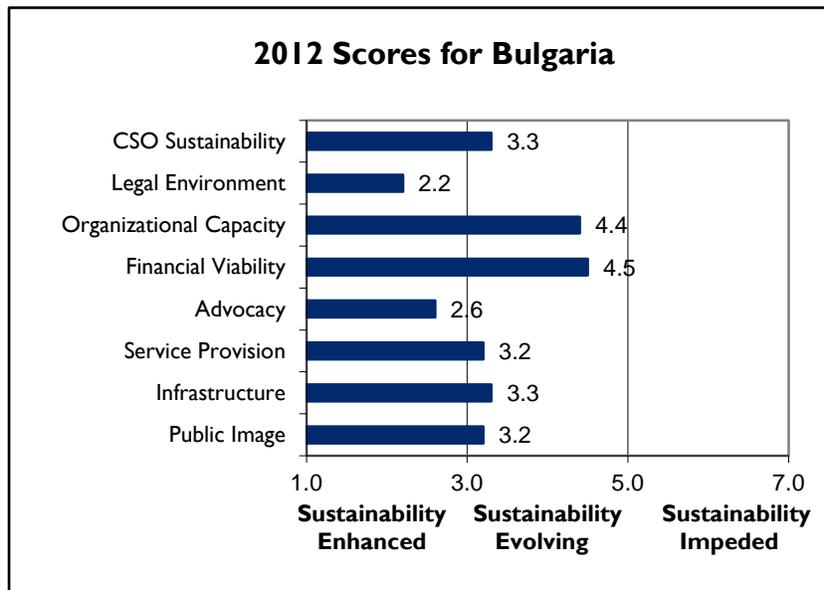


BULGARIA



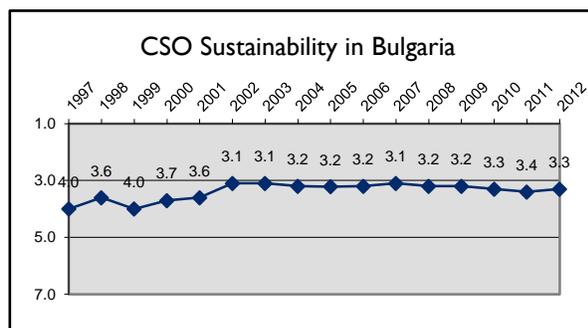
Capitol: Sofia

Population: 6,981,642

GDP per capita (PPP): \$14,200

Human Development Index: 57

CSO SUSTAINABILITY: 3.3



CSO sustainability in Bulgaria has improved over the past year, largely as a result of successful CSO advocacy initiatives in 2012. CSO coalitions are active and have achieved significant impact during the year, and CSO representatives have been invited to participate in various stages of the decision-making process. Most notably, the adoption of the Strategy for Support to CSO Development in September 2012 is an important achievement that is expected to strengthen the sector.

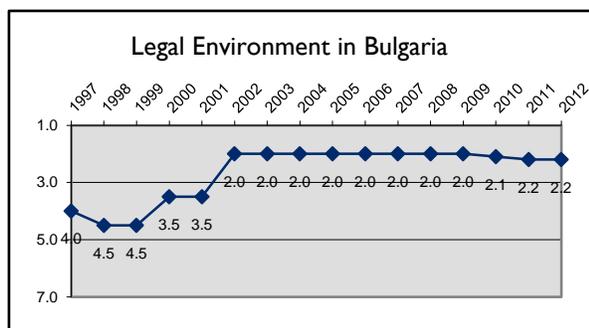
CSOs also saw a minor improvement in terms of funding opportunities this year. Two new foreign grant programs for CSOs were announced in 2012 - the Swiss Cooperation Program and the Financial Mechanism of the European Economic Area (EEA)/Norwegian Financial Mechanism. In addition, donations, particularly from corporations, increased in 2011, the last year for which data is available.

Although these achievements signal progress, their effects may not be fully realized for years. In particular, legislative and other policy-making initiatives are likely to slow down, or even stop, in light of the 2013 parliamentary elections.

There were over 35,000 CSOs registered in Bulgaria in 2012, an increase of 1,850 since 2011.



LEGAL ENVIRONMENT: 2.2



The registration of CSOs in Bulgaria remained unchanged in 2012. The law provides sufficient guarantees for registration and operation without excessive state control, although obstacles often arise during implementation. The most significant implementation challenges relate to the Central Registry of public benefit organizations within the Ministry of Justice. In some cases, the Registry does not provide CSOs with sufficient information about the documentation required to register. The Registry also continues to deny registration to organizations

that conduct economic activities. After the Central Registry denied its registration as a public benefit organization because it listed economic activities in its statute, the 14th of January Foundation appealed the decision to the administrative court. Although the court overturned the Registry's decision, the Registry has still not registered the foundation. The Central Registry is also slow to upload annual reports to its website, which makes it appear as if CSOs have failed to submit required reports.

Despite these challenges, if an organization submits all required documents, registration can generally be completed in approximately two weeks. CSOs are still unable to register online.

In 2012, the government adopted the first-ever Strategy for Support to CSO Development in Bulgaria. The Strategy outlines the measures the government will take to improve partnership with CSOs, CSO financial sustainability, and civic engagement. The Strategy also calls for a review of the legal framework for CSOs and the operation of the Central Registry.

CSOs are allowed to engage in economic activities and can also theoretically participate in public procurement procedures. In practice, however, it is difficult for CSOs to win contracts. For example, many tenders require participants to pay high participation fees or have high turnover in order to compete, which causes problems especially for smaller CSOs.

CSOs do not pay taxes on income from nonprofit activities, including grants, donations, and membership fees, but do pay taxes on income from business activities. Corporate donors can deduct up to 10 percent of their profits for donations to public benefit organizations, while individuals can deduct up to 5 percent of their annual income for such donations. Following instructions published by the Ministry of Finance at the end of August, all mobile operators stopped charging VAT on charitable text messages (SMS) by December 1, 2012. In-kind donations are still subject to VAT, which poses an issue for a variety of CSOs, such as food banks, that depend on such donations.

CSO legislation is a narrow topic and few lawyers outside of the capital possess sufficient knowledge in the field. Lawyers usually use model statutes that do not take into consideration the individual needs of CSOs. Very often, even government officials responsible for the implementation of the law, such as tax authorities, do not have specialists on CSO issues, leading to varying interpretations of the same provisions of law.

ORGANIZATIONAL CAPACITY: 4.4

A number of CSOs and informal groups seek public support for their activities. For example, some CSOs initiated a public campaign against the decision by the State Fund for Operations of Children Abroad to

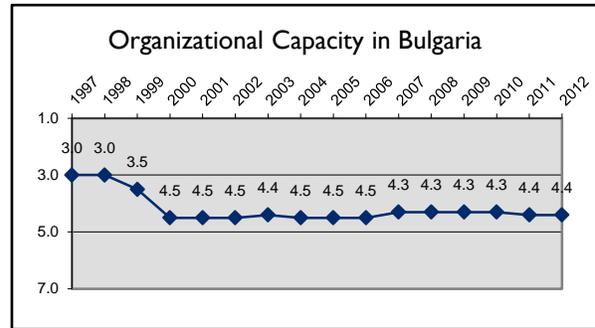
impose limits on the amount of money a child can receive to cover the expenses of medical procedures performed abroad. The wide public response to the campaign forced the Fund to reverse its decision. Smaller organizations also try to attract volunteers or members as they understand the benefit of public support.

The lack of financial support for institutional development makes it hard for CSOs to engage in strategic planning processes. More commonly, CSOs work from project to project, often depending on the availability of funding.

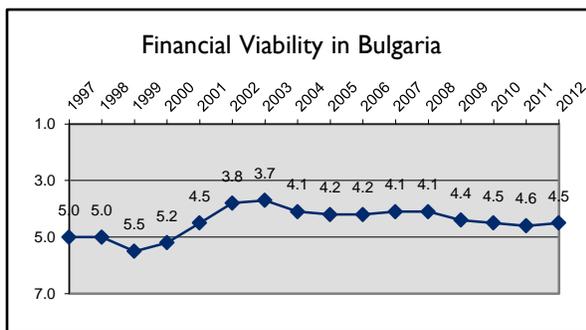
Staff members often serve on the boards of directors, limiting the division between governance and operations. A number of organizations continue to be “one-man shows,” depending on a single person for their management and continued operations.

In most cases, paid staff members are hired on a project basis. Many CSOs lack established human resources practices. It is difficult to have a professional career in the sector, as even large organizations are no longer hiring people. Especially in smaller towns, experienced people are leaving the CSO sector for jobs in the business sector or state administration. On the other hand, CSOs increasingly recognize the potential value of volunteers and are working to develop their organizational capacity in that area. In addition, several websites have been created in recent years that link volunteers to volunteer opportunities.

The price of technology is decreasing and TechSoup continues to provide software to CSOs almost for free. Despite this, CSOs often lag behind other sectors in terms of technological advances.



FINANCIAL VIABILITY: 4.5



CSOs in Bulgaria are continuing the transition from reliance on foreign donors to alternative sources of funding. In some regards, this process has threatened the diversity of the sector as more organizations become service providers in order to take advantage of existing funding opportunities. The majority of CSOs remain project-based.

Several new funding opportunities emerged in 2012. Most importantly, in September, the government adopted the Strategy for Support to CSO

Development, along with a plan to establish a mechanism to provide government grants to CSOs. The mechanism is intended to replace the previously existing competition for grants. However, the proposed 2013 budget does not yet contain any funding for this mechanism, meaning that no grants will be awarded to CSOs for the second year in a row. Direct subsidies continue to be made available to specific organizations listed in the law. Some municipalities provide small-scale support to CSOs, mainly in the social and cultural areas. Lovech municipality recently prepared a regulation on grantmaking to CSOs, but financial support will not be available until 2013.

Two new foreign funding mechanisms were also announced in 2012. The Swiss Cooperation Program will begin disbursing funds in 2013, but will not be a long-term source of funding to the sector. The EEA/Norwegian Financial Mechanism is also expected to start operating in 2013. For the fourth year in a row, no new calls were announced under the EU operational programs for CSO development in 2012.

Data from the tax administration shows that donations from both corporate and individual donors have increased, both in terms of the amount given and the number of donors. Most significantly, corporate donations to CSOs have increased by almost €2 million to a total of €7.8 million. The amount of donations to all potential recipients – including municipalities, social services providers, kindergartens, schools, etc. – has increased, as has the share of donations going to CSOs, from 23 percent in 2010 to 25 percent in 2011, the most recent year for which data is available. Individual donations to CSOs have increased marginally, reaching almost €550,000 (€520,000 in 2010), but their overall share has fallen from 37 percent to 35 percent.

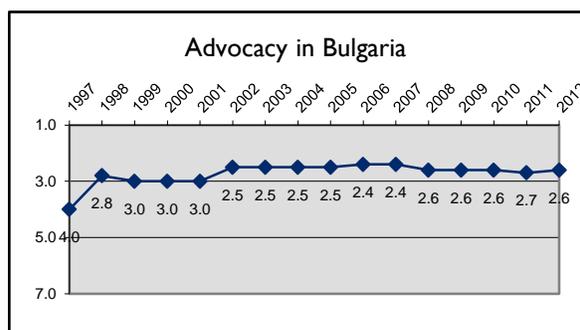
Some wealthy individuals establish private foundations, such as the Domuschievi Foundation and Maria’s World. For the time being, however, these foundations operate their own programs and do not distribute funds to other organizations.

CSOs are starting to turn their attention to mission-related businesses and providing services for fees as a strategy for financial sustainability. However, this is not entirely feasible due to the economic difficulties in Bulgaria and Europe as a whole. CSOs are taking advantage of training on business planning. In 2012, the Bulgarian Center for Not-for-Profit Law (BCNL) organized the first Awards for Best CSO Business Plan; prizes were won by organizations with social missions, including the Bulgarian Association of People with Intellectual Disabilities. Few CSOs own properties that they can rent, and membership fees provide a limited source of income for most membership organizations. Business associations, which rely on such fees, are a notable exception.

All CSOs are legally required to publish their financial reports on their websites. CSOs that do not have websites can publish their reports on the CSO information portal www.ngobg.info. Public benefit organizations are also required to submit financial and programmatic reports to the Central Registry for publication. However, as noted above, the Registry often fails to upload reports in a timely manner so the information available for many CSOs on this site is not up-to-date.

ADVOCACY: 2.6

Many CSOs cooperate with local and national authorities. For example, the Citizen Participation Forum, an informal coalition of more than 130 CSOs from all over Bulgaria, took part in the preparation of the Bulgaria 2020 strategy, which lays out the strategy for the country’s development until 2020. In particular, the Forum’s active engagement in this process in 2012 led to the inclusion of a separate goal in the strategy focused on open governance and citizen participation.



CSOs frequently cooperate to influence the decision-making process. Eleven CSOs united to insist on open hearings for all candidates for the Supreme Judicial Council. As a result of their efforts, the procedure was changed and the hearings were shown live online. The Coalition For Nature initiated a large-scale campaign against the adoption of the Forests Act, which would have allowed forests to be easily transformed into ski resorts. The campaign, which successfully mobilized a number of young people to protest against the planned amendments, eventually led to a compromise.

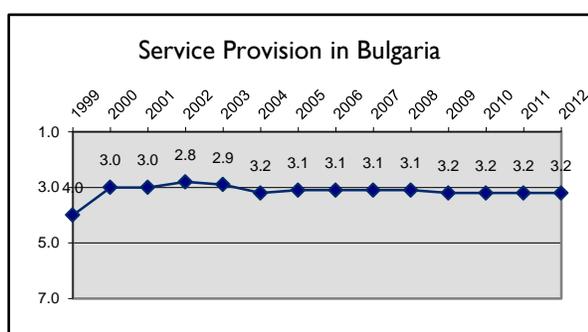
Several years ago, the Council for Administrative Reform approved Public Consultation Standards that recommend that all draft laws be subject to at least thirty days of written consultations and be published on www.strategy.bg. However, these standards have not yet become mandatory. Many ministries do not use www.strategy.bg, while in other cases, tight deadlines make consultation impractical. In the case of amendments to the Forests Act described above, CSOs were only invited to sit at the table with Members of

Parliament after a public protest when the legislative amendments were already at the final stages of adoption.

CSOs are actively engaged in lobbying. For example, in 2012 CSOs successfully lobbied to influence the Electoral Code, which for the first time will require the Central Electoral Committee to publish its discussions and protocols online.

CSOs also successfully advocated to reform policies affecting the sector in 2012. On September 5, 2012, the government adopted the Strategy for Support to CSO Development, which was developed by a working group composed of CSOs and ministry experts and benefited from broad public discussion. The Strategy creates a Council for Civil Society Development with three main priorities – improved cooperation between CSOs and the state, improved financial sustainability of CSOs, and more active citizens. An implementation plan was adopted in December 2012. The Ministry of Finance’s decision to eliminate VAT on charitable text messages was also the result of the joint efforts of several CSOs.

SERVICE PROVISION: 3.2



CSOs provide services in a wide range of areas, with the largest number of service providers operating in the fields of social support, education, and childcare. As noted in previous reports, CSOs in Bulgaria are not allowed to provide healthcare services directly, and few CSOs provide housing services. A growing number of CSOs provide nontraditional services, such as yoga instruction and eastern philosophy courses.

CSOs regularly provide services to constituencies beyond their memberships. For example, the Free

Sofia Tour provides free guided tours of Sofia and several other big cities. While CSOs aim to respond to the needs of people, CSOs’ capacity to provide services is generally insufficient to meet needs.

While still not common, a few CSOs charge for their services in order to ensure their sustainability. However, CSOs face two problems related to cost recovery. First, the availability of donor-funded programs has discouraged CSOs from engaging in economic activities, which requires different skills and would likely bring in fewer resources. As a result, CSOs lack marketing expertise and experience charging for their services. At the same time, many CSO services target marginalized groups that cannot afford to pay for the services they receive.

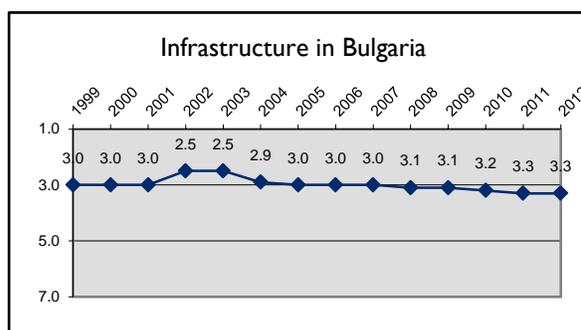
National and local governments value CSO services, such as research and the participation of CSO experts in working groups, but often are unwilling to pay for these services. Social contracting, which allows the government to fund the delivery of social services through CSOs, is the best existing mechanism for government funding to the sector. As a result, social services CSOs are among the most professional and developed organizations in the country.

INFRASTRUCTURE: 3.3

There are very few intermediary support organizations in Bulgaria. CSOs have access to a limited number of online resources (e.g., www.ngobg.info), but in-person assistance is less accessible. The government-supported youth information centers provide assistance exclusively to youth CSOs. The European Citizen House was established in Bulgaria in 2012 to provide information to CSOs on European matters. To date, this resource is also only available online. CSO networks often play the role of support organizations, building the capacity of their members.

Local CSOs, such as the Workshop for Civic Initiatives Foundation and the Tulip Foundation, re-grant funds from corporate or foreign donors. Ten active community foundations distribute approximately €500,000 per year

There are several active CSO coalitions in Bulgaria, including coalitions focused on the environment, children, and citizen participation. CSOs are also establishing new thematic coalitions. For example, eleven legal and human rights CSOs came together to increase the transparency of the Supreme Judicial Council elections in 2012. Also in 2012, the Citizen Participation Forum decided to register as a legal entity, with over thirty of its members as founders.

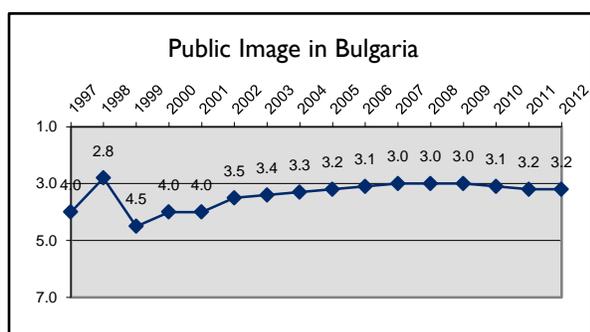


The recently adopted CSO Strategy envisions the creation of a Council for Civil Society Development with equal CSO and government representation. This body is expected to advance CSO interests.

A limited amount of training is available to CSOs, most of which is provided on a paid basis. Training is generally focused on specialized topics. For example, BCNL has organized a summer school as well as several specialized training sessions on fundraising and business planning for CSOs.

CSOs engage in a number of intersectoral partnerships. For example, this year the Bulgarian Donors' Forum organized its annual Awards for the Biggest Corporate Donor in partnership with the President of Bulgaria for the first time. The interest in these awards shows that corporate social responsibility is becoming more popular among companies. In several areas, government programs and policies encourage a partnership approach. For example, the EU LEADER program brings together all three sectors to solve community problems. However, it remains to be seen if these partnerships will be sustainable.

PUBLIC IMAGE: 3.2



CSOs received increased media coverage in 2012. For example, CSO perspectives were sought during the fire in Vitosha Mountain in summer 2012 especially with regard to the involvement of volunteers in the fire fighting.

Civil society is still not actively recognized by the public, which tends to recognize individuals more than organizations. In addition, some types of CSOs, including those that work for and with the Roma minority, suffer from negative perceptions.

Both the government and business view CSOs as partners, particularly at the national level. At the local level, businesses tend to work more closely with local authorities or institutions, such as state-owned kindergartens, than with CSOs.

As a result of limited human resources, few CSOs can afford to hire public relations (PR) staff members or professional PR agencies for special events. The most effective media-CSO relationships exist at the local level in areas where CSOs are most visible. CSOs widely use social networks, particularly Facebook, to communicate with the public.

The Code of Good Governance, promoted in 2010, has not gained much popularity, although many CSOs do publish both financial and programmatic reports online to increase their transparency.