



A Comparative Analysis of Civil Society Foundations and Funds¹

I. Introduction

Governments throughout the world recognize the value of vibrant and sustainable civil societies. For governments, investing in civil society is a sound strategy- an active and sustainable civil society is one way to ensure citizen participation in government decision making and to create partners who are capable of delivering efficient and cost effective social services to the population. To accomplish this goal, many governments have set up institutions whose purpose it is to fund civil society. These institutions take on many different forms, but they all have a common objective- investing in civil society (hereinafter we will refer to them as “civil society funds” or “funds”).

A defining characteristic of most civil society funds is that they provide institutional grants rather than project-based grants. Institutional grants invest in the organizational development of individual organizations, in sector-wide initiatives, and in innovative but unsolicited project ideas. Strong civil society organizations (CSOs), active within a favorable civil society infrastructure, have the capacity to find various sources of funding, implement their charter goals more effectively, and are more sustainable when funding sources decrease.

This memo seeks to provide comparative civil society fund models that can be useful for Ukrainian civil society and government representatives seeking to accomplish similar goals. The civil society funds in Albania, Azerbaijan, Croatia, Estonia, and Hungary are featured. Section one highlights important trends found in the countries. Section two consists of summaries of the fund in each country. In section three, the specific concepts, laws, regulations, and decrees that create and govern the funds are provided.

The funds set up in each country are as follows:

¹ This Analysis was prepared by Eszter Hartay, Legal Advisor at the European Center for Not-for Profit Law with the support of Rebecca Ullman, Legal Advisor at the International Center for Not-for-Profit Law (ICNL) and Katerina Hadzi-Miceva Evans, Executive Director at ECNL. This report and research was possible with the generous support of the Charles Stewart Mott Foundation.



In Albania, the Agency for Support of Civil Society was established to promote the sustainable development of civil society and to create favorable conditions for civil initiatives for the benefit and in the interest of the public.

In Azerbaijan, the Council on State Support to NGOs under the President of the Republic of Azerbaijan (NGO Council) is a body designed to serve as a 'bridge' between CSOs and state bodies, as well as a vehicle to provide financial and technical support to CSOs in Azerbaijan, as well as to help CSOs to champion legislative initiatives.

In Croatia, the National Foundation for Civil Society Development was established to provide a funding framework that ensures development of the civil sector. It is considered the most innovative and successful model. Other countries often reference Croatia's fund and its experiences are used in setting up similar funds.

In Estonia, the National Foundation of Civil Society was established to provide financial support for the development of the civil sector, to solve inter-sectoral problems, to implement the Civil Society Development Concept, and to increase the professional skills and competence of Estonian CSOs.

In Hungary, the National Civil Fund was established to increase government support of CSOs and to support the operations of small organizations which had fewer opportunities to receive grants for project financing. It was replaced in December 2011 by the National Cooperation Fund.

II. Comparative Analysis

In the section below we have highlighted important characteristics and common trends found among the civil society funds featured here.

The funds came to fruition because of the government's recognition of the importance of a sustainable civil society.

Civil society funds, in general, are established when governments recognize the importance of civil society to a stable and democratic state and the lack of sufficient financial resources available for the development of the sector. Beginning in the late 1990s, when foreign funding was significantly reduced and other sources of financing (especially private support and income from economic activity) were still insufficient, governments realized that the financial sustainability of the civil society sector was in jeopardy. As a result, governments established funds to support the development of civil society and build the capacity of CSOs through institutional and program support. By so doing, the governments also strove to enable the CSOs to remain independent in their operations and continue to provide social services, engage citizens in governance and decision



making, and expand into more sustainable entities. The funds are important resources for small organizations, grass-root initiatives and creative projects which have limited financing possibilities.

In Hungary and Estonia, civil society was dependent on project-specific grants and had limited access to institutional funding- their funds were established to bridge this gap. In Azerbaijan, the impetus to develop a funding mechanism for civil society came from Azerbaijan's membership in the Council of Europe and exposure to Western models of CSO-government interaction. The Azerbaijani government also saw provision of funding as a way to minimize the influence of foreign donors over local CSOs. In Croatia, the establishment of the fund was part of a strategic approach which aimed to decentralize the state funding based on common principles. While the ministries and governmental agencies remained responsible for funding CSOs project in their respective field the Foundation started to distribute grants to strengthen the CSOs institutionally and support grass-root initiatives that do not fall within the specific area of any particular ministry.

Besides providing financial sources for the CSOs the funds have an important role in facilitating partnership between the government and the CSOs in order to achieve common goals and contribute to a sustainable civil society.

Development of the fund was a participatory process in which the government sought input from civil society and the population at large.

All the European funds discussed in this memo were the result of highly collaborative processes in which governments engaged broad sections of civil society in all stages of the elaboration of the policy papers and legal regulations that provide the basis for such funds. The involvement of the CSO is important to promote feeling of ownership and wider legitimacy for the establishment of the fund, furthermore, the real needs of the sector may be channeled in and the funding priorities may be identified. Common methodologies for engaging CSOs and the public include, as demonstrated in Estonia, publishing working documents or drafts online, soliciting feedback from interested parties, and holding public hearings and events in which ideas and initial data are presented for comment. Targeted meetings with CSOs, especially those conducted in the regions, help ensure that the process includes input from all stakeholders and not only the major players. It is also a common practice to set up a specific task-force through which CSO representatives are able to participate in the process- as in case of Albania. Although the goal of the process is to create a successful fund, the process itself is just as valuable. It establishes a method for government-CSO collaboration that can serve as precedent when future tasks or issues arise.

While the European funds discussed in this memo were the result of highly collaborative processes, in Azerbaijan, the NGO Council was created by government decree after examining international best practices and conducting comparative research.



The cooperation with the CSOs remains important throughout the whole existence of the funds and contributes to the continuous evaluations, the revision of needs and changing priorities. Based on the feedback of the civil sector the tender documentation may be polished, the procedural difficulties may be eliminated and the priorities may be adjusted to the needs of the CSOs.

Funds are a part of a more general strategy for improving civil society and its relationship with the government and citizens.

Most funds are established as part of a more general strategy for improving civil society and its relationship with the government and citizens. The strategies or concepts papers provide the basis for establishing funds and are usually political documents and/or legislation that are adopted by the government. They outline the overall framework for CSO/government interaction and provide a fund to help facilitate this objective. Frequently, following adoption of strategies/concepts, the government adopts legislation specifically dedicated to establishing the funds, defining their legal status, internal governance structures, and activities. As a rule, both political and legal documents are developed through a participatory process in which the government and civil society work together to draft the final products.

Legal status of civil society funds.

The legal status of funds varies widely but they all enjoy some degree of independence in functioning. Some of the funds are clearly established under public law while others have a mixed feature- founded by a state institution in a legal form under private law. In Azerbaijan, the NGO Council is considered a “specialized agency”, and effectively, is a public law entity established and acting on the basis of a presidential decree. In Albania the Agency is a central budgetary public entity. In Hungary, the National Civil Fund was a central budgetary appropriation which functioned under the auspices of the Ministry of Public Administration and Justice. On the other hand, funds can also be established in the form of a foundation. In Estonia, the Foundation is a “non-profit legal person under private law acting in the public interest,” established by the Minister of Interior Affairs and in Croatia, the National Foundation is a public foundation, registered in the Foundation Registry.

Funds have a democratic governing structure and an independent decision-making procedure.

While most civil society funds receive their core funding from state budget allocations, they are set up to function with varying degrees of independence from the government. For example, in Estonia the Minister of Interior Affairs acted as a founder for the National Foundation. As such, it is responsible for approving and amending the Articles of Association. Beyond this, the Ministry of Interior Affairs does not have any rights to intervene directly in the activities of the Foundation.

The internal governing structure of the featured funds generally compose of a strategic decision-making body, an executive body (executive director) and the staff (“bureau”) supporting the



administration of the funds. The strategic decision-making bodies (supervisory board/management board/Council etc.) are composed of both civil society representatives and government officials. Thus, the government exerts fund oversight through its representatives, but the fund is able to make autonomous decisions in regard to the priorities and the activities of the funds. In addition, securing CSO representatives in the decision making body it is equally important to select all members based on certain professional criteria and ensure that the staff is properly trained.

The grant making procedures are undertaken by permanent bodies or temporary bodies set up for a specific call and experts and CSO representatives are involved in the quality assessment of the applications. When deciding whether to give a particular grant, funds must conduct an open transparent competition in compliance with detailed procedures on advertising the grant, technical and substantive requirements, and specific timelines on when they must notify applicant CSOs.

Sources of income.

It is essentially important to provide sufficient assets for the establishment of the fund and constant and predictable income throughout its operation. Stable income is important because it helps ensure continuous and independent functioning of the body. However, the establishment of the funds shall not result in withdrawal of funds from other state bodies but it should complement the existing state funding sources.

The great majority of the funds are coming from the state budget- for example around 90-95% of the total income comes from the state budget and the games of chance in Croatia. In case of Albania it is expressly stipulated by the law that the state support cannot be smaller than that of the previous year. Another characteristic that helps civil society funds maintain autonomy and independence is the ability to generate income, other than income from the state budget. Other typical sources of income include private donations and income from economic activities. In addition to private donations, the National Foundation in Estonia may receive target-specific allocations to fund specific projects requested by donors. For example, the Foundation contracted with the EMT Corporation to manage charity program resources for CSOs. In Croatia, the Foundation has received funding from foreign donors, including USAID, UNDP, DfID, and the Charles Stuart Mott Foundation. In Hungary, the assets of the terminated foundations and non-profit companies will be transferred to the National Cooperation Fund if their founding statute does not regulate it otherwise. The importance of the alternative resources is striking in Albania where the unspent funds allocated by the state are automatically transferred back to the state treasury at the end of the financial year while other sources can be carried forward by the Agency. The only exemption is Azerbaijan where there is no basis to generate funds from other sources and the NGO Council is entirely financed from the state budget.



Funds for civil society are the key mechanism to provide institutional support, rather than activity-based grants.

Most of the funds have three main functions (1) they provide institutional support, (2) project grants and (3) contribute to the development of the sector through various activities such as trainings, seminars and researches. The funding practices differ from country to country- some of them provide small grants to thousand of CSOs (like Hungary where more than 12.000 contracts were signed in 2010) while others focus on strategic areas to maximize the impact of the financial support (like the Croatian Foundation which supports less –around 200- CSOs with relatively higher amounts). In any case, it is inevitable for all funds to have a clear strategy on how they aim to achieve their main objective and identify the short and long term priorities.

In Albania the government identifies area of priority for funding. The same is the case in Azerbaijan where the government seeks to provide grants in areas not traditionally funded by international donors. In other countries the overall strategy and the priorities are determined by the principal governing body of the funds- like in Hungary where the Strategy of the Fund and the funding principles were adopted by the Council.

The funds are particularly important in each countries as they are a resource for ‘institutional funding,’ funding that supports the general operations of a CSO rather than in compensation for certain required activities. While activity-based grants are generally the main form of income for most CSOs, they are limiting in several ways, including the fact that they force CSOs to live ‘paycheck to paycheck’ without time to invest in long term capacity or sustainability. A CSO may be financially healthy while implementing the grant, but its energy must be focused on grant activities rather than developing a long term strategy, investing in organizational development, or leading sector-wide initiatives. Institutional funding gives CSOs the financial freedom to ‘think bigger’ than their current commitments to short-term, activity-based grants. They also fund CSOs to improve the overall sector through initiatives such as advocacy campaigns for improved CSO legislation, creating sectoral standards for reporting, or efforts to generate interest in private philanthropy. Institutional funding allows organizations to create their own priorities, rather than only being responsive to donor solicitations.

In Hungary, at least 60% of the funding had to be spent for institutional support and this threshold remained unchanged for the newly established National Cooperation Fund. Uniquely in the region, the Croatian Foundation provides institutional support through multi-year funding programs which may last up to 3 years.



III. COUNTRY SUMMARIES

Agency for Support of Civil Society in Albania²

1. History and establishment

In the past few years the financial sustainability of the Albanian civil sector has been poor and most of the CSOs have struggled to raise the necessary financial resources to fulfill their mission. CSOs are very much dependent on international donors, and with the withdrawal of several such donors from the country, CSOs became even more vulnerable. EU funds have become the most important financial support; however, CSOs face difficulties accessing this fund due to the complex application procedure. Private support is still considered underdeveloped so there is a huge need to tap into different resources in order to enhance the financial sustainability of the sector.³

In recognition of this situation and the fact that state support was not sufficient to meet the needs of the CSOs, the Government and representatives of the local civil society initiated the Agency for Support of Civil Society (hereinafter: “Agency”). The establishment of the Agency demonstrated that the Government recognized the importance of a stable and independent civil sector and was ready to share control over decision-making procedures. According to Rudi Bobrati Executive Director, the Agency was established “*in the wake of the Albanian Government’s measures to turn Albania into a developed country.... for the alignment of standards with those of the European Union and also as a requirement of the time.*”⁴

The mission of the Agency is to promote the sustainable development of civil society and to create favorable conditions for civil initiatives for the benefit and in the interest of the public. To accomplish the mission, the Agency offers financial assistance to programs that promote and strengthen the sustainability of non-profit organizations, inter-sectoral and international

² The following overview was developed with the support of Gentiana Ramadani and Endrit Pollo from the Agency for Support of Civil Society. ECNL extends its gratitude to her for all the information and explanations provided. http://www.amshc.gov.al/en_index.htm.

³ The 2010 NGO Sustainability Index, Country Report on Albania, available at http://www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/2010/complete_document.pdf#page=30

⁴ Comprehensive Annual Report 2010- Organization and Functioning of the Agency for Support of Civil Society and Financing of Nongovernmental Organizations in Albania in 2010, available at http://www.amshc.gov.al/doc/raporte/2010/Raporti_Vjetor_2010_anglisht.pdf



collaboration, civil initiatives, philanthropy, volunteerism and democratic institutions of society, and other programs that facilitate the fulfillment of its mission.⁵

Initially, the Parliament adopted the Law on the Organization and Functioning of the Agency for Civil Society Support on the 9th of March, 2009 (hereinafter: “*Law*”). The Law was published in the Official Journal of Albania on the 2nd of April 2009 and entered into force 15 days later. Second, in July 2009, the Council of Ministers approved the Statute of the Agency⁶ which regulates the Agency’s mission, objectives, internal governance structure (including the election/dismissal, competences, decision-making procedure and the conflict of interest rules) and the sources of financing (hereinafter: “*Statute*”). The Statute was drafted in close collaboration between civil society representatives and the Council of Ministers.⁷ The third fundamental regulation of the Agency is the Decree for the Approval of the Procedures and the Rules for Nomination and Selection of Supervisory Board Members of the Agency (hereinafter: “*Decree on election*”).

The Law was developed under a project funded by GTZ (now GIZ) and carried out by international consultants. A specific task-force was set up for the term of the project through which representatives of the CSOs were able to participate in the process. The task force consisted of 4 members from the Ministry of Interior and Ministry of European Integration (2-2 of each). Civil society was represented by 3 CSOs active in the socio-political scene. The participatory process helped strengthen the cooperation between the government and the civil society. International experts were also involved in the establishment of the Agency by providing comments to the draft Law and working on the fundamental documents of the operation (Statute, Decree on election, grant making procedures etc.).⁸

The Agency is managed by the Supervisory Board. The CSO representatives of the Supervisory Body were appointed through a public campaign which was announced by the Council of Ministers in the autumn of 2009. The Council of Ministers published an announcement in the media for one month and selected 5 civil society representatives out of the 54 candidates. The first meeting of the Supervisory Board was held in the spring of 2010.⁹

⁵ Law on the Organization and Functioning of the Civil Society Support Agency, Chapter II.

⁶ Decision No. 769 dated 15.07.2009 „On the Approval of the Statute of the Agency for the Support of Civil Society”

⁷ Comprehensive Annual Report 2010.

⁸ GTZ: Strengthening Civil Society and Democratic Structures in Albania- Lessons Learnt. Available at: <http://www.gtz.de/en/dokumente/en-civil-society-democratic-structures-albania.pdf>

⁹ According to the Decree on election the Council of Ministers shall select 5 people from those 15 candidates which have received the most votes in the voting process. It has to take the gender balance into consideration and shall not appoint two candidates from the same field of activity.



Once the Agency was institutionalized, the basic documents were prepared¹⁰ and the staff was recruited. Importantly, efforts were undertaken to build staff capacity, namely, the staff was trained by international experts and gained experience through study visits to Estonia and Romania. The staff organized regional meetings in the major cities of Albania generate dialogue with the local CSOs, assess their needs, and present the structure, priorities and founding documents of the Agency.

In carrying out its activities, the Agency is governed by the strategic priorities of Government for the development of civil society. In 2010, ten priority areas were identified and supported by the Agency.¹¹ The areas with the highest number of winning tenders in the course of the first call for proposals were: anti-corruption, increasing the influence of civil society in the public policies, and lobbying initiatives to promote the interests of citizens. In 2011, the 10 priorities did not change but they were supplemented with 3 new. The second call launched in 18 March-18 April 2011 was dedicated entirely to environment and tourism.¹² The reason for this was the increased interest in these topics during the first call and the need to develop tourism in the summer season.¹³

2. Sources of funding for the Agency

The Agency is a central budgetary public entity and its main source of funding is provided for in a separate line in the Annual State Budget. In order to secure the sustainability of the Agency, the Law expressly stipulates that the annual funding secured from the State Budget cannot be smaller than that of the previous year.¹⁴ The Finance Sector of the Agency prepares the Midterm Budget Forecasting based on past experience and the data. This document is delivered to the Ministry of Finance which decides on the final amount of the budget line for the Agency, as well as all other institutions in Albania. The decision is based on different indicators such as the budget performance of each institution, the Annual Economic Growth, the priorities of the Government, etc.

¹⁰ Regulation on the Procedure of Financing with Grants, Application Form, Evaluation Form, Tip Contract

¹¹ 1. Fight against corruption; 2. Fight against human trafficking and treatment of victims; 3. Against domestic violence; 4. Against violence towards children; 5. The encouragement of citizens in activities, their inclusion and participation for the development of the community; 6. Capacity building in areas of social development where the presence of civil society activity is lacking; capacity building to provide services currently lacking in the social services market 7. The development of inter-sectoral cooperation and cooperation between the CSOs; 8. Lobbying activities that promote the interest of citizens/stakeholders/communities/vulnerable groups; 9. Civil society initiatives in support of employment and to prevent/inhibit the informal labor market; and 10. The increase of the influence of civil society in the processes of drafting and approval of public policies.

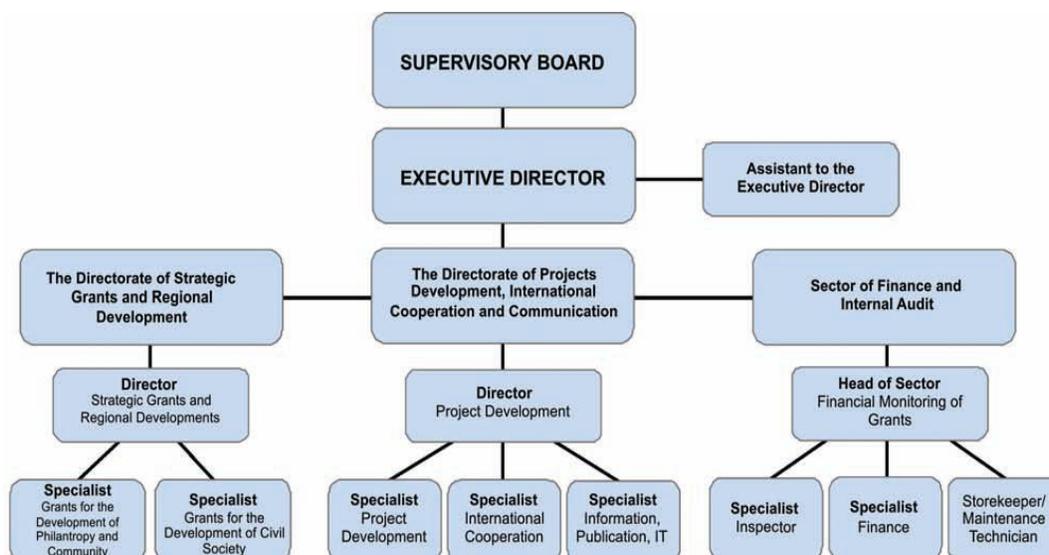
¹² The 3 topics of the call were: *Field No.1*: "For a better quality of the environment and the development of the tourism also activities for a steady growth in it.", *Field No.2*: "Service" as an instrument of improving quality of tourism in Albania", *Field No.3*: "To highlight the traditions and cultural heritage of the country's tourist areas."

¹³ The information was provided by Gentiana Ramadani.

¹⁴ Section 2 of Article 16 of the Law on the organization and functioning of the civil society support agency.

The State Budget, including the budget line for the Agency, is adopted each year in November. Income generated by the Agency and donations may increase the budget of the Agency; and, it may have other income defined by law. The unspent funds that have been allocated by the State cannot be carried over and are automatically transferred into the State Treasury System after the 31st of December in each fiscal year.¹⁵ However, this rule does not apply to other sources of Agency income- these sources are classified as revenues designated for specific purposes and as such, they can be carried forward by the Agency.

3. Internal governance structure of the Agency¹⁶



The Agency is led by the Supervisory Board and it approves the action plans, the detailed rules about the conditions and procedures for the distribution of funds, the annual budget and reports to the national Council of Ministers on the activity of the Agency. The Supervisory Board consists of 9 members elected for a period of 4 years. 5 members of the Supervisory Board represent the CSOs while 4 members represent institutions of the central public administration.¹⁷ Both the state administration and the civil society representatives are required to meet the prescribed requirements and selection criteria. Specifically, nominees from the civil sector should have at least 3 years of work experience with CSOs and should not have been convicted for criminal offence or

¹⁵ Law for the Management of Budget System in the Republic of Albania Nr. Nr. 9936, Date 26 June 2008

¹⁶ The diagram was cited from the Comprehensive Annual Report 2010.

¹⁷ The representatives of the institutions are selected by the Council of Ministers from among the institutions that have greatest interaction with NGOs.



managed a legal entity which went bankrupt. Candidates with grant-making expertise have an advantage.

The Executive Director represents the Agency to third parties and directs the activity and the administration of the Agency. Apart from the Supervisory Board and the Executive Director, the Agency has 12 employees. The rights and obligations of the staff are regulated in an internal manual.¹⁸ Within the Agency, the Directorates and the Sector of Finance and Internal Audits have the following tasks:

The Directorate of Strategic Grants and Regional Development:

- Responsible for the design and concept of the format proposal and other documents;
- Receive, collect and evaluate the project proposals, determine the eligible projects and present them to the Supervisory Board;
- Monitor the implementation of the awarded projects;
- Conduct narrative and financial evaluations of all proposals.

The Directorate of Projects Development, International Cooperation and Communication:

- Responsible for collecting funds through various applications and contacts with international institutions and organizations in the country;
- Design and prepare projects by considering the priorities of the various donors in order to channel further funds from the foreign donors.

Sector of Finance and Internal Audit:

- Handle all financial operations and grant administration including the disbursement of the grants, the financial monitoring of the grants.

4. Performance overview

The first call for proposals was announced in October 2010 and the selection was conducted through a transparent procedure. Specifically, the best projects and their evaluations were presented to the public during an event called the “Ideas Fair.” The Agency received 140 applications out of which 110 met the administrative and technical requirements. 52 projects were awarded by the Supervisory Board which met further requirements on organizational and management capacity, experience, and qualification. Altogether, 125,918,000 Lek were awarded to the 52 projects which is approximately USD 22,500 per project.¹⁹ The timeframe of the awarded projects ranged from 5 months to 15 months.²⁰ According to the Annual Report significant and

¹⁸ The manual is not available to the public without the previous approval of the Supervisory Board.

¹⁹ On the basis of the USD/ALL rate on the 14th of January 2012.

²⁰ Comprehensive Annual Report 2010.



progressive work was done in 2010: information meetings were held for CSOs, the selection process was organized in a transparent and democratic way, the capacity of the staff was strengthened through working visits and the disbursement of funds took place within the deadline. In the course of the winning projects numerous workshops, conferences, consultations and trainings were organized, publications were distributed, and direct services were provided by the CSOs in the area of advocacy, community mobilization/awareness, reduction of stigma and discrimination and direct services.²¹

The second call was launched in 18 March 2011-18 April 2011 and altogether 16,000,000 Lek (approx. USD 148,400) were distributed to 31 CSOs (Field No.1²²: 36% for 10 CSOs, Field No.2²³: 18% for 6 CSOs, Field No.3²⁴: 46% for 15 CSOs).²⁵ The third call for 2012 recently closed and the selection process was carried out during November-December 2011. The Agency awarded 69 contracts and began executing the contracts with CSOs in January 2012.²⁶

With the establishment of the Agency, the Albanian civic sector began to receive important financial support from the state. According to a Freedom House report, however, state influence on the behavior of financially supported CSOs is yet to be assessed. Despite of the detailed conflict of interest rules in the Statute, several CSOs receiving funding through the first call were supported or directed by the members of the Supervisory Board. Moreover, the organization receiving the largest grant was founded and led by the Head of the Agency before he joined the Agency.²⁷

In the course of the first year of operation, the Agency itself identified some challenges and difficulties as well. For example, one challenge was the lack of experience among CSOs in the area they applied for; and some CSOs had difficulties in handling the operational costs included in the contracts since they had not received such large grants before. Oftentimes, CSOs had difficulties cooperating with local governments in the area where they conduct their activity.

5. Grant making procedure

In addition to registered CSOs, natural persons are entitled to apply for grants in order to support their research, studies, and participation in international public events.

²¹ The exact numbers are available in the Comprehensive Annual Report 2010.

²² "For a better quality of the environment and the development of the tourism also activities for a steady growth in it."

²³ "Service" as an instrument of improving quality of tourism in Albania"

²⁴ "To highlight the traditions and cultural heritage of the country's tourist areas."

²⁵ See Footnote 10.

²⁶ The information was provided by Gentiana Ramadani.

²⁷ Gjipali, G. Nations in Transit 2001- Albania. Freedom House, 2011.



The procedure for applying for a grant is as follows:

- a. Publication of the annual plan of action;
- b. Preliminary announcement and publication of all the competition procedures and relevant documents for a specific grant;
- c. Amendments and clarifications to the competition documents;
- d. Participating candidates deliver their project proposals and the registration to the funding authority;
- e. Examination of the technical and financial capabilities, registration, and evaluation of the project proposal;
- f. Announcement of the competition results, including conditions for adaptations or amendments;
- g. If no candidates are approved, the Agency will publish reasons for the refusal;
- h. Possible negotiation of amendments as a condition for the approval of a winning project proposal;
- i. Negotiation and signing of the contract; and
- j. Publication of information according to the definitions of the Law.

For every round of competition, the Executive Director establishes an Evaluation Commission of at least 3 members in the composition of which CSO representatives take part as invitees. The Evaluation Commission examines and evaluates each project proposals according to the competition criteria and announces the results of the competition.

The time period for the submission of the project proposals cannot be less than 30 days which may be extended by at least 6 days prior to the expiration of the deadline. The time period for the assessment and publication of the results cannot be longer than 30 days and the candidates should be notified within 10 days after the evaluation is complete. The contract must be signed within 30 days after the publication of the results.²⁸

The Agency also finances long-term, multi-year projects. In these cases, the grants are disbursed in a way that the annual installments cover only the budget of a specific year. The formula for financing long-term grants is clearly detailed in the contract with the awarded organization.²⁹

6. Other financial resources available to CSOs

Before the establishment of the Agency, CSOs benefited mostly from funds provided by international organizations operating in Albania. At the same time, separate state institutions such as ministries and municipalities have often funded various projects together with foreign donors.

²⁸ Law on the Organization and Functioning of the Civil Society Support Agency, Chapter VI.

²⁹ The information was provided by Gentiana Ramadani.



For example:

- the World Bank in Albania collaborated with the National Social Service Department of Ministry of Labor, Social Affairs and Equal Chance and municipalities;
- The Ministry of Culture, Tourism and Youth & Sports collaborated with UNFPA Albania to distribute funding for CSOs which focus on youth, HIV/AIDS protection, and awareness campaign;
- Ministry of Labor, Social Affairs and Equal Chance, Directory of Politics & Equal Chance received funding from UNICEF and tendered it to CSOs for offering services based on the priority of the grant.³⁰

The creation of the Agency was an important step in the life of the civil sector as it represents a permanent source of financing for CSOs in Albania.

The NGO Council in Azerbaijan

1. History and establishment

After obtaining its independence in 1991, the Azerbaijani Government for years was known to international community for its unfriendly attitude towards NGOs and civil society at large. In 2001, the Government's attitude started to change due to its new membership in the Council of Europe and exposure to Western models of NGO-government interaction. On 27 July 2007, the President of Azerbaijan approved the Concept for State Support to Non-governmental Organizations (hereinafter the 'Concept'),³¹ which provided a legal basis for governmental support of civil society in Azerbaijan. The Concept was designed to make government funding a more accessible source of funding for Azerbaijani NGOs, as compared to foreign grants.

Before deciding on how to provide financing to NGOs, the Azerbaijani Government studied international best practices, in particular the experiences of Hungary and Croatia. On 13 December 2007, following a study tour and a period during which it conducted comparative research, the President of Azerbaijan signed a Decree on establishing a Council for State Support to NGOs, a body designed to serve as a 'bridge' between NGOs and state bodies, as well as a vehicle to provide

³⁰ The information was provided by Gentiana Ramadani.

³¹ Decree on Approving a Concept for State Support to Non-governmental Organizations, approved by the President of Azerbaijan dated 27 July 2007, available at www.cssn.gov.az.



financial support to NGOs in Azerbaijan. The President also approved the Regulations on the NGO Support Council³², a document that outlines the NGO Council's status and main procedures.

According to the Regulations, the NGO Council was entrusted with the right to develop proposals to improve the state policy in regard to NGOs and submit them to the President and to provide consultative, methodical, logistic, financial, and other types of assistance to NGOs.³³

On April 8, 2009,³⁴ the President of Azerbaijan signed Amendments to the Regulations on the Council on State Support to NGOs (hereinafter Regulations). The Decree:

- expands the authority of the Council by permitting it to establish legal entities³⁵ and to establish experts' groups to evaluate grants applications,
- expands the authority of the Chairman of the Council³⁶, and
- regulates and defines the competence of the Executive Director of the Secretariat,³⁷ together with several other changes in the original Decree dd. December 2007.

The Decree authorizes the Council to establish legal entities of any kind, commercial or non-commercial. The Council might choose to establish, for example, a training center for NGOs, or the analytical center/"think tank" to participate in drafting government policies and legislation, or evaluating projects. The Chairman of the Council now has the authority to make proposals to the Council on the appointment and dismissal of the Executive Director, as well as the Chief Accountant of the Secretariat. We note that the new amendments to the Decree substantially limit the authority of the Secretary of the Council by transferring some of the Secretary's functions to the Executive Director (i.e. authority to hire and dismiss the employees of the Secretariat, among others).³⁸

2. Sources of funding

The NGO Council is financed by the state budget of Azerbaijan and there is no basis for it to generate funds from other sources such as private donations, income from economic activity, etc.

³² Regulations on the Council of State Support to Non-Governmental Organizations under the President of the Republic of Azerbaijan, approved by President's Decree # 674 of 13 December 2007, available at www.cssn.gov.az.

³³ Ibid, para. 2.3.

³⁴ On 8 April 2009, the President of the Republic of Azerbaijan signed a decree aimed at introducing changes and amendments to the Regulations on the Council on State Support to NGOs, originally adopted on 13 December 2007, with the President's Decree on establishing Council on State Support to NGOs. These changes and amendments entered into force on 10 April 2009.

³⁵ Article 2.3.11 of the Regulations.

³⁶ Articles 4.2.7-4.2.11 of the Regulations.

³⁷ Article 4.9 of the Regulations.

³⁸ Article 4.9 of the Regulations.



Annual maintenance expenditures of the NGO Council are identified by the Cabinet of Ministers of the Republic of Azerbaijan, based on agreed proposals of the Council and the Ministry of Finance through the subsidy provided for NGOs in the state budget³⁹.

For example, in 2010 the Cabinet of Ministers of Azerbaijan approved a budget for NGO Council’s Secretariat in the amount of 648.000 Azn (approximately 824,000\$) of which 43140 Azn is staff’s salary⁴⁰. In this decree there are no other details of the budget expenditures allocated for the Secretariat. However, in 2011 the Cabinet of Ministers in its decree was more descriptive. For example, the budget in 2011 included the following expenditure types⁴¹:

Economic classification of the costs	Amount
Total costs, including:	719,000 (aprx. 915,000\$)
Salary of full-time staff	47,400
Salary of part-time staff	36,960
Other monetary payments connected with payment of wages	15,800
Payments to state social protection fund	22,035
Other costs, including:	596,805
Founding of journal of NGO Council, publication of special bulletins, organization of conferences, symposiums and forums, business trip of staff for attending those events, honoraria for experts and other costs associated with it’s activity	210,000

³⁹ Regulations on the Council of State Support to Non-Governmental Organizations under the President of the Republic of Azerbaijan, Approved by the Decree of the President of the Republic of Azerbaijan # 674 dated 13 December 2007.

⁴⁰ The Decision of the Cabinet of Ministers of Azerbaijan Republic “On approval of the estimate of expenditure for the year 2010 by the Secretariat of the Council of State Support to Non-Governmental Organizations under the President of the Republic of Azerbaijan” (Nº 31 Baku, 8 February 2010).

⁴¹ The Decision of the Cabinet of Ministers of Azerbaijan Republic “On approval of the estimate of expenditure for the year 2011 by the Secretariat of the Council of State Support to Non-Governmental Organizations under the President of the Republic of Azerbaijan” (Nº 18 Baku, 2 February 2011).



The budget amounts for 2012 will be adopted by the Cabinet of Ministers in February 2012. At present, we know that the Parliament of Azerbaijan increased the NGO Council's budget for 2012 for 50%.

The unspent funds that have been allocated by the State cannot be carried over for next fiscal year and are automatically transferred into the State Treasury System.

3. Internal governance structure of the Foundation

The NGO Support is designed to represent both the government and NGOs. As such, it is composed of 11 members, all of whom are appointed by the President of Azerbaijan (8 members are nominated by the non-governmental organizations and one member from each of the three state bodies: the Ministry of Justice, the Ministry of Finance and the President's Office). The NGO Council's members are appointed to 4 year terms and cannot hold these positions for more than 2 consecutive terms. They do not get paid from the state budget and work on a voluntary basis. The members of the Council elect from among themselves a chairman, deputy chairman and secretary of the Council. The legislation requires that the members meet certain requirements to prove their competence: (i) they must possess a university degree; and (ii) have reputation in the society and high moral values.

4. Performance overview

Four years into its activities, the NGO Council is now known for providing financial support to Azerbaijani NGOs and for serving as a forum for NGOs to raise concerns over legislation and other matters of social and public importance. The NGO Council serves as an important and usually helpful mediator between NGOs, the government, and society at large. The NGO Council distributed around 7,000,000 USD in grants during 2008-2010 to more than 750 NGO projects.

In addition to provision of financial support to Azerbaijani NGOs, NGO Council has already proven to be an important advocate for NGOs interests. In 2009, NGO Council played significant role in preventing the adoption of legislation which was initiated by the Government of Azerbaijan, and originally designed to restrict activities of NGO.⁴² It is currently advocating to the Government for the simplification of financial reporting requirements for NGOs and providing technical support to NGOs to help them to comply with complex financial reporting. At the same time, the NGO Council initiated 4 draft laws: On Professional Association, On Social Order, On Citizen Participation, and On Corporate Social Responsibility. These draft laws were prepared by local experts who were paid by NGO Council. These 4 drafts were opened for public discussion in November-December 2011 and

⁴² See *Analysis of Proposed Amendments to the Law of the Republic of Azerbaijan On Non-governmental Organizations (Public Associations and Foundations)*, ICNL, 16 June 2009, available at www.icnl.org



are currently under revision by the relevant working groups following recommendations by other local and foreign experts.

The present Chairman of the Council is an influential deputy and prominent civil society figure who provides strong leadership and relative political independence in the Councils' decision making (despite the fact that 100% Council's funding comes from the state budget). His leadership helped the NGO Council gain trust among NGOs in Azerbaijan as well as international organizations. Many international organizations, such as the World Bank, UNDP, USAID, and OSI, have been cooperating with the NGO Council, including co-funding joint projects.

The establishment of the NGO Council in Azerbaijan was an impetus for strengthening and further development of NGOs in the country. It did not become a government's tool to manipulate civil society through funding, as some foreign observers had feared when the NGO Council was established. Moreover, successful media coverage of NGO activity sponsored by the NGO Council helped improve NGOs' public image among society in general.

NGO Council has not replaced foreign funding in some areas, but rather provides important supplementary funding in areas of society that were not previously supported by any funder, i.e. patriotism, national traditions and customs, and propaganda for Azerbaijan's position in Karabakh conflict. Getting funding from the NGO Council does not require knowledge of a foreign language and proposal and reporting requirements are often much more simple, as compared to similar requirements by foreign donors. This and the generally very small sizes of grants are not typically attractive to many beneficiaries of foreign grants and thus allow small, indigenous organizations to benefit from the funding.

In practice, the NGO Council provides many types of support, not all of which are specifically prescribed by its bylaws, such as helping groups to obtain legal status through registration (the registration process for NGOs remains bureaucratic and politicized in Azerbaijan).

5. Grant making procedure

The main function of the NGO Council is to provide financial support to NGOs via grants (it distributed around 7,000,000 USD in grants during 2008-2010 to support more than 750 NGO projects). Grants competitions are held several times a year. The NGO Council supports NGO activities in a broad variety of areas, from defending human rights and free legal aid to social-economic development and environmental protection. Only Azerbaijani NGOs can apply for grants.

The NGO Council's grant competition is normally announced one month prior to date of submission of project proposals and contains detailed competition rules. Applications can be submitted by mail or in person.



The evaluation of the projects submitted to the NGO Council is carried out in 3 stages:

1. Preliminary selection of the project proposals by the Council's Secretariat, which mostly checks to make sure the project conforms with the competition rules.
2. Evaluation of project proposal expertise by contracted experts. The experts evaluate the projects on a score-based system according to the evaluation sheet approved by the NGO Council. Each project is codified by the NGO Council and evaluated by 3 independent experts.
3. Final decision of the NGO Council on the project proposals. The 11 members of the Council discuss each project proposal individually and make relevant decision in light of the experts' opinion. The Secretariat then places information about winning organizations on its webpage and notifies them individually by mail.

Those NGOs whose project proposals were not successful can appeal to the NGO Council within 10 days from the time the decision is made. Appealing NGOs are invited to the Council to familiarize themselves with the expert opinions on their project proposal. In practice, very few NGOs use this appeal mechanism (out of 984 proposals rejected by the Council only 57 were appealed)⁴³ because: (i) according to NGOs, evaluations of project proposals are conducted rather impartially and NGOs trust the final decision of the NGO Council; (ii) the chances are slight that an NGO might win an appeal and NGOs do not want to damage their "relationship" with the NGO Council as they plan to apply for grants in the future (so far, there has only been 1 case in which an organization won its appeal).

Overall, the procedure for conducting competitions for grants has been impartial and transparent. NGOs interested in this source of funding have been closely monitoring the work of the NGO Council. So far, NGOs have initiated two cases against the NGO Council's decision to withdrawal financing on a particular proposal. In each case, the NGO accused the NGO Council of an unjustified budget cut. These cases are still pending in the court.

An important, and perhaps the most problematic part of the NGO Council's work, is monitoring the implementation of projects supported through grants. During its first grant competition in 2008, NGO Council provided funding to 191 NGOs. When the Secretariat began monitoring the financed projects, it was discovered that some 10% of NGOs did not submit their project reports on time, and several NGOs could not be reached at the contacts provided to the NGO Council. Having felt 'cheated,' the NGO Council became more rigorous in the selection of grants submitted by local NGOs. Analyses of the subsequent grant rounds demonstrate that at present, the NGO Council mostly finances the projects of well-established NGOs whom they 'trust.'

⁴³ ICNL obtained these statistics directly from the NGO Support Council in January 2011.



6. Other financial resources available to CSOs

Before the establishment of the NGO Council, the Ministry of Youth and Sports had experience conducting grant competitions among local NGOs. These amounts were usually small and focused mostly on youth. This funding had certain restrictions: local NGOs could not ask for staff salary, equipment and office rent, and as a result their project would be normally co-funded from other sources. With the establishment of NGO Council, Ministry of Youth and Sports retained their funding for grants.

Another public funding mechanism is Commission on Fighting Corruption under the Prosecutor General's Office.⁴⁴ Their grants are mostly targeted at corruption related issues and do not exceed several thousand euro per project.

National Foundation for Civil Society Development in Croatia

1. History and establishment

The framework for cooperation

Croatia was the first among the CEE countries to develop a coherent institutional and legal framework for cross-sector cooperation and funding of CSOs. The cooperation between the Government and CSOs is characterized by the so-called decentralized model, which has 3 main pillars: the Government Office for Cooperation with Associations, the National Foundation for Civil Society Development, and the Council for the Development of Civil Society. In addition, ministries and other state institutions, local and regional governments, and regional public foundations cooperate with and distribute funding to CSOs.

The National Foundation for Civil Society Development (hereinafter: *“the Foundation”*) was set up in 2003, and it plays a crucial role in implementing a supportive funding framework and ensuring development of the sector. It is considered the most innovative and successful model and many other countries studied it when setting up their own funds. The Foundation was built upon the years invested in the development of sound cooperation with the civil sector, which was led by the Government Office for Cooperation with Associations (hereinafter: *“Office”*) and the Council for the Development of the Civil Society (hereinafter: *“the Council”*). Therefore, when reviewing the role and impact of the Foundation, it is important to consider the whole model of cooperation and the role other bodies have in it.

The establishment of the Office in 1998 was the first step towards the systematic development of Government-CSO cooperation and public funding. The Office has a wide range of activities in connection with monitoring and improving cooperation with CSOs; it initiates law reform processes

⁴⁴ See www.commission-anticorruption.gov.az



affecting CSOs, monitors the implementation of policy documents affecting civil society, and develops a program, standards and recommendations for financing CSO activities from the state budget and other public funds.⁴⁵ Originally, it was the Office that distributed state funding to CSOs. In the first 5 years of operation, the Office directly financed 1,997 projects and programs in a total amount of 105,328,942HRK (approx. 18,105,623 USD) through public tenders and monitored their implementation. After the establishment of Foundation, the Office undertook tasks to coordinate the work of public bodies on the national, regional, and local level in relation to monitoring and improving the cooperation and funding of CSOs. The Office maintains an online database of grant allocations distributed by the responsible state bodies (including grants distributed through the National Foundation, different funds, ministries, and regional and local authorities). The database is compiled based on information provided by the distributors of funding, who submit the information on two forms prepared for this purpose. The Office also prepares a yearly report on the state funding distribution to CSOs.

The Council for the Development of the Civil Society (hereinafter: *“the Council”*) was formed in 2002. The Council is an advisory body to the Government regarding CSO development and it oversees the implementation of policies and strategies. It is composed of 27 members, representatives from the civil society, state institutions, trade unions, and the employers association. The establishment of the Council increased the need and supported the system for decentralizing the cooperation and funding schemes. The Council, in collaboration with the Office monitors, analyzes and evaluates the funding provided based on reports submitted by the public bodies.

The establishment of the Foundation

The Government of the Republic of Croatia committed itself in its Program of Work for 2000-2004 to *“propose to the Croatian Parliament means of financing and improving the basis of the institutions of the civil society”*. To help realize this task the Office suggested to the Government a new, decentralized system known as the *“Model for the Organizational Structure for Civil Society Development”*.⁴⁶ Through this model, a separate foundation was planned that would distribute funding to strengthen CSOs institutionally. At the same time, state bodies, including ministries, governmental agencies, and institutions would directly support CSOs active in their respective field. Therefore, while different ministries remain responsible for funding CSOs in their areas, grass-roots initiatives that did not fall within the specific area of any particular ministry are supported by the Foundation.

⁴⁵ For further information on the activity of the Office please visit: <http://www.uzuvrh.hr/defaulteng.aspx>.

⁴⁶ Plavska-Matic, C., Hadzi-Miceva, K., From Vision to Change: A New Model for Civil Society Development in Croatia, co-author, in Social Economy and Law (SEAL), Winter 2003-Spring 2004. The introduction of this model was triggered by the need to support direct communication between various Ministries and CSOs, in order to enhance their cooperation in addressing particular social needs. Until then, the cooperation was mainly centralized and was functioning effectively only between the Office and CSOs. The relationship with the other states bodies was not so developed. For details about this model see: Hadzi-Miceva, K., “Legal and Institutional Mechanisms for Government-NGO Cooperation in Hungary, Estonia and Croatia”, in “Organizacje pozarządowe. Dialog obywatelski. Polityka państwa,” edited by Marek Rymsza, published by the Institute for Public Affairs, Poland.



The concept of the Foundation was developed as a result of years of cooperation between the Office and the CSOs. The initiative leads back to 2001 when the Office launched the idea for and organized a public discussion on the draft Law on Organizing of Lottery Games and Competitions. The proceeds from lotteries were seen as a possible source to create funding for civil society, and especially as a source for the basic assets needed to establish the Foundation. During the following 2 years, numerous discussions took place about the concept of the Foundation at government sessions, CSO forums and cross-sector groups.

“...the establishment of the Foundation was discussed 9 times at Government co-ordinations, 4 times at sessions of the Government and at forums of CSOs and working cross-sectoral groups more than 20 times which goes to prove that the idea on the establishment of the foundation for civil society development was thoroughly examined in both government and non-government sectors before the passing of the final decision on founding.”⁴⁷

The Foundation was established with the adoption of the Act on the National Foundation for Civil Society Development on October 16, 2003 (hereinafter: “*Act on Foundation*”). The Act specifies the purpose, the main bodies, the basic assets and the financing of the Foundation. In November 2003, the Management Board of the Foundation adopted its Statute.⁴⁸

The Foundation is a public foundation registered in the Foundation Registry.⁴⁹ The main aim of the Foundation is to support the development of civil society, and it does so by running several grant giving programs and implementing activities in cooperation with CSOs and other partners. It finances associations, foundations, institutions, associations of local self-government organizations, and others. It funds projects and provides institutional support through multi-year funding programs.

The funding scheme of the Foundation is based on strategic approach which ensures maximization of impact. As it was described in one research: “*Its concept follows the approach of an excellence model: based on strategic priorities, it determined areas to be developed that have the largest potential to make positive influence, even on the part of the sector that is not heavily subsidized through the fund (multiplying effect)*”.⁵⁰ The National Foundation has been implementing its activities for the past four years with an international certificate for quality management system in managing the process of financing CSO projects.⁵¹

⁴⁷ National Foundation for Civil Society Development- Annual Report for 2004.

⁴⁸ The Statute was subsequently in 2004, 2005, 2008; the last amendment was done in 2010.

⁴⁹ The website of the Foundation is: <http://zaklada.civilnodrustvo.hr/frontpage>

⁵⁰ National and International Mechanisms of Funding Civil Society Organizations. International Practices on Confidence-Building Measures between the State and Civil Society, OSCE and NGO Institute of Rural Development, 2011

⁵¹ The Foundation has been accredited with the HRN ISO 9001:2008 certificate which confirms that the Foundation complies with the set of standards for quality management. These standards are developed in order to help organizations ensure that they meet the needs of customers and stakeholders.



Further, four regional foundations were established as the grant-making partners of the Foundation.⁵² The regional foundations significantly contributed to the diversification of funding and initiated a re-granting model. The regional foundations received an important injection at the beginning of their operation and continuous, but decreasing funding since then.⁵³

The first and most active regional foundation is the Foundation for Partnership and Civil Society Development which was established by the Istrian County on the 4th of October 2006 with the purpose of developing partnership and civil society organizations in the region.⁵⁴ The Foundation has three main functions: financial (publishing tenders to support CSOs), informative (offering basic information), and educational (workshops, lectures and seminars). The Foundation is active in the following five areas: environmental protection and sustainable development; democracy and human rights; youth; capacity building; promotion of social entrepreneurship. The Foundation cooperates with local governments and implements EU Projects as well.⁵⁵ From the very beginning, Foundation stakeholders were involved in the determination of the priorities. After its establishment the representatives of the Foundation visited 10 cities in the Istrian Region in order to present the areas of CSO development and to make an effective basis for successful further cooperation. The specific aim of the visits was to introduce the invitation for tenders and to stimulate CSOs to participate in Foundation's activities. All participants filled out a questionnaire to estimate the needs and priorities of CSOs in Istrian Region so that Foundation could determine its activities according to those needs. The Foundation also introduced the "Open Doors for Citizens" initiative in the course of which everyone could express their problems and needs and/or suggest the solutions.⁵⁶ The basic assets of the Foundation are 100,000 HRK (approx. 17 thousand USD) and the funding comes from the National Foundation, the regional government, local self-government bodies in the Istrian region, private (foreign) donors, and the corporate sector. The Foundation is managed by a president and the Management Board composed of four representatives of different sectors.

After the decentralized model was set up and the Foundation was established, the Government adopted two documents which contributed to the strategic approach towards partnership and

⁵² Istrian County: Foundation for Partnership and Civil Society Development, <http://www.zaklada.civilnodrustvo-istra.hr/index.php?id=68>
East Croatia: Foundation Slagalica, <http://www.zaklada-slagalica.hr/eng/>
Central Croatia: Foundation Zamah, <http://www.zamah.hr/>
South Croatia: Foundation Kajo Dadic, <http://zaklada-dadic.hr/>

⁵³ Information was provided by Andrej Pevec from the Foundation for Partnership and Civil Society Development.

⁵⁴ The Foundation was founded by the decision of the Istrian County Assembly in the end of 2005, incorporated in the Foundation Register in the 12th of May 2006 and adopted in Statute on the 28th of July 2006. The Statute is available at: <http://www.zaklada.civilnodrustvo-istra.hr/index.php?id=185>

⁵⁵ More information about the ongoing projects was presented by Andrej Pevec on the conference held in Skopje, 13 July 2011. The presentation is available at: http://www.slideshare.net/mcms_mk/andrej-pevec

⁵⁶ Hartay, E. Hadzi-Miceva Evans, K. Models for Cooperation and Participation on Local Level: A Comparative Overview. ECNL, MCIC, 2011.
http://www.ecnl.org/dindocuments/377_Models%20for%20local%20cooperation%20ENG.pdf



consistent implementation of the state financing scheme. These were developing in cooperation with all the bodies mentioned above. First, in 2006, the Government adopted the *National Strategy for the Creation of an enabling Environment for Civil Society Development* (2006-2011) (hereinafter: “*National Strategy*”) and, among other things, identified new objectives for the state financing of the CSOs. Second, in 2007, the Parliament adopted the “*Code of Good Practice, Standards and Benchmarks for the Allocation of Grants for Programs and projects of NGOs*” (hereinafter: “*Code of Good Practice*”⁵⁷) governing the procedure for distribution of state funding to CSOs by public bodies. The Code of Good Practice includes 8 principles for the application procedure and basic requirements towards the applicant CSOs. In 2010 a *Manual for the implementation of the Code of Good Practice* was published and widely disseminated through seminars and workshop organized for local authorities and national government bodies.

2. Sources of funding for the Foundation

The founding asset of the Foundation was 2 million HRK (approx. 343,792 USD). Its budget is composed with continuous flow from funding from percentage of lottery proceeds and the state budget. In addition the Foundation has income from donations, economic activities, its assets management, and contributions from international institutions.

As noted above, the main funding basis for the Foundation is the income from lotteries. According to Law on Games of Chance and Competitions which was adopted in 2002, 50% of proceeds from games of chance are allocated for CSO programs, according to the criteria set out in a decree issued by the Government each year. Out of this 50%, 14.10% is allocated for the development of civil society, the majority of which is distributed via the Foundation. The rest of the money is distributed between different ministries to support sports, the needs of people with disabilities, combating drug use, social and humanitarian activities, culture, technical culture, extra-institutional learning, and child and youth development. In this way, the proceeds from lotteries are a constant and predictable income for the Foundation.⁵⁸

Every year the Government adopts a Decree on the Criteria for the Distribution of the Lottery Proceeds. In 2010, 50% of the lottery proceeds were distributed as follows:

33.31%	sport
27.60%	problems and needs of people with disabilities
14.10%	development of civil society
7.60%	fight against drugs and other types of addiction
6.80%	social and humanitarian activities
4.60%	culture
3.97%	technical culture
2.03%	extra-institutional education, child and youth development.

The 14.10% that are allocated for development of civil society are distributed as:

⁵⁷ Official Gazette no.: 16/2007, February 2007.

⁵⁸ Hadzi-Miceva Evans, K. Lottery Proceeds as a Tool for Support of Good Causes and Civil Society Organizations- A Fate or a Planned Concept? ECNL and Institute for Public Affairs, 2010.



- 96.55% are allocated through the Government Office for CSOs to the National Foundation.
- 3.45% are distributed through the Ministry of Foreign Affairs and European Integration for international cooperation programs.

The Foundation also has income from donations and other revenues in accordance with the Act on Permanent and Fixed-term Foundations. The Foundation was supported by several foreign donors such as the USAID, UNDP, DfID, and the Charles Stuart Mott Foundation in the past year years. In 2010, the total assets of the Foundation were 42,181,754 HRK (approx. 7,250,874 USD)

3. Internal governance structure of the Foundation

Even though the Foundation is a public funding entity, it has a high level of independence and a democratic governing structure where the CSOs have a major say in decision making.

The two main bodies of the Foundation are the Management Board and the Director. The Management Board adopts, interprets and amends the Statute, decides on the use of assets, gives approval for the

decisions of other bodies, and reports to the Croatian Government about the work of the Foundation. The Management Board consists of the following 9 members:

- 3 representatives of state administration bodies (more specifically, ministries dealing with the issues of education, finance and European affairs)⁵⁹
- 5 representatives of organizations for civil society development
- 1 representative of local and regional self-government.

The members of the Management Board are appointed by the Government for 4 years with the possibility of re-election. The procedure for the nominating new members of the Management Board is initiated at least 60 days before the expiry of the existing mandate.

The Director/Manager of the Foundation is appointed by the Management Board for four years and may be re-elected. The Director represents the Foundation, conducts its operations in conformity with decisions of the Management Board, prepares financial statements, and submits reports to the Management Board.

The Foundation is supported by 3 departments (as described in the scheme below) which are responsible for day to day activities in the following fields: grants and development of programs; international cooperation and communication; and finance, internal audit and service manager.

⁵⁹ Strategic Action Plan for 2008-2011.



4. Existing financial resources

At present, around 205 million EUR are distributed to CSO projects from public sources each year, according to the following:

- 1/3rd comes from the state budget to support 5,500 NGO projects and
- 2/3rd is distributed on local level from the budget of the counties, towns and municipalities.

The EU funds (CARDS, PHARE 2006, and IPA 2008) provide further resources to CSO Projects, approximately in the amount of 10 million EUR.⁶⁰

5. Performance overview

The decentralized system has met expectations and contributed to civil society development from the very beginning. In not more than 2 years, the amount of funds directed to support CSO initiatives and projects doubled the amount of the previous five-year period.⁶¹

In the first four years of operation, the Foundation was able to stabilize its position and become *an important stakeholder of the institutional framework for support to civil society development*.⁶² In

⁶⁰ This information is from the presentation of Vesna Lendic Kasalo (Head of Department for General Programmes and Strategies in the Government Office for Cooperation with NGOs), delivered to the Regional Workshop organized by ECNL on the 22-23 June 2011, available at www.ecnl.org.

⁶¹ National Strategy for the Creation of an Enabling Environment for Civil Society Development from 2006 to 2011.



the early day of establishment, specifically in 2004, the Foundation had altogether 33,489,930 HRK (approx. 5,756,785 USD) income and invested a bit less than half of it in civil initiatives, projects, researches, educational programs, scholarships and international cooperation. Around 7% was spent on the operational costs of the Foundation; however, most of this amount was covered by the contribution of international donors. The remaining amount was reserved for 2005 to carry out the decentralization and set up the regional foundations. Besides the revenue from the state budget and the lottery games, in 2004 the Foundation had significant income from interest (749,730 HRK/approx. 129 thousand USD) while income from donations (10,000 HRK/approx. 1718 USD) and economic activities (HRK 29,086 HRK/approx. 5000 USD) were marginal.⁶³

Over the past 8 years, income from the state budget and the games of chance continue to represent around 90-95% of the total income of the Foundation. Donations and income from activities remained low while income from the Foundation's assets generated considerable income. Since 2007, the annual income of the Foundation has exceeded 42 million HKR (approx. 7219632 USD).⁶⁴

2010 was a crucial year for CSOs in terms of state financing. Due to the budget cuts, several ministries and government offices had to decrease their donor activities or even cut their ongoing funding. Local governments have also faced difficulties to comply with their previously undertaken obligations and some of them had to reduce or freeze their payments to the CSOs. Despite of the financial crisis, the Foundation was able to retain its position as the largest donor providing institutional support.⁶⁵ In 2010, the Foundation disbursed around 4.5 million EUR to 200 CSOs, and the regional foundations supported further 120 CSOs.⁶⁶

Support for the Foundation is very effective and significantly contributes to the development of the civil sector due to its strategic and decentralized approach. The Foundation considers institutional support as an investment and, unlike many other countries in the region, supports the organizational development and the stabilization of the work of the CSOs through multi-year funding schemes.

6. Grant making procedure

The conditions and the procedure of allocating resources are regulated in the "*Ordinance on the Conditions and Procedure for the Allocation of Funds for the Fulfillment of the Foundation's Purpose*" (hereinafter: "*Ordinance*"). The first Ordinance was adopted on 24 May 2005, while the latest one was adopted in 2009 for the period of three years (2009 -2011).⁶⁷

⁶² Strategic Action Plan for 2008-2011.

⁶³ National Foundation for Civil Society Development. Annual Report for 2004.

⁶⁴ It was 44,148,883 KKR in 2007, 46,212,907 in 2008, 43,378,134 in 2009 and 42,181,754 in 2010.

⁶⁵ For more information about breakdown of the income and grants see the Annual Report for 2010.

⁶⁶ The 2010 NGO Sustainability Index.

⁶⁷ Available at:

http://zaklada.civilnodrustvo.hr/upload/File/hr/natjecaji/natjecaji_zaklade/postupak_odobranja/pravilnik_za_dodjelu_sredstava_2009.pdf



Organizations have to satisfy the following criteria in order to be eligible for funding:

- they are registered in the Republic of Croatia;
- they are registered as associations, foundations, institutions, or other legal persons whose basic purpose is not-for-profit (civil society organizations), units of local and regional self-government, and civic initiatives;
- through their programs and activity, they promote the values of the constitutional order of the Republic of Croatia, so they implement activities aimed for the public benefit, satisfying the needs of the community and at achieving sustainable development; and
- the program/project/initiative that they submit in response to the Foundation's tender is assessed as significant for the development of civil society in Croatia.

The three main steps of the procedure are:

1. **Verification** that the formal requirements set forth in the tender have been met.
2. **Quality assessment of the application.** Two different independent experts' bodies review the applications for two different types of support. The applications are assessed based on an evaluation grid, which is available to the applicants at the time of the call.
 - First, for projects under the democratization and development of civil society funding scheme, the dedicated *Program Committee for Assessment of the Quality of Proposals* is responsible for the quality assessment. The Program Committee is an independent working group of 5 members, appointed by the Management Board.
 - Second, for projects under the institutional support scheme, the *Council for Strategic Investment in the Development of Civil Society* evaluates the proposals. The Council consists of 5 members also selected by the Management Board. For these proposals, the evaluation is conducted in two rounds. In the first round, the Council shortlists the candidates and sends the proposal to the specific program department of the Foundation for 'program and financial evaluation'. Based on the input of the Department, the Council prepares their recommendation.
3. **Decision-making.** The Program Committee and the Council submit the proposals to the Management Board who makes the final decision. The Program Committee and Council are required to submit explanation as to why they have refused the rejected proposals. If the Management Board does not agree with a grant proposal, the Committee/Council is asked to reconsider the proposal. This happens only if the recommendations made by the Committee/Council are not in line with the announced aims for program support. In some cases, the grant making procedure may be repeated.

The Foundation systematically monitors the implementation of the projects in order to determine the effectiveness of the funding and the changes it had in the local community. The Foundation calls upon the awarded organizations to return the unspent and the inappropriately spent funds to the Foundation. Such income forms a separate budget line in the annual report (for example, in 2010 it was 421,942 HRK or approx. 72,530 USD).



Every year, the Foundation submits annual reports to the Parliament, the Government, the Office for Cooperation with Associations, and its donors about the allocated funds.

National Foundation of Civil Society in Estonia⁶⁸

1. History and establishment

The issue of state funding and the establishment of the National Foundation of Civil Society (hereinafter: "*Foundation*") has been under discussion in Estonia over the past decade. There were several reasons that prompted it. The existing state funding schemes lacked transparency and a systematic approach and the implementation of the allocated funds was not monitored sufficiently. There were various sources of state financing; however, most of them were used to support CSO projects in specific fields of activities. There was no financial support for the development of the civil sector as such, including activities which aim to shape the CSO environment, solve inter-sectoral problems, implement the Civil Society Development Concept (known as EKAK),⁶⁹ and increase the professional skills and competence of Estonian CSOs. CSOs continuously struggled with their over-dependence on funding limited to specific projects and lack of funding of advocacy activities which all slowed down their ability to fulfill their role in the society. These problems could not be solved within the framework of the existing funding scheme and therefore the civil sector started to advocate for the establishment of a new mechanism.

As of 2001, there were different proposals prepared by CSOs and presented to public institutions and the Parliament itself, but the endeavors remained inefficient until the 2007. The most successful CSO initiative was the Manifest of Estonian Non-governmental Organizations which was compiled by NENO.⁷⁰ The Government included the commitments from the Manifest in its Program when it adopted the Coalition Program for 2007-2011, after the parliamentary elections of 2007. It undertook the obligation to establish the National Foundation of Civil Society no later than the 1st of January 2008 and allocate annually 20 million Estonian kroons (approx. 1.3 million EUR) from the state budget.

⁶⁸ The following overview was developed with the support of the Executive Director of the Foundation, Mr. Agu Laius. ECNL extends its gratitude to him for all the information and explanations provided. <http://www.kysk.ee/>

⁶⁹ EKAK or Estonian Concept is a policy document adopted by the Estonian Parliament in December 2002 which defines the mutually complementing roles of public authorities and civic society, principles of their cooperation and mechanisms and priorities shaping and implementing public policies and building the Estonian civil society. <http://ngo.ee/node/282>

⁷⁰ NENO (Network of Estonian Nonprofit Organizations) is the largest Estonian umbrella organization uniting 111 CSOs from all over Estonia. www.ngo.ee



In June 2007 NENO was commissioned by the Ministry of Interior to prepare the Concept for National Foundation of Civil Society (hereinafter: “*Concept*”). Local CSOs were informed and involved in the drafting procedure through different methods:

- Work documents were published on NENO’s website and interested parties were invited to submit their opinion and proposal;
- Information was distributed through NENO and civil society lists;
- Informative events were held about the initial data and the main principles;
- Meetings were held with CSO representatives in different regions of Estonia;
- The idea of the new Foundation was introduced in NENO’s NGO Summer School.⁷¹

All proposals were gathered in one document. The Concept was finalized on the 31 of August 2007 after consultations with the competent ministries⁷² and approved by the Estonian Government in October 2007. The Statute and the structure of the Foundation were elaborated in November 2007.

The National Foundation was established by the Estonian Government (specifically by the Minister of Interior Affairs which acted as a founder) on 18 February 2008 and started its operation on 3 March when the Supervisory Board gathered for the first time. The National Foundation is a not-for-profit entity founded on the basis of two laws: the Foundations Act⁷³ and the State Assets Act⁷⁴. Due to this duality, the Foundation is a legal person under private law while the Ministry of Interior Affairs is responsible for approving and amending the Articles of Association. Besides this, the Ministry does not have any rights to intervene into the everyday activity of the Foundation.

At first, the action plan, budget, and institutional set-up were discussed and approved by Supervisory Board, who also approved the first open call for funding applications. The Bureau approved the main conditions of the call and developed the guidelines for the applicants, the application form, and other necessary document⁷⁵.

The strategic documents for the activity of the Foundation are EKAK, the respective action plans, the Concept, and the Strategy for 2009-2013⁷⁶. The Articles of Association (i.e., statute) were adopted by the Minister of Interior Affairs on the 21st of January 2008 and they were amended in June 2010 to bring them in line with the main legislation governing foundations.

⁷¹ Information are based on the Concept for National Foundation of Civil Society, available at: <http://www.kysk.ee/?s=21>

⁷² Ministry of Interior, Ministry of Finance, Ministry of Education and Research, Ministry of Environment. The text of the Concept is available at: <http://www.kysk.ee/?s=21>

⁷³ The Foundations Act is available at: <http://www.legaltext.ee/et/andmebaas/tekst.asp?loc=text&dok=X1014K7&keel=en&pg=1&ptyyp=RT&tyyp=X&query=sihtasutuste+seadus>

⁷⁴ State Assets Act is available at: <https://www.riigiteataja.ee/akt/105012011018>

⁷⁵ Summary about the first year of operation is available at: <http://www.kysk.ee/?s=299>

⁷⁶ The Strategy 2009-2013 is available at: <http://www.kysk.ee/?s=23>



2. Sources of funding for the Foundation

The budget of the Foundation is composed of the allocation from the state budget, private and foreign donations, the so called ‘target-specific allocations’, and the income from the economic activity of the Foundation.

The majority of funding comes from the state budget as the Foundation is managing state budget allocation. The exact amount of the budget line is decided by the Minister of Regional Affairs who prepares the proposal to the Parliament. The Minister discusses the topic with the Executive Director and the Supervisory Board and sometimes CSOs advocate for funding as well. The Foundation can manage allocation of other state funds; for example, the Ministry of Interior Affairs signed a contract with the Foundation to allocate some additional funds for CSOs which prior the establishment of the Foundation were managed directly by the Ministry.

Further, the Foundation may receive private donations and target-specific allocations. In the case of donation the Foundation may use those funds to implement any goal of the Foundation based on the decision of the Supervisory Board. In the case of target specific allocations, the donor is entitled to determine the purpose of the donation (which must be in line with the Foundations’ goals) and the Foundation signs a contract with the donor for that purposes. At present, the Foundation has some smaller donations and the following two contracts for target-specific allocations:

1. Contract with EMT corporation⁷⁷ to manage charity program resources to CSOs;
2. Contract with Estonian banks after Estonia joined Euro zone (called Coin campaign- citizens were given the possibility to use Estonian currency coins for charity in order to support Food Bank activities in Estonia).

The Foundation has income from foreign funding; for example it manages the Estonian-Swiss Cooperation Fund Program.

3. Internal governance structure of the Foundation

The Foundation functions as independent nonprofit legal entity acting in the interest of the public. The two main bodies of the Foundation are the Supervisory Board and the Management Board. The daily work is organized by the Bureau, which his composed of the employees of the Foundation.

The Supervisory Board plans the activities, approves the strategy, the action plan and budget of the Foundation. It organizes the management of the Foundation, employs the Executive Director and

⁷⁷ EMT develops and administers mobile networks and mobile systems and also creates, markets and sells mobile services.



supervises the activity of the Management Board. It consists of 10 members appointed for 3 years, of which:

- 1 member is the representative of the Minister for Regional Affairs
- 1 member is the representative of Ministry of Finances
- 1 member is appointed by the Minister for Regional Affairs
- 2 members are appointed by the Parliament
- 5 members are appointed by the Government Commission of EKAK.

The Foundation is directed and represented by the Management Board which consists of one person, the Executive Director of the Foundation. The Bureau is managed by the Executive Director of the Foundation and has 7 staff members.

The Foundation also has expert group which evaluates the applications and proposes which projects to fund. The expert group is a permanent body of 16 members elected by the Supervisory Board through an open competition for the same period during which the acting Supervisory Board has a mandate. The Executive Director selects 3 experts out of these 16 to evaluate applications of each open call. To achieve the best quality of the experts work, the Foundation organizes training seminars for the experts at least twice per year. These seminars are also used to get feedback from the experts how to increase the quality of the evaluation of applications.

4. Performance overview

The goal of the Foundation is to help build the capacity of Estonian CSOs, to develop civil society, and to shape an environment that fosters civic action. The state budget dedicated to the Foundation approximately 1.1 -1.3 million euros over the past years.⁷⁸ In order to achieve its goals, the Foundation developed the following three programs:

a. Program for operational capacity of national and regional non-profit associations and foundations

50% of the total budget was dedicated to this program through open calls for funding proposals, each with a different focus. During 2008-2011, 8 open calls were announced, 467 different project applications were submitted by CSOs, and 236 grants were received. Thus far, the Foundation has financed:

- 74 national level projects,
- 145 regional level projects (three open calls),
- 10 integration thematic projects,

⁷⁸ The information is based on the presentation prepared and presented by Merlin Sepp, NGO Fund Program Manager on the 25th of November 2010 in Budapest. The presentation is available at: http://civiljogok.hu/sites/default/files/3_panel_Civil_Society_Fund_in_Estonia.pdf



- 31 advocacy thematic and participatory democracy projects,
- 45 social entrepreneurship projects, and
- 5 volunteers coordinating centers' projects.

b. Program for innovative ideas (“good ideas”) and international cooperation

10% of the total budget was spent on this program through continuous open calls for grants. During the period 2008-2011, the Foundation received more than 100 good idea applications, of which 33 have received grants. Within the same program, the Foundation has received 42 applications for travel support and financed 30 projects under the Program „International distribution of the experience of Estonian civil society.”⁷⁹

c. Advocacy and support program for civil society development

This program is implemented through activities initiated by the Supervisory Board and constitutes 10% of the total budget. Project management trainings, advocacy and social entrepreneurship thematic trainings, information seminars, civil society research, and important sustainable civil society events are conducted by this program.

The priorities of the Foundation and the concrete themes of the open calls are determined by the Supervisory Board. The ideas are provided by the staff which prepares them on the basis of the feedback of the CSOs, research, studies, and the Civil Society Development Plan 2001-2014. In 2011 and 2012, the Foundation aimed to support social enterprises established by CSOs in Estonia.⁸⁰

The Foundation contributed to good governance practices among CSOs as well. It included the Code of Ethics of Estonian Non-Profit Organizations in its funding requirements and applicant CSOs are required to explain how they follow the principles of the Code.⁸¹

According to the vision of the Foundation, it will be a significant supporter of the operational capacity of NGOs, an acknowledged cooperative partner for public authorities and CSOs, and it will work to achieve better conditions for the development of civil society by the year 2013.

So far it has improved the capacity of the CSOs, decreased their financial dependence on specific projects, increased the number of economic activities conducted by CSOs to earn money, improved

⁷⁹ Under this program, CSOs can get financial support for travelling and accommodation for Estonian CSO leaders and civil society researchers to participate in international conferences, seminars etc and introduce Estonian civil society experiences. From 2012 this sub-program was opened also for Estonian CSOs to invite outstanding international civil society leaders and researchers to participate as keynote speakers in conferences and other events in Estonia, and for Estonian CSO leaders to participate in preparatory meetings abroad to prepare cooperation projects for international funders.

⁸⁰ The information was provided by Agu Laius, Executive Director of the Foundation.

⁸¹ Hadzi-Miceva Evans, K., Golubovic, D. Public Funding for Civil Society Organizations- Good Practices in the European Union and Western Balkans. ECNL and TACSO, 2011.



the advocacy activities undertaken by CSOs, and improved cooperation between the public sector and other CSOs.⁸²

5. Grant making procedure

Until 2009, the grant making procedure was regulated by the terms and conditions approved by the Supervisory Board for each and every open call.⁸³ In the first 3.5 years of operation, the Foundation continuously assessed the needs of civil society and the priorities for the open calls were developed in collaboration with CSOs. Furthermore, the application and budget forms and project content and financial report forms were improved based on the feedback of CSOs.

On 10th of May 2009 the Supervisory Board approved the *“Procedures for announcing open calls, proceeding applications and „Good Idea” projects, disclosing and monitoring the implementation of the grant”* (hereinafter: *“Procedures”*) which guides all grant making processes. The Procedures were elaborated based on the feedback from CSOs regarding the first open call announced in May 2008.⁸⁴

The steps of the grant tendering and application process are:

1. **Announcement of the open call** by the decision of the Supervisory Board, according to the conditions approved by the Supervisory Board.
2. **Submission of the applications**- the deadline shall not be shorter than 45 days.
3. **Evaluation of the applications and projects**: shall be completed within 60 days after the deadline for submitting the applications. Evaluation of the applications is carried out in two stages: technical evaluation and content evaluation.
 - **Technical evaluation** is carried out by the Bureau and the results are provided in the technical evaluation document.⁸⁵ In case of minor shortcomings the applicants are asked to submit the correct application.
 - **Content evaluation** is carried out by at least two (“Good Idea” contest) or three (open calls) independent experts after the application/project has passed the technical evaluation. The Bureau prepares a criteria sheet for evaluation for each open call and the experts have to fill this sheet. After evaluating all applications the experts have working meeting to discuss the results of evaluation.⁸⁶

⁸² The information is based on the presentation prepared and presented by Merlin Sepp, NGO Fund Program Manager on the 25th of November 2010 in Budapest. The presentation is available at: http://civiljogok.hu/sites/default/files/3_panel_Civil_Society_Fund_in_Estonia.pdf

⁸³ The information was provided by Agu Laius, Executive Director of the Foundation.

⁸⁴ The information was provided by Agu Laius, Executive Director of the Foundation.

⁸⁵ Hadzi-Miceva Evans, K., Golubovic, D. Public Funding for Civil Society Organizations- Good Practices in the European Union and Western Balkans. ECNL and TACSO, 2011.

⁸⁶ The content evaluation criteria are available in the study: Hadzi-Miceva Evans, K., Golubovic, D. Public Funding for Civil Society Organizations- Good Practices in the European Union and Western Balkans. ECNL and TACSO, 2011.



4. **Decision-making:** The Supervisory Board or Executive Director decides which project to support based on the recommendations of the group. In general, the Supervisory Board or Executive Director accept the results of experts work, and only finalize the grant making procedure.
5. **Announcing decision and signing the grant contracts.** The decision is communicated to the applicant by e-mail. Decisions not to finance a particular project are communicated to the applicant with justifications in written or digitally signed within ten working days after the decision is made.⁸⁷

6. Other financial resources available to CSOs

The following state resources were available for the CSOs prior to the establishment of the Foundation:

1. Regional development program - Program for Local Initiatives, Program for Small Projects for Developing Regional Competitiveness, Program for Planning Regional Development etc.
2. Gambling Tab Board- the Ministry of Education and Research, the Ministry of Culture and the Ministry of Social Affairs allocated grants to support small projects.
3. The Ministry of Education and Research supported the activities of youth associations and allocated annual grants based on the Youth Work Act.
4. Cultural Endowment of Estonia and its structures in different counties.
5. Environmental Investment Centre.
6. Integration Foundation.
7. Rural Development Foundation.
8. Estonian National Culture Foundation.
9. County Development Centers- in order to consult CSOs active in rural areas, organize trainings and distribute information, CSO consultants are employed by these Centers.
10. County developments funds were also available for CSOs.
11. Local governments included the support of CSOs within their budget and it increased year by year.
12. European Union Aid Programs.⁸⁸

All of these resources exist and there was no reduction as a result of the establishment of the Foundation.⁸⁹

In 2009, the Government approved a concept for public funding for CSOs which aims to harmonize funding practices between public institutions on the national level, increase transparency and efficiency, and make it easier for CSOs to apply. The implementation started only in October 2011

⁸⁷ Procedures for announcing open calls, proceeding applications and „Good Idea” projects, disclosing and monitoring the implementation of the grant.

⁸⁸ Concept for National Foundation of Civil Society, page 13-14

⁸⁹ The information was provided by Agu Laius, Executive Director of the Foundation.



because the ministries were unable to come to consensus on some practical implementation issues until then.⁹⁰ The representatives of the Foundation were included in the working group since the Foundation has received a lot of positive feedback concerning its funding practices. The idea is to discuss how it would be possible to implement those practices to the funding procedures of other foundations and to elaborate common principles for funding of CSOs in Estonia. The project aims to implement Measure 3 from Civil Society Development Plan 2011 – 2014.⁹¹

The National Civil Fund and its Replacement by the National Cooperation Fund in Hungary

1. History and establishment

In Hungary, ten years ago, state support of the non-profit organizations comprised around 30% of the total income of the sector. However, only 60% of this amount went to associations and foundations- the rest was given to public foundations and non-profit companies. State funding was available mainly for project activity. There were very rarely sources available for institutional support; the Parliamentary Committee on Civil Society was the only body that distributed institutional funding and it gave grants to 1,600-1,800 CSOs per year, which is 2-3% of the sector. Since the local governmental sources also supported specific projects, there was no fund to help develop the civil sector and enhance the partnership between CSOs and the Government.⁹²

The National Civil Fund (hereinafter: “Fund”) was established in 2003 as a result of several factors, including the following:

- After the election, the Government was willing to support the civil sector on a large scale;
- CSOs started advocating for the re-distribution of the amount which was not designated by the taxpayers through the 1% tax designation system;⁹³
- The Government recognized that the operational costs of the CSOs are not sufficiently financed by other donors, so they should be supported by the state;
- The existing mechanism of providing operational support through the Parliament was admittedly politically biased.⁹⁴

⁹⁰ The 2010 NGO Sustainability Index.

⁹¹ The information was provided by Agu Laius, Executive Director of the Foundation. The Civil Society Development Plan is available at: http://www.siseministerium.ee/public/KODAR_VV_EN.pdf

⁹² The Argument of the Law L of 2003 on the National Civil Fund Program

⁹³ In Hungary, taxpayers can dedicate 1% of their personal income tax to a CSO which is eligible to receive such funds. The system is referred to as ‘percentage legislation’ or “1% designations.”

⁹⁴ Bullain, N. Learning points from the National Civil Fund in Hungary. ECNL, 2007.



In 2003, the Government adopted a Strategy Paper on Civil Society (hereinafter: “*Strategy*”) and identified key objectives concerning state financing. Among other things, the Government pledged to increase the proportion of state funds to 40%⁹⁵ of the total revenue of the civil sector by 2006. Furthermore, the Government recognized the need to support the operations of small organizations which had fewer opportunities to receive grants for project financing. In the Strategy, the Government endeavored to set up a National Civil Fund whose decision-making bodies would be composed primarily of CSO representatives. According to the Strategy, the new Fund would not eliminate other state funding.

The Law on the National Civil Fund Program (hereinafter: “*Law*”)⁹⁶ was elaborated through an open procedure: the draft concept of the Law was shared with the CSOs; the Government consulted CSO leaders and experts to finalize the draft; country-wide consultations were held regarding the establishment of the Fund. Many of the comments and considerations submitted by CSOs were taken into account in the final draft, which was adopted by the Parliament on the 23rd of June 2003.⁹⁷ The Law’s implementation decree regulates the civil delegation system (system of electing CSOs in the decision-making bodies), the grant making procedure, procedures for monitoring grants, and the operation of the Administration Agency.⁹⁸

The Fund was a separate budgetary appropriation which was considered innovative for the following reasons. First, according to the Law, at least 60% of the funding for this institution had to be spent for institutional support and the Fund’s Council was entitled to determine even higher proportion. Second, Fund decisions were made through bodies primarily composed of CSO representatives. Third, the state aimed to allocate to the Fund the equivalent amount of funding that was transferred to CSOs through the 1% tax designation system in the previous year.⁹⁹

The Law regulated the goals of the Fund broadly so the Council and the Colleges¹⁰⁰ could adjust to the needs of the CSOs. However, during the first five years of operation, the Council did not adopt an overall strategy or policy document concerning how the Fund aims to achieve its main objectives. As was pointed out by the State Audit Office in its report “*The use of the operational support provided to CSOs was overall in accordance with the law but did not result in the expansion of the role of civil organizations as drivers of social change.*”¹⁰¹ In order to remedy the situation, the Strategy for the Fund was finally adopted on the 6th of July 2009. It addresses the mission, the strategic problems and priorities, and the short and long term tasks whose achievement were to be reviewed annually.

The Council, the principal governing body of the Fund, adopted the funding principles annually in a separate document. The last Funding Principles document, enacted in 2011, include: (1) general

⁹⁵ This was the lowest level in the EU member states.

⁹⁶ Law L of 2003 on the National Civil Fund Program

⁹⁷ International Center for Not-for-Profit Law, National Funds to Support Civil Society Organizations

⁹⁸ 160/2003, (X.7.) Governmental decree

⁹⁹ See footnote 2.

¹⁰⁰ Part of the Fund’s internal governance structures. See Section 3 below.

¹⁰¹ Bullain, N. Learning points from the National Civil Fund in Hungary. ECNL, 2007.



principles (e.g., the maximum amount which may be awarded for one organization), (2) principles specific to the institutional support, (3) principles specific to the projects (including which activities should be supported by the decision making bodies (so-called Colleges), and (4) the principles of the settlement (list of those costs which may be supported and those which may not).

In the first years of operation, the definition of “operational costs” was not clear and was interpreted in different ways by the stakeholders. This was mainly due to the inexperience of the Council and the Colleges and the lack of understanding of organizational development.¹⁰² This caused significant problems in the allocation and monitoring of funds, considering that the operational costs were the main target of the Fund. The Funding Principles for 2007 introduced a new approach concerning operational costs: the cost categories were determined in accordance with the Accounting Act.¹⁰³

The main revision and amendment of the Law took place in 2007 to reflect on the lessons’ learned from the first 3 years of operation and the report of the State Audit Office¹⁰⁴ about the Fund. The amendments were largely based on the suggestions of the Council but the general concept of the amendment was published on the website of the Fund for nearly 1.5 months so many CSOs could submit proposals as well. The aim of the amendment was to rationalize and increase the effectiveness of the grant making system. The amendment also touched upon the internal governing rules of the Fund as well including the remuneration of the members, the conflict of interest rules, the informing and reporting obligations and the publicity of the Fund.

Important changes occurred in 2011 when the current Fund was replaced with the new National Cooperation Fund. The legislation procedure of the new CSO Law, including the substantive regulations of the new fund, are discussed under point 7 below. The implementing regulation was just adopted on the 16th of February 2012 and the new bodies of the National Cooperation Fund are not yet set up so there are neither practices nor lessons from its implementation. Therefore, this overview of Hungary will mainly focus on the lessons learned from the old National Civil Fund and provide a summary of the regulation of the National Cooperation Fund.

2. Sources of funding for the Fund

The Fund’s main source of income was the central budget which allocated an amount equal to the *de facto* sum transferred from individuals to CSOs through the 1% tax designation system in the previous year. The law also included a provision guaranteeing that this amount could not be less

¹⁰² Bullain, N. Learning points from the National Civil Fund in Hungary. ECNL, 2007.

¹⁰³ This approach was changed again by the new Funding Principles in 2010; the introduction of consolidated categories allowed different interpretation and made the monitoring difficult again.

¹⁰⁴ Report on the monitoring of the budgetary support provided to the civil society organizations from the National Civil Fund Program, September 2006. Available at: <http://www.asz.hu/jelentes/0635/jelentes-a-nemzeti-civil-alapprogrambol-civil-szervezeteknek-juttatott-koltsegvetesi-tamogatások-ellenorzeserol/0635j000.pdf>



than 0.5% of the personal income tax actually paid by private individuals in the previous budgetary year. This way the Government was able to secure sufficient funding for the operation of the Fund and encourage private donations at the same time. With the amendment of the Law on the 1st of January 2009, the 0.5% threshold was removed and the regulation concerning the central budget allocation was slightly amended. As of 2010, the state was obliged to allocate to the Fund an amount equal to the *de facto* sum transferred to the CSOs through the 1% tax designation system in the 3rd year before the subject year.

Despite the rules stipulated in the Act, in 2007 and 2008 the budget line of the Fund was lower than the allocations distributed through the 1% designations. Since 2009, the exact amount of the budgetary allocation was prescribed in the Law and the Law was amended annually to reflect the actual budget line dedicated to the Fund.

Besides the central budgetary support, the Fund is permitted to generate income from the voluntary contributions and donations; however, between 2008-2010, the Fund did not receive any such income.¹⁰⁵

3. Internal governance structure of the Fund

The Fund was composed of the Council, the Colleges, Administration Agency, and the Secretariat of the Minister. The Council was the strategic decision-making body of the Fund which set the priorities, the fundamental rules of operation, and divided its resources for the various purposes and for distribution by the 11 Colleges. The operative decision-making bodies of the Fund were the Colleges which decided on the main directions and methods to utilize the money allocated to them and decided on the specific distribution of grants. One national and 7 regional Colleges distributed institutional support based on the territorial influence of the applicant CSOs and three additional Colleges decided on project support. The Fund was managed by the Administration Agency which was responsible for the announcement of the calls for proposals, the receipt and preparation of the applications, the contracting, and monitoring the lawful implementation.¹⁰⁶

The Council put down the rules of its operation in the “Rules of procedure.” The Rules of Procedure were amended 3 times during the operation of the Fund.

The Council consisted of 17 members, out of which 12 people were CSO delegates, 2 members were appointed by the competent Committee of the Parliament, and 3 members were appointed by the

¹⁰⁵ Information is based on the Report prepared by the State Audit Office in December 2011 about the affect of the operation and the support of the National Civil Fund Program. Available at: <http://www.asz.hu/jelentes/1127/jelentes-a-nemzeti-civil-alapprogram-mukodesenek-tamogatasanak-hatasarol-figyelemmel-a-tarsadalmi-es-civil-kapcsolatok-fejlodesere-egyek-kiemelt-fontossagu-kozhasznu-feladatok-hatekonyabb-ellatasara/1127j000.pdf>

¹⁰⁶ The Administration Agency (namely the Wekerle Sándor Fund Manager) is a central budgetary agency directed by the Ministry of Administration and Justice.



Minister of Public Administration and Justice. The members of the Council were appointed for 3 years.

Five to 11 members were appointed to the Colleges for a period of 3 years each. All members were CSO delegates except for 1 member who was appointed by the Minister of Public Administration and Justice.

Selection of CSO delegates:

CSO delegates to the bodies were elected by representatives of national and regional organizations at electoral meetings. The candidates who received most of the votes became members. Some of the members were elected based on geography (i.e., they represent a geographic region), and the others because they represented a particular field of activity.¹⁰⁷

Registration to be an elector

In order to become an elector, CSOs had to register at the Secretariat of the Minister. Those CSOs that had either regional or national scope of influence were entitled to send electors. They had to submit their charter document, court certificate of the valid data of the organization, and a statement which includes the valid data, the name of the elector representing the organization, the operational influence of the organization (if regional which region, if national¹⁰⁸ the professional field of its activity) and an introduction to its scope of activity. The Secretariat issued a certificate of registration for each CSO that met the requirements and notified the registered CSOs of the date and place of the electoral meeting. In cases of deficient applications, the CSO was called upon to submit the missing documents; in cases where the organization failed to comply with this request, its application was rejected. Rejected organizations could appeal to the minister.

The application period could not be less than 30 days. Each organization that had regional scope of influence could set up only one elector in its region. Those CSOs that had national scope of influence could set up an elector only for the national electoral meeting.

Voting procedure- the electoral meeting

The CSO members of the Council and Colleges were elected at separate national and regional electoral meetings. The minister published the place and date of the electoral meetings in at least two national daily newspapers, the CSO press and forums, and the website of the Fund.

The voting was organized in two stages. At first, the electorate votes on candidates through an open vote procedure. Only those candidates who have received 10% of the votes in the open vote were shortlisted for a second round of voting. The electors could vote for as many

¹⁰⁷ In case of the Council 5 CSO members were represented a particular field of activity while 7 members were elected on regional basis.

¹⁰⁸ The influence of its operation expands to at least 7 counties.

candidates as the number of members that needed to be elected. Candidates who obtained majority of the votes were selected as members of the Council and the Colleges. In case of a tied vote, members were selected by drawing lots. The names of the members of the Council and the Colleges were disclosed on Fund's website.¹⁰⁹

Although the civil representation was an important democratic achievement, it raised conflict of interest issues because it was not regulated properly by the Law. It was statistically proven that those organizations which were affiliated with the decision-makers were more successful applicants, furthermore, they have received a higher percentage of the requested money (in case of some Colleges they received double amount of grants compared to the others).¹¹⁰ In 2005, the supervising Minister acknowledged that the conflict of interest rules should be more severe and the transparency and objectivity of the decision-making needed to be enhanced.¹¹¹ Stricter rules were adopted into the Law in 2008 but this did not quell the self-dealing critiques.

The Minister of Public Administration of Justice¹¹² had judicial supervisory competence over the Fund, and with the assistance of his secretariat, he arranged the CSO electoral meetings, cited the first meeting of the Council, commissioned the members of the Council and the Colleges, decided on the conflict of interest issues, and reported to the competent Committee of the Parliament on the activity of the Fund.

4. Existing financial resources

As mentioned before, the Government provided state support prior to the establishment of the Fund. Before the Fund, the state support consisted budgetary support, funding received through the 1% tax designation system, various central funds, income from the reimbursement of the VAT, tax benefits, local governmental support, and support received from budgetary institutions.

According to the state budget of 2001-2002, there were 150 different sources of funding available for CSOs, allocated from 17 different chapters of the budget. The budget included:

1. operational support for associations (Parliament),
2. public and private foundations specified by name (ministries),
3. associations specified by name (ministries),
4. public bodies specified by name (Ministry of Health, Ministry of Youth and Sports),
5. numerous educational, research, medical, social, cultural and sport programs.

5. Performance overview

¹⁰⁹ For details about the procedure see: Hadz-Miceva-Evans, K., and Nuredinoska E., Criteria and Procedures for Selection of Civil Society Organizations in Cross-Sector Bodies, Comparative overview and description of the Macedonian situation, ECNL, OSCE, October 2011

¹¹⁰ Kákai, L. A Nemzeti Civil Alapprogram, Útkeresés egy új támogatási rendszer felé?/The National Civil Fund Program. Finding the way to a new support system? Civil Szemle, 2010.

¹¹¹ <http://www.szmm.gov.hu/main.php?folderID=1052&articleID=5020&ctag=articlelist&iid=1>

¹¹² Before the change of government in 2010 the Ministry of Social Affairs and Labor was the responsible ministry.

Although CSO income from the Fund only constituted 0.8% of the total income of the sector,¹¹³ it helped cover the institutional costs of thousands of CSOs.

In the past 8 years of operation, the following amounts were distributed to CSOs through the tax designation system and dedicated to the Fund through budgetary line:

	The amount dedicated through the tax designation system¹¹⁴	Budgetary line
2002	5,2 billion HUF/21,5 million USD	
2003	6,2 billion HUF/25,7 million USD	
2004	7 billion HUF/29 million USD	6,1 billion HUF/25,3 million USD
2005	7 billion HUF/29 million USD	7 billion HUF/29 million USD
2006	7,7 billion HUF/31,9 million HUF	6,75 billion/28 million USD
2007	8,8 billion HUF/36,5 million USD	6,887/28,5 million USD
2008	9,5 billion HUF/39,4 million USD	6,887 million HUF/28,5 million USD
2009	9,7 billion HUF/40,2 million USD	7,7 billion HUF/31,9 million USD
2010		7 billion HUF/29 million USD
2011		3,640 million HUF/15,1 million USD

For the first two full years of operation (2004-2005), the Fund's budget was HUF 13,978 million (approx. 58 million USD), out of which 92.6% supported CSOs and the remaining 7.4% was used to cover the Fund's operational costs. In 2004, 73% was dedicated to institutional support, while in 2005 it was a bit lower - 70%. The applicants requested altogether 21,947 million HUF (approx. 91 million USD) in 2004 and 31,128 million HUF (approx. 129 million USD) in 2005 which were three and four times the amount of available funds in these two years. Those Colleges which decided on institutional support awarded 5,149 applications with altogether 4,625 million HUF (approx. 19,2 million USD) in 2004 and 9,548 applications with altogether 4,682 million HUF (approx. 19,4 million USD) in 2005. Those Colleges which provided project support distributed altogether 1,696 million HUF (approx. 7 million USD) for 1111 tenders in 2004 and 1,899 million HUF (approx. 7,8 million USD) for 1909 tenders in 2005. The number of supported organizations increased to 42% in 2005. The average amount of a grant was around 700,000 and 1,1 million HUF (approx. between 2900 USD and 4600 USD).

On average, grants received from the Fund comprised 10-11% of the total operating budgets of the recipient CSOs, but the funding's influence was considerable. Due to institutional support received from the Fund, technical and infrastructural conditions improved in 58% of the awarded organizations. 31% of the organizations financed personnel costs from the financial support while 37% used the money to maintain the offices.¹¹⁵

¹¹³ Non-profit organizations in Hungary, 2009. Central Statistical Office, 2011.

¹¹⁴ The amounts were cited from the 2009 Annual Report of the National Civil Fund Program.

¹¹⁵ Information is based on the Report prepared by the State Audit Office in 2006 about the monitoring of the budgetary support provided to CSOs from the National Civil Fund. Short summary is available at: <http://www.asz.hu/sajto-osszefoglalo/0635/osszefoglalo-a-nemzeti-civil-alapprogrambol-civil-szervezeteknek-juttatott-koltsegvetesi-tamogatasok-ellenorzese/0635-nemzeti-civil-alapprogram.doc>



In 2010, 29 calls for proposal were announced, 18,676 applications were submitted out of which 17,133 met the formal requirements. 12,029 contracts were signed for a total of HUF 6,237,757,878 (approx. 25,9 million USD).¹¹⁶

The last year (2011) was very controversial in the life of the Fund- its budget line was significantly cut (3,640 million HUF, which is approx. 15,1 million USD) and the application period was shortened. Parallel to this, the Government distributed 6.5 billion HUF to more than 200 associations, private and public foundations, through a governmental decree from the budget line of 8 ministries.¹¹⁷ Some of these individual grants aimed to cover projects, some of them institutional costs. The amount of individual grants ranged from HUF 100,000 to HUF 1.5 billion.

6. Grant making procedure

Only traditional CSOs (associations and foundations) were entitled to apply for grants from the Fund while other not-profit organizational forms were excluded.

The steps of the grant tendering and application process were:

1. The Administration Agency announced the call for proposals – the deadline for the submission could not be less than 30 days.
2. The Administration Agency reviewed the submitted applications to check whether they meet the formal criteria. CSOs with incomplete applications were asked to submit the missing documentation in case the deficiency could be remedied.
3. The Administration Agency prepared a proposal for the valid applications and sent them to the College within 60 days of the submission of the tender.
4. The Colleges decided on the applications within 30 days.
5. The Administrative Agency countersigned and published the decision and notified the applicant.
6. The Administrative Agency signed the contract and transferred the money to the applicant within 180 days after the submission of the application, at the latest.¹¹⁸

In the first years of operation the number of the unsuccessful applications was very high due to technical deficiencies. Based on these experiences, the Council tried to elaborate a new tender application which is better arranged and easier to understand.

¹¹⁶ Information is cited from the website of the Fund: <http://www.nca.hu/>

¹¹⁷ 49/2011. (III.30.) Governmental decree. Available at:
http://nonprofit.hu/sites/default/files/article/2011/4/itt-6-és-fél-milliárd-plusz-ott-800-millió-mínusz.../MK_11_034.pdf

¹¹⁸ Milestones of the application procedure (excel sheet including the timeline and the responsible bodies) was approved by the Council with decision no. 31/2010 (04.02.2010.)



7. The establishment of the new Fund (called National Cooperation Fund)

In July 2010, the State Secretary for Church, Minority- and Non-Governmental Relations, the Ministry of Public Administration and Justice invited CSOs to submit proposals concerning the revision of the existing CSO legislation by e-mail, including the basic laws governing CSOs. During this time numerous conferences and consultations took place with the civil sector. However, concerns were raised by the CSOs about the legislative procedure: only a few, selected CSO representatives were involved in the preparatory meetings and the few who were involved felt that they could not influence the major concept for reform proposed by the Government. The public was able to read the draft only in the end of June 2011 when it was published by the Ministry for general consultation. The timeframe provided for submitting the comments was very short (only 12 days), however, it was eventually extended by a few days. The draft of the Law underwent major changes before being submission to the Parliament; however, it was not published for another turn of general consultation. The new Law on freedom of association, public benefit status and the operation and support of the civil society organizations (hereinafter: “CSO Law”) was adopted by the Parliament on the 5th of December 2011. It contains provisions replacing the existing National Civil Fund with the new National Cooperation Fund. Among CSOs, the new Fund and the reform of the public benefit status remain the biggest concerns.

The implementing ministerial decree related to the new Fund was adopted this year on the 16th of February (hereinafter: “*Implementing Decree*”). The draft of the decree was published on the website of the Ministry of Public Administration and Justice for general consultation on the 19th of December and comments were accepted until the 21st of December. The draft regulates the CSO delegation procedure and the content of the reports which should be prepared by bodies of the Fund. Furthermore, it regulates the Fund’s publicity (website etc.), the grant making procedure, and the tasks of the Administration Agency.

The aim of the Government was to set up a less administrative and more effective and transparent civil support system. The previous Fund was continuously criticized for conflict of interest issues and the high operational expenses. Furthermore, the Government intended to rationalize the distribution of funds as it was frittered in the previous system. According to the Government’s standpoint, small amounts of grants can be compared to addictive drugs: it was not enough to develop the organizations but the CSOs became addicted to it. Nevertheless, many people think that these concerns could have been addressed and healed through the amendment of the previous regulation.

According to the Implementing Decree the minimum amount of the institutional grant is HUF 250,000 (approx. 1150 USD) while there was no such limitation earlier.¹¹⁹ The dominance of institutional support remained the same for the new Fund as 60% of the funds are dedicated to this purpose. Besides the institutional grants the Fund provides project supports mainly for the same goals as the old Fund.¹²⁰ Compared to the old Fund it is a new but rather controversial novelty that

¹¹⁹ However, the maximum amount of the awarded grant was determined in the light of the mission-related costs of the organization in the previous year.

¹²⁰ A new goal is that the Fund provides 5% supplementary grant after the electronically reported donations which are dedicated to cover the operational costs of the organization up to 10%.



the Minister of Public Administration and Justice has discretionary power to decide over 10% of the resources based on individual requests.

The Fund may provide refundable and non-refundable grants and the own resources shall be at least 10%.¹²¹ The amount of the awarded grant cannot be less than 75% of the requested amount; otherwise it has to be rejected. In case smaller amount is awarded than requested the budget lines of the application shall be proportionately reduced. Those organizations whose annual income exceeded HUF 50,000,000 (approx. 27,280 USD) in the previous financial year may receive only refundable grant from the Fund.

Eligible organizations

According to the CSO Law foundations and associations are eligible to apply for funding. However, the applicant CSOs may not receive funding if:

- 1) it has already received funding from the Fund three years in a row (i.e. applicant CSOs shall make a statement that in one of the years out of the past three years they did not receive financial support from the Fund).
- 2) it was established in the same year
- 3) it received institutional support from the state by being specified in the state annual budget by name for the subject year.

Sources of funding

The Fund receives its main source of income from the state budget; however, it is not adjusted to the amount distributed through the 1% designation system any more so it will be subject of political discretionary power every year.

According to the State Budget for 2012,¹²² the budget line dedicated to the National Cooperation Fund is only 3,380 million HUF, less than half of the previous amounts given by the old Fund.

The Law introduced two new income sources for the Fund:

1. By amending the Law on 1%, taxpayers will be able to designate their 1% to the National Cooperation Fund in the future.
2. By amending the Civil Code, courts shall appropriate the assets of the terminated foundations, associations and non-profit companies and send them to the National Cooperation Fund unless the founding statute regulates it otherwise.

It is hard to predict how much income will flow into the budget of the Fund from various sources. It is particularly troubling that the 1% may be dedicated to the Fund as the 1% tax dedication system was originally meant to support the CSOs directly and create links between citizens and CSOs. With the amendment of the law the competition for the 1% of the taxpayers may become even more

¹²¹ The Colleges may stipulate a higher percentage.

¹²² Law CLXXXVIII of 2011 on the central budget of Hungary for 2012



burdensome for the CSOs and in the least desirable scenario, the available funding from the 1% may even decrease.

Internal governing structure

The main pillars of the internal governing structure remained the same; however, the competence of the bodies and the ratio of the CSO representation have significantly changed. The number of the civil delegates was significantly reduced both in the Council and the Colleges,¹²³ and the Minister is entitled to appoint the chairman of the Council and the Colleges. The civil delegates are appointed through electoral meeting and those CSOs which are willing to participate in the voting shall register online until the 17th of March. However, the so-called electoral meeting does not take place in reality like before; the electors may vote individually at the government offices on a computer.

As an example for the change in competence, the Council was given a veto right in the grant making procedure meaning that in case the chairman of the Council does not agree with the positive decision of the College, the Council can change the decision.

While in case of the old Fund there were 11 Colleges out of which one national and 7 regional Colleges distributed institutional support and 3 Colleges decided on project support, both the institutional and the project support are provided by the 5 Colleges in the new Fund. The resources are distributed equally between the 5 Colleges (18% for each- 12% institutional support and 6% project support) which are covering specific fields of activity.¹²⁴ The CSOs shall register under one specific College based on their activity and may request funding from only this College in the future.

Grant-making procedure

- 1) **The call for proposals are announced by the Colleges**– the deadline for submitting the applications to the Administration Agency shall not be less than 30 days.
- 2) **Formal review:** The Administration Agency reviews the applications within 15 days of the submission to check whether they meet specific formal criteria. If not, it is considered invalid and rejected by the Agency.
- 3) **The Administration Agency sends the data list of the valid applications to the decision-makers** (College or the Minister) within 60 days of the submission and inform them about the formal deficiency of the rejected applications.
- 4) **Decision-making:** The College or the Minister decides within 15 days to
 - approve,
 - put the application on waiting list,

¹²³ **Council:** 9 members appointed for 4 years out of which 3 members are civil delegates, 3 members are appointed by the competent Committee of the Parliament and 3 members are appointed by the MoJ on the basis of the suggestion of its strategic partners; **Colleges:** 9 members appointed for 4 years out of which 3 members are civil delegates, 3 members are appointed by the MoJ after the negotiation with its strategic partners and 3 members are appointed by the competent minister after the negotiation with its strategic partners.

¹²⁴ The name of the Colleges are: National togetherness, For the future of the new generation, Mobility and conformity, Community environment, Social responsibility



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- approve it under specific conditions,
 - reject, or
 - ask for the correction of the application. In such case the College/Minister prepares and sends a list of those organizations which shall be called upon by the Administration Agency to correct the deficiency within 8 days.
- 5) **The Administration Agency asks for the approval of the Head of the Council.**
- 6) **In case the Head of the Council gives its approval the Administration Agency informs the applicant organizations within 15 days of the decision.** In case the Head of the Council does not agree with the positive decision it may cite the application to the Council for final decision.
- 7) **Signature of the contract and the transfer of the grant in one installment.**

Supervision

The utilization shall be reported within 30 days after the term of the grant has expired. The Administration Agency reviews the report within 45 days and informs the organization within 60 days in case the report is approved. In case of those reports which are not approved the Administration Agency prepares and sends a proposal to the College/Minister which makes the final decision within 15 days. The Administration Agency informs the supported organization within 15 days of the decision. In case the report has a deficiency it calls upon the organization to correct it within 15 days. The College/Minister may reject the report only in case the organization fails to correct the deficiency.