

- b. **Reporting** – associations are required to submit annual declarations on their activities but there is no common reporting form. This is a new requirement and when the new legal text came into effect, there was some confusion as to when this obligation enters into force - in March 2017, the local body responsible for “internal affairs” started requiring CSOs to submit reports. The local body did not publicise to CSOs the fact that this obligation has entered into force. It directly started imposing fines without a prior notification to associations that have not submitted their reports (as required by the legal text). Later it exempted CSOs from the fines. The Civic Space Project started informing CSOs about their obligations which was very positive practice and helped active organisations comply with their obligations as per the the legal text.
- c. **Fundraising** – the current legal text in the northern part of Cyprus has imposed a very burdensome requirement for CSOs – the need to receive approval from the “district governorships” for any public collection of money (collection in public spaces). This specifically applies to putting donation boxes in public spaces. The practice has changed as previously an organisation had to also take the donation boxes to the relevant local body in order to get approval. Currently, you only need to request approval without bringing the donations boxes. Still, this is a limitation that is not necessary. In addition, CSOs need to obtain permission from the local body to organise charitable lotteries.
- d. **Economic activities** – the legal text on associations does not limit the possibility to engage in economic activities. Art. 16.1 states that the income of associations includes “*membership dues, contribution and shares, donations and aids, revenues generated through association activities and association assets, funding received through the banks from public institutions and organizations, and other legal revenues*”. However, in practice it is not clear what is the way to engage in economic activities and several of the interviewed CSOs prefer not to engage in sale of goods and services but rather receive donations and in exchange – provide their products as gifts. There are exceptions e.g. providing arts courses for a fee or selling merchandising.

It can be seen from the above examples that there are a number of practical problems that CSOs face. It is also clear that the implementation of the legal text on associations is not uniform and it varies among the different regions. A seminar in 2019, the Famagusta authorities states that they only refer some charters on which they have doubts, to the local body responsible for “internal affairs” (who refers to the “prosecutor’s office”). In the case of Nicosia, they refer all or most of the cases to the local body responsible for “internal affairs”, as they do not feel qualified to make a decision by themselves.

Recommendations

The description of the situation with regard to the “legal environment” for CSOs in the northern part of Cyprus shows that there are four main types of problems in registration and operation of CSOs, that need to be improved. Some of the recommendations are the following:

- ✓ **Ensure compliance of the legal text on associations with the international standards on freedom of association** - we believe a good first step could be to **organize a discussion on the legal text on associations** with the participation of the local bodies, “parliamentarians” and CSOs to agree on the issues where revision of the legal text on associations is possible. The revision could be in two main directions – removing restrictive provisions and clarifying unclear texts.
- ✓ **Ensure an improved and unified implementation of the legal text on Associations** – a starting point is to **bring together all institutions that are engaged in the implementation of the legal text on associations and CSOs** and agree on a joint



approach to simplifying the processes. For example, there is no need for all association charters to be sent to the local body responsible for “internal affairs” or to the “prosecutor’s office” but only more difficult cases. Uniform implementation could be further guaranteed by **developing uniform guidelines on how to understand and implement the legal text on associations**.

- ✓ **Help increase the capacity of both CSOs and the administration** – with regard to CSOs, there is a need to **regularly keep CSOs updated about upcoming deadlines for reports, their obligations as per the legal texts**, etc. The local body could receive support in terms of the following:
 - **Regular training for the registration authorities**, including exchange of practices and discussion of important issues that they face e.g., when and how to impose sanctions; how to carry out inspections, etc.
 - **Support (e.g. by providing an expert) for developing specific implementation documents** – e.g. uniform models for annual reports and the guidelines on how to understand and implement the legal text on associations (see the previous recommendation above).
- ✓ **Identify other areas for reforming legal texts** – Even though the scope of the current assessment is limited, through our interviews we identified a few additional areas where further reform is needed. One specific area is **the requirement for CSOs to obtain approval for holding public collection of donations**. However, there may be other areas that need further reform but there is a need for additional research on more specific topics which we could not analyse in detail. When identifying other reform areas, we suggest using a very **simple algorithm to decide on whether such reforms are necessary and should have priority**. We suggest evaluating the following elements:
 - Existence of political will for reform in the specific area;
 - What would be the practical effect on CSOs or the majority of CSOs;
 - Is there a critical number of CSOs willing to support the reform?

CSOs’ Financial Sustainability

Overview of the situation

The main challenge that CSOs in the northern part of Cyprus are facing with is their financial sustainability. Namely, according to the NGO Survey Cyprus 2020, 75% of organizations emphasizes that their biggest problem is not enough funding sources.

In general, the financial sustainability of CSOs is critical. Although, according to the framework of legal texts, on some tax benefits for CSOs are envisaged, as well as public support is possible, and fundraising and possibility for membership fees are allowed, still the overall donations and incomes in civil society sector are very limited without perspective and possibilities for further development and sustainability. Most CSOs are very weak, rely mainly on voluntary support, and are depended on one donor without diversified funding portfolio.

Specific challenges

Limited sources for operation. More than 65% of CSOs have an annual budget less than



5.000 EUR⁷, which is not enough for the basic needs for regular operation. Thus, most of the CSOs work without paid staff and on voluntary basis, which is the main obstacle for long-term planning, for professionalisation and in general for the sustainability of the civil society sector. Almost 85% of the organisations stated that they work all the time with volunteers and only 15% said that they have 1 to 5 paid staff⁸.

Limited foreign funding. In the recent four years the EU became the biggest donor that secures more than 80% or even 90% of the actual budgets of some CSOs. The EU is trying to keep civil society vivid with providing support in different areas of CSOs' work, as well as different types of assistance, including technical (information sharing, trainings, direct assistance, etc.). However, some of the previous donors such as the UNDP and the USAID have not been mentioned by CSOs as active and relevant in the previous few years.

Lack of public funding. Although relevant legal texts provide a basis and there is a big demand from CSOs, direct public support is very limited. Only few institutions have been mentioned as open for financial support for CSOs. During interviews we were given the example of the Turkish Cypriot Leadership office, that provided up to 10 000 TL per organisation. There is no open call for competition, but some CSOs receive funds by approaching to the local bodies (in this case the Turkish Cypriot Leadership office) and request funding. Also, the "department of culture" poses as a unique example that practices open competition and civil society inclusion.

Practicing of service provision mainly in social services area. During the focus group discussion, it was emphasized that CSOs traditionally are very important partners to the institutions in service provision in the social services. In the northern part of Cyprus exist a number of CSOs that support vulnerable groups with providing various services for them. The main institutions in the social services area, the "social services department" has recognized the value of CSOs and started partnership with several organisations. Usually, local bodies distribute money when CSOs provide services that they are obliged to provide but do not have the capacity to do so (e.g., SOS Children's Village and the Help Those with Cancer Association). This happens on an ad-hoc basis by way of signing protocols between the department and respective organisations, since there is no regulation in legal texts for this process.

Economic activity not explored by a large number of CSOs. According to the legal texts, CSOs have the possibility to generate income by engaging in economic activities. For these purposes, CSOs have to apply/notify the local body responsible for finance, when they engage in economic activity. They are subject to tax only for their economic activity at the same rate as all companies. But CSOs rarely engage in it and prefer to receive donations instead of payments for services/goods. During the discussion in the focus groups and interviews few such examples were mentioned: providing arts lessons to secure basic office and operational costs; attempts to sell magnets or recycled bags; publishing a magazine; etc. Also, SOS Children's Village has entered into partnerships for cause-related marketing (e.g., olives with their logo) or currently they are in the process of launching their own drink in which the producer and the distributor would each provide 15 % of their income to organisation.

Obstacles in public fundraising. CSOs are allowed to raise funds from the public but to do so, they need several permissions from different authorities. For example, for organizing events on streets or public squares, CSOs need permission from the "municipality", for cash collections they need permission from local body responsible for "internal affairs", etc. In

⁷ NGO Survey Cyprus 2020, October 2020.

⁸ Ibid.



practice, organisations use a variety of methods (organisation of concerts, theatre performances, donation circles, tea parties, etc.).

Tax benefits for corporate and individual giving. There are some tax benefits for donors according to the legal texts, but since there is no public data on the amount of donations deducted, it is difficult to analyse to what extent the benefits are used. In general, companies can provide up to 5% of their annual income for donations made to charities or to CSOs activities on education, culture, philanthropy related activities of CSOs. Individuals have tax benefits for up to 10 % of their income if they provide donations to CSOs, but there are limits regarding field of work (e.g., education, culture, sports, health, science) for a limited list of approved CSOs. However, some of the CSOs interviewed were not aware that there are such incentives. This shows that the CSOs awareness and knowledge for philanthropy (and tax benefits for it) is low. In addition, for companies there is the possibility to enter into sponsorship agreements in which case you can deduct up to 100% of the provided amounts. This can be done in the areas of education, health, sports, culture, arts and scientific research. While such agreements are primarily with sports clubs, that does not mean they cannot be concluded with other CSOs. Usually, companies choose sports clubs because of better possibilities for advertising.

Charities and public benefit status. The legal text on charities introduces the possibility to register as a separate legal entity - “charity”, if the organisation has educational, literary, scientific or public purpose. The certification is made by the “council of ministers”. The procedure for obtaining the status is not clearly regulated and the practice varies. Moreover, practice shows that this procedure is not really working as in the last 20 years, less than 20 organisations have been registered as charities. It is neither clear why there is a need for this separate type of legal entity, how it differs structurally from associations and foundations and why the decision to establish it has been left to the highest political body in the northern part of Cyprus. At the same time, various tax legal texts provide different benefits for different types of civil society organizations (CSOs). The categories of organisations or the types of activities for which benefits are provided differ in the legal texts, which may create confusion. For example, there are certain benefits for sports clubs, foundations and charities but not for associations in the legal text on income tax. On the other hand, there are no benefits for donations to organisations with social purposes in the legal text on income tax while there are benefits for donations to social purposes in the legal text on corporate tax.

Recommendations

- ✓ **Create clear rules for public funding for CSOs and ensure it is based on transparency and competition.** Public funding for CSOs should be increased, as well as the number of institutions that provide funds. There should be clear legal texts/provisions for public funding which for example will include: inclusion of beneficiaries (CSOs) in defining the priorities for funding; clear steps in the procedure and clear criteria for support that will be announced in advance, merit decision with arguments; competent and not-biased evaluators; evaluation of achieved outputs and outcomes of supported projects; possibility of multi-annual contracts, etc. For the transparency of the process of public funding, data on the amount of public funding of CSOs from each institution should be available annually.
- ✓ **Reform the charity/PB status to make it accessible for a larger number of CSOs.** For better sustainability of civil society sector in the northern part of Cyprus, it is important to introduce the mechanism through which the “charity” system will be simplified and streamlined, and will ensure that the process for obtaining tax and other benefits for civil society organizations is transparent. There is a need for establishment



of a **public benefit status** that should replace the existing “charity” regulation. The public benefit status should be a status given by the tax authorities/local body responsible for finance to associations and foundations after a simple application process. As it will primarily deal with various tax benefits, the local body responsible for finance should also be the institution in charge of monitoring the use of the provided benefits.

- ✓ **Further development of service provisions.** The current positive practice of service provision in the social services sector should be further strengthened in this area, but also should be developed everywhere when state institutions are weak (such as: education, health, etc.). Providing services by CSOs is very often practiced in all developed countries. It is two-side benefit action: it contributes to CSOs’ sustainability on one hand, but also beneficiaries receive services with high quality on the other hand. Very important for service provisions is the transparency of the procedure of selection of CSOs providers, and frequent evaluation of the quality and satisfaction of the recipients.
- ✓ **Create guidance for CSOs on how to engage in economic activities.** Since the possibility for income generating from economic activities is in place, but organisations are not using this opportunity very much, there is a need for preparation of guidance for CSOs how better and more often to work on “commercial” basis. Also, organisations need additional information on their obligations when they engage in economic activities, especially financial and fiscal reporting. Besides the guidance, several trainings on this issue can be organised, both for CSOs, but also for the officials from relevant local bodies.
- ✓ **Eliminate the requirement for prior approval of public campaigns for cash collections.** Fundraising actions and campaigns help CSOs for better presentation of their work in front of the public, and at the same time it contributes for confidence building and trust in civil society sector. On top of this, collected funds are always for some concrete purpose, usually for helping people in need. Thus, local bodies need to make fundraising process as easy as possible for CSOs, without special requests and approvals.
- **Analyse tax benefits and incentives for CSOs and donors (corporate and individual).** There are two main issues in regards to the taxes: need for more benefits, but also need for better understanding of CSOs what are their tax obligations. Besides the exception from payment of corporate/income tax for the income from their non-profit activities, there may be additional exemptions for CSOs from taxes such as inheritance tax, administrative taxes, profit from economic activity, etc. All these possibilities for additional tax benefits or exemptions can be further discussed. There is also a need to create a clear understanding of the taxes CSOs are obliged to pay e.g. by developing a brochure where all their tax obligations will be listed. Promotion of this brochure and trainings (lecturing) for both CSOs and tax officials will be needed.
- **Improve the CSO capacity to engage in fundraising.** As noted in the 2016 assessment, one of the important aspects of financial sustainability is to ensure diversified funding base for the organisations. While we have listed above some recommendations related to increasing public funding or contracting social services, it is important for CSOs to also turn to other alternatives. One such option is to engage in philanthropy/fundraising campaigns for donations from companies and individuals. While the economy of the northern part of Cyprus is not extremely big, such a source can guarantee some level of independence of CSOs, including to help them secure



own contribution for bigger EU programs. That is why trainings and mentoring on how to plan and organize a fundraising campaign is also important.

Cooperation between CSOs and the local bodies

Overview of the situation

The situation with regards to the cooperation between CSOs and the local bodies has not changed substantially since 2016. As noted by many of the interviewees, cooperation is sporadic and is not institutionalised or based on specific principles. As noted in one interview, the level of cooperation depends on the attitude and perception towards CSOs of the person in charge of the respective local body.

In order for cooperation to develop, there are specific pre-requisites that are necessary. The two key conditions are (1) to understand how the other partner operates and what drives it; and (2) to understand the benefits of cooperation (so understand that cooperation is a win-win game). Both of these are issues that could be learnt/trained but this requires investment of time on the side of the administration specifically. While CSOs also need to understand how the local bodies operate and understand how to influence it, our interviews have shown that many of them understand the importance of cooperation and are the driver behind many of the good examples that have taken place.

Cooperation has several components that facilitate it. The first element of cooperation is the **institutional structure that supports it**. In various countries these may include offices/departments supporting cooperation/consultation; designated officials that organize consultations and serve as contact points; and/or consultative bodies e.g., public councils, joint working groups, etc. where both CSOs and the state institutions sit together and discuss specific problems and try to find a common solution. In the case of the northern part of Cyprus this layer is largely missing. That is why the constant changes in the local bodies lead to blocking of processes that may have started or even re-start of initiatives that have been started by the previous local body.

The second element of cooperation is the policy level – **the existence of a strategic document prioritizing cooperation with CSOs** and engagement of CSOs in decision-making. In many countries governments or parliaments adopts the so-called Civil Society Development Strategies or CSO-Government Cooperation documents. In the northern part of Cyprus such a process started in 2016 and CSOs engaged in developing a document called Strategy for Support to Civil Society Development in the northern part of Cyprus. This document was subject to several discussions within the CSO community in 2017 and 2018 but eventually was not followed upon by the Turkish Cypriot local bodies. The draft of the Strategy contains a list of principles for cooperation between CSOs and the administration. It also lists 3 main priority areas for reform:

- Improved financial sustainability of CSOs;
- Enabling Environment for the operation of CSOs;
- Enhancing the process of participation in decision-making.



In order to ensure its implementation, the Strategy proposes the adoption of an implementation plan to be monitored by a special body. In addition, there are several additional monitoring mechanisms proposed such as annual report on the implementation, “parliamentary” level deliberations on the implementation of the Strategy as well as mid-term and final evaluation by independent experts.

The third element of a successful cooperation is the existence of **rules for cooperation/participation**. Such rules would regulate how and at what stages CSOs are involved in the “legislative process”. They formalize the engagement of CSOs by making public consultations a formal part of the “legislative process”. Currently, the process is not clear as there were claims that the local bodies have a procedure of engaging CSOs which it followed but all of the interviewed CSOs claimed the process is largely informal and there is no regulation in place.

Of course, there are positive examples of engagement of CSOs in the decision-making process and there are local bodies which engage CSOs and understand the benefit of cooperation. However, this process is based on personal attitudes. In addition to the positive examples of the engagement of CSOs in the discussions of the legal text on associations (described in the previous report), there have been several other extremely positive cases which led to CSOs’ engagement and to improved legal texts being adopted. Some of the examples shared during the interviews include:

- The anti-trafficking proposals (to the “criminal code”);
- The changes in the “criminal code” related to decriminalization of homosexuality (2014) and provisions against hate speech (2020);
- The legal text on mental health;
- Changes in the legal text on hunting.

Other good examples for cooperation between CSOs and the decision-making bodies are the bi-communal technical committees (related to the Cyprus unification process) where CSOs are involved e.g., the Universal Patients Association is a member of the health committee which met several times this year to discuss the common COVID policy. Another positive example is the Civic Space project that has been trying to create opportunities for cooperation with the local bodies (e.g., a number of discussions on public benefit status, implementation of relevant legal texts). They have also organized study visits with representatives of both CSOs and local bodies involved to increase the understanding on topics of cooperation but also to bridge the gap between CSOs and the local bodies.

The “criminal code” revision process to include human trafficking as a crime and the continuing process of drafting a new legal text on anti-trafficking of human beings (THB), has been a good example as can be seen in the above list. This process involved the European Union Coordination Center (EUCC) facilitating the communication between the relevant local bodies and the EU funded Civic Space Project, in provision of expertise. Civic Space was also instrumental in facilitating the inclusion of relevant CSOs (e.g., Bar Association and the EU funded COMMIT Project implemented by a consortium of CSOs to fight against THB). COMMIT Project was also successful and instrumental in creating a platform in which CSOs and local bodies jointly exist with a view to develop a strategy against THB as well as share information.

But there are many other examples when CSOs try to push for reforms and they are unsuccessful for various reasons. One interviewee shared that CSOs experience “fatigue” in constantly pushing the local bodies and would prefer a more structured system for engagement in the decision-making process.



One important distinction needs to be made. In all interviews there was a clear differentiation made between unions and chambers and the other CSOs. There were examples given e.g., in the area of education where unions were mentioned as the most influential stakeholders. One interviewee even mentioned that the fact that unions in specific areas are really strong may actually be an obstacle for development of strong CSOs.

Probably one of the biggest problems stated in all the interviews has been the constant political changes which make the span of any local body quite short (and therefore the horizon for reforms). A second problem mentioned was the fact that the local bodies also lack the capacity to deal with cooperation – they are understaffed and even in the case of the local body responsible for “internal affairs”, where a special person is responsible for CSOs, that person has numerous other tasks as well.

Recommendations

As already mentioned above, the situation with regard to cooperation has not changed substantially since 2016. That naturally means that the recommendations provided in the 2016 assessment are equally valid even today. We believe as a starting point it is important **to work to develop better understanding between CSOs and the local bodies** as well as show to both sectors the benefits of cooperation. This can happen by organizing joint discussions and trainings to increase the capacity of both sectors. Positive examples for learning may include practical trainings where e.g., local bodies and CSOs have to change their roles. One interesting approach may be to develop short internship programs where CSO representatives are engaged in the operation of a specific local body and vice versa.

In addition, it is important to work for the development of the three elements of cooperation – (a) developing institutional structures that support cooperation; (b) developing a strategic document for civil society development; and (c) developing standards for cooperation and consultations. We propose the following practical steps to help improve cooperation:

- **Re-start the process of discussion and adoption of the Strategy for Support to Civil Society Development** in the northern part of Cyprus. The draft document would serve as a solid basis for agreeing on common principles and objectives.
- **Identify focal point(s) for cooperation with CSOs** within the local bodies to help solve any problems and coordinate cooperation. While the current economic situation and the pandemic have really limited the resources, such an activity does not need to be resourceful. Moreover, the focal point(s) identified may also receive help in the form of technical assistance from the EU or other donors.
- **Organize a debate between CSOs and the local bodies on the need to regulate participation** of CSOs in the decision-making process and discuss principles of cooperation/consultation. Different ways for involvement can be considered such as: to inform CSOs for started processes for draft legal texts and to ask for their opinions; to invite CSOs in working groups for preparation of the draft legal texts; to invite CSOs in the discussions in the “parliament”, etc.

As part of the support for the process, it is important to provide **technical assistance to the local bodies** in organizing consultations, developing regulations, etc.

Conclusion



The current assessment has identified that the problems that CSOs in the northern part of Cyprus face continue to be quite similar to the ones they faced back in 2016. The biggest problem by far is the financial sustainability and the lack of sufficient financial resources. That is why we have recommended the development of various alternative sources of CSO funding (e.g., more state funding; increased contracting of services to CSOs; increased engagement in economic activities and increased philanthropic/fundraising efforts, among others). It is especially important that during and after the pandemic, the local bodies try to provide funding to support CSOs as part of its economic measures.

Closely related with the lack of funding is the lack of organizational capacity – organisations without sufficient funds cannot attract paid staff which limits their possibility to engage in greater outreach, limits their possibility to engage with the local bodies and to engage in regular fundraising. That is why we have suggested specific focus on increasing the capacity of CSOs to engage in various types of income-generating activities.

The interaction of CSOs with the local bodies is another serious problem identified. This has been identified by CSOs who specifically underlined the lack of mechanism for participation in decision-making; the lack of interest of local bodies to cooperate; etc. To address this problem, we have recommended to provide assistance to the local bodies to understand the value of partnership and cooperation but also help it to institutionalise such cooperation through various mechanisms.

While we have identified a number of problems and have provided a number of recommendations, there is one important aspect related to the environment for civil society in the northern part of Cyprus that we want to highlight. While the local bodies do not have any specific policy to support CSOs, there is neither an attempt to control or interfere with the activities of CSOs. This provides an opportunity, through support and investment in developing the capacities of both the local bodies and CSOs, to achieve positive changes in the CSO environment.

Our key recommendations are listed under each area but here we provide some additional ideas for the EU and the Civic Space program:

- ✓ The future Civic Space program may consider a new approach to engaging CSOs and the local bodies in joint activities and **provide small action grants for CSOs to partner with the local bodies** (where the local bodies and CSOs could apply jointly).
- ✓ The EU, in its future grants to CSOs could support CSOs' institutional development by providing funding under its budgets to CSOs to **engage a separate person that will deal with fundraising/development** to ensure that once the project is over, the CSO would have some financial backbone to continue. Also, the EU can consider possibility of providing institutional grants for CSOs, in terms of making them more sustainable, and more strategic oriented.
- ✓ This research has taken an overall look at the situation. However, there may be a **need for additional more in-depth research in specific areas** e.g. support for volunteerism; practical obstacles for fundraising; etc.
- ✓ The future Civic Space program should be focused on **strengthening the capacities of the local bodies in terms of creation of institutional framework for civil dialogue**. Bigger exposure to other good practices should be undertaken. For example, study visits and sharing experience with other countries with the EU aspiration can be considered (for example all Western Balkan countries).
- ✓ More possibilities for **exploring alternative funding for CSOs** should be considered as well.



Annex 1

List of Interviewees

1. Emete İmge (Civil Society Initiative)
2. Hatice Jenkins (Association of Elderly Rights and Mental Health)
3. İzlem Sönmez (Alzheimer Association)
4. Cemil Hafız (SOS Children's Village)
5. Evrim Peker (Civic Space)
6. Selen Yılmaz (Civic Space)
7. Damla Onurhan (EUCC)
8. Özdemir Kalkanlı (local body in charge of finance)
9. Erol Bay (local body in charge of Finance)

Participants in focus groups

1. Selen Yılmaz (Civic Space)
2. Sureyya Cermen (Civil Society Initiative)
3. Melis Eroğlu (EMAA)
4. Didem Eroglu (Civil Society Initiative)
5. Özgül Ezgin (Queer Cyprus)
6. Hilmi Tekoğlu (RRA)
7. Emete İmge (UPRA)
8. Doğukan Gumusatam (Queer Cyprus)
9. Fezile Osum (RRA)
10. Beran Dağtaş (UPRA)
11. Erman Dolmacı (Queer Cyprus)
12. Zehra Şonya (EMAA)

