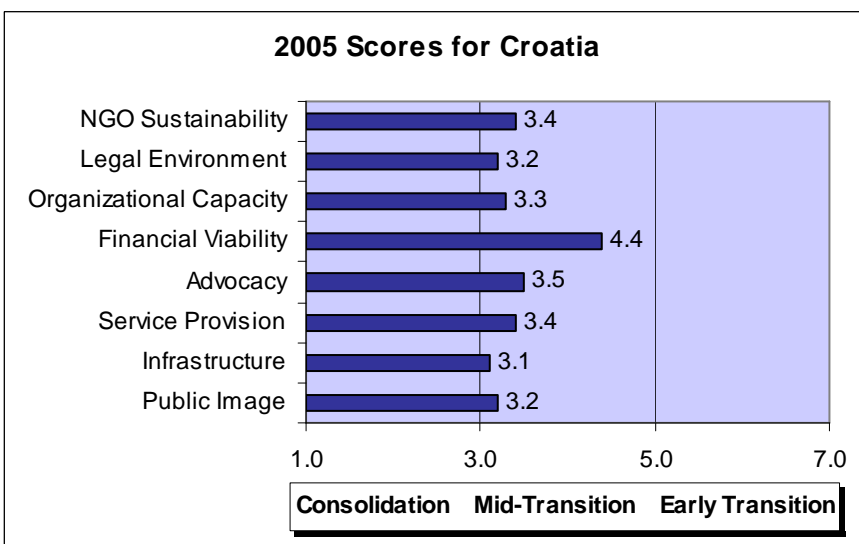


Croatia



Capital: Zagreb

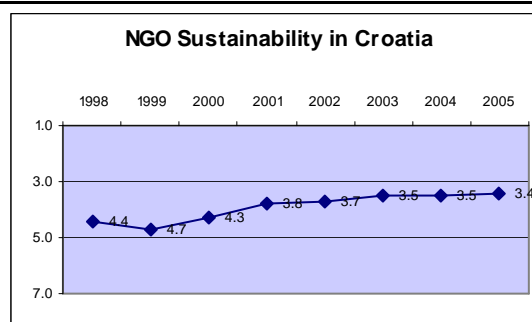
Polity: Parliamentary democracy

Population:
4,494,000

GDP per capita (PPP): \$11,600

NGO SUSTAINABILITY: 3.4

The NGO sector's overall sustainability has not improved significantly over the past year. Even though NGOs representatives participated in the drafting of several new laws, the legal environment remains unchanged. Similarly, ongoing efforts to build a cooperative relationship between NGOs and the national government have yet to succeed. The Government Office for Cooperation with the NGO Sector has yet to play a significant role in promoting NGO-government cooperation; similarly, the Council for Civil Society Development, an advisory board to the government, has been ineffective and led to the resignation of five NGO representatives. Most government officials are unwilling to engage more directly with civil society organizations at the national level. Though cooperation with the ministries and government offices has not improved, a small number of government officials do support and cooperate with NGOs. While the national government is generally unwilling to partner with NGOs, the local government is more willing, as evidenced by the increased use of charters and social compacts that facilitate NGO-government cooperation.



Numerous organizations have strong lobbying and advocacy skills but have been unsuccessful in influencing policy. In one advocacy success, a number of NGOs united to protect the Adriatic Sea. The organizational capacity dimension improved slightly, as more NGOs have become aware that strong organizational capacity is necessary for their long-term sustainability; a few have begun to use self-assessment tools to improve their capacity. Financial viability continues to hamper civil society organizations. Foreign funding for NGO activities continues to decrease and domestic donors such as the national and local governments and businesses have little interest in supporting advocacy or watch-dog groups. The National Foundation for Civil Society Development has begun to provide significant support to NGOs from lottery

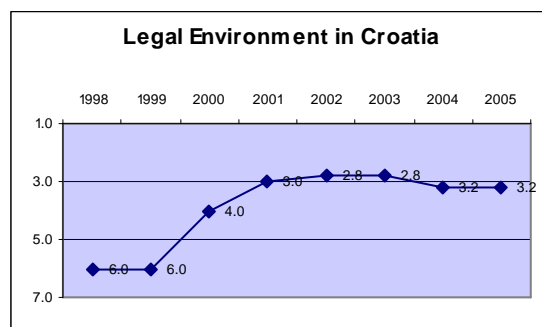
proceeds. The NGO sector has made some improvements in networking and infrastructure, as more NGOs and intermediary support organizations (ISOs) are providing support to smaller, grassroots organizations. The media provides greater coverage of NGO activities, though only a small number of organizations attract regular coverage. Similarly, media

coverage of the NGO sector is often negative and sensational, especially at the national level.

The number of organizations registered in Croatia has not changed much over the past year. Of the approximately 28,000 organizations registered in Croatia, one-fourth is considered active, and there are only 86 registered foundations.

LEGAL ENVIRONMENT: 3.2

The NGO legal framework remains unchanged. Drafts for a new Law on Funds and Foundations and a Law on Volunteerism, as well as a Code of Good Practices in Grant Making, were all submitted to the government in 2004, but none have been adopted. The government has been unable to advance these drafts.



The Law on Associations provides a clear, decentralized process for registering new associations. Though registration ought to be easy, government bureaucracy very rarely may complicate the process. The Central State Office for Public Administration, however, now provides information and guidance online to assist organizations with the registration process, and they have also made it easier to navigate and access the electronic database of all registered associations. While registering an association is relatively easy, the process for registering a foundation continues to be complex and time-consuming. The legal framework governing the registration of foundations is restrictive, and government officials in charge of registration have to be creative in their application of the law to circumvent some of the more stringent requirements. For example, government officials

must work around a provision that requires a foundation to secure the funding necessary to ensure perpetual existence before it is entered into the registry.

The legal framework fails to distinguish adequately between an organization's economic activities and its volunteers. For example, the government may fine an NGO \$1,600 to \$6,600 for not registering a volunteer. Larger, well-developed organizations have greater access to legal experts and therefore are able to ensure that they are in compliance with the law. NGOs are able to operate freely and criticize the government openly, and government officials rarely abuse their regulatory authority in response. Few lawyers have training in NGO law; their services, including those offered by the Croatian Law Center, are available almost exclusively in the larger urban areas. A system for providing legal assistance to the greater NGO sector does not yet exist, and organizations in need of technical assistance have difficulty accessing services. Resources, such as manuals on legal and fiscal issues and other publications, are now available on a number of websites maintained by local NGOs.

Despite reform efforts, the legal framework continues to narrowly define public benefit status so that many organizations that should qualify for tax exemptions do not. The tax laws provide deductions for donations to religious organizations, the Red Cross, trade unions, chambers, political parties, and others engaged in charitable, humanitarian, scientific, cultural or similar activities. Such organizations are exempt from paying VAT. If an organization applies to be included in the VAT system or if its taxable

income exceeds 85,000 Kuna or approximately \$14,166, it is subject to VAT rate of 22% of the total value of goods. Though NGOs often criticize the tax laws, they are exempt from paying income tax if the income generated from their economic activities is used to further their not-for-profit activities. Corporations and individuals are both able to deduct up to 2% of their taxable income for donations that support cultural, scientific, educational, sport, health,

ORGANIZATIONAL CAPACITY: 3.3

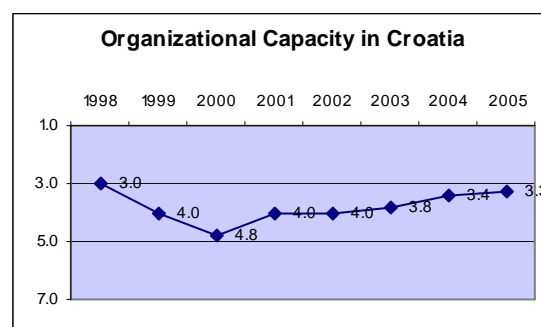
Organizations, especially those involved with environmental protection, are more active in identifying and increasing their constituencies. NGOs have increased their use of strategic planning, which is often required by foreign donors and the National Foundation for Civil Society Development. Well-developed NGOs are more likely to develop and implement a strategic plan than smaller, grassroots organizations.

Organizations generally have clear internal management structures that define the roles and responsibilities of their employees. NGOs, however, are often managed by two or three of their most active members. In many cases, an NGO's assembly has the greatest power, and while some organizations have a managing board, it is rarely engaged in the NGO's governance. Croatian NGOs generally need to improve their governance practices. The interest and need for continued growth in organizational capacity is evidenced by the development of the Croatian Quality Assurance System and the sector's interest in applying appropriate standards. Similarly, the sector's recent formation of a good-governance working group demonstrates its awareness of the need to improve governance practices and to create an appropriate governance model to identify best practices that NGOs ought to follow.

The NGO sector can be divided into those organizations that have a professional staff and those that have a volunteer staff. The majority of organizations have between one and three full-time employees. Most organizations are unable to hire a larger staff because they operate primarily on short-term project

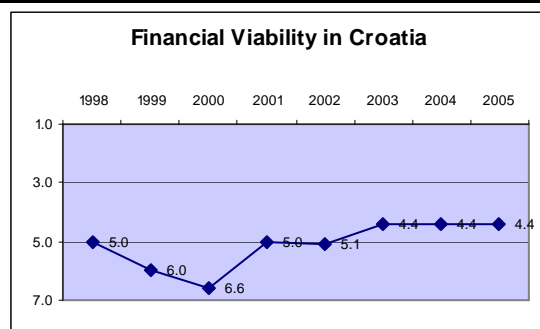
humanitarian religious or other activities. In order to improve the legal environment governing NGOs, reforms are needed in the areas of tax benefits, volunteerism, and government procurement. NGOs are entitled to compete for government contracts. Fewer public-sector organizations are engaging in social contracting with NGOs, especially for provision of social services.

funding. Volunteerism has grown with the increase of civil military service, which was introduced several years ago. Associations for the disabled are especially successful in attracting volunteers who fulfill their service requirements. The public is knowledgeable of volunteerism and citizens are willing to devote their time, though few do so in an organized and continuous manner. A few organizations actively promote volunteerism and several, along with the National Foundation for Civil Society Development, organized the second National Conference on Volunteerism. This conference is becoming an annual event in Croatia and attracts a large number of NGOs. The sector is developing a more systematic approach to effectively recruiting and utilizing volunteer support, which will require additional investment and training.



The NGO sector as a whole benefits from a high level of knowledge in information technology. Most organizations have fax machines, computers, email and internet access which they use regularly; many even have websites, underscoring the importance of IT in networking and communication.

FINANCIAL VIABILITY: 4.4



Financial viability continues to be the weakest dimension for the NGO sector. Domestic funding, including that from local and national governments, has not made up for the recent decrease in foreign funding. Domestic grants are insufficient to replace the long - term funding that foreign donors once offered. The National Foundation for Civil Society Development, however, has become the key donor and provides the largest domestic support to Croatian NGOs, using funding from lottery proceeds. Funding is increasingly scarce for watch-dog, human rights, and other advocacy groups involved in developing civil society and promoting democracy. Such funding restraints

make it difficult for organizations to budget and plan and improve their overall sustainability. Many NGOs are making efforts to diversify their funding sources, but with little success. Though raising financial support has become more difficult and time-consuming, many organizations report greater success in securing in-kind donations.

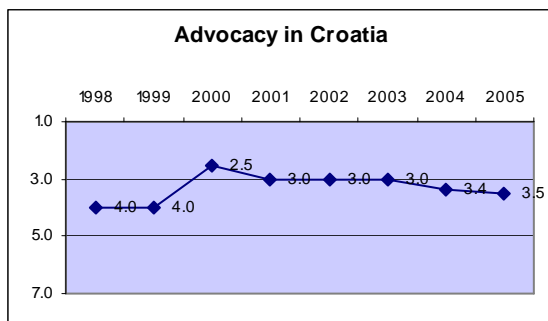
In general, organizations publish their financial reports and undergo regular audits, as required by their donors. Larger NGOs have full-time accountants or hire outside accounting firms; smaller NGOs are generally unable to pay for such services. Many organizations are still unable to attract a loyal base of financial support or to increase their membership fees. Initiatives to establish community foundations are still in their early stages, and it is unclear whether they will be operational in the near future. Though local philanthropy remains undeveloped, recent fundraising efforts indicate that citizens are willing to donate to a good cause. The sector's future financial viability depends on its ability to explore new, non-traditional ways of fundraising.

ADVOCACY: 3.5

While NGOs generally have strong lobbying and advocacy skills, they have been less successful effecting changes in government policies. Similarly, NGO representatives have struggled to establish cooperative relationships with government officials, and some ministries have excluded them from working groups. NGOs are especially active in promoting issues such as greater access to information, election monitoring, corruption, and environmental protection; the most successful advocacy efforts of NGOs, however, were in the area of environmental protection, election monitoring, and domestic violence.

GONG, a citizens' participation organization, has successfully advocated for the creation of a permanent state electoral commission. Though it has established working relations with

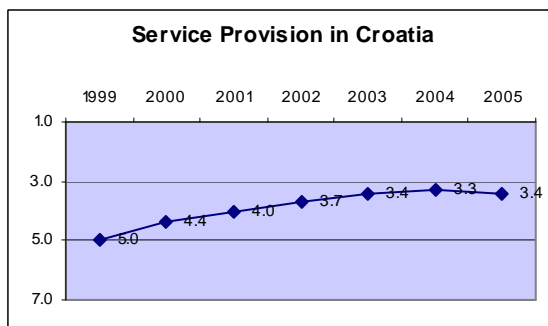
numerous individuals within the government, many NGOs have been unable to develop official relations with government institutions. A system to facilitate continuous cooperation between NGOs and the government on policy issues does not yet exist. In one positive development, local governments and local NGOs have enacted charters of cooperation in Rijeka, Osijek, Vukovar, Slatina, Osijek-Baranja and Vukovar-Sirmium County. Cooperation has also improved in areas such as rule of law and domestic violence.



The most successful advocacy campaign, the NGO Campaign for the Protection of the Adriatic Sea, successfully stopped the government from moving forward with the Druzba Adria Project. Another advocacy success was the Civil Society Forum's efforts to encourage the government to improve the process for the development of a civil society strategy. Organizations, however, have been less active in advocating for changes regarding NGO legislation.

SERVICE PROVISION: 3.4

NGOs have proven their ability to provide citizens with a wide variety of services in the area of human and gender rights, social services, health, education, environmental protection, economic development, relief and governance. These services often reflect the needs and priorities of the communities where NGOs operate and of Croatia as a whole. For example, in communities affected by the war, NGOs continue to provide relief for refugees, legal assistance, education, and economic development services.

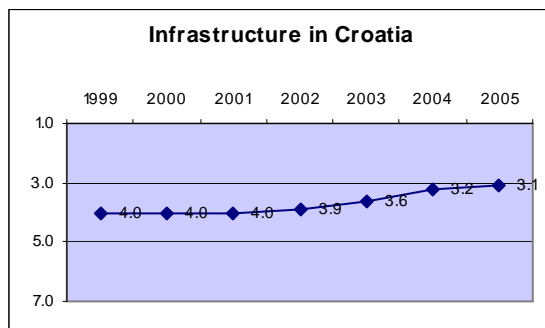


NGOs are increasingly interested in publishing books on topics such as project management, volunteerism, community building, conflict resolution, environmental protection,

corruption, health services, human rights, and others. Such publications are not only interesting to other organizations and the government, but to the public as well. NGOs are collaborating more with academic institutions to publish their materials. Organizations are rarely able to generate income from their publications, though this ought to change in the future. The exceptions are training associations, which are generally able to generate an income from their training manuals. New donor initiatives are encouraging organizations to generate income through such activities.

The national government has yet to fully recognize the potential contribution that NGOs can make to the provision of basic social services. Though the government has contracted out services to NGOs in the past, in recent years, it has not supported new initiatives. Local governments in cities such as Split, Rijeka, and Osijek and in Istrian County have a greater level of trust in the NGO sector and are more willing to develop partnerships.

INFRASTRUCTURE: 3.1



The NGO sector has made less progress in developing infrastructure and the ability to provide support services to grassroots organizations. The number of ISOs that provide training, information, and technical assistance, and that often serve as NGO support centers, has increased. More well-developed organizations, however, are offering assistance to other NGOs operating in their fields and others. Some local governments have supported NGOs by donating large office space that is shared by numerous organizations. While most NGOs that offer training programs are capable of providing basic management trainings, they are less qualified to provide the specialized and advanced programs appropriate for more developed NGOs. The NGO sector is publishing more materials in the Croatian language, covering topics such as community building, volunteerism, proposal writing, strategic planning, guides to accessing EU funding, and others. Numerous organizations also publish bulletins to a wide readership. Training associations have enjoyed the greatest success in charging fees for their services and publications, though many also provide services free of charge. The Trainers Forum, which is the first association of Croatian NGO trainers,

has already become active in improving the professionalism and quality of trainers.

The number of NGO networks and coalitions, which are important contributors to the NGO infrastructure, has continued to expand. Organizations involved in areas such as legal assistance, gender equality, environmental protection, youth development, and the handicapped have built active networks. Over the past year, networking at the regional level has improved with the creation of regional NGO forums. These include the Regional Forum of NGOs from Slavonia and the Civil Society Forum from Zagreb which advocates for groups active in promoting human rights, democratization, political participation, and civil society. Another important coalition, iZmiR, was created to overcome the polarization among veterans and human rights and peace activists, and to promote democracy and civil society throughout Croatia.

Local grant-makers are generally limited to re-distributing foreign funding. The National Foundation for Civil Society Development, a major grant-maker, has initiated a decentralization process exploring possibilities for partnering with associations located throughout the regions. Numerous community foundation initiatives are still in the early stages of development. NGOs with grant-making experience are providing technical support to local governments in communities such as Osijek, Split, Rijeka, Sibenik, and Istria. Partnerships between NGOs and local governments have improved with the use of charters on NGO-government cooperation, which set a more concrete framework for NGO/local government cooperation.

PUBLIC IMAGE: 3.2

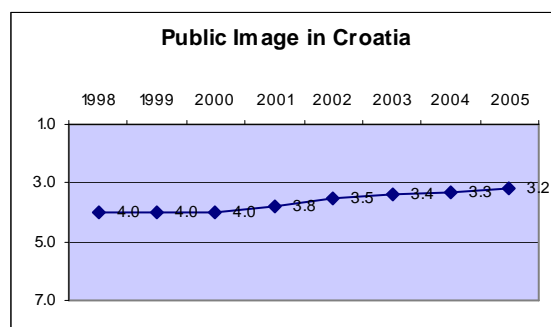
Over the past year, Croatian civil society organizations have received more media coverage than ever before. The coverage most often involves NGO leaders appearing on TV or radio programs to provide their expertise. These appearances have had a positive impact on the public's perception of NGOs. In fact, a

recent poll found that four-fifths of all Croatian citizens have a positive view of the NGO sector. The public was already largely familiar with terms such as

"NGO" and "association," and media coverage has now increased the understanding of "civil

society.” The same poll also found that over half of the population demonstrates an understanding of these terms. The more well-known organizations are active in veteran’s affairs, environmental protection, the political process, poverty, consumer rights, and gender equality. NGOs, however, have been less successful in problem solving or improving quality of life. The public perceives NGOs as most effective in increasing awareness of citizen rights, development of civil society, and democratization.

Despite these developments, NGOs continue to report that media coverage is often sensational and places greater emphasis on scandals than achievements. Numerous well-known representatives from the largest organizations continue to represent civil society as a whole, while those NGO leaders outside the capital receive less coverage. Overall, NGOs need to improve their media relations in order to be more successful in presenting their stories.



Over the past year, NGOs have improved their relations with local governments and received greater support from Croatian businesses. The Croatian Guide Dog and Mobility Association is partnering with the Zagrebacka Bank and Peugeot, while the Lastavica organization in Split and the Association MI have partnered with the Brodomerkur Company. Nine companies provide grants for NGOs working in social services, environmental protection, culture, and sports. Similarly, more local governments have signed charter agreements with NGOs to increase cooperation at the local level. These developments demonstrate good prospects for future development of corporate philanthropy and stronger relationships with local governments.

Larger organizations continue to increase their openness and transparency by creating websites, publishing annual reports, and holding public relations events. The NGO good-governance working group exemplifies the interest of civil society organizations in improving their management systems. ZamirZine, H-Alter, the UKE association’s internet radio program, independent media for the environment, and other alternative electronic information sources have increased the opportunities for information sharing and promote an overall better public image of civil society.