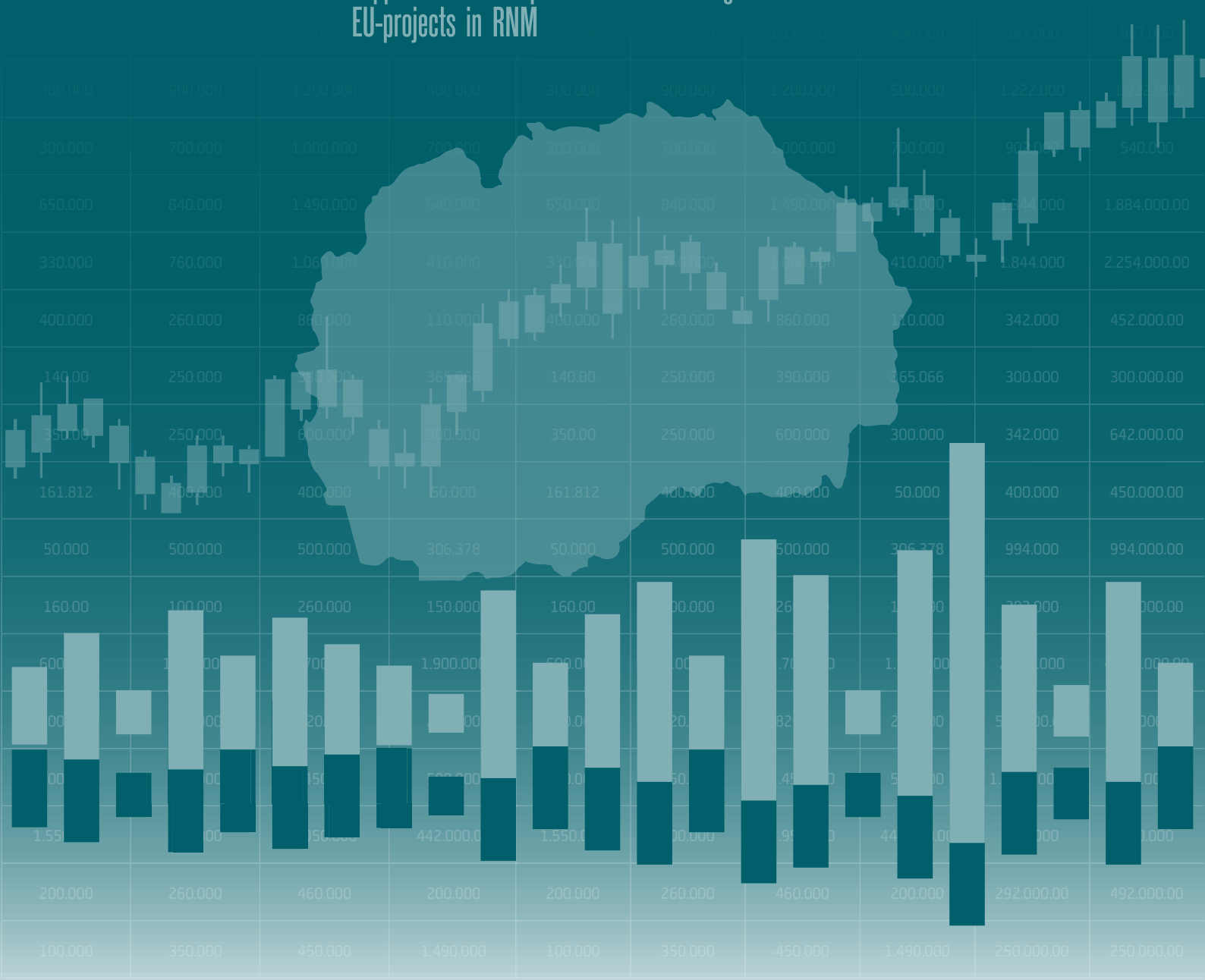




# Analysis

of funding for associations and foundations from the budget of the Republic of North Macedonia (in the period from 2017 to the first half of 2019) with comparative analysis of state funding models in other countries and proposed model for civil society support and development and co-funding for EU-projects in RNM



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## LIST OF ABBREVIATIONS

AYS	Agency of youth and sport
GDP	Gross domestic product
CSOs	Civil Society Organizations
GS	General Secretariat of the Government of RNM
DEU	Delegation of the European Union
LSGUs	Local Self-Government Units
EC	European Commission
EU	European Union
LAF	Law on Associations and Foundations
AFU	Associations, Foundations and Unions
IPA	Instrument for Pre-Accession Assistance
MESP	Ministry of Environment and Spatial Planning
MoE	Ministry of Economy

MoH	Ministry of Health
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MISA	Ministry of Information Society and Administration
MoC	Ministry of Culture
MLSG	Ministry of Local Self-Government
MES	Ministry of Education and Science
MoJ	Ministry of Justice
MLSP	Ministry of Labour and Social Policy
MoF	Ministry of Finance
RNM	Republic of North Macedonia
SIFA	Secretariat for Implementation of the Framework Agreement
FITD	Fund for Innovation and Technology Development
CRRNM	Central Register of the Republic of North Macedonia
CEE	Central and Eastern Europe

# EXECUTIVE SUMMARY





## BACKGROUND

In the Western European countries, access to state funding for civil society organizations (CSOs) is linked to the concept of public good and the right to association of each individual with other citizens in order to exercise particular shared right, idea or activity that remain unmet in the public or private sector. Current good practices, in the context of Europe, are guided by definition of the role played by CSOs in society development in terms of attaining public good, all for the purpose of ensuring their financial sustainability and ability to operate autonomously and independently from others, primarily from political and private influences and interests. Under the last three strategic documents in the field of cooperation with and development of the civil society in the Republic of North Macedonia (RNM), priority measures include precise regulation and improvement of state funding for CSOs. However, there is lack of comprehensive reform of such system and procedures, especially in respect to development of the model and framework that would serve as basis for definition of the public good and needs of CSOs based on clear vision for CSOs contribution in the society, i.e. their contribution to social and economic development of RNM.

This analysis reviews the overall normative framework in place, primarily in respect to state funding practices for CSOs. Introduction and improvement of such specific type of support should be aligned and secure an added value to this framework. Second, previous analyses show that access to state funding for CSOs in RNM is not in line with their needs, as well as with trends and European practices and reform efforts for transparent, responsible and accountable public institutions and requires comprehensive reform.

This analysis is comprised of four chapters, as follows: (1) background, methodology and methodological limitations; (2) findings from the research; (3) findings from the comparative analysis of state funding in other countries; and (4) conclusions and recommendations. The analysis is based on data disclosed by state administration bodies acting upon the decision of the Government of RNM adopted on its 130<sup>th</sup> session from April 16, 2019. Among total of 19 institutions subject to this decision, datasets were provided by 10 institutions that are analysed in this report. Also, this analysis, for the first time, allows insight in funding for CSOs in 40 municipalities as reported by the Ministry of Local Self-Government (MLSG). Additionally and in order to obtain a broad image, the research team analysed transfers to CSOs through the Treasury Department at the Ministry of Finance (MoF). Data analysed in this document primarily concern processing of primary data, the central budget and overview of previous analyses on state funding for associations and foundation (AF) conducted by

state administration bodies, primarily the General Secretariat of the Government and relevant experts. According to reports obtained, the analysis covers the period from 2017 to the first half of 2019. In the section on models from other countries, the analysis is based on previous studies (secondary sources) and reports, as well as information available on relevant websites and obtained in direct contact with particular institutions from these countries that are part of their respective state funding model for CSOs.

## FINDINGS AND CONCLUSIONS

In awarding funds to organizations, throughout the period from 2017 to the first half of 2019, most cases refer to specific law-stipulated provisions directly related to the area of operation of the relevant state administration body awarding the funds as legal grounds for such awards. A non-binding *Code of Good Practices for Financial Support to Citizens' Associations and Foundations* is adopted and provides the framework for award procedures. Some state administration bodies (e.g. Ministry of Agriculture, Forestry and Water Economy (MAFWE), Ministry of Labour and Social Policy (MLSP), and Agency of Youth and Sport (YAS)) have adopted internal rulebooks that regulate the procedure for award of funds.

There is separate budget account 463: transfers to non-governmental organizations, under which state administration bodies (as budget beneficiaries) should plan their funding for CSOs. However, budget beneficiaries use other accounts to allocate funds for this purpose (sometimes in significant amounts), such as budget accounts 464, 472, 425, etc. The amount of funds for CSOs is increased in the analysed period. This trend is stable, compared to previous periods since state funding for CSOs in RNM is subject to monitoring. Key findings include the fact that state administration bodies, in their reports, provide incomplete information on the amount of such funding, giving rise to the need for the system of planning, budgeting and reporting to be reformed and allow complete insight into state funding for CSOs in RNM. At the same time, according to the definition featured in the Law on Associations and Foundations, **state funding for CSOs covers other organizational forms** in addition to associations and foundations, like the Red Cross, sport clubs and federations, chambers, etc., which leads to confusion in respect to actual scope and purpose of state funding intended for attainment of the public (not private) good.

**Thus far, the biggest amount of funds from the central budget was awarded in 2018, i.e. almost 419 million MKD according to individual reports from state administration bodies that complied with this reporting obligation, or almost 814 million MKD according to insight in the treasury of the Ministry of Finance of RNM, which covers all state administration bodies. According to reports obtained from individual state administration bodies, in 2019 around 517 million MKD are planned under budget account 463, while according to the 2019 state budget (published by the Ministry of Finance) funds under the same account amount to 726 million MKD for all state administration bodies. This analysis, for the first time, allows insight in funding for CSOs by municipalities, for the years 2017 and 2018. According to separate reports submitted by 40 municipalities, in 2017 they have disbursed 107 million MKD, i.e. almost 365 million MKD according to insight into reports on budget execution for all LSGUs published by the Ministry of Finance, while in 2018, these 40 municipalities disbursed 113 million MKD, i.e. 355.5 million MKD according to reports on budget execution by LSGUs published by the Ministry of Finance, accounting for 1.17% of the total budget of municipalities and represent-**

ing significantly higher amount compared to the share of funds allocated under the central budget (an average of 0.35%). With GDP share of 0.8%, CSOs in RNM are above the average in the region, but according to the share of state funding in total annual turnover of CSOs, which accounts for 6.8% (according to reports of state administration bodies) or 15% (according to treasury reports), the state has two times lower share from the average for many EU states (around 30%).

Vast portion of funds are awarded by means of public call. However, public calls are interpreted broadly, whereby certain state administration bodies also include funds awarded on the basis of decision taken by the Government and those disbursed pursuant to the Law on Games of Chance and Entertainment Games, or even funds intended for sport organizations, disbursed by the Agency of Youth and Sport (AYS). When these funds are exempted from the calculations, the share of funds awarded under public calls drops to 52% of all funds awarded to CSOs.

According to individual reports of state administration bodies, a total of 1,660 organizations have benefited from funds awarded in the period from 2017 to the first half of 2019, and many of them are featured in at least two analysed years, i.e. 685 individual organizations according to the insight into treasury records. Financial support is comprised of short-term project support (less than 12 months) for specific activities of CSOs. Funds awarded pursuant to the Law on Games of Chance and Entertainment Games include elements that are typical of **programme or institutional support**. In practice, this support involves elements of multiannual funding because one and the same organizations are funded over many years, in same amounts, and for generally similar activities. Such type of support is available only for organizations in particular areas of operation, i.e. the so-called disability and sport organizations/federations, but also associations for fight against domestic violence, and programme activities of the Red Cross. Significant share of these funds, awarded pursuant to the Law on Games of Chance and Entertainment Games, are disbursed for multiannual funding, i.e. **in 2017, 54% of funds were awarded for this purpose, while in 2018 their share accounted for 39%**. Although, in terms of the form, this financial award resembles institutional support, some key elements are missing in respect to **content thereof**, such as setting multiannual goals and priorities and funding thereof, contribution of such support to the development of individual organizations, etc.

The statistical analysis established that the average amount of funds per organization awarded in the period 2017-2019 is marked by a decrease from 218,002 MKD to 180,432 MKD. There are examples of financial support that has served as co-funding for projects implemented by organizations, for example, funds disbursed by the Ministry of Economy (MoE) and the Ministry of Culture (MoC). The top 30 recipients of funds each year have been awarded at least 2/3 of funds intended as funding for CSOs from the central budget. On average, 83% of organizations receive funds from the central budget in the amount of 0 and 1 million MKD, while others receive almost 2/3 of total funds anticipated under the central budget.

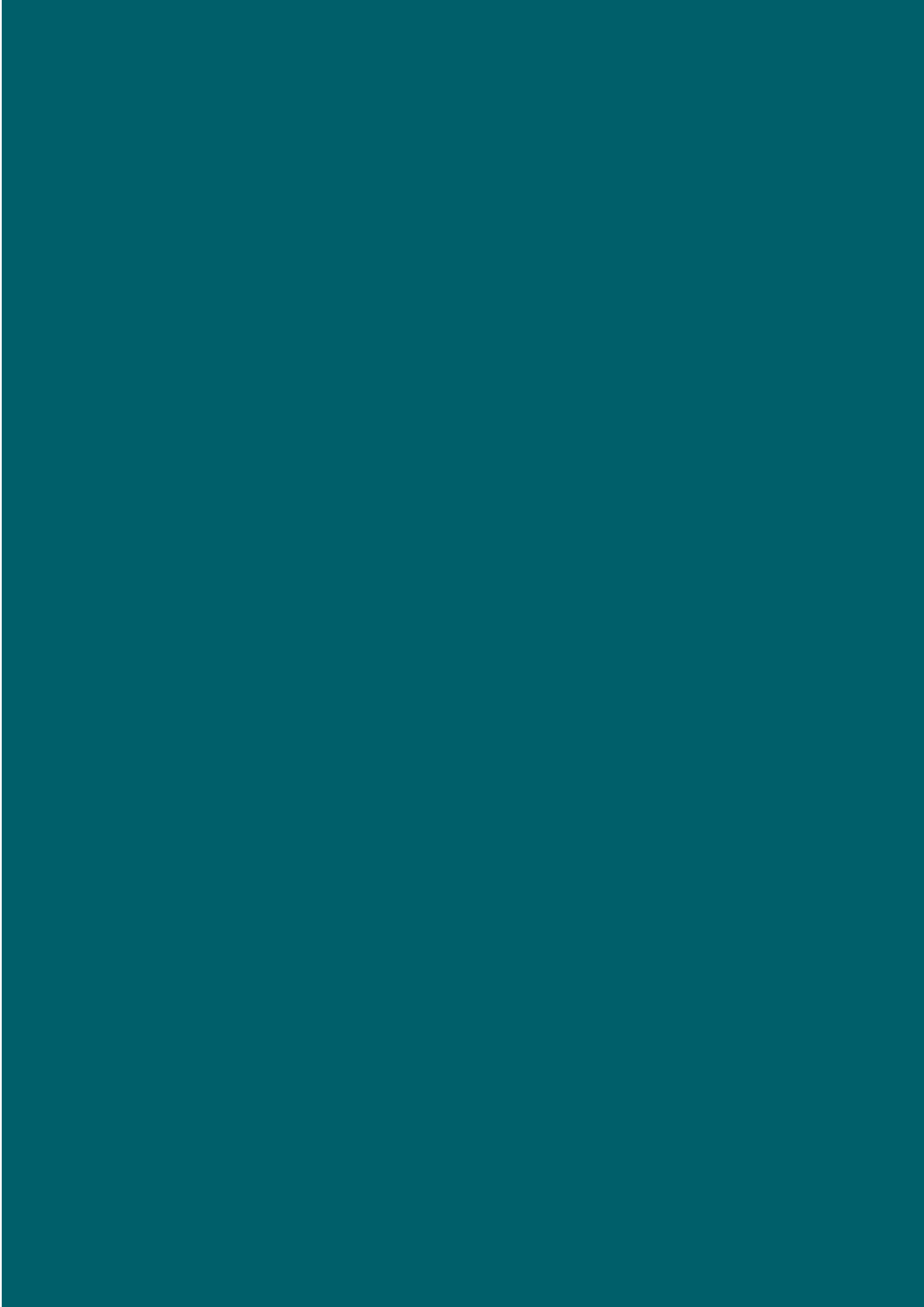
In respect to procedures for award of funds, state administration bodies consider consultations around strategy and programme documents as consultations for setting priorities in respect to public calls. There are rare cases that imply strategic involvement of associations and foundations. Analysis of the amount of individual grants provides the conclusion about major differences in amounts of financial support disbursed by state administration bodies. Notifications are sent directly to the applicants, while results are often published on the state administration body's website, in the "Official Gazette" or in daily newspapers. Such announcements are sometimes difficult to locate on websites of state administration bodies and, when found, they mainly include the most basic information. Information provided in reporting templates are also modest, but some state administration bodies

(e.g. Agency of Youth and Sport) provided data on elements that should be included in reports. Project monitoring or evaluation is rarely performed or pursued at institutional level, by means of insight into project reports and their translation into report to the government on implementation of particular programme or public call. Field visits to projects are rare and they were conducted only by MLSP and the Fund for Innovation and Technology Development (FITD).

Hence, in order to ensure complete and comprehensive reform of state funding for CSOs, as precondition for efficient operation of institutional support and co-funding for EU projects, the following general recommendations are valid: (1) to increase the share of state funding from the central budget, in order to reach 30% (i.e. around 2 billion MKD) in total turnover of CSOs by 2024 (new three-year strategy period). The source for increased funds could be the Law on Games of Chance and Entertainment Games, and future sources based on introduction of new taxes or excise (e.g. tax levied for growing cannabis); (2) to transform the *Code of Good Practices on Financial Support to Citizens' Associations and Foundations* into cross-cutting and binding secondary legislation (Decision or Decree); (3) to establish a mechanism that would ensure unified planning and execution of funds intended as support to CSOs by budget beneficiaries under budget account 463 and to adopt multiannual government program for scaled allocation of funds intended as support to CSOs. At the same time, clear distinction should be made between funding for CSOs registered pursuant to LAF and for other organizational forms.

Implementation of **efficient institutional support** requires: (1) the existing programme support under the Law on Games of Chance and Entertainment Games disbursed by MLSP (disability organizations) and AYS (sport associations/federations) to be transformed into full institutional support (public and open calls, multiannual funding based on the needs of the organizations articulated in strategic plans, etc.) and to expand its scope by including funding for organizations registered pursuant to LAF; (2) to establish an **independent body, i.e. Fund for Support to and Development of Civil Society (Fund)**, tasked to plan and manage **funds intended for development of CSOs registered pursuant to LAF**, primarily through institutional support, and with administrative, managerial, financial and programme independence. It is necessary for the Fund to have an independent board (of mixed composition) including representatives from the institutions, CSOs and experts. The Fund should cooperate with the Council for Cooperation with and Development of the Civil Society in respect to planning and designing institutional support and reconsidering reports on implementation thereof. The Fund should have the opportunity to be involved in the structure for future management of EU funds, in order to draw from and manage funds intended for civil society development (e.g. European Social Fund, Structural Funds), and to have the opportunity to be entrusted funds for development of CSOs by other actors.

As regards efficient support to CSOs in respect to **co-funding their EU projects**: (1) by means of decision taken by the Government, all state administration bodies/budget beneficiaries should be ordered, as part of their programs and calls for support to CSOs projects, to integrate the opportunity for these funds to be used as co-funding for EU projects; (2) the Fund, under its budget, needs to have a special program for co-funding projects of CSOs financed by the EU. CSOs should have the opportunity to address the Fund at any time with requests for such co-funding. It is possible for this co-funding to be approved in full or partial amount requested by the donor.



# 1 | INTRODUCTION

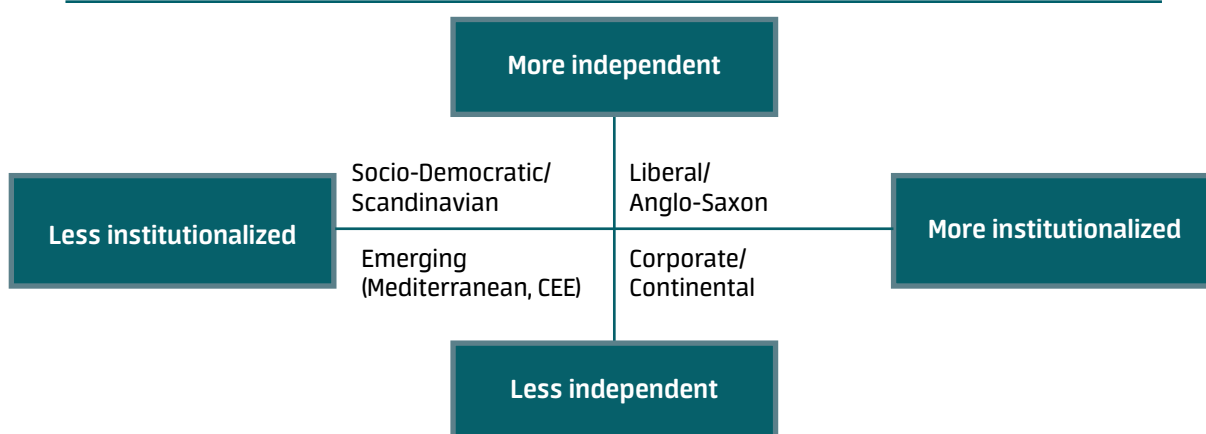
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## 1.1 BACKGROUND, APPROACH AND GOALS

In contemporary states, access to state funding for civil society organizations (CSOs) is linked to the concept of **public good**<sup>1</sup> and the right to association of each individual with other citizens in order to exercise particular shared right, idea or activity that remain unmet in the public or private sector (right to association). Current good practices (in the context of Europe) related to civil society funding are guided by definition of the role played by civil society organizations<sup>2</sup> in society development in terms of attaining public good, all for the purpose of ensuring their financial sustainability and their ability to operate autonomously and independently from others, primarily from political and private influences and interests.

According to the classification of the International Center for Not-for-Profit Law<sup>3</sup>, **the state funding models** depend on the legal and cultural tradition (in particular the legal framework and the political system), the economic and political situation, etc. (see Table 1).

*Table 1: Classification of state funding models for CSOs in Europe*



Source: ECNL, 2010

- 1 Public good is defined as "good or service provided without profit/gain to all members of the society by institutions or by private persons or organizations".
- 2 In the Republic of North Macedonia, according to the Law on Associations and Foundations (2010), associations, foundations are unions are defined as civil society organizations.
- 3 [http://ecnl.org/dindocuments/337\\_ECNL%20Public%20financing%20of%20NGOs%20MD%202010.pdf](http://ecnl.org/dindocuments/337_ECNL%20Public%20financing%20of%20NGOs%20MD%202010.pdf)

In the Republic of North Macedonia (RNM), the Government has adopted three consecutive strategies in respect to cooperation with and development of the civil society<sup>4</sup>. In all of them, priority measures include further precise regulation and improvement to state funding for CSOs. Aimed at implementation of commitments assumed under these strategies, the *Code of Good Practices on Financial Support to Citizens' Associations and Foundations*<sup>5</sup> was adopted in 2007, followed by the *Decision on the Criteria and Procedure for Allocation of Funds for Programme Activities of Citizens' Associations and Foundations from the Budget of the Republic of Macedonia*<sup>6</sup> adopted in 2019. They were intended to further regulate the process for award of budget funds to CSOs projects and programmes. However, there is lack of comprehensive of the system and procedures, especially in respect to **comprehensive model and framework that would serve as basis for definition of the public good and needs of CSOs based on clear vision for CSOs contribution in the society, i.e. their contribution to social and economic development of the country.**

The *Strategy for Cooperation with and Development of the Civil Society (2018 – 2020)* anticipates improvement to state funding for CSOs under **Priority Area 1: normative institutional and financial framework for civil society development; Objective: to advance the system of state funding for CSOs.** Hence, the Strategy and Action Plan anticipate several measures for attainment of this objective, i.e. Measure 5, Measure 6 and Measure 7<sup>7</sup> (see Table 2).

**Table 2:** Measures anticipated under the Strategy (2018-2020) and Action Plan related to advancing the system of state funding to CSOs

<b>MEASURE 5: Analysing and amending the Law on Games of Chance and Entertainment Games based on European practices and domestic needs</b>	
<b>MEASURE 6: Establishing transparent and credible model of state funding, by forming a single fund for institutional development of civil society organizations and co-funding EU projects</b>	
6.1	Conducting analysis of the need to establish transparent and credible model of state funding, by forming a single fund for institutional development of civil society organizations and co-funding EU projects, with comparative analysis of examples from other countries
6.2	Conducting scope analysis for the model of state funding, by forming a single fund for institutional development of civil society organizations and co-funding EU projects
6.3	Adopting legislation on establishing transparent and credible model of state funding, by forming a single fund for institutional development of civil society organizations and co-funding EU projects



4 Strategy of the Government for Cooperation with the Civil Society (2007-2011), Strategy of the Government for Cooperation with the Civil Society (2012-2017), Strategy of the Government of the Republic of Macedonia for Cooperation with and Development of the Civil Society (2018 – 2020) with Action Plan for Implementation of the Strategy of the Government of the Republic of Macedonia for Cooperation with and Development of the Civil Society (2018-2020).

5 Published in the "Official Gazette of RM" no. 130 from 26.10.2007

6 [https://www.nvosorabotka.gov.mk/sites/default/files/dokumenti/odluka\\_kriteriumi2009.pdf](https://www.nvosorabotka.gov.mk/sites/default/files/dokumenti/odluka_kriteriumi2009.pdf)

7 <https://www.nvosorabotka.gov.mk/?q=node/143>



6.4	Establishing transparent and credible model of state funding and forming a single fund for institutional development of civil society organizations and co-funding EU projects
6.5	Forming an interdepartmental commission for coordination of public funding for projects and programs of civil society organizations, in compliance with the adopted legislation on establishing transparent and credible model of state funding with formation of a single fund for institutional development of civil society organizations and co-funding for EU projects
6.6	Establishing a system of annual needs assessment (sector analysis) and annual planning of calls for proposals by civil society organizations that will be funded from the state budget, in compliance with the adopted legislation on establishing transparent and credible model of state funding with formation of a single fund for institutional development of civil society organizations and co-funding of EU projects

**MEASURE 7: Adopting binding secondary legislation on allocation of funds for civil society organizations from public sources and advancing coordination, transparency and accountability for use of such funds, in compliance with the adopted legislation on establishing transparent and credible model of state funding with formation of a single fund for support and development of civil society organizations and co-funding EU projects.**

The Strategy is focused on improving both specific types of support, i.e. **institutional support and co-funding of EU projects** implemented by CSOs. There are two reasons why this analysis reflects on the overall normative framework in place and primarily on the practice of state funding for CSOs. First, introduction and improvement of the specific type of support should be unified for all state administration bodies<sup>8</sup> and should imply added value to the existing framework. Second, previous analyses show that access to state funding for CSOs is not in line with their needs, trends, European practices and reform efforts for transparent, responsible and accountable public institutions. Hence, there is need for **comprehensive reform** of the system of state funding and support that will follow the needs of CSOs and the best practices in Europe.

In December 2013, in the *Guidelines for EU Support to Civil Society in Enlargement Countries 2014-2020*<sup>9</sup>, the European Commission (EC) laid down requirements for enlargement countries, including RNM, in respect to conditions that must be in place to ensure an “enabling and stimulating participatory democracy”<sup>10</sup>. Expectations and standards in respect to state funding for CSOs are defined under **Objective 2: Enabling financial environment which supports sustainability of CSOs**. More specifically, the *Guidelines* (see Table 3) define the **principles and elements** of such model, which include:

- ▶ financial rules and reporting requirements (2.1.);
- ▶ transparency, responsibility and fairness (2.4).

8 In this analysis, the term “state administration bodies” is understood to cover: the General Secretariat of the Government (Department for Cooperation with Non-Governmental Organizations), line ministries (except for the Ministry of Political System and Inter-Community Relations), the Fund for Innovation and Technology Development (FITD), the Agency of Youth and Sport, and the Secretariat for Implementation of the Framework Agreement (SIFA).

9 [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/civil\\_society/doc\\_guidelines\\_cs\\_support.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/civil_society/doc_guidelines_cs_support.pdf) and [https://eeas.europa.eu/sites/eeas/files/2016\\_eu\\_guidelines\\_support\\_civil\\_society\\_mk.pdf](https://eeas.europa.eu/sites/eeas/files/2016_eu_guidelines_support_civil_society_mk.pdf)

10 Ibid, pg. 3

While the *Guidelines* do not impose specific decisions/models, they put the weight of delivery on the needs of beneficiaries, i.e. CSOs and their satisfaction therefrom, as measure of success. Hence, the need to find mutually acceptable solutions between the government/state administration bodies and CSOs in creation and reformation of the state funding model in enlargement countries, including RNM, in respect to successful accession negotiations with the EU.

**Table 3:** Guidelines for EU Support to Civil Society in Enlargement Countries 2014-2020: Objective 2 (enabling financial environment which supports sustainability of CSOs)

Objectives	Results	Indicators	Mode of verification
<b>Enabling environment</b>			
<b>2. Enabling financial environment which supports sustainability of CSOs</b>	2.1 Easy-to-meet financial rules for CSOs which are proportionate to their turnover and non-commercial activities	2.1.a CSOs perception of the ease and effectiveness of financial rules and reporting requirements (disaggregated by type/size of CSOs)  2.1.b Quality assessment of financial rules (with the focus on built-in mechanisms that financial rules and obligations change as the turnover and non-commercial activities change)  2.1.c Proportion/ratio of taxes and financial duties to the overall budget available (specified per costs and activities implemented)	2.1.a Through survey  2.1.b Through independent assessment  2.1.c Survey (looking into legislation and balance sheets of CSOs)
	2.4 Government support to CSOs is available and provided in transparent, accountable and fair and non-discriminatory manner	2.4.a CSOs perception of provision of funds in terms of transparency, fairness and non-discrimination  2.4.b Ratio of the amount sought vs. amount approved/disbursed annually through state funding to CSOs (this proves availability of funds)  2.4.c Quality of state funding frameworks for CSOs (focusing on procedural documents)	2.4.a Survey  2.4.b Annual reports published by line ministries providing financial support to CSOs.  2.4.c Through independent assessment

In 2012, CSOs from enlargement countries developed the *Monitoring Matrix on Enabling Environment for Civil Society Development*<sup>11</sup>, wherein they defined their expectations and standards for the environment needed, in order to develop and contribute to the social and economic development. These are in line with and complement the European Commission's *Guidelines*. Full overview of the Monitoring Matrix is given in Appendix 1 to this document.

This analysis is structured into four chapters. **Chapter 1** addresses the legal framework and the datasets that are subject of this analysis. **Chapter 2** presents findings from analysis of data related to state funding for CSOs in RNM in the period from 2017 to the first half of 2019, focusing on all elements of the system in place, in terms of the amount of funds over the entire period and annually, types of support, amount of individual grants, and the process for planning, implementation and monitoring. **Chapter 3** conducts a comparative analysis of state funding in five countries (Estonia, Scotland, Slovenia, Croatia and Serbia), whose practices could be used to improve and reform the existing system and approach to state funding for CSOs in RNM. Finally, **Chapter 4** presents conclusions and specific recommendations aimed to generally improve and establish institutional support and the opportunity for co-funding EU projects implemented by CSOs as two key measures under the *Strategy 2018 – 2020*.

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11 [http://www.balkancsd.net/novo/wp-content/uploads/2015/08/BCSDN\\_Monitoring\\_Matrix.pdf](http://www.balkancsd.net/novo/wp-content/uploads/2015/08/BCSDN_Monitoring_Matrix.pdf)

## 1.2. APPROACH AND METHODOLOGY

### 1.2.1. GENERAL APPROACH

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This analysis uses several **key concepts and terms** whose clear definition and understanding is of key importance for the analysis. In particular, the analysis concerns funding for organizational forms defined and covered by the Law on Associations and Foundations (LAF). Given that the analysis has found that state funding also covers other entities and organizational forms (chambers, holdings, local self-government units (LSGUs)), the term **organizations** is often used throughout this document to cover all these forms in the sense of state funding for CSOs. Finally, the analysis refers to the broad and internationally accepted term **civil society organizations (CSOs)**, used throughout the document in sections that imply theoretical description or good practices from other countries. For the purpose of this analysis, **state funding** is understood to mean funding from the central budget of RNM, primarily from budget accounts used by state administration bodies to transfer funds, i.e. disburse financial support to CSOs. At the same time, state funding for CSOs also covers funding from municipal budgets.

Any model of **state funding** for CSOs<sup>12</sup> includes several key elements, as follows: forms of support, financial mechanism, source of funding, justification, principles of support, procedures/rules, and implementing practices. In order to systematically review the method of state funding, this document provides an analysis of the system in RNM according to these elements.

The model of state funding for CSOs in RNM is based on the **legal framework** that provides parameters of the **law** and **basic procedures** for planning, designing, implementation and monitoring, and evaluation of state funding for CSOs<sup>13</sup>, as well as **thematic areas** for funding. Main funding sources are identified in the Law on Budgets and the Law on Games of Chance and Entertainment Games. **Institutions** that initiate procedures for planning and implementation of state funding are state administration bodies (primarily the 10 institutions covered by this analysis), i.e. the General Secretariat of the Government (Department for Cooperation with NGOs), Ministry of Defence (MoD), Ministry of Economy (MoE), Ministry of Health (MoH), Ministry of Labour and Social Policy (MLSP), Ministry of Culture (MoC),

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12 Bullain, Nilda (2010): European models and practices in public financing of NGOs, ECNL.

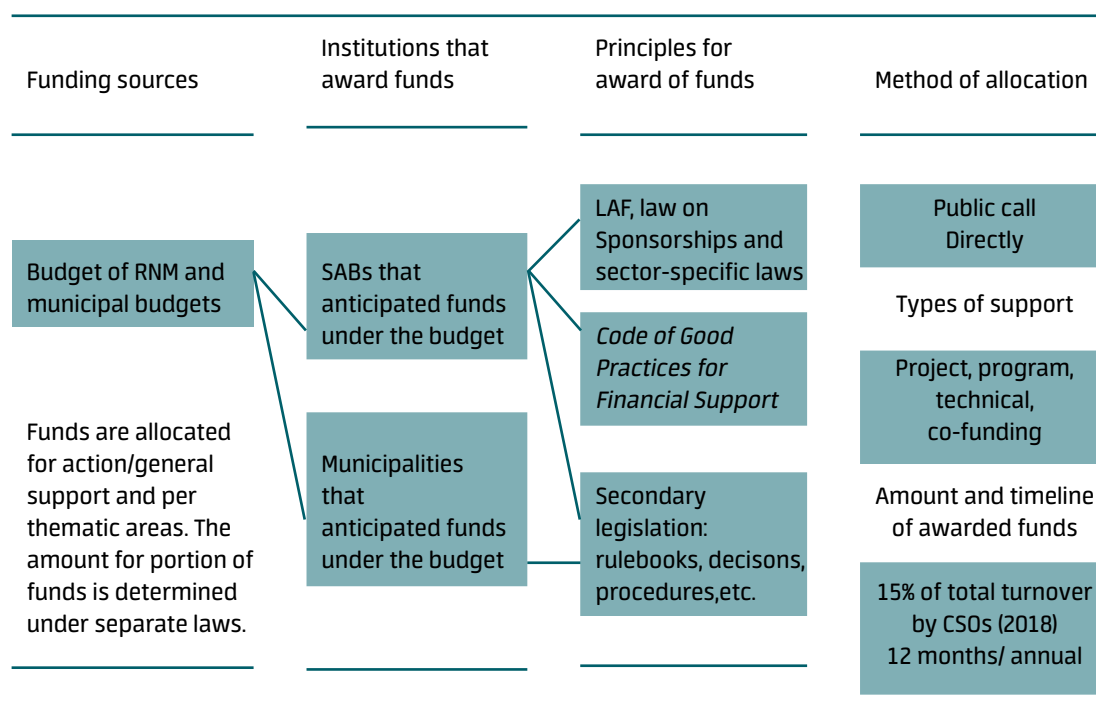
13 LAF, Code, Decision on Criteria and Procedure, etc.

Ministry of Agriculture, Forestry and Water Economy (MAFWE), Ministry of Environment and Spatial Planning (MESP), Agency of Youth and Sport (AYS), Fund for Innovation and Technology Development (FITD), etc., and municipalities.

Institutions disburse funds under **open** or **closed calls** on the basis of general (e.g. non-binding code) and specific procedures they have adopted as secondary legislation in order to determine specific procedures for award of funds. State administration bodies disburse funds under public calls or announcements, and often by means of direct agreements. State funding draws from the central budget, primarily **budget account 463: transfers to non-governmental organizations**. However, analyses show that state administration bodies, as budget beneficiaries, allocate and transfer funds to CSOs under other budget accounts such as, for example, 464: various transfers, 472: payment of benefits from the Disability and Health Insurance Fund, 425: contractual services, etc. While it is assumed that most of these funds are intended for specific purpose and services (e.g. monthly transfers from PDIF to its regional offices on the account of transfers to organizations that provide care for elderly people and persons with disabilities), further and detailed analysis is needed for these funds to be determined in actual amount and broken down per purpose. In that, they create certain **budget confusion in terms of full disaggregation and the possibility to monitor state funding for CSOs, which is shown by this analysis, when individual reports of state administration bodies provide incomplete information on the amount of funds and individual payments different from transfers found as part of control insight in treasury records**.

Drawing on legislation in thematic areas, state funding is channelled to different areas of operation by CSOs, among which the most frequent areas include **social protection, sport, environment, health-care, consumer protection, entrepreneurship**, etc. State funding is based on **short-term, i.e. annual cycles (up to 12 months) for project support** (although there are other types of support, such as programme, technical and co-funding), and **stable, but low level** of state funds. The diagram below provides schematic overview of the current model of state funding for CSOs.

**Table 4: The existing model of state funding for CSOs in RNM<sup>14</sup>**



The analysis in this report is based on data provided by state administration bodies, acting upon decision adopted by the Government of RNM at its 130<sup>th</sup> session (held on April 16, 2019), pursuant to agenda item 17 that concerned reconsideration of *information on financial support to associations and foundations from the Budget of the Republic of North Macedonia for the year 2018 and funds planned for 2019*, drafted by the General Secretariat, Department for Cooperation with NGOs, according to which:

- ▶ all line ministries, GS, SIFA, AYS and FITD were tasked to provide data on financial support to associations and foundations in the years 2017 and 2018, within a deadline of 10 days<sup>15</sup>;

14 The diagram is based on findings from the analysis by Oggenovska, Simona (MCIC): Analysis of Budget Funding for CSOs at Central Level, 2017

15 State administration bodies were tasked to report on previously designed template, which included categories of information as follows: amount of funds; method of award (with or without public call); list of associations and foundations that received financial support, broken by amount of funds per project; data related to legal grounds for award of funds to associations and foundations for the years 2017 and 2018 (with and without public call); consultations with civil society organizations for setting funding priorities; method of funding; manner for announcement of calls for financial support; selection criteria and procedure; composition of committees for evaluation of project proposals, and participation of civil society representative therein; method for publishing decisions on award of funds; and method for monitoring implementation of approved projects and awarded funds.

- ▶ and to provide data on planned financial support to associations and foundations for the year 2019, within a deadline of 10 days<sup>16</sup>;
- ▶ MLSG was tasked to provide information on financial support to associations and foundations under budgets of the municipalities, municipalities in the City of Skopje and the City of Skopje for the years 2017 and 2018<sup>17</sup>, as well as information on planned financial support for the year 2019 following the example of state administration bodies, by May 10, 2019 the latest;
- ▶ when planning their 2020 budgets, state administration bodies were instructed to group all funds intended to finance programme activities of associations and foundations under budget account 463: transfers to non-governmental organizations;
- ▶ the General Secretariat was tasked, in cooperation with the Council for Cooperation with and Development of the Civil Society, to present the Government, by September 13, 2019, with an analysis that will include overview of transfers made to associations and foundations for the years 2017 and 2018, as well as transfers planned for the year 2019, and comparative experiences from countries in the region related to state funding, and to make a proposal for establishment of transparent and credible model of state funding, with formation of a single fund for institutional development of civil society organizations and co-funding for EU projects, in compliance with Measure 6 from the Strategy 2018-2020.

Hence, the analysis presented in this report supports the above presented conclusion of the Government and fully relies on information provided by state administration bodies and municipalities according to the defined template and guidelines. Additionally, insight was performed into the central budget to verify compliance of payments from individual reports of state administration bodies.

Among **19 institutions** covered by this instruction (15 line ministries<sup>18</sup>, GS, SIFA, FITD, AYS), only ten provided the relevant datasets. Four institutions (Ministry of Foreign Affairs, Ministry of Justice, Ministry of Interior and SIFA) reported they have not awarded such funds in the analysed period, while other four (Ministry of Transport and Communications, Ministry of Information Society and Administration, Ministry of Education and Science, and Ministry of Local Self-Government) did not provide any response. Ministry of Finance, i.e. the Central Financing and Contracting Department, shared information on contracts signed with associations and foundations under the decentralized management of IPA funds in 2018, but these funds (counted as donor funding) were not taken into account for the purpose of this analysis. Although IPA projects require 15% co-funding by CSOs, these funds represent insignificant contribution and contributions by CSOs are not funds disbursed by the central budget. Finally, MLSG provided information on 40 municipalities pursuant to the specific conclusion by the

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16 Funding programmes, together with established priorities and the amount of planned funds; timeframe for announcement of public call and data on legal grounds for award of funds to associations and foundations for the year 2019; plan for consultations with civil society organizations on setting funding priorities and drafting texts of the public calls; plan for announcement of public calls for financial support; selection criteria and procedure; plan for composition of committees for evaluation of project proposals and participation of civil society representatives therein; and plan for publication of decisions on award of funds and method for monitoring implementation of approved projects and awarded funds.

17 Total funds awarded with or without public call; list of associations and foundations that received financial support; amount of funds awarded and for which projects; data related to legal grounds for award of funds to associations and foundations (with or without public call); consultations organized with civil society organizations for setting funding priorities; method for announcement of public calls for funding; selection criteria and procedure; composition of committees for evaluation of project proposals; and method for monitoring implementation of approved projects and awarded funds.

18 The reporting period covers the period before establishment of the Ministry of Political System and Intercommunity Relations.

Government, but failed to disclose information whether and how much funds, as part of state funding for CSOs, are allocated at central level.

State administration bodies were **late** in disclosing such information (in the month of May), while information from municipalities were provided in June 2019, which affected development of this analysis and accompanying report. To great extent, datasets provided were in compliance with the structure required, but were often shared in closed **formats** (e.g. pdf or MS word), and required manual imputing and processing. Datasets from municipalities were provided in hardcopy and therefore MLSG developed a general statistical report for streamlined processing and analysis, which is included in this analysis.

**The period covered by this analysis**, according to reports received, concerns the years from 2017 to the first half of 2019. Depending on the date when they were provided, information for the year 2019 concerned variable periods, but in all cases they did not include data on state funding after June 2019.

## 1.2.2. METHODOLOGY

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Data analysis was pursued in several stages, as follows:

### 1 Desk analysis:

- ▶ Analysis of primary data from individual reports of state administration bodies (line ministries and bodies such as FITD, AYS, SIFA) and of municipalities, submitted to the General Secretariat of the Government pursuant to the conclusion adopted at its 130th session, held on April 16, 2019;
- ▶ (Statistical) analysis of data from the treasury at the Ministry of Finance of RNM on budget execution and statistical analysis of reports on budget execution for LSGUs, published on the website of the Ministry of Finance (on quarterly basis);
- ▶ Overview of previous analyses on state funding for associations and foundations, conducted by state administration bodies (primarily the General Secretariat of the Government) and by experts.

Statistical analysis of the Budget of RNM was conducted with use of data from the most recent transparency tool instituted by the Ministry of Finances ([open.finance.gov.mk](https://open.finance.gov.mk)). The treasury's database contains millions of individual data values on payments made from the central budget. The analysis of treasury's data used the analytical and synthesizing method for data processing, while data synthesis was pursued in compliance with the Rulebook on Expenditure Classification<sup>19</sup> and the comparative method. Data synthesis was performed with programming tools, i.e. creation of algorithms/codes with specifications to identify all payments made to the civil society. In that, specifications are understood as use of key word in transactions made by the treasury wherein the recipient line includes words such as: "association"<sup>20</sup>, "citizens"<sup>21</sup>, "citizens' associations"<sup>22</sup>, "union", "association",

19 Rulebook on Expenditure Classification, available at: [https://finance.gov.mk/files/u6/Pravilnik\\_z\\_a\\_klasifikacija\\_na\\_rashodite.pdf](https://finance.gov.mk/files/u6/Pravilnik_z_a_klasifikacija_na_rashodite.pdf)

20 All possible variations of typing errors were also taken into consideration.

21 Ibid.

22 Ibid.



"associations", "cluster", "federation", "federations", "foundation", "foundations", "chamber", "chambers", "organization", "organizations" and "guild". Central budget expenditure under budget account 463 and its associated six-digit subaccounts were identified for each analysed year (2017, 2018 and 2019). This was followed by summary calculation of expenditure under account 463, other accounts different from 463, and funds awarded by all municipalities. For each year, calculations were made to determine the share of total expenditure toward the civil society in respect to execution of the Budget of RNM.

As regards comparison of state funding models from other countries, the analysis is based on previous studies (secondary sources) and reports, as well as websites and direct contacts with respective institutions from targeted countries that are involved in the model of state funding for CSOs. Countries covered by this comparative analysis include: Estonia, Scotland, Slovenia, Croatia and Serbia.

Key method for data collection and analysis was the **comparative approach**, in terms of elements (as presented in Section 2.1: Findings on financial support to associations and foundations from the state budget in the period from 2017 to the first half of 2019 and Detailed overview of state funding in the period from 2017 to the first half of 2019), and in terms of different models from other countries (as presented in Section 2.2. Findings from comparative analysis of state funding models in other countries) or existing standards and European practices, including the *Guidelines for EU Support to Civil Societies in Enlargement Countries 2014 - 2020*<sup>23</sup> and the Monitoring Matrix on Enabling Environment for Civil Society Development<sup>24</sup>.

- ② **Focus group** with relevant representatives from CSOs, experts in the field covered by the first draft report, and written comments received on the first draft. This method was used to collect and test the proposed models of state funding for CSOs, i.e. institutional support and co-funding for EU projects.
- ③ During the stage for development of the final report, **broad consultations** were organized with CSOs in order to receive feedback that would complement information from the desk analysis and focus group discussions and would contribute to formulation of final recommendations that reflect information needed by all relevant stakeholders, primarily CSOs, and are based on realistic and optimal scenario for implementation of the approach under the current Strategy of the Government for Cooperation with and Development of the Civil Society 2018-2020 and Action Plan.

These consultations were intended for validation, i.e. confirmation of findings from the desk analysis and interviews conducted. Moreover, they contributed in formulation of final recommendations and establishment of an informal network that would advocate for their implementation.

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23 [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/civil\\_society/doc\\_guidelines\\_cs\\_support.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/civil_society/doc_guidelines_cs_support.pdf)

24 [http://www.balkancsd.net/novo/wp-content/uploads/2015/08/BCSDN\\_Monitoring\\_Matrix.pdf](http://www.balkancsd.net/novo/wp-content/uploads/2015/08/BCSDN_Monitoring_Matrix.pdf)

### 1.2.3. METHODOLOGY LIMITATIONS

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**Data and datasets** imply a number of intrinsic limitations. Individual reports of state administration bodies include data that do not concern only associations and foundations, but other entities that are often profit-oriented. Also, concerns are raised in respect to the role of the Red Cross as organization founded by law<sup>25</sup>, which appears as beneficiary of state funds intended for CSOs. The same is applicable in the case of sport associations and federations. This does not concern only the legal grounds, but also the understanding applied by state administration bodies in respect to CSOs that should benefit from state funding and for which purposes. Hence, it is impossible to clearly and unambiguously determine the exact amount of funds intended for and awarded only to associations and foundations.

Datasets, i.e. individual reports of state administration bodies, are modest or limited in terms of information related to planning, implementation and monitoring of state funding. Also, some data presented therein are ambiguous. For example, many state administration bodies provide information that they have reported to the government on the amount of funds awarded, but only few of them have disclosed information about the practice for submission of notifications to beneficiary of funds, which was actually a key piece of information that should be shared.

Having in mind the weaknesses and shortcomings in reports provided by state administration bodies, the research team continued with collection of datasets that would secure better content in terms of the “big picture” about state funding for CSOs and would not be affected by human factor in their collection/presentation. The Ministry of Finance’s new database ([open.finance.gov.mk](http://open.finance.gov.mk)) allowed that approach. In particular, it allowed the research team to cover all transactions made in the period from January 1, 2017 to June 30, 2019. Furthermore, the analysis exempted data on political party funding under budget account 463, and added all other transactions that were made from other accounts. The only shortcoming in respect to these data is the fact that they are robust and do not provide additional information on internal procedures. Therefore, this aspect was covered by processing information provided by state administration bodies.

As regards data obtained from municipalities (LSGUs), it was noted that data is missing for almost half of the total number of municipalities. Hence, the team continued with analysis of publicly available data on execution of municipal budgets, published by the Ministry of Finance. These datasets clearly show allocation of funds by LSGUs for CSOs. However, their shortcoming is identified in the fact that data are presented in summary manner, preventing additional analysis in terms of the structure of recipients of municipal funds, and they do not indicate the manner in which funds were allocated and awarded.

**Comparison** of data from RNM and other countries is limited and purely indicative, because they were drawn from different sources and concern different years and periods.

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25 The Red Cross is founded pursuant to separate law (Law on the Red Cross), not pursuant to LAF.



## 2 | FINDINGS

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## 2.1. FINANCIAL SUPPORT TO ASSOCIATIONS AND FOUNDATIONS FROM THE BUDGET IN THE PERIOD FROM 2017 TO THE FIRST HALF OF 2019

### 2.1.1. LEGAL FRAMEWORK AND FUNDING SOURCES

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Financial support to CSOs with budget funds is regulated under the **Law on Associations and Foundations (LAF)** and the **Law on Games of Chance and Entertainment Games**. There are **other laws** that also anticipate a possibility for financial support to associations and foundations, such as: *Law on Environment, Law on Culture, Law on Sport, Law on Consumer Protection, Law on Social Protection, Law on Disability Organizations, Law on the Red Cross, Law on the Alliance of Fighters in the National Liberation and Antifascist Struggle in Macedonia*, etc. Some administration bodies draw legal grounds for disbursement of public funds from the *Law on Sponsorships and Donations in Public Activities*. Article 49 of LAF regulates financing of CSOs from the central budget and from the budgets of municipalities, municipalities in the City of Skopje and the City of Skopje.

In awarding funds to organizations, throughout the period from 2017 to the first half of 2019, most cases refer to **specific law-stipulated provisions** directly related to the area of operation of the relevant state body awarding the funds (with or without public call) as legal grounds for such awards. For example, *Law on Social Protection, Law on Defence, Law on Healthcare, Law on Consumer Protection, Law on Culture, Law on Environment, Law on Sport*, etc. Additionally, when funds are awarded directly, i.e. without public call, the legal ground concerns **separate edict or separate decision** adopted by the Government or the relevant state administration body awarding such funds (see Table 5).

**Table 5: Overview of legal grounds for award of funds**

Institution	Legal ground (according to individual reports of state administration bodies) <sup>26</sup>
<b>1. Government – General Secretariat (GS)</b>	Law on Associations and Foundations Decision on allocation of budget funds intended for programme activities of associations and foundations (budget sub-programme: administration; budget account 463: transfers to non-governmental organizations) Decision on the criteria and procedure for allocation of funds to support programme activities of associations and foundations from the Budget of the Republic of Macedonia Code of Good Practices for Financial Support to Citizens' Associations and Foundations Rules of Procedure of the Government Law on Organization and Operation of State Administration Bodies
<b>2. Ministry of Defence (MoD)</b>	Law on Defence
<b>3. Ministry of Economy (MoE)</b>	Program for Competitiveness, Innovation and Entrepreneurship (2017, 2018 and 2019) Law on Consumer Protection Program for Consumer Protection (2017 – 2018) Program for Consumer Protection (2019 – 2020) Program for Development of Tourism (2017, 2018 and 2019)
<b>4. Ministry of Agriculture, Forestry and Water Economy (MAFWE)</b>	Decree on the type of activities, maximum amount per activity, beneficiaries, eligible entities, criteria and the method for award of technical assistance in agriculture and rural development Program for Financial Support to Rural Development (2018 and 2019)
<b>5. Ministry of Health (MoH)</b>	Law on Healthcare Program for Protection of the Population from HIV (2017, 2018 and 2019)
<b>6. Ministry of Labour and Social Policy (MLSP)</b>	Law on Social Protection Law on Games of Chance and Entertainment Games Law on Sponsorships and Donations in Public Activities Rulebook on the method and procedure for award of funds to citizens' associations to perform activities in the field of social protection Program for Personal Assistance to Persons with Disabilities (2018 and 2019)
<b>7. Ministry of Culture (MoC)</b>	Law on Culture Open competition for projects of national interest in the field of culture (2017, 2018 and 2019)
<b>8. Ministry of Environment and Spatial Planning (MESP)</b>	Law on Environment Program for Environment Investments (2017, 2018 and 2019)



<b>9. Agency of Youth and Sport (AYS)</b>	<p>Law on Sport</p> <p>20 – program for allocation of funds from games of chance and entertainment games (2017, 2018 and 2019) to finance national sport federations and projects on sport promotion by the Agency of Youth and Sport</p> <p>40 – program for development of sport and youth (2017, 2018 and 2019)</p> <p>Law on Youth</p> <p>Agency of Youth and Sport’s rulebook on setting the procedure and the criteria for award of funds to support projects in the field of youth</p>
<b>10. Fund for Innovation and Technology Development (FITD)</b>	<p>N/A</p>

Some state administration bodies refer to the *Law on Organization and Operation of State Administration Bodies* as additional legal ground for award of funds or when certain sector-specific programs serve as legal ground for award of funds. They include: Ministry of Economy in respect to the Program for Competitiveness, Innovation and Entrepreneurship, the Program for Consumer Protection and the Program for Development of Tourism; Ministry of Agriculture, Forestry and Water Economy in respect to the Program for Personal Assistance to Persons with Disabilities; Ministry of Health in respect to the Program for Protection of the Population from HIV; Ministry of Environment and Spatial Planning in respect to the Program for Environment Investments; Agency of Youth and Sport in respect to the program for allocation of funds from games of chance and entertainment games to finance national sport federations and projects, and others.

Specific legislation, such as LAF, Law on Sponsorships and Donations in Public Activities and Law on Games of Chance and Entertainment Games, which are intended to regulate the legal framework for (non-profit) organizations, were indicated only by the Ministry of Labour and Social Policy and the Agency of Youth and Sport.

Some state administration bodies have established **internal rulebooks or procedures** that regulate award of public funds. For example, the Ministry of Agriculture, Forestry and Water Economy regulates this procedure under the *Rulebook on the type and scope of activities, beneficiaries, general and special criteria for award of financial support, detailed overview of eligible costs, method and rules for visual identity of activities* and under the *Decree on the type of activities, maximum amount per activity, beneficiaries, eligible entities, criteria and the method for award of technical assistance in the field of agriculture and rural development*; the Ministry of Labour and Social Policy has adopted the *Rulebook on the method and procedure for award of funds to citizens' associations to perform activities in the field of social protection*; the Ministry of Culture has its *Annual open competition on funding projects of national interest per specific area and activity in the field of culture*; the Agency of Youth and Sport adopted the *Rulebook on setting the procedure and criteria for award of funds to support projects in the field of youth*, etc. Detailed analysis of these regulations is available in Chapter 2.2.2: Procedure, Method for Announcement of Public Calls, Criteria and Priorities.

<sup>26</sup> Use of coloured font indicates availability of relevant regulations on the websites of state administration bodies and other associated websites.

Budget items that imply transfers to associations and foundations according to the Rulebook on Expenditure Classification for the Budget of RNM:

<b>463</b>	Transfers to non-governmental organizations
<b>463110</b>	Transfers to citizens' associations and foundations
<b>463120</b>	Transfers to sport clubs
<b>463130</b>	Transfers to the Macedonian Olympic Committee
<b>463140</b>	Transfers to organizations providing care for elderly people and children with disabilities
<b>463150</b>	Transfers to local neighbourhood units
<b>463160</b>	Transfers to humanitarian organizations
<b>463170</b>	Transfers to political parties
<b>463190</b>	Other transfers to NGOs

Ministry of Finance (MoF)'s key activity is drafting the *Law on Budget*.<sup>27</sup> In particular, this piece of legislation stipulates that budget beneficiaries, based on the previously adopted *Fiscal Strategy* and the established maximum amount of approved funds, present MoF with completed **budget circular letter** wherein they declare requirements for state funding. Completing the budget circular letter is a process which, inter alia, is used by line ministries and other budget beneficiaries to initially anticipate funds intended to finance the civil society organizations. The *Rulebook on Expenditure Classification* anticipates a **separate account (463)** designated for allocation of funds to finance CSOs. Adequate estimation of these funds allows systemic and streamlined monitoring of total funds which budget beneficiaries allocate as financial support to CSOs. Having in mind the *Rulebook on Expenditure Classification*<sup>28</sup>, budget funds intended to finance activities of CSOs are designated under budget account **463 (transfers to non-governmental organizations)**. However, the analysis shows that budget beneficiaries use **other budget**

**accounts**, for example, **464** (various transfers), **472** (payment of benefits from the Pension and Disability Insurance Fund), **425** (contractual services), and others, to allocate funds for this purpose, making them difficult to survey and limiting possibilities for clear and complete monitoring in terms of planning, implementation and reporting on these funds.

27 <https://www.finance.gov.mk/files/u6/5.pdf>

28 [https://finance.gov.mk/files/u6/Pravilnik\\_za\\_klasifikacija\\_na\\_rashodite.pdf](https://finance.gov.mk/files/u6/Pravilnik_za_klasifikacija_na_rashodite.pdf)



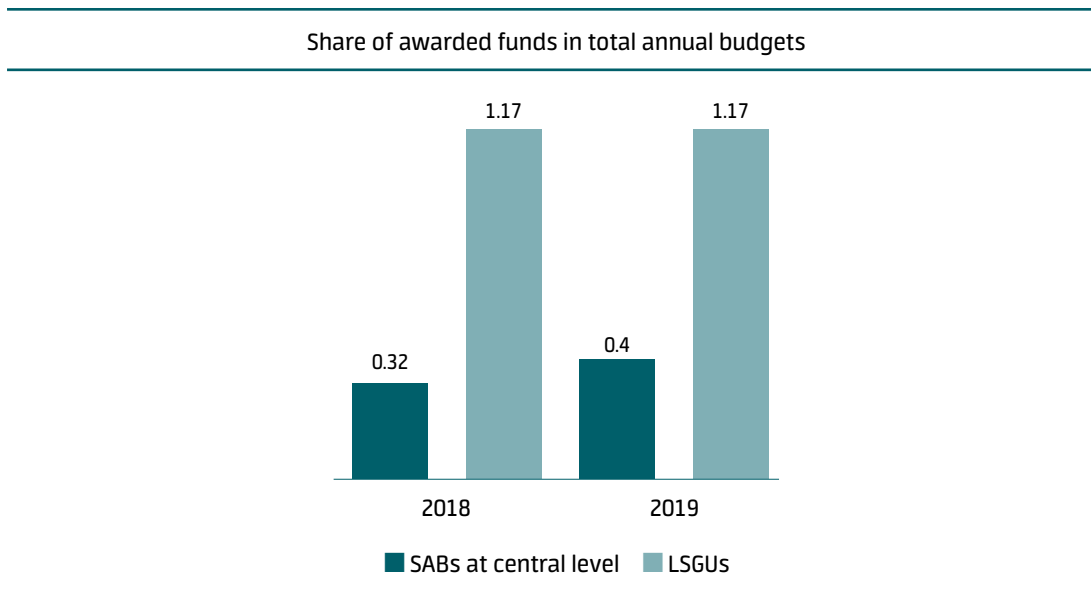
## 2.1.2. AMOUNT OF FUNDS, TRENDS, ANNUAL FUNDS AWARDED AND PROCEDURES FOR AWARD OF FUNDS

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The analysis established that data on awarded funds **significantly differ in amount** reported by state administration bodies and municipalities pursuant to the request by the Government from 16.04.2019 and those inferred from direct insight and analysis of treasury records. **In particular, individual reports of state administration bodies** for the years 2017, 2018 and the first half of 2019 provide the conclusion on **trend of increase in terms of award and transfer of funds to organizations**. However, comparison against the period 2013 - 2016 and the overall period since 2004, when state funding for CSOs in RNM was first subject of monitoring, allows the conclusion that **the highest amount of funds thus far has been awarded in 2018** (i.e. 418,640,521 MKD), with higher amount planned for the year 2019 (i.e. 516,688,000 MKD). On the other hand, analysis of **data from the Ministry of Finance's treasury records**, in 2017 state funding for CSOs by all state administration bodies amounted to 619,440,000 MKD, in 2018 it amounted to 839,953,000 MKD, and in the period until June 30, 2019, it amounts to 267,408,000 MKD. **According to the 2019 state budget published by the Ministry of Finance, a total of 726 million MKD are anticipated under account 463 for all state administration bodies.**

This report, for the first time, provides **insight in financing for CSOs from municipalities** for the years 2017 and 2018. However, this insight is only partial because the analysis relies on data shared for 40 from the total of 80 municipalities and lacks relevant data for a number of big municipalities, including the City of Skopje, Karposh, Kumanovo, Veles, etc. Nevertheless, based on data available for 40 municipalities, in 2017 they have awarded a total amount of 107,322,029 MKD from their respective budgets as financial support to CSOs, while in 2018 this amount accounted for 112,889,294 MKD. According to direct insight performed in treasury records, in 2017 all municipalities that have planned funds for this purpose disbursed around 356 million MKD. In 2018, a total of 355.5 million MKD were disbursed by all municipalities that have anticipated funds for this purpose. Additionally, based on the analysis of municipalities that have planned funds for this purpose, in 2017 around 700 civil society organizations were supported from municipal budgets. The relative share of funds awarded by LSGUs to CSOs in their total annual budgets, in both analysed years, accounts for 1.17%. **This share shows that, in both years, i.e. 2017 and 2018, in relative amounts, the municipalities have awarded triple the amount of funds to associations and foundations compared to the amount awarded by state administration bodies at central level (see Table 9).**

**Table 6:** Comparison of the share of funds awarded to CSOs from total annual budgets of state administration bodies and LSGUs, for the years 2017 and 2018



In the analysed period from 2017 to the first half of 2019, funds under the decentralized management of **pre-accession funds (IPA) intended for civil society organizations** managed by the Ministry of Finance’s Central Financing and Contracting Department amounted to 216 million MKD. These funds are allocated by the European Commission under the Instrument for Pre-Accession assistance and entitled to RNM to support its accession process in the European Union. Total IPA funds are programmed together with the Government, and they are strictly intended to support CSOs and cannot be used for other purposes. EU funds account for 80% in the overall structure of this instrument, with 10% co-funding contribution from the state budget and CSOs each.

In 2017, 25 grant contracts were signed in total value of 218 million MKD, of which 173 million MKD were secured from IPA funds, 22.4 million MKD from the state budget (national co-funding) and 22.6 million MKD were contributions by beneficiary organizations (co-funding by end-beneficiaries). Implementation of these projects is monitored by the IPA Structure within the General Secretariat of the Government.<sup>29</sup>

In 2018, 6 grant contracts were signed in total value of 69.5 million MKD, of which 62.5 million MKD were secured from IPA funds and 7 million MKD were own contributions by organizations (co-funding by end-beneficiaries). Implementation of these projects is monitored by the IPA Structure within the Ministry of Justice.<sup>30</sup>

**Among state administration bodies**, the highest amount of funds was awarded by the Ministry of Culture (124,605,852 MKD in 2018), followed by the Ministry of Labour and Social Policy (109,018,804 MKD in 2018) and the Agency of Youth and Sport (95,484,000 MKD in 2018). A trend of increasing funds is observed with all state administration bodies, except for the Ministry of Defence, the Ministry of Economy and the Ministry of Environment and Spatial Planning. At the level of municipalities, the highest

<sup>29</sup> Grant scheme “Enhanced Involvement of Civil Society in EU Integration Reform” (EuropeAid/138660/ID/ACT/MK) and grant scheme “Increasing Competitiveness of the Beneficiary Country” (EuropeAid/138495/ID/ACT/MK)

<sup>30</sup> Grant scheme “Strengthening the Impact of the Civil Society in Effective Justice Sector Reform” (EuropeAid/159467/ID/ACT/MK)

amount of funds awarded in both years is noted with the Municipality of Strumica, i.e. 30,210,100 MKD in 2017 and 27,137,541 MKD in 2018. As expected, municipalities with urban centres and areas award more funds. However, there are also small municipalities that have awarded significant amounts of funds to associations and foundations (e.g. Vinica, Makedonska Kamenica, etc.). In 2017, all municipalities that have anticipated funds for this purpose disbursed less than 356 million MKD. Among them, most generous distributors of funds for CSOs include the City of Skopje (42 million MKD), Municipality of Karposh (40 million MKD) and Municipality of Bitola (around 37 million MKD). As regards the share of such awards in municipalities' total budgets, Radovich emerges at the top as the municipality that has allocated the highest share of budget funds (4.59%) to support non-governmental organizations. It is followed by Municipality of Karposh (4.15%) and Municipalities of Centar, Novaci and Bitola (3% each).

**Table 7: Summary overview of the report from the 130<sup>th</sup> session of the Government and individual reports of state administration bodies**

Institutions	Total funds awarded to associations/ foundations in 2017 according to reports of state administration bodies (MKD)	Total funds awarded from the budget in 2018 according to the report from the 130 <sup>th</sup> session of the Government (MKD)	Total funds awarded to associations/ foundations in 2018 according to reports of state administration bodies (MKD)	Total funds planned under 2019 budget according to the report from the 130 <sup>th</sup> session of the Government (MKD)	Total funds planned under the 2019 budget according to reports of state administration bodies (May-June 2019) (MKD)
1. Government – General Secretariat	630,000	0	2,505,940	12,000,000	12,000,000
2. Ministry of Defence	2,898,800	2,850,000	2,850,000	0	0
3. Ministry of Economy	8,212,041 <sup>31</sup>	6,515,819	6,515,819 <sup>32</sup>	23,500,000	15,000,000 <sup>33</sup>
4. Ministry of Agriculture, Forestry and Water Economy	1,452,000	17,405,863	12,262,774	77,880,000	60,000,000
5. Ministry of Health	14,600,000	47,209,400	47,209,400	46,500,000	46,500,000
6. Ministry of Labour and Social Policy	82,176,679	109,018,804	109,018,804 <sup>34</sup>	151,530,000	151,530,000
7. Ministry of Culture	108,338,627 <sup>35</sup>	132,081,636	124,605,852 <sup>36</sup>	76,244,000	128,539,000 <sup>37</sup>



<b>8. Ministry of Environment and Spatial Planning</b>	16,000,000	15,925,000	15,925,000	14,000,000	14,000,000
<b>9. Agency of Youth and Sport<sup>38</sup></b>	86,429,656	95,484,000	95,484,000 <sup>39</sup>	89,119,000	89,119,000 <sup>40</sup>
<b>10. Fund for Innovation and Technology Development</b>		2,262,932	2,262,932	6,000,000	6,000,000
<b>Total (MKD)</b>	320,737,803	428,903,454	418,640,521	496,773,000	516,688,000
<b>Total share in the budget (MKD)</b>	0.15%	0.21%	0.20%	N/A	N/A
<b>Total transfers under account 463 (MKD)</b>	319,035,817	/	511,833,557	/	70,706,275

31 Sector on Entrepreneurship and Competitiveness of SMEs (4,242,041 MKD), Sector on Internal Market (550,000 MKD), Sector in Industry and Investment Policy – Program for Competitiveness, Innovation and Entrepreneurship – Area C: Support and Development of Cluster Organizations (1,600,000 MKD), Sector on Tourism (1,820,000 MKD)

32 Sector on Entrepreneurship and Competitiveness of SMEs

33 Sector on Entrepreneurship and Competitiveness of SMEs (6,000,000 MKD), Sector on Industry and Investment Policy – Program for Competitiveness, Innovation and Entrepreneurship – Area C: Support and Development of Cluster Organizations (7,000,000 MKD), Sector on Tourism (2,000,000 MKD)

34 19,065,804 MKD for various projects in the field of social protection and 70,000,000 MKD for programme activities of national disability organizations, associations for fight against domestic violence and programme activities of the Red Cross of RM, pursuant to the Law on Games of Chance and Entertainment Games.

35 Music and stage performance activity (53,490,000 MKD), folklore and stage performance activity (19,210,000 MKD), associations/foundations in the field of drama arts (18,240,000 MKD), cultural and artistic manifestations – New Cultural Wave 2017 (8,849,152 MKD), Department for Visual Arts, Architecture and Design (3,315,000 MKD), Sector on Protection of Cultural Heritage (4,744,475 MKD) and 490,000 MKD without designated purpose

36 Music and stage performance activity (51,617,707 MKD), folklore and stage performance activity (16,920,000 MKD), associations/foundations in the field of drama arts (15,300,000 MKD), cultural and artistic manifestations – Young Europeans 2018 (7,505,295 MKD), cultural and artistic manifestations – New Cultural Wave 2018 (13,015,000 MKD), interdisciplinary projects (14,087,850 MKD), Department for Visual Arts, Architecture and Design (6,160,000 MKD)

37 Music and stage performance activity (42,755,000 MKD), folklore and stage performance activity (16,860,000 MKD), associations/foundations in the field of drama arts (23,580,000 MKD), interdisciplinary projects (22,955,000 MKD), Department for Visual Arts, Architecture and Design (9,361,000 MKD), Ministry of Culture's Sector on Protection of Cultural Heritage (13,028,000 MKD).

38 Sector on Youth (0 MKD), Sector on Sport (86,429,656 MKD)

39 Sector on Youth (2,000,000 MKD), Sector on Sport (93,484,000 MKD)

40 Sector on Youth (4,797,000 MKD), Sector on Sport (84,322,000 MKD)

The share in the 2017 total budget is **maintained at the level observed in previous periods**, i.e. 0.15% of the total budget, while the same is increased to 0.20% in 2018.

**Table 8:** Overview of budget account 463: transfers to non-governmental organizations in the period 2013-2016, according to the final balance sheets for the Budget of RM

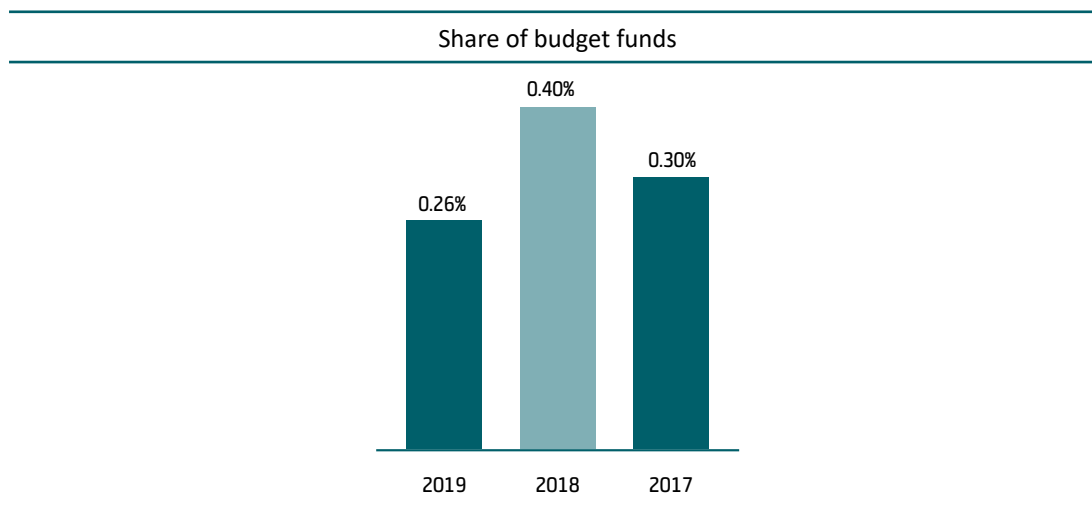
Year	No. of state administration bodies	Total expenditure (MKD)	Planned account 463 (in MKD)	Executed account 463 (in MKD)	Executed account 463 (in EUR)	% planned/ executed	Share in total budget
2013	11	174,818,509,114	290,036,000	270,483,036	4,398,098	93%	0.15%
2014	11	178,149,224,689	258,863,000	241,741,138	3,930,750	93%	0.15%
2015	11	209,052,305,593	339,507,000	296,015,087	4,813,253	87%	0.14%
2016	10	206,193,096,931	285,757,000	261,158,675	4,246,483	82%	0.13%

Source: Ogenovska, Simona (2017): Analysis of Central Budget Funding for Civil Society Organizations, MCIC

Contrary to data obtained from state administration bodies, data extracted from the treasury records do not indicate procedures and legal grounds on which funds are awarded to CSOs. They allow broader image about public funding to CSOs, not only in terms of financial support, but also in terms of total funds that ended with CSOs on different grounds, and could serve as control insight into state funding against incomplete individual reports of state administration bodies.

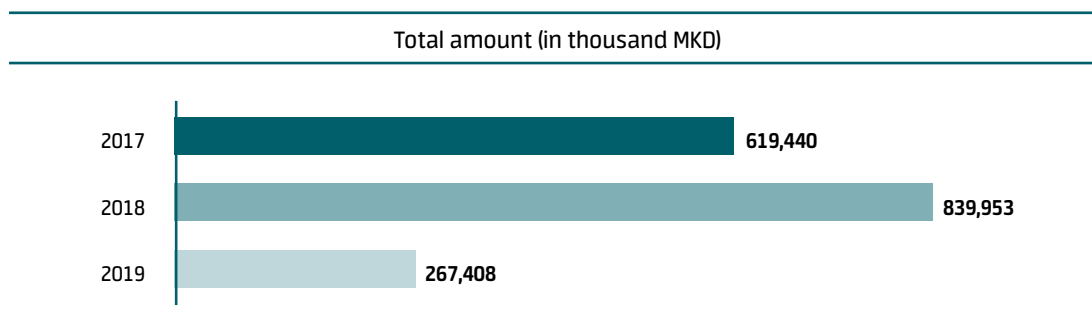
Calculation of funds intended to finance organizations covered all transactions executed through the Ministry of Finance's Treasury under budget account 463 (transfers to non-governmental organizations). Having in mind that the main goal of this research is to analyse funds intended for organizations, sub-account 463170 (transfers to political parties) was not taken into account. The analysis established that the share of funds awarded to CSOs from the central budget of RNM (Chart 1) **accounts for 0.3% of the Budget of RNM in 2017, 0.4% in 2018 and 0.26% in the first half of 2019**, having in mind that 2019 data only concern the first semester, i.e. the first six months.

**Chart 1:** Share of funding for the non-governmental sector in the central budget of RNM, per year



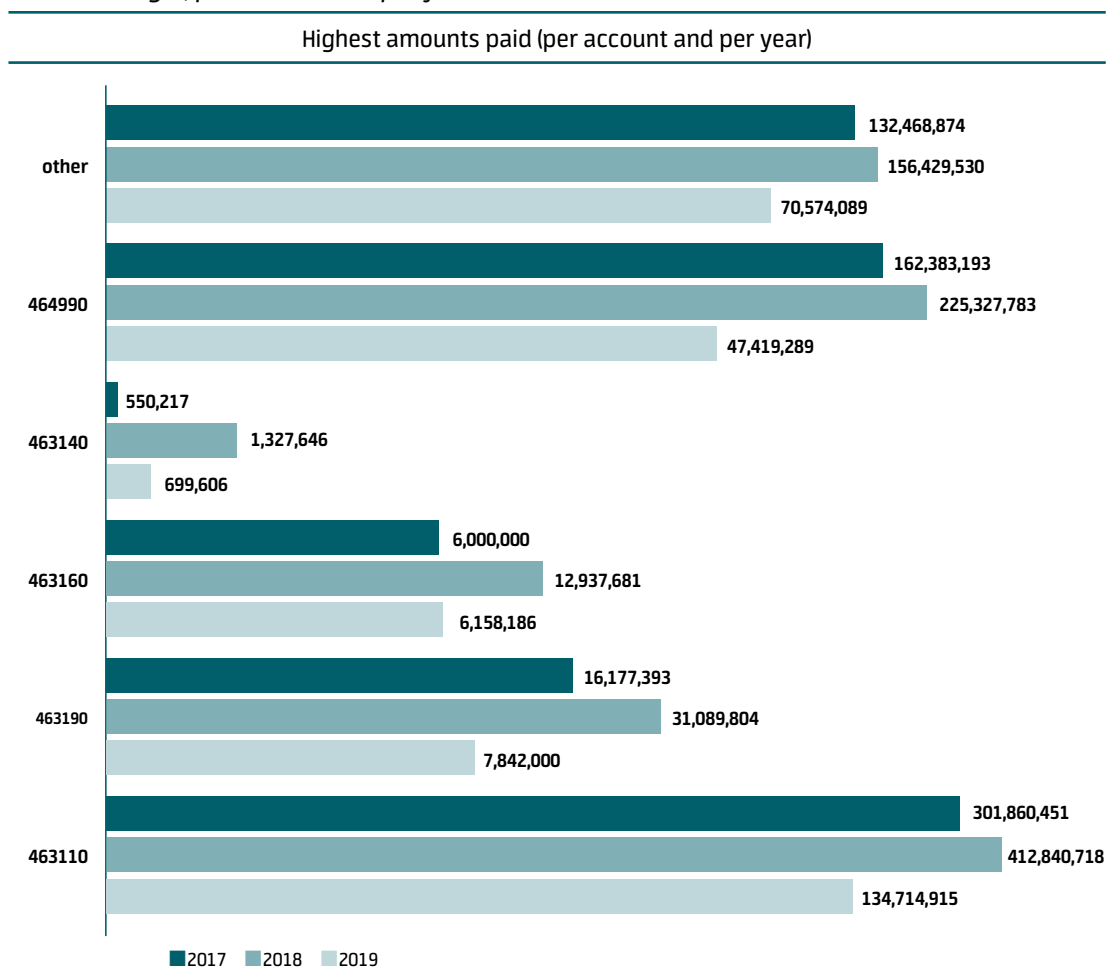
Expressed in absolute amount (Chart 2), state funding for organizations amounted to 619.4 million MKD in 2017, 840 million MKD in 2018, and 267.4 million MKD for the period until June 30, 2019.

**Chart 2:** Absolute amount of funding for CSOs from the central budget of RNM, per year



Having in mind that the analysis of state funding is primarily based on calculating sums from basic accounts intended to finance CSOs, it is equally important to calculate the amount of funds paid from accounts different from budget account 463. In the analysed period, the most important amounts disbursed to CSOs were paid from subaccount 463110 (transfers to associations and foundations). Namely, in the period from 2017 to June 2019, funds paid from this account to CSOs amount to total of 849.4 million MKD. Another important budget item is identified in transactions made under budget account 464 (various transfers) i.e. subaccount 464990 (other transfers) (Chart 3).

**Chart 3: The highest amounts of funds disbursed to associations and foundations from the central budget, per account and per year**



Funds paid to organizations from accounts that are primarily intended for that purpose often **concern various services which budget beneficiaries secure from CSOs, but these funds are also used to disburse financial support**. Analysis of all other budget account (different from 463 and 464) provides the conclusion that (individually) they have insignificant shares in the total amount of fund disbursed to organizations. However, when these accounts are analysed together, in average, **all of them account for 22% of total annual funds disbursed to CSOs**.

Establishment of CSOs current needs or the situation in relation to their funding, i.e. their annual turnover and share of different funding sources, is of key importance for the analysis of state funding for CSOs and the associated discussion on CSOs financial sustainability. Hence, in the period 2017 - 2018, the share of funds from the central budget in total turnover by CSOs **accounts for an average of 10%**, but when state funding is complemented with funds awarded by municipalities, **this share is increased to 15%**, i.e. a total of 975 million MKD in 2017 and 1.2 billion MKD in 2018. This comparison is presented in Table 9.

**Table 9: Data on total funding for CSOs and the ratio between the Budget of RNM and total annual turnover by CSOs**

	2017	2018
Funds from all municipalities in RNM	355,930,683	355,533,284
Funds from the central budget	619,440,000	839,953,000
<b>Total funds awarded to CSOs</b>	<b>975,370,683</b>	<b>1,195,486,284</b>
Budget of RNM	196,600,000,000	210,500,000,000
<b>Total annual turnover by CSOs (according to the Central Register)</b>	<b>6,983,853,748</b>	<b>7,478,844,157</b>
Share of CSOs revenue in GDP of RNM	1.13%	1.13%
<b>Funds for CSOs in the Budget of RNM</b>	<b>0.32%</b>	<b>0.40%</b>
<b>Total state funding in total turnover by CSOs (according to annual balance sheets from the Central Register)</b>	<b>13.97%</b>	<b>15.98%</b>
<b>Central budget funding in total turnover by CSOs (according to annual balance sheets from the Central Register)</b>	<b>8.87%</b>	<b>11.23%</b>

The share of state funding in total revenue of CSOs and the share of GDP awarded to CSOs are two indicators on development of the civil society in any country. They show how much the state involves CSOs in delivery of public services to citizens, and how much this sector contributes to overall development in the country. According to the last major international comparative study by the John Hopkins University in 2013, the share of state funding (central and local) in total revenue of CSOs accounts for 32.2% (at global level) and 58.0% (at EU level<sup>41</sup>), while the global average in terms of the share of GDP for CSOs accounts for 4.13%, and the same accounts for 3.8% at EU level. A share of around 30% is set as target or good practice aspired to be achieved by different models of state funding for CSOs because it provides sustainability and predictability of state funding for CSOs and, on the other hand, it does not create a general dependency, but stimulates independence and autonomy of the civil society as factor in modern and developed societies.

Compared to the situation in other countries covered by this analysis, it could be concluded that **the share of state funding in total revenue of CSOs in RNM is twice as lower compared to relevant shares in analysed countries**. On average, the share of state funding in countries covered by this analysis is **around 33%**, i.e. 34.3% in Scotland (2013), 38.2% in Slovenia and 33.7% in Croatia. Hence, **the share of 30% could serve as solid basis, i.e. target, which the model of state funding for CSOs in RNM should aspire to achieve**.

At the same time, the non-profit sector (according to data from the Central Register of RNM) **accounts for 0.8% of GDP in RNM**. Compared to countries covered by this research, RNM is **somewhere in the middle**. Having in mind the global and European averages from the study cited above, this share is still very low.

41 <http://ccss.jhu.edu/state-of-global-civil-society-volunteering/>



**Table 10: Comparison of basic financial indicators with those from other countries**

	RNM		Estonia	Scotland	Slovenia	Croatia	Serbia
	2018		2014	2014	2014	2014	2014
Number of registered CSOs (associations, foundations, alliances)	8,924 <sup>42</sup>	8,924 <sup>43</sup>	31,477	19,113	25,361	52,450	26,129
Total revenue of CSOs (mill EUR/MKD)	7,779 <sup>44</sup>	126,802	N/A	6,500	764	660.2	N/A
Revenue of CSOs from state funding (central and municipal) (mill MKD/EUR)	531 <sup>45</sup>	8,664	147.3	/	291	223.2	N/A
% of state funding in total turnover by CSOs	6.8%	6.8%	N/A	/	38.2%	33.7%	N/A
Revenue of CSOs from state funding at central level (mill MKD/EUR)	418	6.8	N/A	/	193	87	63
GDP (mill MKD/EUR)	658,053 <sup>46</sup>	10.5	19,100	178	37,303	43,900	39,200
Share of CSOs revenue in GDP	0.8%	0.8%	0.77%	3.6%	2.05%	1.5%	N/A

42 According to the analysis presented in the Strategy for Cooperation with and Development of the Civil Society 2018–2020

43 Ibid.

44 Ibid.

45 Data available in individual reports of state administration bodies taken into account include: 418,640,521 MKD (6,823,806 EUR) from the central budget and 112,889,294 MKD (1,840,086 EUR) from budgets of 40 municipalities.

46 <http://www.stat.gov.mk/PrikaziSooopstanie.aspx?id=140&rbr=3104>

### 2.1.3. FUNDS AWARDED FROM THE 2017 BUDGET (ACCORDING TO REPORTS OF STATE ADMINISTRATION BODIES)

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Based on the detailed insight in individual reports, it could be concluded that large share of funds awarded and reported by state administration bodies are intended for **organizations that are founded pursuant to other laws**, and not LAF, whereby high number of CSOs are not perceived as part of the civil society (e.g. Red Cross or sport clubs). Primarily, they receive funds drawn from the Law on Games of Chance and Entertainment Games.

According to individual reports of state administration bodies, **the number of organizations** that received support in 2017 accounts for 583, although some organizations appear as recipients of support several times during the year. Vast portion of supported organizations are associations, foundations and alliances, but they also include other types of organizations, as elaborated above, and for-profit entities supported by the Ministry of Economy. Based on information provided by state administration bodies, associations and foundations cannot be separated from other organizations.

State administration bodies reported that almost 100% of funds are awarded **with public calls**. However, detailed insight in their reports shows that state administration bodies apply broad interpretation to award of funds under public call or competition. For example, in their reports, state administration bodies indicate funds awarded annually on the basis of decision taken by the Government and pursuant to the Law on Games of Chance and Entertainment Games or funds awarded to sport organizations by the Agency of Youth and Sport as funds awarded by means of public call. Having in mind that every year these funds are awarded to organizations known in advance, they cannot be counted as funds awarded under public call. Hence, when these funds are subtracted from the total amount, **only 52% of all funds awarded and reported by state administration bodies could be counted as awarded under public call**.

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47 Sector on Entrepreneurship and Competitiveness of SMEs (28 organizations), Sector on Internal Market (1), Sector on Industry and Investment Policy – Program on Competitiveness, Innovation and Entrepreneurship – Area C: Support and Development of Cluster Organizations (10), Sector on Tourism (23)

48 18.8 million MKD for various projects in the field of social protection and 63 million MKD for programme activities of national disability organizations, associations for fight against domestic violence and programme activities of the Red Cross of RNM pursuant to the Law on Games of Chance and Entertainment Games

**Table 11: Overview of funds awarded in 2017, according to individual reports of state administration bodies**

Institution	Total funds awarded in 2017 (MKD)	Total funds awarded in 2017 with public call (MKD)	Total funds awarded in 2017 without public call (MKD)	Number of CSOs that received funds	Number of CSOs that received funds under public call	Number of organizations that received funds without public call
<b>1. Government – General Secretariat</b>	630,000	N/A	N/A	4	4	0
<b>2. Ministry of Defence</b>	2,898,800	0	2,898,800	1	0	1
<b>3. Ministry of Economy</b>	8,212,041	8,212,041	0	62 <sup>47</sup>	62	0
<b>4. Ministry of Agriculture, Forestry and Water Economy</b>	1,452,000	1,452,000	0	6	6	0
<b>5. Ministry of Health</b>	14,600,000	14,600,000	0	13 (including the Red Cross of RNM)	13	0
<b>6. Ministry of Labour and Social Policy</b>	82,176,679	81,846,679 <sup>48</sup>	330,000	21	18	3
<b>7. Ministry of Culture</b>	108,338,627	107,848,627 <sup>49</sup>	0	435 projects (342 organizations) <sup>50</sup>	281 projects (221 organizations)	154 projects (121 organizations)
<b>8. Ministry of Environment and Spatial Planning</b>	16,000,000	16,000,000	0	41	41	0
<b>9. Agency of Youth and Sport</b>	86,429,656	86,429,656	0	93	93	0
<b>Total (MKD)</b>	<b>320,737,803</b>	<b>316,389,003</b>	<b>3,228,800</b>	<b>583</b>	<b>458</b>	<b>125</b>

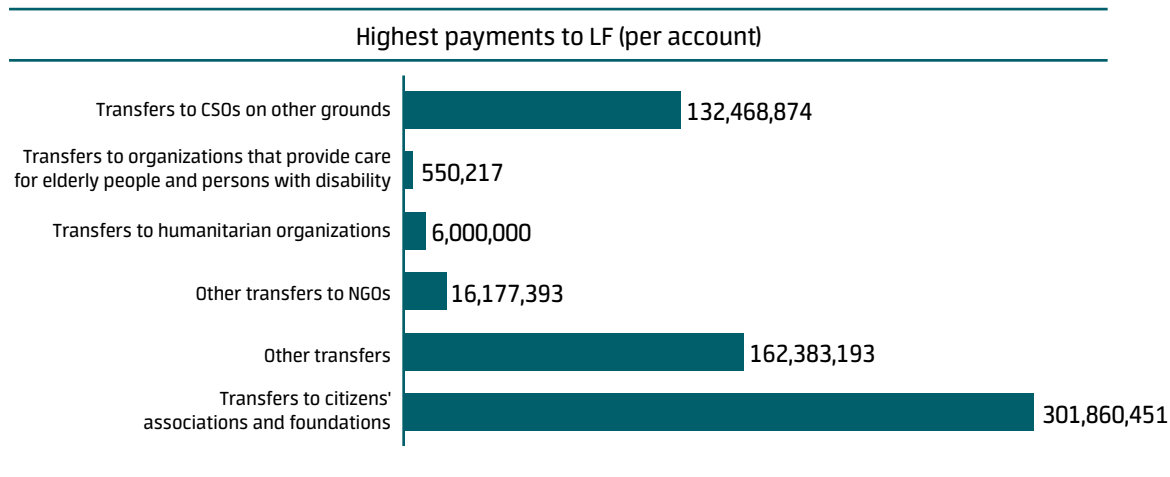
49 Music and stage performance activity (53,5 million MKD), folklore and stage performance activity (19,2 million MKD), associations/foundations in the field of drama arts (18,2 million MKD), cultural and artistic manifestations – New Cultural Wave 2017 (8,8 million MKD), department for visual arts, architecture and design (3,3 million MKD), sector on protection of cultural heritage (4,7 million MKD)

50 Music and stage performance activity (113 projects /79 organizations), folklore and stage performance activity (117 projects/82 organizations associations/foundations in the field of drama arts (39 projects/39 organizations), cultural and artistic manifestations – New Cultural Wave 2017 (58), Department for Visual Arts, Architecture and Design (48 projects/33 organizations), Sector on Protection of Cultural Heritage (57 projects/48 organizations) and 3 organizations without designated purpose

## 2.1.4. FUNDS AWARDED FROM THE 2017 BUDGET (ACCORDING TO TREASURY DATABASE AT THE MINISTRY OF FINANCE)

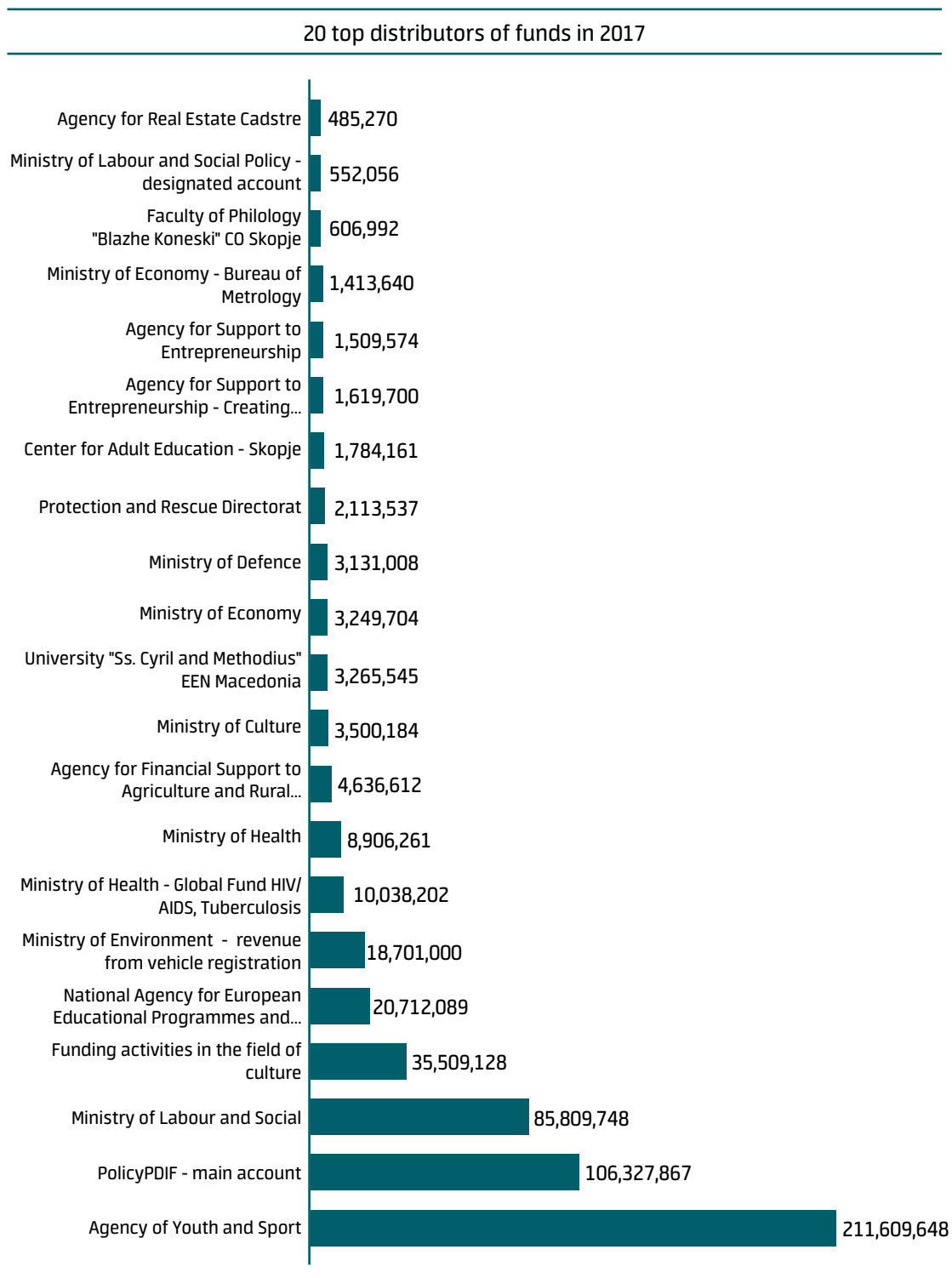
It could be expected that main account 463110 (transfers to citizens' associations and foundations) would be used for disbursement of the highest amount of funds (Chart 4). That was the situation established for the year 2017. Based on the analysis conducted by cross-referencing data obtained from budget beneficiaries it could be inferred that **vast portion of funds awarded under public call have been disbursed from this account**. On the other hand, a significant number of institutions that follow the principles of transparency fully disburse their programs for financial support to CSOs from the account 464990 (other transfers).

*Chart 4: The highest amounts of funds paid from the central budget to associations and foundations (per account), for the year 2017*



Analysis of budget beneficiaries that award funds to organizations (Chart 5) clearly shows that the highest financial support is disbursed by the Agency of Youth and Sport (211.6 million MKD). Vast portion of these funds are awarded to sport federations, programmes for support to sport and sport manifestations. The Pension and Disability Insurance Fund appears as another major distributor of funds (106.3 million MKD), primarily due to monthly transfers from the Fund to its regional offices on the account of transfers to organizations that provide care for elderly people and persons with disabilities. In continuity, the 20 top distributors include the National Agency for European Educational Programmes and Mobility (total of 207.2 million MKD) which, under its programmes, supports initiatives implemented by associations and foundations.

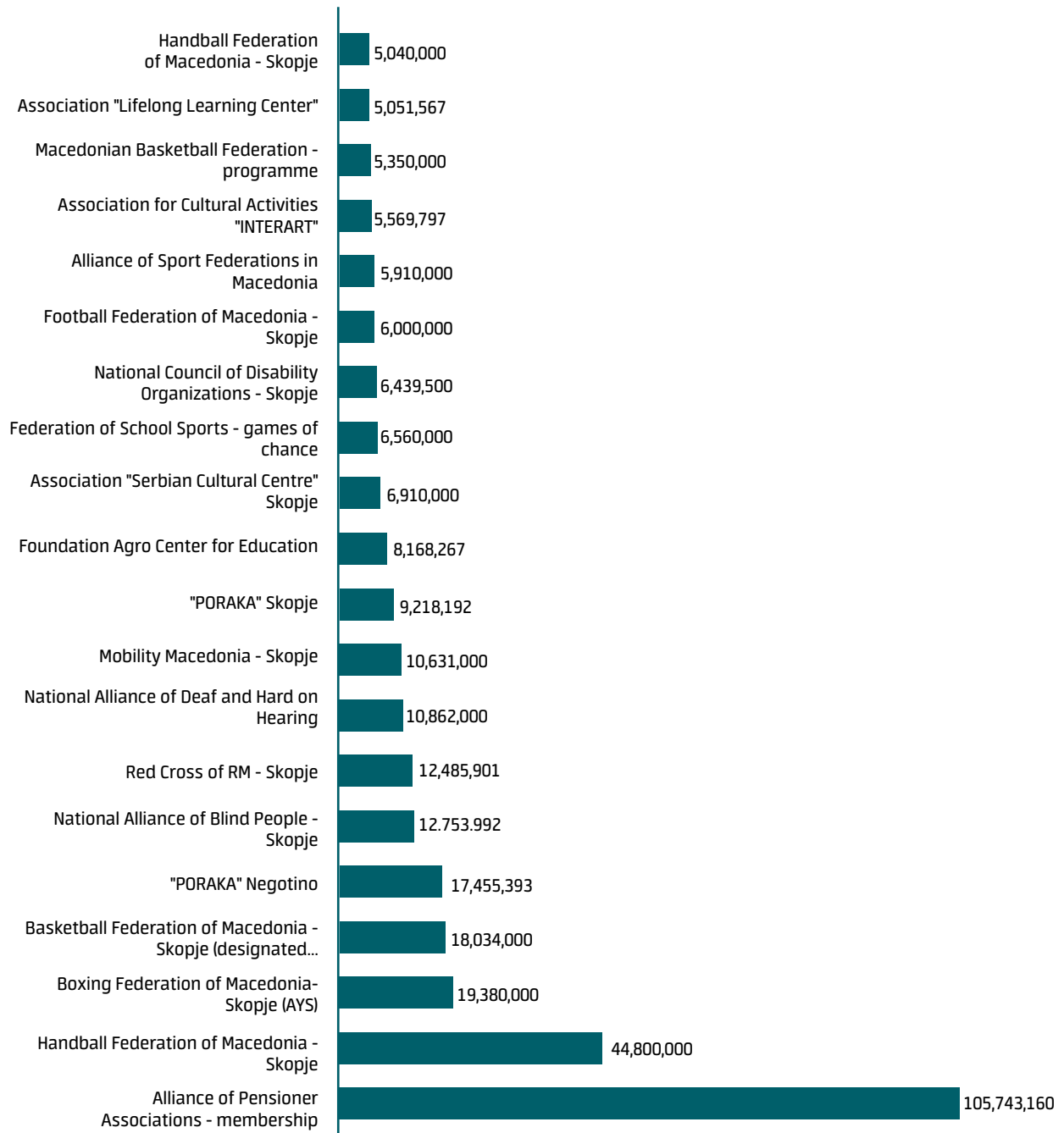
**Chart 5:** Budget beneficiaries that appear as distributors of the highest amounts of funds from the central budget to associations and foundations, for the year 2017



Unlike distributors of funds, the list of recipients is much longer and diverse and includes large number of associations, sport federations and manifestations, but also alliances that receive funds on the basis of specific legal regulations. In 2017, the Alliance of Pensioner Associations in RNM appears as recipient of the highest amount of funds (105.7 million MKD) (Chart 6).

**Chart 6:** Recipients of the highest amount of funds from the central budget intended for associations and foundations, for the year 2017

20 top recipients of funds in 2017



## 2.1.5. FUNDS AWARDED FROM THE 2018 BUDGET (ACCORDING TO REPORTS OF STATE ADMINISTRATION BODIES)

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Having in mind that all transfers, disbursed on all grounds from the central budget of RNM to associations and foundations have reached 840 million MKD in 2018, the amount of payments from budget account 463 represents 50% of all transfers to associations and foundations in that year. Compared to 2017, when this share was 52%, it could be concluded that state funding **remained at the same level and with the same budget structure**. Again, as was the case in 2017, the highest amount of funds was distributed by the Ministry of Culture (132 million MKD), followed by the Ministry of Labour and Social Policy (109 million MKD) and the Agency of Youth and Sport (95.5 million MKD).

**The number of organizations** that received support accounts for 746, of which 509 organizations were supported by the Ministry of Culture. Most of them are associations and foundations, but they also include other types of organizations, such as the Red Cross of RNM, which is founded by means of separate law, sport associations and federations, and for-profit entities supported by the Ministry of Economy. Based on information provided by state administration organizations, state funding for associations and foundations cannot be separated from other organizations.

Most funds (86%) were awarded under **public call**. A total of 43 organizations received funds without public call. Award of funds under public call is rather broadly interpreted and includes funds disbursed every year on the basis of decision taken by the Government and pursuant to the Law on Games of Chance and Entertainment Games or sport organizations funded by AYS. When these funds are subtracted, **half of funds (52%) are awarded under public call. This is the same level observed in 2017.**

**Table 12:** Overview of funds awarded in 2018 according to individual reports of state administration bodies

Institution	Total funds awarded in 2018 (MKD)	Total fund awarded in 2018 with public call (MKD)	Total funds awarded in 2018 without public call (MKD)	Number of CSOs	Number of CSOs (with public call)	Number of CSOs (without public call)
<b>1. Government – General Secretariat</b>	2,505,940	0	2,505,942	9	0	9
<b>2. Ministry of Defence</b>	2,850,000	2,850,000	0	8	8	0
<b>3. Ministry of Economy</b>	6,515,819	6,515,819	0	25	25	0
<b>4. Ministry of Agriculture, Forestry and Water Economy</b>	12,262,774	6,534,685	5,728,089	29	26	3
<b>5. Ministry of Health</b>	47,209,400	46,304,153	0	15 (with the Red Cross)	15	0
<b>6. Ministry of Labour and Social Policy</b>	109,018,804	89,065,804	19,953,000	25	16	9
<b>7. Ministry of Culture</b>	124,605,852	117,100,557 <sup>51</sup>	9,298,760	509	324	18
<b>8. Ministry of Environment and Spatial Planning</b>	15,925,000	15,925,000	0	64	64	0
<b>9. Agency of Youth and Sport</b>	95,484,000	95,484,000	0	58 (with the Red Cross)	58	0
<b>10. Fund for Innovation and Technology Development</b>	2,262,932	0	2,262,932	4	0	4
<b>Total (MKD)</b>	<b>416,640,521</b>	<b>379,780,018</b>	<b>39,748,723</b>	<b>746</b>	<b>536</b>	<b>43</b>

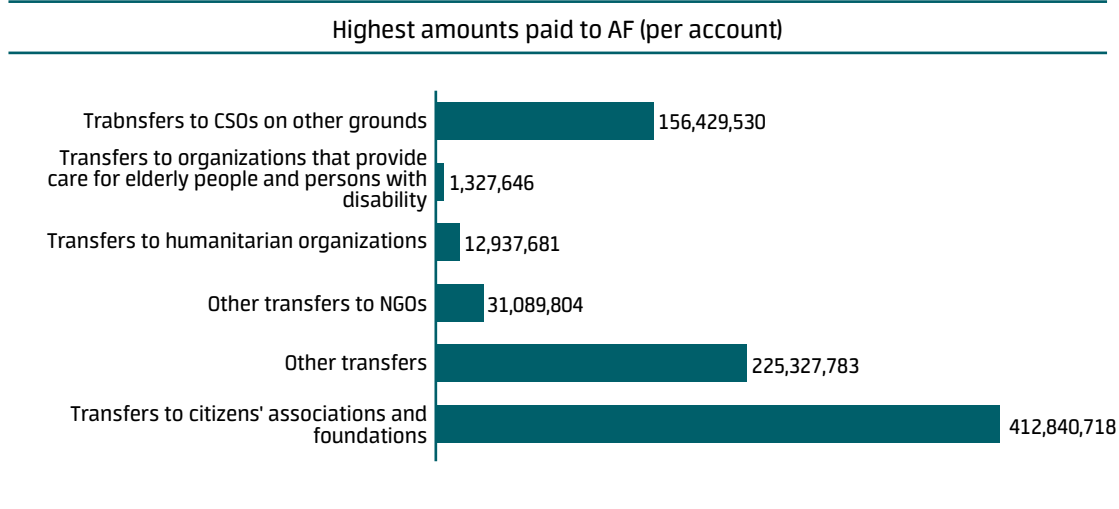
51 Cultural and artistic manifestations – Young Europeans 2018 (7,505,295 MKD), there are no information whether funds are awarded with or without public call.



## 2.1.6. FUNDS AWARDED FROM THE 2018 BUDGET (ACCORDING TO THE TREASURY DATABASE AT THE MINISTRY OF FINANCE)

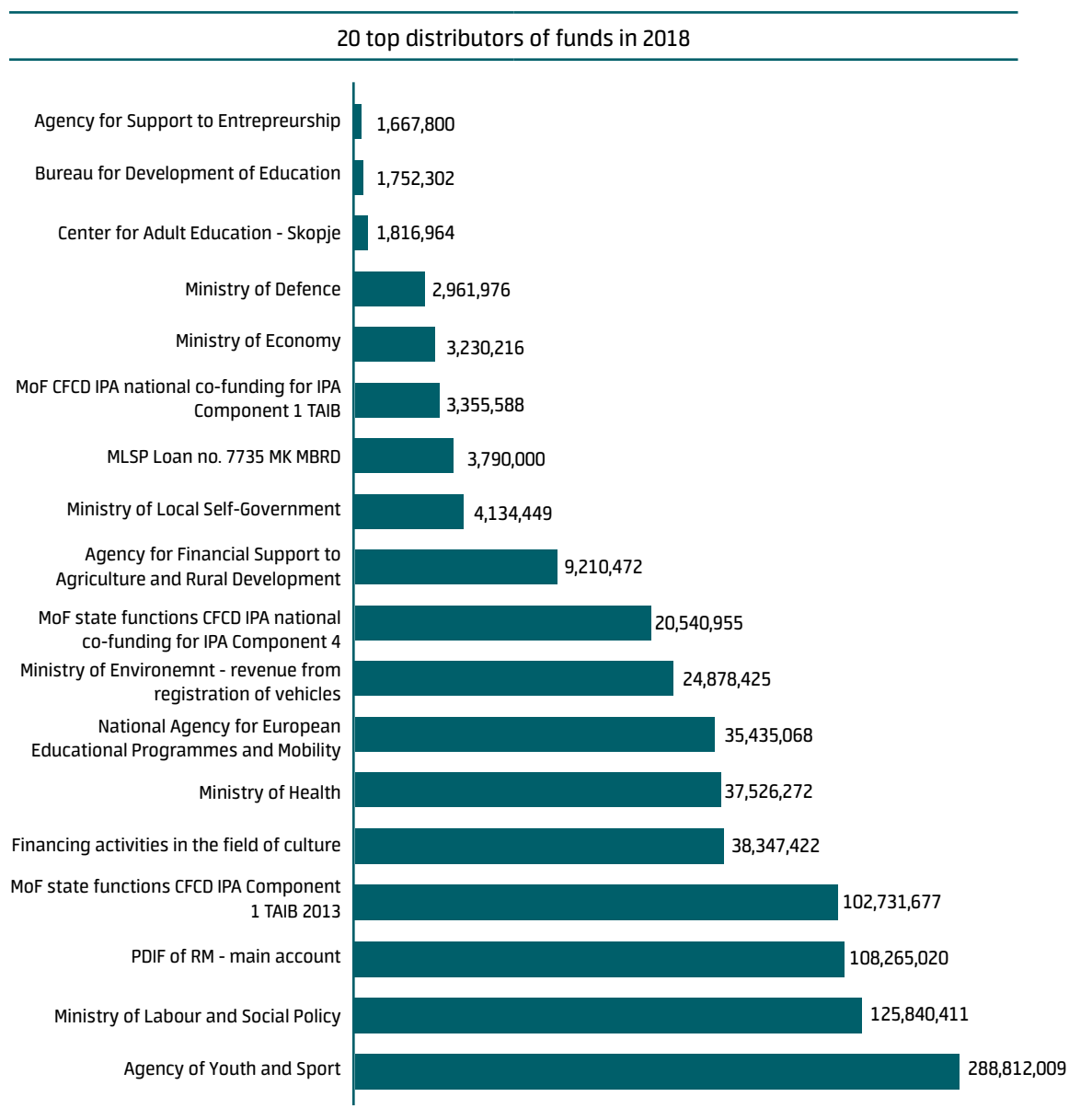
Allocation of funds to CSOs in 2018 is at the same level. The budget account 463110 is dominantly used and marked by the highest number of transactions intended to finance civil society organizations, i.e. 412.8 million MKD (Chart 7). It is important to note that total funds awarded in 2018 to civil society organizations on different grounds account for 0.4% of the Budget of RNM (Chart 1), which is the highest level of funds awarded in the last three years.

**Chart 7:** The highest amounts of funds disbursed from the central budget to associations and foundations (per budget account), for the year 2018

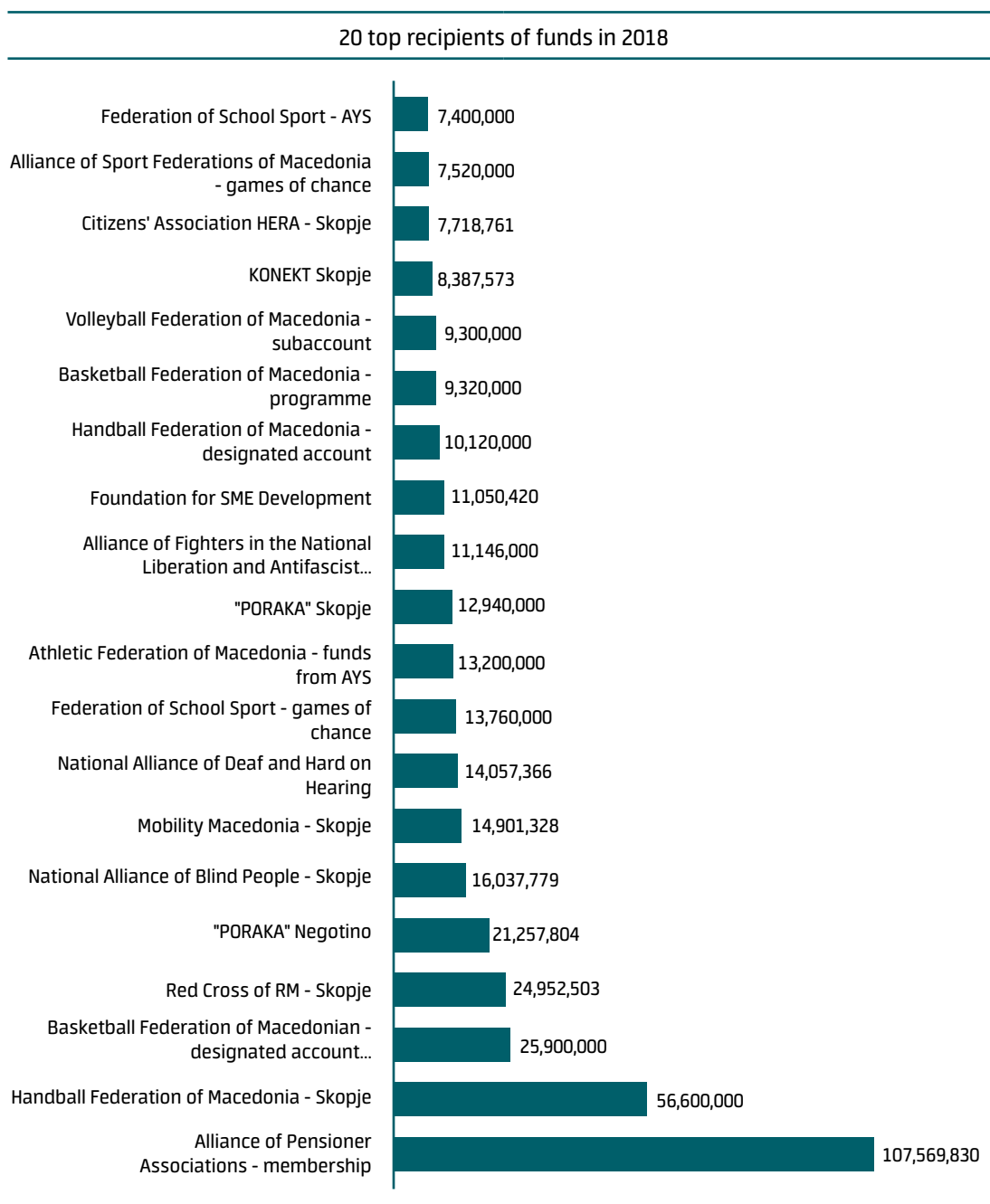


Data shown on Chart 8 provide the conclusion that the biggest distributor of funds among institutions is the Agency of Youth and Sport, but the Ministry of Labour and Social Policy for the first time emerges as distributor of significant amount of funds to CSOs (125.8 million MKD). Again, this group includes the Central Financing and Contracting Department (CFCD) at the Ministry of Finance (although these are EU funds transferred through the central budget), having in mind that this entity is responsible for management of the Multiannual IPA Programme whose financing continued in 2018.

**Chart 8: Distributors of the highest amounts of funds from the central budget to associations and foundations, for the year 2018**



**Chart 9: Recipients of the highest amounts of funds from the central budget intended for associations and foundations, for the year 2018**



Breakdown of organizations that received funds from state institutions in 2018 (Chart 9) does not differ greatly from their structure in 2017. In 2018, the Alliance of Pensioner Associations of RNM again appears as recipient of the highest amount of funds, i.e. 107.5 million MKD. Funds transferred to this alliance are insignificantly increased compared to the amount in 2017.

## 2.1.7. FUNDS AWARDED FROM THE 2019 BUDGET IN THE FIRST SEMESTER (ACCORDING TO REPORTS OF STATE ADMINISTRATION BODIES)

According to individual reports of state administration bodies, a total of 328.8 million MKD were disbursed in the first half of 2019, accounting for **64% of total funds planned in 2019** under budget account 463. The number of organizations that received support is 498 (Table 12), although some of them appear as recipients of multiple support in the first half of 2019. High share of supported organizations are associations and foundations, but there are also other types of organizations and for-profit entities. As was the case in other analysed years, based on information provided by state administration bodies, associations and foundations cannot be separated from other organizations.

**All funds were awarded under public call.** Again, interpretation used for award of funds under public call is broad and includes funds awarded annually on the basis of decision by the Government and pursuant to the Law on Games of Chance and Entertainment Games or support to sport organizations (by AYS). This is at the same level with those observed in 2017 and 2018.

*Table 13: Overview of funds planned and awarded in the first half of 2019, according to reports of state administration bodies*

Institution	Total funds planned under the budget, according to state administration bodies (MKD)	Total funds awarded to CSOs, according to state administration bodies (MKD)	Number of CSOs that received funds from state administration bodies
1. Government – General Secretariat	12,000,000	N/A	
2. Ministry of Defence	0	0	
3. Ministry of Economy	15,000,000 <sup>52</sup>	N/A	
4. Ministry of Agriculture, Forestry and Water Economy	60,000,000	N/A	
5. Ministry of Health	46,500,000	45,975,092	15
6. Ministry of Labour and Social Policy	151,530,000	151,500,000	
7. Ministry of Culture	128,539,000 <sup>53</sup>	115,511,000 <sup>54</sup>	425 projects (378 CSOs) <sup>55</sup>



<b>8. Ministry of Environment and Spatial Planning</b>	14,000,000	14,000,000	57
<b>9. Agency of Youth and Sport</b>	89,119,000 <sup>56</sup>	N/A	
<b>10. Fund for Innovation and Technology Development</b>	6,000,000	1,799,950	1
<b>Total (MKD)</b>	<b>516,688,000</b>	<b>328,786,042</b>	<b>498</b>

52 Sector on Entrepreneurship and Competitiveness of SMEs (6 million MKD), Sector on Industry and Investment Policy – Program for Competitiveness, Innovation and Entrepreneurship Field C: Support and Development of Cluster Organizations (7 million MKD), Sector on Tourism (2 million MKD)

53 Music and stage performance activity (43 million MKD), folklore and stage performance activity (17 million MKD), associations/foundations in the field of drama arts (23.5 million MKD), interdisciplinary projects (23 million MKD), Department for Visual Arts, Architecture and Design (9 million MKD), Ministry of Culture's Sector on Protection of Cultural Heritage (13 million MKD)

54 Music and stage performance activity (42.7 million MKD), folklore and stage performance activity (17 million MKD), associations/foundations in the field of drama arts (23.6 million MKD), interdisciplinary projects (23 million MKD), Department for Visual Arts, Architecture and Design (9.3 million MKD)

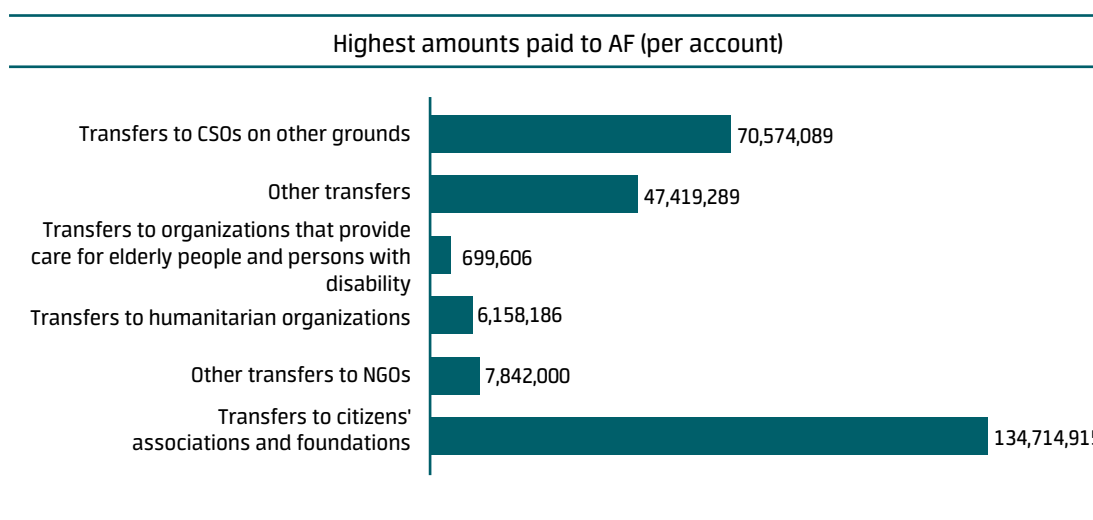
55 Music and stage performance activity (118 projects/97 organizations), folklore and stage performance activity (111 projects/99 associations), associations/foundations in the field of drama arts (40 projects/38 organizations), interdisciplinary projects (78), Department for Visual Arts, Architecture and Design (78 projects/66 associations)  
 Music and stage performance activity (42.7 million MKD), folklore and stage performance activity (16,860,000 MKD), associations/foundations in the field of drama arts (23.6 million MKD), interdisciplinary projects (23 million MKD), Department for Visual Arts, Architecture and Design (9.3 million MKD)

56 Sector on Youth (4.8 million MKD), Sector on Sport (84.3 million MKD)

## 2.1.8. FUNDS AWARDED FROM THE 2019 BUDGET IN THE FIRST SEMESTER (ACCORDING TO TREASURY DATABASE AT THE MINISTRY OF FINANCE)

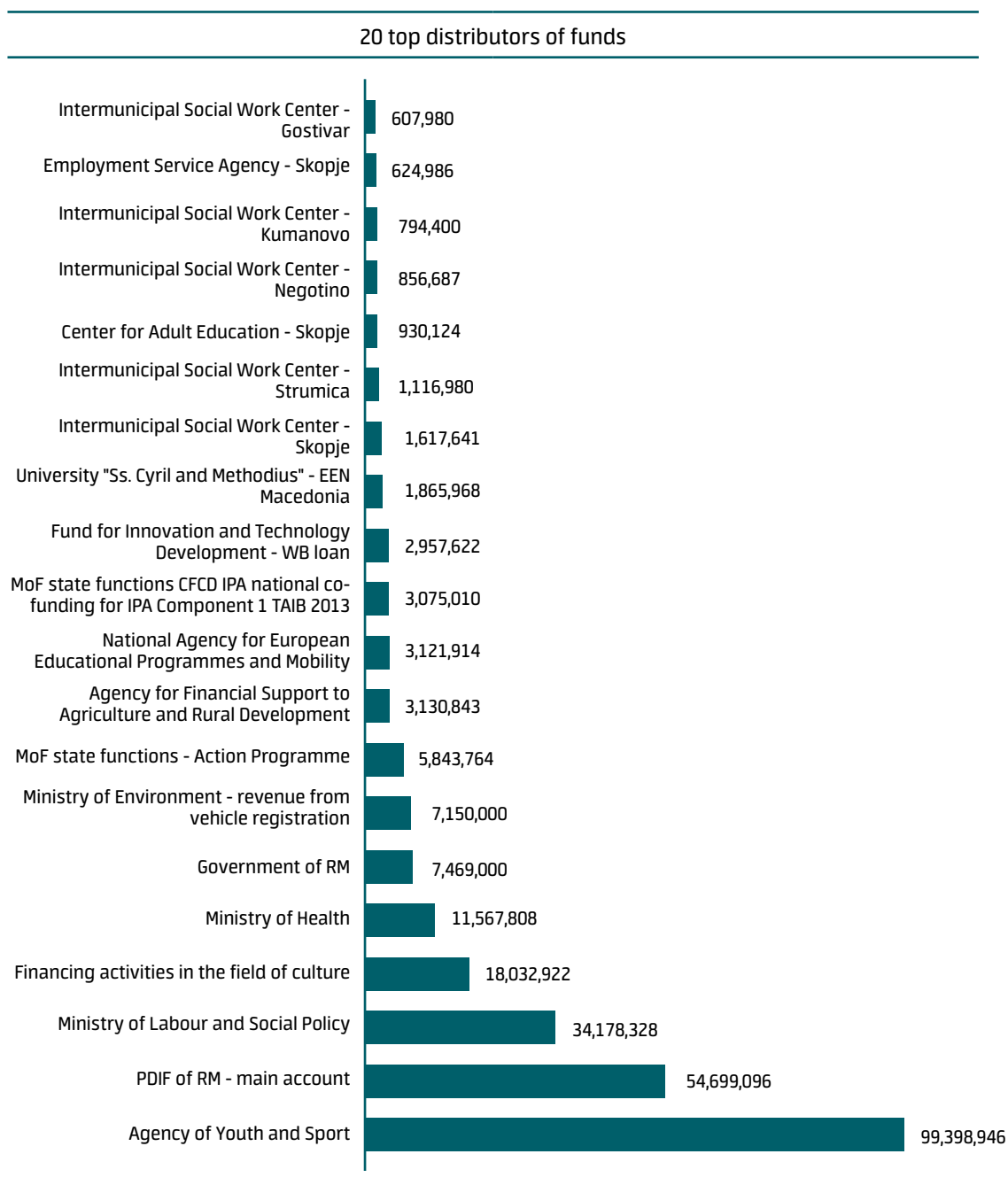
Based on the analysis of transfers from the central budget in the period 1 January – 30 June 2019, the highest amount of funds to associations and foundations was disbursed from account 463110 (other transfers to non-governmental organizations), i.e. 134.7 million MKD (Chart 10). Significant number of institutions disbursed financial support to the civil society solely from account 464990 (other transfers).

**Chart 10:** Highest amounts of funds from the central budget paid to associations and foundations (per account), for the year 2019



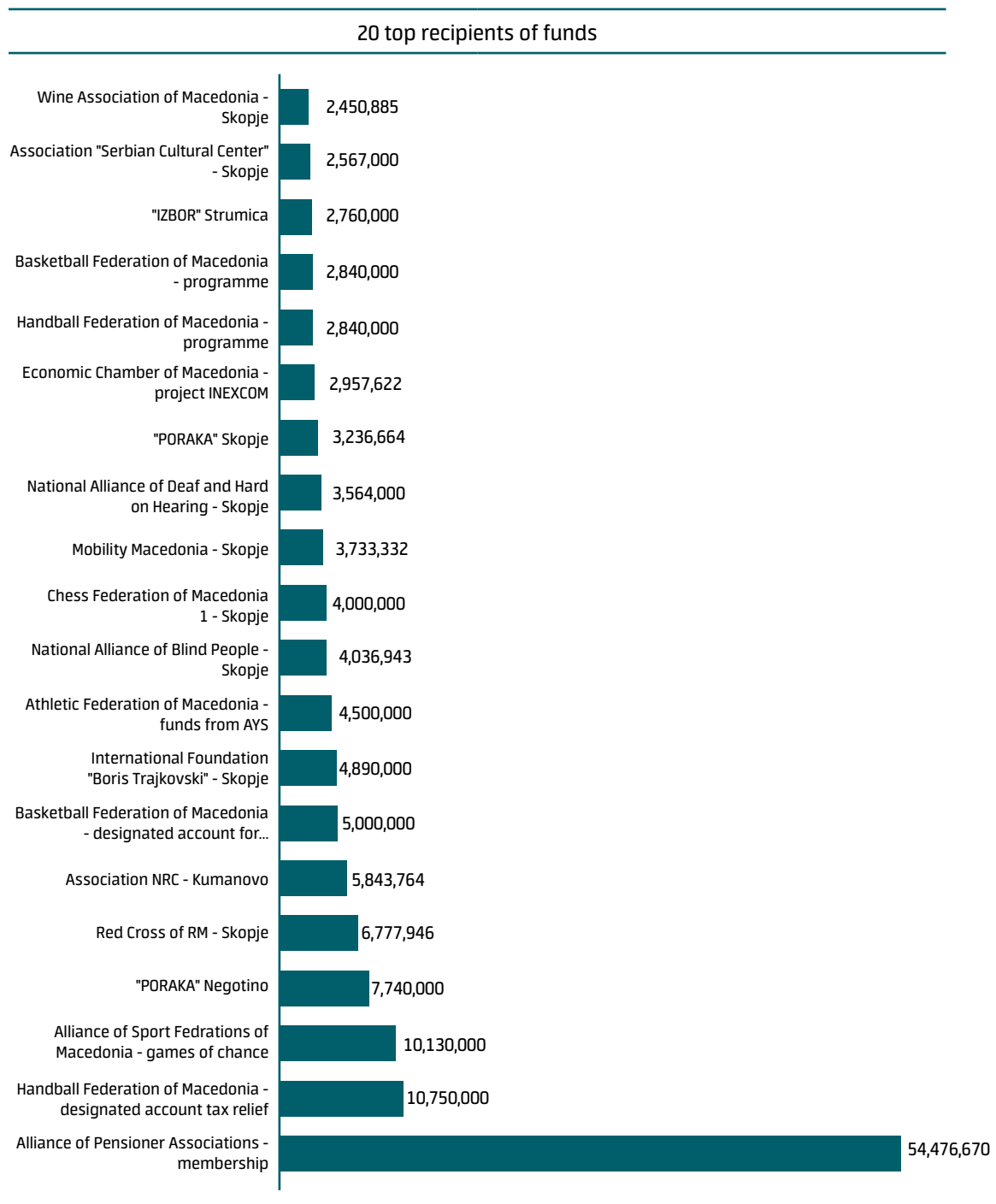
Analysis of budget beneficiaries that disbursed the highest amounts of funds to CSOs in the first half of 2019 clearly shows that the biggest financial support is awarded by AYS (994 million MKD), followed by the Pension and Disability Insurance Fund with 54.6 million MKD as transfers to CSOs that provide care for elderly people and persons with disabilities (Chart 11). In 2019, distributors of highest amounts of funds to associations and foundations include the Ministry of Culture (18 million MKD) and the Ministry of Health (11.5 million MKD).

**Chart 11:** Distributors of the highest amounts of funds from the central budget to associations and foundations, for the year 2019



The list of organizations that received funds from state institutions in 2019 is again topped by the Alliance of Pensioner Associations of RNM, with 54.5 million MKD (Chart 12).

**Chart 12:** Recipients of the highest amounts of funds from the central budget intended for associations and foundations, for the year 2019





## 2.1.9. FUNDS AWARDED BY LSGU (ACCORDING TO REPORTS SUBMITTED BY LSGU TO MLSG)

Legal grounds for award of funds to associations and foundations by local self-government units are stipulated in the Law on Associations and Foundations (Article 49). For the first time, through the Ministry of Local Self-Government (MLSG), municipalities systematically shared information on planned budgets and funds realized to meet the needs of associations and foundations. However, from the total of 80 municipalities, only 40 provided information and they exclude the City of Skopje and Municipalities of Veles, Karposh, Aerodrom, Kumanovo, Tetovo, Gostivar, etc. Therefore, this analysis of submitted reports could be considered as initial insight in planning and award of funds to associations and foundations at local level and does not represent detailed and complete analysis of this subject matter (see details in Table 13). What could be concluded from data submitted by 40 municipalities is that, in 2017, 22 of them awarded funds without public call, 11 municipalities organized public calls to award portion of funds for this purpose, and only 4 of them (Centar, Vlandovo, Gevgelija and Kochani) fully disbursed such funds under public call. This structure is almost identical in 2018, with public calls organized by two additional municipalities (Berovo and Shtip). In both analysed years, Municipalities of Plasnica, Zelenikovo and Shuto Orizari reported they have not planned funds for associations and foundations in their respective budgets. In order to build upon this initial insight, i.e. to provide detailed image about state-of-affairs, additional analysis was conducted reviewing reports on municipal budget execution, as elaborated in the next section.

**Table 14:** Overview of funds planned and realized in 2017 and 2018, according to individual reports of municipalities

Municipality	Funds awarded in 2017 (MKD)	Funds awarded in 2018 (MKD)	Number of organizations, manifestations and other entities funded in 2017 and 2018		Additional information
<b>Berovo</b>	30,000	238,000	1	6	2017 – without public call 2018 – with public call (160,000 MKD)
<b>Bogdanci</b>	465,000	740,000	11	18	2017 – with public call (405,000 MKD) 2018 – with public call (417,000 MKD)
<b>Bitola</b>	4,727,000	3,225,000	164	97	2017 – with public call (4,322,000 MKD). 2018 – with public call (2,840,000 MKD)
<b>Brvenica</b>	47,000	52,000	4	3	without public call, based on the mayor's decision



<b>Valandovo</b>	1,584,000	2,120,500	11	22	with public call - funds are distributed to all organizations that have applied (budget is planned the basis of applications to the public call)
<b>Vasilevo</b>	144,000	132,000	8	7	without public call
<b>Vevchani</b>	33,000	48,000	2	3	without public call, based on decision for award of funds
<b>Vinica</b>	2,360,182	1,886,847	20	33	2017 - with public call (2,172,310 MKD) 2018 - with public call (1,722,792 MKD)
<b>Gazi Baba</b>	3,738,600	4,490,479	9	8	2017 - with public call (648,000 MKD) 2018-with public call (1,190,000 MKD)
<b>Gevgelija</b>	11,879,188	14,705,732			with public call, mainly to sport clubs
<b>Gjorche Petrov</b>	960,300	2,281,100			without public call, based on decision by the municipal council and mayor's edict (for citizens' associations and sport clubs)
<b>Debarca</b>	795,000	764,000	21	21	without public call
<b>Delchevo</b>	408,600	309,500	to several associations	to several associations	2017 - without public call, based on application 2018 - with public call
<b>Demir Kapija</b>	724,485	270,000	1	4	without public call
<b>Dojran</b>	335,000	342,000	4	6	without public call, based on decision of the municipal council
<b>Demir Hisar</b>	149,000	500,000	6	8	2017 - without public call 2018 - with public call (173,000 MKD).
<b>Jegunovce</b>	101,000	390,000	2	1	without public call, based on submitted applications and decision of the municipal council
<b>Kichevo</b>	7,505,000	4,075,000	49	32	2017 - with public call (7,385 MKD) 2018 - with public call (4,015,000 MKD)



<b>Kochani</b>	1,834,114	2,862,125	76	102	with public call to support programs in the field of sport and culture
<b>Kratovo</b>	440,000	322,500	7	7	without public call
<b>Krivogashtani</b>	66,000	93,800	3	6	without public call, based on decision of the municipal council
<b>Krushevo</b>	3,000	49,000			without public call
<b>Makedonska Kamenica</b>	7,095,000	8,213,070	15	15	2017 - with public call (4,275,000 MKD) 2018 - with public call (4,598,070 MKD)
<b>Makedonski Brod</b>	266,000	103,000			without public call, based on decision of the municipal council according to previously submitted applications methodology for award of financial support to citizens' associations and foundations is adopted on 30.07.2018
<b>Mogila</b>	470,000	554,494	3	5	2017 - without public call 2018 - with public call (145,000 MKD)
<b>Novaci</b>	6,311,240	6,286,950	20	44	without public call
<b>Novo Selo</b>	130,000	628,000	7	10	without public call, based on decision of the municipal council
<b>Ohrid</b>	3,835,590	4,605,116	65	94	2017 - with public call (3,419,590 MKD) 2018 - with public call (4,125,116 MKD) funds are awarded without public call, based on decision of the municipal council
<b>Petrovec</b>	161,000	66,000	2	1	without public call, based on decision by the mayor according to applications submitted
<b>Pehchevo</b>	946,000	15,300	1	1	without public call, based on payment decision
<b>Plasnica</b>	/	/			no budget funds for this purpose



<b>Prilep</b>	3,000,000	4,000,000			2017 - with public call (1,406,000 MKD) 2018 - with public call (1,906,000 MKD)
<b>Probishtip</b>	66,000	59,000	6	9	2017 - with public call (4,000 MKD) 2018 - with public call (54,000 MKD)
<b>Sopishte</b>	310,000	310,000	4	4	without public call, based on decision of the municipal council
<b>Staro Nagorichane</b>					
<b>Struga</b>	2,472,919	4,221,970	3+3	3+3	2017 - with public call (80,000 MKD) 2018 - with public call (1,345,000 MKD)
<b>Strumica</b>	30,210,100	27,137,541			with public call, based on the methodology
<b>Centar</b>	2,500,000	2,500,000	15	16	with public call
<b>Shtip</b>	15,378,300	14,291,270	14	37	2017 - without public call 2018 - with public call (889,900 MKD)
<b>Total (MKD)</b>	<b>107,322,029</b>	<b>112,889,294</b>	<b>551</b>	<b>620</b>	

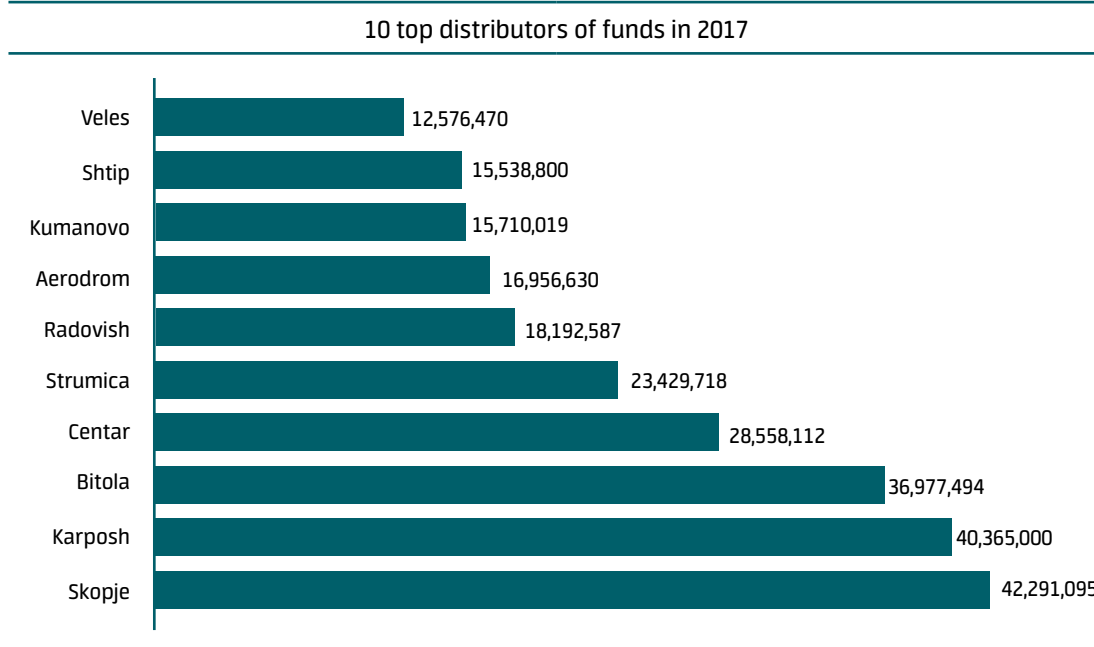
## 2.1.10. FUNDS AWARDED BY LSGU (ACCORDING TO REPORTS ON MUNICIPAL BUDGET EXECUTION)

Analysis of data contained in **reports on municipal budget execution** (LSGUs) established that generally all municipalities in RNM disbursed budget funds for this purpose from budget account 463 (transfer to non-governmental organizations). Difference in total amounts of funds awarded in 2017 and 2018 is insignificant. The relative share of funds awarded by LSGUs in both years accounts for 1.17% (details are given in Table 9).

In 2017, Municipalities of Arachinovo, Gradsko, Zelenikovo, Karbinici, Plasnica, Rankovce, Chucher Sandevo and Saraj did not allocate and disburse funds to support CSOs, while in 2018 this group included Municipalities of Arachinovo, Rankovce, Staro Nagorichane and Chucher Sandevo.

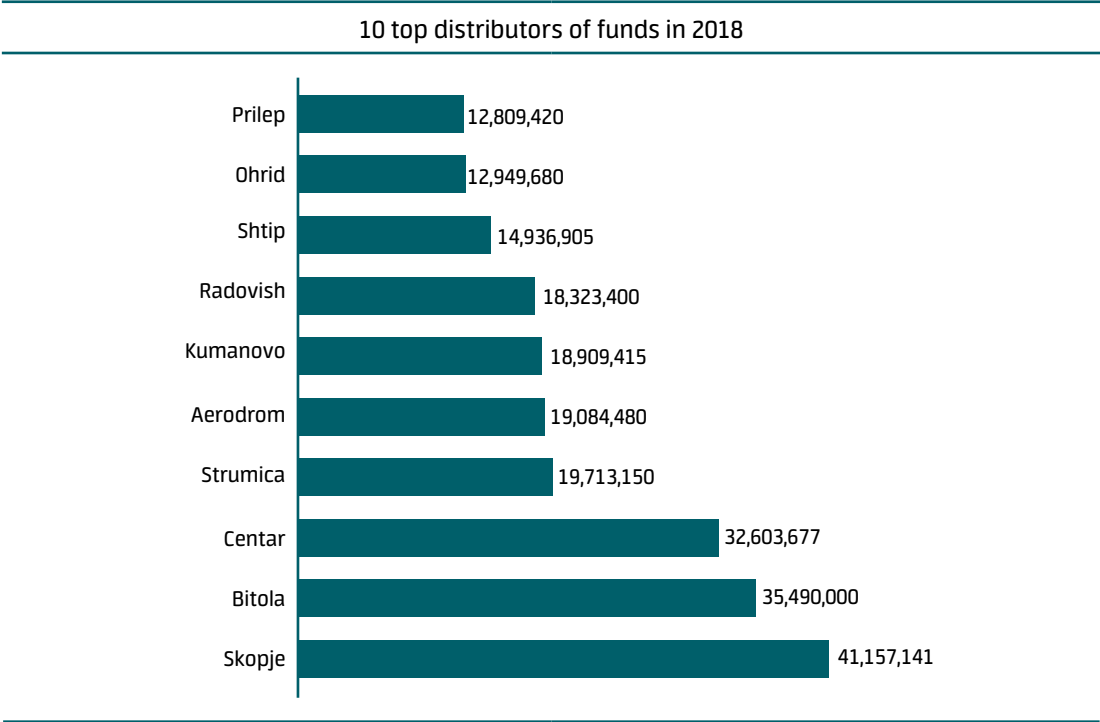
**In 2017, all municipalities that have allocated funds for this purpose disbursed around 356 million MKD.** Among them, the highest amounts were distributed by the City of Skopje (42 million MKD), Municipality of Karposh (40 million MKD) and Municipality of Bitola (around 37 million MKD). As regards the share of such funds in municipal total budget, the highest shares of budget funds for support to non-governmental organizations are noted with the Municipality of Radovish (4.59%), followed by Municipality of Karposh (4.15%) and Municipalities of Centar, Novaci and Bitola (3% each).

**Chart 13:** Distributors of the highest amounts of funds among municipalities in RNM, for the year 2017



In 2018, all municipalities that have allocated funds for this purpose distributed a total of 355.5 million MKD. Among them, the highest amount was again paid by the City of Skopje (41 million MKD), followed by the Municipality of Bitola (35.5 million MKD) and the Municipality of Centar (32.6 million MKD). In terms of the share in total municipal budget, Municipality of Radovish has the highest share of budget funds disbursed to support civil society organizations. In 2018, this municipality allocated 5.42% of its budget to support civil society organizations, followed by Municipality of Novaci, with a share of 3.34%. Municipalities of Centar and Gevgelija have allocated almost 3.2% of their respective budgets for this purpose.

*Chart 14: Distributors of the highest amounts of funds among municipalities in RNM, for the year 2018*



## 2.2. ALLOCATION, CRITERIA AND STRUCTURE OF AWARDED FUNDS

As elaborated in the analysis of the legal framework, the system of state funding for CSOs operates on **decentralized basis**, whereby state administration bodies (ministries, AYS, FITD, other bodies) plan and draw funds from the **central budget** to finance activities and projects of associations and foundations as part of their regular budget activities. However, some reports of state administration bodies do not provide detailed information on their budgeting process in respect to allocation of funds for CSOs.<sup>57</sup>

A total of 1,660 organizations<sup>58</sup> appear as beneficiaries of funds awarded in the period from 2017 to the first half of 2019 (according to individual reports of state administration bodies, i.e. 583 organizations in 2017, 746 organizations in 2018, and additional 498 organizations by June 2019). It should be noted that most organizations appear as recipients of funds in at least two of the three analysed years. Additionally, this analysis covered 551 organizations in 2017 and 620 organizations in 2018 that were supported from budgets of 40 municipalities, as reported by the Ministry of Local Self-Government, which could also imply overlap of same organizations in at least two of the three analysed years.

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57 For information on the system for planning funds for CSOs, see Ognenovska, Simona (2017): Analysis of Central Budget Funding for Civil Society Organizations, MCIC, pp. 20-22

58 According to available reports of state administration bodies, in the period from 2017 to the first half of 2019, a total of 1,660 civil society organizations benefited from funds disbursed by state administration bodies that have submitted such reports. However, it should be noted that this figures concern the total number of organizations that were awarded funds in all three years and it is very likely that same organizations appear in at least two analysed years or with at least two state administration bodies that submitted such reports. On the other hand, the analysis of treasury records allowed the project team to cross-reference data between years and institutions, and showed that a total of 685 individual organizations have been awarded financial support in the period from 2017 to the first half of 2019.

According to individual reports, vast portion of beneficiaries were awarded funds under public call, i.e. an average of 91% of organizations in the analysed period (79% in 2017, 93% in 2018 and 100% in the first half of 2019)<sup>59</sup> (Table 15). As elaborated above, in the case of many public calls, especially those organized pursuant to the Law on Games of Chance and Entertainment Games, funds were awarded to **organizations known and determined in advance**.

There are cases in which state administration bodies, as part of their application criteria, consider other entities to be eligible for participation in public calls, not only organizations in the sense of the definition from the Law on Associations and Foundations. For example, the public call for development of tourism announced by the Ministry of Economy noted that “all legal entities, governmental and non-governmental organizations in the area of tourism, foundations and citizens’ associations registered pursuant to LAF, and business centres formed within municipalities” are eligible to apply, while the Ministry of Agriculture, Forestry and Water Economy opened its call for applications by local self-government units, chambers of commerce and agricultural holdings. Large portion of funds are awarded to previously known beneficiaries, i.e. those that operate in specific areas, such as disability organizations, and sport associations and federations.

**Table 15:** Overview of the number of organizations that were awarded funds in the period from 2017 to the first half of 2019, according to individual reports of state administration bodies

Institution	Σ 2017 r.	Σ 2017 r. (with public call)	Σ 2017 r. (without public call)	Σ 2018 r.	Σ 2018 r. (with public call)	Σ 2018 r. (without public call)	Σ 2019 r.	Σ 2019 r. (with public call)
<b>1. Government – GS</b>	4	4	0	9	0	9		
<b>2. MoD</b>	1	0	1	8	8	0		
<b>3. MoE</b>	62 <sup>60</sup>	62	0	25	25	0		
<b>4. MAFWE</b>	6	6	0	29	26	3		
<b>5. MoH</b>	13 (with the Red Cross)	13	0	15 (with the Red Cross)	15	0	15	15
<b>6. MLSP</b>	21	18	3	25	16	9		
<b>7. MoC</b>	435 projects (342 CSOs) <sup>61</sup>	281 projects (221 CSOs) <sup>62</sup>	154 projects (121 CSOs)	509	324	18 <sup>63</sup>	425 projects (378 CSOs) <sup>64</sup>	425 projects (378 CSOs)



59 Due to incomplete data on funds awarded without public call in 2018, the share cannot be calculated with precision.



<b>8. MESP</b>	41	41	0	64	64	0	57	57
<b>9. AYS</b>	93	93	0	58 (with the Red Cross)	58	0		
<b>10. FITD</b>				4	0	4	1	1
<b>Total</b>	<b>583</b>	<b>458</b>	<b>125</b>	<b>579</b>	<b>536</b>	<b>43<sup>65</sup></b>	<b>498</b>	<b>498</b>
<b>%</b>	<b>100</b>	<b>79</b>	<b>21</b>	<b>100</b>	<b>93</b>	<b>7</b>	<b>100</b>	<b>100</b>

60 Sector on Entrepreneurship and Competitiveness of SMEs (28 organizations), Sector on Internal Market (1), Sector on Industry and Investment Policy – Program for Competitiveness, Innovation and Entrepreneurship Field C: Support and Development of Clusters (10), Sector on Tourism (23)

61 Music and stage performance activity (113 projects /79 organizations), folklore and stage performance activity (117 projects /82 organizations), associations/foundations in the field of drama arts (39 projects /39 organizations), cultural and artistic manifestations – New Cultural Wave 2017 (58), Department for Visual Arts, Architecture and Design (48 projects /33 organizations), Sector on Protection of Cultural Heritage (57 projects /48 organizations) and 3 organizations without designated purpose

62 Music and stage performance activity (113 projects /79 associations), cultural and artistic manifestations – New Cultural Wave 2017 (58), Department for Visual Arts, Architecture and Design (49 projects /33 organizations), Sector on Protection of Cultural Heritage (57 projects /48 organizations) and 3 organizations without designated purpose

63 Complete data are not available.

64 Music and stage performance activity (118 projects /97 organizations), folklore and stage performance activity (111 projects /99 associations), associations/foundations in the field of drama arts (40 projects /38 organizations), interdisciplinary projects (78), Department for Visual Arts, Architecture and Design (78 projects /66 associations) Music and stage performance activity (42.7 million MKD), folklore and stage performance activity (16.8 million MKD), folklore and stage performance activity (23.5 million MKD), interdisciplinary projects (23 million MKD), Department for Visual Arts, Architecture and Design (9.3 million MKD)

65 Based on individual reports of state administration bodies.

## 2.2.1. TYPES OF SUPPORT

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In general, state administration bodies do not distinguish between different types of support awarded to organizations and often use the broad term “financial support”. However, there are cases in which the type of support is further denominated as donation, technical assistance (MAFWE) or, in the case of the General Secretariat, donation pursuant to Article 4 from the Rules of Procedure of the Government, which is awarded without public call, i.e. by means of direct reference to authorizations entrusted to the Prime Minister. Technical assistance awarded by MAFWE concerns financial support for development and publication of educational, informative, scientific-propaganda and expert materials, publications and journals. Independently from terms used, financial support is comprised of **short-term project support (less than 12 months) for specific activities** implemented by organizations, based on goals and priorities defined by state administration bodies in their programmes or public calls or based on organization’s needs when funds are awarded directly (without public call).

However, funds awarded pursuant to the Law on Games of Chance and Entertainment Games involve elements that are typical for **programme or institutional support**. Support is awarded on **annual basis** and is intended to finance **significant portion or complete operation of the beneficiary organization**, contributing to implementation of **its basic activities**. In practice, this support involves elements of **multiannual funding**, because same organizations are financed over a number of years, which in this case are defined by means of decision adopted by MLSP and AYS, in the same amount of funds and for generally similar activities. This type of support is available only to organizations in particular areas, i.e. disability organizations and sport organizations/federations, as well as associations for fight against domestic violence, and programme activities of the Red Cross. Significant portion of funds awarded pursuant to the Law on Games of Chance and Entertainment Games are channelled for multiannual funding, i.e. **in 2017 their share accounted for 54% and in 2018 it was 39%**. Although, in terms of its form, this type of support resembles institutional support, it lacks certain key elements related to content, manner in which multiannual goals and priorities are planned and funded, contribution of such funds to the organization’s development, etc. Detailed overview of allocation of funds by MLSP and AYS is given in Table 16 and Table 17.

**Table 16:** Funds awarded to organizations with decision by MLSP pursuant to the Law on Games of Chance and Entertainment Games

Institution	2017 (MKD)	2018 (MKD)
National Council of Disability Organizations in Macedonia	5,439,504	5,400,000
National Alliance of Persons with Physical Disability in Macedonia – Mobility	10,131,000	11,176,000
National Alliance of Deaf and Hard on Hearing of the Republic of Macedonia	10,362,000	10,650,000
National Alliance of Blind of the Republic of Macedonia	12,253,992	12,120,000
National Alliance of Civilian War Veterans in Macedonia	4,004,004	3,750,000
National Federation for Sport and Recreation of Persons with Disabilities of Macedonia	2,887,500	2,950,000
Republic Centre for Support to Persons with Intellectual Disability – PORAKA	8,684,496	9,705,000
National Alliance of Persons with Occupational Disabilities of the Republic of Macedonia	1,237,500	1,249,000
National Coordination Body for Equal Rights of Persons with Disability, formed pursuant to UN Resolution 48/49	1,000,000	
Association Crisis Centre “HOPE”	290,000	1,100,000
Organization of Women – Skopje	500,000	1,100,000
Alliance – National Council on Gender Equality	210,000	800,000
Red Cross of RNM	6,000,000	10,000,000
<b>Total (MKD)</b>	<b>62,999,996</b>	<b>70,000,000</b>
<i>Share in total funds awarded to associations and foundations</i>	<i>20%</i>	<i>17%</i>

**Table 17:** Funds awarded to organizations with decision by AYS pursuant to the Law on Games of Chance and Entertainment Games

Institution	2017			2018		
	Project (programme 40)	Project (programme 20)	Total (MKD)	Project (programme 40)	Project (programme 20)	Total (MKD)
Football Federation		2,700,000	2,700,000		2,800,000	2,800,000
Handball Federation	1,950,000	3,090,000	5,040,000	5,800,000	3,820,000	9,620,000
Basketball Federation	2,350,000	3,000,000	5,350,000	3,800,000	4,820,000	8,620,000
Volleyball Federation	2,100,000	900,000	3,000,000	1,500,000	2,200,000	3,700,000
Athletic Federation	1,080,000		1,080,000	1,250,000	2,097,000	3,347,000
Boxing Federation		19,380,000	19,380,000	100,000	100,000	200,000
Federation of Fight Sports	1,250,000	650,000	1,900,000	700,000	1,822,000	2,522,000
Kayaking Federation	760,000	1,140,000	1,800,000	600,000	1,672,000	2,272,000
Swimming Federation				400,000	252,000	652,000
Skiing Federation	1,380,000	1,000,000	2,380,000	640,000	1,772,000	2,412,000
Macedonian Archery Federation	800,000	650,000	1,450,000	900,000	1,822,000	2,722,000
Tennis Federation	150,000	1,120,000	1,270,000	440,000	1,822,000	2,262,000
Badminton Federation	450,000	600,000	1,050,000	150,000	1,622,000	1,772,000
Table Tennis Federation	560,000	550,000	1,110,000	400,000	567,000	967,000
Federation for Sport and Recreation of Persons with Disabilities – Macedonian Para-Olympic Committee	300,000	900,000	1,200,000	500,000	1,222,000	1,722,000
Judo Federation	300,000	700,000	1,000,000	700,000	902,000	1,602,000,00
Biking Federation	650,000	840,000	1,490,000	540,000	1,344,000	1,884,000,00
Macedonian Taekwondo Federation	330,000	760,000	1,060,000	410,000	1,844,000	2,254,000,00



<b>Fencing Federation</b>	400,000	260,000	860,000	110,000	342,000	452,000,00
<b>Rowing Federation</b>	140,00	250,000	390,000		300,000	300,000,00
<b>Federation of Equestrian Sports</b>	350,00	250,000	600,000	300,000	342,000	642,000,00
<b>Sailing Federation</b>		400,000	400,000	50,000	400,000	450,000,00
<b>Federation of Gymnastic Sports</b>		500,000	500,000		994,000	994,000,00
<b>Triathlon Federation</b>	160,00	100,000	260,000	150,000	292,000	442,000,00
<b>Karate Federation</b>	600,000	1,100,000	1,700,000	1,900,000	2,172,000	4,072,000,00
<b>Macedonian Traditional Karate Federation</b>	400,000	420,000	820,000	250,000	512,000,00	762,000,00
<b>Kickboxing Federation</b>	800,000	650,000	1,450,000	500,000	1,292,000,00	1,792,000,00
<b>Race Driving Federation</b>	1,550,000	400,000	1,950,000			
<b>Macedonian Federation of Climbing Sports</b>	200,000	260,000	460,000	200,000	292,000,00	492,000,00
<b>Alpinist Federation</b>	100,000	350,000	450,000		250,000,00	250,000,00
<b>Motor Race Federation</b>		400,000	400,000		170,000,00	170,000,00
<b>Federation of Mountain Sports</b>	640,000	950,000	1,590,000	400,000	942,000,00	1,342,000,00
<b>Fishing Federation</b>	200,000	300,000	500,000		242,000,00	242,000,00
<b>Kendo Aikido Federation</b>	160,000	180,000	240,000		130,000,00	130,000,00
<b>Aikido Federation</b>	100,000	300,000	400,000		292,000,00	292,000,00
<b>Bodybuilding and Fitness Federation</b>	150,000	200,000	350,000	200,000	242,000,00	442,000,00
<b>Federation of Pelivan Fights</b>	100,000	210,000	310,000	150,000	267,000,00	417,000,00
<b>Dancing Sport Federation</b>	50,000	150,000	200,000	100,000	392,000,00	492,000,00
<b>Civil Aviation Federation</b>	320,000	400,000	720,000		450,000,00	450,000,00
<b>Macedonian Orientation Federation</b>		150,000	150,000		292,000,00	292,000,00
<b>Federation of School Sports</b>	500,000	6,849,656	7,349,656	9,500,000	7,325,000,00	16,825,000,00
<b>Alliance of Sport Federations</b>		5,910,000	5,910,000	300,000	3,800,000,00	4,100,000,00



National Sport Federation of Deaf People	400,000	250,000	650,000	82,000	712,000,00	794,000,00
University Sport Federation	100,000	500,000	600,000		642,000,00	642,000,00
National Sport Federation of Blind People	500,000	400,000	450,000		592,000,00	592,000,00
Hockey Federation	520,000	230,000	750,000		100,000,00	100,000,00
Federation of Brazilian Jiu-Jitsu		150,000	150,000		250,000,00	250,000,00
Sambo Federation	300,000	200,000	500,000	250,000	292,000,00	542,000,00
Federation of Skating Sports	100,000	30,000	130,000		292,000,00	292,000,00
Federation of Sport Veterans				50,000	2,050,000,00	2,100,000,00
Faculty of Physical Education, Sport and Health	1,000,0000		1,000,000	1,000,000		1,000,000
Sport Pedagogues		30,000	30,000			
Recreational Sport		30,000	30,000			
Macedonian Jiu-Jitsu Federation	440,000	250,000	690,000			
<b>Total (MKD)</b>	<b>33,040,000</b>	<b>70,989,656</b>	<b>104,029,656</b>	<b>34,322,000</b>	<b>59,162,000</b>	<b>93,484,000</b>
<i>Share in total funds awarded to associations and foundations</i>			32%			22%

Finally, there are examples of financial support that serves as **co-funding** for projects implemented by organizations. These examples include financial support from the Ministry of Economy (projects for non-financial support to small- and medium-sized enterprises (SMEs) and promotion of entrepreneurship) and by the Ministry of Culture (projects supported under the programmes Culture 2007-2013 and Creative Europe – EU Culture). In their reports, state administration bodies did not share information on the amount of co-funding disbursed for these projects. Appendix 2: Funds Awarded by the EU (attached at the end of this document) includes an analysis of public funding for civil society organizations in the period from 2017 to the first half of 2019 under the Instrument for Pre-Accession Assistance – IPA and shows that they were disbursed 216 million MKD. MLSG did not provide detailed report in respect to co-funding disbursed for projects supported under IPA (Cross-Border Cooperation Programmes), and therefore the amount and manner in which such funds were awarded remain unknown.

## 2.2.2. PROCEDURE, ANNOUNCEMENT OF PUBLIC CALLS, CRITERIA AND PRIORITIES

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According to Article 4 of the Code, the public call should include elements as follows:

▶	programme description;
▶	type of project;
▶	project goals;
▶	project's target group;
▶	timeline;
▶	total funds anticipated/available;
▶	amount of funds available per project;
▶	required application documents;
▶	deadline for submission of applications (at least 30 days);
▶	evaluation methodology;
▶	necessary documents;
▶	deadline for publication of results;
▶	address for submission of documents;
▶	special criteria.

Pursuant to Article 4 from the *Code of Good Practices for Financial Support to Associations and Foundations*,<sup>66</sup> the deadline for submission of applications **should not be shorter than 30 days** from announcement of the public call. Reports obtained from state administration bodies rarely include information on the duration of public calls and the deadline for submission of applications, but there are examples when such information is shared, allowing the conclusion that most often the deadline was set in duration of 30 days from announcement of the public call. However, there are cases when calls were open for longer period of time (e.g. the open call announced under the Ministry of Economy's Programme for Competitiveness, which lasted 4 months) or shorter period of time (e.g. the open call announced under MESP's Programme for Environment Investments, which lasted 15 days).

**Publicity and transparency** of these calls is ensured by their publication in at least two daily newspapers (one in Macedonian and one in Albanian language), on the website of relevant state administration body and sometimes on other thematic web-locations, for example: [www.konkurentnost.mk](http://www.konkurentnost.mk).

Large part of state administration bodies define and announce **application elements and procedures in advance**. They include general application elements, such as: project idea (relevance, objective, impact, etc.), capacity of the organization (work biographies of employed/engaged

people, previous experience, etc.) and budget. The reports do not include information or examples of application templates. Clear and detailed criteria for project selection are rarely published in advance.

Only MLSP's report includes information that organizations wishing to challenge the selection of projects are entitled to lodge an appeal.

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66 Published in the "Official Gazette of RM" no. 130 from 26.10.2007

### 2.2.2.1. COMPOSITION OF PROJECT SELECTION COMMITTEES AND PARTICIPATION OF CIVIL SOCIETY ORGANIZATIONS THEREIN

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Based on information shared, it could be concluded that committee for selection of projects are most often **comprised of employees at the state administration body awarding such funds**. Involvement of experts or representatives from CSOs is an exception from the general rule. An example of positive practice in this regard is seen with the Ministry of Health i.e. the National Commission on HIV Prevention, which manages the funds for that purpose. In particular, this commission is of mixed composition and is tasked to manage the overall programme and review project applications. Its composition includes representatives from the ministry, other relevant public institutions (Institute of Health, MLSP), international organizations (WHO, UNICEF, UNFPA) and four (4) civil society members. Although relevant, regulation of conflict of interests is not a subject matter covered in reports of state administration bodies.

### 2.2.2.2. CONSULTATIONS WITH ASSOCIATIONS AND FOUNDATIONS FOR SETTING PRIORITIES

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Although the *Code of Good Practices for Financial Support to Citizens' Associations and Foundations* does not regulate involvement of stakeholders and end-beneficiaries in designing programmes and public calls for award of funds, in the future, involvement of stakeholder representatives should be considered a good practice, in order to ensure that programmes and public calls reflect their actual needs. A general basis for that is seen in the *Code of Good Practices for Civil Society Participation in Policy-Making Processes*,<sup>67</sup> which allows civil society participation in policy-making, because policy implementation is inseparable part of these processes, namely through funding projects and budget implementation.

In their reports, state administration bodies often fail to include information on organized consultations, i.e. they reported that consultations **are rarely organized**. When consultations are organized, they do not concern individual public calls, but are conducted to consult stakeholders about strategy and programme documents and about setting priorities for public calls. There are rare cases of strategic participation by associations and foundations (e.g. participation in designing the Programme for HIV Prevention of the Ministry of Health), whereby programme issues have priority for funding under public calls.

### 2.2.2.3. AMOUNT PER INDIVIDUAL PROJECT

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Analysis of the amount of individual grants allows the conclusion about **great diversity in value of financial support** disbursed by state administration bodies. Hence, the lowest amount of individual financial support is the grant of 10,000 MKD awarded by the Ministry of Culture to the Association of Archaeology Students "Aksios" to support the electronic edition of their international magazine. On the other hand, the highest individual grant in the amount of 19.4 million MKD was awarded to the

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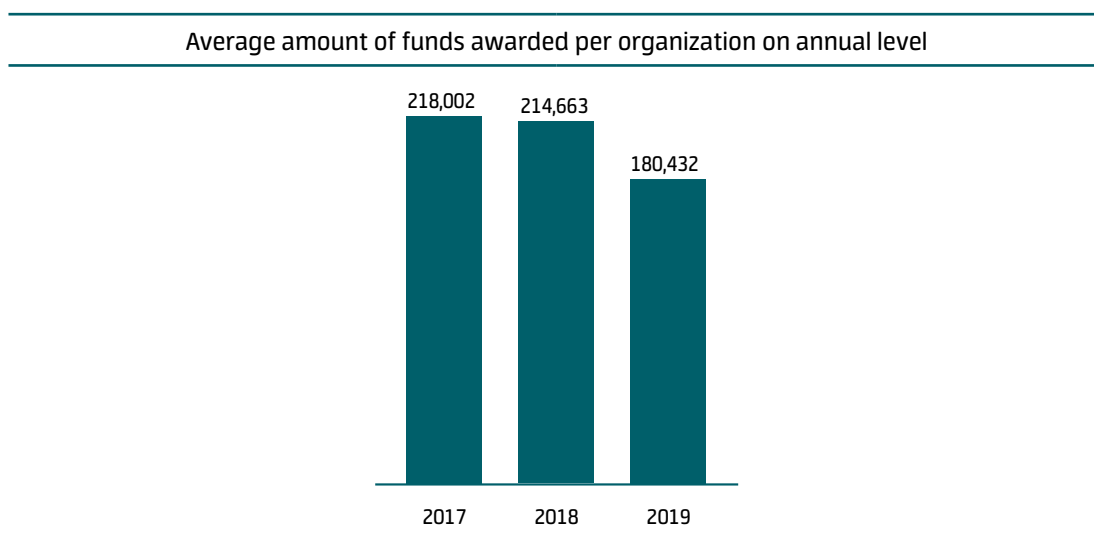
67 Published in the "Official Gazette of RM" no. 99 from 22.07.2011



Boxing Federation (for details see Table 17: Funds awarded to organizations with decision by AYS pursuant to the Law on Games of Chance and Entertainment Games). In 2017, the lowest grant amounted to around 266,000 MKD, while the highest grant amounted to 2.1 million MKD. In 2018, the lowest grant was awarded in the amount of around 91,000 MKD, and the highest grant amounted to 2.7 million MKD.

Individual reports of state administration bodies reveal that **certain organizations are financed on multiple occasions and for different purposes in the course of one year**. Also, high number of organizations is awarded high amounts of funds (e.g. several million MKD), while others are financed with small amounts of funds (e.g. several tens of thousands MKD). In order to establish the average value of funds awarded per organization (in MKD) for each year in the analysed period, the project team engaged in calculation of arithmetic mean values.<sup>68</sup> According to data presented on Chart 15, it could be concluded that **the average amount of funds per organization in the period 2017-2019 is marked by decrease** from 218,002 MKD to 180,432 MKD, but it should be noted that the average amount paid in 2019 was calculated only on the basis of data available by June 30.

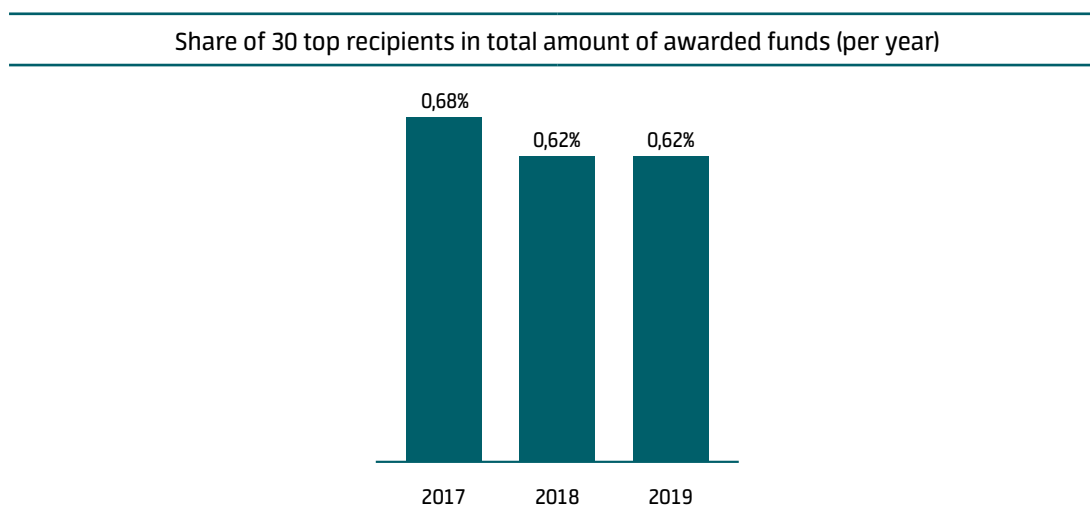
*Chart 15: Annual average amount of funds awarded per organization (in MKD)*



Although intended to show the average amount of funds awarded per organization, this measurement should be taken with reserve due to **enormous differences between the average among 30 top recipients of funds and all other organizations supported under the system of state funding for civil society**. In that, 30 top recipients of funds for each analysed years (Chart 16) were awarded at least 2/3 of funds intended to finance civil society organization under the state funding system.

<sup>68</sup> The arithmetic mean is calculated by dividing the total sum of funds awarded from the Budget of RNM in the current year with the number of organizations that received funds in that year. In case the organizations were paid funds several times in the course of that year, individual sums were first aggregated per organization, in order to establish how many organizations actually received funds in that year, and then their number was divided by the total amount of funds awarded.

**Chart 16:** The share of 30 top recipients in total funds awarded per year



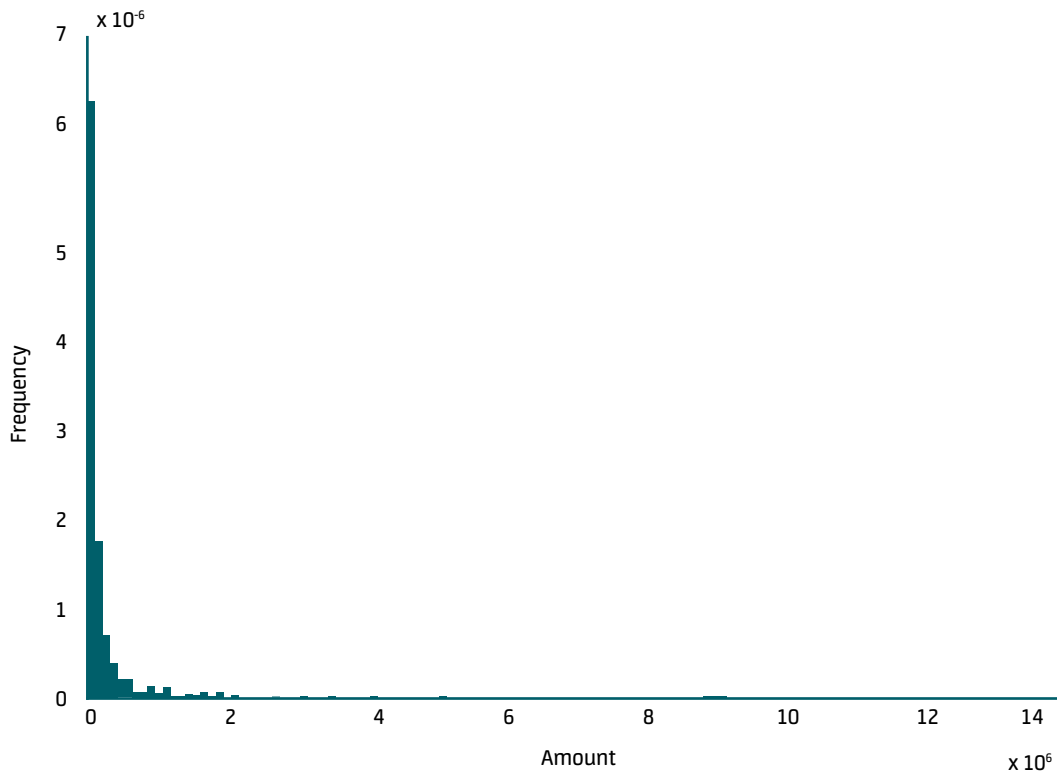
On the other hand, 30 organizations that received the lowest amounts of funds from the central budget in the given year account for only 0.02% of total funds awarded from the central budget. The highest number of financed organizations, according to the value of funds awarded, received from 0 to 1 million MKD (Table 18), i.e. **an average of 83% of organizations supported from the central budget received funds in the amount from 0 to 1 million MKD.**

**Table 18:** Frequency of civil society organizations according to the amount of funds awarded (in MKD)

Year	Frequency				Total number of organizations per year
	< 1,000,000 MKD	1,000,001 – 2,000,000 MKD	2,000,001 – 3,000,000 MKD	> 3,000,000 MKD	
2017	360	36	14	32	442
2018	439	43	15	46	543
2019	355	30	7	15	407
<b>Total</b>	<b>1,154</b>	<b>109</b>	<b>36</b>	<b>93</b>	<b>1,392</b>

As shown on the histogram below (numeric data distribution), the highest number of organizations financed by state administration bodies in the analysed period were awarded the minimum amount of funds in the range from 0 to 1 million MKD.

**Table 19:** Histogram of civil society organizations that receive public funding



Analysis of payments per budget accounts, according to the *Expenditure Classification in the Budget of RNM*, provides the conclusion that for each analysed year individually more than 2/3 i.e. **68% of funds awarded to organizations are disbursed from two budget accounts, those being: 463110 (transfers to citizens' associations) and 464990 (other transfers)**. Analysis of payments made only from subaccounts associated to account 463, allows the conclusion that 29% of funds awarded to organizations in 2017 were disbursed from subaccounts associated to 463, and the same were used to disburse 56% of all funds in the first of half of 2019.

**Table 20:** The share of funds disbursed per individual subaccount in the total amount of funds, for each year

Account	2017	2018	2019
464990	0.39%	0.42	0.17%
463110	0.28%	0.26	0.51%
463140	0	0.01	0.003%
463160	0.01%	0.02	0.02%
463190	0	0.01	0.03%
Other accounts	0.32%	0.29	0.27%

The state administration bodies marked by highest variations<sup>69</sup> in terms of amounts of funds awarded to different organizations include: Pension and Disability Insurance Fund, National Agency for European Educational Programmes and Mobility, Agency of Youth and Sport and Agency for Financial Support to Agriculture and Rural Development.

**Table 21:** Standard deviation (in MKD) in value of funds awarded to civil society organizations, per state administration body disbursing such funds

State administration body / year	2017	2018	2019
Pension and Disability Insurance Fund of RNM – main account	2,927,320	3,004,685	3,390,187
National Agency for European Educational Programmes and Mobility	1,927,214	1,546,082	915,635
Agency of Youth and Sport	1,181,941	702,633	513,377
Agency for Financial Support to Agriculture and Rural Development	891,996	771,545	891,996

Finally, this analysis applied a statistical method called analysis of variance (ANOVA)<sup>70</sup>, in order to examine any significant differences in the average value of funds awarded per organization by state administration bodies that appear as distributors of such funds. Based on the results obtained, it could be established that **there are no statistically significant differences between state administration bodies awarding funds to CSOs in terms of the average amount of funds awarded per organization.**

When results from ANOVA analysis are reviewed against the histogram results, the conclusion is inferred that **the state, in general, awards large amounts of funds to one or several organizations, while amounts awarded to other organizations are minimal**, whereby the calculation of the average amount of funds awarded per organization distorts the image about average amount of funds awarded to one organization in the course of one year.

69 The statistical analysis included calculation of standard deviation for each entity distributing funds in order to establish the deviation from the mean value of funds awarded to the civil society by one administration body distributing such funds. Hence, higher the deviation, higher the difference in value of funds awarded to civil society organizations by one state administration body.

70 Contemporary business applications of statistical analyses include numerous situations that require comparison of differences in variances among two basic masses based on randomly selected samples, i.e. the importance of differences between variances of independently selected samples. At the same time, in order to examine the equality of arithmetic mean values for several masses, the project team applied a statistical method called analysis of variance (known in the scholar literature as ANOVA).

## 2.2.3. REPORTING, MONITORING AND EVALUATION

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### METHOD OF REPORTING

Article 7 of the *Code of Good Practices on Financial Support to Citizens' Associations and Foundations* governs publication of projects on the websites of state administration bodies. Also, the Code stipulates the deadline for publication of such information. Pursuant to Article 6, state administration bodies that award funds to associations and foundations should distribute funds to associations and foundations within a deadline of 30 days from expiration of the deadline for submission of project applications to the public call. Within a deadline of 10 days from the selection made by the committee formed for the public call, state administration bodies should notify, in written, all associations and foundations that have submitted applications about the public call's results. Notifications are sent directly to applicants, while results are usually published on the websites of state administration bodies. Some state administration bodies also publish their notifications in the "Official Gazette of RNM" or in daily newspapers. Such announcements are sometimes difficult to locate on the websites of state administration bodies and, when found, they mainly include the most basic information like name of the association or the foundation and the amount of funds awarded (e.g. Ministry of Culture), etc.

Moreover, the *Code of Good Practices* does not regulate and state administration bodies have not provided information on the method for **notifying unsuccessful applicants**. Only the Ministry of Health reported that it makes publicly available project contracts signed, but that could not be verified on the ministry's website.

The *Code of Good Practices* does not regulate **the right to appeal**, but MLSP reported that it acknowledges this legal right and allows the organizations to lodge an appeal before the State Commission for Second-Instance Decisions in Administrative Procedures and Labour Relation Procedures, within a deadline of 8 days after having received the selection decision.

**Monitoring or evaluation of projects** is rare or it is performed at institutional level by means of insight in project reports and their translation into summary report to the Government on implementation of particular programme or public call. Field visits are also rare and were reported only by MLSP and FITD.

**3**

**FINDINGS FROM  
THE COMPARATIVE  
ANALYSIS OF STATE  
FUNDING MODELS IN  
OTHER COUNTRIES**

This chapter includes an analysis of basic elements of state funding models in countries that have established mechanisms and approaches to civil society funding and could serve as good examples or inspiration to improve the system in RNM. The selection of countries covered by this comparison (Estonia, Scotland, Slovenia, Croatia and Serbia) was made on the basis of available data and information. The analysis covers only aspects and elements that are of interest and relevant for comparison against practices and reports of state administration bodies in RNM in the period from 2017 to the first half of 2019, and was performed as desk research of available documents and studies.

### 3.1. LEGAL FRAMEWORK AND FUNDING SOURCES

In other countries, legal framework on state funding is based on the **Law on Budget**, but also on **laws that regulate specific budget revenue**, such as the Law on Games of Chance and Entertainment Games, and specific taxes (alcohol, tobacco, pollution, etc.). Also, legal ground for award of funds is drawn from the Law on Budget or other **sector laws** that imply funding for activities and projects of civil society organizations. Finally, procedures for designing, implementing and reporting are often accompanied by specific secondary legislation (rulebooks or guidelines) that **represent systemic procedures (mandatory or non-mandatory)** followed by state administration bodies when awarding state funding to civil society organizations.

**Estonia** has an established complementary system, which is primarily based on the *Gambling Tax Act*<sup>71</sup> (including lottery) and the *Alcohol, Tobacco, Fuel and Electricity Excise Duty Act*<sup>72</sup>. As regards procedures for award of funds, certain sector rulebook or rules are established by individual state administration bodies. Non-binding *Guidelines on State Budget Funding for Civil Society Organizations* were adopted in 2012.

In **Scotland**, award of funds relies on the budget and *2016 National Lottery Act*, which provides basis for broad scope of funds to be awarded to organizations on various grounds.

**Slovenia** has a similar approach to the system in RNM. Legal grounds for funding are identified in general acts (e.g. Law on Public Funding), but also specific sector laws. In respect to arrangement of procedures for award of funds, the approach is similar, i.e. there is specific sector-based regulation

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71 <https://www.riigiteataja.ee/en/eli/530102013105/consolide>

72 <https://www.riigiteataja.ee/en/eli/518112013012/consolide>

(e.g. for sectors such as: culture, sport, war veterans, etc.). However, in sectors without specific rules, state administration bodies are guided by the *Rules and Procedure for Budget Execution*.<sup>73</sup>

In **Croatia**, funds are drawn primarily from the *Law on Games of Chance and Entertainment Games*<sup>74</sup>, but also from specific taxes, such as: environment tax, broadcasting fee, etc. Of course, the general basis for award of funds is the *Law on Budget*, while the award procedure is defined in the *Decree on the criteria, standards and procedures for financing and contracting projects of general interest implemented by associations*, which was adopted in 2015 and serves as non-binding code of practices. Rulebook was also adopted to streamline implementation, including the manual for representatives of public institutions that award funds to organizations.

**Serbia** has separate budget line 481 (subsidies/grants for non-profit organizations), which is used to finance organizations, although in practice this involves broad spectrum of organizations (e.g. religious or public institutions). Another legal ground for awarding funds to organizations is the *Game of Chance Act*. As regards procedures, legal provisions are found in the *Law on Associations*, *Law on Endowments and Foundations* and around 30 other laws in specific sectors. The *Decree on the methods for stimulating and awarding funds to programmes implemented by associations* determines the elements for award of funds to programmes and projects of civil society organizations.

### 3.1.1. AMOUNT OF FUNDS, TRENDS AND FUNDS AWARDED

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Both the amount funds awarded as state funding for CSOs and the number of organizations that benefit from state funding is higher in all countries covered by this analysis. Hence, a comparison is possible only in regard to two aspects of state funding. The first indicator concerns the share of state funding in total revenue of CSOs. Based on available data (2014), **this share accounts for 30%, i.e. in Scotland it stands at around 35%, in Slovenia – around 39% and in Croatia – around 34%**. The second indicator could be the share of funds for CSOs in the Gross Domestic Product (GDP), **which ranges from 0.74% (Serbia, 2013) to 3.6% (Scotland, 2013 and 2014)**. Finally, general trends observed in the years for which data is available (2012-2014) show **there is a stable trend of funding**, with small variations per years, whereby Scotland and Croatia are marked by a trend of increasing funds, while Slovenia demonstrates a trend of decreasing state funding.

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73 <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV7654>

74 <https://www.zakon.hr/z/315/Zakon-o-igrama-na-sre%C4%87u>





### 3.1.2. ORGANIZATIONAL SETUP OF STATE ADMINISTRATION BODIES

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In all countries covered by this analysis, the system of state funding is **decentralized**, whereby state administration bodies (ministries, agencies and other bodies) allocate funds in their respective areas of operation. However, some countries have formed **separate body or (independent) institution** entrusted with management of specially designed fund intended to **finance support and development of CSOs** (e.g. Estonia and Croatia) and to finance activities in certain areas of interest for CSOs (e.g. Scotland).

In **Estonia**, distribution of funds is **decentralized** through ministries and agencies, each in their area of operation. However, in 2008 Estonia established the *National Foundation for Civil Society*. Its purpose is to secure funds for organizations beyond programme and project funds, through ministries which would complementary assist in sustainability of organizations and of the civil society. Funding disbursed by the Foundation reaches around 2.48 million EUR annually.<sup>80</sup>

The system in **Scotland** is another example of decentralized allocation of funds. It involves 12 public bodies (i.e. non-departmental public bodies), two of which award the highest amount of funds. *Creative Scotland* awards funds in the area of culture and creative industries, while *Sport Scotland* is the national agency of sports that distributes lottery funds. There are additional bodies that distribute lottery funds, such as Big Lottery Fund, Heritage Lottery Fund and Voluntary Action Fund.

In **Slovenia**, the system is **decentralized** and involves the ministries, their departments and other public bodies.

**Croatia** also has a **decentralized** model for award of funds, which includes various ministries or public bodies. In 2003, the National Foundation for Civil Society was established, which mainly distributes lottery funds and is the only institution of that type in the region of Southeast Europe. The highest share of funds is allocated at local level, accounting for 60 % of total funds.

In **Serbia**, the system is **decentralized**, whereby more than 20 public bodies distribute funds from budget item 481. Although in very small scope, the system is also used to co-fund EU projects implemented by organizations through the Office for Cooperation with Civil Society.

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75 According to the analysis provided in the Strategy for Cooperation with and Development of the Civil Society 2018-2020

76 Ibid.

77 Ibid.

78 Data taken from individual reports of state administration bodies: 418,640,521 MKD (6,823,806 EUR) from the central budget and 112,889,294 MKD (1,840,086 EUR) from 40 municipal budgets.

79 <http://www.stat.gov.mk/PrikaziSooopstenie.aspx?id=140&rbr=3104>

80 Forbici, Goran and Kostanjevec, Monika (2016): Comparative Analysis of Systems of Public Funding of CSOs, MCIC, p. 31

### 3.1.3. TYPES OF SUPPORT

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In addition to project support, all countries covered by the analysis also have legal provisions in place for award of specific types of support, i.e. **institutional support and co-funding for projects**, which are of key importance in terms of CSOs needs and development. Practices shows that institutional support is distributed by **special bodies or independent institutions** responsible for designing, implementing and monitoring this type of support intended for development of CSOs in specific areas. Examples thereof are found in Estonia, Scotland, Slovenia and Croatia. Moreover, co-funding for projects implemented by CSOs is primarily aimed at securing additional funding for performance of project activities (most often in the range of 10% to 20% of total funds) and is typical for countries where CSOs receive funding from foreign donors, primarily the **European Union**, for example: Croatia and Serbia.

In **Estonia**, operational grants are disbursed by the National Foundation for Civil Society and some ministries (home affairs, foreign affairs, education, science and environment). Often, these are based on long-term contracts and tradition of cooperation.

In **Scotland**, operational grants are used to support organizational development, for example the Third Sector Early Intervention Fund, and for support to investment projects of organizations and social enterprises in small communities (Resilient Scotland's Start & Grow and Making Enterprise Happen Investment Programmes). This also implies striking a balance between targeted project/action grants and grants for operational support to organizations.

In **Slovenia**, operational grants are rare, with the exception of funding for humanitarian organizations or those providing support to persons with disabilities, through the Foundation for Disabled People's Organizations and Humanitarian Organizations in the Republic of Slovenia (FIHO). In that, operational grants are intended to cover the so-called overhead costs, but are often conditioned with regular performance of financed programmes. However, small number of other programmes allows portion of funds to be intended for organizational development or equipment procurement, which is typical and oftentimes a key added value of operational grants.

**Recognition of volunteer work by organizations** is indicated as example of co-funding. This is pursued through the *Volunteering Act* and mechanism that requires mandatory recognition of volunteer work as co-funding in projects financed by state administration bodies. Nevertheless, volunteer work is often recognized as co-funding for other organizations. Value of such work is regulated by means of special rulebook and registry at the rate of 13 EUR for organizational work, 10 EUR for content-based/expert work and 6 EUR for other type of volunteer work.

In **Croatia**, institutional support is the second most common type of support for organizations. In 2014, 75 organizations were funded under a call for capacity building in total amount of 137,530,581.95 HRK (18.4 million EUR or 10.7% of all funds allocated).<sup>81</sup> Classic form of institutional support is awarded by the National Endowment for Civil Society Development, which has awarded 1.6 million EUR in 2014 and 1.64 million EUR in 2015.

The Office for Cooperation with Civil Society has established a mechanism under which, starting from April 2011, CSOs are eligible, after having fulfilled certain requirements, to receive support in

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81 Forbici, Goran and Kostanjevec, Monika (2016): Comparative Analysis of Systems of Public Funding of CSOs, MCIC, pp. 59-60.

the amount required for co-funding EU projects. By 2016, this mechanism has secured support for mandatory co-funding for projects of 450 organizations. This type of support continued after the Republic of Croatia joined the EU in respect to Structural Funds, i.e. mandatory co-funding for civil society organizations implementing EU projects.

**Serbia** also has legal provisions in place for award of operational support, but they are incomplete. On several occasions, the Office for Cooperation with CSOs has secured portion of mandatory co-funding for EU projects implemented by organizations. The Ministry of Culture has its own mechanism for co-funding projects financed by foreign donors, in order to assist the organizations in securing matching funds. Typical example thereof implies 30% co-funding disbursed by the ministry, with 10% own contribution from organizations (when required co-funding is set in the amount of 40% of total costs).

### 3.1.4. PROCEDURE, ANNOUNCEMENT OF PUBLIC CALLS, CRITERIA AND PRIORITIES

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Although institutions in many countries **are not mandated** to organize consultations with CSOs for designing programmes and public calls, organization of such consultations is regular practice. Only Estonia has legal obligation for consultations.

#### 3.1.4.1. CONSULTATIONS FOR SETTING PRIORITIES

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In **Estonia**, public institutions are legally obliged to involve organizations in the procedure for award of public funds. This obligation is stipulated in the *Rulebook on State Budget Funding*. In respect to planning, they have to be involved in designing the model of state funding and drafting the public calls.

**Scotland** does not have such obligation, but the Heritage Lottery Fund Scotland and the Voluntary Action Fund have bodies that decide on distribution of their funds comprised of diverse representatives (e.g. from private and public sector, volunteers or citizens), although they are not directly elected by the civil society organizations.

**Slovenia** does not have such legal obligation, but several institutions (e.g. Office for Non-Governmental Organizations at the Ministry of Public Administration) organize consultations prior to announcement of each public call.

In **Croatia**, civil society participation is not mandatory, but the *Code of Good Practices for Stakeholder Consultations in Legislative Procedures* is used as legal basis and implies consultations with and participation of organizations in planning and distribution of public funds.

No legal obligation is anticipated in **Serbia**, where civil society participation depends on the interest and preparedness of individual institutions.

### 3.1.4.2 PUBLICATION OF CALLS/COMPETITION AND PUBLIC CALL ELEMENTS (TEMPLATE, CRITERIA, DEADLINE, ETC.)

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Publicity, transparency and equal access to the procedure for award of funds for applicants is regulated by means of **secondary legislation**, often at the level of individual state administration bodies awarding such funds. However, they all **include certain basic elements and procedures** that are respected.

In **Estonia**, there are several rulebooks and rules on applicable procedures, but minimum standards for announcement of public calls include: publication of selection criteria, easily accessible application documents, clearly indicated deadline, information on total budget and maximum amount per individual grant.

In **Scotland**, institutions continuously publish information about their programmes on relevant websites. In the case of public calls, information published usually includes elements such as: priorities, eligibility criteria, total budget and amount of individual grants, application procedure, application documents and deadlines. In practice, the institutions also publish other details, i.e. *step-by-step* explanation of the application process. Often, the procedure is designed as two-stage application process, whereby applicants first submit a project idea, i.e. concept. In some cases, the project concept might change depending on development of the project idea into complete application.

In **Slovenia**, the *Rulebook on Budget Execution Procedure* requires all public calls to be published in the Official Gazette, while the rules in certain areas require the public calls to be published on the websites of individual bodies awarding such funds and in other media. Moreover, the Rulebook defines minimum elements that should be included in the public call: legal ground, subject matter of the call, eligibility criteria, selection criteria, total budget and application procedure. Also, it stipulates the content of application documents: information on the subject matter liable to funding, grant amount, method for setting amount of individual grants, sample from grant contract, selection criteria, accompanying documents, decision-making body and appeal process. Prior to announcement of the public call, expert committee reviews all documents to establish whether the call would result in successful applications. Albeit not mandatory, the project appraisal framework is also published.

**Croatia** has systemic approach to publication of annual plans for public calls and they are announced within a deadline of 30 days from the budget's adoption. Annual plans include information such as: name of institution awarding public funds, name of the public call, when it will be announced, total budget, amount of individual grants, number of projects, etc. and public calls must be uploaded on the websites of relevant institutions and the Office for Cooperation with Civil Society. The call should be open for at least 30 days. For example, in 2014, around 78% of public calls were announced pursuant to this procedure. Design of the public call is led by relevant institution or separate committee established for that purpose.

In **Serbia**, the public calls are uploaded on the website of relevant institution awarding such funds or on unified portal *e-administration*. Mandatory elements include: subject matter or theme, eligible applicants, deadline, budget, timeframe and selection criteria. The deadline for submission of project proposals could be shorter than 15 days, but in practice this deadline is not necessarily respected.

### 3.1.4.3. DECISION-MAKING (COMPOSITION AND TYPE OF SELECTION COMMITTEES AND INVOLVEMENT OF CIVIL SOCIETY ORGANIZATIONS THEREIN)

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All countries have different approach to decision-making for selection of projects to received state funding. Most common methods include formation of **separate expert committees** that review and decide upon project applications submitted. In that, provisions are in place for regulation of the conflict of interests.

In **Estonia**, the Rulebook requires the committee to perform independent evaluation of applications submitted.

In **Scotland**, each institution has its own approach, but they all imply formation of body or committee tasked to decide upon project applications. Also, they frequently use assessors that develop rank-lists and thereby facilitate work of these committees, i.e. selection bodies. All projects financed are publicly available, while the institutions have own methods for publication of data related to projects financed.

In **Slovenia**, the expert committee is appointed by the head of the institution announcing the public call. It is comprised of at least three members and is tasked with opening and evaluating project proposals and proposing preferential list for funding. Rules are in place to regulate the conflict of interests. Committees compile minutes from their work.

In **Croatia**, project proposals are decided by expert committee comprised of members from institutions, organizations, academic and independent experts. Employees from the relevant institution cannot be members of selection committees. The *Decree on the criteria, standards and procedures for financing and contracting programmes and projects of public interest implemented by associations* provides legal basis for participation of organizations in selection committees.

### 3.1.4.4. PUBLICATION OF RESULTS (INCLUDING NOTIFICATIONS TO REJECTED APPLICANTS)

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Some countries have established a legal obligation for **public announcement of results** from award of funds and this is considered good practice. There are examples of institutions proactively publishing **funding contracts** (Estonia). Moreover, there are examples of **two-tiered** notifications to applicants (first the notice) to allow organizations the right to appeal. Analyses do not feature any information on **notifications sent to rejected applicants and contents of feedback provided** for organizations to be able to improve their projects and ideas.

In **Estonia** there are no legal grounds, but it is considered good practice for all applicants to be given meaningful feedback in respect to their applications. Selection results are published on the websites of relevant institutions, while some of them also publish project contracts and reports.

In **Slovenia**, rules are in place for decisions on selection of applications to be published within a deadline of two months from the start of the project selection process. In the case of public calls announced in the field of culture, applicants first receive notification on the draft decision and are entitled to lodge an appeal that could result in change of the selection decision. The decision on selection

of projects for funding must be supported with information on failed project applications. The calls include information on deadlines for lodging appeal, although such right is in effect and any applicant may contest the decision before the Administrative Court. Results are made publicly available.

In **Croatia**, the deadline for decision-making is set in duration of 120 days from submission of applications, while the deadline for notifying applicants is set in duration of 8 days from the day when the selection decision was made. Notifications should be supported with data on fulfilment/non-fulfilment of requirements defined for the public call. In 2014, a total of 219 complaints were lodged, of which 49 were approved.

In **Serbia**, the legal obligation implies publication of the rank-list with project proposals and projects approved for funding.

#### 3.1.4.5. FUNDING REQUIREMENTS (ESPECIALLY PREPAYMENT) AND CONTRACT SIGNING

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Given that CSOs have limited funds or do not have own funds, the method and the amount of prepayment for projects is one of key elements for their ability to implement activities in continuity and without major problems. **Each country allows advance funding of projects.** These payments range from disbursement of all funds at the start of project implementation (Estonia and Scotland), to disbursement of limited amount of funds (Slovenia and Croatia).

The legal framework in **Estonia** does not include any limits in respect to advance funding in full amount of project costs, and therefore this is often practiced. In respect to operational grants, prepayments are awarded in full amount, although there are cases of late disbursement, while in the case of project grants prepayments are set in the amount of up to 90 % at the start of project implementation.

**Scotland** also practices advance funding, whereby small projects are entitled to prepayments in the full amount.

In **Slovenia**, budget rules allow advance funding in maximum amount of 30% of the project's total value. Prepayments may be disbursed in several instalments after the organization submits report on money spent and request for new prepayment, again in the maximum amount of 30%. In some circumstances, volunteer work is recognized as co-funding.

**Croatia** has five models of state funding, four of which include advance payment in the range from 30% to 80% of the grant (in the case of multiannual grants, this amount is set at 80% of the estimated annual amount).

### 3.1.5. REPORTING, MONITORING AND EVALUATION

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Institutions often impose reporting templates that put the emphasis on financial reporting. However, further standardization and proportionality in reporting requirements for CSOs are needed. In some countries (Croatia and Serbia<sup>82</sup>), institutions develop separate summary report in the form of overview and giving account on all state funds awarded to CSOs in the calendar year.

In **Estonia**, each institution defines the template for financial and narrative reports, with greater attention given to financial reporting. Often, institutions publish reports on their website, making an individual effort to publish reports on projects that received public funds. Monitoring project implementation is regular practice, aimed at verifying attainment of programme goals and priorities.

In **Scotland**, institutions publish reports on implemented projects, but not with the same level of details, i.e. these reports are not standardized. Different deadlines and reporting formats pose a challenge for organizations. Some state bodies conduct separate programme evaluations to determine achievements and impact.

In **Slovenia**, reporting is mandatory, with due respect for the principle of proportionality. In the case of small projects, organizations are required to only submit final reports. There are no mandatory or detailed rules for project monitoring, but some institutions conduct evaluation of programmes/calls (e.g. Ministry of Public Administration) or publish annual reports on all projects implemented or supported (e.g. Institute of Social Protection). There are no guidelines for project evaluation or monitoring, but several ministries conduct them in order to establish efficiency and effectiveness of projects funded.

In **Croatia**, the *Decree* (Article 34) defines the rules on reporting and monitoring. In practice, large number of institutions organizes field visits (more than half projects in 2014).

In **Serbia**, the *Decree* requires quarterly reporting, except in cases of projects in duration of less than 6 months. The Office for Cooperation with Civil Society published annual summary reports on all projects and activities financed from the budget. The last summary report was published in 2015.<sup>83</sup>

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82 By 2016, including.

83 <https://www.civilnodrustvo.gov.rs/подстицајно-окужење/транспарентно-финансирање/збирни-извештај.120.html>





# 4 | CONCLUSIONS AND RECOMMENDATIONS

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## 4.1. CONCLUSIONS

Financial support to CSOs from the central budget is regulated under the Law on Associations and Foundations (Art. 49) and the Law on Games of Chance and Entertainment Games. There is no other legislation in effect that anticipates the opportunity for financial support to associations and foundations. Article 49 of LAF regulates funding for CSOs from the central budget, but also from budgets of municipalities, municipalities in the City of Skopje and the City of Skopje. In awarding funds to organization, throughout the period from 2017 to the first half of 2019, most cases refer to specific law-stipulated provisions directly related to the area of operation of the relevant state administration body awarding the fund as legal grounds for such funds. Some state administration bodies (MAFWE, MLSP and AYS) have adopted internal rulebooks that regulate the procedure for award of funds.

In respect to budget activities, the Rulebook on Expenditure Classification anticipates separate budget programme, i.e. budget account 463: transfers to non-governmental organizations, under which state administration bodies, as budget beneficiaries, should plan their funding for CSOs. However, analyses show that budget beneficiaries use other budget accounts (464: various transfers, 472: payments of benefits from the Disability and Pension Insurance Fund, 425: contractual services, etc.) to allocate funds (sometimes in significant amounts) for this purpose.

One of key findings concerns the fact that, as part of their reports, state administration bodies do not provide details on the amount of such funding, which gives rise to the need to reform the system for planning, budgeting and reporting, that would allow full insight into state funding for CSOs in RNM. At the same time and pursuant to the definition from the Law on Associations and Foundations, in addition to associations and foundations **state funding for CSOs covers other organizational forms**, such as the Red Cross, sport clubs and federations, chambers, etc., which distorts the actual image about the scope of state funding and funnelling of funds towards attainment of the public (and not the private) good.

Based on individual reports for the years 2017 and 2018, and the first half of 2019, there is increased trend in award and transfer of funds to organizations. However, compared to the previous periods since state funding for CSOs in RNM is monitored, this trend is stable. Thus far, the highest amount of funds was awarded in 2018 (418,640,521 MKD), with ever higher amount planned for 2019, i.e. 516,688,000 MKD. This report, for the first time, provides insight in funding for CSOs by municipalities for the years 2017 and 2018. Based on data provided, 40 municipalities covered with the analysis have awarded 107,322,029 MKD in 2017 and 112,889,294 MKD in 2018 to CSOs from their budgets. Ac-

According to their share in GDP (0.8%), CSOs in RNM are ranked somewhere in the middle compared to other countries, but according to the share of state funding in annual turnover of CSOs, RNM is far behind other countries with a share of 6.8%. However, it should be noted that reports of state administration bodies provide only limited image about the actual situation.

The additional analysis of transfers disbursed from MOF's treasury to organizations (from the general account 463: transfers to non-governmental organizations, according to the search based on key words related to associations and foundations) provides much broader insight into state funding for CSOs. Hence, it could be established that state funding for CSOs accounted for 0.3% of the Budget of RNM in 2017, 0.4% in 2018 and 0.26% of the budget in the first half of 2019, or in absolute numbers, funding for organizations amounted to 619,440,000 MKD in 2017, 839,953,000 MKD in 2018 and 267,408,000 MKD by June 30, 2019. Additionally, insight into transfers complemented the image about funding at local level, i.e. an amount lower than 365 million MKD was disbursed in 2017, in 2018 this amount accounted for 355.5 million MKD disbursed by all municipalities that have anticipated funds for this purpose, **accounting for 1.17% of the total budgets of municipalities and representing significantly higher amount compared to those share of funds allocated under the central budget (an average of 0.35%)**. With GDP share of 0.8%, CSOs in RNM rank above the average in the region, but according to the share of state funding in total annual turnover of CSOs, which accounts for 6.8% according to reports of state administration bodies, i.e. 15% according to treasury records, the state has two times lower share from average for many EU states (around 30%). Among the municipalities, the City of Skopje has disbursed the highest amount of funds, i.e. 42 million MKD in 2017 and 41 million MKD in 2018. In terms of the share in the municipal budget, Radovish has allocated the highest share of funds from its budget to support non-governmental organizations, i.e. 4.59% in 2017 and 5.42% in 2018.

At the level of state administration bodies, the highest amount of funds was awarded by the Ministry of Culture, followed by the Ministry of Labour and Social Policy and the Agency of Youth and Sport. A trend of increasing funds is noted with all state administration bodies, except for the Ministry of Defence, the Ministry of Economy and the Ministry of Environment and Spatial Planning. Most of these funds were awarded under public calls. State administration bodies interpret award of funds under public calls or open competition in broader terms, by including funds awarded on annual basis on the basis of decision taken by the government and pursuant to the Law on Games of Chance and Entertainment Games, or even including award of funds to sport organizations by AYS. When these funds are subtracted from the total amount, only 50% of funds awarded and reported by state administration bodies could qualify as being awarded under public call.

The system of state funding for CSOs operates on decentralized basis, whereby state administration bodies, as part of their regular budget activities, plan and draw funds from the budget account 463 to finance activities and projects of associations and foundations. However, individual reports of state administration bodies do not include details on their respective budget planning processes in respect to allocation of funds for CSOs.

A total of 1,660 organizations have benefited from funds awarded in the period from 2017 to the first half of 2019 (according to individual reports of state administration bodies), and many of them are featured in at least two analysed years, i.e. 685 individual organizations according to the insight into treasury records. There are cases in which state administration bodies, by defining favourable requirements in their application process for funding, allow other entities to participate on public calls, not only organizations pursuant to the definition provided in LAF. Large share of funds are disbursed to previously known beneficiaries, i.e. are allocated for specific purposes, such as disability organizations and sport associations and federations.

Financial support is mainly short-term project support (less than 12 months) and is intended for specific activities of organizations. However, funds awarded pursuant to the Law on Games of Chance and Entertainment Games include elements that are typically categorized as programme or institutional support. Significant part of budget funds are disbursed for this type of support, accounting for 54% of all funds in 2017 and 39% of all funds disbursed in 2018. Although, in terms of its form, such support resembles institutional support, it lacks key elements in terms of its content, such as setting multiannual objectives and priorities and their funding, contribution of such support to development of beneficiary organizations, etc. There are examples of financial support disbursed as co-funding for projects implemented by organizations, noted in the case of the Ministry of Economy (projects for non-financial support to SMEs and for promotion of entrepreneurship) and the Ministry of Culture (projects supported under programmes Culture 2007-2013 and Creative Europe – EU Culture).

Individual reports of state administration bodies indicate that some organizations receive multiple funding for multiple purposes during one calendar year. Also, there is large number of organizations that are awarded great amounts (e.g. more than 1 million MKD), as well as organizations financed with small amounts (e.g. several thousand MKD). The statistical analysis found that the average amount of funds per organization has decreased from 218,002 MKD in 2017 to 180,432 MKD in 2019. The top 30 recipients of funds each year have been awarded at least 2/3 of funds intended as state funding for CSOs. On average, 83% of organizations receive funds from the state budget in the amount of 0 to 1,000,000 MKD.

Deadline for applications, which should not be shorter than 30 days, is generally respected, but there are cases when public calls have been shortened or expanded. Publicity and transparency of these calls is secured by publishing them in at least two daily newspapers (one national in Macedonian language, and one in Albanian language), on the website of relevant state administration body, and sometimes on other thematic web-locations. Most state administration bodies define and publish previously developed criteria and procedures. Reports do not include information or examples from application templates. Project selection criteria are rarely published in advance. Only the Ministry of Labour and Social Policy reported that organizations that want to dispute selection of projects under the public call are entitled to lodge appeal. Committees for selection of projects under public calls are often comprised of employees from the state administration body awarding the funds. Involvement of experts or civil society representatives is exception. Although relevant, regulation of the issue concerning conflict of interests, especially due to participation of representatives from associations and foundations in selection committees when their organization has applied on the public call for which they decide, is not covered in reports of state administration bodies.

State administration bodies believe that consultations for strategy and programme documents are priority for public calls. There are rare cases where associations and foundations have been strategically involved. Analysis of the amount of individual grants provides the conclusion about major differences in amounts of financial support disbursed by state administration bodies. Notifications are submitted directly to applicants, while results are often published on the state administration body's website, in the Official Gazette or in daily newspapers. Such announcements posted are sometimes difficult to locate on websites of state administration bodies and, when found, they include only the most basic information. Information provided in reporting templates are also modest, but some state administration bodies provided data on elements that should be included in such reports, as noted with AYS. Project monitoring or evaluation is rarely performed or pursued at institutional level, by means of insight into project reports and their translation into report to the government on

implementation of particular programme or public call. Field visits to projects are rare and they were conducted only by MLSP and FITD.

In other countries, the legal framework on state funding is regulated in line with the Law on Budget, often pursuant to laws that regulate specific budget revenue, such as games of chance and specific taxes (vices, environment, etc.). Procedures for designing, implementation and reporting are often further detailed in specific secondary legislation (rulebooks or guidelines) which stipulate systemic procedures (binding or non-binding) that should be followed by state administration bodies when awarding state funding to CSOs. In all countries, the funding system is decentralized whereby state administration bodies allocate funds in their respective areas of operation. However, some countries have formed a separate body or (independent) institution entrusted with management of specific state fund in order to provide additional support to CSOs activities and their development (e.g. Estonia and Croatia) and for funding activities in separate areas of interest for CSOs (e.g. Scotland).

In all countries covered by the comparative analyses, in addition to project support there is also legal possibility for award of specific support (institutional support and project co-funding), which is of great importance in respect to needs and development of CSOs. Practices in these countries show that **institutional support** is implemented by separate bodies or institutions that design, implement and monitor such type of support aimed at development of CSOs in specific areas. Such practices are present in Estonia, Scotland, Slovenia and Croatia. Moreover, **co-funding** for projects implemented by CSOs, primarily aimed to help them secure additional finance for project implementation (usually set in the amount of 10 to 20% of project costs), is common practice in countries where CSOs draw funds from foreign donors, primarily the EU funds (e.g. Croatia and Serbia).

While in most countries, institutions are not legally obliged to organize consultations with CSOs in respect to designing programmes and public calls, this is still a frequent practice. Such legal obligation is in place only in Estonia. Publicity, transparency and equal access for applicants and the procedure for award of funds are regulated under secondary legislation, often adopted at the level of individual state administration bodies awarding the funds. However, they all include basic elements and procedures that are respected in the practice. There are different approaches, but all countries form separate expert committees that reconsider and decide upon project proposals. A practice is also in place for regulation of conflict of interests. In some countries legal obligations are in place for publication of results from award of funds, and in cases where such obligation is not stipulated, publication is considered a good practice. Examples were identified of institutions that publish the funding agreements (e.g. Estonia), as well as examples of two-tiered reporting (first notification), whereby organizations are allowed to lodge appeals. The analyses reconsidered did not include information on notifications submitted to rejected project proposals and content of responses thereto, so that organizations would be able to improve their future projects and ideas.

Given that CSOs have limited or do not have own funds, the method and amount of advanced funding for projects is one of key elements for their ability to continuously implement their activities without major difficulties. All countries allow an opportunity for advanced funding of projects. This practice varies from 100% coverage from the beginning of project implementation (e.g. Estonia and Scotland), while in other countries the amount of advanced funding is capped (e.g. Slovenia and Croatia).

Institutions often require specific reporting templates, which put greater focus on financial reporting. However, further standardization and proportionality is needed in terms of reporting requirements for CSOs. In some countries, (e.g. Croatia and Serbia), institutions develop separate summary reports in the form of overview and account for all state funds awarded to CSOs for the calendar year.

## 4.2. RECOMMENDATIONS

### 4.2.1. GENERAL RECOMMENDATIONS

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The current system of state funding in RNM is greatly based on legislation and practices that have been created several decades ago, does not reflect actual needs of the civil society and does not follow trends from the EU and developed countries. Changes that have been made were primarily aimed at improving procedures for award of funds, in terms of setting clear guidelines for standardization, accountability and publicity. Hence, in order to ensure **complete and comprehensive reform** of state funding for CSOs, as **precondition for efficient operation of institutional support and co-funding for EU projects**, the following general recommendations are valid:

- 1 **To increase the share of state funding from the central budget and budgets of LSGUs, in order to reach 30% (around 2 billion MKD) in total turnover of CSOs by 2024** (new three-year strategy period). In order to achieve this amount and ensure sustainable funding sources, interventions are needed in the legislation that regulates state funding. The projected amount of funds should be defined either in the Law on Associations and Foundations or the Government's Annual Plans (as part of budget planning). Moreover, a plan on the amount of funds to be allocated in the next three years (new strategy period) should be developed in advance, based on the average of annual turnover by CSOs in the last three years.

The source for increased funds could be the Law on Games of Chance and Entertainment Games, sector-specific laws, and future sources based on introduction of new taxes and excise. At the same time, a more thorough analysis should be conducted in respect to possibilities for securing additional funds in specific areas, intended for specific objectives and services provided by the civil society. Such changes could contribute to finding systemic solution for provision of specific services by CSOs on behalf of line ministries. Additionally, these changes could ensure greater coverage of CSOs that are specialized in particular areas of operation. Good examples are areas such as social protection, eco associations and environmental protection associations, as well as associations of persons suffering from rare diseases. By analogy, there is an opportunity to amend laws in policy areas covered by the Ministry of Labour and Social Policy (which regulate social protection, child protection and care for elderly people), laws in policy areas covered by the Ministry of Environment and Spatial Planning (in respect to environment protection), laws in

policy areas covered by the Ministry of Health (in respect to healthcare and, recently, in respect to medical production of cannabis), as well as laws pertaining to policy areas covered by the Ministry of Agriculture, Forestry and Water Economy (in respect to agriculture and rural development).

- 2 *The Code of Good Practices for Financial Support*, which regulates the procedure for planning, awarding and reporting on state funding for CSOs, is one of the most important documents that needs to be amended to include elements that are currently missing, but are of key importance for the operation of such system. First, the Code needs to be transformed into **cross-cutting and bidding secondary legislation** (Decision or Decree) for all state administration bodies.

The process on amending the Code will necessitate active involvement of all stakeholders, especially representatives from CSOs, but also representatives from state administration bodies tasked with activities related to planning and implementation of programmes for support to civil society. First and foremost, amendments should be focused on provisions that have been proved as weaknesses: planning of funds (mandatory consultations for setting priorities), decision making (independent committees, regulation of the conflict of interest, involvement of experts and civil society representatives), publication of results from the public call and the right to appeal, monitoring and evaluation of projects, etc.;

- 3 Transparency and accountability in planning and allocation of funds intended to finance CSOs are key aspects that should be further enhanced in the next period. On several occasions it was noted that there is no unified method in place for planning funds intended for CSOs, which in turn renders monitoring of such funds difficult. Therefore, there are two ways in which this system could be improved:

- a) At the moment, budget beneficiaries often plan funds intended to finance CSOs under budget account 463: transfers to non-governmental organizations. Nevertheless, in many cases budget beneficiaries allocate such transfers under other budget accounts, which makes monitoring thereof more difficult. Hence, mechanisms need to be introduced to **ensure that funds are exclusively planned under account 463**, allowing allocation and disbursement of funds from other accounts only in exceptional and specific cases. Additionally, efforts are needed to further precise items under budget account 463, in order to adjust and complement transfers that are currently missing from records.

- b) Introduction of **mechanisms for unified planning** of budget funds is a tool for annual planning of resources. In order to ensure **multiannual planning**, the Government (as part of its budget planning process) should define a multiannual budgeting program that would unite all budget expenditure of different budget beneficiaries. This program should be tied to the new three-year strategy for cooperation with and development of the civil society. Such multiannual program will provide sustainable source of funding and faster development of the civil society.



## 4.2.2. SPECIFIC RECOMMENDATIONS

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Series of specific measures need to be implemented on the basis of or in parallel to above presented general recommendations related to improving institutional support and co-funding for projects implemented by CSOs.

### 4.2.2.1. INSTITUTIONAL SUPPORT

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- ① Programme support funding, which formally resembles institutional support for CSOs, does exist under the current Law on Games of Chance and Entertainment Games. Its scope of certain types of organizations (sport and disability) **must be expanded to include funding and development of CSOs registered pursuant to LAF.**

The Law on Games of Chance and Entertainment Games<sup>84</sup> is one of the biggest sources of funding for CSOs stipulated by law. Provisions contained therein stipulate that 50% of total revenue from games of chance and entertainment games established in the previous calendar year, but not less than 60 million MKD and not more than 120 million MKD, is intended to finance national disability organizations<sup>85</sup>, their associations and the union of associations for fight against domestic violence and the Red Cross. **Current practices show that these funds often do not exceed the lower law-stipulated threshold of 60 million MKD. Limitations in terms of specific types of organizations compared to the opportunity to finance activities of organizations registered pursuant to LAF, which could result in disbursement of the upper threshold of funds allowed by the law, could be addressed under two scenarios:**

**Option A: To completely re-draft** the Law on Games of Chance and Entertainment Games, which will result in alignment of its scope related to organizations, themes, amount of funds, etc., according to the needs of CSOs, where one theme should be CSOs development as basic source for institutional support to CSOs registered pursuant to LAF. Funding for other themes (including sport and disability organizations), albeit reformed, will continue through competent institutions, i.e. MLSP and AYS.

**Option B: To intervene in Article 16 of the Law on Games of Chance and Entertainment Games, by means of:** 1) adding development of CSOs registered pursuant to LAF as legal ground for additional funding (expanded scope); 2) setting the amount of total funds to at least 50% of total revenue from games of chance and entertainment games established in the previous calendar year, but not less than 120 million MKD; and 3) entrusting the Fund, established by means of separate law and tasked to support, advance and develop the civil society, with allocation of funds to finance institutional support for organizations registered pursuant to LAF. Other sections of this law **will remain the same** and funding for sport and disability organizations will continue as before.

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84 Article 16, paragraph 2 of the Law on Games of Chance and Entertainment Games stipulates that 50% of total revenue established in the previous calendar year shall be intended to finance organizations. Although there is a threshold in terms of the absolute amount of such funds, it is lower or stagnates against the law-stipulated target of 50%.

85 Term used in the Law.

- 2 To establish an **independent body – Fund for Civil Society Support and Development (Fund)**, that will be tasked to plan and manage **funds intended for development of CSOs registered pursuant to LAF**, primarily through **institutional support**, and be given administrative, managerial, financial and programme independence. It is important to stress that this body should be established by means of separate law that will regulate its status and composition, competences, management, governance, financing and supervision. A new law is needed because all applicable legislation in effect provides limiting opportunities for formation of an independent body that will be budget beneficiary, i.e. will be partially financed from the state budget, but will be granted administrative and managerial independence, and be able to perform autonomous activity that could serve as source for generation of additional revenue.

The need for managerial independence arises from the fact that the Fund should have continuity and mechanisms in place to avoid any political other biased influence. The Fund should be governed by independent Executive Board of mixed composition (representatives from institutions, CSOs and experts), nominated in procedure organized in cooperation with the Council for Cooperation with and Development of the Civil Society. In formal and legal terms, the Fund will be held accountable before the Parliament of RNM, as its founder, and will be obliged to submit annual audited reports and reports from its Supervisory Board.

To establish an efficient institution that will manage funds intended for civil society support and development in fair manner, the same needs to be administratively independent and able to attract the most qualified staff with experience in implementation, management and funding of civil society projects. Such independence could be secured only when the institution is able to have systematized job positions according to market principles, i.e. to be guided by the Law on Labour Relations, not the Law on Civil Servants.

The Fund should cooperate with the Council for Cooperation with and Development of the Civil Society in respect to planning and **designing** institutional support and **reviewing reports** on implementation thereof.

Legal basis should be introduced to secure funding sources from the state budget and to ensure management of institutional support for CSOs by the Fund. The law should regulate opportunities for the Fund to engage in self-financing activities.

The Fund should be integrated in the structure for **future management of EU funds**, in order to draw and manage funds intended for civil society development (e.g. European Social Fund, Structural Funds). Additionally, an opportunity could be anticipated for the Fund to be entrusted with management of funds intended for civil society development secured from other sources.

#### 4.2.2.2. CO-FUNDING

- 1 Based on positive practices at the Ministry of Economy, but primarily the Ministry of Culture and the Ministry of Local Self-Government, which have experience with co-funding EU projects implemented by CSOs, **by means of decision taken by the Government** all state administration bodies **should be instructed** to allow, as part of their **programmes and calls** for support to CSOs, funds awarded to be also used as co-funding for EU projects.
- 2 **The Fund should have a spate program under its budget** intended to support organizations that have been awarded EU projects. This support should be continuous and in line with programme objectives of the pre-accession assistance, and in the future, in line with the Union's Structural Funds. CSOs should have the opportunity to address the Fund at all times with applications for co-funding.
- 3 The Fund should define specific **eligibility criteria in respect to qualifying topics and minimum capacity to be demonstrated by organizations that will apply for such funding**. It should be stressed that the Fund could be addressed with applications for co-funding in full or in partial amount.

**Table 23:** Proposed changes to the model of state funding for CSOs in RNM

Funding sources	Institutions that award funds	Principles for award of funds	Method of allocation
<p><b>Funds from: games of chance, excise duty, public levies, etc.</b></p>	<p><b>Fund for Civil Society Development and Support</b></p>	<p>LAF, Law on Sponsorships and sector laws</p>	<p>Public call</p>
<p>Budget of RNM and municipal budgets</p>	<p>SABs that allocated budget funds</p>	<p><b>Code of Good Practices for Financial Support</b> <i>Binding act</i></p>	<p>Types of support</p> <p><b>Project/programme institutional technical co-funding (including EU projects)</b></p>
<p>Funds are allocated for action/general support and per thematic areas. Increased amount of funds set by law</p>	<p>Municipalities allocated budget funds</p>	<p>Secondary legislation: rulebooks, decisions, procedures, etc.</p>	<p>Amount and duration of funds awarded</p> <p><b>- 30% of Σ turnover by CSOs (by2024)</b> <b>- annual/multiannual (up to 3 years)</b></p>

# APPENDIX 1: MONITORING MATRIX ON ENABLING ENVIRONMENT FOR CIVIL SOCIETY DEVELOPMENT, SUB-AREA: STATE SUPPORT FOR FINANCIAL SUSTAINABILITY OF CSOS

Area 2. Framework for CSO Financial Viability and Sustainability

Subarea 2.2. State Support

Principle: State support to CSOs is provided in transparent way and spent in accountable manner

Standard	Indicator
<p><b>1. Public funding is available for institutional development of CSOs, project support and co-funding of EU projects and other grants</b></p>	<p><b>Legislation</b></p> <ol style="list-style-type: none"> <li>1. There is law or national policy (document) that regulates state support for institutional development of CSOs, project support and co-funding for EU projects;</li> <li>2. There is national-level mechanism for distribution of public funds to CSOs;</li> <li>3. Public funds for CSOs are clearly planned in the state budget;</li> <li>4. There are clear procedures for involvement of CSOs in all phases of the public funding cycle.</li> </ol> <p><b>Practice</b></p> <ol style="list-style-type: none"> <li>1. Available public funding responds to the needs of civil society;</li> <li>2. There are governmental bodies with clear mandate for distribution and/or monitoring distribution of state funding;</li> <li>3. Financing is predictable, not cut drastically from one to another year, and the amount of budget funds for CSOs can be easily identified;</li> <li>4. Involvement of CSOs in the public funding cycle is transparent and meaningful.</li> </ol>
<p><b>2. Public funding is distributed in stipulated and transparent manner</b></p>	<p><b>Legislation</b></p> <ol style="list-style-type: none"> <li>1. The procedure for distribution of public funds is transparent and legally binding;</li> <li>2. The selection criteria are clear and published in advance;</li> <li>3. There are clear procedures for resolution of issues related to conflict of interests in decision-making.</li> </ol> <p><b>Practice</b></p> <ol style="list-style-type: none"> <li>1. Information on the procedures for funding and on funded projects is publicly available;</li> <li>2. State bodies follows the procedures and implement them in harmonized way;</li> <li>3. Application requirements are not too burdensome for CSOs;</li> <li>4. Decisions on tenders are considered fair and conflict of interests situations are declared in advance.</li> </ol>

<p><b>3. There is clear system of accountability, monitoring and evaluation of public funding</b></p>	<p><b>Legislation</b></p> <ol style="list-style-type: none"> <li>1. Procedures for distribution of public funds anticipate clear measures for accountability, monitoring and evaluation;</li> <li>2. There are stipulated sanctions for CSOs that misuse funds which are proportionate to violation of the procedure.</li> </ol> <p><b>Practice</b></p> <ol style="list-style-type: none"> <li>1. Monitoring is continuous and conducted in compliance with previously identified and objective indicators;</li> <li>2. Regular evaluation of effects/impact of public funds is conducted by state bodies and is publicly available.</li> </ol>
<p><b>4. State provides non-financial support</b></p>	<p><b>Legislation</b></p> <ol style="list-style-type: none"> <li>1. Legislation allows state bodies to allocate non-financial support, such as state property, renting space without financial compensation (time-bound), free training, consultations and other resources, to CSOs;</li> <li>2. Non-financial support is provided under clearly defined rules, based on objective criteria and does not privilege any group.</li> </ol> <p><b>Practice</b></p> <ol style="list-style-type: none"> <li>1. CSOs use non-financial support;</li> <li>2. CSOs are treated in equal or more supportive manner compared to other actors when the state provides non-financial resources;</li> <li>3. There are no cases in which state bodies grant non-financial support only to CSOs that do not criticise their work or cases of depriving support to critical CSOs or other type of discrimination based on loyalty, political affiliation or other unlawful terms.</li> </ol>

## APPENDIX 2: FUNDS AWARDED FROM THE EU

As part of decentralized management, i.e. indirect management of the Instrument for Pre-Accession Assistance (IPA), in the period 2011 – 2018, the Ministry of Finance's Central Financing and Contracting Department (CFCD) has awarded funds in total amount of 828.5 million MKD, of which 674 million MKD are disbursed from IPA, 83.5 million MKD are funds from the state budget (national co-funding) and 71 million MKD are own contribution from organizations (co-funding by end-beneficiaries). A total of 102 grant contracts were signed in that period.

Analysis of public funding for civil society organizations in the period from 2017 to the first half of 2019 shows that organizations funded under the Instrument for Pre-Accession Assistance (IPA) have received 216 million MKD (see table below).

### *IPA funds in the period from 2017 to the first half of 2019*

2017	Amount (MKD)
MoF CFCD IPA national co-funding for IPA Component 1	8,764,464
MoF state functions CFCD and IPA national co-funding for IPA Component 4	77,442,624
<b>Total</b>	<b>86,207,091</b>

2018	Amount (MKD)
MoF CFCD IPA national co-funding for IPA Component 1	3,355,588
MoF state functions CFCD and IPA national co-funding for IPA Component 4	20,540,955
MoF state functions CFCD and IPA national co-funding for IPA Component 1 2013	102,731,677
<b>Total</b>	<b>126,628,220</b>

2019	Amount (MKD)
MoF state functions CFCD and national co-funding for IPA Component 1 TAIB 2013	3,075,010
<b>Total</b>	<b>3,075,010</b>



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