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THE CIVIL SOCIETY ENVIRONMENT IN THE WESTERN BALKANS AND TURKEY REPORT

Progress made by governments in IPA countries towards establishing an enabling environment for civil society • Prepared by Bill Sterland and Galina Rizova | 19 August 2010



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THE CIVIL SOCIETY ENVIRONMENT IN THE WESTERN BALKANS AND TURKEY

**Progress made by governments in IPA countries
towards establishing an enabling environment for civil society**

**A NEEDS ASSESSMENT REPORT ISSUED BY
TACSO**

**(Technical Assistance to Civil Society Organisations in the IPA Countries -
EuropeAid/127427/C/SER/Multi/5)**

Prepared by Bill Sterland & Galina Rizova

19 August 2010

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1. INTRODUCTION

1.1 Purpose and description of the report

The EU-funded project, Technical Assistance for Civil Society Organisations – TACSO, is part of the IPA resource Civil Society Facility (CSF). The project is implemented by SIPU International from Sweden jointly with consortium partners from Bosnia and Herzegovina, Turkey, Poland and Romania. The project is based in the countries of the Western Balkans and Turkey.

The project's aim is to strengthen civil society within a participative democracy, as well as to stimulate a civil society-friendly environment and culture, to strengthen the capacities and accountability of Civil Society Organisations and to guarantee the quality of services of Civil Society Organisations and their sustainable role in democratic processes.

This report's overall purpose is to provide a basis for refining TACSO's programme support to both civil societies and government authorities of the IPA countries for establishing the full range of institutional arrangements necessary for the sustainable development of effective civil society. To this end the report concludes by identifying priorities for strengthening the process in each country and by making specific recommendations to the TACSO project in general and TACSO country teams in particular to supporting the process in practical ways.

The report presents a comparative overview of the progress made by the eight prospective members of the EU in the Western Balkans and South East Europe (including candidate countries Croatia, Turkey and Macedonia¹ and potential candidates Albania, Bosnia and Herzegovina, Kosovo under UNSCR 1244,² Montenegro and Serbia) towards establishing an enabling environment for the development of an effective, diverse and sustainable civil society. The report is one of a series of regional and country-level studies on civil society, its characteristics, activities and development issued by the EU-funded project Technical Assistance to Civil Society Organisations (TACSO) in IPA Countries (EuropeAid / 127427 / C / SER / Multi / 5), implemented by SIPU International during the period August 2009 – July 2011.

The aim of the report is to compare and contrast the ways governments across the region have:

1. Adopted legislation and financial measures which facilitate and regulate the operations of CSOs;
2. Established formal institutional mechanisms for mediating relations with civil society and for supporting its activities;
3. Developed policy aiming to enable and support the sector as a whole;
4. Facilitated access of CSOs to government and engaged them in the decision-making process regarding social and economic policy and legislation;
5. Coordinated civil society in the European integration process and incorporated CSO views when programming EU support with EU delegations.

¹ Officially the Former Yugoslav Republic of Macedonia (FYROM), referred to in the text as Macedonia.

² Kosovo under UNSCR 1244 hereafter referred to simply as Kosovo.

The report further aims to identify the strengths and weaknesses of, and any gaps in the particular approaches taken by each country, within the context of their specific political and socio-economic circumstances and in relation to accepted or alternative international practice. The report seeks to elucidate regional trends in the development of enabling environments for civil society in each of the IPA countries, while also detecting evidence of mutual learning among the countries and the adoption of the best practices identified in or beyond the region.

The primary source of data for the report are the eight country civil society needs assessments carried out by the TACSO country teams in late 2009 as an integral part of the TACSO inception phase.³ These are supplemented with updated information gathered from the field by TACSO teams since the needs assessments were initially drafted. Further theoretical content and examples from other contexts are provided by reference to the general literature on civil society, in particular, publications from CSO support organisations specialising in the development of the institutional environment for civil society.

1.2 Civil society, the State and an enabling environment

A classic definition of civil society is all those organisations and forms of association existing between the level of the family and the State and enjoying significant autonomy from both the Market and State. As a social space, civil society *'is the arena in which people come together to pursue the interests they hold in common - not for profit or political power, but because they care enough about something to take collective action (Edwards, 1998).'* When the definition of civil society is refined to include only those groups whose purpose is to promote development and social change, it may be narrowed down to two broad sub-sets of organisations which are active in:

1. Strengthening participatory democracy and improving governance by
 - Representing the diversity of social interests to government through advocacy and policy dialogue and broadening the base of decision-making;
 - Monitoring policy implementation, holding governments to account and fighting corruption;
 - Promoting human rights and fighting exclusion and inequality; or those
2. Delivering social and economic services and project implementation.

The combination and distribution of the above roles in a civil society is diverse and will be determined by variables such as the political objectives of individual civil society organisations, the state of democracy in the country, power relations and their discriminatory effect on certain social groups, and the effectiveness of the state in providing service delivery and in creating responsive social policy. Roles played may also be differentiated according to the level at which civil society takes place – local grassroots, national, or regional and international. Regardless of these differences and diversity, a civil society which pursues developmental objectives (as opposed to organisations existing purely to provide mutual benefit to members) brings CSOs into complex and often dynamic relationships with the Government and State, which may be broadly divided between oppositional and complementary relationships, with different CSOs fulfilling different roles at various levels of the socio-political continuum.

³ The country civil society needs assessment reports were published in early 2010 and may be accessed from the TACSO website: www.tacso.org

‘Civil society actors actively seek out to be complementary with the State in their (joint) efforts to meet their constituencies’ social and economic rights through the delivery of services, taking advantage of state contracts, but also exercising their own resource mobilisation capabilities. These latter activities generate the legitimacy for an oppositional approach (Beauclerk and Heap, 2003).’ Regardless of whether or not CSOs pursue an oppositional approach (or a confrontational one) towards the State, and are able to finance this course of action by accessing resources from beyond the state, CSOs and civil societies in general remain dependent on the State for providing an enabling environment; that is the legal, financial and institutional conditions necessary for effective civic action. Specifically:

- A supportive legal and regulatory framework and a fiscal regime which encourages philanthropy and social support for CSOs;
- Access to the decision-making process; that is, Government and the Legislature;
- Institutional mechanisms for mediating relationships between State and civil society, either formal or informal;
- Funding mechanisms, including access to donor aid and private support.

Clearly the Government’s role in enabling civil society relates to the broader features of democratic political structures and democratic culture, as well as economic liberalism that support socio-economic development for all social actors, not just CSOs. In mature democracies a full range of enabling conditions listed above are generally in place and operational (even though configurations of power and the continued political dominance of certain group interests means that social exclusion remains a persistent problem and not all CSOs are able to benefit equally from the enabling environment). But for developing countries and those in transition to democracy, the benefits of encouraging and facilitating civil society are not always easily understood and a strong civil society may be considered negatively by the State and those in government. On the one hand, governments may easily appreciate the instrumental benefits of strong CSOs through which, either as contactors or “gap fillers,” states can expand service delivery and improve efficiency and effectiveness. Governments may also appreciate that CSO advocacy and campaigning may impact positively on service delivery – both its reach and quality – as well as play a role in longer term social change by influencing wider social policy (including measures to increase participatory democracy itself and increase state-citizen interaction). On the other hand, active CSOs advocating a diversity of citizens’ interests are often viewed as a threat to government and the vested interests within dominant power structures. To encourage a grassroots voice or wider social dialogue risks creating and fuelling political opposition and also nurturing a competitor for jealously prized donor funding (Brinkerhoff, 2004).

1.3 The context for civil society in the IPA countries

The continuing emergence in the eight countries covered by the TACSO project of modern civil societies composed of a diversity of autonomous, voluntary citizens groups is directly attributable to, and is a part of the process of the transition from autocracy to democracy and the work of state building (or at least the process of state re-configuration according to democratic institutions and the market economy), which remains ongoing.

The successor states of Ex-Yugoslavia (Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia) have each in their different ways had the task of developing democracy

and creating the full apparatus of state governance afresh from the wreckage of the old Yugoslav state. Transition has been complicated in all cases by the rise of often virulent and aggressive nationalisms and also the presence to varying degrees and at different times of violent conflict based on the politics of identity and the scramble for economic and political power.

Albania's transition may be viewed as the most drastic and potentially dislocating in that the country's starting point in 1990, when the old communist regime collapsed, was its re-entry, literally, into the world – socially, economically and politically – after 45 years of almost total isolation and deprivation under authoritarian rule and a command economy of the severest nature.

Turkey, nominally a parliamentary democracy since 1945, has suffered three coup d'états in the period from 1960 – 1997 and as recently as 1997 was subject to the unlawful removal of the elected government by the military without dissolving parliament or suspending the constitution. The country has been continually beset by authoritarian influences which have frequently curtailed basic freedoms and severely restricted the space for an independent civil society to grow. Economic liberalisation in the 1980s and 1990s created new spheres of influence other than the official sphere and concerted efforts by successive elected political leaders to establish political freedoms, multiculturalism and human rights since the last coup d'état in 1997 has led to the increasing consolidation of democratic rule and culture in a post-authoritarian system. Of key importance to this process is the influence of the EU and Turkey's efforts since 2001 to reform its law and institutions in order to fulfil the Copenhagen criteria for accession to the EU.

1.4 The EU's influence on an enabling environment for civil society

All the countries included in the TACSO region have been subject in different ways to considerable international policy and donor support and encouragement in implementing the transition process. All eight countries are now some way along the road towards eventual accession to the EU – whether as candidate countries in the process of negotiating terms (Croatia and Turkey), as candidate countries yet to start negotiations (Macedonia), or as potential candidate countries (the remaining five). Certain and specific localised political currents pushing against further rapprochement with the EU notwithstanding (such as in Turkey, Serbia and the Republika Srpska entity in Bosnia and Herzegovina), the EU is now the key determining external influence on social and economic development policy in all the IPA countries and their further progress towards democratic transition.

The EU views civil society and its participation in decision-making as key to effective participatory democracy, recognising the importance of consultation and dialogue with civil society organisations in all its forms in the Lisbon Treaty, which also establishes a Community-wide mechanism (the Citizens' Initiative) to enable CSOs across the EU to present policy proposals in any of the EU's areas of responsibility.⁴ With regard to enlargement, prospective member countries are implicitly required to establish effective participatory democracy by the Copenhagen criteria of accession which include the "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities."⁵ Key EU enlargement policy

⁴ EC (2007) Lisbon Treaty, Official Journal of the EU, C306, Vol.50, 17 December 2007. See also webpage: http://europa.eu/lisbon_treaty/index_en.htm

⁵ European Council in Copenhagen, 21-22 June 1993; Conclusions of the Presidency

papers emphasise that not only “can [CSOs] play a more important role in the transformation of the candidate and potential candidate countries into European participatory democracies, with the rule of law more firmly rooted in the practice of democracy and governance at all levels,” but also that “widened participation of CSOs in the reforms undertaken in the enlargement countries can be a key factor in determining the pace and quality of the accession process overall, as well as in attaining public support for accession.”⁶ All the IPA countries are exposed to considerable pressure to do more towards an establishing enabling environment, while the EU itself is extending TA in a variety of forms (including the TACSO project) to assist countries improve the environment. The EU is also providing CSOs direct encouragement to engage governments in policy dialogue by means of project grants administered by the IPA Civil Society Facility and other EU instruments, such as the EIDHR.

By the same token, the EU itself, in partnership with the IPA countries, also bears direct responsibility for establishing the means for effective civil society participation in the European integration process, particularly in the field of national level IPA programming. This was recognised by leading CSOs from the IPA countries (and those of the EU Neighbourhood Region) attending the conference “Giving a stronger voice to civil society in the European neighbourhood,” organised by ECAS in Slovenia on 2 April 2008.” Among the recommendations to the EU contained in the Ljubljana Declaration which resulted from the conference were key policy suggestions to assist achieve a proposed “sustainable triangle” of mutually beneficial and supporting relationships between civil society, the EU and national governments in developing EU policy and assistance to potential candidate countries.⁷

1.5 Report structure

The following overview of the environment of civil society comprises five sections, followed by summary conclusions and recommendations to the TACSO project and its country teams.

- Section two examines the full range of legal and financial arrangements governments in the IPA countries have put in place for enabling and regulating the work of CSOs. This includes an overview of framework laws which define the principal forms of CSOs, provide for their independence from the State and establish rules for their establishment, operation, governance and regulation; the institutional arrangements in place to facilitate the registration of CSOs as legal entities; the way the law in each country differentiates between CSOs established to serve private interests and those whose purpose is to act in the wider public interest; the existence of secondary regulations, such as laws promoting voluntarism, which further assist the not-for-profit purposes of CSOs; the set of special financial regulations or concessions designed to differentiate CSOs from commercial organisations and enable them to raise funds to carry out their activities; and lastly fiscal measures governments have adopted to encourage the public to give financial support to CSOs.

⁶ See papers and conclusions to EU Conference: Civil Society Development in South-East Europe: Building Europe Together - http://ec.europa.eu/enlargement/civil-society-development/conf_17_18_docs_en.htm and DG ELARG website - http://ec.europa.eu/enlargement/civil-society-development/index_en.htm

⁷ Ljubljana Declaration at conference, Giving a stronger voice to civil society in the European Neighbourhood ,2 April 2008

- The next section reviews the institutional arrangements governments are developing in order to establish dialogue and cooperation between civil society and the government sector. This includes progress made towards developing government policy towards civil society and achieving formal agreements of cooperation between government and civil society, as well as the establishment of institutional bodies whose purpose is to mediate relations between the two sectors and support the development of the civil society.
- Section four continues by examining the range, depth and quality of government capacities in specific fields of public administration for engaging CSOs in social policy – either in the policy-making process, or as partners in the implementation of social policy by means of delivering services. In particular, this section concentrates on the various ways that government departments consult and negotiate with CSOs on specific areas of social policy and whether formal mechanisms have been instituted to maintain dialogue in these policy areas.
- As the process of European integration is now the key determining influence in deciding social and economic development policy in all the IPA countries, participation by civil society in the institutional reforms being undertaken by governments in partnership with the EU is key to its fulfilling its wider social purposes. Section five investigates to what extent EU delegations involve CSOs in the shaping, implementing and monitoring of EU assistance to IPA countries and whether a sustainable “triangle” of relations concerning the accession process has been established between national governments, the EU and civil society.
- The final section reviews government funding of civil society activities in all eight IPA countries in the context of alternative means of CSO financing from international donors and private domestic sources. This includes detailed consideration of the how much governments are investing in civil society, what kinds of civil society activity they are funding, the instruments and modalities governments use to provide financial support and the quality of the processes governing the award and disbursement of this support.

2. LEGAL AND FINANCIAL FRAMEWORKS

The ability of CSOs to operate freely and carry out their specific social functions depends on the legal environment within which they operate, and this, in turn, depends on actions by the State. In conflict zones and fragile states, where governments are unable or unwilling to fulfil their core functions – such as providing security, rule of law and essential services – and in authoritarian regimes which deny the basic freedoms of association and expression, CSOs have on many occasions proved able to operate effectively and provide alternative mechanisms for democratic representation, fighting social injustice and holding the State to account. However, for a truly free, independent, effective and sustainable civil society consisting of a diversity of flourishing CSOs to develop there is a requirement that the State establishes and guarantees a supportive legal and regulatory environment.

There are no hard and fast rules about what constitutes an appropriate legal framework – it will be influenced by a country’s legal and cultural traditions, the particular tradition and needs of the

local civil society and a country's institutional system of governance. However, there are three basic elements to an enabling legal environment:

1. Appropriate provision in law ensuring the freedom of association and the definition of a CSO as a voluntary, independent, not-for-profit organisation with specific social purposes. This includes the right to register and enjoy the benefits of legal personality, an appropriate and easy means of registration, as well as rules for founding a CSO, freedom from state control, harassment by government officials and arbitrary or discretionary termination by the government, tempered by non-intrusive measures for legal and financial oversight to ensure CSO transparency and accountability.
2. Provision enabling CSOs to fundraise, including accessing support from international donors and domestic sources, the sanctioning of CSOs to carry out economic activities in accordance with a CSO's non-profit status and provision of suitable encouragements to fundraising through the tax treatment of CSOs and philanthropy in recognition of the social goods civil society provides.
3. Legislation must not impede the right of CSOs to play a representative role through advocacy, lobbying and their engagement in policy making.

In the literature on enabling environments for civil society, the term "international standards" is often used as shorthand for legal and financial frameworks which satisfy the above broadly defined conditions. This is the case in the eight country civil society needs assessments which form the basis for this review of the enabling environments in the Western Balkans and Turkey. In order to provide greater explanatory and comparative power to this analysis we have disaggregated key aspects of the concept of international standards as identified in the individual needs assessments and a summary comparison of legal frameworks governing civil society in the eight countries is presented in Annex 2. A favourable legal and financial framework for civil society in accordance with international standards is thus considered to include the following:

- The existence of a specific framework law (or laws) defining the principal forms of CSOs, providing for their independence from the State as private organisations, setting out clear legal and financial conditions for CSO operation which are broadly enabling;
- Rules governing the founding of a CSO are clear and appropriate to the social purpose of the CSO and easy to fulfil (e.g. number of founders, governance structures, initial capital for foundations...);
- The registration process is quick, easy, transparent and accessible;
- The law distinguishes between mutual benefit organisations (private interests) and those acting in the public interest. The latter may apply for Public Benefit status, which is clearly defined in law and offers eligible organisations financial incentives to fulfil their social purposes by way of tax concessions or other similar benefits;
- The legal framework acknowledges the right of CSOs to participate in the formulation and implementation of public policy through advocacy, lobbying and dialogue with government, as well through service provision by contract or in partnership with government.;
- Laws are in place facilitating the use by CSOs of volunteers, which define the respective rights and responsibilities of volunteers and volunteer-involving organisations;
- Financial regulations differentiate between CSOs and commercial concerns and CSOs are exempt from taxation applicable to businesses, such as VAT, business rates or property tax;

- The law enables CSOs to receive membership fees, donations, gifts-in-kind and other forms of charitable giving, free from income tax or other forms of taxation – both from international and domestic sources;
- CSOs are permitted to carry out economic activities (such as the sale of services and intellectual property) in support of their stated objectives;
- Financial laws encourage a culture of philanthropy by making charitable donations tax deductible or eligible for tax credits.

The full range of associational forms covered by the concept of civil society is broad, covering citizens associations, foundations, informal community and special interest groups, trades unions, religious associations, professional bodies and others. In the IPA countries CSO legislation is generally restricted to those forms that are conventionally understood by the alternative term NGO; that is, registered associations and foundations, with other forms legislated for separately. In keeping with this distinction, which was also observed in the TACSO civil society country assessments, from which data for this report were drawn, the following analysis is limited to the legal frameworks governing citizens associations and foundations. The same definition of a CSO is applied throughout the report.

2.1 Legal Framework

With the recent adoption in Macedonia (April 2010) of a new Law on Associations and Foundations and the implementation in Serbia (October 2009) of a new Law on Associations, favourable legal frameworks for enabling civil society activities are, broadly speaking, now in place in all the IPA countries. Framework laws all enshrine the rights of CSOs to operate as independent, voluntary, private organisations, free from interference from government or state institutions. They establish the principle of civil society as an arena for the non-profitable social activities of citizens and their organisations, which is supported by the granting of the fundamental privilege to raise funds from non-economic activities free of taxation, while guaranteeing the observance of non-profit status through regulatory rules and procedures for organisational governance and activity. In addition, rules and procedures concerning the founding and registration of organisations are, by and large, easily understood and simple to carry out.

As the countries in the IPA region have progressed along their broader paths towards political and economic transition, legal frameworks governing CSOs, and to a lesser extent accompanying financial regulations, have undergone a process of reform and often further amendment, which mirrors and is intimately related to the wider process of institutional reform towards establishing democratic governance and the observance of human rights. The development of framework laws in all countries has been influenced both by international pressures for democratic reform (not least from the EU integration process), often with direct recourse to facilitation from international experts in CSO law (ICNL / ECNL and the Council of Europe) and also by advocacy carried out by domestic CSOs. In the region as a whole there is a clear trend for increasing consultation with and participation by CSOs over time in the drafting of CSO laws, contributing to the legitimacy among CSOs of the new regulations, but also indicating a growing acceptance on the part of the region's governments of the concept and role of civil society.

Taken together and compared with one another, the individual CSO framework laws bear considerable similarities in their structure and content. This is particularly so for the seven Western Balkans countries where there is a sense that there has been a process of cross

fertilisation of ideas and mutual learning across the region, so that laws effectively legislate for associations and foundations according to the same two “internationalised” organisational models, but there is a trend towards greater specification, consistency and clarity in legal terminology over time. As a consequence, the recent Macedonian law is clearly the most unambiguous document in use in the region, whose text has removed a number of important uncertainties (concerning, for example, the definition and implementation of Public Benefit status, or remuneration for those sitting on CSO governance bodies) present in the law of other countries.

In countries where associations and foundations have been legislated for separately (i.e. by means of two separate laws), there has clearly been differential progress towards establishing the principles and legitimacy, both within government and the wider public, of an independent civil society. In Turkey, there was a four year gap between the introduction of a modern law on associations (2004) and comparable legislation concerning foundations (2008). Traditionally foundations have been important social actors in Turkey, particularly in providing social support, but until 2008 when they were granted rights to operate abroad, include foreigners among their founder members and also to seek funds from abroad without government permission, their freedoms to association and autonomy were curtailed. In Serbia, the failure to combine legislation for foundations with the new Law on Associations (2009) leaves existing foundations operating under a law dating to ex-Yugoslavia (1989) which is not only irrelevant to the current political and economic system, but actually places the legality of their continued operation in doubt.⁸

A similar situation exists in Croatia where in 2001 regressive legislation on associations (1997) was replaced with the current liberal and broadly enabling law, but the opportunity to update the 1995 Law on Foundations and Funds, which remains in force today, was missed. This last law accords the registration authority, the Ministry of Public Administration, undue discretionary control of registration and influence over the internal governance of foundations (including the right to nominate a foundation’s director), in effect severely compromising the principle of CSO autonomy and reducing the space available to civil society. The consequences of this restrictive law are clearly evident from the fact that today only 145 foundations are officially registered in Croatia, as compared to the almost 40,000 associations.⁹

The above examples draw attention to the importance to the establishment of an enabling environment for civil society of ensuring the harmonisation of key legislative acts. By extension, key CSO laws will only be effective in facilitating civil society if they are harmonised with supporting or related legislation – such as relevant financial regulations or provisions for good governance or the legal code. In Turkey, vague wording in CSO regulations and contradictions between CSO and other laws allow government authorities too many discretionary powers over civil society. In a society where the cultural shift from state control towards civil liberties and a culture of democracy is still taking place, and which is often poorly appreciated in political circles, Turkish CSOs continue to experience frequent and unwarranted interference in their activities from government authorities which receive unclear or confused guidance from the law.¹⁰

⁸ A process to replace the Serbian Law on Legacies Foundations and Funds with a modern law on foundations is underway. On 6 July 2010 the Serbian Government adopted a Proposal on a new Law on Foundations and Endowments that will in due course be presented to the Serbian Parliament.

⁹ Croatian Ministry of Public Administration.

¹⁰ A revised law is currently being drafted by the Turkish Department of Associations which will in due course be subject to consultation with CSOs and the general public. The law is expected to reduce the number of founder members needed to form an association from the current seven, establish clear criteria for the awarding of public

Despite the fact that government understanding of, and relations with civil society among the TACSO countries is often found to be wanting, inconsistent and prejudiced application of the fundamental principles of CSO law concerning organisational autonomy and freedoms of expression appear to be problematic only in Turkey. The right of CSOs to participate in policy dialogue, to advocate and conduct public campaigns, even in direct opposition to governments and official policy, appears to be universally upheld except in Turkey, where CSOs voicing alternative or controversial views have on occasion found themselves subject to prosecution in the courts, regardless of the democratic rights accorded them in the CSO framework laws.

2.2 CSO registration

Ease of registration of CSOs in terms of procedural simplicity, transparency and the time taken to process of applications, has been formally established in all IPA countries. The process in Macedonia, undertaken centrally, is especially quick and efficient, taking no more than five days. In Croatia, a standardised process taking no more than 30 days is administered by central government offices at the local (county) level, thus ensuring access, but also the coordination of a central CSO register. Since the adoption of the new Serbian Law on Associations in 2009, CSO registration is administered by the national Business Register Agency. Although registration is guaranteed in law to take no more than 30 days, in practice the process takes no more than ten days.

Although the processing of applications within a maximum of 60 days is almost assured universally, low government agency capacities and reach affect both the efficiency and accessibility of the service in some countries. In Albania a centralised system administered solely from Tirana reduces its accessibility to grassroots organisations in outlying areas. In Kosovo, a similar centralised system administered by a small office with no capacities for outreach is also a serious impediment to the registration of greater numbers of CSOs from the rural areas.

In Bosnia and Herzegovina, registration is complicated by the dual factors of low government capacities and the complexities of the country's political and administrative structure. A CSO can choose to register at the state level, which gives it the authority to operate anywhere in the country. However, registration here is administered by a one-person Department for CSOs in cooperation with its parent body the Ministry of Justice. Although the Ministry asserts that registration takes 50-60 days, in reality the process is frustratingly complicated and drawn out, often taking well over 6 months (USAID 2009).

Alternatively, CSOs may register in whichever of the two Entities (principal units of devolved authority) they are located in. In this case, registration, although it is conducted according to different procedures, appears a much quicker process, taking between 15 and 30 days. However, formally, registration at the entity level can hinder activities in the other entity, particularly if the CSO is involved in employing people there (owing to problems with different tax authorities).

benefit status (see below, section 2.3) and introduce tax exemptions for CSOs in coordination with wider fiscal policy (see below, section 2.5 & 2.6). TACSO is leading an initiative to improve understanding and implementation of the CSO laws by government authorities at the provincial level.

Registration in Bosnia and Herzegovina carries with it the right to receive public funding from the administration where the CSO registers. State budgets for funding CSOs are much lower than those of the entities, so for this reason, but also because the entities officially do not recognise the state-level registration process, CSOs will generally register only within their own entity. An important consequence of the administrative confusion which reigns in Bosnia and Herzegovina is that there is no single register of CSOs, and the monitoring of CSOs to ensure compliance with governing legal and financial provisions is fragmented.

In Turkey, while CSOs often complain that registration is slow and complicated, a more alarming observation is that the registration authorities sometimes manipulate the law in creative ways to subvert the democratic principles of civic representation and participation. The Civil Code (2001) forbids discriminatory behaviour on any grounds by an association; this regulation has been used by the authorities to exert influence at registration on the stated purposes of CSOs wishing to promote the rights and interests of their members or target groups.

2.3 Public Benefit Status

CSO legislation permits CSOs to be founded for the pursuit of both mutual benefits (private interests) and those of wider social or public benefit. Traditionally, particularly in Europe, the distinction between private interest and public benefit organisations is defined in law and organisations accorded Public Benefit Status are extended benefits from the State, in return for which they are usually expected to fulfil higher standards of internal governance and accountability. The rationale for introducing public benefit status for CSOs is to promote public benefit activities and the supply of social goods in recognition of the fact that these may complement or supplement the obligations of the State or fill gaps in services which the State is unable to provide.

The benefits available to public benefit organisations (PBOs) are usually in the form of greater access to financial resources from private donors, who are encouraged to give by being offered various forms of tax preferences and deductions on donations to PBOs. In addition, the PBO may also be eligible for tax exemptions on say, organisational income, property tax or VAT. Recently, some states have expanded the forms of providing benefits to PBOs to include grants, service contracts and percentage payroll schemes.

All IPA countries except Serbia¹¹ include some provision for PBOs in their CSO legislation, but all have struggled to develop coherent, workable, and fair systems for firstly, assigning public benefit status and then, delivering benefits and overseeing PBOs to ensure probity and accountability. Croatia employs a restrictive definition of public benefit activities as those carried out by CSOs defined as humanitarian organisations, which excludes a great number of organisations undertaking equally important activities, such as the promotion of human rights and children's rights. In addition, the exact definition of public benefit activities in tax regulations differs from that set out in the Law on Associations, causing considerable uncertainty. The process of achieving

¹¹ Serbia in effect avoids the issue of differentiating between private interest and public benefit CSOs and the opportunity to ensure that fiscal benefits are channelled to publicly beneficial activities. The Law on Associations allows for the direct state funding of CSOs, through competitive tender, for the implementation of a wide range of programmes of "public interest," to be administered by relevant line ministries.

public benefit status is also unclear in both law and practice.¹² In Montenegro there is also a lack of clarity concerning the concept of public benefit, owing to contradictions in its definition in the CSO law and financial laws. In addition, all CSOs are required to work in the “public interest,” although this also remains undefined and how it relates to the concept of public benefit is not apparent.

In Turkey, while PBOs may gain preferential access to direct government funding and contracts, as well as benefitting indirectly from tax deductions available to private donors of PBOs, determining which CSOs are eligible is complicated by the application of different definitions of public benefit to foundations and associations (although a third regulation exists which is applicable to all CSOs). The award of public benefit status rests with the Council of Ministers, but in the absence of clear criteria and a transparent process for selection, decision making is arbitrary and subject to personal and political interests. In 2006 only 1% of associations and 7% of foundations had achieved public benefit status, testifying to the dysfunctional state of the system and its virtual irrelevance for promoting CSO activities of general social benefit.

Under Albanian law, CSOs carrying out public benefit activities, defined loosely but broadly as religious, humanitarian, charitable, scientific and educational activities, are eligible for tangible benefits in form of tax exemptions on economic activities. Gaining public benefit status is administered by the tax authorities, a logical system considering that public benefit is a fiscal measure and one that is used by a number of other European countries. However, take-up of public benefit status by CSOs has been low as the system requires the organisation to acquire a tax code, something which CSOs misunderstand as classifying them as profit-making concerns.

Bosnia and Herzegovina has developed a clear and comprehensive definition of public benefit, but has not established a meaningful set of benefits for PBOs. In addition, the process for award of public status lacks criteria and, with decisions taken by whichever ministry is most relevant to the CSO’s field of operation, the system is uncoordinated, inconsistent and open to abuse. In Kosovo, administration of public benefit awards is conferred on the CSO Registration Office, which lacks the capacity to combine this duty with the upkeep of the CSO register.

Macedonia’s new CSO law proposes a system for awarding public benefit status (previously absent in Macedonian law) which is an advance on those in the other countries, even though at this stage it is not clear how qualifying CSOs will benefit from public benefit status. In addition to a detailed, clear and inclusive definition of public benefit status, the law specifies the founding of a special independent government commission for its administration (an approach originally pioneered in the UK to great effect), which would provide the necessary capacity and coordination, while safeguarding against arbitrary decision-making and political manipulation.

2.4 Laws on volunteering

Volunteers represent a potentially valuable resource to CSOs to assist them improve performance and increase their sustainability. Specific reasons to involve volunteers might include: increasing available human resources, providing specific skills not otherwise available or to provide special

¹² The Croatian government has recently completed a Draft Law on Public Benefit Organisations, which is currently subject to public discussion and civil society consultation, aimed to address these shortcomings. It is expected to go before Parliament later this summer.

services, to create a closer link with the community and to raise the community's stake in the organisation, or to reduce the overall cost of labour to the organisation.

Appropriate legislation on voluntarism, providing a legal definition of volunteer services, regulating their use, establishing acceptable conditions of volunteer engagement and establishing the respective rights and responsibilities of volunteer and volunteer-involving organisations, is an essential part of an enabling legal environment for civil society.

Suitable legislation on volunteers and voluntarism in the IPA countries is largely absent and is an area of social policy that is low down on government agendas. Croatia and Macedonia both adopted modern laws on voluntarism in 2007, but in Croatia effective implementation is hindered by the absence of appropriate amendments to the Labour Law.

In Bosnia and Herzegovina an appropriate law has been in force in one half of the country only (Republika Srpska entity) since 2008, but there are no measures in force at the state level. In the other half of the country (Federation of B&H) a draft law was prepared some time ago, but there is no momentum to see it adopted.

In Serbia a coalition of CSOs prepared a draft law with full public and institutional consultation in 2006-2007, which was duly presented to Parliament in March 2008. Subsequent parliamentary elections interrupted and effectively put an end to the initiative. Since that time the Ministry of Work and Social Policy has drafted a further law, without any significant public consultation. CSOs organised independent consultations on the law and presented Parliament six key amendments, only one of which was accepted in the final version of the law which was adopted by the Serbian Parliament May 2010. Consequently, CSOs view the new law as hindering rather than facilitating the engagement of volunteers and rendering effective daily CSO operations more difficult.

A similar case applies in Montenegro, where a new Law on Volunteering (the first ever such legislation in the country), adopted by Parliament in April 2010, is contrary to many of the key measures put forward by civil society in an alternative draft law. In particular, the New Law forbids volunteering in the business sector and the involvement of volunteers under the age of 15, as well as prescribing administrative impediments to engaging volunteers of between the ages of 15 and 18, as well as those from abroad. In sum, CSOs in Montenegro consider that the New Law does more to control and regulate rather than facilitate and promote voluntarism.

In Turkey, no legislation has been enacted to regulate or encourage the use of voluntary labour.

2.5 Facilitation of fundraising and tax exemptions

2.5.1 Income from grants, donations and membership fees

A basic condition for a well-resourced and sustainable civil society is the freedom to receive income from non-economic activities in the form of grants, donations, gifts and membership fees – both domestically and internationally. In recognition of CSOs' non-profit status and the non-economic nature of these transactions, it is expected that these funds should not be subject to profit tax, VAT or other forms of business-related taxation. Around the world, and particularly in Europe, CSOs are accorded these freedoms and privileges.

Apart from certain qualifications in specific countries, CSOs in the IPA countries, regardless of whether they are mutual benefit or public benefit organisations, have also been granted these freedoms, in line with accepted international practice.¹³

In Serbia a 2.5% tax is raised on gifts-in-kind and gifts of property, a measure which in practice probably has minimal effect on CSOs' ability to fundraise. In Turkey, permission must be sought by from local (provincial) authorities by CSOs wishing to fundraise from private donors via public fundraising campaigns, door-to-door collections and the internet. This is an important restriction on what has become the favoured method of fundraising by Turkey's thousands of community-based CSOs, as the powers to grant permission are discretionary and the authorities continue to treat CSOs differentially for apparently obscure reasons.

2.5.2 CSOs' economic activities and tax exemptions

The principle of enabling CSOs to supplement their income by undertaking economic activities is widely accepted, in recognition of the fact that dependence on charitable forms of income generation commonly limits the scope of CSO activities and may be insufficient to provide the basis for sustainability. In acknowledgement of CSOs' social purposes and non-profit status, many countries grant CSOs various forms of tax exemption on their economic activities. Ensuring that a system of tax incentives to CSOs is not abused for personal gain or by profit-making organisations seeking to evade tax, states usually restrict CSOs' economic activities to those which are directly related to the CSO's stated purpose and ensure that all proceeds are used to this end. In addition, tax exemptions may only be made available to public benefit organisations to ensure that the benefits of taxation are used to provide public goods and enhance social policy.

The right to undertake some form of economic activity is granted to CSOs in all IPA countries, but the degree to which the tax treatment of CSOs differs from that of profit-making businesses varies between countries and ranges from moderately enabling to neutral (that is, where no tax incentives are offered).

Croatian CSOs probably enjoy the most enabling tax laws in the region, as all CSOs are exempt from paying profit tax on economic activities. In common with businesses, CSOs must register for VAT on reaching an annual turnover of 85,000 HRK (approx. €12,100), meaning that above this limit they must charge VAT to the end user for any services which are charged for. Perhaps more important is the small range of exemptions available to CSOs on paying VAT. These are effectively limited to the import from abroad of humanitarian aid.

In Albania CSOs are not required to charge VAT on services they provide, thus providing benefits directly to the general public by lowering the cost to the receiver of services. PBOs are exempt from paying income tax on the proceeds of economic activities. Kosovo offers similar exemptions to PBOs.

¹³ In Albania some legal uncertainty surrounds the right of CSOs not to pay VAT on grants. In 2008, the Government introduced changes to the tax regulations, which obliged CSOs to pay VAT on grants received. However, in response to objections from CSOs, later that year the Ministry of Finance issued a sub-legal act that suspended the payment of VAT on CSO grants. CSOs are currently not subject to VAT, but the MoF's sub-legal act appears to be in contradiction with the general regulations governing CSOs.

Negotiations between CSOs representatives and the Albanian Government on the revision of the taxation regulations affecting the non-profit sector started in early 2009 but are progressing slowly.

CSOs in Bosnia and Herzegovina receive slightly more moderate encouragement. They too are not required to charge VAT on services they provide. Economic activities carried out directly by the CSO are limited to the social purposes stated in the statute. However, CSO law provides the opportunity for CSOs to form a separate legal entity for carrying out general economic activities, the proceeds of which must be used to finance the CSO's activities. This entity is subject to the same tax treatment as any other business.

In Montenegro and Serbia general economic activities are allowed and tax exemptions on profit are available only to a very low level of turnover (Montenegro – €4,000) or profit (Serbia – 300,000 dinars or approximately €3,000). These partial restrictions or privileges have been designed in an effort to balance the desire to provide incentives to CSOs' income generation with the concern to shut down opportunities for corruption of the system.

It is only with the adoption of the new Macedonian CSO law this year that CSOs have been granted the right to carry out any form of economic activity. Up until now CSOs have also been offered no exemption – on income, VAT or other forms of tax -, but the new law states that CSOs will now be eligible for exemptions “pursuant to the law,” hinting that adjustments to the tax laws in favour of CSOs may be in the pipeline.

In Turkey there is no effective distinction in the financial laws between CSOs and profit-making businesses. CSOs are liable to all businesses taxes, including the 25% tax on the rental of business premises.

2.6 Fiscal encouragement to philanthropy

States commonly provide indirect financial benefits to civil society through the fiscal system by offering individuals and businesses tax incentives to engage in charitable giving. There are two principal means of doing this. The most direct way is by means of tax credits whereby the tax burden of the donor is reduced directly in proportion to the gift or donation. A more indirect method is via tax deductions which entail the reduction of taxable income by the amount of the gift before the tax is calculated at the applicable rate. This is by far the preferred means among states, probably as it entails a lower loss of revenue accruing directly to the State and because there is no reduction in tax actually paid – tax that would have been payable on the gift is passed over to the recipient CSO.

In many countries tax deductions for individuals are offered by way of payroll schemes, whereby a percentage of an employee's wage is deducted automatically before tax is paid and allocated to the charity or good cause of his or her choice. Hungary has pioneered a variant of the payroll scheme to great success which entails the option for employees to allocate 1% of their tax payments to a CSO. This “percentage” scheme has been applied in other countries, including Lithuania which extended its scope to 2% of the individual's tax burden. Of course, percentage schemes are in essence forms of state funding, not philanthropy, as the giver does not in reality make a donation.

A particularly novel means of encouraging philanthropy, which is nevertheless similar to a percentage scheme in that there is no gain to the giver, is the UK's Gift Aid. When an individual makes a cash donation, the recipient charity (PBO) can claim back the tax payable on it from the

government at the standard rate – of 20%. That is, the government agrees to provide matching or top-up funds to the gift. There is no net gain or loss to the giver in the tax he or she pays.

The IPA countries have all instituted systems for stimulating philanthropy using the standard means of tax deductions. There is a wide variation in the deductions allowed, ranging from only 0.5% of taxable income in the Federation of Bosnia and Herzegovina (2% in its counterpart entity, Republika Srpska) to the generous 5% for both individuals and corporations in Kosovo and Turkey. While 5% is still at the low end of deductions allowed in many countries (e.g. in Hungary corporations may deduct donations of up to 20% of pre-tax profits against tax), this is in reality considerably more than an affordable rate of giving for the majority of businesses and individuals in the Balkans and Turkey.

In Albania and Serbia, tax deductions are only available to corporate givers; there are no comparable incentives for private giving. In Kosovo, Turkey and Macedonia tax deductions may only be claimed for support to PBOs. In Macedonia the PBO may also claim back any VAT on the donation received in a way which is similar in principle to the UK's gift aid.

Regardless of the above measures and their differences in application, none of the present schemes have had any noticeable impact. A key factor in all countries is the failure of both governments and CSOs to publicise the schemes; businesses and individuals alike are more often than not unaware of the schemes. In the Balkan countries where there is the tradition of charitable giving (beyond customary succour in the community prescribed by Islam and the Christian churches), is considerably less pronounced, better promotion of tax deductible donations, as well as the work of civil society is especially important. In Turkey, where charitable giving is more a habit and feature of traditional culture, the small numbers of PBOs and their obscurity are presumably critical impediments to the wider taking up of tax deductions.

3. INSTITUTIONAL MECHANISMS AND POLICY FRAMEWORKS FOR GOVERNMENT– CIVIL SOCIETY RELATIONS

In order for civil society to pursue its main objectives of promoting participatory democracy and strengthening governance, as well as improving the quality, reach, access and effectiveness of services, an enabling legal framework is a necessary but insufficient condition. Civil society's involvement in policy dialogue, government scrutiny and monitoring, and also the planning and implementation of social provision can only be achieved through its enjoyment of effective access to state power, including government and the structures of democratic decision making, combined with an institutional means of its engagement with government and the State.

In the wake of the wave of democratic transitions that have taken place in Central and Eastern Europe since 1989 there has been a growing recognition around the world of the importance of civil society to democratic representation and state effectiveness. Increasingly, governments everywhere have undertaken measures to institutionalise relationships with CSOs by establishing various administrative agencies and liaison bodies for improving communication and cooperation with civil society across government and by negotiating agreements with civil society which lay down the terms of government-civil society engagement and the means of government support to civil society's development and activities.

The Central and Eastern European states which acceded to the EU in 2004 all developed institutional mechanisms for improving cooperation with civil society as part of their wider efforts during the pre-accession period to promote participatory democracy, as required by the Copenhagen criteria. Four types of arrangement at the national level have been established, featuring varying degrees of central coordination and civil society participation in the management of the mechanism:

- No overall coordination across government, with individual departments responsible for cooperation with CSOs in their own areas of authority (Lithuania);
- Assignment of cooperation with civil society to a single already existing government department, which incorporates the role alongside its existing duties (Estonia, Latvia);
- Establishment of a dedicated CSO liaison office; that is, a new government office or unit dedicated solely to advancing relations with civil society and coordinating government's work with civil society across other ministries and departments (Hungary and Romania);
- Complementing the CSO liaison office with a broadly representative advisory body, preferably with 50% or more members drawn from civil society (Czech Republic, Poland, Slovenia and Slovakia).

The institutional framework for cooperation may also be extended to the establishment of special bodies with responsibilities for specific aspects of relations with civil society, such as the creation of a civil society development strategy, funding CSOs or determining public benefit status, and may also be complemented with formal mechanisms for ensuring CSO access to parliaments and democratic assemblies for dialogue and lobbying. In the context of decentralisation and the transfer of powers to lower tiers of government, municipalities, provinces and regions might be expected to set up dedicated commissions or councils for cooperating with local civil society with regard to issues such as local development planning and strategy, service delivery and support to CSOs.

Since 1998, when the UK pioneered the concept of mutually beneficial negotiated agreements between government and civil society, with the first "compact" between government and the voluntary sector in England, such agreements have become commonplace and are considered a key component of the institutional arrangements mediating government-civil society relations. In some cases, the agreement is a necessary first step to the development of a government body for cooperation with civil society (Estonia), while in others the agreement may be the result of an already established office for civil society cooperation putting its mission into practice (Croatia).

The contents of individual agreements will be determined by the unique qualities of the national situation, including the specific configuration of the political and public administrative system, the characteristics and capacity of local civil society and the social and economic priorities to be addressed in the country. Typically, agreements may define the areas for government-civil society cooperation, and the principles and means of regulating relations, identify government measures to support civil society, such as reforms or additions to the legal framework or measures for the public funding CSOs, and lay down a programme or work for the government office for cooperation with civil society. In their most extended structure, agreements may take the form of a national strategy, with accompanying action plan, for the development of civil society, to be undertaken by both sectors in cooperation.

Very often agreements remain at the national level, but it makes sense that the process between central governments and national representatives of civil society is extended downwards to include similarly negotiated local arrangements at all levels of local government and administration where meaningful powers over public policy and service provision have been devolved.

In the section that follows, the progress that governments and civil societies in the IPA region have made towards establishing effective means of institutional communication and cooperation are analysed according to the following components of an ideal institutional framework:

- A national agreement of cooperation between the State and civil society has been signed and a strategy or programme for the development of cooperation and the support and development of civil society adopted;
- A bureaucratic office, unit or agency within central government has been instituted with the purpose of advancing government cooperation with civil society;
- Civil society participation in the above cooperation mechanisms is institutionalised and the principle of *partnership* given functional reality;
- Local governments and local civil society have negotiated agreements establishing the rights of CSOs to engage local authorities in policy dialogue, setting out the principles of cooperation and laying out a strategy of for developing this cooperation;
- Local governments have developed institutional mechanisms for communication and cooperation with local CSOs;
- A parliamentary body or office exists for the purpose of informing civil society about the work of parliament, facilitating dialogue between CSOs and parliamentarians and enabling CSOs to lobby parliament and represent the interests of their constituents;

The situation in each country according to the above criteria is summarised for easy reference and comparison in a tabular form in Annex 3.

3.1 Agreements of cooperation and national strategies for the development of civil society

The majority of governments from the IPA countries have negotiated and signed some form of partnership agreement with their respective civil societies. These agreements are founding or framework documents which establish for the first time the principles and practical means for government-civil society interaction – extending the rights accorded civil society in law – and a commitment on the part of government to support civil society.

In some cases agreements set out an agenda for the creation of bureaucratic and / or participatory institutional mechanisms with the purpose of implementing the agreements and mediating further government-civil society relations. In others they are developed further in the form of a longer-term strategy or programme of specific actions intended to support civil society's further development, as well as its role as a partner with government in policy dialogue and service delivery.

While the majority of the agreements have been signed only relatively recently – in the last three years -, it is clear that putting them into practice and rendering the proposed government-civil society partnerships functional is proving problematic. Limiting factors include:

- Difficulty in achieving final consensus on the scope of agreements and identifying practical measures for regulating relations beyond the acceptance of broad principles of cooperation (Albania);
- Establishing sufficient political momentum to stimulate governments to implement agreements – in particular, to take action to institute mechanisms for cooperation in cases where they do not yet exist (Bosnia and Herzegovina, Kosovo);
- Low levels of administrative and financial capacity of government offices for cooperation with civil society and insufficient or poorly defined authority which delay or slow the effective implementation of agreements and strategies (Macedonia, Montenegro).

Croatia is the exception among IPA countries in having negotiated an early agreement with civil society, many of whose measures have subsequently been implemented. An original joint government civil society strategy, the Programme of Cooperation between the Government of Croatia and Non-governmental and Nonprofit Sector, was signed as early as 2001. In many ways the Programme was facilitated by the prior existence of a government Office for Cooperation with NGOs, which acted as government representative and midwife to the agreement. The Office also provided the institutional mechanism for the Programme's implementation and was in possession of sufficient executive authority to overcome the obstacle of low government interest at the time in substantive partnership with civil society.

The Croatian Programme sets out a series of important institutional measures for enhancing the capacity of civil society, including the founding of a National Foundation for Civil Society Development in 2003 which finances capacity-building support to the sector generally and also provides funding for CSO project activities. The Programme's primary objective, though, was to hasten much needed reforms to the legal framework governing CSO operations. Among the changes arising from the programme are:

- A new Law on Associations (2001);
- A lottery law dedicating proceeds to the financing of civil society, via the National Foundation for Civil Society Development (2003);
- Amendments to tax regulations providing deductions to CSOs;
- A code of good practice for the state financing of CSOs (2007);
- A volunteer law (2007).

The Programme also inspired the writing of a draft of a new Law on Foundations and a draft Law on Public Benefit Organisations. The former appears to have been lost to the legislative agenda, while the latter is only now being subjected to full public consultation and review, ahead of probable adoption later this year.

Elsewhere among the IPA countries, negotiation of agreements has been initiated considerably later than in Croatia and progress towards their implementation is either slow-moving or impeded by local political obstacles and institutional shortcomings. In **Macedonia**, a Strategy and Action Plan for Cooperation with CSOs was developed in 2007. This document is wide-ranging, detailed, specific and clearly worded, elaborating on seven objectives directed broadly to improving the legal framework for civil society, increasing government-civil society cooperation and dialogue and developing CSO capacities nationally. Given the relatively poor level of mutual understanding between the government and civil society, the document is highly ambitious. As in Croatia, the Strategy has been developed in a context in which an office for cooperation with civil society (Unit

for Cooperation with NGOs) is already established (instituted 2004) and to which the principal administrative responsibility for the Strategy's implementation should fall. Although a number of ministries have harmonised their programmes with the objectives of the Strategy, its overall implementation is slow and uneven, owing to the Unit possessing insufficient human resources and an inability to work with sufficient autonomy from a seemingly reluctant government and political centre. Implementation is perceived to proceed quicker when assisted by external finance or when an action is linked to the process of European integration – either in connection with the establishment of European standards or the convergence of Macedonian law to the *Acquis Communautaire*.

A similar situation prevails in **Montenegro**. Here a Strategy and Action Plan for Cooperation was adopted in 2009, the result of close cooperation between government and civil society. While an Office for Cooperation with NGOs was established in 2007, responsibility for the Strategy's implementation was assigned to another body, a Civil Society Council, whose institution is envisaged in the Strategy, but only authorised by the government in April of this year. Consequently, progress towards implementation of the Strategy has so far been extremely modest.

In Albania, Kosovo and Bosnia and Herzegovina, agreements have been reached in the absence of facilitating institutional mechanisms. In **Albania** a Civil Society Charter has been under development for two years, but it remains at the draft stage as there is disagreement among its participants regarding its scope – whether it should be limited to defining the key principles and ethical standards for the relationship, or whether it should go further in establishing firmer obligations on both parties with supporting mechanisms for monitoring their implementation. Negotiations towards the Charter have been carried under the aegis of a GTZ-funded programme of technical assistance to establish a broad institutional framework for mediating government-civil society relations, which is oriented towards furthering the process of European integration in Albania and which draws inspiration from practice in EU members states.

In **Kosovo**, the government and civil society signed a Memorandum of Understanding in late 2007, which set out principles of partnership between the two sectors and an agenda for the establishment of facilitating institutional bodies. However no practical measures to implement the agreement were taken as a general election immediately after the signing ushered in a new administration and then Kosovo's declaration of independence in February 2008 brought forward new political, legal and administrative priorities for reform and capacity building to ensure the institutions of the new state.

Concerted action in **Bosnia and Herzegovina** over a period of five years by a nationwide coalition of CSOs (To Work and Succeed Together) led to an Agreement on Cooperation in 2007 with the state's Council of Ministers. The Agreement outlined a blueprint for the founding of institutional bodies for enhancing government dialogue with civil society and also set down an agenda for the development and implementation of a national Strategy for the Creation of an Enabling Environment for the Development of Civil Society. While much of the groundwork on preparing the Strategy had already been achieved by the Coalition among its members, and despite periodic reaffirmations by the government at high level meetings of its commitment to putting the Agreement into action, no further progress has been achieved. In addition, the Agreement does not extend in detail to propose relevant measures to be taken at the entity level of government, where the major part of political and public administrative capacity resides and where social policy

is largely determined. Responsibility at this level for negotiating agreements between government and civil society lies with the two entity governments respectively.

Serbia and **Turkey** remain the laggards of the region in the area of government policy towards civil society. Neither country has developed a clear policy towards the civic sector; no moves have been made towards negotiating agreements with CSOs or developing strategies for cooperation. In Serbia, civil society's efforts to stimulate an enabling environment over the nine years from 2000 - 2009, focused on lobbying for the establishment of the prior requirement of a relevant and workable legal framework for CSOs, which was finally achieved with the adoption of the new Law on Associations in late 2009. In Turkey, despite a growing awareness in public institutions and in the public at large of the potential importance of CSOs, not just to the process of EU accession, but also the country's overall social and economic development, the state has not yet established unequivocally the right of civil society to act as a potential partner of government. There is no overarching legal framework defining either the possible forms that cooperation between government and civil society might take, or the broad roles and responsibilities both sectors should fulfil vis-à-vis each other.

3.2 Government offices for coordination with CSOs and complementary institutions

Throughout the IPA region generally, governments have made limited progress towards establishing coordination bodies and supporting institutions for facilitating their relations with civil society. Apart from in Croatia, respective mechanisms in individual countries are in their infancy or at the point of inception and yet to be tested, while Turkey remains the only country where central government has so far failed to agree, even in principle, to instituting coordination arrangements.

The institutional mechanisms under development in general all embrace three key functions:

- The promotion of an improved legal framework for CSOs;
- The establishment of the conditions necessary for effective and regularised dialogue between the government and civil society at the sector level;
- Advancing the financial sustainability of CSOs, by means of creating instruments for supporting the capacity development of both the sector and individual organisations – including training, conferences and research – and the funding of specific CSO activities.

Across the region, governments are applying the model of a centralised liaison office placed within government, but independent of other departments and ministries. In some cases steps are being taken to institutionalise the dialogue process further, to provide a means for enhancing the accountability of government to civil society and to make the concept of “partnership” with civil society real by complementing the liaison office – essentially an executive and administrative body – with a steering committee or policy-making council composed of members drawn equally from both civil society and the government or public administration.

There is clearly a high degree of cross-fertilisation of ideas within the region, with inspiration being regularly sought from **Croatia's** now well-established Office for Cooperation with NGOs (see below), which is viewed within the region as a model of best practice for the whole Western Balkans (even though in Croatia the model of the centralised liaison office has been developed in a unique and innovative way).

Croatia's Government Office for Cooperation with NGOs was established in 1998 and has enjoyed a decade more time to hone its mandate and build its capacities than the majority of comparable offices in the IPA countries. It was tasked with a comprehensive remit for the development of cooperation which included financing, consulting, educating and information sharing with CSOs, as well as establishing working groups on various legislative initiatives affecting NGOs. As we have seen, it provided impetus for the first government-civil society agreement and strategic plan, the Programme for Cooperation, which in turn provided the basis for further additions to the institutional architecture in Croatia for support to CSOs, raising civil society participation and ownership of the process, narrowing the Office for Cooperation's role to a bureaucratic one and establishing a decentralised and arms-length system for financial support to the system.

In 2002, the Council for Civil Society Development (CCSD) was instituted as a governmental advisory body. The Council is composed of 10 appointees from the state administration, 10 elected representatives of civil society and 3 civil society experts. With responsibility for the development and implementation of government strategy in support of civil society, but also with a key role in monitoring the monetary support provided by the state for financing NGO activities, the CCSD is the most important institutional mechanism for government-civil society cooperation. It provides a forum for a direct and formalised dialogue between citizens' associations' representatives and public administration, on issues directly related to civil society development.

In 2003, Croatia departed from the hitherto fairly standard approach of mediating government relations through a centralised liaison office with supporting participatory council for strategy. The National Foundation for Civil Society Development (NFCSD) is a public foundation with a broad mandate to promote and develop civil society, which it implements by providing capacity assistance to CSOs, conducting research on civil society and acting as a conventional grant-making facility. Funded by the proceeds of the national lottery, it now commands a significant budget (approximately €6.3 million in 2008), and is the largest donor oriented towards institutional support, thus enabling CSOs to concentrate on longer-term programming and organisational strengthening. As a public funding entity, it is unique in the region in its ability to act independently from state government, owing to the inclusion of a majority of civil society representatives on its governing body. In 2007, the NFCSD decentralised its grant-making function by delegating responsibilities to four regional foundations established by local resource NGOs, in order to respond better to CSO needs at the local level.

Macedonia formally established a liaison office or Unit for Cooperation with NGOs in 2004, which commenced active work in 2006. In the absence of a complementary policy-making body which incorporates direct civil society representation, the Unit plays an important role in advising the government on drafting new legislation for the civil society sector and on the financing of projects of public benefit, in addition to its principal function of coordinating with civil society and other departments across government. In theory, the Unit plays a pivotal role in creating "joined up government" concerning relations with civil society, by orchestrating the activities of specially assigned civil society contact persons in all ministries and relevant departments.

The Unit has been the subject of considerable capacity-building inputs over its lifetime, mainly under technical assistance programmes funded by the EU. Staff numbers and capacities have been raised over time, but the Unit appears constrained in its ability to carry out its mandate. Coordination across government is ineffective, owing to the fact that ministerial contact points are

ill-prepared and lack sufficient time to devote to what is an additional responsibility to their regular civil service duties. More importantly, the Unit's location within the General Secretariat of the Government, at the very centre of public administration, denies it the authority required to make independent decisions, to take proactive measures towards implementing the Strategy for Cooperation with NGOs, and to establish direct communication with civil society.

In the remainder of the IPA countries government cooperation with civil society is neither fully institutionalised nor fully operational, owing to shortfalls in capacity, the very recent inception of institutions or inaction by governments in implementing decisions. **Montenegro's** Office for Cooperation, in function since 2007, only employs two people, does not have a clear and specifically allocated budget and its competence to coordinate the officers in public administration bodies that are liaising with CSOs has not been clearly defined. In common with Macedonia's Unit for Cooperation, its location in the Government General Secretariat deprives it of the authority necessary to act independently. However, a recent development (April 2010), has been the issuing by the government of a formal decree to institute a Civil Society Council consisting of 10 representatives each drawn from government and civil society, as a counterpart to the Office for Cooperation. The Council will provide a forum for government-civil society dialogue and a means of ensuring greater civil society participation in the policy process, as well as monitoring the implementation of the Strategy for Cooperation between the two sectors.

In **Bosnia and Herzegovina**, in place of the planned Office for NGO Cooperation within the Council of Ministers (foreseen in the Agreement on Cooperation of 2007), the government has established a one-person "Department" for Cooperation with Civil Society in the Ministry of Justice. Side-lined from the centre of government activities and deprived of human resources, the Department is clearly unable to carry out its mandate for cooperation and coordination. However, the establishment and capacity building of a central liaison office, broadly along the lines of the Croatian Office for Cooperation with NGOs, is currently the subject of an EU-funded technical assistance project running from autumn 2009 – autumn 2011. **Kosovo** and **Serbia** still possess no institutional mechanisms for cooperating with civil society. While the Kosovo government has taken no steps so far to implement the agreement for developing these institutions contained in the Memorandum of Understanding of 2007, the Serbian government has recently carried a formal decision (April 2010) to establish an office for cooperation with CSOs.

The **Albanian** approach to developing institutions of cooperation is an interesting departure in the region from that of the liaison office. Here, with help from technical assistance financed by GTZ, the government is proceeding by establishing a Civil Society Support Agency (CSSA), whose purpose will be to encourage the sustainable development of civil society and the creation of favourable conditions for civic initiatives, principally by means of providing project funding. To this end a ring-fenced fund of approximately €800,000 will be established. Formally established in law in April 2009, the CSSA is currently in the process of becoming functional after the government announced the decision in April 2010 to employ a director and institute a supervisory body, combining four government representatives and five representatives from civil society.

3.3 Institutional cooperation between local governments and CSOs

Throughout the IPA countries, the movement towards formalising relations between government and civil society and the pressures for the two sectors to engage in developing joint strategy in support of the development of civil society has not extended to local levels of government and

public administration. Contrary to expectations, given the current inertia which exists in relations between government and the civil sector at the state and also the entity level, **Bosnia and Herzegovina** is the only IPA country where any significant progress has been made towards establishing arrangements at the local, municipal level. In 2008, 67 municipalities out of a total 142 had signed protocols to establish cooperation with local civil society, the results of a nationwide campaign carried out by the national NGO, the Centre for Civil Society Promotion, run in parallel to the state-centred advocacy and negotiations which resulted in the national Agreement on Cooperation between government and CSOs. In most cases, local agreements are viewed as relating primarily to the system of regulating the distribution of public funds to CSOs, rather than facilitating wider civil society participation in the decision-making process. However, by 2008, 31 municipalities in Bosnia and Herzegovina had also established joint bodies consisting of governmental and non-governmental representatives intended as means for identifying priorities for local CSOs to be supported by local government funds.

Outside Bosnia, a significant number of municipal authorities in **Croatia** (39.5%) have developed joint local government-civil society advisory boards with a role defining social policy at the local level, while only a little over 18% of municipalities had entered into agreements of cooperation with civil society.

Similar arrangements elsewhere, such as municipal strategies for cooperation with civil society in a small number of Macedonia's urban municipalities, are exceptions to the rule of lack of institutional cooperation.

3.4 Parliamentary bodies for cooperation with civil society

While CSOs are free to cooperate with parliamentarians everywhere, and frequently do in *ad hoc* manner on a range of social issues and CSOs are invited to participate in selected issue-based committees no parliament in the IPA region has instituted a standing body for the purpose of informing civil society about the work of parliament, facilitating dialogue between CSOs and its parliamentary members and enabling CSOs to lobby parliament and represent the interests of their constituents.

In Montenegro an ongoing initiative to improve the cooperation of the National Parliament and CSOs led to the formation in May 2010 of a working group composed of CSO representatives and MPs which is working towards drafting a memorandum of cooperation between the two parties.

4. GOVERNMENT CAPACITIES FOR ENGAGING CSOS IN SOCIAL POLICY

The practical work of defining, planning and implementing specific social policies is carried out across government within a set of more or less parallel and discreet processes within ministries, public administration departments and specially convened policy-making bodies and projects. While the institutional arrangements discussed in the previous section to formalise relations between government and civil society at the *sector* level also provide all government bodies and civil servants with broad guidelines for cooperation with civil society, in practice effective participation by CSOs (and other social actors) in the decision-making process concerning specific areas of policy is determined by capacities – cultural, institutional and organisational – for social dialogue and participatory decision-making being in place across government:

- An understanding of civil society and its legitimate role in policy dialogue within a broader culture of participatory democracy;
- A culture of openness and transparency, enabling the free exchange of information and access of CSOs to opinion formers and decision-makers in government and public administration and encouraging discussion and negotiation;
- Institutional mechanisms promoting public participation in policy dialogue, such as formal public consultations, independent advisory and monitoring councils or joint working groups and standing committees for drafting legislation, planning strategy and its implementation;
- Sufficient numbers of qualified human resources with delegated authority to lead policy dialogue with CSOs and other stakeholders;
- Systems of effective communication and coordination within and between government departments and public institutions to ensure the harmonisation of social policy with the budgetary process and bodies charged with management and implementation of policy.

There is a remarkable similarity between the IPA countries concerning the progress governments have made in developing their capacities for engaging civil society in policy dialogue. While there is an unmistakable trend within all countries towards more frequent, substantive and harmonious relations between governments and civil society on a range of policy issues, no country has developed either a consistent and identifiable approach to encouraging public participation in decision-making, or a coherent set of institutional mechanisms throughout government for cooperating with CSOs on social policy. The greater number of interactions between government and civil society are conducted in an *ad hoc* manner and are sporadic and short-lived. In many cases civil society involvement in policy making continues to be facilitated by the solicitation of individuals and their organisations that are well-connected to those in government and the public administration.

Even Croatia, which is well advanced on the road towards European integration and the fulfilment of the Copenhagen criteria concerning democracy and good governance, there is a low understanding within government circles of participatory democracy and its benefits to effective social policy. Political leaders and civil servants everywhere are at best ambivalent concerning the legitimacy of CSOs' role in social policy and throughout the region they are generally reluctant to accept civil society as a genuine partner. This imposes a major institutional constraint on the effectiveness of civil society in the IPA countries.

In all the IPA countries, limited progress has been made in establishing policy-making bodies and mechanisms which institutionalise the participation of CSOs alongside the private sector and other legitimate social actors. Political leaders and top-level civil servants show a lack of commitment towards creating sustainable structures for consulting and partnering with CSOs, even when these are prescribed by national laws. In cases where inclusive policy-making structures have been instituted, their effectiveness is often undermined by insufficient allocation of financial and human resources, impacting in particular on the implementation and monitoring of policy subsequent to its development.

Significant success has been achieved by all countries in incorporating civil society input into a limited number of high-profile national economic and social strategies, through various forms of national consultation with CSOs and joint policy working groups. Typically, these include strategies in the fields of human rights, minority rights, gender, youth and the environment or

sustainable development. Poverty reduction strategy papers (PRSPs) or national development strategies have been carried out in all IPA countries except Kosovo over the last ten years, all of which have involved broad-based public consultation which has embraced significant contributions from civil society. The development of PRSPs and their consultative process has been driven and funded by the international community, imposed as a condition of states receiving funding in support of their core functions. In cases where governments in IPA countries extend the practice of organising public consultations and cooperating with civil society in the development of national policy, they do so more out of a formal duty to comply with donor obligations than a commitment to strengthen participatory democracy and render policy more responsive.

Formally, government capacities for involving civil society in policy dialogue in the region are most developed in **Croatia**, reflecting the country's high level of advancement towards fulfilling the conditions of EU membership. The Programme of Cooperation between the Government of Croatia and Non-governmental and Non-profit Sector of 2001 created positive pressures throughout government to engage CSOs on specific policy issues. Civil society participation in the development of national strategies over the last ten years has been significant and CSO representatives are included as experts and advisors on various consultative bodies in central government offices, agencies and ministries, as well as on various parliamentary committees. Recent research indicates that the vast majority of national CSOs carrying out advocacy in the fields of human rights, environmental protection and democracy have been involved in legislative initiatives and have direct access to policy-makers through their representatives sitting on parliamentary committees and governmental consultative bodies.

However, it is difficult to assess the extent to which the formal inclusion of civil society in policy dialogue in Croatia results in improved and more responsive policy, as well as in increased public participation in decision making. Limited CSO capacities, in particular the frequent inability of CSOs to respond to invitations to participate in consultative processes initiated by government, are a major constraining factor. On the other hand, CSOs complain, not without reason, that the government does not understand the democratic principle underlying public participation in policy making and that it approaches civil society's involvement in a purely instrumental way. That is, the government values civil society for the practical contributions it can make to the wider and improved delivery of services, but it is reluctant to allow CSOs to influence the policy agenda determining those services to any extent.

In **Macedonia**, capacities in ministries and government institutions for engaging with civil society are uneven. There is no system for ensuring the participation of CSOs in the policy-making process, but most ministries have signed memoranda of understanding or cooperation with CSOs on specific policy issues and on the adoption, in 2007, of the Strategy for Cooperation with NGOs, a number of ministries and departments harmonized their programmes and activities, wherever relevant, with the objectives and measures set out in the Strategy. Three ministries, the Ministry of Labour and Social Policy, the Agency of Youth and Sport and the Ministry of Environment and Physical Planning, have made real steps to include civil society in policy dialogue and are generally well-prepared for this task in terms of administrative capacity.

There are also positive examples where CSO representatives have participated in legislative working groups, such as the Working Group for the Law on Citizens' Associations and Foundations, the Working Group for Law on Volunteering and the Working Group for the Law on Protection

from Discrimination. However, the above examples of positive government–civil society cooperation on policy are exceptions. Even where agreements between government bodies and CSOs have been signed, civil society is rarely accorded a significant role in drafting laws, strategy or policy statements. There is a conspicuous absence of institutional mechanisms to provide civil society participation in policy dialogue legitimacy and continuity. In many areas, CSO relations with government are informal and continue to rely on personal relations and individual motivations of government officials.

At the local level in Macedonia, consultation with CSOs remains a rare occurrence and in most cases it is carried out as a one-off event, usually as part of a particular time-bound project, typically promoted by an international donor. A small number of municipalities with higher than average administrative and financial capacities, restricted in practice to larger urban municipalities such as the City of Skopje, have indicated their willingness to engage CSOs in both the development and implementation of policy by setting out the terms of cooperation with civil society in key municipal strategies and policy documents.

Bosnia and Herzegovina is exceptional in the IPA countries in having developed comprehensive institutional frameworks for creating and implementing policy in cooperation with civil society in just two policy areas: gender relations and youth empowerment. Participatory policy-making bodies have been instituted at both the central (state and entity) and municipal levels, linked to public administration agencies charged with implementation of policy. In both cases, the frameworks were initiated by international donors and emerged from a protracted capacity building process led and supported by a variety of international donors and development agencies. While the framework governing youth policy currently suffers from insufficient administrative and financial resources to function well, particularly at the state level, the institutions relating to gender relations have facilitated significant involvement of women’s CSOs in all major legislative and policy processes in the country relating to gender over the last five years.

However, the above successes belie the generally low levels of government capacities for including civil society in the policy process. Within the government sector generally, there is no clear understanding of the importance of participatory democracy and civil society’s role in facilitating it. Commentators often identify the continued influence of statist attitudes inherited from the times of the socialist one-party ex-Yugoslavia as a key factor in an overwhelming belief in the public administration that the proper role of the State is to govern in the interests of the political elite and not to serve the people. Social policy is not viewed as an area for public debate, but as the preserve of public administrators undertaking the bidding of their political masters. Such views provide an explanation for the almost total failure of ministries and government institutions to follow official guidelines and legislation designed to ensure minimum standards of public participation in the policy-making and legislative process.

The space for CSOs and all other civic actors in Bosnia and Herzegovina to engage in policy dialogue is further constrained by the continued primacy of ethno-national identity in politics within a set of political structures, which are predicated upon and reinforce the national divisions which emanated from the Bosnian war in 1995. In such an environment, all questions raised within government and the institutions of democracy of social and economic reform, legislation or policy are reduced to concerns to defend the respective rights of the country’s three main national communities, to the exclusion of all else.

Poor relations between government and civil society are also key constraining factors to achieving effective public participation in policy dialogue in Albania, Montenegro and Kosovo. In **Albania**, many in government circles view civil society as a political opponent and also as a potential obstacle to the ongoing reform process. The common perception also prevails that CSOs exist to serve the interests of private individuals or selective fractions of society rather than the public at large. Consequently, the government and public administration, which are otherwise in possession of low administrative capacities, have failed to develop institutions to increase civil society participation policy dialogue.

In **Montenegro**, public administrations question the legitimacy, motives and capacities of CSOs to engage in policy dialogue and they view public consultations as impediments to the efficient realisation of their government duties. Participation of CSOs in public policy development at the national level in a structured and organized manner is not defined by law and there are no structures for facilitating it. CSOs have long been lobbying for the establishment of such structures, but the government to date has been unresponsive.

At the local level in Montenegro, municipal-CSO cooperation is also at a low level. Montenegrin law is fairly specific in prescribing that local administrations cooperate extensively with civil society in the decision-making process, even laying out a basic framework for this work. Municipalities have declared their formal support for the conditions of the law, but do little to promote cooperation with civil society. Scepticism on the part of CSOs as to whether their contribution will influence the process in any significant way is put forward by them as a reason for their general inertia when it comes to lobbying for the implementation of the laws regarding public participation in local planning and social policy.

In **Kosovo**, widespread lack of understanding of public participation and the role of civil society and combined with the general weakness and inefficiency of government departments militates against the possibility of the meaningful and structured involvement of civil society in policy dialogue. By and large, ministries and departments consult with a restricted circle of well-known and well-connected CSOs in both an *ad hoc* and superficial way. An Office of Good Governance, situated in the Prime Minister's office has, however, had some success in facilitating cross-sector cooperation on national strategies for human rights and for the social inclusion of Roma, Ashkali and Egyptian communities.

As in Montenegro, the law in Kosovo is more specific in laying out institutional mechanisms to raise public participation in decision making at the local level. Apart from the injunction on municipalities to hold twice yearly public consultations on the local budget and the annual municipal plan (similar measures to which are in place in most of the IPA countries), the law prescribes that municipalities establish consultative committees for all areas of social provision to which CSOs *will* be invited. However, almost universally, committees have not been set up and local CSOs are all but inactive in pressing for the implementation of the law.

In **Serbia** and **Turkey**, government capacities for engaging civil society in the policy process are typical of the wider IPA region. There are low levels of understanding within government departments of civil society and the benefits of cooperation with CSOs, an absence of unified, transparent and efficient mechanisms to enable citizens to participate in the law-drafting procedure, and no accepted procedures for appointing representatives of the public onto

consultative and working groups at the national and local levels. However, in both states, relations between civil society and government have in general improved and there are clear signs that governments are more ready to engage with civil society over social policy than ever before. To a large extent changing government attitudes are pragmatic responses to donor pressures to be seen to be more responsive and participatory in policy making. Regardless of the underlying motivation for change, government departments and institutions in both countries are sending an increasing number of invitations to CSO representatives to participate in policy commissions and legislative working groups.

5. THE EU-GOVERNMENT-CIVIL SOCIETY TRIANGLE

The accession process with its required set of institutional reforms is now the key determining influence in deciding social and economic development policy and progress towards democratic transition of all eight IPA countries. IPA assistance tailored to each country is implemented within a strategic framework provided by a multi-annual planning document (MIPD) developed by EU delegations in cooperation with national IPA coordinators (that is, national agencies or departments for coordination with the EU). MIPDs aim to address the broad commitments and objectives for reform made by each country in their respective partnership documents with the EU (European Partnerships for potential candidates and Accession Partnerships for candidate countries), while taking into account the results of projects and programmes previously implemented under EU or other international assistance, as well as various country-related assessments performed by the EU, such as the annual progress reports and country strategies.

EU enlargement policy documents state that ‘widened participation of CSOs in the reforms undertaken in the enlargement countries can be a key factor in determining the pace and quality of the accession process overall, as well as in attaining public support for accession.’ The set of rules and procedures governing IPA assistance make clear reference to civil society actors not only as potential beneficiaries of EU funding, but also as players in the shaping, implementing and monitoring of EU assistance at the country level. However, these and other EU documents are consistently vague in proposing practical measures by which a sustainable “triangle” of relations between national governments, the EC and civil society may be developed in this regard. At the CSO conference “Giving a Stronger Voice to Civil Society” held in Ljubljana in April 2008, CSO representatives from the IPA and EU Neighbourhood region concluded that ‘in no country in the Region is civil society being involved by national governments in the determination of strategies or action plans to implement [...] pre-accession policies (ECAS, 2008).’ Similar criticisms were levelled at many of the EU delegations for their perceived failure to consult regularly with civil society in the preparation of policy assessments (such as the annual progress reports), to disseminate information effectively to civil society concerning EU policy and the accession process, and most importantly to encourage substantive civil society participation in the programming of IPA assistance at the country level.

The situation in **Macedonia** is perhaps the most positive, particularly concerning the coordination of EU-civil society relations. Although the government’s Secretariat of European Affairs has not involved CSOs in consultations towards preparation of national strategies for European integration, the EU delegation has established mechanisms for both informing civil society of EU policies and including CSOs in defining country IPA assistance. The EU has established a national EU Information Centre in Skopje supported by a network of EU Info Points around the country and

the delegation has held regular consultations with civil society representatives on the development of MIPDs, its annual progress reports, as well as annual planning of individual IPA components.

In **Turkey**, where the government is similarly reluctant or unable to engage civil society in direct communication regarding its accession strategy, the EU delegation facilitates tripartite communication by involving civil society in a variety of mechanisms designed for furthering the EU integration process. These include TAIEX meetings (which bring national CSOs, public administration and international expertise together to discuss specific issues relating to the Copenhagen criteria), consultations for the preparation of the EU's annual progress reports and EU-funded programmes for public administration reform with civil society participation.

In January 2010, under a new European Union Strategy on Turkey's Accession Process, the Secretariat General for EU Affairs established a set of new mechanisms at the provincial level aimed at integrating the input of institutions regarding EU-related activities and informing the public of the EU and support to these activities in each province. The main coordinating bodies in this process are provincial EU Consultation and Coordination Committees, which meet every three months, comprising provincial directorates, district governors, secretariat generals of special provincial administration, deputy mayors in municipalities, chancellors of the universities, representatives from chambers of commerce, as well as representatives from CSOs.

In **Serbia** a contrasting situation prevails in that the government Office for European Integration has signed a formal agreement of cooperation with civil society and consults regularly with CSOs on its integration strategies. Consultations remain, however, relatively *ad hoc* and sustainable, regular mechanism for wider consultation has still not been fully established. Concerning cooperation with the EU delegation, government institutions express their satisfaction with the communication channels established so far. CSOs however are not entirely satisfied that they enjoy sufficient access to and communication with the EU delegation on all matters concerning the development and implementation of IPA assistance and advocate the establishment of more effective and sustainable means of cooperation with both the EU delegation and Government on the country's EU integration policy. A notable impediment to more meaningful civil society participation in the integration process in Serbia, one that is present to a lesser or greater extent in all the IPA countries, is the lack of interest and active engagement on the part of CSOs themselves in the process. While this is largely attributable to low CSO capacities and the weakness of civil society more generally, it is compounded by the relative state of ignorance among CSOs of the EU and their respective countries' path towards accession.

According to the country report from the 2008 Ljubljana conference, in Croatia the EU and government have consulted with CSOs on EU external policy (strategic documents on enlargement, accession/European partnerships and their action plans), and IPA programming (MIPDs and IPA multi-annual and annual action plans). Although CSOs contributing to the process reported that in many cases their input was taken into account, consultations have been restricted in scope owing to the fact that they have been conducted as written responses to proposed policy, rather than a process of open dialogue. In addition, consultations have been selective and have bypassed the greater majority of CSOs in Croatia. Information on the policy-making process has not been made widely available and CSOs identified a shortage of information on opportunities for participation as the greatest obstacle to their taking part.

In **Bosnia and Herzegovina** and also **Montenegro**, good intentions and initial formal steps taken by both EU delegations and national agencies for European integration to include civil society in the integration process have not been followed through to establish institutional means of cooperation in this area. In May 2008, the Montenegrin Secretariat for European Integration signed a Memorandum of Understanding with 11 NGOs which, *inter alia*, was intended to establish cooperation with civil society in drawing up a revised EU Communication Strategy to replace a previous document considered by the majority of CSOs to be seriously flawed. In addition, the Secretariat has indicated that it believes CSOs should be involved in revising the National Plan for the Integration of Montenegro into the European Union. However, no practical steps have so far been taken to put the above agreements into practice. The EU delegation, on its establishment in Montenegro in late 2007, included CSO representatives in the programming of IPA 2009 funds. The delegation has expressed a commitment to deepen cooperation, but since then communication with CSOs has been limited to periodic meetings of a general nature.¹⁴

Bosnia and Herzegovina's Directorate for European Integration (DEI) showed early willingness to consult with civil society in IPA 2007 programming and the development of the 2007-2009 MIPD, by disseminating drafts of both documents to leading CSOs. Unfortunately, this initiative was more informative than consultative as CSOs were not provided an opportunity to comment. Overtures from the Civil Society Board (comprising representatives from 31 CSOs working in different fields) to the DEI to cooperate in the programming of IPA 2008 funds as well as the monitoring to IPA 2007 were not responded to. The EU delegation in Bosnia and Herzegovina, for its part, conducts regular consultations with the Civil Society Board, providing a rare opportunity for raising the level of understanding among CSOs of the EU and the integration, which generally remains very limited. The EU delegation has, however, not established institutional mechanisms for raising civil society participation in the development of EU policy in Bosnia.

In **Albania**, regardless of the general lack of preparedness of CSOs here to participate in the integration process, the EU delegation has made considerable efforts over the past twelve months to include CSOs in policy and planning processes. In addition to informative consultations on major EU documents and regular coordination meetings with CSO beneficiaries of EU project support, these include sector consultation meetings with CSOs (human rights defenders, women, children) within the framework of the preparation of the Commission's Opinion on Albania's application for EU membership, the preparation of the EU Head of Mission's local strategies for the implementation in Albania of the EU Guidelines on Human Rights Defenders, and the EU Guidelines on combating domestic violence and gender-based discrimination.

In **Kosovo** CSOs are not consulted on national integration strategies, IPA programming or EU external policy, there are few contacts between CSOs and either the EU Liaison Office or the Ministry of European Integration and CSOs, with limited access to relevant information, are poorly informed of the EU and policy planning process for European integration.

6. GOVERNMENT FUNDING OF CIVIL SOCIETY

CSOs across the IPA region generally complain that the volume of funding available to them from all sources is insufficient to meet the financial needs of supporting the development and activities

¹⁴ The EC delegation to Montenegro organised a consultative meeting with CSOs on the priorities given in the draft EIDHR 2010 call for proposals.

of CSOs in their respective countries. The emergence of the region's civil societies owes much to direct funding from international donors and capacity-building support delivered by international NGOs and multi-lateral development agencies. However, in all countries, irrespective of their progress towards longer-term development or the stage they have reached in post-conflict recovery, international funding of civil society has been in decline for some time and the total amounts of foreign assistance available to CSOs in all the IPA countries have fallen to modest levels which are inadequate to support a thriving and diverse civil society.

As each country has advanced towards European integration, bilateral donors have reduced their overall support to development in general in favour of the EU assuming a greater role, both in terms of volumes of funding and the determining and coordinating of development policy. While the EU maintains a strong focus on civil society, an important consequence of the rationalising of the aid architecture around the EU agenda has been a constriction of the space available in which CSOs may operate. Reduction in the total number of donors has led to a loss of diversity in the types of development programmes being funded and, regarding civil society, a reduction in the areas of CSO activity supported by international sources.

The long-term future of the region's civil societies, and indeed the short-term survival of many CSOs will depend on the development of domestic sources of funding, both private and public. Private sources of CSO support in the region – including membership fees, corporate philanthropy, private donations and assistance from private foundations – are few in number and their potential to contribute significantly to CSO operations remains extremely limited. A possible exception to the rule is Turkey, where private giving to CSOs, drawing on the country's long traditions of giving in the community, is beginning to find favour among individuals, businesses and the country's numerous *vakifs* (foundations). In the other seven IPA countries all governments have put in place legal and financial incentives to private funding,¹⁵ but philanthropy is constrained by a combination of cultural and economic factors. Across the Western Balkans there is no identifiable culture of giving. The general public in these countries still does not fully understand civil society and its social purposes, and CSOs are commonly perceived as comprising only mutual benefit organisations which exist to further private interests. Most importantly, despite generally respectable rates of economic growth throughout the region over the past decade, many people still live in poverty and the majority of businesses remain small enterprises which generate limited profits; the majority of both individuals and private businesses do not consider charitable giving as an economically realistic option.

In this context, governments have a crucial role to play in funding CSOs. Broadly speaking, there is a trend in the IPA countries for governments and public authorities to provide increasing levels of financial support to civil society. However, the situation varies widely in each country with regard to:

- How much governments are making available to civil society;
- What kinds of civil society activity are being supported;
- Which arms of government or the public administration are involved in supporting civil society, including differences between central and local administrations;
- How finance is made available and administered – to what extent funding is made available according to a transparent, accessible and accountable system; to what extent institutional

¹⁵ See above section 2.6 and also 2.5.

mechanisms free from political influence been established for awarding funds and monitoring implementation; and differences in the way governments finance CSOs, such as by providing project grants, revenue support or entering into contracts for the delivery of services.

Levels of government support to civil society in the region are highest in **Croatia** by a considerable margin, not only in terms of overall spending but also when expressed in relation to population or numbers of registered CSOs.¹⁶ In 2008, total government support to CSO activities, comprising sizable amounts from central, country and municipal levels of public administration, equalled a little under €193 million. There is a trend for increased government support to civil society generally, particularly from line ministries and state institutions at the central level. In 2008, central government support totalled €86.7 million, representing a 33% increase from 2007.

The favoured means of funding CSOs is by project grants. Since the adoption by the Croatian Parliament in February 2007 of a “Code of Good Practice, Standards and Benchmarks for the Allocation of Grants for Programmes and Project of NGOs,” all government project grants have been allocated according to transparent and properly specified public calls for proposals which are coordinated by the government’s Office for Cooperation with NGOs. Opportunities are available to CSOs to finance activities by competing for direct service contracts from both local and national governments. CSOs have been awarded many such contracts at both levels for services to the elderly, victims of domestic violence, PWDs, and the homeless. The contracting of social services, however, remains unregulated and in general the field is undeveloped.

There are some imbalances in the areas targeted by both central and local governments for CSO support. 66% percent of total government support to CSOs in Croatia is allocated to culture and heritage and sport, while in third place, receiving only 11.5% of the total, are CSOs representing the socially vulnerable and those with disability. However, in 2008, people with disability were the most frequent direct beneficiaries of project funding from central government, followed by children, youth and war veterans.

Government preferences for funding projects which deliver services in the community, such as training and education, means that reform and advocacy-oriented, politically independent CSOs are largely denied government support and often remain dependent on increasingly scarce international funding sources. This is a feature of civil society funding in all the IPA countries, which is partly alleviated in Croatia by the existence of the National Foundation for Civil Society Development (NFCSD) which disburses over €6 million of public funds independently and “at arm’s length” from government.¹⁷ In addition to providing a range of capacity-building assistance to CSOs, it is the largest donor in Croatia oriented towards institutional support, enabling CSOs to concentrate on the development of longer-term programmes and the challenges of organisational strengthening, and it is also an important patron of development NGOs working in areas such as human rights, the development of democratic institutions, sustainable development, and the rule of law.

In almost direct contrast to the situation in Croatia is that of **Turkey** and **Kosovo** where government funding of civil society is a rare occurrence and relatively insignificant in amounts

¹⁶ See Annex 4 for a comparison of government support to CSOs per head of population in the eight IPA countries.

¹⁷ See above section 3.2

disbursed. In Turkey, only a very small number of CSOs receive state resources, usually by means of project partnerships, rather than grant allocations or service contracts. Poor coordination between government and civil society and the lack of formal procedures for defining government support to CSOs means that there is very little information available which can shed light of the frequency and size of government-CSO project partnerships. In Kosovo, there are also no institutional mechanisms for facilitating government support to CSOs. Line ministries include CSOs in specific, one-off projects and very occasionally outsource limited services or activities to CSOs. Within central government, this last has been practiced most by the Ministry of Culture, Youth and Sports, while it is becoming more common within municipalities. Scarcity of public resources for civil society combined with the current underdevelopment of domestic philanthropy renders civil society in Kosovo dependent on insufficient international donor resources to an excessive degree.

In **Albania**, CSOs also remain largely dependent on greatly reduced international donor assistance. The establishment this year of an independent and properly regulated government Civil Society Support Agency (CSSA), with an annual budget of €800,000 for the purpose of providing a wide range of project grants, is an important, if modest contribution to otherwise restricted state funding of civil society in Albania.¹⁸ Line ministries in central government contract CSOs for service delivery and dispense project grants in a relatively *ad hoc* manner and without clear institutional mechanism. The Ministry of Tourism, Culture, Youth and Sports is the most notable government supporter Albanian CSOs, providing a total of approximately €740,000 for projects in the fields of culture, arts, sports, cultural heritage and youth, while the Ministry of Labour, Social Affairs and Equal Opportunities contracts CSOs to run a number of its services such as, care centres, training and education centres and vocational training. Local governments, generally low on capacities with limited budgetary resources, are only now beginning to offer very limited support to CSOs which provide services in the community.

On paper, governments in **Serbia** and **Bosnia and Herzegovina** are the most important sources of civil society finance. However, in both countries selective and politicised funding preferences of public administrations, lack of transparency concerning the funding process and the absence of institutional processes ensuring that funds are awarded in a coherent, fair and accountable way limits effective access to government support to a small range of CSOs and social fields. Nominally, total government funding in Serbia in 2008 (including central, provincial and local levels of public administrations) of CSOs amounted to approximately €60 million, representing an impressive four-fold increase since 2003. However, this sum includes an unknown proportion, assumed to be of significant size, which is allocated to sports and religious organizations, as well as political parties. Accessing the remainder intended for CSOs is an unpredictable process, as support is rarely disbursed within the framework of a planned programme or grant scheme, according to clear, transparent guidelines and qualitative criteria. A notable exception to this is the Ministry of Youth and Sports which has disbursed over €3 million in CSO grants over the last two years towards the implementation of the National Youth Strategy. Most ministries in Serbia will sign individual service contracts with CSOs for a variety services using money available under the budget line for general support to civil society.

The province of Vojvodina has operated a Fund for the Development of the Non-Profit Sector since 2004, which supports projects that promote the development of CSOs and improved cooperation between local authorities and CSOs. A number of Serbia's larger cities, including Belgrade, Niš,

¹⁸ See also section 3.2

Novi Sad, and Zrenjanin, have established similar funds, but these remain in the early stages of development.

In Bosnia and Herzegovina, the broad outlines of government funding of CSOs is similar. In 2008, total government support for CSOs amounted approximately €59 million. However, a large proportion of the CSO community and a broad range of civil society activities are in effect excluded from meaningful support from public funds in B&H, on account of extremely selective funding preferences of the various governments, which privilege sporting activities and services to disabled veterans of the Bosnian war over and above all other interests, and a failure on the part of government generally to recognise the importance of civil society for the public good. This determines that governments tend to disburse very small amounts of funding to the greater majority of CSOs, more as means of regulating the distribution of public funds and relieving pressure from CSOs for governmental funding.

Availability of CSO funding in B&H reflects the country's complex political and administrative structure and high levels of decentralisation. Thus, municipalities are the single largest source of CSO funding, accounting for 55% in 2008, followed by the entities (approx. 20%), the cantons of FBiH (approx. 18%) and the city of Sarajevo (proportion unknown). Centrally allocated funds are the smallest source of CSO funding by some way, amounting to just over 2% of the total government support for civil society in 2007. Although sporting activities, as elsewhere, are the main beneficiary of central government assistance (35.5%), state ministries are the only government institutions which administer CSO support through properly organised project grants with clear, objective-oriented application procedures. In 2009 the central government awarded a total of 258 CSO grants in a wide range of social fields, including gender equality, human rights, minority rights and social inclusion and youth empowerment.

In **Montenegro** and **Macedonia**, even allowing for both countries' small populations, overall government funding of civil society is relatively small. Montenegro has instituted two state funding mechanisms, both of whose effectiveness and integrity is seriously impaired by lack of transparency and poorly developed and inappropriate funding criteria. A government Commission allocating a total of €3.4 million from the national lottery supports a wide range of service-delivery projects defined as public benefit activities carried out by both CSOs (receiving 60% of the funds) and public institutions (40%) However, as the Commission only provides part-funding, many CSOs in receipt of grants are unable to complete their projected activities. In addition, a restricted definition of what constitutes a public benefit activity and the fund's purpose to support only service-delivery projects effectively excludes advocacy and policy-oriented CSOs and those active in democracy, good governance and the promotion of human rights. Generally, the vast majority of CSOs operating in these areas do not receive any form of public funding and remain dependent on international sources of finance in the short-term with no clear means of establishing their longer-term sustainability.

A separate parliamentary Commission disburses €350,000 annually in small grants of between 500 to €10,000 for projects in an expanded range of areas which also includes human rights, the development of civil society and the promotion of European integration. This instrument's practice is to award some funding (on average around €1,700) indiscriminately to all those who apply, with the result that many under-capacitated or even inactive CSOs are supported, while the opportunity to assist larger-scale actions with the potential for greater impact are ignored.

In addition to the commissions, some central ministries, most notably the Ministry of Culture, Sports and Media and the Ministry of Environmental Protection, have established funds dedicated to the support CSO projects. At the local level each municipality has a local committee which provides small-scale project funding of between a few hundred and a few thousand Euro. In total the 23 municipalities provide a little over €800,000 (2008). However, the effect of this not inconsiderable overall sum is diminished by the failure to apply application criteria and to award grants in a similar way to those of the parliamentary Commission.

Government funding in Macedonia is almost entirely restricted to resources from central government. Over the last few years government allocations to non-governmental organisations have amounted to between €4 and €7 million. As is the case in Serbia, it is not clear how many of these funds reach CSOs, as the allocation includes transfers other non-for-profit organisations, such as trades unions, religious communities and political parties.

Government funds are available through the individual line ministries and state institutions for, broadly speaking, service delivery and humanitarian activities. Although a Code of Good Practices for the financial support by government of citizens associations and foundations exists, support to CSOs is rarely carried out in a transparent manner according to clear and equitable criteria. Very often funds are allocated to arbitrarily pre-selected beneficiary organisations and only a very few state institutions distribute funds through open calls to tender.

Since 2009 the Code of Good Practices has been applied to a specially designated Programme for financing of project activities of associations and foundations alone, worth approximately €245,000. The implementation of the programme according to properly developed funding criteria and standards is a step forward to increasing access and funding effectiveness. However, as the programme aims to disburse around 100 grants each year, support for support for each organisation is very small and sufficient to cover only very limited actions.

7. CONCLUSIONS

7.1 Summary of main findings

- Broadly favourable legal frameworks governing civil society are in place in all IPA countries, guaranteeing CSOs their right to operate as independent, voluntary, private organisations, free from interference from government or state institutions. Framework laws establish appropriate rules and procedures governing CSO operations and governance, recognise the rights of CSOs to play a representative role through advocacy, lobbying and policy dialogue and, in most cases, provide financial arrangements which enable CSOs to operate as non-for-profit organisations. Governments and civil societies, though, continue to show willingness to work together to refine and improve legal frameworks.

Outdated and restrictive laws on foundations (and funds) in Croatia and Serbia constrain the development of more diverse civil societies in these countries and also the growth of a key source of civil society funding which is independent of governments and official donors. Reform of the laws on foundations in both countries is essential for the long-term sustainability of their civil societies.

In Turkey, inconsistent or vague wording in CSO laws and insufficient harmonisation of CSO laws with the other relevant regulations opens the door to discretionary and prejudiced application of the law by government authorities. In practice, CSOs in Turkey do not enjoy full organisational autonomy and freedom of expression, particularly concerning the right to advocate and campaign, in the registration process and also when fundraising. CSO law and related legislation should be revisited to remove ambiguities, clarify CSOs fundamental rights and improve overall legal harmonisation.

- In all countries, except Serbia, the law distinguishes between public benefit and mutual benefit organisations and establishes the principles by which the former are offered financial incentives to fulfil their social purposes. However, no country has so far managed to institute a coherent, workable and fair system for defining and awarding public benefit status and then for delivering benefits to PBOs and monitoring their work. In Croatia and Macedonia the system of defining and administering public benefit status is currently subject to reform and developments here should be monitored closely.
- Across the region the effectiveness of CSO laws is diminished by insufficient coordination of their provisions with a variety of other relevant financial and legal regulations and the failure to enact supporting legislation in key areas. In particular, legislation to encourage and regulate voluntarism is largely absent in the IPA countries, or diminished by a lack of harmonisation with labour laws.
- The financial frameworks within which civil society operates in the IPA countries all provide reasonable or moderate encouragement to CSO activities and are broadly in line with other European countries. CSOs universally are granted freedom to receive charitable donations and donor aid free from income tax. In addition, CSOs receive a limited number of various other tax concessions and exemptions (the details of which differ from country to country) and are permitted to carry out economic activities in support of their stated purposes.
- All IPA countries attempt to stimulate philanthropy by means of offering tax deductions to individuals and companies wishing to donate to CSOs. In principle, incentives in Albania and Serbia are limited in their potential, as they do not extend to individuals. There is also considerable variation between the countries in the overall size of deduction allowed, ranging from only 0.5% of taxable income in FBiH to relatively generous 5% limits in Kosovo and Turkey. However, in practice, incentives in all countries are achieving insignificant increases in charitable giving. Governments and CSOs are failing to publicise the incentive schemes adequately; an absence of a culture of giving presents a considerable barrier in the Western Balkans; limited overall wealth in all countries is a constraining factor; and poorly functioning systems for deciding public benefit status in some countries limits the range of potential beneficiary organisations. Lessons from other countries suggests that extending incentives for individual giving by means of payroll giving, or the introduction of percentage schemes might do more to encourage a culture of philanthropy.
- Croatia is alone in having developed a comprehensive institutional architecture for mediating relations between government and civil society and supporting civil society's further development. This includes a partnership agreement between government and civil society extended into an agreed strategy with action plan for the development of civil society; the establishment of a well-functioning government Office for Cooperation with NGOs free from

political control; a participative mechanism for government-civil society dialogue (Council for Civil Society Development), charged with creating and implementing national strategy concerning civil society; and a decentralised and adequately funded public foundation providing CSOs institutional support and project funding.

In Turkey no progress has been made towards developing government policy towards civil society or creating institutional means of cooperating with CSOs.

The remaining IPA countries are to a lesser or greater extent at an early stage in the process of institutionalising relations between the two sectors. Partnership agreements have been achieved everywhere, except in Serbia. These often establish the basis for setting up bodies for cooperation with civil society. In the main, agreements foresee the establishment of a centralised liaison office independent from other government departments complemented by a joint government-civil society policy-making body. Inspiration is clearly taken from Croatia, which is viewed as a model of best practice for the region. Apart from in Macedonia, where a Unit for Cooperation with NGOs was instituted in 2004, these bodies are either still very young and lacking in capacity, or remain on paper. Progress is slow, and a common problem appears to be reluctance on the part of governments to commit to practical measures agreed on in dialogue with civil society. In addition, establishing the effective independence of the liaison office, by situating it at “arms length” from government is proving problematic. Momentum to the process in all countries is provided by international support, in particular from the EU, principally by means of technical assistance for establishing and building the capacities of cooperation bodies.

- Movement towards institutionalising cooperation between governments and civil society at the central level is not matched by similar developments at the local level anywhere in the region.
- No parliament in the IPA region has instituted a standing body for the purpose of coordinating with civil society and enabling CSOs to lobby and represent the interests of their constituents to parliament. This is a serious gap in the structures governing the democratic process.
- Government capacities for engaging civil society in dialogue on specific social policies remain limited in all IPA countries. There is an unmistakable trend within all countries towards more frequent, substantive and harmonious relations between governments and civil society on a range of policy issues, but no country has developed either a consistent and identifiable approach to encouraging public participation in decision-making, or a coherent set of institutional mechanisms throughout government for cooperating with CSOs on social policy.

There is a low understanding within government circles of participatory democracy and its benefits to effective social policy. Political leaders and civil servants everywhere are at best ambivalent concerning the legitimacy of CSOs’ role in social policy and throughout the region they are generally reluctant to accept civil society as a genuine partner. This imposes a major institutional constraint on the effectiveness of civil society in the IPA countries.

- Regardless of the progress individual countries have made towards European integration, civil societies in the IPA countries enjoy limited opportunity to participate in determining country accession strategies or to contribute to the programming of EU country support. In no country

does a “sustainable triangle” of government-EU-civil society relations exist. EU delegations are doing insufficient to consult with CSOs directly and they have not established institutional systems for regulating their dialogue with civil society. National agencies for European integration are largely unresponsive to civil society requests to participate in the accession policy process.

- In the present climate of reduced international support to civil society and the scarcity of domestic private funding, governments in the IPA countries have a key role to play in supporting CSOs and achieving civil society sustainability.

The general trend across the region for governments to increase their financial support to civil society masks wide variations in the levels of funding achieved, its accessibility to CSOs and the process by which it is awarded. In Turkey and Kosovo government funding to CSOs remains a rare occurrence and overall amounts disbursed are relatively insignificant. This contrasts with the favourable situation in Croatia where the government provides generous financial support to CSO activities to a total far in excess of that provided in all the other IPA countries. Significant overall sums in Croatia are also available at all levels of public administration – central, country and municipal. A remarkable feature of Croatian government support is that project grants, which comprise the lion’s share of available finance, are subject to legally binding transparent and properly specified public calls for proposals which are coordinated by the Office for Cooperation with NGOs.

Elsewhere in the IPA countries overall levels of government support remain at levels insufficient to support a full range of civil society activities and to overcome continued attitudes among CSOs of dependence on international donors. Access to government support is often limited by the practice of making funds available principally at only one level of public administration, central or local. Equal access to and the effectiveness and integrity of CSO funding is also seriously impaired by lack of transparency and poorly developed and inappropriate funding criteria.

Throughout the region, a disproportionate amount of official support to CSOs is allocated to sports associations and other mutual benefit organisations at the expense of PBOs. This highlights the wider problem of the basic misunderstanding of, or failure to recognise, within the social purpose of civil society and its relationship to the implementation of effective social policy.

In all countries, governments have a strong preference for funding projects which deliver services in the community, such as training and education. This means that reform and advocacy-oriented, politically independent CSOs everywhere are largely denied government support and often remain dependent on increasingly scarce international funding sources.

7.2 Recommendations for TACSO programming

The following recommendations are to be carried out with consultation and cooperation with local EU delegations and national ministries / agencies for European integration.

- In each country, by mediating between and coordinating civil society and national governments, facilitate a review of the full range of legal and financial regulations which apply to civil society, in order to identify gaps, inconsistencies and areas of possible improvements in

the legal environment for civil society. Provide technical support for a process of re-drafting or amending legislation and improved implementation. Particular attention should be paid to harmonising financial and tax regulations with CSO framework laws, and also the adoption of appropriate labour law and laws on voluntarism.

TACSO would be well placed to provide examples of best practice and alternative approaches from around the IPA region.

In Serbia and Croatia, TACSO teams should support civil society efforts to finalise texts and introduce new modern laws on foundations, facilitating cooperation between civil society and government.

- Monitor closely the process of reform of the system for defining and administering public benefit status in Croatia and Macedonia, in order to identifying best practice and practical lessons for the whole region.

Work with civil societies in each country to identify respective improvements to the system of public benefit status. Facilitate discussion and negotiation with governments on implementing desired changes to each system.

Arrange regional workshops on public benefit status – its purpose, definition, privileges attached to it and its administration – with the participation of relevant civil servants, decision-makers and CSOs, with contributions from other countries beyond the IPA region, in order to improve understanding of public benefit status and its relationship to effective public policy, to increase support for it and to exchange practical lessons.

The above workshops might be supplemented on a series of other regional cross government-civil society learning events, with the participation of experts from other countries, on government funding of civil society and fiscal measures to encourage private support for CSOs.

- Organise a series of regional events (workshops, conferences, discussion groups etc) with the participation of relevant decision-makers, civil servants and civil society representatives on philanthropy: - understanding its benefits to social policy and civil society, how to promote it within society (including practical methods), evaluating fiscal measures in place to support it and reviewing alternatives, looking at policy instruments assist philanthropic support to civil society (including public benefit status), etc.
- Continue to support the efforts ongoing in all countries towards establishing institutional arrangements – government-civil society agreements and strategy, government offices for cooperation with CSOs and other institutional vehicles for cross sector dialogue - . Depending on the circumstances in each country and whether these efforts are subject to other specially dedicated TA projects or not, TACSO teams could provide information, access of governments to civil society actors and *vice versa*, direct facilitation of dialogue and planning between governments and civil society, study visits to other IPA countries and other forms of regional exchange for learning, such as workshops and conferences.

- Establish partnership with relevant public and governmental institutions at the local level, in cooperation with local CSOs, to promote and provide support for the establishment local-level institutions of government-civil society dialogue and cooperation.
- Mediate contacts between national parliaments and civil society in all countries with a view to improving cooperation between CSOs and parliamentarians generally, strengthen the work (communication) of existing issue-based parliamentary forums and committees in which CSO representatives already participate and to establishing parliamentary mechanisms (such as standing committees or coordination offices) through which civil society may enjoy improved access to parliaments and through which civil society may lobby on behalf of constituency interests.
- Assist civil societies to lobby and negotiate with national governments for the establishment of government-wide rules and procedures which ensure the meaningful public consultation and CSO participation in the development of all areas of social policy.
- Work in close cooperation with EU delegations to establish systems for improved and regular consultation with CSOs on EU programming. Increase the information on the EU and the accession process available to CSOs. Work in close cooperation with national agencies for European integration to facilitate greater and institutionalised dialogue with civil society on national strategies relating to the process and promote a triangle of government-EU-civil society relations by exploiting TACSO's privileged position of access to all three actors.
- Establish partnership with national CSO funding agencies and government departments allocating public funds to civil society and facilitate civil society efforts to persuade governments to adopt transparent, equitable and properly specified procedures for awarding CSOs funding.

Annex 1 Acronyms and abbreviations

B&H	Bosnia and Herzegovina
CCSD	Council for Civil Society Development (Croatia)
CCSA	Civil Society Support Agency (Albania)
CSO	Civil Society Organisation
DEI	Directorate for European Integration (Bosnia and Herzegovina)
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HRK	Croatian Kuna
IPA	Instrument for Pre-accession Assistance
MIPD	Multi-annual Indicative Planning Document
NFCSD	National Foundation for Civil Society Development (Croatia)
NGO	Non-Governmental Organisation
PBO	Public Benefit Organisation
PWD	People With Disability
ICNL / ECNL	International Centre for Not-for-Profit Law / European Centre for Non-Profit Law
TACSO	Technical Assistance to Civil Society Organisations
TAIEX	Technical Assistance and Information Exchange
UK	United Kingdom
VAT	Value-Added Tax

Annex 2 Summary of the legal frameworks governing CSO operations in the Western Balkans and Turkey

Country	Conditions contributing to an enabling legal framework for CSOs and their operations								
	Enabling framework law (Associations & Foundations)	Quick, easy, accessible registration process	Public benefit status defined by law	Right of CSOs to participate in formulation & implementation of public policy	Laws for volunteering	CSOs and businesses differentiated - appropriate adjustment in tax liability	Freedom to fundraise at home and abroad. Grants, membership fees, gifts etc exempt from tax	CSOs permitted to carry out economic activities	Fiscal regime encourages culture of philanthropy
Albania	<p>Yes</p> <p>No minimum endowment for foundations</p> <p>Consultation with CSOs in drafting law</p>	<p>Yes, but centralized registration reduces access of grassroots CSOs</p>	<p>Very loosely defined. Status apparently not regulated.</p> <p>Tax benefits to economic activities.</p>	<p>Yes</p>	<p>No information</p>	<p>No, as tax laws have not been amended in line with CSO law.</p> <p>As of 2008, 20% VAT on all donations received and service contracts must be paid by CSOs.</p>	<p>Yes</p>	<p>Yes.</p> <p>CSOs subject to same tax on income as businesses, except those defined as serving Public Benefit</p> <p>All CSOs exempt from charging VAT on services.</p>	<p>Partly - Business "sponsors" of CSOs may claim tax deductions against donations up to 4% of taxable income.</p> <p>No tax incentives for individuals to give charitably.</p>
Bosnia and Herzegovina	<p>Yes</p> <p>Entity laws harmonized with state law.</p>	<p>Entity level – Yes (30 days);</p> <p>State level subject to complicated bureaucracy (50-60 days).</p> <p>Lack of harmonization between three levels affects rights to operate throughout the country and to receive government funding.</p>	<p>Public Benefit status defined.</p> <p>Criteria for award of PB status not defined and dispersed system of administration.</p> <p>Benefits of PB in practice not clear and rarely realised.</p>	<p>Yes</p>	<p>No law at state level.</p> <p>Law adopted 2008 in one entity (Republika Srpska).</p>	<p>Yes.</p> <p>CSOs are exempt from charging VAT on services provided.</p> <p>But no exemption on paying VAT on services and goods CSOs buy in.</p>	<p>Yes</p>	<p>Yes.</p> <p>CSO may form separate entity to carry out economic activities not directly related to its mission.</p>	<p>Yes, but encouragement is very modest. Income and business taxes are levied at entity level. In FBiH donations from individuals and businesses may be deducted against tax only to 0.5% of income.</p> <p>In the RS, this is raised to 2%.</p>

<p>Croatia</p>	<p>Generally Yes.</p> <p>Law gives government too many discretionary powers over the internal governance of foundations. This has proved a powerful disincentive to establish foundations.</p>	<p>Generally supportive legal frame for establishment of CSOs</p>	<p>Precise definition and process of achieving Public Benefit status unclear in law and in practice.</p> <p>PB confers important tax concessions.</p> <p>PB status only open to certain CSOs defined as Humanitarian Organisations, thus excluding a significant number of CSOs working in the public interest.</p> <p>The government and civil society are currently debating a Draft Law on PB organisations in order to clarify PB status and make it fully functional.</p>	<p>Yes</p>	<p>Law on Volunteering (2007) complements NGO law, but is undermined by lack of appropriate amendments to Labour Law.</p>	<p>Yes</p> <p>CSOs exempt from tax on profit from economic activities.</p> <p>But CSOs with an annual turnover in excess of 12,100 EUR must register for VAT and so include VAT on services which are charged for.</p> <p>Few exemptions to paying VAT are available. The import of humanitarian aid is exempt from VAT.</p>	<p>Yes</p>	<p>Yes</p>	<p>Businesses and individuals may deduct donations to CSOs against tax up to a limit of 2% of income.</p>
<p>Kosovo (under UNSCR 1244)</p>	<p>Yes</p> <p>Law of 2009 a significant advance on 1999 UNMIK regulation.</p> <p>Law drafted on wide consultation with CSOs</p> <p>Government has initiated a further review of the law</p>	<p>Yes, but the existence of a single registration office in Prishtina is an impediment to greater numbers of registrations from the marginalised and geographically distant K-Serb communities.</p>	<p>Public Benefit status of CSOs defined. Qualifying CSOs are exempt tax on earned income and can benefit from tax incentives to charitable giving offered to individuals and businesses.</p>	<p>Yes</p>	<p>No information</p>	<p>Partially.</p> <p>Tax exemptions are only available to Public Benefit organisations. All other CSOs are treated the same as profit-making businesses for tax purposes.</p> <p>No VAT concessions are available to CSOs.</p>	<p>Yes</p>	<p>Yes, but with the limitation that all services provided must be to further the CSOs' stated objectives.</p>	<p>Businesses and individuals may deduct donations to CSOs with Public Benefit Status only, to a limit of 5% of income.</p>

	(June 2010).								
Macedonia (FYR)	<p>Yes</p> <p>A new CSO Law was adopted in April 2010, significantly improving the legal and financial framework and also clearing up ambiguities in the internal governance of CSOs</p> <p>Drafting of the new law included the close consultation with leading national CSOs.</p>	<p>Yes, very quick and simple registration process (5 days).</p> <p>New law grants right to foreigners, minors (15 years and over) and legal entities to establish associations.</p>	<p>Public Benefit status defined for first time in new law.</p> <p>Definition of PB is detailed, clear and broad enough to enable all CSOs working in the public interest to apply.</p> <p>The new law provides for a single commission for award and oversight of PB status.</p> <p>It is still unclear what benefits PB status confers on CSOs, as expected tax and customs benefits are not specified in the new law. Presumably PB organisations will benefit from private donations deductible against tax allowed under the Law on Donations and Sponsorships.</p>	<p>Yes. The new law explicitly makes provision for CSOs' role in advocacy and policy dialogue (Art 14) and the implementation of social policy programmes (Art.90).</p> <p>This would appear to overrule the 2008 Law on Lobbying which restricted the right to "lobby" to only those CSOs which were "invited" to do so by the relevant legislative body.</p>	<p>The Law on Volunteering adopted in June 2007</p>	<p>Possibly.</p> <p>The new law refers to tax exemptions for all CSOs "pursuant to the law." These are not defined. Until now CSOs have been liable for the full range of taxes levied on businesses: the standard business tax on profits, property tax, gift and inheritance tax, VAT on all purchases of goods and services, customs and other import duties.</p>	<p>Yes</p>	<p>Yes – an innovation under the new law.</p>	<p>The Law on Donations and Sponsorships for Public Activities (2006) provides individuals and businesses a range of tax incentives to support CSOs working in the public interest. Now that Public Benefit has been defined, it is assumed this law will apply to CSOs with PB status.</p> <p>The law is unusual in offering a double incentive to charitable giving, by granting the receiving party the right to claim back any VAT on the donation.</p>
Montenegro	<p>Yes.</p>	<p>Yes. Simple and quick registration procedure (approx. 10 days)</p>	<p>The concept of "public benefit" is unclear in legislation. CSOs are obliged to work in the "public</p>	<p>Yes</p>	<p>Law on Volunteering adopted April 2010.</p> <p>The law</p>	<p>Yes – but significant tax exemptions are limited to income from non-economic activities (grants, gifts etc). This is the result of</p>	<p>Yes</p>	<p>Yes</p> <p>CSOs may undertake economic activities of a general nature, so</p>	<p>Businesses and individuals may deduct up to 3.5% of their gross income against tax for donations</p>

			<p>interest,” though officials have no means of determining what this is.</p> <p>There is a contradiction between the concept of public benefit in the CSO law and the various financial laws.</p>		<p>considered by CSOs to control and regulate rather than facilitate and promote voluntarism</p> <p>The position of volunteers and volunteer-involving organisations concerning rights and responsibilities is unclear.</p>	<p>amendments made to the CSO laws in 2007 in order to close down manipulation by unscrupulous businesses of the favourable tax status enjoyed by CSOS.</p> <p>CSOs are exempt business tax on only the first 4,000 EUR of earned income (i.e. turnover, not profit).</p> <p>CSOs pay VAT at the standard rate on the majority of goods and services they buy in.</p> <p>On important exemption for CSOs charging for services is that they do not have to register for VAT when their annual turnover reaches the VAT threshold of 18,000 EUR, so there is a broad exemption for VAT on CSO services.</p>		<p>long as profits are dedicated to advancing its statutory objectives.</p> <p>If a CSO’s annual income exceeds 4,000 EUR or 20% of the organisation’s overall income, it must establish a separate business under normal commercial rules to engage in economic activities</p>	<p>to medical, educational, scientific, religious, cultural, sport, humanitarian and environmental purposes.</p>	
Serbia	<p>Yes for associations, with the coming into force of a new Law on Associations in October 2009.</p> <p>No for foundations, which still operate under a restrictive law dating back to</p>	<p>Simple registration procedure.</p> <p>Founding an association has been simplified (founders reduced from 10 to 3) and liberalised (legal persons as well as natural persons may found CSOs)</p>	Not defined	Yes	<p>Law on Volunteering adopted April 2010.</p> <p>The law considered inappropriate by CSOs, hindering rather than facilitating the engagement of volunteers.</p>	<p>No</p> <p>CSOs are broadly subject to the same tax rules as small and medium enterprises.</p> <p>In common with profit-making businesses, CSO must register for VAT when annual turnover reaches 43,000 EUR.</p> <p>CSOs benefit from a variety of VAT</p>	Mainly yes.	<p>CSOs are exempt tax on most sources or donated income but associations are liable to 2.5% tax on gifts-in-kind and property.</p>	<p>Yes.</p> <p>Income from economic income is exempt profit tax on approximately the first 3,150 EUR.</p>	<p>Businesses may deduct up to 3.5% gross income for charitable donations, clearly defined by the New Law.</p> <p>No tax incentives for individuals to give charitably.</p>

	ex-Yugoslavia (1989) and is irrelevant to changed socio-political and economic conditions	by the new law				exemptions, including the import of goods for humanitarian aid, applicable to all economic subjects.			
Turkey	<p>Yes – separate laws for foundations (2008) and associations (2004) have re-established the principles of freedom of association and the autonomy of CSOs</p> <p>Vague in the laws and contradiction undermine consistent application of laws and allow government too many discretionary powers over civil society.</p> <p>Unusually, there are no restrictions of CSOs supporting or receiving support from political parties, raising questions concerning the independence of civil society.</p>	<p>Yes, a simple process taking (officially) no more than 30 days.</p> <p>The new law on foundations has eased establishment of new foundations by lowering the amount of qualifying assets considerably to around 23,000 EUR. In the international context, this still remains a large amount and an obstacle to increased registrations</p>	<p>Different definitions of Public Benefit apply to associations and foundations.</p> <p>The benefits of PB status to CSOs’ fundraising are limited.</p> <p>The system of awarding PB status is not transparent and subject to arbitrary decisions influenced by personal and political interest.</p>	<p>Only partially.</p> <p>The right to advocate alternative opinions to the government is recognised in law, but doing so may still risk legal sanction in the courts and “blacklisting.”</p>	No information.	No - tax is incurred on all economic activities. They are liable for most other taxes, including the payment of VAT on goods and services and also the 25% tax levied on rent for office premises	<p>Yes, but CSOs can only conduct public fundraising campaigns and face-to-face collection of private donations (and similar on the internet) on gaining prior permission from local authorities.</p> <p>Relevant tax exemptions apply for donations, gifts, grants etc, including for foundations, inheritance tax.</p>	Yes, but CSOs are subject to the same tax on income as businesses.	Business and individuals are eligible to claim up to 5% of their annual income against tax for donations to CSOs granted a public benefit status.

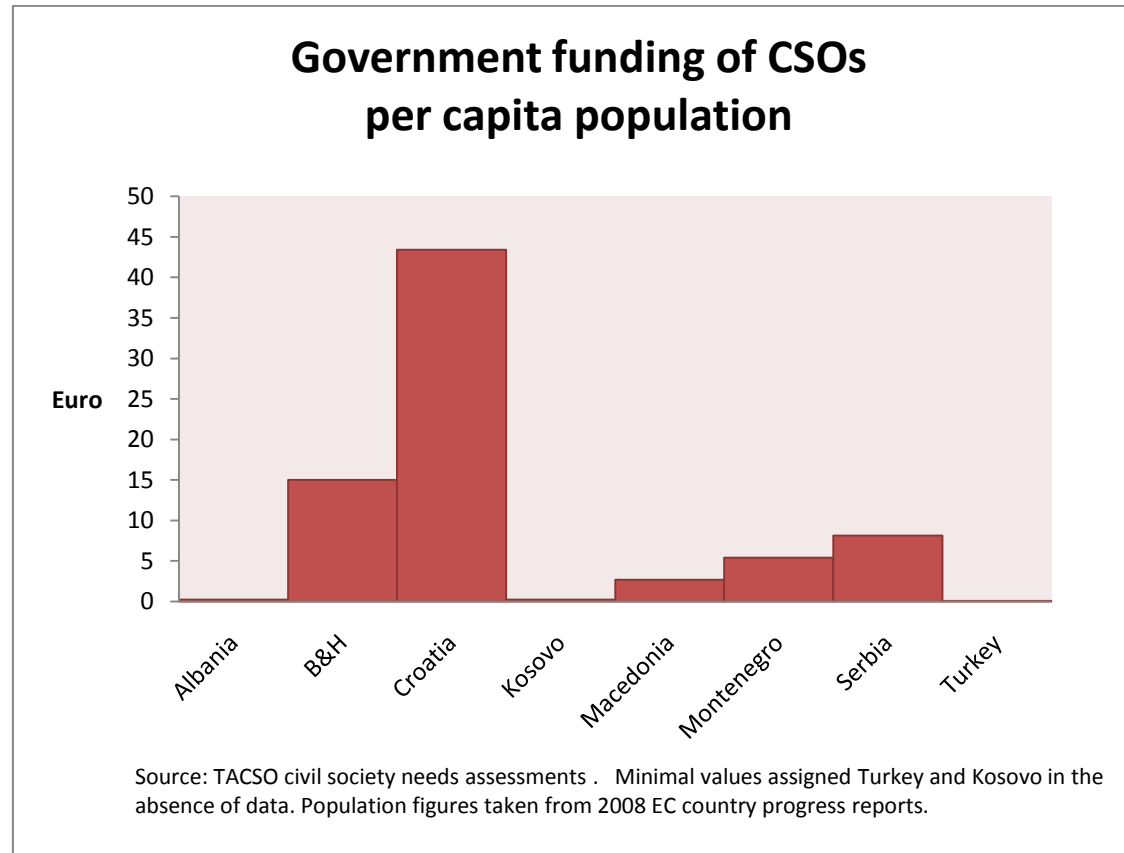
Annex 3 Institutional framework for mediating relations between government and civil society

	National Agreement between State and civil society / National strategy developed	Government office/s for coordination with CSOs established	Civil society participation in coordination system institutionalised	Local government with institutions for cooperation with local CSOs	Agreements between local government & local civil society / local-level strategy	Parliamentary body for cooperation with civil society.
Albania	<p>Draft joint government – civil society document, Civil Society Charter developed to define relationship and principles of cooperation.</p> <p>No strategy.</p>	Government agency for support to civil society – principally a funding mechanism (Civil Society Fund) in inception phase.	Supervisory board with majority of civil society representatives constituted March 2010	No. Ad hoc cooperation	No	No
Bosnia and Herzegovina	<p>Agreement on Cooperation, 2007 proposes establishing:</p> <ol style="list-style-type: none"> 1. Formal institutions of cooperation 2. Development of national strategy for the development of SC. 3. Extending cooperation to all sub-national levels of government 	<p>No</p> <p>Current EU TA programme intends to establish an office for cooperation with CSOs.</p> <p>One-person department in Min of Justice is responsible for all liaison activities with CS.</p>	<p>Not applicable</p> <p>The Agreement envisages a steering committee (CS Council) for the office for cooperation, with significant CSO representation.</p>	<p>Entity & canton level – No</p> <p>31 (of 142) municipalities with joint bodies government –CS bodies to define priorities for CSO support.</p> <p>A few municipalities have commissions for the award of municipal support CSOs</p>	<p>Entity & canton level - No.</p> <p>67 (of 142) municipalities signed a protocol for cooperation.</p>	No

Croatia	<p>Agreement of 2001 (Programme of Coop. Between the Government and CS) established principle of partnership with government for CS and government duty to support CS, and action plan for development of CS.</p> <p>Programme provided basis for all future policy.</p> <p>Programme superseded by current National Strategy for Creation of an Enabling Environment for CS Development, 2006-11.</p>	<p>Office for Cooperation with NGOs (1998) created impetus for 2001 Programme.</p> <p>Strategy development and monitoring of state financial support of CSOs carried out by a joint government-CS Council for Civil Society Development,</p> <p>Funding of CS activities & development devolved to a national foundation with 4 regional offices</p>	<p>Council for Civil Society Development established 2002 as government advisory body. 50% CSO representation + 3 external CS experts.</p>	<p>Advisory boards in 39,5% of municipalities</p>	<p>Only 18.1% of municipalities signed agreements of cooperation with CS.</p>	<p>No.</p>
Kosovo (under UNSC Res.1244)	<p>Memorandum of Cooperation, 2007 between government & CS establishes CS' right of partnership with government. Also sets out agenda for establishing institutions to support government-CS interaction.</p> <p>No strategy developed</p>	<p>No – Dept. for Registration and Liaison has capacity and mandate only for registrations.</p>	<p>Not applicable</p>	<p>Effectively, not in place.</p> <p>Municipalities are required to hold public consultations on the budget and development plan at least twice a year.</p>	<p>No</p>	<p>No</p> <p>A parliamentary committee on European Integration deals indirectly with civil society in this area.</p>
Macedonia (FYR)	<p>Strategy for Cooperation of the Government & CS 2007-2011 developed with CS involvement.</p>	<p>Unit for Cooperation with NGOs since 2004, but capacities and scope of work limited.</p>	<p>No – Unit for Cooperation is not complemented with a participatory advisory body or steering committee.</p>	<p>No – no known cases institutional arrangements for cooperation.</p> <p>municipality: Action Plan for Cooperation with CSOs.</p>	<p>A small number of urban municipalities have cooperation strategies: City of Skopje & Karpoš</p>	<p>No</p>

Montenegro	<p>Strategy and Action Plan for Cooperation Between Government and CSOs, adopted 2009. High level of input from CS.</p> <p>The Strategy establishes the principles of partnership, rules and procedures for government to engage CS, and specifies actions to that end.</p>	Government Office for Cooperation with NGOs est. 2007.	2010, Government issued decree to set up a joint government – CS Council for Cooperation, with 50% of members from CS, to further cooperation between the 2 sectors, to develop institutions to that purpose and to monitor implementation of the Strategy for Cooperation.	No	Mainly No Declarations of cooperation with CSOs adopted in 3 of 21 municipalities	No CSO – parliament working group established May 2010 to draft a Memorandum of Cooperation
Serbia	No national strategy	<p>No – Government decision, April 2010, to establish an office for cooperation with CSOs.</p> <p>Ad hoc cooperation via Civil Society Council at the Prime’s Minister Office – includes some CSO representation.</p>	Not applicable	No	No	Some CS participation in the National Parliamentary Forum, which meets periodically to discuss issues arising from the Poverty Reduction Strategy.
Turkey	No	No	Not applicable	No	No	No

Annex 4 Government funding of CSOs



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