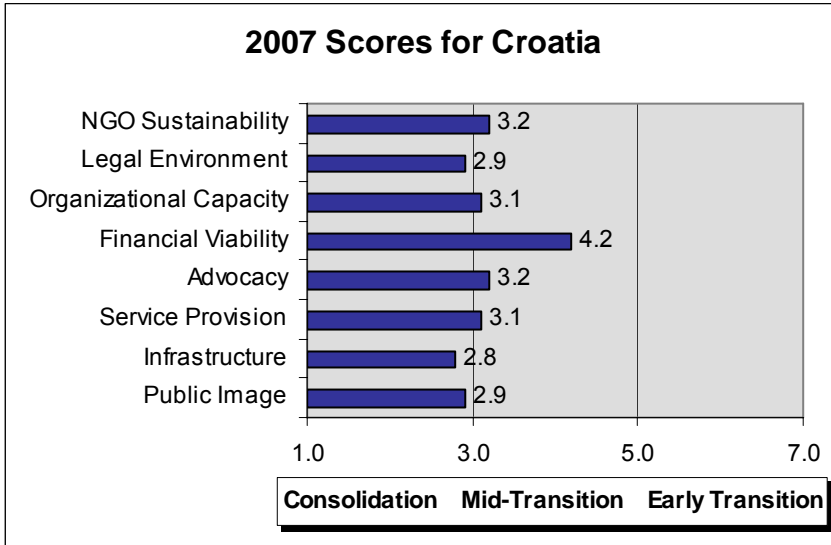


CROATIA



Capital: Zagreb

Polity: Parliamentary Democracy

Population: 4,491,543 (July 2008 est.)

GDP per capita (PPP): \$15,500 (2007 est.)

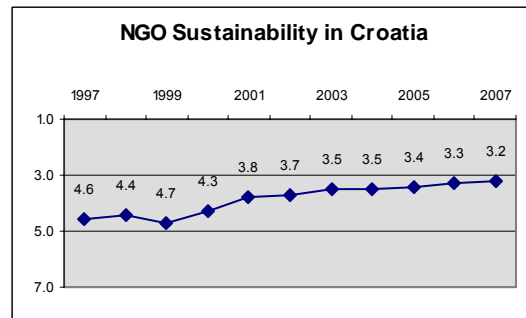
NGO SUSTAINABILITY: 3.2

The Croatian NGO sector continued to grow and develop in 2007. There are currently more than 33,500 associations and 116 foundations registered in Croatia.

2007 witnessed notable improvements to the legal framework, including the adoption of the operational plan for the civil society strategy, the Code of Good Practices in Public Financing of NGOs, and the Law on Volunteerism. The sector also benefited from greater levels of activity and effectiveness of the country’s three pillars of civil society – the Government Office for Cooperation with NGOs (UzU), the National Council for Civil Society Development, and the National Foundation for Civil Society Development (NFCSD) – including their work to implement the operational plan for the civil society strategy. The sectoral infrastructure continued to improve on a regional level as well.

NGOs are investing more actively in their organizational capacities and quality of services. Additionally, a number of NGO networks are developing, especially in less developed regions where the sector has traditionally been weaker. Larger NGOs continue to be successful in advocating for various issues, including prevention of corruption, decentralization in

political processes, pro-bono legal assistance, education, and environmental protection.



While the number of foreign donors has decreased, domestic funding to NGOs is significant and growing, including support from the NFCSD, ministries, and other national or local government bodies. Decreased foreign funding has also motivated several NGOs to explore self-financing activities and other social contracting mechanisms. Some experienced and stronger NGOs have been promoting local philanthropy, and two new regional/community foundations have been established recently. Corporate philanthropy also continued to expand, most notably through the establishment of the largest corporate foundation in the region

– the Adris Foundation – by the country’s biggest tobacco company.

The public image of Croatian NGOs has continued to improve, and their presence has become quite regular on national TV, radio, and

print media. Additionally, many NGOs now regularly inform the public about their work through public events and campaigns, press conferences, web sites, reports and other publications.

LEGAL ENVIRONMENT: 2.9

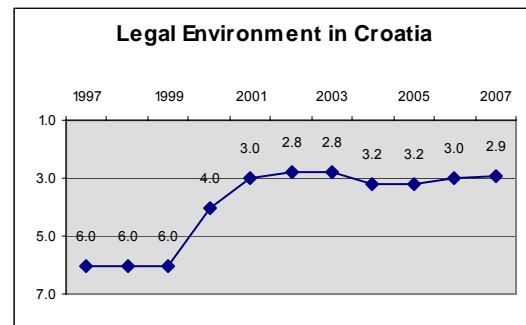
In 2007, there were significant improvements to the legal framework, including the adoption of the Code of Good Practices in Public Financing of NGOs, the Law on Volunteerism, and the operational plan for the civil society strategy. These measures will improve the openness and transparency of government grantmaking programs, legally recognize and promote volunteerism, and further improve the legal, institutional and financial framework for civil society.

The current Law on Associations continues to be progressive and liberal. Just three people are needed to register an NGO, and basic information about the registration process, as well as an electronic registry, is available on the government’s web site. NGOs have autonomy and existing laws preclude unwanted state control, although there is always the possibility of the state using other legal mechanisms, such as audits by the tax police, to pressure NGOs. However, direct interference of the State in dissolving NGOs for political or arbitrary reasons is a thing of the past. On the contrary, NGOs often publicly criticize the government with no repercussions.

The existing Law on Funds and Foundations continues to be quite restrictive, making it complex to register a foundation as it requires three governmental approvals. Efforts to change the existing law, including the development of a new draft, have been unsuccessful to date due to competing government priorities.

The number of lawyers specialized in NGO legal issues continues to be small, although several of these actively participate in NGO legal initiatives. There is also some solidarity among NGOs, with larger NGOs providing legal advice to smaller ones. UzU and the National Council for Civil Society Development have been the

most active players in promoting legal reforms, especially related to the NGO-government consultation processes and public benefit status.



Lack of uniformity in the Croatian NGO tax system highlights the need to better define and regulate public benefit status, a current priority for the sector. Humanitarian organizations, political parties, trade unions and chambers, religious communities, and medical and cultural institutions created under separate laws are exempt from the 22 percent VAT, while advocacy, watchdog, and human rights and peace organizations are not. An NGO is exempt from paying taxes on grants and donations received as long as the funds are used to further the organization’s nonprofit activities. Corporations and individuals are able to deduct up to two percent of their incomes for donations to organizations with cultural, scientific, educational, health, humanitarian, sport, religious, and other activities. Unfortunately this tax incentive is complex and little known, so it is rarely used.

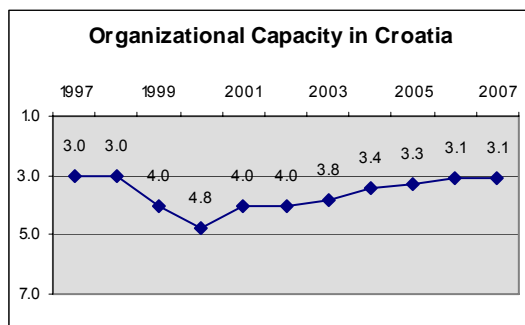
The current Law on Associations enables NGOs to engage in economic activities, although this area is not precisely defined. Under the current Tax Code, NGOs are exempt from paying taxes on income earned from economic activities up to 85,000 Kuna. However, if an organization’s economic activity is found to give it an unfair

market advantage, it may be required to pay the 20 percent income tax like a for-profit business. NGOs are permitted by law to compete for government contracts and procurement

opportunities at the central and local levels, an opportunity used primarily by social services NGOs.

ORGANIZATIONAL CAPACITY: 3.1

NGOs continue to improve their organizational capacities through investments in training and technical assistance supported by NFSCD or other donors. Consequently many of them have improved their professional skills and governance, and now better meet the NGO quality standards established by the NGO Quality Assurance System (called SOKNO), which NGO leaders modeled after a system in the United Kingdom. During the past year, over fifty NGOs, both large and small, continued to implement SOKNO with the assistance of certified trainers.



According to the Law on Associations, NGOs must have management and supervisory structures with a clear division of roles and responsibilities. In most NGOs, the role of supervisory or managing boards is not strong and they do not challenge NGO leadership to improve operations and capacity. A recent study conducted by NFSCD shows that in most NGOs (81 percent) members of the supervisory boards are not employees, but in three-quarters of organizations (primarily smaller organizations) board members act as consultants or external

project managers. An initiative to develop and promote guidance on NGO governance issues is ongoing.

The NFSCD research confirmed that almost 91 percent of NGOs have clear missions and that 61 percent have strategic plans, one-third of which are for one year periods and the remainder of which are for periods of two to five years. Although strategic plans were once developed in response to foreign donors' pressure, nowadays many NGO leaders see the value of strategic plans and strive to implement and monitor them. In accordance with their strategic plans, more NGOs are also trying to improve relationships with their beneficiaries and constituents by conducting needs assessments and developing programs that better correspond to constituent needs.

53 percent of NGOs operating throughout Croatia do not have any employees, 41 percent have between one and ten employees, and approximately five percent have more than 10 employees. Approximately one-third of NGOs have ten or fewer volunteers, while roughly 40 percent use the services of 11 to 50 volunteers. Four active volunteer centers in the largest Croatian cities continue to promote volunteerism, which is also encouraged by the recent adoption of the Law on Volunteerism.

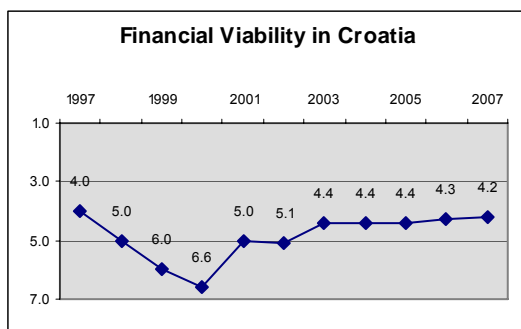
Almost two-thirds of NGOs have basic equipment, including computer, fax and Internet access; larger NGOs have more developed and sophisticated equipment.

FINANCIAL VIABILITY: 4.2

Financial viability continues to be the weakest aspect of NGO sustainability in Croatia. However, domestic support is growing rapidly and Croatian NGOs receive significant support

from local and national government and other domestic sources, such as lottery funds. The NFSCD continues to be the leading domestic donor, awarding approximately \$4.5 million in

lottery funds in 2007 alone. Of this amount, almost \$2 million went to institutional support grants to 59 NGOs. The Foundation has also started to decentralize their funding, subcontracting three local foundations to manage grants programs in their specific regions. Additionally, various ministries and government offices implement grant programs. In 2006, the six leading ministries provided over \$50 million in grants to NGOs active in the areas of sports, culture, education, health, disabilities, gender, elderly and veterans. While public funding is significant, these grant programs sometimes lack clear priorities and grantmaking procedures and tend to support a large number of NGOs with small amounts of funding.



While domestic support to civil society continues to increase, foreign funding has been decreasing. According to the NFCSD research, government, including ministries, local governments and other local donor organizations such as NFCSD, is the primary source of funding for close to 75 percent of organizations,

ADVOCACY: 3.2

Cooperation between NGOs and national or local governments continues to improve, particularly through the participation of NGOs in various bodies. In addition to the Council for Civil Society Development, NGO representatives regularly participate in parliamentary committees on human rights, prevention of corruption, security, environmental protection, minorities, youth and other issues, and a few NGO representatives are members of the Croatian TV Council. In spite of an initial crisis caused by the government's investigation of some of the elected NGO

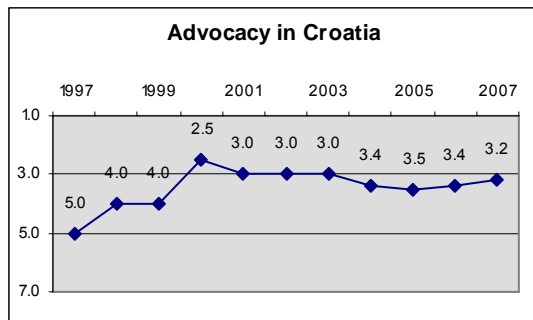
while only 8.4 percent of organizations consider foreign donors to be their primary source of support. NGOs are also making strides in diversifying their funding. 38 percent of NGOs receive funding from four or more sources, 49 percent from two or three sources, and only 13 percent from just one donor, primarily local governments. Income from philanthropic contributions remains small, although two new community foundations were established in the past year by leading NGOs.

At the time of the research, 54 percent of NGOs had secured funding for the short-term future, while 43 percent had not. Despite decreased foreign funding levels, budgets have increased over the past three years for almost 53 percent of organizations, while 30 percent have remained at the same level. Over 66 percent of NGOs regularly publish financial reports, and many of them employ accountants or the services of outside financial experts in order to improve their financial management practices and transparency. Only approximately six percent of NGOs receive some income from membership fees, and 11 percent from contract-based services provision, indicating that Croatian NGOs will need to further explore improvements in these areas. Smaller and medium-sized NGOs will also need to improve their capacities to receive and absorb EU funds. Corporate donations are becoming more significant, and over ten companies now issue annual calls for proposals, which are often focused on children, youth, culture and sports.

members of the Council, the Council and UzU now cooperate effectively. Together, they are actively recommending policy changes and implementing the civil society strategy, with an emphasis on the NGO-government consultation process, NGO public benefit status, and the Law on Foundations.

More NGOs are now aware of the legal framework's weaknesses, but only a small number of them actively advocates for changes. For example, the Law on Volunteerism was developed jointly by the government and a small

group of NGO representatives, which is becoming a common practice.



On the local level, several larger cities have established local civil society councils or similar committees, including the City of Split, which finally signed a charter on NGO-government cooperation in 2007 after a change in the city's leadership. Interest in working on joint EU-funded CARDS projects has also expanded cooperation between local government and NGOs.

Larger and well-developed advocacy NGOs are effective advocates for the public interest, especially when they are organized around formal or informal coalitions. For example, as a

result of pressure by an informal NGO coalition, a draft law on free legal assistance was rejected and sent back for further improvements. Other advocacy successes during the year included efforts related to the Law on Financing Political Parties, the Law on Environmental Protection, youth policies, the Law on Foreigners and Asylum Seekers, and the Law on Data Secrecy.

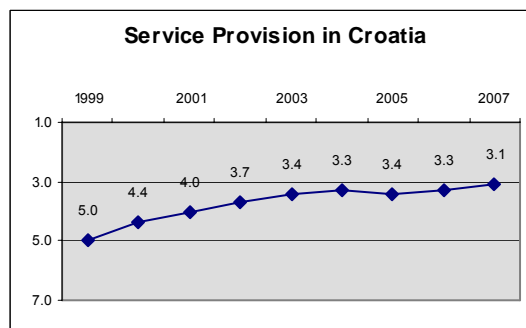
One of the most visible local advocacy campaigns was "Right to the City," organized by a coalition of NGOs, experts and artists. By collecting more than 50,000 signatures and attracting significant media attention, this initiative successfully pressured the City of Zagreb to revise plans to build a new shopping center and garage in the city center. The coalition also drew attention to how public funds are spent and changes are made to the city's urban plan.

To improve NGO advocacy efforts further, changes are needed to the law on public order and peace, which imposes restrictions on organizing public protests near Parliament.

SERVICE PROVISION: 3.1

The previously-mentioned NFCSD research confirms that Croatian NGOs have fairly diversified "product lines." Almost three-quarters of them provide training and various forms of informal education, while a smaller number of NGOs are specialized in other areas such as humanitarian assistance, health, sport, environmental protection, human and minority rights, drug addiction, unemployment, elderly, media, economic development, governance and mediation. Almost 40 percent of NGOs provide services to broader groups of citizens, while 16 percent focus on specific groups such as the disabled, children, youth, and women. A significant number of NGOs implement their programs in local communities. NGOs are implementing more research, analysis, and publishing projects, and are marketing the products to various parties, including academics,

other NGOs, and even the public and corporate sectors.

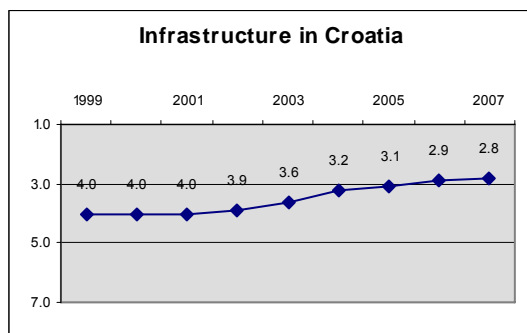


The number of NGOs that actively recover costs for the services they provide is still relatively low, with only six percent of NGOs using self-financing activities as their primary source of funding. However, with the departure of foreign donors, NGOs have become more interested in self-financing, and several publications were

recently printed to assist interested NGOs in developing such activities. Training organizations continue to be the most successful in terms of cost recovery.

INFRASTRUCTURE: 2.8

During the past year, NGO support services were improved or expanded as a result of a new support program implemented in five main Croatian regions, and a new NGO center was established in the small town of Drnis. Support services provided to NGOs include various types of training, technical assistance, clearing-house services, and networking.



The strongest grantmaking organization is the National Foundation for Civil Society Development. The Istrian Foundation for Civil Society Development and three newly established community foundations are also actively raising funds and distributing grants for smaller NGO projects. The NFCSD also supports capacity development of these smaller foundations.

Croatia has a group of qualified NGO management trainers operating independently or within specialized training organizations or other NGOs. Trainers have created several professional organizations to promote their

PUBLIC IMAGE: 2.9

The public image of NGOs continues to improve gradually, as a result of NGOs' increasing efforts to inform the public about their role in society and advocacy efforts. According to a recent Corruption Barometer conducted by Transparency International, NGOs and religious

Social contracting is primarily an option for social services NGOs, with a large number of such contracts on a local or national level for services to the elderly, victims of domestic violence, disabled, and homeless.

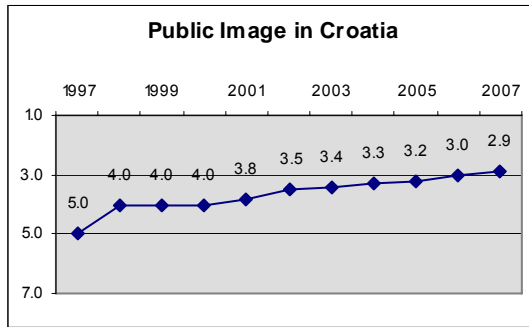
profession, including the Trainers Forum and the Association of Management Consultants. During the last few years, numerous books on NGO management issues were published.

NGOs recognize that cooperation with their peers is beneficial and have created over 50 networks. Almost 90 percent of Croatian NGOs have some cooperation with other NGOs, and 64 percent of them participate in various formal or informal networks. Almost 70 percent of NGOs are satisfied with levels of cooperation, while only five percent are unsatisfied.

Cooperation between government and NGOs is now common at both the national and local levels, although the level of cooperation and partnership depends largely on the openness and understanding of the NGO sector by the relevant government officials. Partnership between NGOs and the business sector is less common, although some good models are developing in the larger cities. According to the NFCSD research, approximately 64 percent of NGOs report some cooperation with the for-profit sector. Interestingly, this is generally the result of initiatives by the for-profit sector and not of NGOs, due to the increasing number of companies that want to improve their social responsibility practices. With the growing interest in corporate social responsibility, several NGOs actively promote NGO-business sector cooperation, and businesses are seeking NGO assistance in developing their philanthropic activities and grantmaking programs.

bodies were perceived as the least corrupt in society. This is somewhat contradicted by recent NFCSD research, which shows that 63 percent of respondents have a positive opinion about NGOs operating in their region, while only 36 percent of respondents view the NGO sector as a

whole positively. According to a public poll conducted by the Ivo Pilar Institute in May 2007, 71.5 percent of citizens responded that NGO work is either “extremely useful” or “somehow useful” for society, indicating that nearly three-quarters of the population have generally positive attitudes towards NGOs.



It is common practice for known NGO leaders to be invited to discuss important social, political or economic issues in TV or radio programs. Media coverage of NGO activities is mostly positive, although scandals are also covered sometimes. Local media tends to be more open to reporting on NGO activities than national media.

Cooperation with national and local government continues to improve, as NGOs leaders are recognized as experts and specialists on specific issues. As mentioned previously, a number of NGO representatives participate in joint government or parliamentary committees, or in joint civil society councils established at the national and local levels.

Approximately 28 percent of NGOs have a person responsible for PR activities, and 48 percent of NGOs have developed a PR strategy. Many NGOs are improving their PR capacities through various training programs. Larger NGOs have developed close relationships with journalists and work hard to maintain those relationships.

Many NGOs promote their transparency and openness through web sites, annual reports, and various public events. Two NGO portals – ZamirZine and H-alter – also promote various NGO issues and activities. While prospects for future developments in this area are good, there is still a need for training of journalists about NGOs and NGO activists about PR activities.