COMPARATIVE ANALYSIS OF SYSTEMS OF PUBLIC FUNDING OF CIVIL SOCIETY ORGANISATIONS
Comparative analysis of systems of public funding of CSOs

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CONTENTS

Foreword.........................................................................................................................6

I. INTRODUCTION ........................................................................................................8
1. Introduction of the purpose and objectives of the report ........................................8
2. Methodology ...........................................................................................................8
2.1. Principles of public funding .............................................................................8
2.2. The questionnaire ......................................................................................... 8
2.3. Examples of best practices ............................................................................9
3. The structure of the report ..................................................................................9
3.1. General overview .........................................................................................9
3.2. Public funding resources, distribution channels and mechanisms for public funding of CSOs ..........................................................9
3.3. Procedures for the allocation (distribution) of funds .....................................10
3.3.1. Legal bases ..........................................................................................10
3.3.2. Policy documents and strategies ............................................................10
3.3.3. Announcement of a public call ...............................................................10
3.3.4. Appraisal of applications and the selection procedure ..........................10
3.3.5. Publication of results, substantiated response and other elements of transparency of the decision-making process .....................11
3.3.6. Accountability ......................................................................................11
3.4. Mechanisms for improving financial sustainability ....................................11
4. Recommendations ............................................................................................12

II. SLOVENIA .........................................................................................................13
1. Overview of public funding of CSOs in Slovenia ...............................................13
2. Public funding resources and distribution mechanisms .....................................13
2.1. Public funding resources .............................................................................13
2.2. Distribution mechanisms .........................................................................14
2.3. Participation and role of CSOs in the distribution process ............................14
3. Rules of procedures for the distribution of funds ..............................................14
3.1. Legal bases ...............................................................................................14
3.2. Strategic approach to public funding ..........................................................14
3.3. Defining priorities and objectives of a public call .......................................17
3.4. Expert commissions ...............................................................................18
3.5. Publication of the announcement of the public call ....................................18
3.6. Application deadline and time of the announcement ...................................19
3.7. Programme appraisal .............................................................................19
3.8. Communication of decisions, substantiated response and the right to appeal ..........................................................19
3.9. Publication of the results of the public call ................................................19
3.10. Accountability ......................................................................................20
3.10.1. Reporting on purposeful spending ....................................................20
3.10.2. Monitoring and evaluation .................................................................21
4. Mechanisms for ensuring financial sustainability .............................................21
4.1. Operational grants ..................................................................................21
4.2. Prepayments ..........................................................................................22
4.3. In-kind co-financing with voluntary work ..............................................22
4.4. Multiannual funding .............................................................................23

III. HUNGARY ...........................................................................................................24
1. Overview of public funding of CSOs in Hungary ..............................................24
2. Public funding resources and distribution mechanisms ..................................25
2.1. Resources of public funding ................................................................. 25
2.2. Distribution channels and mechanisms ................................................ 25
2.2.1. The percentage mechanism .............................................................. 25
2.2.2. The National Civil Fund ................................................................. 26
2.2.3. The National Cooperation Fund ...................................................... 26
2.3. Participation and role of CSOs in the distribution process ..................... 27
3. Procedures for the distribution of public funds .......................................... 27
3.1. Legal bases ....................................................................................... 27
3.2. Strategic approach to public funding .................................................... 28
3.3. Announcement of a public call, selection criteria and selection procedure ...... 28
3.4. Mechanisms for ensuring financial sustainability .................................. 28
3.5. Operational grants ........................................................................... 28

IV. ESTONIA
1. Overview of public funding of CSOs in Estonia ........................................ 29
2. Sources of public funding and distribution channels ............................... 29
2.1. Allocations of the gambling tax .......................................................... 30
2.2. National Foundation for Civil Society ................................................... 30
2.3. Participation and role of CSOs in the distribution process ..................... 31
3. Procedures for distribution .................................................................... 32
3.1. Legal bases ....................................................................................... 32
3.2. Strategic approach to public funding .................................................... 32
3.3. Announcement of the public call .......................................................... 33
3.4. Appraisal of applications ................................................................... 33
3.4.1. Prevention of conflict of interest in the appraisal process ................. 33
3.5. Substantiated response ...................................................................... 34
3.6. Publication of results ......................................................................... 34
3.7. Accountability .................................................................................. 34
3.7.1. Reporting practices ...................................................................... 34
3.7.2. Monitoring and evaluation .............................................................. 35
4. Mechanisms for ensuring financial sustainability .................................... 35
4.1. Operational grants ........................................................................... 35
4.2. Prepayments ................................................................................... 35
4.3. Multiannual grants ........................................................................... 36

V. SCOTLAND
1. Overview of public funding of CSOs in Scotland ....................................... 37
2. Public funding resources and distribution mechanisms ........................... 37
2.1. Non-departmental Public Bodies (NDPBs) ............................................ 38
2.2. Lottery funds ................................................................................... 38
2.2.1. The Big Lottery Fund .................................................................... 38
2.2.2. Heritage Lottery Fund ................................................................... 38
2.3. The Voluntary Action Fund ................................................................. 39
2.4. Distribution of non-Lottery funding by the Big Lottery Fund, Heritage Lottery Fund and Voluntary Action Fund .......... 39
2.5. The Third Sector team and reporting to the Scottish government .......... 39
2.6. Participation and role of CSOs in the distribution process ...................... 40
3. Distribution procedures ......................................................................... 40
3.1. Overview and legal bases ................................................................... 40
3.2. Strategic approach to public funding .................................................... 41
3.3. Announcement of the public call and the application process ............... 41
3.4. Two-stage application procedure ........................................................ 42
3.5. Selection process and appraisal of applications ..................................... 43
3.6. Transparency of the selection process ................................................ 43
3.7. Accountability ................................................................................ 44
4. Mechanisms for ensuring financial sustainability .................................... 45
4.1. Prepayments ................................................................................... 45
4.2. Multiannual grants ........................................................................... 45
4.3. Operational grants ........................................................................... 45

VI. SERBIA
1. Overview of public funding of CSOs in Serbia ......................................... 46
2. Resources for public funding of CSOs and main distribution mechanisms .... 47
2.1. Allocations from the state budget ........................................................ 47
2.2. Allocations of the lottery proceeds ....................................................... 47
2.3. Distribution mechanisms .................................................................... 47
2.4. Participation and role of CSOs in the distribution process ...................... 47
3. Distribution procedures ......................................................................... 48
3.1. Overview and legal bases ................................................................... 48
3.2. Strategic approach to public funding .................................................... 49
3.3. Announcement of the public call and the application process ............... 49
3.4. Defining priorities and objectives of a public call ................................. 50
3.5. Application deadlines ....................................................................... 50
3.6. Appraisal of the applications .............................................................. 50
3.7. Publication of criteria for appraisal ..................................................... 50
3.8. Substantiated response ..................................................................... 51
3.9. Publication of the results of the public call .......................................... 51
3.10. Accountability ................................................................................ 51
4. Mechanisms for ensuring financial sustainability .................................... 51
4.1. Multiannual grants ........................................................................... 51
4.2. Operational grants ........................................................................... 51
4.3. Co-financing of project funded by the EU (and other international donors) ... 52

VII. CROATIA
1. Overview of public funding of CSOs in Croatia ........................................ 53
2. Public funding resources and distribution mechanisms ........................... 53
2.1. Participation and role of CSOs in the distribution process ...................... 54
3. Rules in procedures of distribution of funds (public calls for proposals) ...... 55
3.1. Overview and legal bases ................................................................... 55
3.2. Strategic approach to public funding .................................................... 57
3.3. Announcement of the public call and the application process ............... 57
3.4. Role of commissions and expert commissions ..................................... 57
3.5. Communication of decisions and the right to appeal ............................ 58
3.6. Publication of results, the use of central monitoring and information system ... 58
3.7. Accountability ................................................................................ 59
3.7.1. Reporting and targeted spending .................................................... 59
3.7.2. Monitoring and evaluation of programmes ..................................... 59
4. Mechanisms for ensuring financial sustainability .................................... 59
4.1. Operational grants ........................................................................... 59
4.2. Prepayments ................................................................................... 60
4.3. Multiannual funding ....................................................................... 60
4.4. Co-financing of EU-funded projects ................................................... 60

VIII. RECOMMENDATIONS ......................................................... 61
IX. References ....................................................................................... 66
Foreword

Civil society organizations’ sustainability is especially important for their effectiveness and providing their active involvement and contribution to social development. In its efforts to support civil society development by partnership, the state can play a positive role and provide financial support for its functioning for this purpose. In Macedonia, these funds are a potentially significant source of sustainability for CSOs. In order to make this reality, it is necessary to provide an appropriate amount of funds for their support, as well as have the whole system of distribution of public funds based on the principles of transparency and accountability, equal treatment and fair choice and proportionality at regional, ethnic, gender and all other levels.

Macedonian Center for International Cooperation (MCIC) has been making efforts since its established to create an enabling environment for the civil society. After 2007, MCIC started to essentially stand for improvement of the direct budget financing of CSOs by the state, first of all via research and information on the possibilities to improve the overall system, while informing about the financial support to civil society. In 2010, MCIC prepared a detailed comparative review of the possibilities for public funding of CSOs in several European countries (Croatia, England, France, Hungary and Ireland), as well as the current possibilities in the Republic of Macedonia, within its publication “Public Financing of Civil Society Organizations”.

This comparative analysis of systems of public funding of CSOs contains update on the European and regional trends and researches the legal and institutional framework for public financing of CSOs in six countries: Slovenia, Hungary, Serbia, Croatia, Estonia and Scotland. For each of the countries, the analysis provides a general overview of the public financing of CSOs, sources of financing and mechanisms and procedures for allocation, monitoring and accountability, as well as the participation and role of CSOs themselves.

The goal of the analysis is to contribute to better understanding of the procedures related to public financing of CSOs and compare various legislative and practical experience of the analyzed countries. The good practices in each of the countries have been stressed to be used as inspiration for improvement of the existing system of distribution of public funds in Macedonia. We hope that this analysis will also be an impetus for fulfillment of the efforts of the government and public institutions to develop civil society, as stated in the 2012-2017 Government Strategy for Cooperation with the Civil Sector.

This publication is intended for all stakeholders in the Republic of Macedonia involved in the process of distribution of public funds to CSOs, and it can also be used by other interested stakeholders from the Western Balkans countries and Turkey which contribute to civil sector sustainability.

We would also like to extend our gratitude to the authors, Goran Forbici and Monica Kostanjevec from the Centre for Information Service, co-operation and development of NGOs (CNVOS) from Slovenia for preparing this analysis and for their efforts and usage of their cooperation network with the organizations from the countries involved in this analysis. The analysis has been conducted with EU support, as part of the project “Towards Reformed Public Funding for CSOs”.

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I. INTRODUCTION

1. INTRODUCTION OF THE PURPOSE AND OBJECTIVES OF THE REPORT

This comparative analysis explores existing legal and institutional frameworks for public funding of civil society organisations in six countries: Slovenia, Serbia, Croatia, Hungary, Estonia and Scotland. The analysis aims to contribute to a better understanding of the procedures of public funding of CSOs in the analysed countries and compare the countries’ diverse experience and lessons learned. The final intended use of the analysis is to offer a basis for specific recommendations for the system of public funding in Macedonia, i.e., suggest one or more suitable funding models, which take into consideration specifics of the Macedonian society and its political and legal system.

Five of the six countries (Slovenia, Serbia, Croatia, Hungary and Estonia) were selected in part due to their socio-historical, political and legal context, which is similar to the one in Macedonia. Scotland, on the other hand, is intentionally included as an example of a different model of cooperation between CSOs and the state (the so-called liberal or Anglo-Saxon model), which contributes to the analysis due to its different take on regulation of public funding and also by underscoring the universal use of practices which seem to have emerged as the best solution in the process of distribution of public funds.

2. METHODOLOGY

This analysis includes both the presentation of the legal framework for procedures of public funding of CSOs as well as the use of existing rules and standards in practice. The two aspects are consistently confronted throughout the analysis. Practical implementation of the procedures is presented through short description of practices of the distribution bodies in each country, through examples of best practices, or a combination of both. The analysis focuses primarily on the allocation of funds at the national (state) level, while local level funding is not included.2

2.1. Principles of public funding

Each rule, standard, or practical example presented in this paper is explored through the lens of fundamental principles which should govern public funding of CSOs and public spending in general. These principles are legality, transparency, efficient use of public resources, principle of accountability of organisations and institutions, fairness and equality of treatment, stakeholder participation and proportionality. In many cases there can be more than one solution to ensuring a high standard of public funding, and each country may decide on its own approach which will be the most effective. The principles, however, serve as a valuable universal standpoint from which the government, beneficiaries, and the public can evaluate the quality of existing practices for distribution of public funds.

2.2. The questionnaire

The examination of practices of public funding of CSOs was done with the help of representatives of CSOs and government offices for cooperation with NGOs from the analysed countries, who offered their views and experience with distribution procedures and matters of public funding in general. To gain their insight, a questionnaire was formed, the aim of which was threefold: to help identify main issues of public funding of CSOs encountered in practice, gain CSOs’ views on the best practices and lessons learned in the country, and identify the areas where they still see room for improvement.

2.3. Examples of best practices

Wherever possible, this analysis aims to communicate the use of rules and standards through examples of best practices.

3. THE STRUCTURE OF THE REPORT

The core of the analysis is divided into six chapters, one dedicated to each of the analysed countries. The structure of the report attempts to remain consistent for all countries in order to enable comparison. However, as certain elements and instruments are better developed in some countries than in others, the priority is given to the objective of gaining the most valuable insights and good practices from each country. In the end, suggestions are made how various insights from different countries can be put together to help form a new model of an efficient, transparent and fair system of public funding of CSOs.

Each country analysis consists of four main parts: an overview of public funding of CSOs in the country, a presentation of public funding resources and funding channels and mechanisms, an analysis of the procedures for distribution of funds and a segment on financial sustainability of CSOs.

3.1. General overview

The purpose of the overview of public funding of CSOs in each country is to establish the importance of public funding in the overall funding scheme and compare the scope of the support of the state to CSOs.

3.2. Public funding resources, distribution channels and mechanisms for public funding of CSOs

CSOs are funded by various public resources, the most important in most countries being the state budget. Other resources include allocations of lottery funds, allocations of designated taxes and other specially designated funds (e.g. contributions, fines), which can bypass the budget and be allocated directly to a public fund intended specifically for funding of programmes of CSOs.

These funds from various resources can then be distributed through many different channels, i.e. by ministries or through their constituent departments, by non-departmental bodies, independent funds etc. These bodies differ from country to country in name, function and way of operating, but can be compared for many interesting elements of their operation, for example their independency or connection to policy-making bodies, their inclusion of CSO representatives, etc.


2 There are some exceptions in cases when statistical and other data on public funding of CSOs might have only been available or public funding in general, meaning for both local- and national-level funding combined.
Finally, there are several types of mechanisms of funding of CSOs, which are usually divided into three main groups: grants, public procurement and provision of services in the general interest (third-party payment schemes). They may also be referred to as forms of public funding.  

The second segment of each country analysis tries to give a basic overview of these three main elements of the institutional framework for the distribution of public funds. It provides an assessment of the independence of funding resources, presents the operations of the relevant public administration bodies (providers of public funding), compares procedures between different bodies in the same country and analyses the participation of CSOs in these bodies and in matters of public funding in general.

3.3. Procedures for the allocation (distribution) of funds
Grants are the most common form (or mechanism) of large-scale funding of CSOs, which is why public calls for proposals for grants are the main focus of this segment. Public calls are the most transparent and most frequently used type of selection procedures for the allocation of grants. Occasionally expressions “tender,” or even “competition” may be used as equivalent.

The legal framework and the practical implementation of each of the main steps of the distribution procedure are presented and analysed from the viewpoint of transparency, effectiveness and other principles of public funding. There are several subjects and steps regarding procedural aspects, which appear in all country reports. Others vary slightly, depending on practices in each country.

3.3.1. Legal bases
In this sub-section, legal bases for distribution procedures are introduced for each country. The analysis includes binding legislation (laws, regulations), non-binding documents (codes, policy documents) and government-issued guidelines and handbooks, used in procedures for public funding of CSOs.

3.3.2. Policy documents and strategies
The use of strategies and other policy documents in the process public funding of CSOs is examined in this section; the overall strategic approach to the implementation of calls for proposals is presented, predominantly regarding the definition of priorities and objectives of the funding. The objective of the segment is to see how the ultimate purpose of public spending – addressing the needs of citizens and the implementation of policies that benefit the public – is pursued, and how the wider policy context and national strategies are addressed or used in the process of public funding of CSOs.

3.3.3. Announcement of a public call
Main questions which will be answered here are where, when and how calls for proposals are announced, what kind of information is presented to ensure sufficient and equal access to the application process, how the amount of funding is determined, how the selection criteria is defined, how the deadlines are defined, etc.

3.3.4. Appraisal of applications and the selection procedure
Where possible, methods for appraisal of applications and selection of programmes, projects or organisations (for institutional support) are briefly presented. The constitution of the selection committees, avoidance of conflict of interest, and other available and relevant information on the selection/appraisal process are addressed.

3.3.5. Publication of results, substantiated response and other elements of transparency of the decision-making process
Transparency is a core principle of public spending, which is crucial during each step of the implementation of a public call. A clear application process, publication of full tender documentation, including evaluation grids, communication of substantiated decisions, publication of results, the appropriate time and manner of publication of the tender and even the citation of legal bases of the call are all important elements which contribute or are necessary to make the process of public funding transparent.

This is why at the end of each presentation of the country's selection procedures additional attention is given to relevant elements of transparency specific to the country, e.g. communication of decisions, publication of results, rules on substantiated response and any other unique or innovative practices specific to individual countries, which contribute to greater transparency and better communication with the applicants.

3.3.6. Accountability
Public funds need to be spent effectively, which means that their use achieves set policy goals, and efficiently, which means that these goals are achieved within the given timeframe and available finances. To ensure that public spending is effective and efficient, it is crucial to set up appropriate supervision and monitoring and evaluation practices, which ensure the accountability of both beneficiaries of public funds as well as funders or institutions who carry out the distribution of funds.

The first step to ensuring accountability is a suitable monitoring process with defined rules on proper use of funds by beneficiaries (rules on purposeful or targeted spending) and rules for reporting of the beneficiary to the funder.

The second important step is ensuring the accountability of distributing bodies (funders) through the process of monitoring and evaluation. This process represents a crucial stage of the public funding cycle (the final stage of the process and often the first stage of the next public funding cycle), which is why it is addressed in this special, final subsection of the analysis of the distribution procedures.

3.4. Mechanisms for improving financial sustainability
While calls for proposals are universally accepted as the most transparent, fair and competitive procedure for the allocation of public funds to CSOs, they are also always subject to improvement, as new issues arise or simply some old issues remain, which even the most diligent and transparent execution of a selection procedure cannot resolve by itself. One example may be the increase of administrative burden with otherwise highly transparent, quality procedures (this dilemma ultimately finds its solution the principle of proportionality, which states that the complexity of the procedure should correspond to the size of the grant).

Another, and one of the most prominent and long-standing issues for most countries is ensuring sufficient financial security, i.e. predictability and stability of funding of CSOs programmes, so that the highest possible quality of services and programmes can be delivered, regularly and continuously. In practice, the length, uncertainty and other demands of public calls, while understandable and necessary, often cause delays and further uncertainties in funding, which in turn affect the quality of the implementation of the financed CSO programmes.

As a response to this common problem, countries have developed various mechanisms, which bring significant improvement towards greater financial stability and sustainability of CSO programmes and can be used on the level of an individual grant. Some of the most notable instruments, which will be examined in this segment of each country analysis, are:
COMPARATIVE ANALYSIS
OF SYSTEMS OF PUBLIC
FUNDING OF CSOS

- prepayments,
- multiannual funding,
- operational grants or support (also referred to as institutional or organisational support),
- complementary funds to EU funding,
- rules concerning in-kind co-funding.

Best practices regarding mechanisms for providing financial sustainability of programs represent the conclusion to each country analysis.

4. RECOMMENDATIONS

In the final chapter, 15 recommendations for a new model for public funding of CSO programmes are presented, which take into account the findings of the analysis as well as the political and legal context in Macedonia. Two groups or recommendations are included: general recommendations for the new system of financing of programmes of CSOs and recommendations for procedural rules.

II. SLOVENIA

1. OVERVIEW OF PUBLIC FUNDING OF CSOS IN SLOVENIA

According to data collected since 2009, public funds consistently represent between 38 and 40 % of total annual CSO income in Slovenia. This means that for most CSOs, their financial and programmes plans highly depend on their access to public funding, and that predictable and regular distribution of public funds is essential to their financial stability, development and the continuity of their programmes. Approximately two thirds of public funds in Slovenia are allocated at the state (national) level, while one third is local-level public funding.

Table 1: Overview of public funding of CSOs in the Republic of Slovenia

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of registered CSOs</th>
<th>Total CSO Income (EUR)</th>
<th>CSO Income from Public Funding (EUR)</th>
<th>Percentage of public funds in total CSO Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>23,891</td>
<td>749,029,048</td>
<td>297,948,135,07</td>
<td>39,8 %</td>
</tr>
<tr>
<td>2013</td>
<td>24,502</td>
<td>742,831,710</td>
<td>287,559,412,16</td>
<td>38,7 %</td>
</tr>
<tr>
<td>2014</td>
<td>25,361</td>
<td>764,058,244</td>
<td>291,710,853,12</td>
<td>38,2 %</td>
</tr>
</tbody>
</table>

The number includes all public funding except funding from local governments, including all funds allocated by non-ministerial public donors, such as public agencies, funds etc. We included this number to be national-level, even though a small share of these funds can also be distributed by public donors, established at the local level.

2. PUBLIC FUNDING RESOURCES AND DISTRIBUTION MECHANISMS

2.1. Public funding resources

Overall, there are three major financial resources for CSOs at the state level. The biggest financial resource is the state budget, which is allocated by approximately 14 ministries and other state budget users (public institutes, agencies etc.). These funds represent nearly 85 % of all funds, allocated to CSOs at the state (national) level. The second biggest resource are lottery funds (approximately 14% percent of public funding), allocated to CSOs by two Foundations, namely the Foundation for Financing Sport Organizations in the Republic of Slovenia and the Foundation for disabled people's organisations and humanitarian organisations in

4 The number, structure and names of ministries changes slightly with the introduction of a new government, which has been very common in recent political cycles. Overall, it is estimated that this has not been a factor which would dramatically affect the overall amount of funding, as the public administration, including many smaller segments of ministries which serve as distributing bodies (directorates or ministries, government services), maintain their functions through political changes.
the Republic of Slovenia. Another 1-1.5% of funds come from allocations from the Financial administration of the Republic of Slovenia, which mainly come from the so-called percentage mechanism, i.e. donations of 0.5% income tax, which taxpayers – natural persons and individual entrepreneurs – can donate to CSOs of their choosing.

2.2. Distribution mechanisms

The system of public funding of CSOs in Slovenia is highly decentralised, with many different bodies distributing public (state budget) funds to CSOs, namely ministries and their departments (directorates, services) and other independent budget users, such as public agencies, public funds, public institutes etc. As there is no specific designated budget line for CSOs, allocation to CSOs can be found under a variety of budget items.

While funds of various non-departmental public funders (public institutes, agencies) amount to approximately 50% of all funds allocated from the state budget, the majority of large-scale grants are distributed by ministries and their departments. In 2014, the highest amount of funding to CSOs was distributed by the Ministry for Education, Science and Sport (43% of all funds by ministries), followed by Ministry of Labour, Family, Social Affairs and Equal Opportunities (25%) and Ministry of Culture (11%).

Most ministries are divided in departments, which carry out procedures for funding of CSOs in their policy area. For example, the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ) performs tasks in the following directorates: Family; Social affairs; Disabled, war veterans and victims of war; Equal opportunities department; Labour relations and Labour rights; Labour market and employment and Cohesion policy. Most departments of MDDSZ are notable distributors of public funds for programmes of CSOs in their respective field of intervention.

2.3. Participation and role of CSOs in the distribution process

There is no systemic framework to ensure the participation of CSOs and other stakeholders in the procedures of public funding. However, there are several good practices where consultation with stakeholders is conducted before the publication of each public call.

Best practice: Public calls of the Office for NGOs at the Ministry of Public Administration

The Service (Office) for NGOs of the Ministry of Public Administration has been funding services of NGO networks and support organisation for many years (e.g. in areas of advocacy and civil dialogue, networking, provision of support services for organisational development etc.). It has made a standard practice of organising meetings with potential beneficiaries before the announcement of the public call in order to establish the needs and concerns of organisations and their constituents, which have emerged in practice. Between 2008 and 2015, nine public calls for the support of horizontal organisations and content networks (MDDSZ) performs research and analysis of the CSO sector in a particular field, its capacities, services, potential, needs or both CSOs as service providers as well as their information on needs of users/beneficiaries; the preparation of public policy strategies, policy programs, resolutions etc., which explicitly cover or include activities of CSOs in a specific policy area; consultations with CSOs regarding policy objectives and other content of strategies; the use or national strategies as a basis for the determination of priorities and specific objectives of a public call for funding of programmes and projects, carried out by CSOs.

3. RULES OF PROCEDURES FOR THE DISTRIBUTION OF FUNDS

3.1. Legal bases

There are several laws, regulations and lower-level legal acts (rules, decrees) regulating the allocation of public funds. The core law on public spending is the Public Finance Act, which defines the structure, prepa-
In areas where a national strategy has been adopted, priorities of public funding usually reflect national strategic documents in some way and strategies are listed as legal bases in the public call.

**Best practice: Youth and Society**

The public call for co-financing of programmes of youth work in 2015 defined its priorities in the following way: “Priority areas of the public call are the programmes of youth work, which contribute to the realisation of goals and subsections of the chapter Youth and Society of the Resolution on the National Programme for Youth 2013-2022.”

The goals of the national programme were then listed and explained in the call, for example: “Goal 1: Promoting participation and representation of young women and men in the following priority subsections: - promotion of conventional political participation of youth with the consideration of the principle of balanced representation of the sexes; - promotion and support of unconventional political participation of the youth; - promotion and strengthening of permanent mechanisms of consultations with the youth; - promotion of the importance of youth participation; - strengthening information-services and consultations in the youth sector.”

The public call successfully aligned its objectives and priorities with the priorities of the strategy and at the same time offered the context of the public call for better understanding by potential beneficiaries of what the funder wants to achieve.

**Best practice: Strategic approach to public funding in the area of social protection**

The Resolution on the national programme of social protection for 2013-2020 states in chapter 3.2. - Network of public services in the field of social protection programmes - precisely volume of the existing network of social protection services at the time of the adoption, and goals for 2020. For example, for the network of programmes for prevention of violence, help for victims of violence and programmes for work with perpetrators of violence, the Resolution defines five main programmes, assesses the current state and sets targets for 2020.

**Content of the social protection network in the area (prevention of violence)**

- prevention programmes,
- information and counselling programmes and programmes of telephone counselling,
- programmes of coordination, support and help and self-help,
- accommodation programmes,
- therapy programmes.

The Resolution contains a precise assessment of the current state and goals to be achieved within the timeframe of the Resolution:

**Current state:** 11 counselling centres, 1 counselling phone-line, 14 self-help groups, 8 maternity homes (165 places), 16 safe houses (265 places), 1 emergency centre for adult victims of violence against children (16 places).

**Goal:** 14 counselling centres, 1 counselling phone-line, 15 self-help groups, 10 maternity homes (200 places), 18 safe houses (280 places), 2 emergency centre for adult victims of violence against children (40 places).

Publicly verified programmes of CSOs, which are funded by the Ministry of Labour, Family, Social Protection and Equal Opportunities, are programmes which offer the most basic and constant services in the area of social protection, and often receive funding in the form of multiannual grants. The Resolution on social protection, which outlines a clear plan for development in each area, is an example of how a strategy document offers a useful and practical direction for the preparation of public calls. The Resolution is one of the main bases for the preparation of public calls for grants in the field of social protection.

**Best practice: Analysis of the needs of the CSO sector in the area of health by the Ministry of health**

In 2015, the Ministry of Health in Slovenia introduced into its research programmes the priority of Development of non-governmental organisations in the field of health. The goals within this research priority were:

- analysis of the civil society sector in the field of health;
- review and assessment of the current state and needs (structures, number of NGOs, types of activities, number of employees etc.) and identification of obstacles for the development of NGOs working in the field of health;
- identification of requirements and recommendations for the creation of an enabling support environment for the functioning of NGOs in the field of health and the model of monitoring and evaluation of their functioning;
- basis for the preparation of strategic directions of the ministry of health for the cooperation with NGOs (methods of funding, methods for establishing connections, incentives for the HR development).

The results of the analysis will be used by the Ministry when adopting various measures for the development of NGOs in the field of health. The goal of the research activity is to gain information, which can contribute to the development of CSOs which leads to their most efficient contribution to the public benefit in the field of health, which is then also likely to affect measures concerning funding of CSOs.

**3.3. Defining priorities and objectives of a public call**

While general laws and rules on procedures of public funding do not explicitly state that priorities and objectives must be defined in a public call or that they must be defined in any specific way, it is considered a good practice to elaborate them in the announcement of a public call; to define goals which are realistic and concrete and to offer a clear direction for the application process as well as the realisation of the project or programme.

Sector-specific laws on public funding in most fields state that policy documents, such as strategies and national programmes, must be considered in procedures of public funding (for example the 4-year strat-
COMPARATIVE ANALYSIS OF SYSTEMS OF PUBLIC FUNDING OF CSOS

...egy in the field of culture, the national programme in the field of sport, etc.). In other cases, this is not defined by law, but is nevertheless often followed in practice (see best practices under 3.2).

3.4. Expert commissions

Rules on the procedures of implementing the budget of the Republic of Slovenia state that the procedure of the public call must be led by a commission, which is named by the head of the budget user (funding body) and consists of at least three members (in practice the exact number depends on the difficulty of the public call and the expected number of applications, however it is typically an odd number). The members of the commission must:

− have suitable professional education and experience, which enable expert appraisal of applications, and
− cannot have an interest in the outcome of the procedure, meaning they cannot be connected to the applicants (financially or personally).

Prohibited connections between applicants and commission members are defined in detail by the Rules and the Code of conduct for public officials (commission members are not all public officials, however, the same rules are referred to in the legislation).

The commission’s main tasks are to carry out the opening of applications on a specific date (publicly, except if the number of applications is too high), appraise the applications and puts together a proposal for funding of programmes/projects. The commission must make minutes of each meeting including for the appraisal of applications.

3.5. Publication of the announcement of the public call

The Rules define that the announcement of a public call should be published in the Official Journal. Some sector-specific rules, such as in the field of culture and the field of equal opportunity for men and women state, that the public call must also be published on the official website of the competent Ministry, and can, additionally, also be published in other media.

Both general as well as sector-specific rules also define the minimum content of the public call, which is:

− the citation of legal bases for the call;
− the subject area of the public call;
− conditions which the applicant has to fulfil to be eligible for funding and criteria for selection;
− the amount of funding available and the funding (programme) period;
− deadline for the application, the correct ways of submitting the applications;
− the subject area of the public call;
− the citation of legal bases for the call;
− the method of determining the amount which will be received by an individual applicant,
− a sample funding agreement (contract),
− criteria for selection and the way each of them will be estimated/rated (evaluation grid),
− a list of all documents and evidence that must be sent as evidence of eligibility,
− indication of the body that will give the final decision on the application and
− the appellate body, which will decide on the appeal to the decisions.

Before the decision on the publication of the public call the expert commission must evaluate whether the call and the documentation are prepared in a way which will likely lead to a successful public call.

While there is no explicit provision on this, almost all publications of public calls on the national level also contain an evaluation grid to offer more transparency regarding the programme-appraisal method and additional instructions on how to prepare a complete application.

3.6. Application deadline and time of the announcement

The minimum deadline for the application is not determined by the general Rules, but it is defined in some sector specific regulations. For example, the Regulation on conditions and criteria for co-funding of projects in the field of equal opportunity for men and women states that the minimum deadline for application should be 3 weeks. The same regulation also states that the call has to be published before the start of the funding period, that is by the end of December at the latest for the following year. The Public Interest in Youth Sector Act states that the application deadline must be at least one month.

3.7. Programme appraisal

According to the general Rules, the appraisal process is carried out by the expert commission (see point 3.4 above), which conducts a peer review of complete applications on the basis of the conditions and criteria that have been specified in the call for proposals or the accompanying documentation. The Commission must keep records of the appraised complete applications and write a report on their assessment. Based on the assessment of the applications, the Commission then makes a proposal – a list of beneficiaries, signed by the president and members of the commission.

3.8. Communication of decisions, substantiated response and the right to appeal

The general Rules do not state a maximum deadline for the decision of the public body, only the obligation to define the deadline in the public call. However, some sector specific rules define a maximum deadline. For example, the Rules on carrying out public calls and tenders for the selection of culture programmes and projects state that the competent ministry must notify the applicant of its decision within two months of the day of opening of the applications. In the field of culture, this notification is not yet the final decision, as a two-step decision procedure is applied – the first step is the so-called notification of facts and circumstances important for the issuing of the decision, which is a kind of a draft decision sent to the applicant, to which applicants have the possibility to object. If any of the objections of applicants are justified, the decision can be changed without consequences for the success or validity of the procedure of the public call.

The Rules state that the head of the department will issue decisions on the selection of recipients of funds, which must be substantiated; the rejected applicants must also receive a substantiated notification of the decision regarding their application within the deadline stated in the public call.
The duty to give a substantiated response has been underscored by the practice of the Administrative Court, usually in connection with the right to appeal. The main idea is that a party cannot exercise its right to appeal if the decision is not substantiated and they therefore do not know why they were (fully or partially) unsuccessful. In multiple cases the Court has defined what qualifies as a sufficiently substantiated response or decision: it stated that the decision is substantiated when the party can to object to substantive reasons for the decision. This means that each criterion, which was appraised, must be individually addressed so that its appraisal (assessment) is clear. Even if the is generally successful, and only the allocated amount is smaller than requested, reasons for this must be clearly stated.

The deadline for the appeal as well as the indication of the appellate authority must be stated in the decision. In most public calls the right to appeal with the distributing body is given, although procedures can also be carried out without this right. In this case the applicant has the possibility to bring legal action in front of the Administrative Court.

3.9. Publication of the results of the public call

The results of a public call are public information, which means any interested party can request it (this is regulated by the Public Information Access Act). If at least three requests are made, the information must also be published by the competent authority. In practice, many ministries publish results in order to avoid the administrative burden of having to answer to individual requests for information.

Most frequently, the following information is published by the funder: the name of project and organisation, the amount of allocated funding, the number of points achieved and other similar relevant information showing who received funding, how much and for what project or purpose. The publication of more detailed reports on the selection process is not yet a widespread practice, but is becoming more common.

3.10. Accountability

3.10.1. Reporting on purposeful spending

The general Rules state that the supervision of purposeful spending is obligatory and that the funding agreement must define the right of the budget user (i.e. funder) to monitor the implementation of the contract and the purposeful use of funds. The agreement must include provisions on measures for monitoring the targeted use of funds, for example:

- a list of evidence, which the recipient of funds must submit for the use of each type of allocation;
- a statement that the budget user (i.e. the funder) may check the targeted use of funds;
- reports on the progress of the project and results of used funds during the implementation of the project, or, at the very minimum, a final report;
- the duty of funder to monitor the execution of the contract and targeted use of funds,
- duty of the recipient to funds to return all funds (with interest) which were not used for an eligible (targeted) purpose;

The frequency and the exact format of reporting depend on the funder and individual call - mostly on the amount of the grant and duration of the project. The principle of proportionality is respected: if the amount of funding is small and the duration of the project short, only a final report may be requested. If the grant is large and the duration of the project long, a number of interim reports may be requested.

3.10.2. Monitoring and evaluation

Monitoring and evaluation practices differ between ministries, as there are no official general guidelines or rules specifying the exact process. Despite the lack of precise rules on monitoring and evaluation, it is considered a good practice to establish in some way whether funds are being spent efficiently (that activities are implemented within the defined timeline and financial framework) and effectively (quality implementation of activities, which achieve set goals). Ministries have therefore developed different approaches to the evaluation processes, and several best practice examples emerged, as for example in the cases of Ministry of Public Administration and Ministry of Labour, Family, Social Affairs and Equal Opportunity below.

Best practice: Public call for co-funding of projects of horizontal NGO networks and regional centres by the Ministry of Public Administration

In 2008, the Ministry of Public Administration ordered an external evaluation of the Public call for co-funding of projects of horizontal NGO networks and regional centres for the year 2008. The purpose of the evaluation was to establish how successfully the projects were carried out and how they have contributed to the achievement of objectives of the Operational Programme for Human Resources Development within the policy priority Promoting the development of non-governmental organisations, civil and social dialogue. The evaluation was carried out by a private consulting company, which was selected through a public tender of the Ministry.

Best practice: Annual reports of the Social Protection Institute

The Social Protection Institute of the Republic of Slovenia has been conducting yearly monitoring and evaluation of social protection programmes. Their reports are used both by the funder – the Ministry of Labour, Family, Social Affairs and Equal Opportunity, as well as project operators in their reflections and considerations for the future development of programmes. The reports offer information on the number of users, achieved changes (outcomes) etc. in order to make it as easy as possible to understand how and for what purpose public funds were spent.

4. MECHANISMS FOR ENSURING FINANCIAL SUSTAINABILITY

4.1. Operational grants

In Slovenia, funding of programmes and projects is the norm, while funding through operational grants is relatively rare. A notable exception is the funding of disability and humanitarian organisations\(^7\), which are eligible to apply for operational grants with the Foundation for disabled people’s organisations and humanitarian organisations in the Republic of Slovenia (FHO).

Among other funders, i.e. ministries and their departments, project and programme grants have prevailed. While the coverage of operational (overhead) costs is standard practice, it is usually attached or some way conditioned with the operation of the financed programme. However, in certain policy areas or public tenders a share of the allocated funds can also be used for investment into development of the organisation, such as building of HR capacities through education, investment maintenance or purchasing of equipment.

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\(^7\) Organisations must obtain a special status of a disability or humanitarian organisation in accordance with the law.
4.2. Prepayments

According to the Implementation of the Republic of Slovenia Budget Act, prepayments are allowed up to 30% of the value of the intended grant. Organisations may request a prepayment multiple times during the funding period, each time after they have successfully spent the previous allocated prepayment instalment and their report on it has been approved. In other words, this means that at the start of the financial period up to 30% can be paid in advance. When the first prepayment is spent, the next prepayment can be requested, again in the amount of 30% of the grant.

Prepayments are frequently used by several ministries, most notably by the Ministry of Public Administration, Ministry of Culture and the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

4.3. In-kind co-financing with voluntary work

While some calls for proposals offer grants up to 100% of the project or programme value, it is also commonplace that the funder requests a certain amount of in-kind co-financing from the recipient. This has been problematic, as CSOs, which do not act in a market-oriented way, cannot get large amounts of funding by performing on the market, while private donations can also be a limited and unreliable resource. While it is true that other public funders, especially on the local level, can sometimes complement state-level funding, this too is not always possible. At the same time, many Slovenian CSOs rely on a high number of volunteers and significant volume of volunteer work to implement their programmes, which helps them significantly reducing expense by eliminating the cost of the work, which would otherwise have to be paid for.

As a result, an elaborate mechanism has been developed in Slovenia for the acceptance of voluntary work as in-kind co-financing. The Act on Volunteering states that volunteering may or must be accepted as in-kind co-financing whenever co-financing with own funds is requested by the public donor. When funding is allocated to registered voluntary organisations, the Act defines accepting volunteering as own financing as obligatory. However, many donors decide to allow all organisations to provide in-kind co-financing in the form of invested volunteer work, regardless of whether they are a registered voluntary organisation or not.

Special Rules on voluntary work areas and Register, among other things, define the rules on the exact value of a volunteer hour, depending on the type of work performed: 13 EUR for organisational work, 10 EUR for substantive (expert) work, and 6 EUR for other volunteer work.

4.4. Multiannual funding

A majority of ministries provide multiannual grants, which are awarded to organisations that have proven to be a quality and reliable provider of services and activities which benefit the public and correspond with the goals and policies implemented by the ministry. Multiannual funding is primarily seen as a way to achieve higher quality of programmes by offering CSOs a reliable resource and with it the ability to create efficient multiannual financial and programmatic plans. At the same time, they are also a way to reduce unnecessary administrative burden of annual public calls in cases, where the practice has shown that users’ needs stay nearly the same from year to year, or can be adequately addressed only with programmes running continuously and for a longer period of time.

Multiannual grants have stricter entry conditions than one-year funding programmes. Some funders set as a requirement a longer period of operating, specific references (e.g. similar successfully executed programmes in the past), regular delivery of services / continuous access of users to the services, special verifications by authorities (e.g. in the case of social protection programmes).

An example of how public funders have come to assess CSO programmes to be more appropriate for multiannual funding is the system of funding of social protection programmes by the Directorate for social affairs within the Ministry for labour, family, social affairs and equal opportunities.

Best practice: combination of annual and multiannual funding of the Directorate for social affairs

The Directorate for social affairs of the Ministry for labour, family, social affairs and equal opportunities co-finances three types of social protection programmes: public social-protection programmes, developmental programmes and experimental programmes. Public social protection programmes are long-running, well-developed established programmes, which have been certified by the Social Chamber and are co-funded for a period up to 10 years. Developmental and experimental programmes, in which new methods and approaches for prevention and solutions for problems of vulnerable groups are developed, are co-funded for a period up to 3 years. This way the Ministry achieves long-term efficiency, development and sustainability of high-quality programmes, while still offering funding opportunities for newer, less developed programmes, which run for a period of 1 to 3 years.

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8 Voluntary organisations are organisations which choose to be entered into a special register of voluntary organisations and consequently have to operate according to slightly stricter rules, e.g. regarding reporting on volunteer work in their organisation; as a result, they have access to some smaller benefits.

9 Forbici, G. in Dijak, T. Public calls for non-governmental organisations (Guide for planning, implementation and evaluation of national public calls) CNVOS, 2015, p.
In 2002, Hungary adopted the first Strategy paper for Civil Society, which defined priorities and objectives for the development of the civil society sector in Hungary and marked the start of a successful period of rapid development of the sector in Hungary. Among other things, the strategy included a financial provision stating that governmental funds in the non-profit sector must represent a minimum 40% share of its total income. Indeed, after that the share of public funding of the non-profit sector was consistently over 40% for a full decade after that (2003-2012). Since the Strategy was abolished in 2012, the share of public funding in the income of the non-profit sector has somewhat decreased, for example to 35% in 2013, 5% less in comparison to 2012. It is important to note, however, that this data, as most other official statistics on the Hungarian non-profit sector, reflects the income of the entire non-profit sector and does not treat classical CSOs separately; it also includes other non-profit entities, such as public benefit companies (non-profit business corporations), public foundations, public-law associations, trade-unions etc. Especially public benefit companies and public foundations represent a significant share of the non-profit sector in Hungary (e.g. in 2012 they received over 52% of public support). In terms of (real) CSOs, the percentage of public funding had always been slightly lower, up to around 35%, and in years 2012-2014 it has been consistently between 30-31%.

Public funding of classical CSOs has not decreased nominally, on the contrary, it has continued to slightly rise from 2012 to 2014. However, the structure of the income of the Hungarian CSO sector has changed significantly in the recent years. Public funds used to represent the biggest source of income for CSOs, but are now in second place. In 2014, for example, 31% of CSO income was public funding, 35% was private funding, 23% was own income related to the mission while business income represented 9%. The majority of public funding of CSOs in Hungary comes from the central (state) level, approximately 80-90%, while 10-20% of funds come from the local (municipality) level (local councils, mayors, local tax designation).

2. PUBLIC FUNDING RESOURCES AND DISTRIBUTION MECHANISMS

In recent years, the system of public funding of CSOs in Hungary has undergone significant changes. Since 2012, several mechanisms, which used to be a part of an exemplary system of funding of CSOs in the region have been abolished, such as the Strategy paper for Civil Society and the National Civil Fund, which both for long served as examples of positive, highly inclusive practices in the process of funding of CSOs’ activities.

2.1. Resources of public funding

Currently, almost all funds for CSOs are channelled through the central budget, and the only resource independent from the state budget is the percentage mechanism, which allows taxpayers to designate 1% of their income tax to qualified CSOs. In the past, however, Hungary had already had a successful system of several diverse independent resources of funding. CSOs in Hungary used to receive support from so-called public funds, which were special budgetary appropriations operating under the authority of the competent ministers and were financed by separate budgetary funds and external non budgetary sources, such as taxes, contributions and fines. These funds came from resources, independent of the ministry budget and were also managed by a decision-making body, which was relatively independent from the competent ministry.

According to representatives of the CSO sector in Hungary, a certain amount of autonomy of funding of CSOs has been lost when these funds were abolished.

2.2. Distribution channels and mechanisms

Direct budgetary support is allocated to CSOs through various channels, e.g. by the Government, a number of ministries or autonomous funds (such as the National Cooperation Fund or the Cultural fund). Funding is allocated in all three different forms: grants, service contracts and as direct normative support from the state and ministry budgets (for example, subsidies for social organisations), etc.

Nowadays, CSOs mostly receive public funding from ministry budgets. Funding is mainly provided as direct support, grants of various grant programmes run by the ministry, or through allocations by public funds. Public funds are special budgetary appropriations and basic programs, which operate under the authority of the competent ministers. Some of them, most notably the National Cultural Fund, have a long-standing tradition and have managed to maintain a certain degree of autonomy. The National Cultural Fund regularly allocates fund to CSOs and has a decision-making body independent from the supervising ministry. Funds from public funds are allocated in the form of grants or service contracts. Procedures for allocating funds are somewhat inconsistent – they can differ significantly from one fund to another and even from one year to another.

2.2.1. The percentage mechanism

An important and longstanding source of public funds for Hungarian CSOs is the so-called “percentage mechanism”, which allows taxpayers to designate 1% of their income tax to qualified CSOs. The mechanism was the first of its kind in the CEE region, and was established as a response to concerns regarding favouritism of certain groups of CSOs over other – it was intended to depoliticize government support by turning it into a mechanism, which allows taxpayers to designate 1% of their income tax to qualified CSOs. The mechanism was the first of its kind in the CEE region, and was established as a response to concerns regarding favouritism of certain groups of CSOs over other – it was intended to depoliticize government support by turning it into a mechanism, which allows taxpayers to designate 1% of their income tax to qualified CSOs. The mechanism was the first of its kind in the CEE region, and was established as a response to concerns regarding favouritism of certain groups of CSOs over other – it was intended to depoliticize government support by turning it into a mechanism, which allows taxpayers to designate 1% of their income tax to qualified CSOs.

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Concerns have been raised regarding Hungary’s percentage scheme, mainly with regard to the question whether it is due to help or hinder the development of a philanthropic culture in the long term. It can be argued that if introduced in the proper context and at the proper time (when other sources do not suffice for the development of CSOs), it can represent an important supplementary source of funding, as well as help develop an understanding of the importance of CSOs among the population and create linkages between CSOs and their constituencies. It may be important to note that a restriction of the amount or funds which can be allocated to support CSOs without a public call for proposals is considered as good practice in CEE, and the percentage mechanism is no exception to that consideration. The amount of the 1% designations is around 22 million EUR per year.

2.2.2. The National Civil Fund

The National Civil Fund in Hungary was a granting body established in 2003 with the objective to support the functioning and development of CSOs by offering coverage of operational costs, research and other types of activities, which were deemed a priority for funding of CSOs by its Council. It offered operational grants, which were intended to complement the percentage mechanism, as the government realised that most taxpayers did not use their right to designate a donation to CSOs.

The Council was the Fund’s main governing body, entrusted with the general administrative functions of the Fund: it set priorities for the Fund, allocated its resources, and developed general rules to govern the support of CSOs. While the Fund was coordinated by different ministries at different times, starting with the Ministry of Labour and Social Affairs and ending with the Ministry of Administration and Justice, it was the NCF’s Council which had the competence to develop its own policy on funding mechanisms and determine the priorities and directions for the development of the sector. This meant that for the first time, the National Civil Fund allowed CSO representatives to become significantly involved or even in charge of the distribution of the funds to CSOs (see segment 2.3. below).

2.2.3. The National Cooperation Fund

In 2012, the National Civil Fund was abolished and to some extent replaced by the National Cooperation Fund. The latter, however, has a completely new legal basis and a new institutional structure. While the primary goal – to support the operational costs and the programs of CSOs – remains the same, the Fund’s resources are no longer tied to the amount of 1% assignations and are instead defined in the annual state budget. This means that funds have been significantly cut in comparison to the National Civil Fund. During 2012-14 the allocation was around 3.1-3.3 billion HUF (as compared to the Civil Funds annual amount of around 7 billion), but was raised again slightly to 5.3 billion. It is also important to note that the amount of organisations funded has fallen by 50% in comparison to the National Civil Fund.

Still the major change concerns the decision-making structure: while in the Civil Fund the evaluating committees (so-called colleges) and the Council itself were dominated by directly elected CSO representatives, in the Cooperation Fund 2/3 of the delegates are appointed by some governmental body and only 1/3 are elected. Furthermore, the Council’s chairman has discretionary powers to overrule the colleges grant decisions, which was not the case before.

Another important difference is that while in case of the Civil Fund the full allocation was distributed via open grants, now 10% is distributed at the minister’s discretion.

2.3. Participation and role of CSOs in the distribution process

There is no rule ensuring participation of CSOs in the decisions on public funding. However, there are some good practices which could be observed over the years.

Best practice: The Ministry of Agriculture and the Green Source
One of the most transparent and inclusive ministry grant mechanisms is that of the Ministry of Agriculture (which is also responsible for the field of environment) dedicated to environmental NGOs, called the ‘Green Source’. Elected NGO representatives participate in the drafting of the call, the evaluation and at almost every other step of the process. Unfortunately, the allocation is being diminished year to year, in 2016 it distributed around 70 million HUF (225,000 EUR).

Best practice: The National Civil Fund and the Participation of CSOs in the distribution procedure
During its 10 years of operating, the National Civil Fund also proved a great example of a highly inclusive funding mechanism. The Fund was managed by a Council, which set funding priorities for the Fund, allocated its resources, and developed general rules to regulate the support of CSOs. The membership of the Council consisted of two representatives of the Parliamentary Committee on Civil Society, three representatives from the Ministry, and twelve representatives of civil society. Of the twelve civil society representatives, five were elected from national organizations, and the remaining seven were elected as representatives of the regions. Elected CSO representatives were also members of all regional and other committees, which decided on the distribution of the funds.

3. PROCEDURES FOR THE DISTRIBUTION OF PUBLIC FUNDS

3.1. Legal bases

Procedures in public funding of CSOs are covered by the Non-profit Act, which was passed in late 2011 and entered into force at the beginning of 2012. Among other things, the Act regulates the rules for the distribution of funds by the National Cooperation Fund’s. Universally applicable principles and procedures in its legislation concerning government funding of CSOs are also defined by the Law on the Transparency of Public Funding (adopted in 2008, revised in 2010). However, as far as detailed procedural provisions and minimum standards are concerned, there is no universal set of rules followed by all funders (ministries).
3.2 Strategic approach to public funding

Best practice: The Strategy Paper for Civil Society

In 2002 Hungary became one of the first countries in the region to adopt a strategy document, which outlined the core principles of good partnership between the state and the NGOs. Not only that, the strategy also included concrete commitments in terms of government funding opportunities as an important aspect of ensuring the realisation of the goals and objectives which were agreed upon.

To ensure the realisation of its other goals, the Strategy Paper for Civil Society set out an additional goal of increasing the proportion of the non-profit sector’s total revenues by the end of the government’s term in office. By this, as the Strategy paper explicitly stated, Hungary tried to correct what was at the time the lowest level of public funding of CSOs in EU member states. The following year the public funds indeed rose to over 40% and consistently stayed there up until 2013.

3.3 Announcement of a public call, selection criteria and selection procedure

Rules of procedures vary significantly from one ministry or other body to another. No general legal document regulates the procedures in detail, which is why it is difficult to describe common rules and standards. Often, procedural rules also differ from one year to another, demanding additional efforts in adjusting from CSOs.

One of the standards, which is followed in nearly all public calls is that the selection criteria is always published in the public call, often including an evaluation grid. Decisions are usually made in committees (colleges).

3. MECHANISMS FOR ENSURING FINANCIAL SUSTAINABILITY

Multiannual funding and prepayments are not practiced in Hungary. Co-funding of EU projects has also been reduced significantly. Hungary, however, has had a long tradition of offering institutional support and operational grants.

3.1 Operational grants

Best practice: Operational grants in Hungary

Hungary recognised the importance of funding basic operational costs early on. While there were many factors contributing to the establishment to the National Civil Fund, one of them was certainly that operational costs of NGOs needed to be financed as their need was not sufficiently met by other donors, while NGOs remained “weak in their organizational capacities” and stability, let alone development, was not possible.

The objective to offer sufficient operational support was also reflected in practice of the NCF. While the National Civil Fund was able to provide funding for various purposes, including grants for specific activities, in practice its priority (defined by the Council of the NCF) continuously decided to give the advantage to the coverage of basic operational costs of CSOs, research and other types of activities. Approximately 60% of the resources of the NCF were allocated for the coverage of operational costs. In addition, it also supported projects aiming at the development of the whole civil society sector (e.g., research, education, networking).

IV. ESTONIA

1. OVERVIEW OF PUBLIC FUNDING OF CSOS IN ESTONIA

Allocations of public funds to CSOs are estimated to represent around 2% of total annual state budget of CSOs in Estonia. Precise data on the scale of public funding in Estonia is difficult to obtain due to the fact that foundations and associations (the two legal forms in which CSOs are established) can also be established by the state or public sector entities. Nevertheless, a quick overview of money transfers from the state budget estimated that in 2014 altogether an approximately €147 million was distributed to CSOs from public funders.21 For 2015 it has been calculated that over €66.7 million have been distributed to CSOs by the ministries (a significant increase from 2007, when they allocated approximately 44 million Euro), while the information for intermediaries (bodies through which ministry and other budget funds are distributed indirectly) is not yet available in exact numbers. Common efforts of the Network of Estonian Non-profit Organisations (NENO) and the Ministry of Finance are currently underway to obtain and publish more precise data on public funding of CSOs in the future.

Table 3: Overview of public funding of CSOs in Estonia

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of registered CSOs</th>
<th>Total CSO Income</th>
<th>CSO Income from Public Funding (EUR)</th>
<th>CSO Income from Public Funding from the national level only (EUR)</th>
<th>Total State Budget*** (bln EUR)</th>
<th>GDP (bln EUR)</th>
<th>Share of CSO income in GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>31,562</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>6,12</td>
<td>18.1</td>
<td>0.77%</td>
</tr>
<tr>
<td>2013</td>
<td>31,562</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>7.7</td>
<td>19</td>
<td>0.77%</td>
</tr>
<tr>
<td>2014</td>
<td>31,477</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>8</td>
<td>19.1</td>
<td>0.77%</td>
</tr>
</tbody>
</table>

* the data is from the state-finance portal which gives quick overviews about money transfers from the state budget.

2. SOURCES OF PUBLIC FUNDING AND DISTRIBUTION CHANNELS

Estonia has a diverse system of funding of CSOs, which uses various funding resources and distributes funds through a number of different channels. Public resources for funding of CSOs can be put into two main groups: funds from the central state budget and lottery funds. Although according to legislation all resources for public funding of CSOs on the national level technically go through the state budget, includ-

22 Public funding for civil society organisations: Good practices in the European Union and Western Balkans, European Center for Not-for-Profit Law (ECNL), January 2011, p. 11
23 The information on public funding of CSOs in Estonia was obtained with through a questionnaire, which was answered by the representatives of NENO in April 2016.
The funding is distributed in a decentralised way, by many different bodies: ministries, intermediaries who serve as granting bodies for ministries, policy implementation agencies in a specific policy area (e.g. Youth Work Centre, Consumer Protection Board) and the National Foundation for Civil Society. While most granting bodies (ministries, agencies, intermediary bodies) allocate funds on the basis of national strategies and policies for their respective policy fields, the National Foundation for Civil Society distributes funds for organisational support and development to CSOs from all subject areas, e.g. grants for civil society events, grants for innovative ideas, grants for research, the Local Initiative Programme, etc. Funding is relatively predictable and stable from year to year, organisational support is often based on long-term cooperation traditions.

The trend regarding distribution channels is for ministries to focus their efforts on policy development, while delegating funding projects or partnership contracts to policy implementation agencies in their respective policy area (e.g. Youth Work Centre, Consumer Protection Board) or an intermediary that serves as a fund.

### 2.2. Allocations of the gambling tax

The **Gambling Tax Act** outlines the legal framework for all games of chance in Estonia and states that the entire gambling tax (which is 18% of sales for classical and instant lotteries and 10% for number lotteries) must be donated to good causes. The gambling tax is distributed in the following way: 46% to the Cultural Endowment, 39.5% to Red Cross, 12.75% to regional investment programs (projects related to families, health, elderly persons, disabled persons etc), 37.4% to educational, sports and health care projects. The funds in the latter group are administered by the Gambling Tax Council and are distributed in the following fashion: 32% for science and education, 22% Olympic Committee, 10% other sports projects, 32% welfare projects, 4% cultural projects.

### 2.3. National Foundation for Civil Society

The National Foundation was established in 2008 as a response to the continued issues Estonian NGOs had with their “...economic capacity, readiness for involvement, funding of advocacy activities, dependence on projects and other strategic, institutional and sustainability questions.” A concept for the foundation intended to supplement project and programme funding in order to address the issue of insufficiency of project funds to provide financial sustainability necessary for the development of NGOs.

Funds from the Foundation soon became an important complementary source to project and programme-based funding allocated by other public funders, supporting the development of CSOs regardless of their field of activity. Through calls for proposals, applicants can apply for operational funding based on their development needs identified as a result of self-assessment or for the development of a pre-determined specific capacity.

### 2.4. Participation and role of CSOs in the distribution process

Estonia is a rare example among the analysed countries that has adopted a legal document explicitly addressing the issue of participation of CSOs in procedures for distribution of public funds. One of the principles of the **Guidelines for funding from public budget** (see more on legal bases at 3.1. below) states that beneficiaries have to be involved in designing funding models in the respective field and open calls. Apart from this, several practices of involvement of CSOs and their representatives in the process of public funding have emerged.

#### Best practice: Role of CSO representatives in the Supervisory board and the evaluation committees of the National Foundation for Civil Society

1. **The supervisory board**

   The National Foundation is managed by the Supervisory Board, which consists of 5 representatives of civil society, two representatives of the Parliament – one from the coalition, one from the opposition, a representative of the Ministry of Finances and the Ministry of the Interior and one representative of the Council of Churches. CSO representatives are selected through an open call for applications and represent civil society’s interests in setting strategic priorities for the foundation, approving terms and conditions for calls and competitions including selection criteria, etc. In some cases the board adopts the final decision on the distribution of funds. Board members serve for three years.

2. **The expert group**

   Furthermore, CSO representatives are also involved the expert group, which evaluates applications and submits proposals for funding. Members are either representatives of CSOs or have experience of working in the field. The expert group is put together through an open competition each three years. Chosen experts sign a declaration of avoiding a conflict of interest.

   Their tasks are to assess and evaluate projects: using a list of criteria for the open calls decided by the Supervisory Board. Every application has to be assessed and evaluated by three experts. The Management Board has a right to select one expert outside of the expert group to evaluate projects in every concrete call of proposals, if special knowledge in some field is needed.

#### Best practice: Adoption of Estonian Civil Society Strategy (EKAK)

Another case of a highly inclusive process, which also indirectly affected public funding of CSOs, was the adoption of the Estonian Civil Society Strategy, which was drafted with the help of the civil society, mainly through open consultations on all levels of the process. It also contained detailed provisions on the activities and agreements are to be implemented by umbrella organisations, which are strategic partners to the Ministry. These activities involve developmental activities (networking and strategy building for philanthropy, activities for promoting social innovation, empowering social enterprises, monitoring public fund-


3. PROCEDURES FOR DISTRIBUTION

2.1. Legal bases

There are several regulations regulating public funding processes in Estonia, each regulating a specific policy area. Some of the regulations are adopted based on a provision of a law covering a specific sector or area, while others have been adopted on the initiative of the competent ministry, which saw the need to specify the rules for the preparation of calls, project appraisal and monitoring.

In 2012, special Guidelines for funding civil society organisations from public budgets were adopted. The Guidelines are a non-binding document introduced by the Government for general use. In addition to this, most ministries have also developed in-house rules or guidelines for managing open calls and partnerships.

While non-binding, the Guidelines are usually followed and are considered to be basic good practice. Since their adoption, some ministries and other public sector funders (National Foundation, Gambling Tax Committee, etc.) have reformed their procedures with respect to these guidelines. However, not all funders follow the Guidelines to the same extent, which may be attributed to the lack of experience and skill necessary to reform internal processes. A survey recently completed by NENO nevertheless showed that most ministries agree on the need for improvements of the process to make the selection process more transparent, while the need for improvements of the process to improve the quality of communication with applicants and, as a result, have more impact with funding.

NENO is currently finishing a shadow report to assess how the Guidelines have been implemented in practice. The main issue regarding their implementation seems to be that the Parliament often decides to support a list of entities directly; these direct allocations make it difficult or impossible for ministries to follow the Guidelines and their own procedures.

3.2. Strategic approach to public funding

A provision of the Guidelines states that funding from the state budget has to be in accordance with the public interest, which are defined in national strategies. Ministries mostly follow the rule by considering national strategies when determining goals, priorities and criteria of public calls. As a part of their approach, the results and impacts of funding are monitored.

The above-mentioned Estonian Civil Society Strategy is one example of a best practice for an inclusive strategy that has been successfully used in practice, including as a basis for public funding of umbrella networks. Another is the strategy for internal security, adopted by the same ministry, the Ministry of the Interior.

Best practice: the Strategy for internal security

The Strategy for internal security of the Ministry of the Interior was prepared in cooperation with volunteer organisations, regional centres and community organisations, and all have also been actively involved in the implementation of the strategy. Representatives of the ministry who have been engaged in discussions and strategy building emphasised that the implementation of the strategy would not be possible without a partnership with civil society. Funding is provided for volunteer-involving organisations, not as delegated service, but rather as support for community and volunteer involvement, investment in self-help and capacity of communities and networking of volunteers. Some of the main partners for the strategy are the Estonian Volunteer Rescue Association, Neighbourhood Watch and Estonian Maritime Rescue Organisation. Calls for proposals are carried out to allocate funding to projects involving community-based organisations and their initiatives in the implementation of the strategy.

3.3. Announcement of the public call

Announcement of the public call

Regulations and rules of procedures for state funding of CSOs contain basic provisions on minimum standards for the announcement of the public call, such as:

- where the announcement of a public call should be published,
- that the selection criteria must always be available,
- that all necessary application forms must be easily accessible to the applicant,
- that the deadline for the application should always be clearly defined in the public call,
- that the amount of available funds and permitted amount of a single grant should be defined, etc.

The donor/provider of public funds usually also publishes the deadline for its final decisions in the procedure, so that the applicant know how to plan their activities.

3.4. Appraisal of applications

Selection criteria are usually defined in the normative act that also sets the procedural rules for the allocation of funding in a particular area. These normative acts and criteria are usually also connected to strategies and other policy documents, as funding of CSOs is mostly initiated based on strategies and policy decisions. Evaluation grids are usually published on the website with other tender documentation.

The Guidelines state that the process of appraisal should be carried out by an independent evaluation committee, that all applicants must have equal access to funding, that funding has to be transparent, etc. This, among other things, means that the decisions have to be made based only on the published selection criteria and with relation to strategic aims, which have also been clearly listed in the public call or have been made otherwise clear and publicly available.

Best practice: Appraisal process by the National Foundation for Civil Society

A set of evaluation experts is involved in the evaluation process, many of them civil society activists; three experts give their feedback and points according to the published criteria; results of the call are communicated to the applicants who receive information about ranking and feedback of the evaluation experts to the application.

3.4.1. Prevention of conflict of interest in the appraisal process

Providers of public funding address the prevention of conflict of interest in various ways.

29 As there are numerous relevant regulations in use, we have requested this analysis of typical provisions on the announcement through our questionnaire; the analysis was therefore provided by NENO and communicated for the purpose of this research via the questionnaire.
A provision of the Association of the Estonian National Foundation states (Art. 3.10.2):

“A member of the supervisory board cannot have personal interest in obtaining the benefits to be distributed by the Foundation. In case of conflict of interests, and also when the question of doing a transaction between a member of the supervisory board and the Foundation or a court dispute against him is discussed, a member of the supervisory board shall not participate in deciding the question and he shall not vote in that question.”

Best practice: the National Foundation and the prevention of conflict of interest

The National Foundation of Civil Society set out principles for evaluating institutional strategy through assessment activities, random monitoring of funded organizations, and a yearly assessment to be conducted by the Board of NFCS.

Every institution can set its own legal framework for prepayments in their regulations, as there are no provisions or limitations regarding prepayments in general laws on public spending. In practice, organisational support is 100% pre-financed, the only cause of delay is that contracts are signed in spring and the organisation has to publish reports and other relevant information about the grant on their website. There have also been internal measures of the civil society sector, such as the agreement of NENO with its members that their members publish their reports on their website.

3.7.2. Monitoring and evaluation

Legislation does not directly define procedures for monitoring and evaluation of publicly funded project. However, as of the guidelines for funding of CSOs from the state budget also talk about impact (outcomes), more institutions have started to address the development of practices for evaluating results and the impact of funding. The practice has not yet been fully developed, which may be partly a result of Estonia’s decentralised model of funding, which emphasises the development of good practices rather than a centrally regulated system. While this may allow for tailor-made design of funding models in different policy areas, the downside might be that it takes time for the ministries to implement certain guidelines and necessary practices.

Nevertheless, there are also examples of good practices of monitoring and evaluation. The National Foundation of Civil Society serves as an example for providing a framework for monitoring and evaluation of institutional development of organisations.

Best practices: Monitoring and evaluation at the Estonian National Foundation for Civil Society

In Estonia, the National Foundation of Civil Society set out principles for evaluating institutional strategy through assessment activities, random monitoring of funded organizations, and a yearly assessment to be conducted by the Board of NFCS.

The Board and the Head of NFCS follow the principles of assessment in order to evaluate their activities and general influence, and act in the name of achieving better operation and stronger influence. The assessment activities are planned into the action plan and budget of NFCS and they are reflected in the reporting.

4. MECHANISMS FOR ENSURING FINANCIAL SUSTAINABILITY

Most common instruments for ensuring financial sustainability used in Estonia are institutional support/operational grants (particularly strong on behalf of the National Foundation of Civil society, see above), prepayments and multiannual projects.

4.1. Operational grants

Operational grants are particularly strong on behalf of the National Foundation of Civil society (see above), but is also provided by a number of other ministries, such as the Ministry of Foreign Affairs, Ministry of Social Affairs, Ministry of Internal Affairs, Ministry of Education and Science and Ministry of Environment. These funds are rather stable and are often based on long-term cooperation agreements or traditions.

4.2. Prepayments

Every institution can set its own legal framework for prepayments in their regulations, as there are no provisions or limitations regarding prepayments in general laws on public spending. In practice, organisational support is 100% pre-financed, the only cause of delay is that contracts are signed in spring and the organisation has to publish reports and other relevant information about the grant on their website. There have also been internal measures of the civil society sector, such as the agreement of NENO with its members that their members publish their reports on their website.

COMPARATIVE ANALYSIS OF SYSTEMS OF PUBLIC FUNDING OF CSOS

COMPARATIVE ANALYSIS OF SYSTEMS OF PUBLIC FUNDING OF CSOS

4.3. Multiannual grants

Best practice: multiannual grants of the Ministry of Foreign Affairs and Ministry of Interior

The Ministry of Foreign Affairs has taken on an active role in promoting longer-term projects, as it sees them as a prerequisite for having greater impact with projects. Its relevant policies and regulations tie the duration of the funding directly to the logical framework for the activities, which need to be carried out. For example, in the regulation on Conditions and procedure for the provision of development assistance and humanitarian aid from February 2013, it is stated that multiannual grants will be allocated through calls for proposals, if the proposal submitted contains the logical framework for multi-year contracts, and that in this case, the project proposal must also set out the budget of the project for each year.31

The Ministry of Interior has concluded contracts for strategic partnership, which are four-year framework contracts that contain an activity plan, indicators for measuring success and a budget composed for two years. A grant agreement is signed each year for the allocated amount for the year.

V. SCOTLAND

1. OVERVIEW OF PUBLIC FUNDING OF CSOS IN SCOTLAND

Scotland has an estimated 45,000 voluntary organisations, which range from registered charities to social enterprises, community interest companies, grassroots community groups and sport and arts clubs and other voluntary organisation. The exact number of all CSOs cannot be determined for Scotland as many of them operate without registering at a public authority. As a result, much of the available statistical data can only be attributed to the regulated third sector, which consists of approximately 18,000 registered ‘voluntary sector’ charities, 162 housing associations plus 102 credit unions. Public funds, however, may also be distributed to unincorporated organisations, if the donors decide so. In instances when donors allow unincorporated CSOs to apply, they usually require them to fulfil other conditions, e.g. that they have a constitution or a set of rules in the name of the group, which also makes clear that funds will only be spent on purposes established in the constitution, and not distributed amongst members; that they must have charitable aims, a bank account, that they have a referee who can vouch for the existence of the group etc.32

For registered CSOs, funding from public resources represents an approximate 35% share of their total income.

Table 4: Overview of public funding of CSOs in Scotland

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Number of registered CSOs</td>
<td>18,278</td>
<td>18,494</td>
<td>19,113</td>
</tr>
<tr>
<td>b. Total CSO Income (bln EUR)</td>
<td>5,8</td>
<td>6,2</td>
<td>6,5</td>
</tr>
<tr>
<td>c. CSO Income from Public Funding (bln EUR)</td>
<td>2,11</td>
<td>2,16</td>
<td>/</td>
</tr>
<tr>
<td>d. Percentage of public funding in total CSO income</td>
<td>35,8%</td>
<td>34,3%</td>
<td>/</td>
</tr>
<tr>
<td>d. CSO Income from Public Funding from the national level only (bln EUR)</td>
<td>1,03</td>
<td>1,07</td>
<td>/</td>
</tr>
<tr>
<td>e. GDP (bln EUR)33</td>
<td>164</td>
<td>170</td>
<td>178</td>
</tr>
<tr>
<td>f. Share of CSO income in GDP</td>
<td>3,5%</td>
<td>3,6%</td>
<td>3,6%</td>
</tr>
</tbody>
</table>

1GBP=1,266 EUR

2. PUBLIC FUNDING RESOURCES AND DISTRIBUTION MECHANISMS

The two main resources for public funding of CSOs are the state budget and National Lottery funds. The system of distributing these funds is highly decentralised, as they are channelled and distributed through a number of Non-Departmental Public Bodies (NDPBs) and various autonomous funds.


2.1. Non-departmental Public Bodies (NDPBs)

Although there are a total of 34 Non-Departmental Public Bodies (NDPBs) in Scotland, which cover a variety of policy areas, in which CSOs operate, not all of them allocate funds to CSOs. NDPBs which are known to distribute funds to CSOs are approximately 12, namely Bòrd na Gàidhlig (NDPB responsible for promoting Gaelic development), Cairngorms National Park Authority, Highlands and Islands Enterprise; Historic Environment Scotland; Loch Lomond and The Trossachs, National Park Authority, Creative Scotland, Scottish Enterprise, Scottish Funding Council (education), Scottish Natural Heritage, Skills Development Scotland, and Sportscotland. NDPBs distribute funds to CSOs to various degrees; some have open funding programmes at virtually all times, while others distribute funds only occasionally. The focus on the type of funding NDPBs support or areas they cover also commonly shifts depending on geographic or policy changes. The two NDPBs which stand out with the share of funding they distribute to CSOs are Creative Scotland, which allocates grants in the field of culture, screen and creative industries, and Sportscotland, which is the national agency for sport. Apart from allocating funds from the national budget, these two bodies also administer the distribution of lottery funds in their respective areas of intervention.

2.2. Lottery Fund

There are four main distribution bodies which distribute lottery funds to CSOs in Scotland, namely the Big Lottery Fund (BLF) and the Heritage Lottery Fund (HLF), the two largest Lottery Funds in the UK, and NDPBs Creative Scotland and Sportscotland. The source of lottery funds for all distributors is the United Kingdom’s National Lottery, which, despite running on the level of the whole UK, allocates a majority of funds for good causes through distribution bodies operating at the country level. The Big Lottery Fund and Heritage Lottery operate through independent country-level units, which manage different programmes and distribute funds independently from each other and in accordance with policy and financial directions of their respective national governments.

2.2.1. The Big Lottery Fund

The Big Lottery Fund (BLF) emerged as a merger of two Lottery distributors – National Lottery Charities Board and the New Opportunities Fund in 2004, and was officially established by the National Lottery Act of 2006. It is the largest distributor of National Lottery funds, distributing around 40% of all good cause funding raised by the National Lottery. It distributes National Lottery money to organisations working in the combined good cause area of health, education, the environment and charitable expenditure. While they can fund public, private and third sector organisations, around 90% of the grants are allocated to third sector organisations.

BLF offers most of its funding through a portfolio called Investing in Communities through grants of up to £1 million. These are complemented by three programmes for smaller grants of up to £10,000. In addition to Lottery funded programmes, BLF also frequently run programmes on behalf of the Scottish and UK Governments, funded from the state budget.

2.2.2. Heritage Lottery Fund

The Heritage Lottery Fund is the largest dedicated funder of heritage in the UK and is a leading advocate for the value of heritage. It was established in 1993 under the National Lottery Act of 1993. It currently funds various projects in six main areas such as Land and natural heritage, Museums libraries and archives, Buildings and monuments, Cultures and memories, Industrial, maritime and transport and Community heritage.

A total of £6.8billion has been awarded to over 39,000 projects across the UK since 1994. In 2016, the HLF is expected to invest £430 million.

2.3. The Voluntary Action Fund

The Voluntary Action Fund (VAF) is a long-established independent grant-making body (it was first established in 1982 as Unemployment Voluntary Action Fund –UVAF, as a part of another independent fund, the Carnegie United Kingdom Trust), which manages a number of programmes on behalf of the Scottish Government and other funders in areas such as support of volunteering and community action, promotion of equality, prevention of violence against women and girls, programmes for older people, community safety and issue of intra-Christian sectarianism. Over 30 years it has distributed more than £90 million in grants across Scotland. These funds are open to application from eligible groups and organisations. The funding and support VAF provides enables community-based organisations to involve volunteers, undertake projects that challenge inequalities and overcome barriers to being involved in community life.

2.4. Distribution of non-Lottery funding by the Big Lottery Fund, Heritage Lottery Fund and Voluntary Action Fund

While the main purpose for which BLF and HLF were established was to distribute National Lottery funds, they also regularly deliver programmes for a variety of other external funders. For example, in 2014/15 Big Lottery Fund delivered several programmes on behalf of the Scottish Government, for example through the Scottish Land Fund and the Communities and Families Fund. The National Lottery Act (2006) gave the Big Lottery Fund the powers to distribute non-Lottery funding on behalf of other organisations, such as the Government. Both funds are two of the most well-recognised and established distributors of funds for good-cause activities. They all exhibit the special nature of the Scottish system, in which government bodies, which determine and deliver policies, do not necessarily see themselves as the appropriate grant-making body, but rather leave the distribution to more experienced, specialised grant-making bodies, such as the BLF of HLF, or even the independent VAF. These established grant-making bodies then carry out the implementation through funding of non-profit programmes in accordance with the policymakers’ guidelines and goals, but usually also with a significant degree of autonomy based on their experience and information which they have gathered through communication with their target users and beneficiaries.

Best practice: Cooperation of the Scottish Government and the Voluntary Action Fund, Big Lottery Fund and Heritage Lottery Fund

As grant-making entities they have gained recognition of quality, expertise and transparency and earned public trust, and on this basis are a valuable partner to the government in public funding of third-sector programmes in the public interest. They exhibit special characteristics of the Scottish system, namely that the role of the policymaker and distributor of public funds does not have to be united. The Scottish system clearly leans the distribution of funds in the direction of entities, which are closer to the target groups, as BLF, HLF and VAF represent some of the main distributors of public funds to CSOs.

2.5. The Third Sector team and reporting to the Scottish government

The Scottish Government has a so-called Third sector team which is in place to support the wider CSO sector in Scotland and is responsible for administering a number of core operating grants to organisations and provides overarching guidance, monitoring and policy context.

Regarding the content of grant programmes, however, each NDPB reports to the relevant Government department for the activity concerned. For instance, Creative Scotland reports to the Department for Culture, Europe and External Affairs.
Bodies which distribute lottery funds also have to follow government guidelines and policy direction when deciding which programmes should be funded, which conditions the distribution body must meet and how to select the applicants who should receive the funding. They also have to follow financial directions which relate to financial propriety and efficiency and are designed to secure the proper management and control by a distributing body of the lottery funds available to it.

Within this framework, however, they make independent final decisions both on what programmes they will run and grants they should make.

2.6. Participation and role of CSOs in the distribution process

Although there is no legal requirement for the inclusion of CSO representatives in management boards and other committees of distributing bodies, many of them have declared to strive to have an open, inclusive and diverse representation in the management board. For example, The Heritage Lottery Fund’s Scotland Evaluation Committee, which makes decisions on the distribution of grants in value from £100,000 to £2 million, is made up of local people recruited through an open advertisement. The Voluntary Action Fund also has a Board of Trustees with members from public, private and voluntary sector (but none of them are directly appointed as CSO representatives).38

3. DISTRIBUTION PROCEDURES

3.1. Overview and legal bases

Scotland has a decentralised system of public funding which gives funding bodies funds a great deal of autonomy. This means that procedures and practices for distribution of funds to CSOs may differ significantly from one body to another. There is no single set legislative act or policy to regulate procedures for public funding. Funds operate with their own rules and regulations and rely heavily on their developed best practice principles. Some rules or habits have also developed as a universally agreed operating principles and best practices, whereby all funds follow the same patterns and cover the same sorts of bases (for example, detailed guidance for applicants, see below at 3.3). This has been successfully done without detailed central guidelines or rules by the government, but by leaving it up to each public funder to ensure that they operate a quality service, relying more on practical incentives rather than legislative measures.

Ministries responsible for the relevant activity or policy area, and to a certain extent their sponsored bodies (i.e. NDPBs) as well, however, have to follow a variety of government guidelines for accountability and efficient spending of public funds. While these documents do not affect distribution procedures directly, they offer an important basis for the overall understanding of what constitutes an effective, high quality use of public funds. It is through guidance and direction of the ministries, which have their obligations to achieve certain effectiveness and transparency goals or specific policy targets, that distributions procedures can be affected indirectly.

3.2. Strategic approach to public funding of CSOs

All public services in Scotland are required to align with the National Performance Framework (NPF) to support delivery of the Scottish Government’s Purpose, which is: »to focus Government and public services on creating a more successful country with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.« The NPF sets out 16 National Outcomes describing what the Government wants to achieve over the next ten years, and uses 50 National Indicators to track progress towards the Purpose and National Outcomes. Each NDPBs need to make a statement of progress against these Government expectations, and cooperation with the third sector is commonly mentioned in this context. For example, Creative Scotland in its National Lottery Distribution Fund Annual Report and Accounts, which are adopted every year, in some parts refers to these national outcomes. Individual calls for proposals may also do the same, as is the case in the example below.

Best practice: Investing in CSOs to help deliver the outcomes of the national strategy

The Third Sector Early Intervention Fund was a £20 million programme run by the Big Fund (the non-Lottery arm of the Big Lottery Fund) for the Scottish Government in 2013. The funding aimed to support third sector organisations to deliver national outcomes relating to children and young people, and the families and communities that support them. A link to the Scottish Government national outcomes was provided in the public call. Two types of funding were offered: organisational support for organisations active in the relevant field, and support for specific activities (direct support to young people and their families).

3.3. Announcement of the public call and the application process

Each public funder in Scotland publishes information about funding opportunities on their website. Presentation of funds’ programmes are detailed and often remain published even when there is no public call currently open for a specific programme or area, together with the information about when the next round of grants should become available. When a public call is open, it usually starts with a presentation of the aims and context of the programme to help applicants understand the purpose of the fund or a specific public call.

The following elements can be found in announcement of nearly all funders:

1. definition of priorities and programme requirements,
2. eligible applicants,
3. available budget and possible value of the grants,
4. description of the application procedure (often different for programmes of smaller and larger value);
5. attached application forms (including sheets for the creation of substantive and financial plans)
6. deadlines, turnaround times (for continuous programmes) and time necessary for the assessment of the proposal;
7. detailed guidance to explain the purpose and priorities of the programme, application procedure and monitoring;
8. contact person for further questions (with email, telephone number and office hours).

There seems to be an especially strong practice in Scotland of providing detailed guidance, which explains the purpose and goals of the process in detail and include a step by step instruction on how to prepare the application as well as information on what to expect during the implementation in terms of monitoring and reporting.

36 http://www.lotterygoodcauses.org.uk/funding, access 15/04/2016
41 http://www.scotland.gov.uk/About/Performance/scotPerforms/outcomes, access 15/04/2016.
COMPARATIVE ANALYSIS OF SYSTEMS OF PUBLIC FUNDING OF CSOS

Best practice: Guidance and other tools for assisting applicants in Scotland

In nearly all public calls in Scotland, a detailed guidance is published on the website next to the call, which further explains the aims, priorities, requirements and criteria outlined in the announcement of the grant opportunity. The aim is to help applicants understand the purpose of the call, its goals and priorities and the most crucial elements and steps leading to a successful application. Sometimes this is done with special tools, such as charts, eligibility tests, examples of complete applications, etc.

Each public call also contains information of a contact person for further inquiries. In some cases, applicants are specifically required to first contact the Fund’s representative in order to check their eligibility or, in other cases, to work with a representative when preparing an application. While the help of representatives is mostly offered as assistance, this communication also makes possible that such programmes and project ideas are developed which will successfully address precisely the objectives of the funder and his programme. The final content of the application is the applicant’s decision. Assistance of a representative of the fund with the application does not guarantee a successful application, as the final decision on the grant is made by an independent expert body.

The guidance always includes detailed step by step instructions for the preparation of the application. Often separate guides are issued for various purposes: introductory guidance to the project, guidance for the application form, a special guidance for budgets and financial information, guidance regarding specific programme content etc.

Best practice: tools to ensure openness and accessibility of public funding

There are a few other commonly used tools in place which funds use in order to increase accessibility to public funding, including:

- a possibility to register to receive up-to-date email notifications about forthcoming grant programmes;
- operating of dedicated enquiries service (contact for information);
- accompanying workshops, e-seminars and events for enquirers, applicants and grant holders ("meet the funder" events where organisations can gain more information about granting programmes face to face) are often available;
- pre-application support is targeted towards areas and organisations that have received least funding from the fund in the past;
- support to disabled applicants, tailored to individual requests;
- special advice to new applicants and support them to make an application.*

3.4. Two-stage application procedure

One type of procedure commonly used in cases of larger grants is the two-stage application, in which the applicant first only send an outline proposal or outline application, in which he states basic information about the organisation and the project according to the grant programme instructions. Applicants who have submitted a successful outline proposal then receive a full application pack. The process often includes additional consultations from the representative of the fund to the CSO.

This type of procedure is certainly time-efficient and follows the principle of proportionality, as applicants do not waste large amounts of time preparing a detailed, lengthy application forms for projects which in the end might not fit the funders goals and requirements. However, in addition to this, this type of procedure has another important advantage – in the process of the development of the full application, which includes consultations with representatives of the fund, the project can also be modified or further developed to fit the funder’s agenda. Funders may explicitly acknowledge that the applicant’s project proposal may change in line with the consultation, detailed design and planning, and survey work that they do during the development phase, and may even review the project during the development phase to evaluate progress on the application.*

3.5. Selection process and appraisal of applications

The process of appraisal is different for each funding body, however typically some sort of collective body (committee, board) makes the final decision. They may decide with the help of the grant-assessment officers or teams of the find who prepare the initial assessment and recommendations.

For example, in the case of Voluntary Action Fund, the first assessment of the application is made by the VAF Development Officer who assesses the application and makes recommendations to a panel of assessors, which comprises of VAF Trustees. The role of the panel is to ensure that the process of grant award is transparent and fair and that recommendations for funding meet the programme outcomes. The VAF Programme Manager will moderate the assessments before they are presented to the assessment panel.*

3.6. Transparency of the selection process

It is considered a standard good practice in Scotland to offer access to information about all previously selected and publicly funded projects. All large funds and NDPBs publish information on awarded support on their websites. They do this in different ways, some publish monthly listings (Creative Scotland) and some have online archives which are updated whenever a new grant is awarded (Big Lottery Fund, Voluntary Action Fund). The minimum information published is the recipient of funds, amount awarded, the name and subject area of the project and beneficiaries. Often programme summaries are eventually published.

Public access to information on public grants is regulated by the Freedom of Information (Scotland) Act, in force since January 2005. The call for proposals sometimes explicitly warns applicants that the Scottish Government may be required to make any application for grant available for public scrutiny. When submitting a grant application, the applicant may notify the funder if there are any elements of it which would prejudice substantially their commercial or other interests if they were made public.*

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* See for example special information sheets for Festivals and Touring in Creative Scotland: http://www.creativescotland.com/ 
  funding/funding-programmes/open-project-funding, access 15/04/2016.
* See Heritage Lottery fund Heritage Grants (Grants over £100.000), Application Guidance, August 2015.
3.7 Accountability

Reports on previous projects are not always published to the same extent, but many fund have a high standard of providing both reporting information as well as evaluation reports of the funder for previously performed programmes, such as in the case of the Youth Music Initiative by Creative Scotland of Glasgow Third Sector Transformation Fund of the Voluntary Action Fund.44

Best practice: Permanent publication of information on grant programmes - Glasgow Third Sector Transformation Fund

One of the programmes of the Voluntary Action Fund is the Glasgow Third Sector Transformation Fund. Although at the time of this research the programme is closed for applications, the detailed guidance for reporting for currently funded projects is published on the website. A short description of the Programme’s goals and current operations, which are being carried out at the moment is also provided. The website also offers summaries of the funded projects in 2013-2015, the final report for 2014, links to an interim evaluation of Case studies (Diabetes Case Study, Scottish Opera Case Study, Torgylgen Community Case study) and background information on the distribution procedure, such as Eligibility Criteria, Fund Principles and Project Directory (all approved project plans). In addition to this, a reports on previously performed programmes are also published.

Reporting obligations are usually clearly explained in advance. All providers of public funds require publicly funded projects to provide evidence for what they have done with the funding support. Guidance for reporting is always given and may be accompanied by case study guidance and a selection of tips. However, Scottish CSOs note that the process in Scotland would benefit from standardisation, as often CSO groups offering is always given and may be accompanied by case study guidance and a selection of tips. However, Scottish CSOs note that the process in Scotland would benefit from standardisation, as often CSO groups can become overwhelmed with paperwork and monitoring details, which can be very difficult, especially if one project has several funders all wanting their monitoring information back at different times and in different formats.

Best practice: Evaluation of programme Youth-Music Initiative

The Youth-Music Initiative (YMI) was set up in 2003 and is administered by Creative Scotland. In 2014, Creative Scotland appointed a private company, ODS Consulting, to evaluate the YMI. The evaluation was carried out in two stages: the first stage of the evaluation was an evaluation if the entire programme, i.e. of 11 years of the YMI’s operation. The second stage of the evaluation involved a detailed focus on the YMI during 2014/15. In 2015, the report was complete and published. The evaluation included cases studies involving discussion with young people and practitioners, a survey with over 700 teachers, and 200 organisations, in-depth interviews with over and e review of reported outcomes. Key findings from the evaluation showed that the programme has:

- enabled young people across every local authority to take part in 300 projects each year covering all musical genres and teaching methods
- engaged an estimated 150,000 young people in school based music making, and 76,000 in activity out of school (2014/15)
- created over 1,000 jobs and more than 1,000 trainee opportunities (2014/15)
- supported 2,200 people through training or career long personal development (2014/15)44


4. MECHANISMS FOR ENSURING FINANCIAL SUSTAINABILITY

4.1 Prepayments

Prepayments can be considered a rule Scotland. More often than not the full funding is awarded up front and an end of project monitoring report is required. It is only in rare circumstances that the funding is awarded retrospectively, on completion of the project and submission of the final report.

Best practice: Prepayments in Scotland

An example of how grant payments are made can be taken from the Voluntary Action Fund. In its Volunteering Support Grant programme a distinction between larger and smaller grants is made in relation to the allocation of payments. For grants over £6,500, an initial payment is made at the start of the grant with a second payment after six months, if satisfactory progress has been made. For grants below £6,500, the full payment is made at the start of the grant, though organisations will still report on progress at 6 months or at the end of the project if that is first.45

4.2 Multiannual grants

Multiannual grants are also commonplace in Scotland, as a number of Scottish funds administer them. The Big Lottery, for example, will fund up to 5 years in some circumstances (mostly larger grants), as in the case of Grants for community-led activity and Grants for improving lives.46 The Heritage Lottery, due to the nature of the activity covered by their funds (building conservation, redevelopment, etc.) can fund activities for up to 10 years; however, as in the case of the programme Heritage Enterprise, the value of the grant may start falling after some years (for the Heritage Enterprise programme, funding for the first 6 year can be up to 100% of the programme, and after that the percentage falls for 20% of the total project value each year).

4.3 Operational grants

In Scotland grants range from grants funding specific projects and activities to grants intended to offer organisational support for development of CSOs, which exhibit the required potential and vision for their development. The Third Sector Early Intervention Fund of the Scottish was an example of a grant largely focused on supporting organisational development. Foundation Scotland also administers Resilient Scotland’s Start & Grow and Making Enterprise Happen investment programmes, which offer investment in community organisations and social enterprises so that they can start-up, develop and expand (investments are one third grant and two third loan, or minimum 50% loan respectively).

Overall, a balanced combination of narrowly targeted project grants, which respond to current societal needs for CSOs activities and services, and grants for organisational support, which guarantee financial sustainability and long-term development of CSOs, is provided.

50 http://www.creativescotland.com/funding/funding-programmes/targeted-funding/youth-music-initiative
VI. SERBIA

1. OVERVIEW OF PUBLIC FUNDING OF CSOS IN SERBIA

According to data from the Annual consolidated report on budget expenditures of the Office for Cooperation with Civil Society of the Republic of Serbia, approximately €70 million was allocated to CSOs on all levels of government of the Republic of Serbia in 2012. When compared to available data on total income of Serbian CSOs, this would represent approximately 27% of the total CSO income (i.e. compared to the data on CSO income collected by the Serbian Business Register Agency (SBRA), where CSOs are obligated to send their annual reports).52

The role of public funding in CSOs activities can be exemplified by a survey among Serbian CSOs conducted in 2014 which showed that while CSOs in Serbia had income from various sources, public funding was a frequent source: public funding on the local level (from local governments and regional administrations) was the most frequent resource and represented a source of income for approximately 55% of CSOs, while public funding on the state level was the third most frequent resource, which was allocated to 35% of CSOs by ministries and other state bodies. EU funds as sources of income are mentioned by 23% of CSOs in Serbia.53

Table 5: Overview of public funding of CSOs in Serbia

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of registered CSOs</td>
<td>N/A</td>
<td>23,394</td>
<td>26,129</td>
</tr>
<tr>
<td>Total CSO income (EUR)</td>
<td>N/A</td>
<td>254,713,543</td>
<td>N/A</td>
</tr>
<tr>
<td>CSO Income from Public Funding</td>
<td>ca. €70 mil</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>CSO Income from Public Funding from the national level only (EUR)</td>
<td>47,381,970,04</td>
<td>50,467,073,54</td>
<td>62,598,485,19</td>
</tr>
<tr>
<td>CSO Income from Public Funding under budget line 481</td>
<td>cca. €60 million</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total State Budget (blnEUR)</td>
<td>29,18</td>
<td>31,55</td>
<td>31,81</td>
</tr>
<tr>
<td>GDP (bln EUR)</td>
<td>36,2</td>
<td>40,4</td>
<td>39,2</td>
</tr>
<tr>
<td>Share of Total CSO income in GDP</td>
<td>N/A</td>
<td>0,74 %</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Exchange rate : 1 eur = 122,85 rsd

2. RESOURCES FOR PUBLIC FUNDING OF CSOS AND MAIN DISTRIBUTION MECHANISMS

2.1. Allocations from the state budget

A characteristic of the Serbian system among the analysed countries is the allocation of a majority of public funds to CSOs through a special designated budget line or economic classification for grants to CSOs – the budget line 481 (BL 481 - Grants to non-profit organisations). In 2012, 84.49% of all public funds for CSOs were distributed under BL 481. However, despite representing the most significant resource for public funding, the budget line is not diversified, as many other organisations other than CSOs are funded under this classification (including churches and religious communities and public institutions), which already have their own line defined within the budget. Therefore, it is usually not easy to assess precisely how much money has actually been allocated CSOs. The fact that this has been an obstacle to collection of data on funding of CSOs, has been both civil society experts as well as the Office for cooperation with civil society in its annual reports.54

Other budget lines under which CSOs can be funded are the budget line for financing of social protection services (BL 472), which amounted to 11.8% of all allocated funds to CSOs in 2012. The remaining budget classifications include 451 – Subventions to public non-financial corporations, 423 – Contract services, 424 – Specialized services, 462 – Grants for international organizations, which together represented 1.72% of all allocated funds in 2012.55

2.2. Allocations of the lottery proceeds

According to the Games of Chance Act, 40% of the funds collected from games of chance and paid into the budget of the Republic of Serbia are “used for funding of the Serbian Red Cross and other social organizations and associations of persons involved in programs aimed at protecting and improving the general position of organizations, sports and local self-management.”56

2.3. Distribution mechanisms

The system of allocation of public funds to CSOs is dispersed, with over 20 different bodies distributing under budget line 481 only (e.g. in 2012 a total of 22 bodies reported allocating funds to CSOs under this BL 481). These bodies are ministries or other public offices working within the ministries or more independently (such as the Office for sustainable development of under-developed regions, Office for human and minority rights, etc.). Amount of funding varies greatly among ministries, however the bodies stay the same and the funding relatively predictable. Modest funds to match EU funded projects are introduced by the Office for cooperation with CSOs.

2.4. Participation and role of CSOs in the distribution process

There is no rule defining an obligation for the government to consult and include CSOs in funding procedures. However, in some institutions CSO representatives are included in selection committees and evaluation commissions. Inclusion of CSO representatives depends on decision of the government institutions who conduct the public call.

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52 This is a rough estimation as the data on income from public funding collected for 2012 is compared to data on by SBRA on total CSO Income for the year 2013.
56 Games of Chance Act, Art 5.
COMPARATIVE ANALYSIS OF SYSTEMS OF PUBLIC FUNDING OF CSOS

3. DISTRIBUTION PROCEDURES

3.1. Overview and legal bases

Numerous laws and regulations regulate funding of CSOs. Law on Associations and Law on Endowments and Foundations are the core legal bases, while the wider regulatory framework consists of near 30 other laws and by-laws, which regulate different policy areas, most important ones being Law on Sports, Law on Youth, Law on Red Cross, Law on Social Protection, Cultural Property Law, Law on Churches and Religious Communities, etc.

The provisions of the Law on Associations which prescribe financing activities of associations that are in public interest, are regulated in more detail by the Regulation on the means of fostering or missing part of the funding for the program in the public interest implemented by associations. This regulation regulates the application procedure criteria, conditions, extent, method, process of allocation, as well as the method and procedure of reimbursement of funds, and a significant component is the obligation to establish a selection committee and publish the ranking list of received applications. It prescribes the obligation of reporting, dynamic of reporting and sanctions for improper use of funds.

Financial support regulated by the Regulation relates only to programs/projects, while a clear regulation on institutional support for civil society organizations is still missing.

Based on the request made by over 100 organizations in collaboration with the Office for Cooperation with Civil Society, the Government adopted amendments to the Regulation in October 2013 so that the administrative procedure was simplified, and certain documents previously provided by associations are now obtained by relevant institutions and public government organs (mainly documents which can be obtained from public records).

3.2. Strategic approach to public funding

The role of CSOs is often recognised in national strategic and other policy documents, especially in most new strategic documents, such as the National strategy for youth for the period from 2015 to 2025. Provisions affecting the functioning of CSOs in the field of youth have even been adopted into Law, i.e., the Law on Youth. Priorities and objectives of tend to be reflected in the public call, Civil society is generally seen as an equal among providers of social services (others being public sector and private sector institutions), so their activities are taken into account when preparing strategies, on the basis of which public calls are later prepared.

3.3. Announcement of the public call and the application process

The Regulation states that the competition of public funding must be published and advertised on the official website of the competent body, and on the unified government portal e-Uprava. It defines the following elements of the announcement of a public call as obligatory:

- the subject or policy area in the public interest, which is being supported;
- who are the eligible applicants;
- the application deadline;
- amount of funds that are being allocated;
- duration of the programme;
- requirements and criteria for the appraisal or the direction to the regulation of the competent authority which defines requirements and criteria.

Best practice: Allocations of funds in the area of youth

The area of youth represents an example of an on-going cooperation between the ministry and the third sector in the field of distribution of funds. Ministerial tenders for youth organizations are managed by an external partner of the Ministry, the youth organization Mlada Srbija (Young Serbia), which itself won a tender for the management of the grants. The organization set up a granting commission with representatives of the Ministry and international organizations. The commission selects grantees on the basis of evaluations by at least two experts. Mlada Srbija also carries out the monitoring of the projects, and reports the results to the Ministry.57

The role of CSOs has also recognised in the main strategic document for the area of youth, namely the National strategy for youth for the period from 2015 to 2025, as well as by the Law on Youth which, among other things, regulates various aspects of allocation of funds to CSOs in the area of youth. CSOs were also included in the process of creating the new National strategy for youth, process of creating the draft Strategy for the creation of an enabling environment for civil society development in the Republic of Serbia for the period from 2016-2020.

Non-binding documents which refer to the allocation of public funds directly or indirectly are the Guidelines for inclusion of civil society organisations in the regulation adoption process58, issued by the Government, and the Guide for transparent financing of CSOs from the local self-government budget59 of the Office for cooperation with civil society (prepared in cooperation with TACSO in Serbia).

Civil society organisations have been critical of the process of allocation of public funds despite the fact that the legal framework existed, stating just a few years ago that most transfers of public funds to CSOs are not based on performance criteria, but received time and again by the same CSOs without any previous evaluation, and that organisations, once entering the budget, stayed financed, some of them largely inactive.60 According to the Serbian Country Report for the Monitoring matrix on enabling environment for civil society development from 2014, an extensive disregard of regulations was still observed in procedures for public funding. For example, although the Regulation states that giving programme/project funds is done through public calls announced by the competent government authority, the report finds that in 2012a majority of public funders still allowed support outside of public calls, with allocations being made by a decision of the coordinator for programs/projects. Funding, allocated this way, amounted up to 3.61 billion dinars (39,22% of allowed funds for 481). Among procedures implemented for the allocation of funding, public calls came in third place with 1,73 billion dinars was given, or 18,8% of total funds for this budget line.61
3.4. Defining priorities and objectives of a public call

Article 3 of the Regulation states that the organ of public administration, working in the area of public interest, which is being followed, supports programmes of associations which are in the public interest in accordance with provisions of the Regulation and acts of the competent body adopted in accordance with the law and the Regulation.

3.5. Application deadlines

The Regulation states that the application deadline cannot be shorter than 15 days from the publication of the announcement. This rule, however, is not yet fully respected in practice. During 2012 there were 381 announced calls and other procedures for funding associations and other civil society organizations. The data indicates that the applicants in nearly half of the cases (49%) had a deadline between eight and fifteen days to submit the documentation for the call, while in 31.3% of the cases the deadline was 15-30 days. However, progress is visible with only 3.5% of calls open for less than 8 days.\(^63\)

3.6. Appraisal of the applications

The rules on the process of appraisal of submitted applications are defined in the open call and the guidelines for applicants, which are normally attached to the open call. However, some minimum standards for the selection procedure are already addressed in the Regulation, such as:

- the right of participants to examine all submitted application and the attached documentation; this right is given for three days after the publication of the proposal for appraisal and ranking of applied programmes;
- obligatory role of a tender commission,
- that the tender commission publishes a list of appraised programs and their ranking within 60 days of the application deadline;
- the list must be published on the official website of the ministry and the unified government web-portal e-Uprava;
- the right for the applicants to object within 5 days of the publication of the proposal for appraisal and ranking of applied programmes;
- the right of participants to examine all submitted application and the attached documentation;
- the publication of final decisions on the website of the body and on the government portal.

According to the BCSDN Country report for Serbia, in 2012 almost half of the cases on all levels of government (47.9%), a commission was formed for selection and monitoring of projects.\(^64\)

3.7. Publication of criteria for appraisal

The Regulation prescribes that open calls should have criteria for evaluation. In practice, in most calls general criteria are provided in advance, and in some cases precise evaluation grid is also published. According to the data collected in 2014, in 76.59% of all public calls written criteria for evaluation of applications and allocation of proceeds was included in the call.\(^65\)

3.8. Substantiated response

There is no obligation defined in the general Regulation that applicants must receive a substantiated decision for approval or rejection of a project. In most cases a substantiated decisions is given upon the applicant’s request.

3.9. Publication of the results of the public call

The Decree defines an obligation to publish the ranking list of received applications and final decisions on awarded projects, which is respected by the ministries (donors); ensuring easy access of the public to the basic information on the results of public calls.

3.10. Accountability

The Regulation and other legislation define the obligation for monitoring public funded projects by narrative and financial reports, and regulate the possibilities of monitoring visits. The basic way of monitoring project implementation is the review of submitted financial and narrative reports, while direct supervision of activities during implementation, including polls for project users, is an exception rather than a rule.\(^66\)

Article 10 of the Regulation states that reporting is done quarterly, except in situations when the programme is shorter than six months.

The Office for Cooperation with the Civil Society prepares an Annual Consolidated Report for the Government about the expenditure of funds provided and paid to associations and other civil society organisations from the budget of the Republic of Serbia as support to programmatic activities. The Report provides information about procedure of funds allocation, transparency in the process of allocation and reporting, as well as the results of monitoring and evaluation of supported programs and projects.

According to the report of BCSDN from 2014, evaluating practices are not developed enough, as some kind of evaluation was only implemented in 16% of cases at the state level in 2012, indicating that public financing of civil society organizations is still being treated as an expense rather than an investment in social capital.\(^67\)

4. MECHANISMS FOR ENSURING FINANCIAL SUSTAINABILITY

4.1. Multiannual grants

Multiannual funding is an option for public funders in Serbia. Around 7% of projects are implemented on a multiannual basis in Serbia, while 93% of public calls are currently implemented within one year.\(^68\)

4.2. Operational grants

Organisational support of CSOs is also possible in Serbia, but is not regulated to the same extent as funding of projects and programmes. As the Decree is specifically directed at projects and programmes, the legal framework for is currently somewhat unclear.

\(^{63}\) Ibid.
\(^{64}\) Serbia Country Report, p. 22
\(^{65}\) Ibid.
\(^{66}\) Ibid.
\(^{67}\) 65 Ibid.
\(^{68}\) Ibid.
4.3. Co-financing of project funded by the EU (and other international donors)

According to the Serbian Office for NGOs, on two separate occasions projects co-funded by the EU were given additional co-funding of the Serbian government, while several other EU-projects were co-funded in the area of flood and prevention. Other examples can be found on the topic of co-funding of internationally supported projects.

**Best practice: The Ministry of Culture and Information of the Republic of Serbia.**

The Sector for international cooperation, European integration and projects within The Ministry of Culture of the Republic of Serbia runs an elaborate system of support for projects of CSOs, which have already been given support by various international donors. The amount of co-financing is up to 30% for partners on projects (suggested structure of the financial support is 60% of the value of the project by the foreign donor, 30% by the ministry 10% other co-funding) and up to 40% for the main beneficiary/lead applicant (structure international donor up to 60%, the Ministry up to 40%).

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VII. CROATIA

1. OVERVIEW OF PUBLIC FUNDING OF CSOS IN CROATIA

Over the last decade, public funding has become a consistent source of income for CSOs in Croatia. The legal and institutional framework for financing of CSOs is one of the most developed and detailed in the region, accompanying other processes of successful and multi-layered cooperation of CSOs and the public sector. Within this legal and policy framework, public funding of CSOs in Croatia has been growing steadily in the last decade. Every year on average €200 million of public funds at both national and local level have been allocated to CSOs, representing approximately 34% of total CSO income. The number of CSOs is also consistently growing; at the time of this research, over 33,000 registered CSOs were registered in Croatia.

Despite offering a stable basis for public funding of CSOs, the legal framework has undergone some additional changes in the last 5 years, which were generally received favourably by civil society and civil society experts.

The largest share of public funds is allocated at the local level: by municipalities, the city of Zagreb, other cities and counties – approximately 60% of all public funds – while 40 percent are allocated at the national level.

**Table 6: Overview of public funding of CSOs in Croatia**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Number of registered CSOs</td>
<td>47,987</td>
<td>50,806</td>
<td>52,450**</td>
</tr>
<tr>
<td>b. Total CSO Income</td>
<td>N/A</td>
<td>€631 million</td>
<td>€660.2 million</td>
</tr>
<tr>
<td>c. CSO Income from Public Funding</td>
<td>€206.3 million</td>
<td>€215.3 million</td>
<td>€223.2 million</td>
</tr>
<tr>
<td>d. Percentage of public funds in total CSO Income</td>
<td>N/A</td>
<td>34%</td>
<td>33.7%</td>
</tr>
<tr>
<td>e. CSO Income from Public Funding from the nat. level*</td>
<td>€68,899,791.64</td>
<td>€75,600,168.54</td>
<td>€87,371,369</td>
</tr>
<tr>
<td>f. GDP (bln EUR)</td>
<td>44.2</td>
<td>44.1</td>
<td>43.9</td>
</tr>
<tr>
<td>g. Share of CSO income in GDP</td>
<td>N/A</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Exchange rate: 1 EUR = 7.47 HRK

2. PUBLIC FUNDING RESOURCES AND DISTRIBUTION MECHANISMS

There are several resources for public funding of CSOs, namely the public budget, funds from income from games of chance, specially designated taxes and funds, such as from the environment protection compensation, the broadcast user fee (TV bill collection), and non-financial means. The largest single source of income in the recent years have been the proceeds from games of chance, which represented 18% 19% and 21.2% in 2012, 2013 and 2014 respectively (approximately 52 – 54% of funds allocated at the national level).
Second largest funding source is the state budget with 16-17% of all public funding (ca. 45% of funds at the national level). Ministries, government offices and various other public administration bodies such as public foundations, trusts, agencies etc., distribute funds to CSOS through several mechanisms: public calls for proposals (tenders), public calls for expression of interest for cooperation, funds for public services (i.e. for the realisation of public needs defined by law), and allocations outside a public call, i.e. directly by the decision of the head of the public administration body. In 2014, total 34 bodies allocated funds to CSO on the national level. The largest amount of funds was allocated through public tenders, i.e. 335 million HRK (€44 million) or 51%. In second place were allocations for the realisation of public needs (public services) defined by law (€22.4 million or 25.6%), followed by public calls for expression of interest for cooperation (€7.9 million or 9%). The smallest share - 0.87% of all state funds - was allocated directly by the decision of the head of the public administration body. The largest amount of funding has been distributed by the Ministry of Science, Education and Sports (in 2014, €24 million or 28%), followed by the Ministry of Social Policy and Youth (23.8%), the Ministry of Culture (14.58%), National foundation for the development of civil society, which offers institutional support (6.4%), and the Council for national minorities (5.17%).

The Government Office for Cooperation with NGOs plays an important role in designing, coordinating and monitoring all procedures and practices of public funding of CSOs. The Office advises various institutions that allocate funds to CSO from public sources regarding best practices and correct implementation of laws and regulations, which regulate distribution of public funding to CSOs. It also collects information on awarded public funding to CSOs, including detailed information on procedures carried out by various state bodies, and publishes reports on the implementation of procedures for the allocation of public funding to CSO in Croatia for each fiscal year.

### Participation and role of CSOs in the distribution process

In Croatia, CSO participation may take place in all phases of the public funding cycle. The Regulation on the Criteria, Standards and Procedures for Financing and Contracting Programmes and Projects of Public Benefit Interest Implemented by Associations explicitly defines the possibility of participation of CSO representatives in other phases of the process. Despite this, the strongest participatory practices have developed in the programming phase. This has much to do with the activity of the Office for Cooperation with NGOs, which promotes the use of general standards for public participation in the decision-making process, as defined by the Code of Practice on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts, in the process of preparation of public calls for funding of CSOs.

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**Best practice: the use of the Code of Practice on Consultation with the Interested Public in matters of public funding of CSOs**

According to the Manual for Implementation of the Regulation⁷⁴, general standards for public participation in policy-making also apply in the distribution process, as defined by the Code of Practice on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts. The Manual states that the preparatory process (analysis of public needs and solutions, definition of priorities for funding) should include all relevant stakeholders, including representatives of CSOs. The Code also prescribes the possibilities to include the wider public (citizens and other interested stakeholders, such as unions).

The Office for Cooperation with NGOs of the Government of Republic of Croatia plays a vital role in ensuring the on-going development of cooperation between the Government and CSOs, and, as two of its primary areas of operations, oversees both the use of rules for public participation as well as the use of standards and guidelines in public funding of CSOs.

### 3. RULES IN PROCEDURES OF DISTRIBUTION OF FUNDS (PUBLIC CALLS FOR PROPOSALS)

**3.1. Overview and legal bases**

The legal framework for public financing of CSOs has undergone some significant changes in the recent years, which has been a result of a nine-year long process directed towards improving the transparency and efficiency of the funding procedures. Firstly, a new Associations Act stepped into force in 2014, which, among other objectives, aimed to prepare a basis and pre-conditions for efficient funding of programmes and projects in the public interest implemented by associations. Subsequently, new Regulation on criteria, standards and procedures of financing and contracting of projects of general interest implemented by associations was adopted in 2015, replacing the former non-binding Code of Good Practice, Standards and Criteria for Providing Financial Assistance to Programs and Projects of Associations. The Regulation contains detailed provisions on all essential steps and elements of procedures for public financing of programmes of associations:
- definition of priorities for financing,
- preparation of documentation for the public call,
- selection of programmes and projects,
- contracting,
- monitoring and evaluation of programmes, including the use of information systems for monitoring and evaluation.

Additional provision is included regarding coordination of bodies of public administration, which allocate public funds, as well as trainings in the use of the Regulation by the Office.

Based on the Regulation, the Manual for Implementation of the Regulation on the Criteria, Standards and Procedures for Financing and Contracting Programmes and Projects of Public Benefit Interest Implemente...
The Manual helps providers of public funds by addressing the following aspects and questions regarding implementation of public funding of CSOs:

- preconditions for the providers of public funds, i.e. necessary financial, organisational and human resources;
- basic standards for planning of financing of programmes and projects of associations, i.e.:
  - defining priorities based on evaluation of needs,
  - preparation of an annual plan of public calls (tenders),
  - programming of individual calls for proposals,
  - timeline for the implementation of a public call,
  - basic elements of the tender announcement,
  - decisions on the value and number of supported projects,
  - prevention of conflict of interest;
- basic standards for the implementation of procedures, such as:
  - organisational capacities,
  - tender documentation (application forms, instructions for applicants, additional statements and proof of eligibility to be obtained from the applicant),
  - support and help provided to the applicants,
  - rules for the submission of applications,
  - opening and registration of applications,
  - constitution and work of the evaluation commission,
  - appraisal process (criteria, evaluation grids, decision-making),
  - publication of results,
  - notification of applicants,
  - ensuring insight into the distribution/tendering process to the public;
- basic standards for monitoring an evaluation of programmes:
  - on-going monitoring of the project implementation (financial and programme reports, field visits)
  - annual reports on all funds awarded by the funder;
- the use of the central information system, etc.

### 3.2. Strategic approach to public funding

The Regulation stresses the importance of a strategic approach to financing of CSOs various provisions. For example, Article 3 states that priorities for public financing must be defined based on strategies, national programmes and other strategic documents at the national or local level. Article 7 further states that the funder defines priority areas based on strategies, plans or other strategic documents at the national or local level which define objectives and priorities for addressing issues and problems related to the public interest and public needs, for which the body is competent and which are implemented in cooperation with associations. In Croatia, the strategic approach is also successfully implemented in practice, with nearly all public calls connecting their goal and criteria to a specific program policy and strategic documents concerning the policy area covered by the provider of public funds to CSOs.

### 3.3. Announcement of the public call and the application process

The Regulation states that within 30 days of the adoption of the state budget, the public administration body must publish a yearly plan of public calls. The yearly plan must contain the following information: information on the donor/funding body, name of the public call and the date when it will be published, amount of available funding, minimum and maximum amount of funding intended for a single project, expected number of funded projects and other relevant information.

According to the Regulation states, public calls must then be published on official webpage of the funder, as well as on the website of the Office. One of the basic standards for planning of financing is also that the public call should be open for applications for at least 30 days from the publication of the call.

The analysis of public calls from 2014 shows, that most public calls are published on the official webpage of the public body (90 publications or 78,3%). 12 public calls were additionally announced in a daily newspaper, while 9 more published information in other media. It is important to note, however, that this practice should see further improvements with the Regulation stepping into force in 2015.

### 3.4. Role of commissions and expert commissions

The Regulation defines two kinds of commissions, one kind for the preparation and implementation of the public tender (including the processing of applications), and one for the expert appraisal of programmes and projects. While the preparation of a public call and the processing of applications may be done by either the responsible organizational unit of the ministry or special commissions, the appraisal of projects/programmes must be carried out by the expert commission appointed by the funder.

The Regulation states that the funder appoints the members of the expert commission based on priorities of the public call. The members may be representatives of the public administration, representatives of the civil society and representatives of scientific and expert institution and independent experts for areas covered by priority areas of the competition. Employees of the provider of public funds may perform tasks...
in the procedure, but cannot be members of the appraisal commission or affect the work of the commission in any way.

In practice, expert commissions and similar bodies working in procedures for the allocation of public funds have a diverse structure. In 2014, commissions in 52 public tenders included representatives of public administration, 39 public tenders included representatives of expert and scientific institutions, while 24 included other independent experts. In 19 procedures independent bodies included representatives of CSOs.

In 48% of cases, the head of the public administration body made the final decision on allocation of funds based on the proposal of an independent expert body, which assessed applied projects and programmes. A representative body made the final decision in 36.3% of public calls/tenders. In 5 tenders, the final decision was made by a head of the administrative body independently (4.9% of all tenders for a total of 0.87% of all allocated funds). An independent expert body also made the final decision in 5 tenders.77

The Regulation defines detailed provisions for insuring impartiality and confidentiality of expert commissions, most importantly a clear definition of all persons who are presumed to have a conflict of interest and the use of declarations of absence of conflict of interest in expert as well as administrative commissions, which process submitted applications.

3.5. Communication of decisions and the right to appeal

The Regulation defines a deadline for notifying the applicant of the decision, which is 8 days from the day that the final decision was adopted. The deadline for final decisions in the public call is 120 days from the deadline for submission of applications.

The Regulation also states that the decision must be substantiated, i.e. it must include information about the requirements which were not fulfilled, or the information on the result of the appraisal of the project and reasons for why the project was not approved.

In 2014, altogether 219 appeals were, 46 of which were resolved positively. Most appeals, 157, referred to the noncompliance with formal requirements.

3.6. Publication of results, the use of central monitoring and information system

In practice, results of public calls and tenders are regularly published on the website of the provider of public funds. The Regulation defined an obligation to publish results in the same manner as the public call was published. In 2014, the information on the outcome of the competition was additionally published in mass media in 34.3% of cases.

Other means of ensuring the transparency of procedures for distribution of public funds are:

- the possibility of subsequent insight into the appraisal (evaluation grids) of applications
- systematic monitoring through a central information system for monitoring of information on public calls and annual reports of the Office for Cooperation with NGOs.

Annual reports on financial means awarded to projects and programs of civil society organizations (Annual reports) have been prepared by the Office since 2006 and contain detailed information on the allocation of funds to CSOs, including the amount, types of procedure in which funds are allocated. Compliance of transparency rules of the procedures is assessed, as is the participation of CSO representatives in procedures and other important aspects of public funding.

The central information system established by the Regulation is operating within the website of the Office for Cooperation with NGOs. The database provides information on beneficiaries of public funding, programme and project operators, duration, status, amount of funding and beneficiaries of funded activities and programmes, monitoring an evaluation, achieve results, irregularities in procedures and other important information on the allocation of public funds.

3.7. Accountability

3.7.1. Reporting and targeted spending

The Regulation defines detailed rules for reporting and monitoring of spending of public funds. All public funders must request that CSOs deliver final financial and programmatic reports together with all evidence and necessary attachments to confirm targeted and effective use of public funds. According to annual reports by the Office, this is done regularly. Apart from the examination of reports, field visits of associations by the representative of the funder are possible during the implementation of the projects. The annual report from 2014 states that in over half of public calls such a visit was made. Around 50% of public calls required interim financial and programme reporting.78

3.7.2. Monitoring and evaluation of programmes

Best practice: Monitoring and evaluation in Croatia

Article 34 of the Regulation states that bodies which distribute public funds follow the implementation of financed programmes or projects, which may, if necessary, include the assistance of competent external experts for specific area. Based on the results of monitoring and evaluation of individual projects, the funder then evaluates results and impacts of the entire public call. The Regulation then further states that the results of monitoring and evaluation of funded programmes, projects, and public calls are used for planning of future public calls and the development of relevant programmes, strategies and public policies.

According to the annual report for 2014, nearly all public administration bodies that allocate funds to CSOs present the results of their projects and programmes in various presentations of their operations, during public events and in their other communication with the public. The report for 2014 also states that most bodies use the information acquired in the process of monitoring and evaluation in development and preparation of new programmes, regulations, policies and strategic documents.

4. MECHANISMS FOR ENSURING FINANCIAL SUSTAINABILITY

4.1. Operational grants

The most common type of activities and services of CSOs, which are publicly funded, are basic activities or services offered through programmes or projects in a specific policy area. However, institutional support is the second most common form of funding. In 2014, 75 organisations were funded through public calls directed at improving the capacities of civil society, in the total amount of 137,530,581.95 HRK (18.4

77 Annual report 2014, p. 19
78 Annual report 2014, p. 78.
million euros or 10.7% of all allocated funds.39 Pure form of institutional support is provided by the National Foundation for Civil Society Development, which provided around €1,60 million of funding in 2014, and slightly more in 2015 (€1,64 million).

4.2. Prepayments

Best practice: Prepayments in Croatia

According to the Regulation, the funder must adopt one of five different models of payments, four of which include prepayments. For example, the first model, intended for projects in value from 50.000 to 100.000 HRK (ca. €6.700 to €13.400) and duration up to 1 year, defines a prepayment in the amount of 30-80% within 30 days of the signing of the contract. The second model is for multiannual programmes and projects and defines prepayments in the amount of 80% of the value of the project for each year, while the fourth model, intended for smaller projects (around €6.700 or less) prescribes prepayments in the amount of 100%.

Precise information on the use of prepayments in practice before and after the adoption of the Regulation is not available, as the annual Reports of the Office for Associations did not include this data up until now.

4.3. Multiannual funding

Multiannual in funding is possible and is indicated in several provision of the Regulation. However, in 2014 over 96% of funded projects at the national level were funded for one year or less, and only 3.17% were projects which lasted over one year. No information was available at the time of this research on whether and how the practice has changed recently.

4.4. Co-financing of EU-funded projects

In recent years, CSOs in Croatia have used nearly 100% of all available EU funds intended for the civil society sector, with which they have financed programmes in the areas of information, education, environmental protection, social entrepreneurship, fight against corruption and a variety of services in other fields.

There is a relatively high awareness in Croatia that the implementation of EU projects intended for CSOs can be jeopardised by issues related to the provision of necessary co-financing. Bearing in mind the use of the structural funds after the Croatian accession to the EU and the increase of funds available to the civil society sector, the Croatian government understood the importance of ensuring the continuity of investment in strengthening the capacity of civil society organizations for the effective implementation of EU projects. Consequently, the Office for Cooperation has been publishing calls for co-financing projects of civil society organizations agreed in the framework of the European Union from April 2011 and has to date supported the co-financing of obligatory contributions of about 450 CSOs who were beneficiaries of EU projects. However, although the EU and national funds most of successfully provide most of the necessary funding for funded projects, occasionally a part of the funds for the implementation of individual projects still needs to be ensured by the beneficiaries.

VIII. RECOMMENDATIONS

Based on the findings of the analysis, recommendations for a new system of public funding of CSO programmes were formed, which are listed and briefly explained in this chapter. Recommendations are connected and form a coherent system, a model of public funding of CSO programmes, which we deem to be most efficient based on the lessons learned from the findings of the analysis and based on the current context in Macedonia.

Recommendations are divided into two groups. The first gives general recommendations for the system of financing, which outline the proposed model and recommend the use of certain instruments and mechanisms for funding of CSO programmes. The second set of recommendations concerns procedural rules, i.e. they suggest a concrete provision or regulation in order to achieve the most efficient practices in the public funding procedure.

RECOMMENDATIONS FOR THE SYSTEM OF FINANCING

Recommendation 1: Macedonia should form a decentralised model of public funding of CSOs.

The first decision that needs to be made regarding the system of public funding of CSO programmes is who the distributors of public funds should be. In order to achieve optimal efficiency of public funding of CSO programmes, a new model should be formed in a way which brings maximum expertise to the public funding process. As each ministry knows its area of operation best, it is recommended that public funding of CSOs in a particular policy area is carried out by the ministry itself, or a body that is a part of the ministry. This offers a solid basis for efficient, policy-oriented funding of CSO programmes if the government or ministries decides to develop the role of CSOs in the implementation of public policies.

Recommendation 2: A new model should also include complementary resources independent from the budget, such as the so-called percentage mechanism and allocations of lottery funds of funds from games of chance.

Apart from funding of programmes and projects from the state budget, which tend to be central to funding of CSO programmes, other complementary resources for funding of CSO programmes should be introduced in order to contribute to the diversification and stability of funding of CSOs. As these resources are not departmental, they allow for better option for institutional support of CSOs and can be used for funding of areas that are not covered by any departmental body or for funding of activities where there is a natural opposition between the government and CSOs, meaning that the funding by the government brings greater risks or questions regarding impartiality and legitimacy (e.g. advocacy).

Recommendation 3: Public funding of projects and programmes of CSO should be complemented by resources for institutional support.

In most countries, organisational (in institutional, operational) support complements the otherwise prevalent project and programme-based funding of CSOs. These complementary resources are necessary to cover expenses, which are not fully covered by project grants and as a consequence contribute to the stability, quality and development of CSO programmes. Overall we recommend that a balanced combination of targeted project grants, which respond to existing needs of citizen for CSOs activities and services, and grants for organisational support, which contribute to the financial sustainability and long-term development of CSOs.
Recommendation 4: Multiannual funding should be promoted for funding of established CSO programmes which address ongoing, consistent needs of citizens.

Multiannual funding is necessary when it is not possible to achieve goals of CSO programmes in a single financing year, for example due to the complexity of the problem or the natural timeline of the implementation of the CSO project. In other cases multiannual funding may not be necessary, but is both more effective and economical, e.g. when the need for CSO programmes is ongoing (e.g. ongoing social programmes, activities for youth, the disabled, sports activities etc), meaning that similar activities of CSOs are required from one year to another. In these cases multiannual funding reduces the administrative cost of annual public calls for both public funders and CSOs, while also contributing to the greater quality of programmes by providing CSOs with stability they need for more efficient financial planning.

Recommendation 5: For selected programmes, at least a share of the grant should be paid as a prepayment.

Prepayments are on the most important tools for stable and efficient funding of CSO programmes. As CSOs do not operate for profit, they are unlikely to create significant money supplies, which means the often run into issues with liquidity if the reimbursement of funds is only available upon the completion of the project or programme and not in advance. Any new model of public funding of CSO programmes, which aims to strengthen capacities of CSOs so they can play a significant role in the implementation of public policies, should therefore use prepayments as a basic mechanism for securing timely and quality implementation of programmes.

Recommendation 6: Co-financing with voluntary work should be recognised as a form of provision of own financing of CSOs.

For different reasons, public funders sometimes require that funded CSOs provide a share of their own funding, in addition to a share of the project, funded by the public funder. Since resources of CSOs are limited, this can present a problem for CSOs, which might otherwise deliver a quality programme according to the requirements of the public call, but are having trouble collecting additional funds in the required share of project value (e.g. 20%). As a solution, funders should allow CSOs to use voluntary work as in-kind co-financing. This makes sense because many CSO use work of volunteers, which would otherwise have to be paid for, thereby saving funds and increasing the value of the project.

Recommendation 7: Granting bodies for the funding of CSO programmes should include representatives of CSOs in the preparation, implementation and evaluation of public funding of CSO programmes.

Combined examples from different countries show that CSOs and their representatives may take on a role in nearly all stages of the public funding cycle in the analysed countries – preparation of the public call, implementation and evaluation. CSOs can be included in the process of preparation or programming of the public call through public consultations regarding public calls (Croatia, Slovenia and Estonia) or by direct inclusion of CSO representatives as members of supervisory boards or programming committees of the state body, responsible for the allocation. CSOs should also be included in the process of preparation of strategies and policy documents, where policies are outlined, which affect priority areas for public funding of CSO programmes.

When including CSOs as partners in the implementation of the public funding process, it is very important to make sure that measures are in place to prevent conflict of interest of CSO representatives. Measures for prevention of conflict of interest should be adopted, such as the statement on absence of conflict of interest for all members of commission, which process or appraise applications and the rules on self – exclusion of commission members, when conflict of interest is detected during the process.

Macedonia should include guidelines for participation of CSOs in the public funding process in their Code of Good Practices for Financial Support of the Citizen Associations and Foundations, while the rules on the prevention of conflict of interest should be a part of a binding procedural regulation.

Recommendation 8: Increase public funding of CSOs to enable them to actively participate in the implementation of public policies.

Public funds represent an indispensable resource of funding for programmes of CSOs in the analysed countries as well as in the wider European and global context. CSOs, due to their non-profit nature, cannot rely on sustaining their publicly beneficial programmes merely with their market activity (provision of services), while other typical resources, such as donations and membership fees, also tend to be too limited and unreliable to ensure stability or even survival of their core publicly beneficial programmes. If the goal of a country is to develop the CSO sector to the point where it can assume a greater role in the implementation of public policies, greater allocations of public funds are necessary.

RECOMMENDATIONS FOR PROCEDURAL RULES

Recommendation 9: Public calls should be regulated by one binding central procedural document, applicable to procedures of public funding of CSO programmes in all policy areas.

The analysis has emphasised many advantages of a unified set of procedural rules and has also shown that even with a traditionally dispersed system lean more and more towards standardisation. A single set of procedural rules is more economical (one regulation is adopted opposed to a number of them), leads to a better understanding of procedures by both funders and applicants, increases the ability to effectively introduce reform, makes it easier to collect comparable data on public funding of CSOs from different public etc. A be non-binding document is typically enforced to lesser success than a central binding regulation and is unlikely to lead to unified procedures with all of their advantages, which is why it is recommended that the procedural regulation is binding. The unified procedural rules for public calls must be such that they do not interfere with the autonomy of the funder when it comes to substantive elements of public calls (priorities, criteria, experts appointed in the selection commissions etc.)

Recommendation 10: Public funding of programmes of CSOs funded through public calls must be based on existing strategies and other policy documents.

Public funding of CSO programmes through public calls is a way of implementing public policies. This stems from basic principles of public spending, according to which public funds may only be spent for achieving goals in the public interest. As these public goals are defined in strategies and other policy documents (e.g. in the field of health, social protection, culture, environmental protection), these documents must be considered during the preparation, implementation and evaluation of public calls. Basing public funding on policy document is also an important safeguard against arbitrary distribution of public funds. It is useful to explicitly recognize strategies as a referential point during the implementation of public calls, mainly to give the public call context for better understanding of set priorities and objectives of a public call as well as to clearly establish the legitimacy of the public call and the objectives it pursues. In order to promote strategic approach to public funding Macedonia should introduce a general rule or guideline, which explicitly defines the obligation of public funders to allocate funds in accordance with the public interests as defined in national strategies and other policy documents.
**Recommendation 11:** The universal procedural regulation should define the minimum content of the announcement of a public call, which should include: legal bases for the public call (procedural and policy documents), definition of priorities and objectives of the public call, total available funds, size of grants and number of funded projects, eligible applicants/conditions for application, selection criteria including evaluation grid, information on the correct way of submitting application, deadlines for application, deadline in which the applicants will receive be informed of the outcome of the public call and a complete tender documentation, i.e. all forms and documents, which are necessary for the applicant to submit a complete application.

Rules on the content of a public call are an element of any procedural regulation, as they are crucial to ensuring accessibility and transparency of the process and do not depend on the policy area or area of activity that is being funded. As the recommended model for Macedonia is a universal procedural regulation, it makes sense that all these elements are included in a provision on the minimum content of the announcement of the public call.

**Recommendation 12:** The universal procedural regulation should state that the appraisal of applications is always carried out by an expert selection committee, which consists of at least three members, which are experts in the relevant policy field.

The exact system of appraisal of applications for funding differs not only from country to country, but also from one funder to another. There is a variety of ways to organize the selection process, but what most funders have in common is the prevalent use of collective bodies (commissions, panels) to carry out the appraisal of applications. While the use of commissions is not yet universal in practice, it is prevalent and considered good practice, and mostly also regulated in a binding regulation (Serbia, Slovenia, Croatia).

Members of selection committees may be public officials, if they possess all necessary expert knowledge according to the priorities of the public call. Otherwise external experts may be appointed which come from the civil society or other scientific or expert institutions.

Basic rule, that the appraisal of applications should be carried out by a collective body of experts, should be a part of a universal procedural regulation. However, detailed rules on the constitution of expert commission should be left to the decision of the competent public body or sector-specific regulation.

**Recommendation 13:** The universal procedural regulation should include the obligation to give a substantiated response to the application explaining how the proposal was appraised based on each of the criteria and why.

Substantiated decisions, which give clear reasons why a particular project was or was not selected for funding, is the most important transparency measure in procedures of public bodies. Even if a funder implements all other possible measures for ensuring transparency and efficiency of the procedures, if reasons for decisions on individual proposals are not explained, transparency will be inevitably viewed as very low, unsatisfactory. It is therefore recommended that the Macedonian procedural regulation defines the obligation of the funder to give reasons for why the applicant was or was not chosen, reasons for the allocated amount of funding. A substantiated decision means that specific information about all elements of the appraisal of a concrete application is given. The reasons given may be stated shortly, but should address each selection criterion separately.

**Recommendation 14:** The universal procedural regulation should define an obligation to publish results of the public call on the website of the funder.

In order to increase transparency of the funding process, the following information should be permanently published online: the name of project and organisation, the amount of allocated funding, the number of points achieved and other similar relevant information showing who received funding, how much and for what project or purpose. The publication of more detailed reports on the selection process is not yet a widespread practice, but is becoming more common.

**Recommendation 15:** The universal procedural regulation should define an obligation of public funders to evaluate the results and impact of funded programmes through a public call, namely to establish whether the funding process was effective, i.e. whether set policy goals of public funding were achieved. The findings should be used in the planning of future public calls and development of new programmes, strategies and public policies.

Most public funders have many rules in place on financial aspects of monitoring of programs, i.e. rules for reporting and targeted use of funds. An evaluation process, however, is dedicated to establishing whether the funding achieved its goals, whether the desired impact in the society was indeed achieved. In order to encourage public funders to carry out evaluation processes, we recommend that Macedonia introduces a basic obligation of the funders to evaluate the results and impacts of the entire public call. This can be done in a provision of the universal procedural regulation, which should state that funders evaluate results and impacts of the public call use the results for planning of future public calls and the development of relevant programmes, strategies and public policies.
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