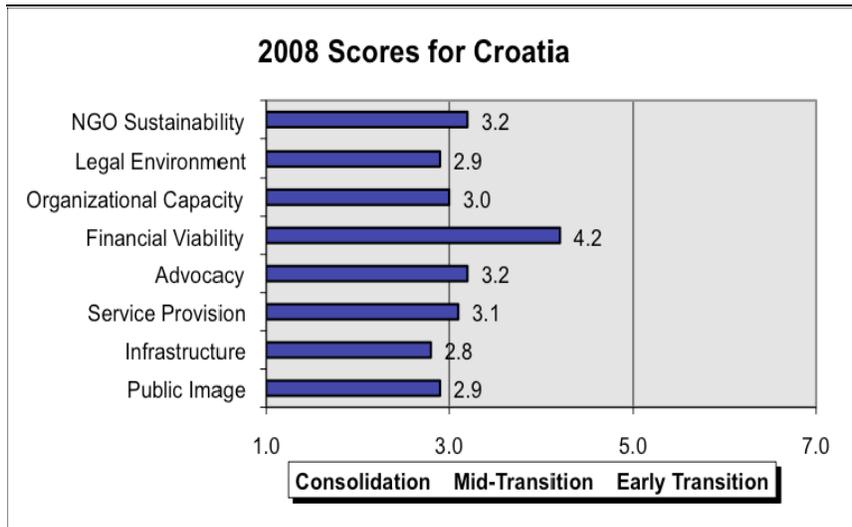


## CROATIA



**Capital:** Zagreb

**Polity:**  
Presidential/Parliamentary  
Democracy

**Population:**  
4,489,409 (July 2009 est.)

**GDP per capita (PPP):**  
\$16,900 (2008 est.)

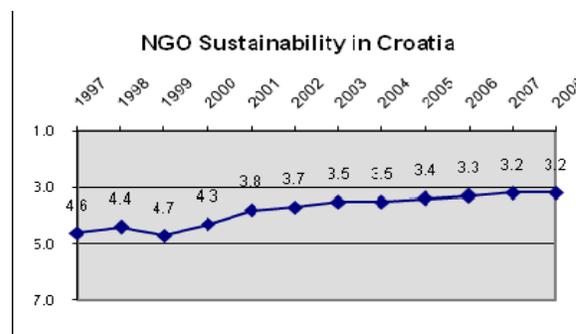
### NGO SUSTAINABILITY: 3.2

Overall, the NGO sector in Croatia continued to take steps forward in 2008. Some improvements occurred in the legal framework. Larger NGOs continued to be successful in advocating for various issues, while smaller NGOs are rarely involved in advocacy activities. A significant number of NGOs implemented programs in local communities.

NGOs continued to actively invest in their organizational capacities and quality of services. The NGO infrastructure continued to improve on all levels. The public image of Croatian NGOs has continued to improve, and they enjoy a regular presence on local and national TV and radio stations, as well as in print media.

The number of foreign donors has decreased, leaving EU pre-accession funds with their demanding procedures as the main source of funding. Domestic funding to NGOs increased but was insufficient to match needs.

The NGO sector continued to benefit from greater levels of activity and effectiveness of the country's three pillars of civil society: the

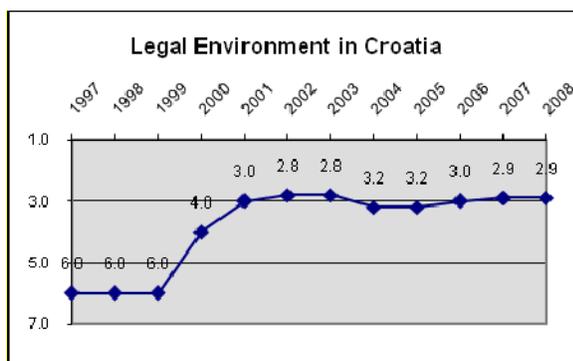


government Office for Cooperation with NGOs, the National Council for Civil Society Development, and the National Foundation for Civil Society Development (NFCSD), which is the strongest grantmaking organization in Croatia. Its support services to NGOs include various types of training, technical assistance, clearinghouse services, and networking. The NFCSD also decentralized its funding, with four regional foundations responsible for managing community grant programs.

In 2008, there were more than 36,200 civil society organizations registered in Croatia, including sports and religious organizations.

## LEGAL ENVIRONMENT: 2.9

While the legal environment in Croatia in terms of NGO development has not yet achieved the status it has in some of the more advanced countries of the region, it is gradually and continuously improving. This is partly due to the process of preparing for EU accession, together with the harmonization of the Croatian legal framework with *acquis communautaire*, the common legal heritage of the European Union.



The new regulation on NGO accountancy regulates the criteria for double-entry bookkeeping procedures. Smaller NGOs with either an overall property value or yearly income under 100,000 Croatian kuna (\$17,900) are exempt from double-entry bookkeeping procedures.

The existing Law on Funds and Foundations makes it complex to register a foundation. Efforts to change the existing law, including the development of a new draft, have been unsuccessful to date due to competing government priorities. The same applies to the Labor Law, which was not yet amended

## ORGANIZATIONAL CAPACITY: 3.0

In 2008, NGOs continued to improve their organizational capacities through training and technical assistance supported by the National Foundation for Civil Society Development and other donors, mainly funded with EU pre-accession funds. Many NGOs improved their professional skills and governance during the past year. NFSCD introduced a regional network

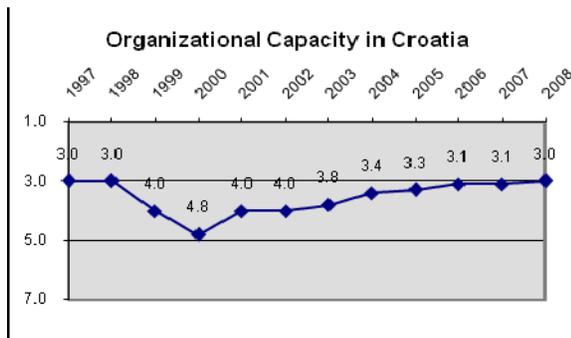
to reflect the Law on Volunteerism adopted last year. The Labor Law does not recognize the volunteer status of formally unemployed people and requires the state to withhold financial support to unemployed people while they are volunteering. The Labor Law is expected to be changed to omit mention of voluntary work, which will be regulated through the Law on Volunteerism.

There is still no law on public benefit organizations nor the criteria needed to define and regulate public benefit status. A complex and little-known tax incentive allows corporations and individuals to deduct up to 2 percent of their income taxes for donations to organizations that conduct cultural, scientific, educational, health, humanitarian, sport, religious, and other activities, but it is rarely used.

Humanitarian organizations, political parties, trade unions, chambers of industry, religious communities, and medical and cultural institutions are exempt from the 22 percent VAT, while advocacy, watchdog, human rights and peace organizations are not. NGOs are exempt from paying taxes on grants and donations as long as the funds are used to further the organization's nonprofit activities. NGOs are only permitted to have income from grants and donations if they establish a company; such income is not exempt from VAT. 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.

for capacity strengthening of civil society organizations (including registered and unregistered organizations and civil initiatives) on the local and regional level. Several Croatian universities introduced courses that focus on NGOs, such as marketing and accounting for not-for-profit organizations. The fact that thirty-six NGOs won contracts through EU pre-

accession funds speaks to the increased organizational capacity of Croatian NGOs.



NGOs continue to implement the NGO Quality Assurance System, SOKNO, to ensure higher quality standards. Croatian NGO leaders developed SOKNO based on a similar system in the United Kingdom. More and more NGOs recognize a strategic plan as vital for their activities. In accordance with their strategic plans, many NGOs are trying to improve

## FINANCIAL VIABILITY: 4.2

Financial viability continues to be the weakest aspect of NGO sustainability in Croatia. Croatian NGOs receive significant support from local and national governments and other domestic sources. Now that the majority of foreign donors have closed their offices in Croatia, the EU pre-accession funds remain the only significant foreign funding source in the country. Smaller and medium-sized NGOs need to improve their capacities to receive and absorb EU funds.

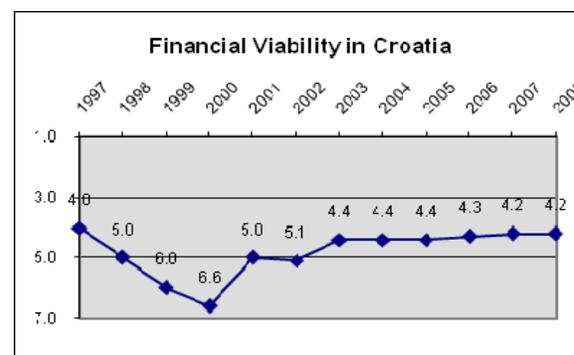
Corporate donations are becoming more significant, and more than ten companies issue annual calls for proposals, which are often focused on children, youth, culture and sports. NFCSD organized the first national donors' conference in October 2008, which may lead to the establishment of a donors' forum. Social entrepreneurship offers a potential funding source, but is not widely practiced.

The NFCSD is the largest donor oriented towards institutional support, allowing NGOs to focus more on their basic activities and

relationships with their beneficiaries and constituents by conducting needs assessments and developing programs that correspond to constituent needs.

NGOs have improved in terms of introducing clear divisions of roles and responsibilities in management and supervisory structures. An initiative to develop and promote guidance on NGO governance resulted in strengthening the roles of supervisory and managing boards, and some began to challenge NGO leadership to improve operations and capacity.

There is a significant migration of professional personnel from the NGO sector to other sectors. The instability of smaller NGOs in terms of financial sustainability leads professional and educated staff to migrate to bigger NGOs that can offer long-term employment.



programs rather than working project to project. The NFCSD has continued to decentralize its funding, signing an agreement with four regional foundations responsible for managing community grants programs in their specific regions. In 2008, the NFCSD supported sixty-five citizens' initiatives with a total of 975,000 kuna (\$174,000) and provided thirty institutional support grants.

In addition, various ministries and government offices implement grant programs from state budget sources. These include Ministry of Health and Social Welfare grants to disabled

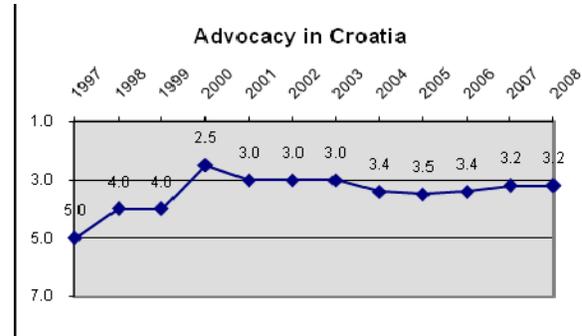
persons' NGOs, Ministry of Culture grants for culture-oriented NGOs, and Ministry of Science,

Education and Sport grants for scientific and professional NGOs.

**ADVOCACY: 3.2**

A growing number of NGOs are becoming aware of the weaknesses in the legal framework, but only a small percentage actively advocates for change. During 2008, a number of initiatives for legal improvements were developed jointly by government and a small group of NGO representatives.

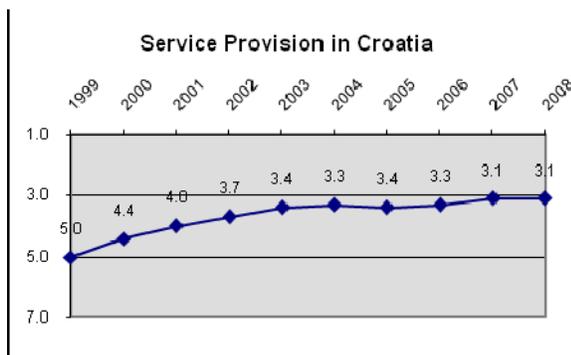
Cooperation between NGOs and national or local governments continues, particularly through NGO participation in various bodies. In addition to participating in the Council for Civil Society Development, NGO representatives regularly participate in parliamentary committees on human rights, prevention of corruption, security, environmental protection, minorities, youth and other issues. Several NGO representatives are members of the Croatian TV Council, the body that regulates the programming of the only national public TV network. The government Office for Cooperation with NGOs and the Council for Civil Society Development organized a final round of public debate with interested stakeholders, particularly NGOs, on draft legislation regarding the role of public consultations in the policymaking process. NGOs are actively recommending policy changes and participating in implementation of the National Strategy for the Creation of an



Enabling Environment for Civil Society Development. Priority issues for the sector include the NGO-government consultation process, NGO public benefit status, and improvements to the Law on Funds and Foundations.

Large and well-developed advocacy NGOs are effective advocates for the public interest, especially when they are organized around formal or informal coalitions, but other NGOs are rarely involved in such activities. Ad hoc groups are emerging more often, however, focusing on different topics ranging from problems in secondary education to anti-corruption initiatives to social policies. For example, an informal group of citizens organized a Facebook-mediated protest on the squares of major Croatian cities against the government’s proposed anti-recession measures.

**SERVICE PROVISION: 3.1**



A significant number of NGOs implement programs in local communities, but the number that actively recovers costs for the services they provide is still relatively low. Few NGOs use self-financing activities, including providing services for fees, as their primary source of funding. With the departure of foreign donors, however, NGOs have become more interested in self-financing. Training organizations continue to be the most successful in terms of cost recovery. Some new networks of service

providers are emerging, focusing on community and rural development, but their activities are still largely project-driven.

Social contracting is primarily an option for social service NGOs. NGOs have been awarded a large number of contracts on the local and national levels for services to the elderly, victims of domestic violence, the disabled, and the homeless. The practice of social contracting

## INFRASTRUCTURE: 2.8

As noted, the strongest grantmaking organization in Croatia is the National Foundation for Civil Society Development, which also provides support services to NGOs. The NFCSD program operates through focal points in four Croatian regions and provides various types of training, networking, technical assistance, and clearinghouse services. Newly established community foundations are active in raising funds and distributing grants for smaller NGO projects. The NFCSD also supports capacity development of these smaller foundations.

The NFCSD Cross-Sectoral Cooperation Programme, implemented through IMPACT–European Centre for Cross-Sectoral Partnership in Zadar, aims to establish the first center of excellence in Southeastern Europe for training on intersectoral cooperation, promoting partnerships between the public, business and nonprofit sectors. The center will support the development of intersectoral cooperation both on the national and regional levels.

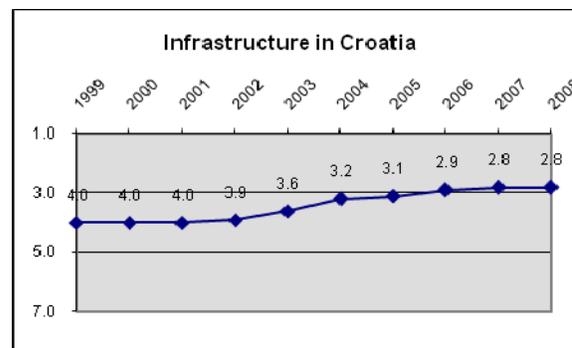
The Office for Cooperation with NGOs greatly improved its coordination of activities in 2008. It launched an implementation plan for the

is among the priorities of the Office for Cooperation with NGOs, which is preparing comprehensive educational seminars on this topic for local and regional authorities.

Specialized NGOs could provide many social services, complementing or matching state efforts, but in many cases local authorities and other relevant stakeholders lack sufficient interest.

National Strategy to Create an Enabling Environment for Civil Society Development and, in December 2008, organized a roundtable discussion about a Croatian presidency of the UN Security Council.

Partnerships between NGOs and the business sector are still rare, although some good models are developing in larger cities, such as participation of business representatives in NGO boards or joint collaboration in various umbrella associations. NGOs are sometimes asked to provide assistance to businesses on their philanthropic activities and grantmaking programs. With growing interest in corporate social responsibility, several NGOs actively promote NGO-business sector cooperation.



## 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 their advocacy efforts. Some NGOs even succeeded in organizing training for political

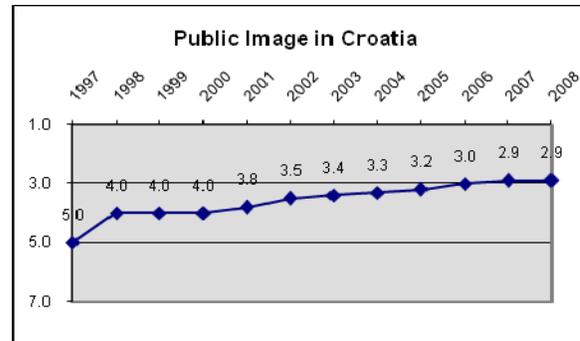
party leaders, introducing them to civil society issues.

NFCSD supported about twenty projects focused on not-for-profit media, broadening the audience for information about NGO activities. These

activities included radio and TV, as well as major Internet portals such as ZamirZine and H-alter.

Cooperation with national and local media continued to improve during the year. NGO leaders continue to participate regularly in TV or radio programs to discuss important social, political or economic issues. The media recognizes NGO leaders as experts and specialists on specific issues. Media coverage of NGO activities is mostly positive, although sometimes criticism prevails. Media outlets' approach to NGOs varies depending on whether the media outlet is oriented toward active citizenship.

While not many NGOs have a person responsible for PR activities, many have developed a PR strategy. Numerous NGOs are



improving their PR capacities through various training programs. Larger NGOs have developed close relationships with journalists and work hard to maintain them.

Many NGOs promote their transparency and openness through websites, annual reports, and public events.