OVERVIEW OF STATE FUNDING SCHEMES FOR CIVIL SOCIETY ORGANIZATIONS

The following study provides an overview of government funding principles and criteria taking examples from five different European countries: Croatia, England, France, Hungary, and Ireland. The countries have been selected as examples of the four main European models of relationship between government and civil society organizations (CSOs): liberal, socio-democratic, continental, and Mediterranean or Eastern European.

The study describes successively for each of the above-mentioned countries and institution: (1) general principles of government funding, (2) overview of mechanisms and criteria of funding, (3) extent to which such funding is allocated (operational costs/programmatic costs), (4) overall amount of funding available for distribution, and (5) distribution from lottery proceeds.

I. GENERAL PRINCIPLES OF GOVERNMENT FUNDING

Funding is among the key elements of a supportive government approach towards strengthening partnership with and supporting the growth of CSOs. Therefore, the issue of government funding for CSOs is part of the efforts to conceptualize, rationalize, and organize the government-CSOs relationship. Towards that end, almost all the countries studied in this paper have designed a compact, charter, cooperation agreement, or a strategy which outline the core principles of good partnership between the state and the CSOs, in general, and its financial aspects in particular. Those core values embedded in the cooperation documents subsequently serve as a ground for more specific and detailed pieces of regulation.

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1 For the purpose of this paper, the term “CSOs” will be used to refer to associations and foundations.

2 A description of the four models is available on files with ECNL.
Funding and Procurement: Compact Code of Good Practice in England

What we are trying to achieve:
3.2 A well managed application and tender process means that organizations best able to achieve the aims of a program will apply. Well managed processes mean that resources are focused on delivering outcomes rather than on the application or tender process itself.

The benefits for the voluntary and community sector
3.3 A well-managed application or tender process allows the voluntary and community sector to access opportunities to deliver. If organizations have enough time to apply they will be able to make a well-informed and considered application or tender. They will also benefit from not having to spend disproportionate resources on application processes.

The benefits for Government
3.4 Government can know that the chosen organization is the one best able to achieve the intended aims and that expenditure is focused on achieving outcomes rather than the application process.

European governments have adopted several principles that guide their financing schemes. Some of those include:

- **Transparency**: the procedure is based on a clear application and assessment procedures which will provide maximum clarity and openness of the process, e.g., requirements to publish the tender announcements in official and local media, establish clear and objective criteria, give appropriate time for submission of the proposal, to publicize the selection criteria and names of the selected applicants, to send copies of the announcements and answer inquiries of potential applicants, etc.

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3 For more information see:

4 For detailed description on the principles see: State Financing of NGOs, a paper developed by ECNL for BCNL (on file with ECNL)
- **Equal treatment of applications**: a set of pre-established objective criteria, which ensure non-discrimination and selection of the most successful applicant based on the merit of their proposals.

- **Free and fair competition**: the information about the state funding possibilities is advertised as wide as possible encourages competition between the potential applicants.

- **Accountability**: spending the allocated funds in a responsible way and with clear reporting rules.

An overarching principle is that public funding should be considered a **possibility and not a right** for the CSOs. This is important principle because it underlines a significant aspect of the relationship, i.e., that CSOs are “independent” or “autonomous” from the government and possess a certain level of self-financing capacity.

Specifically in Ireland, the underlying principle is that CSOs are considered as autonomous and free to provide services that they believe that meet the community needs. There should not be an expectation that all activities undertaken by the CSOs will be funded by the state. Essentially, the Government will provide support only for mutually agreed programs and when those programs fall within the Government policies and objectives, or where other public interest criteria apply. The form and level of financial support varies and depends on the particular needs, type of services and circumstances that require such support.⁵

Further, the “Funding and Procurement: Compact Code of Good Practice in England”⁶ recognizes the importance of **planning for the available funding** that will be distributed. It states that there are competing demands for public spending and that there may be more organizations applying than money available. Since public funding may terminate after a certain time there is a responsibility for “planning in good time for different situations to reduce any potential negative impact on both beneficiaries and the organization if funding ends”. The French Government has adopted the similar principle and therefore it introduced an annual plan of funding (see below).

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⁵ For more details see: [White Paper on a Framework for Supporting Voluntary Activity and for Developing the Relationship between the State and the Community and Voluntary sector](http://www.cnm.tcd.ie/PDF%20Files/Voluntary.pdf)

Another strong idea is that public funding should be **goal oriented**, i.e. it should be allocated on a contractual basis upon clearly defined goals and priorities. Governments are therefore led to set-up and communicate their funding priorities and inclined to better evaluate the use of public money. For example, the above-mentioned English Funding and Procurement Code outlines that among the key principles the need to **focus on outcomes** i.e., that the achievement of outcomes should be used as a key indicator of the success of funding.

Along with the goal-oriented public funding rises the need for multi-annual funding to ensure **sustainability of initiatives and projects with longer term goals**. For example, the French charter signed between the government and the nonprofit sector stresses that: “The associations and the State favor relations based on goal-assorted contracts, on an extended period of time given to conduct the project, on transparency of the obligations subscribed, on the evaluation of the contribution to public interest to be balanced with the means involved, especially in the case where multi-annual funds are involved”.

At the end, it is work mentioning the central requirement of the Financial Regulation of EU: the principle for “Sound Financial Management”. This principle is defined as: “reference to the **principles of economy, efficiency and effectiveness**, and compliance with those principles checked by means of performance indicators established per activity and measurable in such a way that results can be assessed. The institutions should carry out ex ante and ex post evaluation, in accordance with the guidelines determined by the Commission.”

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7 According to the Compact Code of Good Practice on Funding and Procurement in England, “It is consistent with the Government’s duty to achieve value for money”.

8 *Charter on Reciprocal Commitments between the State and Associations, France, 1 July 2001.*

9 Regulation 1605/2002 on the Financial Regulation Applicable to the General Budget of the European Communities, 2002, para. 11
II. OVERVIEW OF MECHANISM AND CRITERIA OF FUNDING

A. CROATIA

Until 2003, the Government Office for Associations\(^\text{10}\) was the main actor that distributed public funds to CSOs. It used to channel funds in all areas of work of CSOs, from human rights, to education of youth, health, development of civil society, unemployment, etc. Independent experts’ working groups were created to review and assess the projects and programs submitted for public funding. Although Ministries had certain funds to support projects of CSOs, this was not practiced widely. In 2003 the Government established the National Foundation for Civil Society Development (“National Foundation”) with the basic purpose of promoting and developing the civil society in Croatia.\(^\text{11}\) The establishment of the National Foundation was seen a critical step towards improving the system of public financing for NGOs. It aimed to mark a shift from a highly centralized system, in which the Government Office for Associations played the critical role, into a more de-centralized system. Specifically, the National Foundation together with the existing Council for Civil Society Development, are an integral part of a public funding scheme which envisages an increased role from multiple stakeholders. Accordingly, while the ministries remain responsible for the funding of and cooperation with CSOs within their own jurisdiction, the Foundation focuses on supporting grass-roots initiatives and programs that do not necessarily fall within the competence area of any particular ministry. In this way a more equitable distribution of responsibility among government stakeholders was ensured.\(^\text{12}\)

To guarantee that grant-making decisions, whether made by the National Foundation, the ministries, or the local governments, are made according to established standards of transparency,

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\(^\text{10}\) The Governmental Office for Cooperation with NGOs was established in October 1998 by the Act of Government of Republic Croatia.  [www.uzuvrh.hr](http://www.uzuvrh.hr)

\(^\text{11}\) The National Foundation is currently financed from state budget funds provided in a separate position for the NGO Office, from part of the income from games of chance and competitions and from the founding capital, donations and other.

a “Code of Good Practice, Standards and Criteria for Providing Financial Assistance to Programs and Projects of Associations” was adopted by the Croatian Parliament in 2007.

The Code establishes the basic standards and principles for granting financial assistance from the state budget to associations. It applies to all state authorities and offices of the Government, which support the implementation of programs and projects which are of special general/public interest in Croatia.

Primarily the Code outlines several principles which should guide the financing processes. First, the authorities must set their priorities which they plan to support in the upcoming budgetary year. Second, the tenders must contain clear conditions, criteria and procedure of granting financial assistance (including priority fields for application, means of preventing possible conflicts of interest and possibility of gaining more insight of the process). The applications must be reviewed before a committee, composed of representatives of state administrative authorities, scientific and specialized institutions as well as not-for-profit legal persons (associations, foundations etc.). The tender must provide for at least 30 days deadline for the application. All participants must receive a written response and if the application has been denied the response should explain the reasons for denial. The results must be announced publicly, including types of projects funded and amounts allocated. The authority must conclude written contracts with the winning organization within 60 days. Finally, the winning association must submit narrative and financial reports.

In case the association spends the funding contrary to the agreed purposes the financial assistance will be terminated and the state authority will request reimbursement of amounts already paid.

The Code outlines the following basic criteria for funding:

(1) Associations participating in tenders from the state budget for programs and projects of particular general/public interest must:

- be registered with the Register of Associations of the Republic of Croatia;
- promote the values of the constitutional order of the Republic of Croatia;

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13 English and Croatian version available on: www.ecnl.org
perform activities must directed at the needs of the community and the preservation of sustainable development.

(2) In the application for granting financial assistance, the association must submit a report on its proper financial dealings, a statement of non-punishment of the responsible person within the association and an excerpt from the Associations Register of the Republic of Croatia. It should also attach other documents in accordance with the conditions set in the specific tender of the providers of the financial assistance.

(3) The association may use the financial assistance granted from the state budget only for the activities within the approved program or project.

(4) The association will not be entitled to financial assistance for activities which are already being financed from the state budget under other specific regulations.

The Council for the Development of Civil Society, as a specialized advisory body of the Government of the Republic of Croatia, is responsible to monitor, analyze and evaluate the finances granted by the providers of financial assistance from the state budget, to ensure they are in accordance with the provisions of the Code. The state authorities must submit information on the awarded grants to this Council and the Government Office for Cooperation with Associations.

FUNDING SCHEME OF THE NATIONAL FOUNDATION

The Foundation supports several types of programs related to its strategic objectives:

- **OUR CONTRIBUTION TO THE COMMUNITY** - grants to civil initiatives in which citizens are included by means of volunteer work, knowledge and/or material contributions. The call for proposals is open for organizations whose basic purpose is not-for-profit: associations, foundations, institutions, conducting social activities and units of local self-government in which initiatives are started by the organization itself, the institution, or interested group of citizens acting within that organization or institution.

- **BETTER TOGETHER** - grants for joint projects of associations or foundations in cooperation with units of local and regional self-government or institutions for the improvement of living conditions in the local community, the organization and

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development of the local community, the development of local partnerships in accordance with the Program of Cooperation between the Government of the Republic of Croatia and the Non-Governmental Non-Profit Sector in Croatia and the development of philanthropy and the culture of giving for local public benefit.

- DEMOCRATIZATION AND CIVIL SOCIETY DEVELOPMENT - grants to projects contributing to the development of civil society, the development of volunteerism, the improvement of democratic institutions in society and the rule of law, the application of new technologies in civil society development, information and documenting development of civil society in Croatia, public advocacy and projects for linking Croatian associations dealing with European integration. Only associations and foundations are eligible to apply for the calls for proposals.

- INSTITUTIONAL SUPPORT - award of institutional support for organizational development or stabilization for a period of three years, but only for those associations registered in Croatia. A grant is provided to help further the activities of the association and for the performance of its primary activity.

The Foundation also co-finances participation in international gatherings and participation of foreign experts in Croatia.

Importantly, the Foundation also supports multi-annual grants (2004-2007), which are approved within the program “Democratization and Civil Society Development”, in the program area of institutional support and stabilization of associations for the program related to the linking of associations.

The National Foundation distributes funds based on the “Ordinance on the Conditions and Procedure for the Allocation of Funds used for the Fulfillment of the Foundation's Purpose”.  

The Foundation gives grants to potential applicants under the following general criteria:

- they have a registered activity in Croatia;
- they are organizations, foundations or other legal persons whose basic purpose is not for profit (civil society organizations), units of local self-government, and civil initiatives;

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15 [http://zaklada.civilnodrustvo.hr/eng/natjecaji_postupak_odobravanja.php](http://zaklada.civilnodrustvo.hr/eng/natjecaji_postupak_odobravanja.php)
• through their program and activity, they promote the values of the constitutional order of the Republic of Croatia and implement activities aimed at satisfying the needs of the community and at achieving sustainable development;

• the program/project/initiative that they submit in response to the Foundation's tender is assessed as significant for the development of civil society in Croatia.

In addition, the tenders contain more specific criteria or other conditions for receiving the grants. For example, the 2006 tenders for under the programs Our Contribution to the Community, Better Together and Democratization and Civil Society Development contain the following specific criteria:

• the quality of the initiative/project;
• direct or indirect benefit for the community and its contribution to the development of civil society;
• organizational and human resources for the implementation of the initiative/project;
• national/regional representation;
• real balance between the costs and expected results;
• cooperation with other associations/organizations/sectors;
• innovation and sustainability of the initiative/project.

For the Institutional Support grants the following fields of activities were identified as priorities:

• promotion and protection of human rights, and development of democratic institutions of the society and rule of law;
• deinstitutionalized education for the development of democratic citizenship;
• protection of the nature, environment and sustainable development;
• youth;
• deinstitutionalized culture, media, implementation of information-communication technology in the development of civil society;
• development of social enterprise in service provision in the fields of social welfare, protection of health and family affairs.
The Foundation publishes public tenders/calls for proposals for the allocation of grants to users, and public calls for the expression of interest in cooperation at least once a year in the public media, on the Foundation's website, and at press conferences. The Foundation is obliged to include the following information in the published tenders and calls:

- conditions of the tender;
- the organizations and program that are eligible and those that are ineligible to apply for the tender/call for the expression of interest;
- the maximum amount of funds earmarked for grants;
- the number of grants to be given in that tender/call for the expression of interest;
- how to apply (including access to forms and instructions on how to apply);
- deadline for applications;
- grant-assessment procedure;
- procedure of concluding a contract on the allocated grant;
- way of using the funds;
- method of reporting on the use of the approved grant.

The decision-making process is a three step process described in detail in the above mentioned Ordinance:

Step 1 - Verification that the formal requirements set in the tender have been met.

Step 2 - Quality assessment of the application by the Program Committee, which is a collegial body of 5 experts.

Step 3 - Decision-making on grant approval taken by the Management Board of the Foundation on the recommendations of the Program Committee. If the Board does not agree on the approval of a grant by the Program Committee, the latter is asked to reconsider the proposal. It can also be decided that the procedure for allocating the grant shall be repeated.

Importantly, the National Foundation has also developed evaluation grids for the tenders that guide the CSOs but also the evaluators in the process of deciding on the grants.

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16 The quality assessment is conducted with regard to the specific purpose of the program for which the grant is claimed, i.e. “active citizenship and the local community” or “democratization” for example.
Every organization which has competed to obtain a grant may file an **appeal** to the Foundation's Management Board within 8 days from the receipt of the notice of the results of the tender if it has noticed some omissions in the application of the determined assessment procedure concerning its application. The Management Board should reply within 15 days of receipt of the appeal.

After the first year of its operation the National Foundation received harsh criticism over its process of distribution of funds and especially the potential of **conflict of interest** that arises from the fact that CSO representatives sit on the Management Board. Therefore, the Ordinance contains special reference to conflict of interest policies which is a sincere attempt to ensure transparent and fair process.

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<tr>
<th>Article 9: Protective Measures to Prevent Potential Conflict of Interest</th>
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<td>“Potential conflict of interest arises if a member of the Management Board or member of any other body of the Foundation decides on issues which relate to the legal person of whom he or she is a member, in whose management he or she participates, and in which he or she has assets. In that case, the provisions of Article 11 paragraph 1 of the Act on the National Foundation for Civil Society Development shall apply, so that the member of the Management Board or member of any other body of the Foundation (Program Committee, Council for Strategic Investments in Civil Society Development, etc.) cannot vote or decide in that case.</td>
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<tr>
<td>The procedure for disclosing or protecting from potential conflict of interest is additionally provided for in the Rules of Procedure for the Work of the Management Board and other bodies of the Foundation.</td>
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<td>The register of potential conflicts of interest for each member of the Management Board and other bodies of the Foundation is stored in the Foundation's documentation. The register is not a public document but upon request it may be presented for inspection to the representatives of authorized bodies.”</td>
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B. ENGLAND

Most central government departments have funding programs to support initiatives of national importance. All grant schemes are designed to fit the policy objectives and program outcomes of each particular department. Central funding is also distributed through different associated agencies or non-departmental public bodies (e.g., Arts Council, Countryside Agency and the Learning and Skills Council). In addition, departments also have developed direct funding relationships with specific organizations whose work is close to their own interests (e.g., the Home Office funds Victim Support). Further, smaller grant schemes are available for local organizations, and those are run by separate agencies, often CSOs and their networks, on the behalf of the government department (e.g., the Faith Communities Capacity Building Fund was administered by the Community Development Foundation). Funding is also distributed regionally, through regional development agencies or government offices for specific region which are drawing their resources from the central budget and locally.

In addition, the Government launched a portal to grants for CSOs (www.governmentfunding.org.uk) where information regarding public funding opportunities is available. It also adopted the previously mentioned “Funding and Procurement: Compact Code of Good Practice” (hereinafter referred to as “the Code”) which provides an overview of principles that should guide the funding process.

The Code applies mainly to all central Government Departments, and distinguishes three overall objectives in its financial relationship with CSOs:

- **Project funding** – to pay for a particular project or service, usually through a contract or grant;
- **Development funding** – to invest in new capacity or new organizations to develop their ability to contribute to public policy objectives, usually through a grant or loan;
- **Strategic funding** – to organizations recognized to be of strategic importance and whose work is considered to be significant, usually through a grant.

The principles which guide all of these funding processes are:
Focus on outcomes – the achievement of outcomes should be used as a key indicator of the success of funding;

Simplicity and proportionality – processes should be as simple as possible and in proportion to the amount of money involved;

Consistency and co-ordination – funders and purchasers should endeavor to join-up or standardize parts of the funding or procurement chain to minimize burdens on organizations and ensure a focus on delivery;

Timeliness – allowing time for planning, decision-making and action so they have real effect;

Transparency and accountability – allowing informed decisions about spending priorities to be made and for both Government and the sector to learn from previous work;

Discussion and dialogue – which helps build trust and can identify and overcome problems before they impact on the delivery of outcomes;

Empathy – understanding each other’s needs and requirements should help avoid problems and help achieve outcomes.

The Code underlines the Government will to promote longer term planning arrangements that often represent better value for money than one year agreements, as they provide a greater financial stability and reduce the amount of time and effort wasted on applying for new funds or renegotiating contracts. It provides for roll-forward multi-year agreements (the standard is three year duration settlements) for grants.

It is important to emphasize that the Government pledges to involve CSOs whenever possible in program design, in order, among other reasons to ensure that the size of grants and contract offered is small enough to secure a diverse supply base and allow small organization to compete.

The code stresses that the funding agreement should clearly state the terms of delivery, i.e. what is to be delivered by the CSO and when. Those issues should be discussed and agreed upon before the funding agreement is entered into.
On the issue of payment terms the Code recommends that the payment by the Government should be made in advance of expenditures so to achieve best value for money.

Public funding requires effective monitoring that the CSO is delivering the agreed outputs and it is contributing towards meeting intended outcomes. This requires some level of reporting from the CSO. The government implements the monitoring by focusing on outcomes, in proportion with the size of funding, the size of the provider, and the perceived risk.

**EXAMPLE: England's Home Office Connected Fund Round 6**

Support of small communities group tackling gun and knife crime and gang culture in their local areas

Areas covered: England and Wales

Total fund value: £500,000; each successful applicant may get up to £5,000.

**The project must meet one of the following criteria:**

- Work with young people involved in, or at risk of becoming involved in gang activity;
- Support victims of gang activity and their families, for example providing advice and support services, or supporting witnesses during trials;
- Invest in and support the involvement of local people in decision-making processes that impact on law enforcement agencies in tackling gang activity and improving trust in the community, with a priority on young people (16-25) and under-represented groups.

**To be eligible applicants must also meet the following criteria:**

- Groups must be small, locally managed voluntary organizations;
- Projects must cost less than £10,000 in total to carry out (the maximum grant is £5000);  
- Grants must be spent by 31 March 2008.

**Successful projects must:**

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- Demonstrate how the group has previously been involved in anti-gun/knife crime activities;
- Demonstrate how the project fits in with other activities in the local community;
- Demonstrate that the community is actively involved at all stages of planning and carrying out the project;
- Show those who will benefit from your project will be identified;
- Give a clear breakdown of the timescale and cost of the project.

Note: Applications must include a signed letter of support from a local organization or individual who has a role in the community. This could be from the local council, police force, school, GP surgery (local doctor), your local Council for Voluntary Service (CVS), faith group or another voluntary organization

In 2006, the English Government published the: “Improving financial relationships with the third sector: Guidance to funders and purchasers”\(^{18}\). The aim of the Guidance is to “set out best practice and provide advice on effective and efficient use of public funds in a way that is consistent with the principles of public accountability” and to ensure that “the principles of value for money, efficiency, sustainability of services and reducing bureaucracy are embedded in funding practices throughout the public sector.” The Guidance is applicable to the granting and procurement schemes that are being implemented by various departments and agencies across the Government.

Among the palette of recommendations promoted in the Guidance it worth mentioning the following:

- The length of funding should be tied to the length of the objective;
- Value for money must be the overriding principle that dictates whether or not a longer-term funding arrangement is appropriate;
- Funding arrangements should be agreed between all parties if they are to be effective and offer the right incentives to deliver value for money;

• Historical tendency to fund for a certain period is not an acceptable reason to maintain short-term funding arrangements;
• Departments should consider fully the opportunities for cascading multi-year funding;
• The timing of payments should be considered in collaboration with, and not imposed upon, the organization responsible for providing the service;
• Funding bodies should agree the timing of payments with funding recipients at the beginning of a program;
• Funding bodies should make a commitment to pay within a specified time or on a specified date or dates, and such commitments should be fully honored;
• Payments in advance of expenditure to third sector organizations should be made on the basis of need and therefore can and should, where appropriate and necessary, be made in order to achieve better value for money;
• Funding bodies should ensure that their application procedures are clear, and wherever possible, as simple as they can be;
• Funding bodies should seek to minimize the monitoring and inspection burden on the recipients of funds to a level proportionate to the level of funding and risk, and which maintains proper control of public monies;
• Where bodies are multi-funded, co-operation between both internal and external auditors should be encouraged, and the audit burden on funding recipients minimized.

C. FRANCE

The centerpiece of the French regulation of government funding to CSOs stems from a series of circularies issued by the Prime Minister, the latest in January 200719.

The state emphasizes that its sources are limited and that public funding can be channeled only by the central administration, ministries or its delegated local bodies.

19 Circularly 5193/SG of 16 January 2007 on Government Funding to Associations and on Multi-annual Goal – assorted Contracts, which follows two important previous Circularies of 24 December 2002 and 1 December 2000.
The core of state funding is allocated for operational costs or programmatic costs, on the basis of an individual decision, i.e. an order from the minister\(^{20}\). However signing of a contract becomes more and more frequent requirements in the decision process and is even mandatory when the amount of the funding is over 23,000 Euros.

A significant focus of the recent regulation has been to harmonize the way funding applications are instructed among the different government ministries. A single collegial body is in charge within each ministry in order to have a general overview of the funding allocated and maintain the coherence of the actions funded. Government employees at the central and local level are especially dedicated to instruct the funding applications and monitor the use of the public money. The decision about awarded funds must mention how the use of public money will be monitored. In addition evaluation of the funded action or project is mandatory in case of multi-annual funding.

France has created a single application form for all the government funded applications (except government funding sought by a CSO for investment purposes.) The first application the organization will submit, will be used to set up a permanent file\(^{21}\) for the applicant, so that the same applicant does not need to provide the basic data again in future. This simplifies the paper work required from the applicants. Consequently, if funding is renewed the information and documents already communicated in the permanent file are not to be produced again. Only a report of activities and financial statement for the passed period is required to be submitted.

No application for government funding will be awarded before it is confirmed that the full year budgetary previsions show a sufficient available credit to cover the requested funding. Therefore, an annual CSO funding plan is established in order to monitor the overall government’s financial commitment to the CSOs.

\(^{20}\) The order materializes the administrative decision but will be preceded most of the time by an instruction phase delegated to a specific body. As explained further, the norm promoted by the Government for State funding in its latest circularly is a single collegial body dedicated to that instruction in each ministry.

\(^{21}\) The principle of a permanent file is also useful with regard to the legal obligation imposed on the public authority since 2000 (and for funding above a certain amount) to communicate the budget and amount of funding allocated to a given NCO at the request of any person (law of 12 April 2000, Article 10.5).
The system of government funding is organized in order to assess for all types of funding, annual and multi-annual:

- The amount of the expenses resulting from prior funding commitments;
- The evaluated full year amount of repetitive expenses;
- The full year amount of expenses that are directly linked to legislative provisions and regulation;
- The amount of delegated credits granted at the beginning of the year to local administration to cover recurring expenses as well as expenses resulting from prior commitments taken by the government at the local level.

Among the criteria stated in the regulation on which the decision to fund a CSO concern the eligibility to the related funding with regard to its:

- Purpose;
- Financial coherence;
- Realization of past funded actions or projects.

Government funding requires the filing of an application by the CSO and is allocated only when the purpose of the request matches the funding policy of the related administration.

It is important to emphasize that only those CSOs whose purpose is of general interest are eligible to the government funding. Associations and foundations, which have been granted a “public utility” status by the Conseil d’Etat (highest administrative court), are considered of general interest. For others, the assessment of the general interest of their purpose or activities is made by reference to the provisions of the Tax Code.  

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22 The notion of public benefit organization (PBOs) has two faces in France. ‘Public utility” status is one of them and is granted by decree to a limited number of associations after a lengthy and thorough instruction process. Autonomous foundations in France may only legally exist after being granted that “public utility” status. The second type is the “general interest” purpose according to the Tax Code standards. The vast majority of associations in France are in that category. The difficulty for them is that their “general interest “ does not proceed from a declaratory document, but most of the time from their own assessment that they meet the standards set by the provisions of the Tax Code. This leaves a significant margin of interpretation to determine whether a given simply registered association may be eligible to Government funding or not.
The French system suffers from the lack of a clear legal definition of the notion of subsidy or grant, which blurs the frontier between that type of public funding and others like procurement. This situation is often the source of much confusion when it comes for the public authority to choose the proper legal framework for its contractual relationship with CSOs.

**EXAMPLE: 2007 Guidelines from the Ministry of Youth, Sports and Associative Life** for Funding of Experimental Actions in Support of the Development of Associative Life;

**Eligibility**
- Applicant associations must have a democratic organization (regular meetings of statutory bodies, renewal of elected bodies, transparency of the management, respect of the freedom of conscience);
- Applicant is not a quasi-governmental organization (meaning its budget comes mostly from government funding and a majority of its board members are member of the administration or elected officials);
- A strong plus for the applicant is to be involved in difficult areas and/or in the development of volunteer work and volunteer civil service as those concerns are key priorities of the Government.

**Implementation of the action:**
- The hypothesis on which the action is based must stated clearly;
- The estimated duration of the action must be stated;
- The experimental aspect of the action stems from its purpose pursued or in the methods used;
- The action must be preceded by an analysis of the transformation of the social and cultural environment of the applicant-association (expectations of the membership and of the beneficiaries) and cover aspects on which the applicant thinks its action and organization may be improved in order to better deal with the social demand.

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23 For definition of different type of funding see State Financing of NGOs, a paper developed by ECNL for BCNL (on file with ECNL)


25 The action considered here are for example aimed at mobilizing volunteers and civil service volunteers into activities directed towards young people facing social and professional difficulties. Another example is the promotion of actions that help volunteers to value their work as recognized professional experience.
Expected value-added:
- Must be stated by the applicant as well as the method to evaluate it;
- An important decision’s criterion is the ability for the action to serve as a pattern for the nonprofit sector as a whole.

Note: The guidelines remind any applicant that government funding is not a right.

D. HUNGARY

The cooperation of the Hungarian government with the nonprofit sector has been institutionalized, notably through the creation of the Department for Civil Relations established in the Prime Minister’s Office in 1998. This department develops and coordinates the policies affecting the nonprofit sector as a whole. It has developed a comprehensive strategy for the support and development of the nonprofit sector that was adopted by the government in June 2003.

State financing for CSOs in Hungary is available through a range of central and local channels. In 2004, approximately 4.85% of the total state budget was channeled to nonprofit organizations. The majority of this funding to CSOs comes from central channels, such as the Parliament, the Government, ministries and ministry funds, independent central funds, normative support (per capita support to nongovernmental social service providers), and the “percentage mechanism”, which enables taxpayers to allocate 1% of their income tax to a designated CSO. Based on the statistics only between 10 - 20% of the funding comes from local channels, such as local councils, local council committees, mayors, local tax designation of companies. State support constituted 36.4% of the total income of the nonprofit sector in 2004.


27 In this paper the focus of Hungary will be on government grants and other type of funding will not be discussed.

The **state budget** specifies a smaller amount of subsidies for the support of “social organizations” (this amounted to 0.06% of the total budget in 2004), which includes support of operational costs of certain NGOs, professional unions and public associations as specified in the laws regulating these entities (e.g., the Red Cross, the Hungarian Academy of Sciences or the Hungarian Olympic Committee). The tendency for the past few years has been a decrease in the number and volume of such organizations supported.

CSOs mostly receive public funding from two types of sources: the **ministry budgets** (through direct funding, grant programs, or via ministry funds or agencies) and the independently resourced **public funds**.

In terms of **ministry funding**, CSOs may appear by name in the annual budget of the competent ministry according to their field of activity and receive a determined amount of public support. Ministries also run their **own grant programs** to support implementation of their policies throughout the year. Until recently, CSOs could also receive funding from **public foundations**, which used to be a special form of grantmaking foundations which may be established only by the Parliament, the Government, or local governments. Those foundations were quasi-governmental bodies, which received an annual budgetary support from the ministries competent for their field of intervention. As of January 1, 2007, these have been discontinued and re-integrated into the competent ministries, therefore CSOs may now apply to the same funds through new structures and procedures. In some cases, the ministries merged the public foundations’ programs with their own grant programs, while in other cases they were maintained as separate funds within the ministry.

CSOs may also receive central public support from so-called **public funds**, i.e. special budgetary appropriations and basic programs operating under the authority of the competent ministers. Those funds are financed by separate budgetary funds and external non budgetary sources (taxes, contributions, fines, etc.), therefore – unlike the public foundations above – are not dependent on

“**Percentage Mechanism**” in Hungary (2006), [www.ecnl.org](http://www.ecnl.org) online library; and Nonprofit Organizations in Hungary 2004, KSH (p.40).
the ministry budget. They also have a decision-making body independent from the supervising ministry.

Example: the Labor Market Fund, which through its grant programs and tenders aims to address issues of employment in Hungary. It is financed in part by contributions of employers and employees, the contribution for rehabilitation and annual support from the state budget. The Minister of Social and Family Affairs is in charge of the management of that fund along with a body composed of representatives of the government, of the employers and employees, and the Ministry of Education. The fund has centralized and decentralized lines of budget. The latter may be used to fund public benefit organizations involved in the related field, which access this support on a competition basis. It supports a wide range of projects, from organizing a one-time conference on employment policies to a multi-year complex rehabilitation project for a whole region. Supported projects may provide services for the unemployed, improve vocational training or promote employment of those who have undergone a vocational rehabilitation, among others.

Funding for events and publications for non-state actors of the labor market

Call for proposals of the National Employment Foundation (NEF)

1. Objectives of the program:

To provide opportunity for organizing events and/or preparing publications that ensure:

a) The publicity of employment policy;

b) Theoretical background about practical work of nonprofit organizations and evaluation of experiences in a wider, professional context;

c) Revealing the tendencies of unemployment, preparing and developing nonprofit organizations for their tasks;

d) Possibilities of the implementation of equal opportunities for men and women; revealing the causes of inequality, looking for solution;

e) Enhancing partnership of local organizations that aim at reducing unemployment and establishing well-founded cooperation.

29 Ibid.
2. Eligibility of applicants:

Nonprofit organizations based in Hungary: umbrella organizations, foundations, public foundations, associations and other civil organizations (except for political parties and insurance associations), churches, denominations, public benefit companies, whose registration happened before December 21, 2006.

In case of financial support, the applicant has to certify – at the time of signing the contract - that it has at its disposal 10% of the total budget of the program in cash. Financial support may not be given to applicants who apply for other, complex NEF programs that would enable the organization to arrange an event and/or prepare a publication.

3. Eligibility of cost and action:

a) Costs relating to preparation and organization of a maximum 3-day event or conference and preparing a publication that presents the materials of the program.

b) Costs relating to a publication that features: research material, studies relating to the issues of employment; Hungarian translation of foreign publications; translation of Hungarian studies to other languages.

The publication can be in a printed or electronic format. Funding is eligible only for one-off publications. NEF does not support periodicals, newspapers, program brochures or newsletters.

As one of the special funds, in 2003, the Hungarian Government established the National Civil Fund (NCF) specifically to advance the development of the civil society sector in Hungary. The NCF aims to support:

- operational expenses of civil organizations;
- public benefit activities of civil organizations;
- anniversaries, festivals, domestic and foreign events involving civil organizations;
- ensuring the presence of Hungarian civil organizations in international civil relations;
• scientific research related to the civil sector; supporting monitoring activities and tasks related to registration;
• educational, service, advisory, development and assistance activities and institutions related to the civil sector;
• promotional materials introducing the civil sector, supporting electronic and written media specialized in this field;
• civil organizations to raise their own contributions for tenders;
• grantmaking organizations based on the decisions of the Fund Program Council and the Colleges, such decisions pertaining to automatic provision of resources determined by unified principles;
• covering the expenses related to the operation and administration of the Fund Program;
• supporting activities of civil society representation.

Essentially, the National Civil Fund supplements the mechanism of percentage allocation in that the government matches the amount of funds that are designated to CSOs through the percentage system. Uniquely among governmental programs, 60% of the resources of NCF are allocated to CSOs to support operational costs. In addition, funds from this source also support development programs (research, education, international representation). Elected CSO representatives sit on all regional and other committees which are deciding on the distribution of the funds. In the first year a total of 28 million euros were distributed to support the operational costs of over 3,500 organizations.30

EXAMPLE: Outline of Guidelines for Call for Proposals

National Civil Fund, Hungary

1. General information
2. Objectives of the program
3. Financial allocation provided by the NCF
4. Eligibility of applicants

The existing practices of the funding of CSOs in Hungary have been criticized on several grounds. Most of all, the system is deemed to lack transparency and accountability. A 2002 Report of the State Audit Office revealed that 80% of the government and ministries support to CSOs was allocated on the ground of individual decisions (as opposed to open grant competition), and that 50% of the funds allocated by public foundations was distributed without grant announcements as well. In addition, the government-CSO cooperation is said to be strongly politicized in Hungary and favoring an increased weight of the government on the nonprofit sector as a whole, through the strong development of quasi-governmental organizations. More recently (September 2006) the State Audit Office found that the NCF faced serious transparency and accountability challenges as well. The implementation of the mechanism revealed that the

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31 See Nilda Bullain, supra.
Minister and the Council did not elaborate an overall strategy to develop the sector, did not elaborate performance indicators, and the criteria for support remained unclear. Even the uniquely designed CSO participation in decision-making raised controversies over conflict of interest issues.

Nevertheless, as these criticisms have been repeatedly voiced by NGOs and the State Audit Office, as well as the media, a slow but visible tendency of improved transparency and accountability is clearly taking place. While there is no one law that would determine overall the principles for public support of nongovernmental organizations, a number of laws and regulations contain applicable articles (State Household Act and its implementation regulation, Law on Transparency of Use of Public Funds, Law on Freedom of Electronic Information, among others). In addition, there are mandatory rules that should be applied by all public agencies when distributing EU funds. Based on these provisions, some of the ministries and public funds have indeed developed a sophisticated system of funding policies, strategies, criteria and procedures for support that match international best practices and which serve as a model for others that are still working to improve.

E. IRELAND

Ireland led a consultation with the volunteer sector and issued a “White Paper on a Framework for Supporting Voluntary Activities and for Developing the Relationship between the State and the Community and Voluntary Sector.”32 A set of good funding practice standards similar to its English counterpart is attached to the Irish White Paper33, raising out of the necessity to change from “the existing highly-fragmented funding and support system to one based on the concept of single line funding and single reporting mechanisms”.

Funding from central budget to CSOs in Ireland is distributed through the different departments and agencies. The standards recommend that eligibility criteria and procedures for grants

32 [http://www.cnm.tcd.ie/PDF%20Files/Voluntary.pdf](http://www.cnm.tcd.ie/PDF%20Files/Voluntary.pdf)
33 Appendix 3 of the White Paper.
should be published by government departments and statutory agencies, including for National Lottery surplus.


Aim:
To foster an integrated and planned approach to developing sports and physical recreation facilities throughout the country.

Objective (among others):
To assist voluntary and community organizations to develop high quality, safe, well-designed and sustainable facilities in appropriate locations to help maximize participation in sport and physical recreation.

Project funded: Projects must be of a capital nature and must be directly related to the provision of sporting or physical recreation facilities. This means that the project must involve:
- improving or building an asset; or
- buying non-personal sports equipment that will be used for at least five years.

Level of funding:
Applicant must make a minimum contribution to the total cost of its project and provide proof with your application that you have this contribution in place. Applicant should be realistic about the scale and cost of its project and the amount of grant funding it is seeking.

Assessment of the applications:
When assessing applications different criteria are used, some of which are more important than others. Each application is scored according to how well it meets these criteria and then its rank in order of priority within its own county. The Minister makes the final decision in relation to each application.

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### Criteria:

It is vital that applicants show that they have thoroughly researched the project and explain it fully in the application. The application will be assessed and scored on the following criteria:

- Whether the project aims to increase active participation in sport and/or improve standards of sports performance in line with clearly stated targets and the organization shows how it will measure these increases or improvements. In particular, facilities which will help promote and enhance female participation in sport will be prioritized;
- Whether the organization has provided evidence that the project is located in a disadvantaged area and meets a need for sporting facilities in the area;
- Whether the organization has provided: evidence of title to the project site; evidence of planning permission applied for or in place; drawings/specifications for the project; and accurate costs for each element of the project;
- Whether the project is realistic in terms of scale, costs and grant assistance sought;
- Whether the organization has shown that it has a proven history of fund-raising and a good level of own funding which will allow enable it to finish the project within a realistic timeframe;
- Whether the organization has proved the level of your own contribution towards the project;
- Whether the application includes realistic projections of income from the proposed facility that will be used to maintain it when it is finished;
- Whether the project has a high priority in relation to your existing facilities;
- Whether there is already a good level of similar sporting facilities in the area;
- Whether the application includes details and evidence of consultation with other clubs, community groups, schools and the local authority, especially those that will use the facility;
- Whether the application clearly explains how you will attract socially excluded people to use the facility;
- Whether the project fits in with the priorities for your sport as identified by the sport's national governing body (for regional or national-level projects only).

The White Paper also calls for the introduction of **multi-annual funding** for organizations providing services or undertaking development activities that are agreed to be priorities. It underlines that the use of ad hoc annual grants is becoming more and more anachronistic in the context of the parallel administration by departments of EU funded schemes, which are funded on a multi-annual basis.
In order to monitor the coherence of statutory funding among the various departments and agencies an Implementation and Advisory Group is set up which is in charge of the follow-up on the implementation of the white paper and has the responsibility to review the overlaps and gaps in the support to CSOs at policy and program level.

**EXAMPLE: Program of Grants for Locally-Based Community and Voluntary Organizations, 2006**

The program offers three schemes of once-off grants to local voluntary and community groups:
- Scheme of Refurbishment Grants (grant support for the refurbishment of existing premises)
- Scheme of Equipment Grants
- Scheme of Training Education, and Research Grants.

The **Refurbishment Grant** is a scheme of support for refurbishment of existing premises. Applicants must be leaseholders/licensees or owners of the premises. (In the case of a lease/licence arrangement, a minimum period of 3 years must remain on the current lease/licence). Where planning permission is required, details must be provided with the application. Up to 90% of the cost will be met, or a maximum grant of €40,000 where the application is from a project which addresses disadvantage of a community. It the project does not address such aims, but an evidence of need has been clearly identified they up to 60% of the cost will be covered, subject to a maximum grant of €40,000. All applicants must show that evidence that they have obtained the remaining funding from other sources.

The **Grant Equipment** scheme aims to support the activities of organizations that are addressing disadvantage in their communities. Equipment (e.g., office, kitchen, IT) must be for the exclusive use of the group in the pursuit of its aims and objectives. Up to 90% of the cost will be funded, subject to a maximum of €10,000.

The Training, Education and Research Grant scheme supports or enhances the activities of local organizations who are addressing disadvantage in their communities. Funding can cover: education or training provided for the local community; the development of an applicant own organizational capacity including training of the organizations’ own staff or management; research initiatives addressing disadvantage in the community. Up to 90% of the cost will be funded, subject to a maximum of €10,000.

**General conditions:**
- All proposals must be locally based and target local communities. Priority will be given to standalone funding i.e. funding which is not used to meet shortfalls arising from grants obtained from other Departments or agencies.
- Only local voluntary and community organizations/groups with a focus on disadvantage are eligible to apply. Groups who do not have a focus on disadvantage but who demonstrate significant evidence of need will be eligible under the Scheme of Refurbishment Grants.

The Guidelines contains a list of organizations which are not eligible to apply (e.g., providers of social housing, sports activities).

**Specific criteria:**
- Extent to which the proposal tackles disadvantage;
- Extent to which the proposal involves participation of the local community;
- Need for and impact of funding;
- Capacity of the organization to undertake and manage the proposal;
- Value for money represented.

Applicants must give their tax number, the name of the tax office dealing with their affairs and must certify that their tax affairs are in order. For grants over €6,350, a current tax clearance certificate must be submitted with the application. Those organizations which have been recognized as Charities by the Revenue Commissioners are exempt from the requirement to produce a tax clearance certificate.
Importantly, the guidelines emphasize that all unsuccessful applicants will be notified in writing of the reasons for the decision in relation to their application.

A detailed application form is provided for the schemes.

III. SCOPE OF FUNDING

A. CROATIA

Funding is available for both institutional support and program activities.

B. ENGLAND

The Code of good practice sets the principle that Government funding is allocated for full cost recovery (also known as “core funding”). It is therefore legitimate for CSOs to include in their grant applications the relevant element of overheads in their costs estimates for providing services and outputs.36

The Guidance to funders and purchasers specifically outlines that:

- There is no reason why service procurers should disallow the inclusion of relevant overhead costs in bids.
- When grant-making, funders should assess in a simple, proportionate and equitable manner whether third sector organizations have allocated relevant overhead costs and ensure that costs are recovered only once.
- Fixed percentages without any evidence base do not provide a sound basis for the calculation and award of relevant overhead costs. Clear and consistent allocation of

36 The Code tries to prevent the practice by CSOs of fixed percentage adds-on., which means that the CSO adds a fixed percentage to its estimated cost of the service for which the grant is applied for, in order to “secure” its appraisal of the costs. Appendix E of the Code provides therefore guidance (mostly references to guides dealing with the topic) to achieve a clear calculation and allocation of the direct and overhead costs of a project.
relevant overhead costs can provide a more accurate guide to funders of the true cost of delivering a service or output.

C. FRANCE

Government funding is allocated, either for operational costs, or for programmatic costs.

D. HUNGARY

CSOs may use the amount of the state budgetary funding only to cover the operational and program cost of their nonprofit activities. They cannot transfer the money to another organization, except to a legal person, which is a member of the organization and already in existence at the time of the application for the funding was produced.

E. IRELAND

State bodies can provide 100% funding only on specific projects with a specific focus on tackling poverty and disadvantage, where an element of co-financing cannot be reasonably be expected. Co-financing from the CSO is therefore the standard. As 100% funding is the exception, so is core funding restricted to priority services and priority development work. A particularity of the system is also to allow the eligibility for funding of out-of-pocket costs of volunteers.

IV. AMOUNT OF FUNDING

A. CROATIA

The National Foundation awarded 162 grants to CSOs in the above-mentioned program areas, which amounts to HRK 11,517,778.77 (approx. 1,560,154.17 Euro). Out of these, the total amount of grants awarded for institutional support was HRK 5,114,920.82 (692,847.638 Euro).

37 Source: Annual Report of the National Foundation for Development of Civil Society http://zaklada.civilnodrustvo.hr
The total amount of multi-annual grants approved on the basis of the 2004 calls for proposals was to HRK 8,283,409.27 (1,122,038.99 Euros). HRK 192,888.95 (26,128.001 Euros) was awarded for the program area that encourages international networking and the transfer of knowledge necessary for the further development of civil society in Croatia.

B. ENGLAND

Total central government funding of voluntary and community organizations was £3,323.7 million in 2001/02. This funding accounted for around 1% of all government sending for that same period of time. The largest proportion of total funding was allocated to development, employment and housing, including housing associations (46.3% in 2001/02.)

C. FRANCE

Public funding represents 54% of the budget of CSOs. However, this figure comprises both Government and local authorities funding as well as direct and indirect funding (through employment subsidies for example). In addition, the reality varies a lot depending on the size of the CSO. Small CSOs seldom receive public funding, whereas it represents 60% of the funding of CSO with employees.

According to a survey issued for the 100 year anniversary of the law on associations in France, the overall amount of public funding was estimated at FF25 billion (about 4 billion Euros). A 2000 report of the Cour des Comptes (body in charge of controlling the public finances) cites the number of about 10,000 associations directly funded by the ministries for the years 1995 and 1996, not included the Government funding through its local bodies.

D. HUNGARY

40 www.associations.gouv.fr/article.php3?id_article=3
41 Nilda Bullain, supra.
Direct government financing amounts to 150 billion HUF ($750 million) a year, generating more than 1/3 of the sector’s income. In 2004, approximately 4.85% of the total state budget was channeled to nonprofit organizations.

E. IRELAND

The executive summary of the white paper refers to the amount of about IR£ 1 billion funding to the community and voluntary sector by the Irish government and EU sources for the year 1999.

V. DISTRIBUTION FROM LOTTERY PROCEEDS

Funding distributed to CSOs may come in some countries from other sources than the budget. The lottery is an example of such alternative sources of funding, which can be found in several European countries, among others, in the UK and in Croatia.

A. UNITED KINGDOM

Lotteries represent a substantial source of money. Currently, every £1 spent on the National Lottery is broken down into:

- 50p is paid to winners in prizes;
- **28p is given to Good Causes**;
- 12p goes to the Government in Lottery duty;
- 5p is paid to National Lottery retailers on all National Lottery tickets sold;
- 4.5p covers the operating costs; and
- 0.5p is profit for the operator.

At the beginning, five areas were set initially to benefit from the lottery proceeds: the arts, sport, heritage, charities and voluntary organizations and projects to celebrate the new Millennium. Money was split equally between the five areas. In 1998 a sixth good cause was created for health, education and environment.
The lottery proceeds from good causes are distributed through 14 Lottery Funders, organizations with specialized knowledge about a different sector, independent from the Government. Funding is allocated through grants under specific programs for which applicants have to submit an application. Each grant scheme contains specific criteria for eligibility and funding.

The “Lottery Funding” portal (http://www.lotteryfunding.org.uk) was created as a joint website run by all Lottery Funders in the UK, which provides information on current funding programs.

The Department for Culture, Media and Sports is responsible for the overall funding, and the lottery policy and structure within the Lottery Funders. It maintains a database of all grants. Grants can be searched by area, dates, projects and also a search engine is created for an interested person to check whether or not to a grant has been awarded funding. In addition, a regularly updated chart details the total monetary value of the grant awarded and the total number of grants awarded per field, since the beginning of the lottery in 1995. The data is grouped under generic good causes and the breakdown of grants is made under the following categories: country/region, local authority, constituency and total grants awarded by distributing body.

So far £19 billion have been raised for good causes from the national lotteries players across the UK, and over 250,000 projects have been funded. A report from 2003 presents that £2.59 billion were used to fund charities and the voluntary sector through the National Lotteries Charities Board later called the Community Fund.

The legislation on lottery distribution adopted in 1993 in the UK has been modified twice since, in 1998, and more recently in 2006 after a reform process started in 2003.

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42 http://www.lottery.culture.gov.uk/introduction.asp
43 http://www.lotteryfunding.org.uk/ The website also provides an interesting interactive step-by-step scheme on how the money from the lottery proceeds is being used to fund good causes.
http://www.culture.gov.uk/NR/rdonlyres/4FADA4A3-94E7-4A73-A022-4EDD1D67327C0/reviewlotteryfunding.pdf
The last reform undertaken was meant mostly to improve the way money was distributed by reducing the number of Lottery Funders. One single distributor the Big Lottery Fund was set up as a merger of the New Opportunities Fund, the Millennium Commission and the Community Fund. It only distributes funds for projects that improve health, education and the environment and support voluntary groups that are helping those most in need. It runs its own search engine on the supported projects: http://www.biglotteryfundgrants.org.uk:8080/grant-search/gs_001.xsql.

“The Big Lottery Funds rolls out close to £2 million in lottery good cause money every 24 hours, which together with other Lottery distributors means that across the UK most people are within a few miles of a Lottery-funded project.”

EXAMPLE: The Young People’s Fund – Reaching Out

For areas: Wales
Total available: £6.2 million; maximum grant: £300,000

Projects should focus on young people between 10 and 19 years old, who are at risk of becoming, or already, disaffected and disengaged, particularly in disadvantaged communities. They should involve young people in constructive activities through prevention, outreach and intervention work that will fill a gap in local.

Application process: Two-phase process, first phase being the completion of an outline proposal form that is used for the Fund to identify the applications that it would be interested in funding. For that review the Fund checks that (1) the organization is one that it is able to fund, (2) the

45 According to a consultation paper published in 2003, which grounded the content of the reform, the former system needed to be improved on the following aspects: strengthening the awareness about the lottery funding by a better branding, increase the public involvement with the distribution priority setting and greater transparency of the application and awards processes, introducing micro-grant for small organizations with very simple application process, providing a “single front door” for the applicants to make their case and the use of a single application for cross-distributor projects, early feedback about the application’s merits and the opportunity to revise it and re-submit, see National Lottery Funding Document, July 2003 supra.

46 http://www.biglotteryfund.org.uk/index/about.htm

47 http://www.biglotteryfund.org.uk/prog_vpf_reaching_out?fromsearch=-wal
A proposal will achieve at least two of the Young People’s Fund aims, (3) the project focuses on young people within the target age range of 10-19 years old, (4) the organization has a good plan to involve the young people in the project, (5) young people who are at risk or who are already disengaged or disaffected, are involved in the project, (6) the project targets areas are most disadvantaged, (7) the project fills a gap in local provision that address local priorities and is additional to existing planned services, (8) the project addresses prevention and/or outreach and intervention work, (9) an independent referee has signed the proposal form.

The fund reviews the outline proposal within 10 working days. If funding is likely, a full application form is sent to the candidate. If not, the Fund explains why.

The full application form is sent to the applicant with some of the questions already completed using the information already given. Extra information may be asked for example on the resources available to the project. If the project is large and complicated, a separate project plan must be sent along with the application that shows how the applicant intends to deal with the changes implied by the funding (hiring new staff, dealing with additional income, branching out into new areas of work, etc.). The applicant must also establish how it will deal with the funding coming to an end after three years (this specific funding being for up to three years) and how the benefit of the projects will be continued beyond the lottery funding.

To make its final decision, the Fund will assess: How well the project outcomes achieve the Young People’s Fund aims, if there is a need for the project outcomes offered, how well the applicant will achieve the project outcomes.

**Timeline:** Usually 5 months are necessary after the submission of the application for the decision to intervene. The applicant is informed within 10 working days of the committee meeting.

### B. CROATIA

48 Someone who knows the organization for at least one year and who can talk about its work and has a relevant qualification for the given project (here a teacher, social worker, childcare professional or police officer)
A system of lottery distribution is also in place in Croatia embellished through the Act on Income from Games of Chance and Competitions (2002).

The gambling revenues are used as a source of funding for the development of civil society in the country. As mentioned above the Law on Games of Chance and Competitions, enacted in 2002, created the material basis for the establishment of the National Foundation. According to the law, **50% of the moneys collected through games of chance are allocated for civil society organizations** in Croatia.

Every year the Government adopts a “**Decree on the Criteria for the Distribution of the Lottery Proceeds**”\(^{49}\). According to the decree from 2007, the 50% of the allocated funding were distributed to the following fields:

- 30,5% sport
- 8% fight against drugs and other types of addiction
- 4% social and humanitarian activities
- 28% problems and needs of people with disabilities
- 6,5% technical culture
- 5% culture
- 3,5% out of institutional education and upbringing of children and youth
- **14,5% development of civil society**

The funds are distributed through responsible Ministries listed in the Decree. 96.55% of the 14.5% allocated to development of civil society are allocated through the Government Office for NGOs to the National Foundation, which then distribute them for the program “Our contribution to the community”. The remaining 3.45% are distributed through the Ministry of Foreign Affairs and European Integration for international cooperation programs.

\(^{49}\) Official Gazette 18/2007