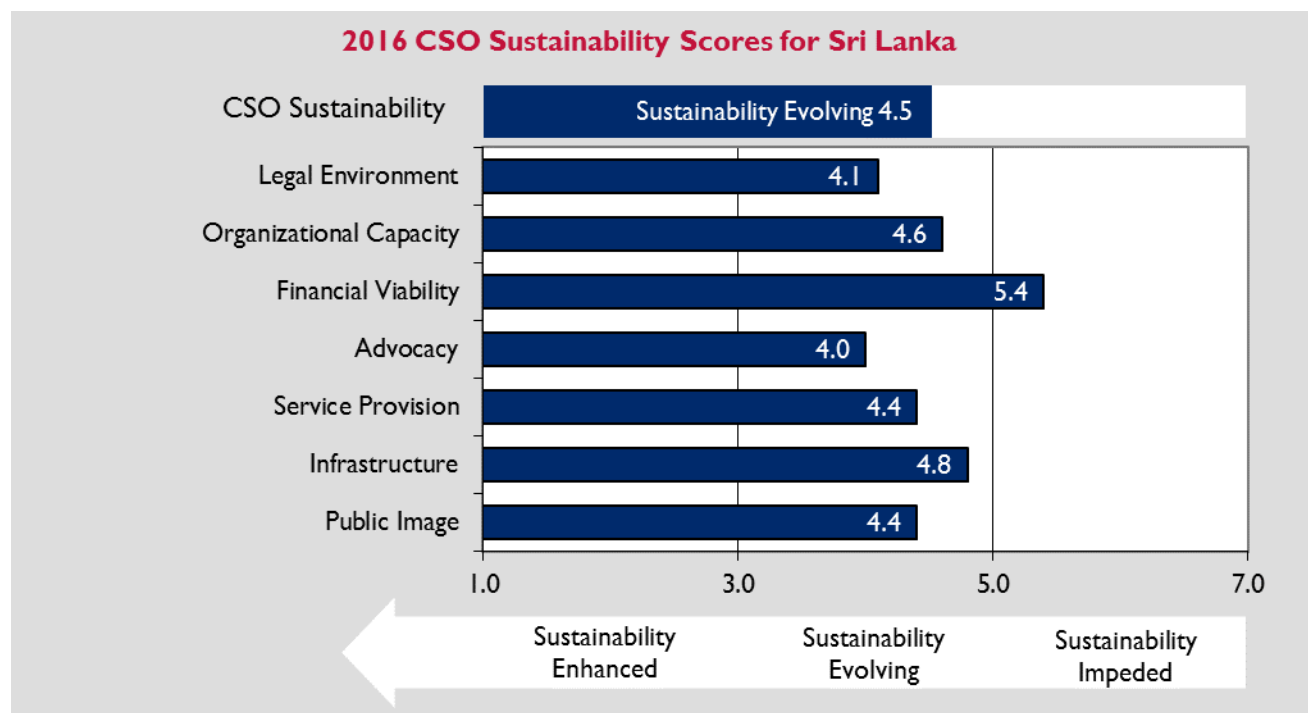


## SRI LANKA



### CSO SUSTAINABILITY: 4.5

#### Country Facts

**Capital:** Colombo

**Government Type:**  
Republic

**Population:**  
22,409,381

**GDP per capita (PPP):** \$12,300

**Human Development Index:**  
73

In 2016, President Maithripala Sirisena and the coalition government—formed between the United National Front for Good Governance (UNFGG) led by Prime Minister Ranil Wickremesinghe and the United People’s Freedom Alliance (UPFA) led by President Sirisena—entered their second year in office. Weaknesses in the coalition government began to emerge as the president and prime minister attempted to consolidate their individual power bases within the government. This power struggle affected policy making and the functioning of state institutions. Meanwhile, a



faction of the UPFA called the Joint Opposition (JO), led by former President Mahinda Rajapaksa, emerged as the de facto opposition in the parliament. By December 2016, the JO had a total of fifty-four UPFA members of parliament (MPs) aligned with it. In contrast, the formal opposition Tamil National Alliance (TNA) largely voted alongside the government to secure support for constitutional reform and transitional justice.

The government’s major successes in 2016 included the adoption of the Right to Information (RTI) Act and the Office on Missing Persons (OMP) Act. Both laws were passed unanimously by participating MPs in August 2016. The RTI Act in particular enjoyed high levels of cross-party support. The JO, however, refused to participate in the parliamentary debate over the OMP Act, leaving the rest of the parliament to pass it without

them. CSOs played a central role in the adoption of both laws, both building public support and contributing to the drafting of legislation.

In March 2016, the government formally initiated a renewed constitutional reform process through a resolution that enabled the parliament to function as a constitutional assembly. In December 2016, the Public Representations Committee, which includes civil society actors, presented a comprehensive report on constitutional reform to the government.

The report found that the public supported the establishment of a Constitutional Court; power sharing between the central government and devolved units of power; reduction in powers of the executive president; expansion of the Bill of Rights to include new rights such as the rights to life and privacy; and limits on election-related expenditures for prospective candidates.

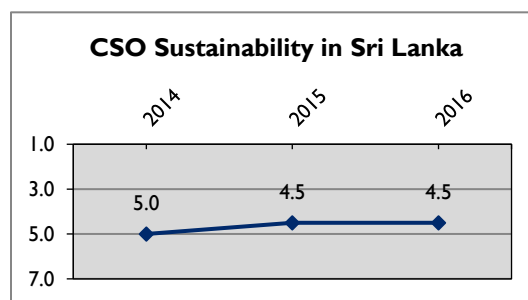
Independent commissions, such as the Human Rights Commission of Sri Lanka (which was reconstituted in 2015), served as a check on executive power in 2016. For instance, the Commission published a report detailing instances of custodial torture between 2010 and 2016. The report contradicted the significantly lower figures released by the current government.

Despite the climate for progressive reform, the government introduced regressive draft laws and policies in 2016. For instance, the proposed Counter Terrorism Act contained several provisions that could result in the suppression of free speech and peaceful protests, the weakening of whistleblower protections, and ineffective safeguards against custodial torture. The government also proposed amendments to the Code of Criminal Procedure Act (CCPA) that could deny suspects the right to access legal counsel at the point of arrest. CSOs were not consulted in the formulation of these proposals and lobbied intensely against their adoption. While CSOs succeeded in blocking the CCPA amendments, the Counter Terrorism Act remained on the government's legislative agenda for 2017. Moreover, due to competition within the coalition government, implementation of policy reform was slow. For example, despite the passage of the Assistance to and Protection of Victims of Crime and Witnesses Act in March 2015, as of the end of the year, the government still did not have a witness protection program in place.

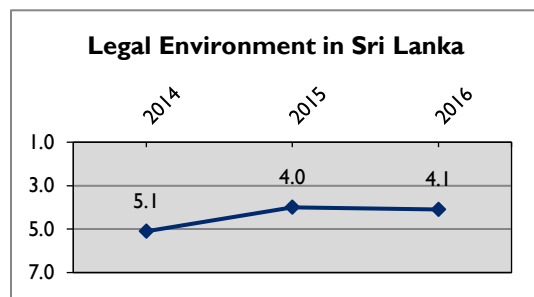
According to the Central Bank of Sri Lanka, Sri Lanka's GDP increased by 4.4 percent between 2015 and 2016. The annual inflation rate was 4 percent, and tourism grew by 14 percent. Despite these positive economic developments, confidence in public accountability systems decreased, and Sri Lanka declined from 83<sup>rd</sup> to 95<sup>th</sup> in Transparency International's Corruption Perception Index in 2016. While the fight against corruption was a key promise of Sirisena's *Yabapalanaya* (good governance) campaign, civil society actors criticized the lack of significant progress in prosecuting officials alleged to have engaged in misconduct.

Overall CSO sustainability did not change significantly in 2016. While the more open legal environment that CSOs gained in 2015 was maintained in 2016, the registration process was prolonged, delaying CSOs' ability to obtain legal status. In addition, regressive proposals on counter-terrorism Declining donor funding strained the financial viability of Sri Lanka's CSO sector. CSOs continued to engage actively in advocacy in 2016, primarily on issues such as RTI and public consultations on constitutional reform. Service provision improved slightly in 2016, as CSOs became increasingly responsive to community needs and the government began supporting capacity building services in the north and the east. Finally, although media coverage of CSOs improved, the public, businesses, and government remained skeptical of CSOs, particularly rights-based organizations.

According to the Non-Governmental Organization (NGO) Secretariat, there were 1,452 NGOs registered under the Voluntary Social Service Organizations (Registration and Supervision) Act of 1980 (VSSO Act) in 2016, a slight decrease from 1,496 in 2015. This Act covers a range of other organizations besides NGOs, but there are no updated statistics available on these other types of organizations. There is also no reliable data on the number of unregistered CSOs in Sri Lanka.



## LEGAL ENVIRONMENT: 4.1



The legal environment for CSOs deteriorated in 2016 due to increasing delays in the registration process and regressive proposals on counter-terrorism.

CSOs in Sri Lanka can register through one of five legal instruments: the Societies Ordinance of 1891; the Companies Act of 2007; the Co-operative Societies Act of 1992; the VSSO Act of 1980; and an Act of Parliament sponsored by an MP through a Private Member's Bill. Given the numerous avenues for registration, CSOs are often confused about

which registration process to pursue. Regardless of the category of registration, most CSOs must also register as voluntary social service organizations under the VSSO Act. The Act defines a voluntary social service organization as “any organization formed by a group of persons on a voluntary basis” that is either (a) of non-governmental nature, (b) dependent on public contributions or donations (local or foreign), or (c) set up with the objective of providing relief services to the mentally and physically disabled, the poor, the sick, orphans, and post-disaster relief. CSOs that operate within a single administrative division do not have to register under the VSSO Act or the other CSO laws; instead, local authorities grant them registration permits.

The registration process under the VSSO Act takes approximately three months to complete. VSSO registration is free, while CSOs that register under the Companies Act as limited guarantee companies or trusts are subject to fees. CSO oversight is conducted by the NGO Secretariat under the Ministry of National Co-Existence, Dialogue and Official Languages. Registration under the VSSO Act took more time in 2016 than in 2015 as a result of bureaucratic delays in the NGO Secretariat. However, no precise reasons were given for the delays. As a result of these problems, some CSOs requested the Minister of National Co-Existence, Dialogue and Official Languages to facilitate registration.

Existing legislation does not provide clear guidelines on internal management, financial reporting, or dissolution of CSOs. While the VSSO Act permits the NGO Secretariat to take interim control of CSOs suspected of fraud and misappropriation, there were no reports of such state action in 2016.

A draft policy and legal framework, culminating in the proposed Counter Terrorism Act, was prepared by the Ministry of Law and Order in 2016. The proposals were prompted by a condition for Sri Lanka to regain access to trade concessions from the EU, which required repealing several provisions of the existing Prevention of Terrorism Act that violated international human rights law. However, the new proposal contained several provisions that could deny free speech, suppress non-violent protests, and remove whistleblower protections. For example, one provision criminalized speech that “threatens unity,” a vague and broad prohibition. The government did not consult CSOs in drafting the proposals or acknowledge civil society’s heavy criticism of the provisions. By the end of 2016, the proposals remained largely unchanged.

After President Sirisena came to power in 2015, state harassment of CSOs declined dramatically. In 2016, most CSOs and their representatives continued to operate freely within the law, including conducting public advocacy campaigns without fear of state reprisal. For example, in July 2016, the Inter-University Students’ Federation protested freely against the Sri Lanka Medical Council’s decision to allow graduates of a private medical college to register with the Council.

However, CSOs operating in the north and east of the country faced increasing state scrutiny and surveillance in 2016, particularly during the registration process. Moreover, women’s groups calling for investigations into enforced disappearances in the north experienced heightened intimidation by the state, with military intelligence officers attending their meetings and approaching participants after the meetings for questioning. Activists publicly denounced these state actions, although this had no impact.

The passage of the RTI Act in August 2016 helped promote open government and public access to information. However, its benefits were not realized in 2016, as the Act was not operationalized until February 2017. Meanwhile, the government announced that it would introduce legislation to regulate news outlets. These proposals were not published by the end of the year, but CSOs remained apprehensive about them.

Under the Inland Revenue Act of 2006, CSOs must pay an income tax of 0.3 percent on all income received from grants, donations, and contributions. Only certain CSOs—those that are both registered with the NGO Secretariat and provide rehabilitation, shelter, or employment services to persons with disabilities—are eligible for tax exemptions. However, in 2016, a few large organizations with tax-exempt status were taxed retroactively as a result of government error and underwent a lengthy and costly process to fix the mistake.

CSOs can legally earn income from the provision of goods and services. However, as CSOs do not receive tax exemptions on earned income, they have little incentive to charge for their goods and services. CSOs are allowed to compete for government contracts at the central and local levels, but they often lack the financial or organizational capacity to compete with private sector suppliers.

Sri Lanka lacks lawyers that are specialized in CSO law. However, in 2016, more lawyers provided legal assistance to CSOs, particularly in human rights and environmental protection. For example, recent graduates and senior lawyers regularly provided pro bono assistance to environmental CSOs. Legal advice for CSOs is primarily available in Colombo. However, there were instances of lawyers traveling to secondary cities to provide legal services.

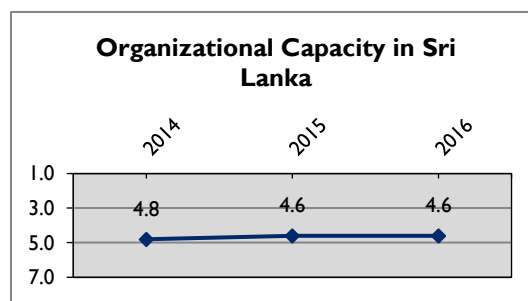
## ORGANIZATIONAL CAPACITY: 4.6

Overall organizational capacity of CSOs did not change in 2016, despite the fact that CSOs had less access to donor funding, rendering them unable to invest in human resources or technology.

CSOs are able to build informal constituencies of local individuals on issues such as service provision, environmental protection, and trade union activities. The commencement of community consultations on constitutional reform motivated Colombo-based CSOs to establish partnerships with groups working in rural areas to access their grassroots networks. CSOs engaged in transitional justice sought to consolidate their constituencies in the north and east of the country. In 2016, CSOs increasingly used online platforms for constituency building. For instance, the online movement Hashtag Generation had nearly 7,000 members on Facebook and regularly engaged its audience on youth and gender equality issues. Furthermore, the increased press freedom gained in 2015 was maintained in 2016, enabling advocacy-based organizations to build constituencies.

Larger and urban-based CSOs are more likely to have clearly defined missions and engage in strategic planning than rural CSOs. However, CSOs typically do not implement their strategic plans; rather they approach strategic planning as a donor-required practice that is irrelevant to their organizational capacity. In contrast, smaller CSOs operating at the local level often have greater flexibility and are able to quickly adapt to community needs and priorities because they rely less on foreign donors. For instance, grassroots CSOs working on human rights were able to adapt their programs to assist in community rebuilding following the Koslanda landslide in 2016.

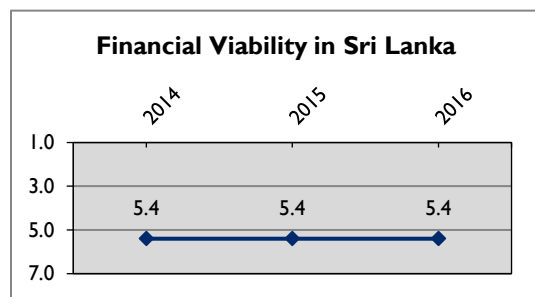
CSOs typically do not have clearly defined management structures that distinguish roles and responsibilities between management and boards of directors. Moreover, as the number of individuals engaged in the CSO sector remains relatively low, there are numerous instances of board members performing executive functions. Succession planning in CSOs remains weak. As such, the operations of many CSOs rely on the strategic vision and decision making of their founders.



CSOs cannot afford to retain senior and well-trained staff. In 2016 an increasing number of local CSOs lost competent staff to international organizations such as the United Nations that are able to offer higher compensation. As a result of the failure to recruit and train competent managers, CSOs have inadequate reporting and administrative structures, impeding their ability to function. Smaller CSOs rely heavily on volunteers to conduct key activities. However, due to the high turnover of volunteer staff, these CSOs experienced frequent gaps in human resources that caused delays in program implementation. In 2016, CSOs did not prioritize hiring professionals such as IT managers or accountants due to financial constraints.

CSOs have Internet access and basic office equipment such as computers and cell phones. However, primarily Colombo-based CSOs use technology to support their advocacy. For example, the Centre for Policy Alternatives used social media such as Facebook and Twitter to disseminate research findings and engage in public discussions. For most of the year—until November 2016, when the new VAT Schedule was released—CSOs could not receive tax exemptions on the procurement of equipment such as computers and data packages. In addition, a new tax on telecommunication services was introduced in the 2017 budget, from which CSOs will not be exempt.

## FINANCIAL VIABILITY: 5.4



Financial viability did not change significantly in 2016, although donor funding declined. For example, Australia’s overseas development assistance to Sri Lanka in 2014/2015 was \$32.9 million, while for 2015/2016, it was \$21.5 million. USAID provided \$24 million to Sri Lanka in 2016, compared to \$27 million in 2015. CSO access to donor funding also declined, as donors took advantage of the improved operating environment to work increasingly with government counterparts directly rather than through CSOs. Overall

funding for specific issues such as governance, media reform, and transitional justice, however, increased. For instance, USAID increased its funding for rule of law and access to justice programs to Sri Lanka from \$10.3 million in 2015 to \$12.8 million in 2016. While CSOs did not benefit directly from all of this funding, CSOs working in these areas generally had access to more funding. In December 2016, the government of Norway agreed to provide \$70,000 to the Sri Lanka Press Institute to support the freedom of expression and promote the Editor’s Code of Professional Practice in Sri Lankan media.

CSOs do not typically have diverse sources of funding and continue to rely on international donors. Many CSOs, particularly those in rural areas, struggle to secure the resources necessary to remain viable for the short-term. For instance, the Palm Foundation in Nuwara Eliya had to decrease its programming during the year due to funding shortages.

CSOs were still unable to raise significant funding or in-kind contributions from local sources in 2016. Local philanthropy from individuals was confined to causes such as healthcare, early childhood development, and environmental protection. According to the 2016 World Giving Index by the Charities Aid Foundation, the incidence of donating money and volunteering time in 2015 was 61 percent and 49 percent, respectively, compared to 59 percent and 48 percent in 2014. Large corporations such as the Commercial Bank of Ceylon and Unilever fund CSOs through their corporate social responsibility (CSR) programs. For instance, in 2016, Alumex PLC provided over 2,850 canes to the Sri Lanka Welfare Society of the Blind for White Cane Day in 2016.

The government rarely provides grants or material support to CSOs, but does occasionally collaborate with CSOs. In 2016, for example, the government awarded a contract to Women in Need (WIN) to take over management of a public shelter for abused women in Batticaloa.

Although many CSOs are membership-based, only a few organizations such as trade unions and microfinance organizations receive membership fees and other member contributions.

CSOs are allowed to earn income by providing goods and services, but few organizations engage in income-generating activity. Instead, most CSOs rely on donor funds and plan their programs accordingly.

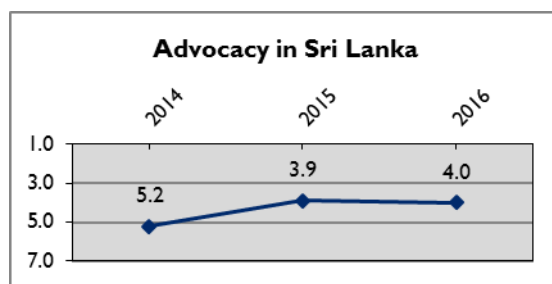
Financial management systems are expensive for CSOs. Unless supported by a donor, CSOs cannot afford to hire independent auditors. CSOs still do not prioritize the publication of annual reports.

## ADVOCACY: 4.0

In 2016, CSOs continued to benefit from the favorable operating environment following the 2015 political transition, which allowed them to engage actively in advocacy.

CSOs continued to cooperate with the central government in 2016. CSO actors served on taskforces, such as the Consultation Taskforce on Reconciliation Mechanisms and the Public Representations Committee on Constitutional Reform.

CSOs and the government successfully worked together to pass the RTI Act, and civil society actors were subsequently appointed to the new RTI Commission. However, such cooperation is often based on personal relationships with government officials rather than strong institutional linkages. Moreover, increased competition within the coalition government in 2016 resulted in fragmented decision making and bureaucratic resistance. Therefore, cooperation between CSOs and government did not necessarily result in favorable policy outcomes. For example, despite CSOs' cooperation in drafting the National Human Rights Action Plan (2017-2021) and advocacy for its inclusion of lesbian, gay, bisexual, transgender, and intersex (LGBTI) rights, the final Cabinet-approved plan did not include these rights. This exclusion resulted mainly from disagreements and policy incoherence among coalition members within the Cabinet.



Key policy advocacy initiatives in 2016 focused on governance reform, constitutional reform, and transitional justice. Transparency International Sri Lanka and Purawesi Balaya, among others, led key public awareness campaigns for the RTI Act. CSO representatives also participated in the RTI Advisory Taskforce, which assisted the Ministry of Parliamentary Reforms and Mass Media in increasing public awareness and consolidating government support for the RTI Act. On constitutional reform, CSO representatives participated in the Public Representations Committee on Constitutional Reform, which published recommendations following national consultations in May. On transitional justice, CSO activists participated in the Consultation Taskforce on Reconciliation Mechanisms and submitted a final report to the government in November about community views and aspirations for reconciliation and transitional justice mechanisms.

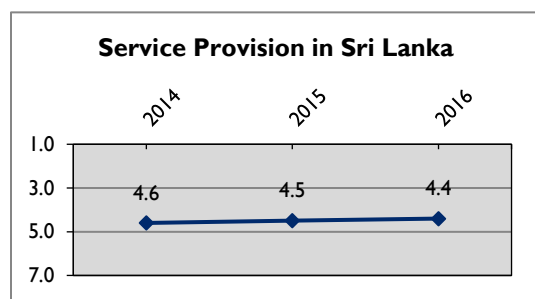
However, the impact of advocacy on constitutional reform and transitional justice was limited. CSOs failed to promote widespread awareness of key constitutional reform proposals such as electoral reform and the devolution of power. Similarly, while several CSOs such as Viluthu and Rights Now advocated for transitional justice issues in 2016, their efforts failed to garner broad-based support for transitional justice mechanisms outside of the Tamils in the north and east of the country. Moreover, despite significant CSO support in the drafting and passage of the OMP Act in August, the Office on Missing Persons was still not operational by the end of the year.

CSOs successfully lobbied against certain regressive policies proposed by the government. For example, CSO lobbying efforts resulted in the government withdrawing proposed amendments to the CCPA, which sought to limit a suspect's right to access legal counsel at the point of arrest. However, CSOs' lobbying efforts were unsuccessful against the inclusion of regressive provisions in the government's proposals for a new Counter

Terrorism Act, such as the admissibility of confessions to a police officer, which could incentivize custodial torture. Moreover, civil society actors unsuccessfully lobbied against a provision in the proposals that criminalized speech that “threatened unity.”

In 2016, there was limited awareness within the wider CSO community of how a favorable legal and regulatory framework could enhance CSO effectiveness and sustainability. Moreover, there were no visible advocacy efforts to promote legal reforms directly related to the operation of CSOs.

## SERVICE PROVISION: 4.4



Service provision by CSOs improved slightly in 2016, as CSOs became increasingly responsive to community needs and the government began supporting capacity building services in the north and the east.

CSOs provided a broad range of goods and services in 2016, including basic social services such as health, education, housing, and water. CSOs mobilized to support the victims of massive floods in May 2016. For example, Sarvodaya provided temporary shelters in Meethotamulla, Colombo.

Many CSOs cannot afford to conduct needs assessments to inform service provision. CSOs tend to be either driven by donor priorities or responsive only to urgent local needs, such as dry rations in the aftermath of a natural disaster. However, as donors from the diaspora return to the north and east to evaluate the impact of their support, local CSOs are increasingly required to demonstrate the responsiveness of their programs to community needs. In post-conflict areas, especially in the north and east, government- and donor-funded programs often fail to meet beneficiary needs for psychosocial counselling services.

Many CSOs continue to provide goods and services to recipients beyond their membership, as membership numbers are minimal. CSOs offer products such as publications and training workshops to community and faith-based organizations. For example, the National Christian Evangelical Association of Sri Lanka published data on incidents of religious violence targeting Christians in Sri Lanka, in order to raise awareness beyond affected communities.

Most goods and services provided by CSOs are supported by international donors such as USAID, Japan International Cooperation Agency (JICA), Norwegian Agency for Development Cooperation (Norad), and Australia’s Department of Foreign Affairs and Trade (DFAT). Most beneficiaries continue to view CSOs as donors and expect goods and services to be free. In some instances, CSOs such as Habitat for Humanity receive in-kind support from beneficiaries. For example, beneficiaries were expected to contribute unskilled labor towards the construction of houses in the Kegalle District.

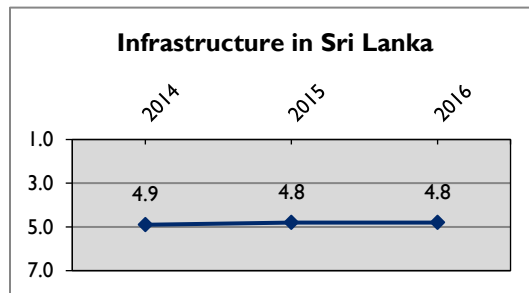
In 2016, the government began to contract with CSOs, particularly in the north, for capacity-building services. For example, the Office for National Unity and Reconciliation contracted CSOs to conduct diversity training and workshops on national reconciliation for government officials, civil society representatives, and activists.

## INFRASTRUCTURE: 4.8

The infrastructure supporting the CSO sector remained largely unchanged in 2016.

Sri Lanka still does not have any permanent intermediary support organizations (ISOs) or CSO resource centers. However, local grant-making organizations such as the Neelan Tiruchelvam Trust provide funding to CSOs to improve their technical capacities. For example, since 2013 the Trust, which relies primarily on donor funding, has supported computer and Internet literacy training for the Sithie Tiruchelvam Women’s Fellowship program.

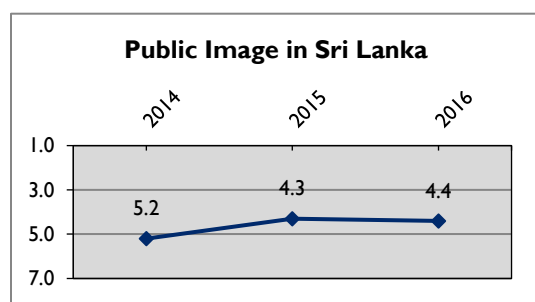
CSOs formed many issue-based coalitions in 2016 in areas such as transitional justice, governance reform, and constitutional reform. For instance, CSO coalitions formed to push for the adoption of the RTI Act. However, such alliances are often loosely organized and have a lifespan based on their immediate objectives, such as the passage of legislation. CSOs rarely form longer-term coalitions to advocate for broader themes, such as women’s rights or access to justice. There is no platform that promotes the interests of the CSO sector as a whole. Furthermore, as donor funding to Sri Lanka declined in 2016, competition within the CSO sector increased, which occasionally discouraged CSOs from sharing potentially helpful information for seeking funding, such as community needs.



There are a limited number of CSO management trainers in Sri Lanka, and most training is still provided by international organizations. Management training is predominantly available in Colombo and provided to CSO staff on a short-term basis. Moreover, training programs rarely include initiatives to improve management, IT, or accounting capacities; rather, they focus on how to implement particular programs. Newer and regional-based CSOs are rarely recognized or supported by international donors and therefore cannot access training programs.

In 2016, some existing intersectoral partnerships between CSOs and the government, media, and local businesses were strengthened. For example, the Ministry of Parliamentary Reforms and Mass Media engaged CSOs in providing training and capacity building related to RTI. CSOs also actively supported the development of the government’s National Action Plan as part of its obligations under the Open Government Partnership. However, intersectoral partnerships between CSOs and government on issues other than governance and peacebuilding did not increase significantly in 2016. The media works with CSOs to cover civil society initiatives. For example, mainstream and alternative media collaborated with PAFFREL to cover the March 12<sup>th</sup> Movement, publicizing its action plan to promote clean politics in Sri Lanka. Local businesses support environmental CSOs as part of their CSR initiatives. For example, John Keells Holdings supports a leopard conservation project of the Environment Foundation Limited (EFL), and MAS Holdings partnered with EFL to carry out an environmental risk assessment.

## PUBLIC IMAGE: 4.4



The media freedom that followed the 2015 political transition continued in 2016. The press widely covered CSO advocacy campaigns and other initiatives, including those that were critical of government policies. For example, the civil society campaign against the alleged corruption of former Central Bank of Sri Lanka Governor Arjuna Mahendran received wide media coverage in June 2016. Private media provides more coverage of and engages more with civil society than state media. In 2016, some state-owned media institutions

perpetuated suspicions of CSOs as “meddling in domestic affairs.” For example, *The Island* carried unverified reportage in April 2016 with allegations that Norwegian People’s Aid donated heavy vehicles, electricity generators, and other equipment to the separatist group Liberation Tigers of Tamil Eelam during the civil war.

Despite increased media freedom, according to CSO experts, certain sections of the public continue to be suspicious of rights-based CSOs. In the south, for example, CSOs are often perceived as being “foreign-backed” and promoting “Western agendas.” Communities in the north and east view CSOs more favorably as advancing issues of interest to minorities such as transitional justice and power-sharing. Service-providing CSOs are also viewed positively by the local communities they serve.



The government perceives CSOs positively, particularly when CSOs assist in government policy making, such as the adoption of the RTI Act. However, the government also perceives CSOs as a hindrance to national security and military interests. At an armed forces ceremony in October 2016, President Sirisena—while reiterating his confidence in the military and commitment to national security—criticized certain CSOs as being “traitorous” and said he refused to compromise on national security in order to “please” CSOs. His comment targeted CSOs that criticized the military and the state occupation of land in the north and east. The president also heavily criticized CSOs for “questioning” the government during the World RTI Day event in September 2016.

Businesses still do not perceive CSOs as sources of expertise or credible information or partners to advocate for private sector interests. However, businesses view certain service-providing CSOs as potential partners in CSR initiatives.

While some CSOs publicize their activities, they typically do not actively promote their public image, a vestige of the oppressive environment under the former Rajapaksa government. Rights-based CSOs have developed relationships with investigative journalists to encourage positive coverage of their activities. Some CSOs utilize social media for public outreach, although viewership across the country is limited. Communities outside the Western Province and those in rural areas have significantly less access to social media than communities in urban areas.

CSOs do not have formal codes of ethics. Only larger and more visible CSOs, such as EFL and Centre for Policy Alternatives, publish annual reports.