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State Financing of the Not-for-profit Sector in the Republic of Macedonia

In the recent years, due to the worsened economic circumstances in the country, combined with the various crisis that were taking place in the country's vicinity and the last one in Macedonia itself (in 2001) state financing of non-governmental organizations was rather limited. Additionally, the number of these organizations rapidly increased, thus imposing a new donor approach, which is still not adequately shaped nor decided. Therefore, the sole opportunity NGOs have during one calendar year is to try and obtain state funding for their activities based on an annually published public call for applications for that purpose. The total amount available is usually a small percent of the total state budget of that particular calendar year. Government decision is then publicly published on the Official Journal of the Republic of Macedonia.

As an example of this kind of funding decision-making is the Government decision, published on the Official Journal of the Republic of Macedonia, n.74, Friday, 19 November 1999. The decision derives from the Law for Budget of the Republic of Macedonia for 1999 and it is the Decision for Participation of the Republic in Financing Citizen's Associations and Foundations in 1999. The amount available from the budget was 17.160.000 denars (281.311 USD). There were no specialized or detailed criteria regarding which civic organization shall get a particular amount and why. Followed a list of 38 organizations, having various amounts of grant that were getting. The highest amount was given to the Republic's Committee of the Fighter's Union of Macedonia, followed by the Student Union of Macedonia, the Union of Economists of Macedonia and the organization Ten Days of the Krushevo Republic. Most probably, these organizations were obtaining the highest amounts due to the national importance of the activities they perform. After these organizations, a bit lesser amounts were obtained by the Students Union from the Bitola University "St. Kliment Ohridski", the Firemen's Association of Macedonia, the Republic's Council for Traffic Safety, the Foundation-Mediterranean Laboratory, etc. By the Decision, associations and foundations had the duty after finishing their program activities to submit a report containing the way these funds have been spent to the Ministry of Finance. There were no penal provisions mentioned if that condition was not met by the organizations.

The following year there was a positive move towards better regulation of these funds's distribution. On July 25, 2000, Official Journal of the Republic of Macedonia N.60, in correlation with the Law for the Budget of the Republic of Macedonia in 2000, the Government issued a Decision on the Criteria and Procedure of the Budget of the Republic of Macedonia Funds Distribution to Citizen's Associations and Foundations. As the first basic criteria, it is said that only organizations that are present in the List of Citizen's Associations and Foundations are eligible for this budget grant opportunity. In this list is understood that are comprised as defined:

- National organizations in which are members more associations that are active in the whole territory of the country
- Organizations dealing with human rights issues and which show ability to absorb the possible conflict problems and issues
- Organizations which are active in the environment protection area

- Organizations-members in international associations
- Children's organizations
- Student's organizations
- Sports organizations and unions
- Organizations for prevention of alcoholism, nicotinism and drug abuse
- Organizations working with disabled persons
- Organizations active in the field of education
- Organizations aiming for cooperation with the expatriots from the Republic of Macedonia

It is disputable whether this kind of organizations' enumerating is really successfully shaping the state funding intentions, since other, smaller local but serious organizations, having various scopes of activities may have applied if conditions were not elaborated in this way. Perhaps, the most convenient solution would have been to simply have the organization registered under the Law for Associations and Foundations.

In article 3 of the issued Decision, it is determined that distribution of the money shall be conditioned by the following criteria: associations or foundations to be active on the territory of the Republic of Macedonia; to be re-registered in accordance with Law; the state organ to estimate the so far activities and program realization in accordance with Law; and to examine the so far rational, efficient and up to the purpose use of the so far money obtained in realization of its statutory goals. Admittedly, the last two provisions in this article are somewhat unclearly explained. Further, it is stated that this money is to be allocated on basis of a public call, which is to be published every year up to September 30th every year. Applicant organizations were asked to submit:

- their yearly activities' program,
- a list of terminated projects and programs of the year before which were granted budget money from the year before,
- a project proposal for the current year, the organization's Statute and registration court decision,
- a report on the money obtained by the Ministry of Finance the year before and the way of its spending,
- an agreement for the organization's financial participation in the project proposal and the planned program.

Grantees have the duty to spend the money obtained strictly for the purpose that are given for. Thirty days after the project termination, organizations are obliged to submit a report. If this rule is not met, the organization is losing the right to apply again for these funds the next year. On its side, the Ministry of Finance is binded to transfer the amount agreed according to the project dynamics, while on the other hand, takes the obligation to take care of the technical-administrative duties in achieving the money transfer.

The same year, on December 15, 2000 Official Journal of the Republic of Macedonia N. 105, was published the Decision for Participation of the Republic in Financing Citizen's Associations and Foundations in 2000. This time the amount available was lesser than the year before- 10.000.000 denars (163.934 USD). Another difference was noted on the amounts granted to the 42 organizations that got them, which were more equalized than

the year before. Grants were not exceeding the amount of 500.000 denars (7.300 USD) per organization. Organizations that got the highest amounts were: Ten Days of the Krushevo Republic (a manifestation of historic importance), the Student Union of the University "St. Cyril and Methodius" in Skopje, the World Macedonian Congress. Followed the Ecological Movement of Macedonia, the Ecological Association "Shkendia", Center for Support of Youth Programs, the Center for Civic Education, the Youth Initiative, Youth Council for Civic Education, the Association of Macedonians of Islamic Religion, etc. Again, associations and foundations had the duty after finishing their program activities to submit a report containing the way these funds have been spent to the Ministry of Finance.

At the end of the year 2001, the Ministry of Finance on basis of the Law for the Republic of Macedonia Budget Application for 2002, issued a public call for requests on distribution of the money in the 2002 budget intended to finance citizen's associations and foundations. So far (may 2002) there has been no public announcement of the Ministry's decision which organization has got the state grant.

Opinions Obtained by Government or Local Officials

In the following part of the text are going to be presented opinions and answers deriving from two separate sets of interviews lead with government or local government representatives. Both initiatives had the same goal: to collect the existing opinion and attitude of officials regarding the NGO sector, as well as their willingness to cooperate with them as a longer term partners. Indirectly, answers obtained are of further importance of how government financing of NGOs is going to develop in future. Employees of MCIC did the first mini set of interviews¹ in 2001, while the second is an ISC² research poll. The latter showed the answers obtained by representatives of various ministries and local authorities in the cities of Skopje, Gostivar and Struga. MCIC interviews have interestingly shown a variation of three different approaches by particular ministries towards the sector.

MCIC interviews:

Ministry of Education and Science: This Ministry has not been developing concrete collaboration with domestic NGOs so far. So far this Ministry's budget has not been supporting nor reserving funds for NGO support, one of the reasons being that it can hardly afford to cover its current needs for the basic activities planned. Generally, the Ministry is open for collaboration with NGOs interested in education. The only collaboration of this kind realized is the one with foreign organizations, which are in fact donor-organizations, which invest in school reconstruction or sanation, teacher's training etc.

Ministry of Labor and Social Policy: In the frames of this Ministry there is a very vivid collaboration with various NGOs, especially in the field of humanitarian help and activities. It is estimated that during all past 9 years, there has been collaboration with

¹ The Macedonian Center for International Cooperation

² Institute for Sustainable Communities, which carried out an US AID funded research "Assessment of Factors Influencing the NGO Sector", spring 2001

around 200 organizations of this kind. Work has been quite intense during the Bosnian, Croatian, Kosovo and now Macedonian crisis, since Macedonia hosted many refugees during all these years. This Ministry has been cooperating in the sense of facilitating the import of material help from abroad: issuing import certificates; tax and customs deductions; and other duties of which the Ministry is in charge. Other than this, here are included developmental projects as well: water supply infrastructure building, social institutions sanitation etc. Globally, this Ministry is satisfied with the level of cooperation it has developed with the NGOs. From its side, it keeps no special funds for NGO support of any kind again mostly because of the lack of funds in general. There are no plans for this policy to be changed in the future, although some organizations have already approached the Ministry seeking this kind of help. The interviewee personally thought that at present there are too many NGOs, which cannot be financially supported. A special budget should definitely exist, and here the state should play its positive role, but the procedure must be carefully set up and should lie on strictly defined criteria.

Ministry of Environment: In the frames of this Ministry there is a Fund for environment protection and advancement. This Fund has been established in 1988 according to the articles 30 and 31 of the Law for nature and environment protection and advancement, and serves like a special organ within the Ministry. Funds, out of which this fund has been filled, are the money obtained from car registration, more precisely: 4% from cars without catalyst and 2% from the cars having one. Annually the fund accumulates around 750.000 EUR, intended to be spent in projects on environment protection (water, air, soil, biodiversity), the projects of the national ecological plan and the local ecological plans. In the future, the Fund is going to grow into an independent institution, having a board of directors, while the financial basis shall grow further, by taking a segment of the money spent on gasoline and cigarettes. This Fund has achieved a satisfactory cooperation with NGOs national and local, but also with public communal enterprises, scientific institutions, foundations, sports associations and the local self-government. In this case, the cooperation includes financing of activities, as well as supporting initiatives, having meetings, creating further motivation for environment protection etc. NGOs eligible for funding are only the registered ones, according to Law. Financial approvals are made under severely posed criteria and are accomplished through review of the project ideas by the Fund administrative staff, then forwarding the decision to the Minister who finally signs. An agreement is then signed, and while the project is under its realization, the Fund's staff observes it. In this line of thinking, the Ministry is preparing a couple of similar ideas, which will improve the awareness and efforts of the citizens for better environment.

Other funds:

A special fund for NGO support exists only in the frames of the National Lottery and other lucky games, in which case the sum of money obtained is directed to the Handicapped Association, and then distributed to 7 organizations, members of this Association. This financing goes through the Ministry of Finance, but first it receives the support of the Ministry of Labor and Social Policy, and a special Government Decision. Follows a table where are presented the types of NGOs that have managed to get state funding. The lucky games are here included, since they represent the money consciously renounced by the state, in order to support certain types of NGOs.

| Target group | Budget amount percent | Lucky games amount percent |
|--------------------|-----------------------|----------------------------|
| Women | 1,2% | |
| Children | 0,6% | |
| Handicapped | | 83,1% |
| Youth and students | 16,1% | 2,6% |
| Unemployed | 0,3% | |
| General, various | 12,3% | 9,7% |
| Professional | 23,9% | 4,7% |
| Elderly persons | 0,2% | |
| War veterans | 45,3% | |

ISC Research Results

Interviewed persons (administrative workers) were asked if they have **ever worked with an NGO** on solving a particular problem, and if yes, what was their experience? Results show that answers were completely divided. The largest number of persons having that experience were from the capital (Skopje-90%). In general, there is a certain level of satisfaction about the joint work with NGOs. Administration employees say that NGOs and the state complement each other in solving a concrete problem. "This was a two way cooperation, while introducing legal regulations from the field of environment, NGOs were invited to have their opinion been listened to." At the same time, opinion is that there are NGOs, which are working with quality, having good projects, but there are others, which are not constructive at all with their demands, and there are NGOs, which do not have project ideas at all. "We have collaborated with many NGOs, almost all youth and sports. With some we have good collaboration, with others (smaller numbers) it is weak due to their non-realization of the things agreed." Similar answer was given by other administrative workers: "With some NGOs we found solid collaboration, with others not so good, because of political interference, or due to their ignorance regarding our scope of work".

On a personal estimation level, interviewees were asked whether they believe that **NGOs and government should work together**. One cannot say that there is no awareness for collaboration on the side of the administration. As numbers show, the overwhelming part of interviewed persons replied positively (97%). Collaboration is mostly seen in the domain of realization of common projects. Opinion is that human and material resources should be exploited more, for common good. In general, awareness exists that there is a necessity of extraordinarily large cooperation, not only on financial, but also on other plans. It is understood that some problems are more successfully solved by NGOs for the benefit of the whole community. If both sides express the will to collaborate some steps can be made for common efforts and results to be established. What is more, interviewees think that "Up to a certain point we should support them in their activities and to give them some working conditions (office, a secretary etc), especially for some projects which are of general interest for the citizens". Further, easier access to information can be achieved, joint investments and projects for the benefit of the city (for example-tourism).

Perhaps there is a certain difference in awareness and approach towards the NGOs when in question the capital vs. the other cities throughout the country. Popularization of NGOs work, but at the same time vivid animation of the NGOs themselves to be more active and communicative, has to be enhanced. There has to be a message passed that some problems can be solved through mutual collaboration. It is not to be understood that NGOs are selfish and autonomous, so they do not need or are not interested to communicate with the representatives of state or local power.

But what is the general estimation about the present moment, regarding **how well do NGOs and local government work together**? Approximately half of the interviewed persons (48%) were dissatisfied of the present situation. Still, another third of the sample was generally content with the so far collaboration achievements. Some estimations are that collaboration is successful only with those NGOs that have continuity in their work and good quality activities. Contrary to these organizations, opinion is that there are associations that exist only formally without any concrete activities, and also associations which do not show initiative for collaboration with the state. In addition, the city of Skopje has an office of the local government and NGOs, where cooperation is seen as two sided and for the benefit of both partners. On the other hand, representatives of the state and local organs say that financially are not able to help NGOs, because there are no resources available³.

Other opinions vary regarding the quality of cooperation: "It is very bad, due to mutual defects"-some say, or "Can go deeper, this level is not enough", "It is bad but hopefully it will improve". As the main reason for this situation is mentioned the lack of collaboration for a longer period of time. Some show a little self-criticism, by saying: "It is not satisfactory, I find the reason being in the state power. And it is a pity, since NGOs are transferring the international knowledge and experience."

Interesting answers were obtained on the question whether the administration would recommend **using state money to fund NGO activities**? Almost two thirds of the interviewed replied positively (62%). Some mentioned that there are NGOs already financed by the budget⁴. Others said that this should be spread nationally and locally, since with the fiscal decentralization it is going to be allowed easier NGO financing, that is their activities⁵. By some administrative workers, priority in financing is directed to the local level. At the same time it was suggested that there should be strict selection, according to the NGOs project importance or priority. Help in logistics or in kind would also make sense. The main point is while doing it, to try and prevent abuse of NGOs by the state power or the other way around. Some were also complaining about the bad

³ Except those who exist from earlier times, like the Association of the Disabled, but they are financed by lottery etc.

⁴ "Yes, they are already using, like in the example with the association from the field of culture which for all quality programs and projects receive finances from the republic budget intended for culture"

⁵ "We can give them a small percent as indirect participation in a project of theirs as support or sponsorship by the state".

financial situation in general: "We as local government don't have enough money for us, not to mention for others".

On the question **how should NGOs fund their activities**, answers varied. Most of the polled suggested a combination of multiple sources, as a better strategy for financial sustainability of the NGO (52%). Very few persons suggested the budget (3%). As different sources of financing were mentioned: budget money coming from state or local level, funds coming from foreign donors, donations, agencies, banks, sponsorships from domestic businesses, other sponsorships, foundations resources, membership fees, grants, representation, advertisements, by training, advice giving, information, lobbying, advocacy etc. There was a suggestion that possible donations should be stimulated by the state, but under certain legal conditions. Capital can be also attracted through NGOs activities, services that are offered by them, concrete projects⁶ (and not global programs). At the end, one of the interviewed said that for some activities money are not necessary, just good will.

Looking from the perspective of a state or local organ of power, respondents were asked what resources could they provide to NGOs. Answers were mentioning working space, activities space, physical working conditions (office), equipment, office materials, technical service, professional help, offering more opportunities for professional associations, all other sorts of logistics. At the same time a variety of information, or collaboration on some projects can be realized (season workers, expert knowledge, advice, help for registration, documentation preparation, obtaining relevant data from the clerk's domain of charge). Some gave the idea of possible financing NGO activities out of budget money, but upon competition, with previously determined criteria.

Posing the same question but the other way around "**What** do you think that **NGOs can provide** to you as a state organ (knowledge, expertise, services)?", ideas were the following. Administrative workers expect by the NGO offering good quality activities (projects), services and programs, which are of wider interest. It is said that in some cases with state institutions can be defined conditions for joint collaboration (technical, programmatic). Other expected benefits are: knowledge transfer, expertise, help in some research, joint collaboration in a project, analysis and investigation for a certain problem, information dissemination, making sustainable projects and then lobby for the conclusions, communication with the citizens, seminars, help in popularization of environmental awareness, developing economy, culture, creativity, offering a different approach of how to run things.

Do really NGOs take advantage of resources made available to them (by local or state authorities?) Nearly half of the respondents replied positively, while another quarter of the polled group thought that resources are insufficiently taken advantage of. Negatively answered again one fourth of the group. Estimation is that most of the NGOs take these resources under favorable conditions. Those who do not, most probably do not have adequate professionals and they are insufficiently organized, since basically they

⁶ "The state should offer logistic help in the sense of benefits through paying electricity, securing working space (without paying rent) etc"

wait only for finances. Sometimes NGOs are not taking advantage of possibilities because they are not informed.

When in question the NGOs which were comprised in the poll, **direct resources or support from the local government** have said to have received only 7% of them. Basically help is in the form of space for conducting seminars, a little bit of money for a particular activity, office and covered office expenses and general moral support. The other predominant part of NGOs does not get any kind of help.

As suggestions **what kind of support** should the **local government give to NGOs**, NGO interviewees mentioned:

- Part of the local budget should go for NGO support
- Local authorities should offer professional and technical help
- Help should be financial
- Consultations, contacts and general support for the activities
- Offering office space and covering for a certain time office expenses
- Giving building permits for buildings of mutual interest
- Coordination of activities in a certain area, to avoid duplicating
- Greater social sensitivity (needs of the population)
- Assistance in campaigns or in parts of projects
- Local government should be included more actively in solving common problems

As estimation of **how well do NGOs work with local government** (is there mistrust between the NGO and the local government), answers show that over half of the organizations think that collaboration is insufficient. The organizations enumerated the barriers that prevent closer cooperation, respondents mentioned:

- Weak financial power of the local authorities
- Frequent change of mayors, their assistants etc
- Existence of great deal of mistrust or absence of interest
- Insufficient mutual exchange of information
- Insufficient flexibility, communication, lack of adequate legal regulation, disorientation of local administration
- Existing stereotypes that NGOs are incompetent and that are formed for selfish reasons, only to have financial gains
- The power is too centralized, so local authorities do not have a powerful enough competency
- Lack of trust or interest for NGOs work
- There should be a joint agreement signed by the two sides, which shall be respected in the future
- There is no interest shown by the local authorities for the development of the young people, no collaboration on training education or advice

Instead of a Conclusion

State financing of the NGO sector in Macedonia is still kept on a lower, controlled level, although principles and regulations of its distribution are not yet carved adequately and in details. Impression is that financing priorities are not set in a long-term planned manner, neither are a product of a previous fundamental elaboration. In this sense it shall be of great importance the further shaping of the legal framework that shall help further development of modes and variations of this kind of financing. State measures may be carved with caution, but should also be stimulating enough. It is high time that the country's civic sector organizations slowly make a turn towards domestic sources of financing, since it is known that foreign donors and the opportunities they offer might fade away over time.

NGO state financing is of course closely linked to the level of economy and market development or improvement. Evidently, this line of development shall be mutually followed by the third sector, but for the moment there are a couple of potential sources the sector and the state may think about as possible. Other than the budget and lucky games pool of funds, here may be added the indirect benefits an NGO may have in the form of tax benefits. Other possible sources of income may be the car registration, post stamps sell, fees for issuing of personal documents. Here may be added some sorts of fines which are to be paid. Possibilities may be numerous, it only takes good ideas to be taken under consideration, both by the state and the NGOs.