state bodies, to establish non-profit organizations. These new requirements are expected to increase the transparency of CSOs, without hindering CSO operations or placing onerous reporting requirements on them. MONEYVAL and FATF have also requested amendments to the laws in FBiH and RS, which are expected to be made soon. Registration was faster in 2017, as the amendments streamlined the process of checking organizations' statutes. CSOs have been asked to review the information in the electronic registries of CSOs and report any mistakes or enter any changes that have taken place since their registration. Ministries will soon start to conduct inspections to verify and implement all of the requirements set forth by the 2016 amendments to the Law on Associations and Foundations.

The state-level Law on Associations and Foundations at the state level was amended in November 2016 in

As in previous years, CSOs can act freely within the legal framework and talk about issues of public interest or express criticism without fear of sanctions from authorities. CSOs can be shut down by the government when they do not adhere to the provisions governing them, for example if they fail to hold assemblies for a period of time that is twice as long as the period in which assemblies are to be held; if they do not submit financial statements annually; and if they do not properly enter changes in the registry. In 2017, inspection bodies requested that CSOs registered at the state level operate in line with the Labor Law for Institutions of BiH, which is difficult for CSOs because of their reliance on project-based funding. For example, according to the Labor Law, staff members become permanent employees after three years, which means that employers are obligated to pay them severance if their positions are terminated after this time. CSOs rarely have funds available for such payments.

The tax treatment of CSOs is defined by entity laws, which are not harmonized. According to amendments passed in 2015 to the Profit Tax Law in RS, CSOs do not have to pay income tax on grants received from the budget or public funds, sponsorship, or donations in cash or in kind. Donors in the RS receive deductions up to 3 percent of their total incomes for donations to organizations offering humanitarian, cultural, sports, and social service activities, and 2 percent for sponsorship expenses. According to the Income Tax Law in FBiH, in-kind, material, and financial donations for cultural, educational, scientific, health, humanitarian, sports, and religious purposes are tax-deductible up to 0.5 percent of income earned in the previous year, but only for individuals who are self-employed. CSOs must pay VAT on all donations, except for those from the EU Instrument for Pre-Accession Assistance (IPA).

CSOs are only allowed to engage in business activities related to the purposes listed in their statutes and are exempt from paying taxes on the first 50,000 BAM (about \$27,000) of income annually. In order to engage in other types of activity, a CSO needs to establish a separate company. CSOs are legally allowed to participate in public bids, but few organizations have been successful in such tenders, both because the government favors public institutions when awarding contracts and because CSOs lack the skills necessary to implement the activities.

There are no legal advisors or lawyers specialized in nonprofit law who can provide legal advice. In addition, lawyers do not provide pro bono services, which would be extremely useful for CSOs in small towns. CSOs can get some free legal advice through the Center for Promotion of Civil Society's (CPCD) Smart Resource Center or Vaša Prava (Your Rights) CSO, but this is generally insufficient considering the sector's needs.

ORGANIZATIONAL CAPACITY: 3.5

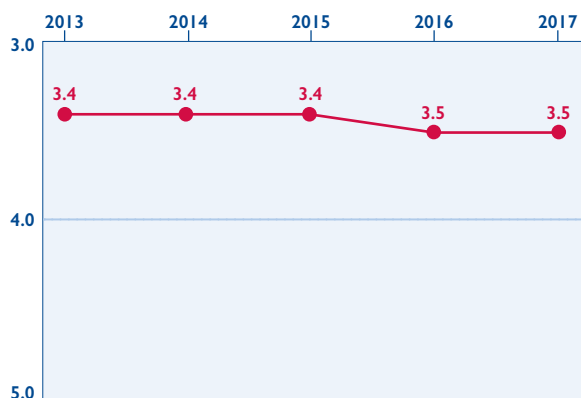
Despite significant investments in capacity-building programs, particularly by international institutions, CSOs continue to have limited organizational capacities. Institutional development is hampered both by significant staff turnover and limited resources to train new staff, as scarce funds generally go towards project implementation.

Many organizations have members who pay fees, as well as clearly-defined target groups, such as people with disabilities, war veterans, or marginalized groups. However, these constituents are usually not actively involved in CSOs' activities. Generally, donors' requests for applications define constituent needs and interests.

CSOs have defined missions and target groups in their statutes. However, because of their weak financial sustainability, CSOs often change their fields of work and target groups in response to donors' priorities. According to research conducted by CPCD and other partners within the USAID-funded Civil Society Sustainability Program (CSSP), a large number of small CSOs function purely as voluntary organizations and lack sufficient capacity to compete for international bids.

A limited number of CSOs conduct strategic planning; most small CSOs lack the capacity or motivation to plan their activities and implement them based on strategic plans.

Organizational Capacity Assessments (OCAs) conducted within the CSSP indicate that CSOs including Kult – Institute for Development of Youth, Independent Development Bureau (NBR), Link – Association for Entrepreneurship and Work, Youth Communication Center (OKC), Partnership for Health (PH), Development and Support Center (CRP), Association for Rural Development (ARD), Center for Civil Initiatives (CCI), and CPCD have



ORGANIZATIONAL CAPACITY IN BOSNIA

the capacity to ensure their sustainability. CSSP worked with twenty developed CSOs to ensure that 30 percent of their budgets for core activities come from domestic funding sources, including service contracts, domestic budgets, and social enterprises; nineteen of twenty of these CSOs had surpassed this goal by the end of 2017.

Most organizations do not have boards of directors. When boards do exist, their main role is to approve reports prepared for the annual assembly, rather than to play an active role in organizational governance.

In most cases, CSOs employ staff only when they have funded projects. Many CSOs recruit volunteers, often neglecting the legal provisions that obligate them to provide volunteers with material compensation. CSOs frequently hire people with degrees and titles, rather

than experienced civil society activists in whom the international community has already invested and who possess significant direct experience, skills, and knowledge. According to the 2017 World Giving Index, only 6 percent of respondents reported that they participated in voluntary action in 2016, compared to 4 percent in 2015.

Many CSOs lack rulebooks to regulate their internal procedures; even when they do have such policies, they tend to disregard them. Experience within the CSSP project has shown that even the most developed CSOs still lack a significant number of documents and procedures needed to guide their project implementation.

CSOs usually cannot afford to purchase new equipment, since most project budgets do not allocate money for this purpose. Small CSOs usually rely on donations of used equipment, including from larger CSOs. Almost all CSOs use the Internet and a smaller number of CSOs have their own websites.

FINANCIAL VIABILITY: 4.9

The financial viability of CSOs continues to be weak. CSOs have difficulty securing the necessary financial means and only a very small number of CSOs have a wide base support, whether from inside the country or abroad. An insignificant number of CSOs have the capacity to offer services that could directly generate revenue.

CSOs continue to have access to funding from a variety of international donors, including the EU, USAID, the Swedish International Development Cooperation Agency (Sida), and several embassies. These donors support programs in such fields as democratization, organizational capacity building, and environmental protection. Large international organizations, including OSCE, UNDP, and UNICEF, often receive funding directly from donors without competition, implying that there is limited trust in local CSOs' capacity to undertake such projects. USAID is an exception to this trend. In 2017, for example, USAID announced a grant of \$5 million for media development, organized a public bid, and awarded the money to a local CSO that will further distribute smaller grants.

The government provides a significant amount of funding to CSOs, but the majority of these funds go to sport clubs and organizations arising from the last war, including associations representing veterans, disabled soldiers, and families of fallen soldiers. In addition, funds are distributed in a non-transparent manner, often at the discretion of various ministries. In addition, local governments often fail to make payments even after contracts have been signed or activities have been implemented; lack monitoring or evaluation processes; and do not collect financial reports for the spent money. In addition, funds are often granted for projects that do not have broad demand, but that further the interests of small groups of people with close ties to politicians.

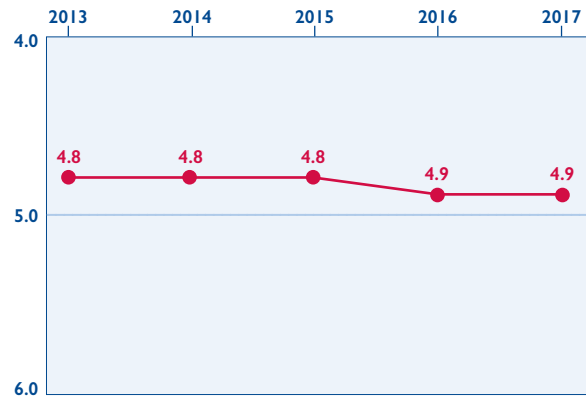
With USAID support, CPCD is currently creating a website that will list and analyze all of the 2016 funding opportunities from domestic sources, including all levels of the government, as well as businesses. Data is also being gathered on 2017 opportunities and should be up on the website by the middle of 2018.

Philanthropy, both from the business sector and individual, is still undeveloped, in part because the legal framework does not sufficiently encourage giving. However, a number of CSOs, including large organizations such as MOZAIK, Kult, FSU, and IBHI, as well as numerous grassroots organizations, manage to raise funds through individual and corporate philanthropy. In 2017, through its Hastor Foundation, ASA Prevent distributed 160 scholarships, supporting more than 218 exceptional students. In addition, ASA Prevent's employees invested more than 50,000 volunteer hours in projects across 110 municipalities.

Only a few CSOs supplement their incomes with revenues from services, products, or rent from assets, and fees charged are usually minimal. Membership fees, when collected, are largely symbolic, and do not serve as a significant source of financial support. Foundation Mozaik works intensively to promote and support social entrepreneurship, while CPCD is currently heading a regional and EU program to support social companies.

CSOs have very limited support from their communities and constituencies as well as from any sort of membership outreach or resource mobilization activities.

Most CSOs do not have financial management systems and do not operate transparently. A relatively small number of CSOs undergo independent financial audits or publish annual financial statements. Most CSOs are small legal entities and therefore are not obliged to conduct audits of their financial documents. Pursuant to the law, CSOs are required to submit annual financial statements to the Agency for Intermediary, IT and Financial Services (APIF) in RS and Financial and IT Agency (FIA) in FBiH, although many of them fail to do so.



FINANCIAL VIABILITY IN BOSNIA

ADVOCACY: 3.2

CSO advocacy remains strong, and CSO initiatives contributed to the adoption of a number of important laws and policies during the year.

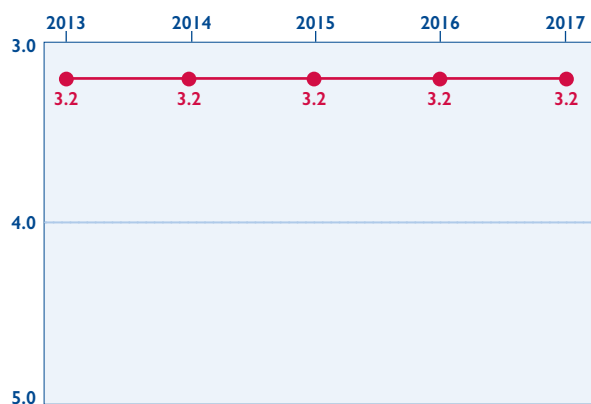
In the past ten years, a variety of institutional mechanisms have been developed for CSOs to participate in decision making. For example, more than ninety municipalities and several cantons have signed agreements of cooperation between the mayor or government and CSOs, and some have strategies for the development of CSOs and procedures for consultations. However, signed agreements are often not fully implemented because of a lack of political will.

According to research by CCI, parliaments and governments in BiH are highly inefficient. For example, during 2017, the Parliament of FBiH adopted only twenty-seven laws and not a single strategy, and it took five years to adopt the Law on Energy Efficiency in FBiH. On average, governments at all levels fail to adopt even half of what they initially planned. In addition, the standstill in parliament in advance of the 2018 elections diminished CSO advocacy during 2017.

The most significant CSO advocacy success in BiH in 2017 was the adoption of the new Agreement on Cooperation between the Council of Ministers of BiH and NGOs in BiH as an institutional cooperation mechanism. While this is a legally non-binding set of principles, it opens the door for the preparation of numerous other documents that will regulate cooperation with CSOs at an operational level. A *Rulebook on Criteria and Conditions for Financing and Co-financing of Programs and Projects of Public Interest Implemented by Associations and Foundations* was in the process of being drafted at the end of 2017.

A special platform for e-consultations was established in 2016 and used extensively in 2017. All draft laws must be posted on the e-consultation platform, and any interested member of the public can provide input on these drafts. At the time of writing, thirty-eight state institutions of the Council of Ministers are registered on this platform, but government representatives require further education and the system must be better promoted among the public for it to be fully effective.

CSOs engaged in advocacy on a wide range of issues in 2017. As a result of the advocacy of a dozen CSOs in RS, the Law on the Protection of Whistleblowers and necessary amendments to the Criminal Law of RS were adopted. However, CSOs still objected to the inadequate involvement of the public in the process of adopting these laws. Transparency International and the Ministry of Justice in BiH worked intensely to improve the Freedom of Access to Information Act in BiH, but these efforts have not yet borne fruit. This law, which is very important to the advocacy activities of CSOs, is expected to be amended in 2018.



ADVOCACY IN BOSNIA

problems. Most advocacy initiatives have marginal impact, because decision-makers do not see CSOs as “serious” partners. Lobbying skills in BiH are at an incipient level. There are very few examples of concrete impact from lobbying efforts.

There were numerous initiatives focused on improving the legal framework for CSOs in 2017. CPCD advocated for the Agreement on Cooperation between the Government of the FBiH and NGOs and the transparent financing of CSOs at the level of the FBiH, as well as tax reform that would provide an incentive for individual and corporate philanthropy. The network of Local Volunteering Services in BiH organized numerous small campaigns advocating for the Law on Volunteering.

During the year, Žene Ženama (Women to Women) was able to get the draft Law on Support for Families with Children admitted into the regular procedure of the FBiH Parliament. The CSO also advocated for a law to protect women and children from violence in FBiH. The Foundation for Social Inclusion in BiH (FSU in BiH) and the KOMA Network promoted the rights of marginalized groups. Mreža Pravde (Justice Network) promoted legal reform and CSOs involved in the Open Government Partnership promoted government transparency.

Despite the aforementioned achievements, most CSOs feel discouraged by their limited successes, the extended length of advocacy campaigns, and the government’s limited political will to solve citizens’

SERVICE PROVISION: 3.9

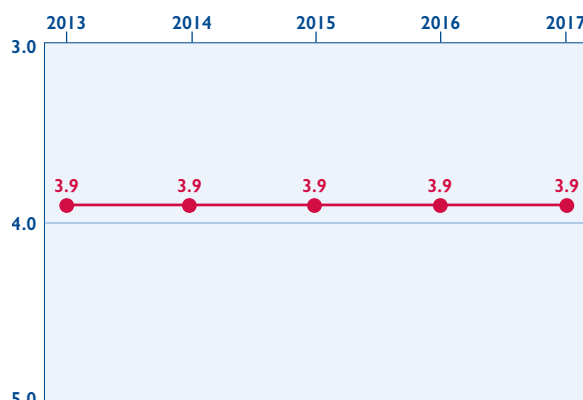
CSO service provision did not change significantly in 2017. CSOs still most frequently provide social services, including safe houses, daycare centers for persons with mental difficulties, and daycare centers for homeless children. Other areas in which CSOs provide services include adult education, trainings for civil servants, corruption, and environmental preservation. OKC in Banja Luka cooperates with several universities in FBiH and RS to establish high school curricula aligned with labor market requirements. It has organized career fairs for successful high school students in Banja Luka, Bijeljina, and Zenica, and continues to develop online tools to support entrepreneurship, such as the advisory business platform www.biznisguru.ba. In 2017, CPCD’s Smart Resource Center organized its fourth annual Hour of Code, which involved more than 20,000 children from BiH and provided 630 hours of coding in 2017. However, CSOs continue to face problems getting the government to recognize certificates issued to participants upon the completion of training.

Many CSOs' project activities involve surveys, studies, and expert analyses, which are distributed to other interested CSOs, government institutions, and individuals. Most CSOs lack the level of expertise needed to cooperate effectively with businesses.

Services provided by CSOs are mainly financed by international donors and are provided to beneficiaries free of charge. However, the number of commercial CSO services and the number of newly-founded social enterprises operating in the fields of healthcare, agriculture, education, art, and production services continue to grow. Only a small number of CSOs can provide quality services that meet both their own sustainability needs and the needs of their target groups.

Although many laws are designed to stimulate CSOs' participation in the provision of services, governments at all levels often neglect these regulations and show little interest in developing appropriate forms of cooperation. Social Welfare Centers, which are government institutions, often see CSOs as competition. This results in governments cutting funding for CSOs in the domain of social protection and welfare, although their services are often more innovative and of better quality than those provided by the Social Welfare Centers. Cantonal governments still occasionally enter into contracts with CSOs, mainly through open public calls and via transparent procedures, but at times also directly with CSOs with political connections.

Mechanisms, including secondary legislation, to allow CSOs to participate in social programs (including the provision of welfare, health care and similar services) are still not in place. For example, the government does not allocate funds for teaching assistants for children with special needs, a service that CSOs generally provide.



SERVICE PROVISION IN BOSNIA

SECTORAL INFRASTRUCTURE: 3.7

Sectoral infrastructure improved in 2017, largely because of an increase in the work and effectiveness of coalitions and inter-sectoral cooperation.

The Civic Dialogue coalition, which has over 120 member organizations, played a key role in working with the Ministry of Justice to finalize the Agreement of Cooperation between the Council of Ministers and NGOs in BiH, one of the most significant achievements for civil society in the last five years. It organized wide public consultations and promoted the principles of the Agreement, particularly in the course of the EU integration process. CSOs also worked together to prepare the alternative responses to the EC Questionnaire for BiH and delivered them to the European Commission in Sarajevo in October 2017.

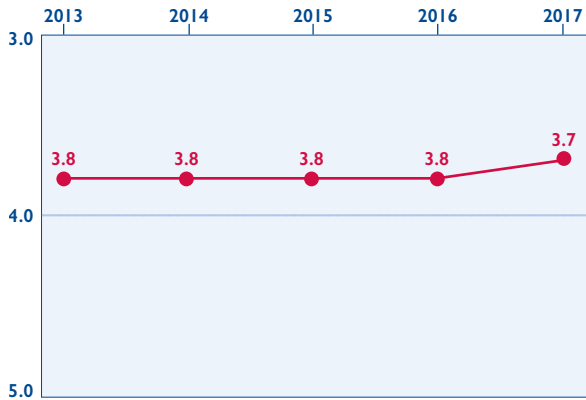
Other networks and coalitions function mainly within projects; once projects end, networks and coalitions tend to become inactive even though the issues they were built to solve usually remain present. The Peace Building Network, KOMA, Stronger Voice for Children, Effective Network for Elimination of Violence against Children (NEVAC), and Under the Magnifying Glass are some of the networks that continued to operate and produce results in 2017. These networks also increased their sustainability, by building their fundraising capacities in a collaborative fashion that does not depend on just one or a few organizations.

As part of the USAID-financed CSSP, CPCD's Smart Resource Center provides free legal advice to CSOs, a wide range of paid and free training courses, information about calls for grants from international and local institutions, mentorship and consultancy services during project implementation, a database of associations and foundations, and an online library with hundreds of publications about civil society. As part of this Center's activities, a trainer database featuring sixty-five trainers has been developed and more than 10,000 people, organizations, companies, and public institutions receive weekly civil society news.

The Peace Building Network shares important information about funding opportunities and other important topics for CSOs.

Donors tend to believe that CSOs lack the capacity to distribute grants; therefore, there are no local grant-making programs anymore. Instead, large international organizations are favored for these roles, enabling them to employ massive teams of foreign and local employees; thus, a substantial portion of funding goes towards personnel costs.

Trainings are available on topics such as proposal writing, fundraising, EU funds, financial management, and project cycle management. Most training is provided in major cities. CPCD's Smart Resource Center is still the leading



training organization in BiH and provides a wide range of free trainings. Other trainings can be accessed for a fee, which effectively prevents small CSOs from attending. As a donor, USAID has long demonstrated a consistent approach to building local CSOs' grant allocation capacities. It continues to consistently implement this approach through many projects and with local CSOs like CCI, MOZAIK, CPCD, and KULT.

While cooperation and partnerships between CSOs and local businesses are rare and sporadic, there were an increasing number of positive examples of cooperation during the year. For example, the Alliance for EU (A4EU), created in 2017, is envisioned as a long-term, open and inclusive tool for CSOs and the business sector to contribute to the EU negotiation

INFRASTRUCTURE IN BOSNIA

process and to create better public policies. In 2017, thirteen sectoral networks played a key role in promoting cooperation and links with business and government on issues such as justice, environment, rural development, education, entrepreneurship, and culture. For example, the Effect network led a campaign advocating for the Law on Energy Efficiency in FBiH, which was adopted in April 2017. In order to ensure the law's implementation, the network has educated 1,300 individuals, worked with thirty-three municipalities and cantons on the preparation of their action plans for energy efficiency, and collaborated with twenty private companies that are producing and dealing with products that save energy.

PUBLIC IMAGE: 3.5

The public image of CSOs did not change notably in 2017, although more media attention was dedicated to CSOs during the year. The media increasingly asks CSO representatives to comment on current events, and to present the results of their analyses, studies, and monitoring. For example, the media extensively covered CCI's research on the efficiency of governments in 2017.

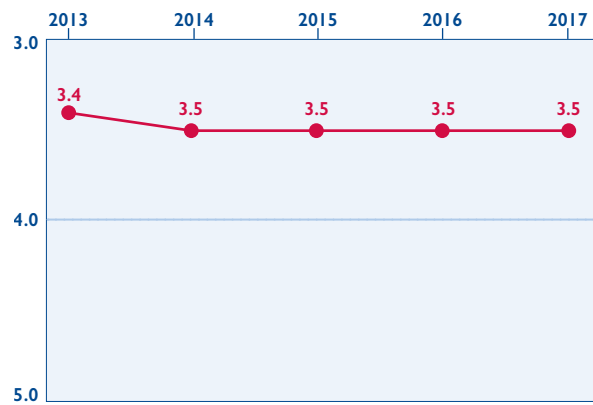
Despite slight improvements in media coverage, the media continues to focus on political topics, leaving little space for stories focused on civil society. CSOs actively use social media networks, mainly Facebook and Twitter, to promote their work. CSOs generally do not have the skills required to present their results to the public (like marketing and public relations).

Although there is no polling data on this topic, media interviews indicate that most of the public has a limited understanding of the role of CSOs, although people support the activities and contributions of individual CSOs, especially those that provide basic services in areas such as health care, education, humanitarian aid, the environment, and energy. At the same time, the public still often sees CSOs as inefficient, blaming them rather than the authorities when their campaigns or initiatives are unsuccessful.

Civil servants increasingly respect CSOs and recognize their importance. For example, CSOs are increasingly engaged in local government working groups and CSOs provide training on topics such as soft skills, conflict management, and EU integration, to public officials. Executive and legislative authorities, particularly at lower levels, have a positive attitude toward CSOs, particularly those they cooperate with on joint projects and initiatives.

In 2017, the Code of Ethics for NGOs in BiH was developed and promoted. This document stems from CSOs' obligations under the Agreement on Cooperation between the CM BiH and NGOs. Several hundred CSOs participated in its development and took part in public debates on the subject. The Code establishes principles to combat distrust and competition between CSOs, which limits information exchange and partnerships between them, and to increase CSOs' transparency. The Code further states that the proposed principles must be applied in practice rather than merely formally declared.

CSOs that are more developed publish annual reports, both programmatic and financial, and make them available to the public.



PUBLIC IMAGE IN BOSNIA