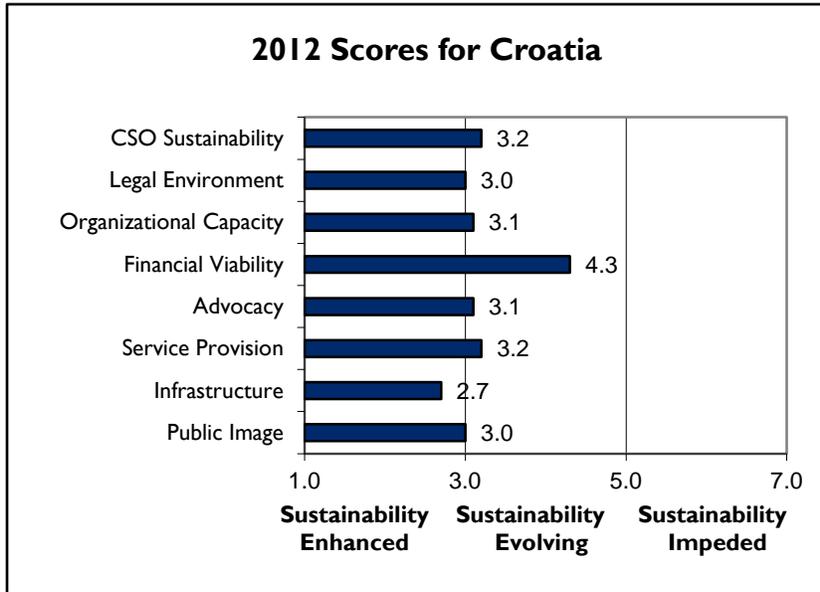


CROATIA



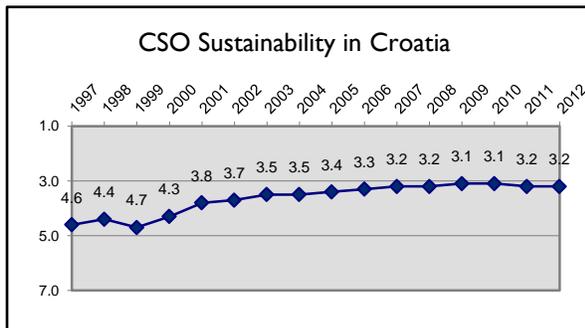
Capitol: Zagreb

Population: 4,475,611

GDP per capita (PPP): \$18,100

Human Development Index: 47

CSO SUSTAINABILITY: 3.2



The ongoing global economic crisis has affected all dimensions of CSO sustainability in Croatia. While CSOs are dedicated to their work, progress is limited by high unemployment and a stagnating economy. National and local budgets dedicate fewer financial resources to CSO work. Corruption also continues to be a major issue in the country and court cases against high level corruption, including those against former Prime Minister Ivo Sanader, are ongoing.

On January 22, 2012, the country held a referendum on Croatia’s membership to the European Union, in which 66.25 percent of voters were in favor of accession; Croatia will join the EU on July 1, 2013.

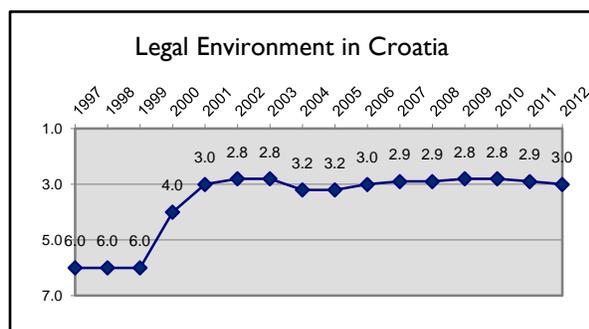
Developed organizations tend to be based in urban areas, typically major cities that also serve as county centers. Developed CSOs employ staff and have significant financial and organizational capacities. They cooperate with other sectors and participate in the creation of laws and policies, while their services and products are known throughout the country. On the other hand, organizations from smaller cities and rural areas are facing decreasing support from municipal budgets, and are not recognized as partners in public policy processes at the local level.

According to official records, there are 47,368 associations, 191 foundations, and 12 funds



registered in Croatia. Sports organizations account for 35 percent of all associations, followed by cultural organizations (15 percent) and economic organizations (10 percent). CSOs must register with the Ministry of Finance in order to access state funding at both the local and national levels. Approximately 21,500 CSOs are included in the Register of Non-Profit Organizations managed by the Ministry of Finance, which may present a more realistic picture of the number of active organizations in the sector.

LEGAL ENVIRONMENT: 3.0



The 2001 Law on Associations provides a simple and quick registration process for CSOs that can generally be completed in one month. However, officials frequently require changes in CSO statutes and impose additional conditions for registration. Online registration is still not available for CSOs. People who are deemed to have partial legal competence are legally prevented from serving on administrative bodies within associations, despite court decisions that confirm their ability to manage such work.

The 1995 Law on Foundations and Funds (amended in 2001) prescribes a complicated registration procedure and contains several unclear legal provisions regarding the definition, registration, and basic assets of foundations. As a result, there are few foundations in Croatia. Despite several efforts over the past decade, there is still no serious intent to introduce changes to the law.

The Code on Consultations with the Interested Public in Procedures of Adopting Laws, Other Regulations, and Acts defines and recommends ways for the government to involve interested parties in the consultation process. In October 2012, the government introduced a special provision requiring central state administration bodies to submit reports on the public consultations they conduct.

CSO income is exempt from taxation. In addition, humanitarian organizations are exempt from VAT on purchases made for humanitarian purposes and all organizations, regardless of their area of activity, are exempt from paying VAT when using EU funds. Individuals and legal entities can reduce their taxable incomes up to 2 percent by making financial or in-kind donations to associations for cultural, scientific, educational, health, humanitarian, sports, religious, and other purposes. However, this benefit is rarely used, both because the benefits are not widely known and because the process for claiming tax relief is very complicated. As a result, some citizens make donations to humanitarian campaigns without reporting them on their tax returns.

Although CSOs can earn income, they must pay VAT if the value of goods and services sold is greater than \$14,620 a year. Changes to the Law on Commerce in 2008 and 2011 restrict CSOs' abilities to earn revenue. CSOs are now only allowed to sell their own products at stalls, outdoor marketplaces, and other similar locations. In addition, CSOs cannot export their products or sell their products wholesale.

The public procurement system still does not systematically recognize CSOs as service providers. Instead of contracts, the state and local administrations provide grants to CSO for services that the government is obliged to provide.

Associations provide legal advice and assist other organizations with registration and other legal issues. The Government Office for Cooperation with NGOs provides information to all interested parties on the procedures for establishing and registering associations, economic activities, property matters, accounting, and tax liabilities, and other legal issues.

ORGANIZATIONAL CAPACITY: 3.1

A few highly developed organizations are active in major cities and richer counties, while many less developed organizations are active at the community level. Most developed organizations have strategic plans and sound management structures in place, and publish annual financial and program reports. Less developed organizations, on the other hand, do not have sufficient human or financial resources or clearly defined internal management structures. Most organizations have defined missions. Over the past few years, an increasing number of smaller CSOs are recognizing the importance of strategic planning and working to create their own strategic plans. Some organizations continue to change their strategic plans in order to apply for available grant programs.



Associations are still unable to mobilize citizens or generate strong support among the public. Citizens are most likely to participate in individual humanitarian actions or civil initiatives, as opposed to more sustained activism or support for CSO work. Advocacy organizations rarely focus on increasing the number of their members.

CSOs in Croatia are not legally required to separate management and executive functions and management board members routinely work on individual projects or programs. Smaller CSOs generally do not have defined management structures. Many associations do not have any employed staff, which means that management board members implement all activities.

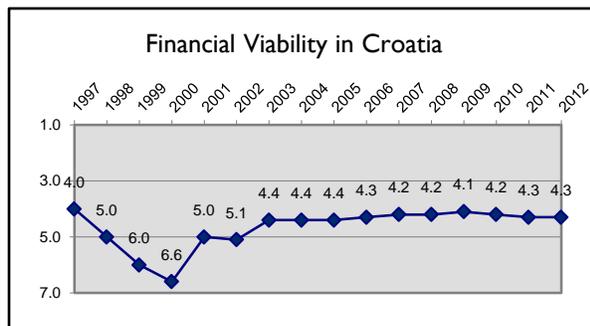
The National Foundation for Civil Society Development (NFCSD) conducted a survey of CSOs that received grants from the national budget and lottery funds in 2010; the survey was conducted in 2011 and published in 2012. According to this study, CSOs face a number of challenges with respect to human resources, including the involvement of volunteers in organizational work; staff employment and retention; insufficient staff experience; and lack of motivation. CSOs do not generally have human resources management systems. Only half of the organizations that responded to the survey employ staff; this percentage would be much smaller if the total number of registered CSOs were taken into account. Some organizations have been able to attract skilled human resources through EU-funded projects. However, these staff members are hired on a contract basis for the duration of given projects. While developed organizations employ permanent staff, the number of such employees is low and salaries fluctuate depending on available funding.

Most CSOs engage volunteers as needed. Larger organizations tend to rely on volunteer work to a higher extent. Volunteers are more motivated to work for well-known organizations. The typical volunteer is a student interested in gaining knowledge and skills, meeting new people, and hoping to find employment more easily upon completion of his or her studies. The Croatian Volunteer Centers Network consists of four regional volunteer centers with headquarters in Osijek, Split, Rijeka, and Zagreb. The state has adopted laws that are supportive of volunteering, and has even established a state award for volunteering.

CSOs utilize bookkeeping and accounting services, as well as consulting and training for employees, particularly in writing project proposals and reporting on projects financed by the EU.

The majority of CSOs possess adequate office equipment, including phones, cell phones, computers, and printers. Most associations rent office space, while some are given space by city authorities, which they may share with other organizations.

FINANCIAL VIABILITY: 4.3



The economic crisis has had a serious impact on the financial sustainability of CSOs. Both private and public financing continues to decrease. In 2012, a number of organizations lost stable financing that they had in the past, such as contracts with ministries. If CSOs receive financial support from city or municipal budgets at all, it is often disbursed with considerable delay.

CSOs have access to funding from the EU, foreign foundations, embassies, and other international

organizations. Few organizations have the knowledge and skills required to prepare projects for EU funding. However, CSOs are increasingly positioning themselves for EU funds by joining forces with bigger organizations that fulfill all tender conditions. CSOs also have problems meeting the EU requirement for co-financing from local government budgets for partnership agreements.

CSOs receive funds from cities, municipalities, and the state. State administration bodies and government offices are obliged to deliver comprehensive information to the Council for Civil Society Development on their funding of CSOs during the previous budgetary year. According to the most recent data available, a total of 5,258 CSO projects received \$96.2 million from national public sources in 2011, including the state budget (42.8 percent), lottery income (55.6 percent), environmental protection fees (0.06 percent), and non-financial support (1.5 percent). According to the same report, CSOs received \$68.9 million from regional/county budgets, \$89.3 million from cities' budgets, and \$35 million from municipalities' budgets. Just 7.9 percent of these funds supported CSOs working in the areas of democratization, civil society development and volunteerism, strengthening social cohesion, and philanthropy.

In 2012, the Council played a significant role in establishing an interdepartmental committee to coordinate the funding policies for CSO projects from the state budget. As a result, there is now an annual plan of competitions, calls, and other public funding programs for CSOs in 2013.

NFCSD distributed \$4.3 million in 2011 from lottery revenues, down from \$4.5 million in 2010 and \$5.25 million in 2009. Some of these funds are distributed through regional foundations in support of small local initiatives.

Local governments are increasing their funding criteria in order to redirect funds to a smaller number of organizations. In addition, it is increasingly common for local government funds to be paid out only at the end of the year, when projects should already be completed. Social contracting mechanisms have still not been developed. Instead, CSOs receive limited grant funds to provide social services, which hinders the continuity of such services.

While CSOs are gradually turning towards the business sector to diversify their funding, local philanthropy remains underdeveloped. A few major companies distribute funds via open tenders, in order to promote their corporate images. According to data from the Office for Cooperation with NGOs, only six companies published tenders in 2012, four of which provided financial support and two of which provided services and sponsorship. For the first time in ten years, Holcim, a cement company, announced that it was unable to provide financial support to CSOs in 2012 as a result of business losses. Local philanthropy is most visible in the form of humanitarian concerts or campaigns, in particular those aimed at meeting the needs of children.

The use of various web platforms for collecting funds from individuals and legal entities grew during the year. Doniratica, the first crowdfunding platform for CSOs in Croatia, was launched in fall 2012. The NFCSD also launched an online donation platform in mid-2012 that provides access to global donations as well.

CSOs collect membership fees, although these are often symbolic.

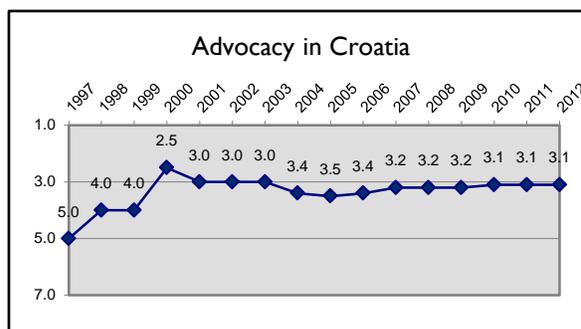
Well-developed organizations have ensured their short-term financial sustainability, but most CSOs still depend on project funding, which is typically limited to one or two years.

CSOs continue to face significant problems complying with the 2009 Ordinance on Accounting of Non-Profit Organizations, according to which all CSOs must maintain double-entry bookkeeping/accounting for their first three years of operations, regardless of their income. Specialized bookkeeping services for nonprofits are still rare, and generally located in Zagreb. A small number of organizations share their annual financial and program reports with the wider public. CSOs only undergo independent financial audits when required by donors.

ADVOCACY: 3.1

CSOs in Croatia are active advocates of social change. Through their initiatives, networks, and bodies, CSOs influence key issues at the national and local levels. Associations play an important and visible role in processes aimed at fighting corruption, environmental protection, and protection of the rights of women and children who are victims of domestic violence.

Approximately 800 civil society representatives participate in various advisory bodies within governmental institutions and ministries. However, these advisory bodies have limited influence. Croatia also started an initiative in 2012 to ensure the participation of CSO representatives in the work of parliamentary committees. The Council for Civil Society Development, which has twenty-seven members from the government and civil society, acts as an advisory body to the government, promoting cooperation between the government and CSOs.



Cooperation between CSOs and the government is stronger at the national level than at the local level. CSOs continue to sign declarations, agreements, and charters of cooperation with cities; however, the obligations of the signatories are frequently not clearly defined. Local Youth Councils are actively involved in the decision making processes of city authorities.

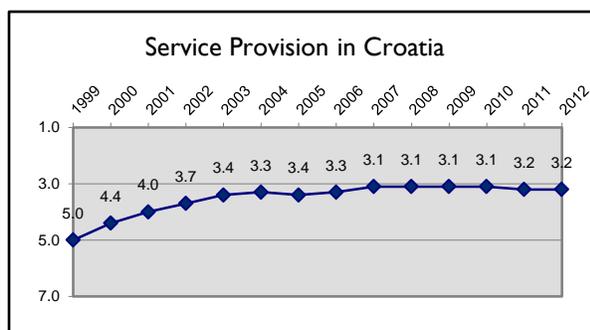
Civil society advocacy networks are very active. Platform 112 for Good Governance in Croatia was founded by fifty-four prominent CSOs in 2011 to monitor human rights and the rule of law in the context of the country's negotiations with the EU. Platform 112 is currently very active in lobbying for changes and amendments to the Law on Voter Register.

CSOs working in the sphere of environmental protection are the most successful at mobilizing citizens. For example, in a one-day effort on Earth Day 2012, environmental CSOs mobilized 41,558 volunteers and 161 local governments to clean up 3,746 tons of waste. In 2012, trade unions of public and state servants organized a number of protests, strikes, and public actions against new Collective Agreements that reduced civil servants' rights. Some trade unions have signed the new agreement, while the rights of others remain undefined.

CSOs also use other methods of advocacy. For example, Green Action and Green Istria filed charges against the Ministry of Environment and Nature for issuing environmental permits for the thermal power plant Plomin C. The lawsuit requested a postponement of construction until the court issues its final judgment.

Most CSOs are not acquainted with the concept of lobbying as there is no register of lobbyists or legal framework for lobbying in Croatia. A draft Law on Lobbying is being prepared. In some segments of society, particularly at the local level, lobbying is perceived as a form of corruption or a tool of powerful players.

SERVICE PROVISION: 3.2



In order for the civil sector to be on more equal footing with state institutions as a provider of services, a systematic financing mechanism needs to be developed. Currently, financing for services that the state is obligated to provide is still supplied on a project basis. As a result, the continuity of these services is endangered, and CSOs lack funds to plan the long-term development of services and ensure their quality. Furthermore, the state provides no evaluation or monitoring of the provided services.

CSOs generally provide services that the state and private sectors do not want to, are unable to, or do not know how to provide, including informal education, drug abuse prevention, environmental protection, civic engagement, volunteer promotion, and other humanitarian actions. Citizens increasingly recognize the role of CSOs in providing such services.

A system of licensing is currently being developed in accordance with the Law on Social Care. Once licensed, natural persons and legal entities will be able to provide services via work permits issued by the competent ministries.

The payments collected by CSOs for the services they provide are still limited, and rarely cover the costs of providing the services. The public generally expects CSO services to be free of charge, while membership fees are more acceptable. Many sports associations charge for their services, such as providing fitness equipment or training sessions. In such cases, payment is treated as monthly membership fees.

CSOs are unable or unwilling to offer their products and services to the wider community. Instead, they tend to focus on their members. A few better developed CSOs invest significantly in promoting their activities, inviting the wider community to support and become actively involved in their work, although this remains the exception.

CSO experts are gradually becoming involved in expert analyses and the creation of strategic documents, and are increasingly invited to transfer their knowledge to other sectors, in particular the state and local administrations.

INFRASTRUCTURE: 2.7

The state supports the sector's infrastructure. The Office for Cooperation with NGOs, established in 1998, is tasked with coordinating the work of ministries, central state offices, and administrative organizations at the state and local levels in order to monitor and improve cooperation with the civil sector in Croatia. The Office provides technical, administrative, expert, and financial support to the work of the Council for Civil Society Development, which advises the government and the competent ministries on CSO issues and is responsible for monitoring the implementation of the National Strategy for the Creation of an Enabling Environment for Civil Society Development. As described above, the NFCSD distributes lottery funds for CSO development and four regional foundations disburse decentralized funding from the NFCSD to meet the needs of smaller, community-based organizations.

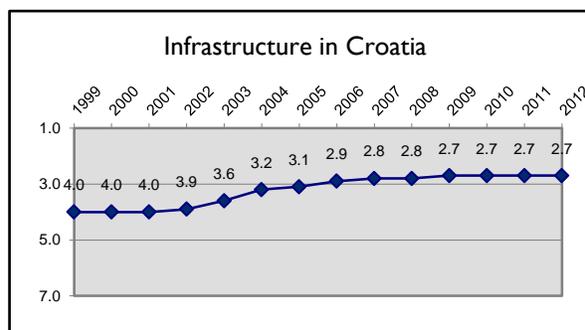
Five regional networks have signed partnership contracts with the NFCSD to implement the Program of Regional Development of Civil Society and Local Communities. These networks provide free educational and consulting support to CSOs at the local and regional levels, with a focus on preparing them to apply for EU funds.

Skilled CSO trainers can be found in major cities. Training fees are relatively expensive, and training events are generally organized in Zagreb, which makes it more expensive for CSOs based outside of the capital. An increasing number of faculties, such as the Faculty of Economics in Zagreb, offer courses and programs in marketing and management of nonprofit organizations. Specialized training on individual areas of CSO work, such as human resource management, non-profit marketing, social marketing, and monitoring and evaluation, is still not available.

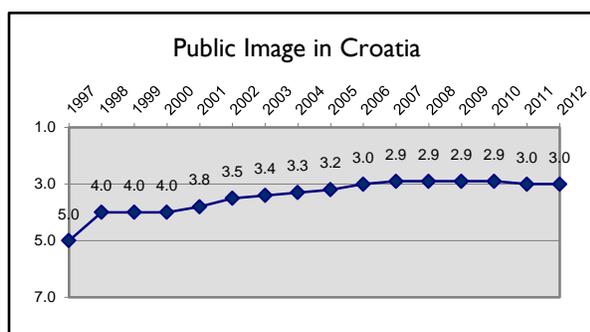
The EU-funded Technical Assistance for Civil Society Organizations (TACSO) Project has been active in Croatia since 2009. The four-year project supports CSOs in eight countries by organizing various training events on topics such as management, financing, citizen inclusion, and EU funds.

CSOs exchange information through both formal and informal networks, such as Platform 112, the Croatian Network for Rural Development (HMRR), and Green Forum. In addition, CSOs use social networks, newsletters, and other Internet-based services to disseminate information, search for potential partners, inform stakeholders about competitions, promote CSO activities, and mobilize citizens.

CSOs work with the national government through the Council for Civil Society Development and various advisory bodies. Examples of good intersectoral partnerships with businesses and media can be found in the organization of special events, such as humanitarian concerts and festivals. Intersectoral partnerships at the local level are rare. A few partnerships have been successful, in particular those promoting employment of less employable groups. However, even in such cases, the partnerships do not generally continue after the completion of funded projects.



PUBLIC IMAGE: 3.0



The public perception of CSOs varies. According to the 2011 CIVICUS Civil Society Index in Croatia and the 2008 European Values Study (EVS), trust in CSOs in Croatia is higher than trust in other institutions. Citizens are most likely to recognize the biggest CSOs and those with the most prominent media profiles. Humanitarian and environmental organizations enjoy the most support among the public, while the public does not sufficiently recognize or support the work of human rights organizations, particularly those focused on sexual minorities.

CSOs receive positive media coverage and are invited to participate in talk shows on issues of public interest. Local media increasingly cover the activities of local CSOs. However, the national public broadcaster only provides space for CSOs and their activities in the time slots with the lowest viewership.

Visibility and public perception of CSO activities in Croatia has improved. According to the results of a survey conducted by the Institute Ivo Pilar in 2012 at the request of the TACSO office in Croatia, citizen trust and involvement in CSO work are growing, and CSOs are more visible as stakeholders in the formation

of public policies. According to the survey, 75.7 percent of citizens consider the work of associations to be very useful or somewhat useful for society (up from 71.5 percent in 2007).

Representatives of local and national authorities are beginning to recognize the usefulness of including CSOs in the development of certain decisions and strategies. However, to date, cooperation has been initiated partly due to requests from the EU. Businesses still do not recognize CSOs as equal service providers.

Leading and better developed CSOs publish annual programmatic and financial reports on their websites; some also publish such documents in printed form. CSOs that publish annual reports do so mostly to meet donor requirements. CSOs do not have separate codes of conduct, but instead define ethical matters in their statutes. A small number of organizations apply quality assurance systems or regularly engage external consultants or employed staff to evaluate their activities.