

What is the purpose of civil society organization funds in Republic of Macedonia?

The purpose of civil society organization funds from rural and urban municipalities

Center for Economic Analyses

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List of shortcuts

CSO – Civil society organization

LSGU - Local self government unit

LG - Local government

MCIC - Macedonian center for international cooperation

RM - Republic of Macedonia

CEA - Center for economic analyses

CG - Central government

Summary

- In accordance with the regional overview of respondents by type of LSGU (urban/rural), 42% of surveyed CSOs are registered in urban LSGUs and they are from the Skopje region.
- CSOs located in the rural LSGU which act on a local level, have a small human capacity, a small budget and are poorly networked. Hence, we can conclude that the low turnout of organizations registered in rural LSGUs is a consequence of the limited opportunities for networking, poor information and lack of motivation for active work due to the high concentration of donors in the Skopje region.
- According to the geographical scope of the activities of CSOs, most of the CSOs or 42% act on the national level, and the smallest part or 8% act exclusively in the municipality in which they are registered.
- The number of CSOs that do not have available funds or whose budget is 0, in 2015 compared to 2014, is decreasing.
- Most of the CSOs have low incomes and their budget is up to 1 million denars per year.
- In 2015 and 2016, the number of CSOs with low incomes is reduced, but at the same time the number of CSOs with high incomes is decreasing, which indicates that the incomes of CSOs are distributed in the categories from 1 million to 10 million denars, i.e. the gap between organizations with low incomes and those with high incomes has been reduced.
- If we look at the sources of funds that appear in the annual accounts of CSOs, it can be determined that the foreign donor funds has highest share in the annual accounts of CSOs (over 80%). Namely, the share of foreign donors in total CSO incomes in the period from 2014 to 2016 is increasing.
- Funds from central and local governments take the smallest share in annual accounts of CSOs, and they are reduced in 2015 compared to the previous year, while in 2016 the share is unchanged.
- The percentage share of funds from self-financing activities is also unchanged over the years and amounts to 7%.

Financial support of civil society organizations from the central government

- In the period 2014-2016, the central government has allocated a total of 11 grants to 7 of the surveyed civil organizations in the amount of 4,998,311 denars.
- The largest percentage of the funds allocated by the central government, and intended for CSOs, are by the Government of the Republic of Macedonia (General Secretariat) as a state institution.
- If we monitor the flow of funds allocated by the central government, they are mostly intended for activities that are present in the urban environment, most often in the Skopje region.
- If we follow the flow of the funds for which areas of action are intended, it can be noticed that the central government often gives grants to CSOs for project activities in the areas of: transparency and accountability, culture, anticorruption and education, science and research.

Financial support of civil society organizations from the local government

- CSOs that have received support from the LSGU say that LSGUs mostly support them for project / action, and less provide institutional support and co-financing.
- 19% of the surveyed CSOs received a grant from the local government in the period 2014 – 2016 and most often the same organizations receive a grant in continuity. The average amount of the grant awarded by the local government to one CSO is 225.305 denars.
- 41% of CSOs that **received support from the LSGU** say that the LSGU announces a public call and the whole process is transparent, and also same percent of CSOs share the opinion that the process is not transparent and the criteria are not well known.
- CSOs that received support from the LSGU are registered in the urban LSGU. Local self-government units support activities that relate to the local level, i.e. the funds are allocated to local urban areas. Both organizations registered in the rural LSGU have not received financial support from the local LSGU.
- Local self government units most often support CSOs for project activities that are in the areas of: culture, civil society development, children, youth and students and gender issues.

Financial support of civil society organizations from the foreign donors

- The funds from foreign donors not only take the highest share in the CSO budgets, but in the period from 2014 to 2016 they are increasing in percentage, and in 2016, the foreign donors share in the total revenues of CSOs is 86%.
- The highest amount of revenues of CSOs from foreign donors (cumulatively from all foreign donors), which appears in the annual account of one CSO in 2016, amounts to 23,092,265 MKD, while the lowest amount is 61,500 MKD.
- In 2016, 75% of the surveyed CSOs received support from a foreign donor/s, of which 20% have a diversified portfolio, where besides foreign donors, the sources of funding are: the central government and/or local government, self-financing activities and business-sector.
- In the period from 2014 to 2016, foreign donors mostly supported CSOs for project activities for civil society development, transparency and accountability, democracy and the rule of law.

Introduction

This research is a case study and is part of the project "Fiscal Decentralization for Better Regional Development of Civil Society" conducted by the Center for Economic Analysis, and is financially supported by CIVICA Mobilitas.

Consequently, the results of the previous research studies¹ indicate that the decentralized impact of CSOs depends not only on regional differences but also on the urban or rural local self-government units (LSGUs)² as an environment for action by civil society organizations (CSOs)³, , ie. for the financing of associations and foundations it is statistically significant the type of LSGU or whether it is an urban LSGU. If it is an urban LSGU, associations and foundations have a higher probability of being financed by LSGUs.

According to the data from the Central Register of the Republic of Macedonia, in April 2018, there are 8,924 registered CSOs in the Republic of Macedonia (8,780 associations and unions and 144 foundations), compared to 2015, when the number of registered organizations was 14,245.⁴ This indicates that the number of registered CSOs in the Republic of Macedonia is decreasing over the years. Since the registry does not accurately reflect the situation, those who submitted a final account or statement are treated as active organizations in the research. Thus, the number of active CSOs in 2017 is 67% of the total number of registered CSOs.

The financial sustainability of CSOs in the Republic of Macedonia is mainly based on sources from foreign donors, while *the financial environment of the civil society in Macedonia in 2017 is almost unchanged, which for CSOs means an unfavorable environment for their actions and development, as well as limiting the potential.*⁵ Thus, CSOs allocate funds from foreign donors to the areas defined as priority by donors and do not always reflect the actual needs of rural areas. The civil society organizations registered in rural LSGUs have limited opportunities for fundraising because they often face restrictions of fundraising activities that are necessary in a particular thematic field in the rural areas since the priority areas of foreign donors are not always directed towards addressing the identified challenges in rural areas. The case about the purpose of Central government (CG) funds allocated to CSOs is almost identical. The Central government allocates funds to CSOs, but the defined priorities are being made for the needs of the state level, and less focus on the priorities in rural areas.

¹ *Fiscal decentralization for better regional development of civil society* <<https://goo.gl/1x76fX>>. *Perception of civil society organizations on the level civil society development in Macedonia* <<https://goo.gl/WPcTke>>. *Regional inequality in the civil society development* <<https://goo.gl/sNX8Uv>>

² In this research, we will alternatively use the terms Local Self-Government Unit, Local Government and the Municipality as synonyms for simplicity. Where necessary, due to the formality and the context, the terms will be clearly distinguished.

³ In this research, we will alternatively use the terms civic associations, civil society organizations (CSOs), citizens' associations, foundations and NGOs as synonyms for simplicity. Where necessary, due to the formalities and context, the terms will be clearly distinguished.

⁴ http://www.nvosorobotka.gov.mk/sites/default/files/dokumenti/PredlogStrategija2018-2020_11.4.2018.pdf

⁵ <http://www.mcms.org.mk/images/docs/2018/izveshtaj-za-sledenje-na-ovozmozhuvachkata-okolina-za-razvoj-na-go-vo-Makedonija-vo-2017.pdf>

The local government as an institution that is directly familiar with the needs of the community does not have sufficient financial resources to be able to target them for the development of the civil society, and thus for the improvement of the general well-being of the citizens in the rural areas.

The largest concentration of CSOs exists in the Skopje region, as well as in the urban areas, which is the reason for the low level of decentralization, and even more for the decentralized influence of CSOs. This case study aims to identify whether the type of LSGU (urban / rural) is a limiting factor in the development of CSOs through financial support and how much of the funding of CSOs from different sources is for urban or rural areas.

Methodology, approach and tools

Based on previous research by measuring the perception of CSOs, as well as through econometric panel analysis, the type of LSGU, whether the LSGU is urban or rural, affects the granting of financial support to local CSOs. Hence, this case study focuses on the following research questions:

1. Is the type of LSGU (urban / rural) a limiting factor for the CSOs development with financial support in the long term?
2. Whether the financial resources of CSOs by source and sector, regardless of the location of CSOs, are intended for urban or rural areas (to what extent and for what purpose)?

The survey is based on the implementation of a structured electronic questionnaire as an instrument for collecting primary data, developed in 2017 in the system at www.surveymonkey.com. The questionnaire was sent directly to more than 260 CSOs, to all grantees of CIVICA Mobilitas and all other contacts of the Center for Economic Analyses (CEA) in four attempts due to the low responsiveness of the organizations in the period from November 2017 to February 2018. Answers from 67 organizations registered in accordance with the Law on Associations and Foundations were received. Additionally, as secondary data, were used the national documents referring to civil society, as well as other research studies from CSOs.

In order to obtain quality answers, for the purpose of this research, a structured questionnaire was used to cover the following areas:

- 1) General and demographic data on CSOs,
- 2) Sources of financing CSOs,
- 3) Purpose of CSO funds.

In the survey, the total amount of all responses in individual graphs is more / less than 100% because of the inapplicability of certain questions and the completion of an integer in the individual percentages of responses, in order to simplify the presentation of the results.

The requested financial data from the annual final accounts of CSOs refers to 2014, 2015 and 2016, because in the period of implementation of the questionnaire, the legal obligation for submitting annual final accounts of CSOs for 2017 has not been completed yet.

Methodological limitations

The collection of data for the preparation of the analysis for the purpose of CSO funds by secondary and primary data sources was followed by certain limitations. In the period of conducting the survey, getting the list of organizations registered in the CRM was charged, but despite that, the Register of Associations and Foundations does not offer an overview of organizations registered by municipality.

Accordingly, through the e-questionnaire were received answers from a limited number of organizations from the basis of the Macedonian Center for International Cooperation (MCIC) and the Center for Economic Analyses (CEA) and those who had access to the Internet. Precisely, because of the low responsiveness, the questionnaire was directly submitted in four attempts to the same organizations, which were subsequently contacted by telephone.

Regarding the response to the questionnaire, CSOs did not substantiate all answers with appropriate facts, which is understandable, due to the sensitive nature of some of the questions.

General data on CSOs and scope of action

The sample covers 67 civil society organizations (CSOs) registered in accordance with the Law on Associations and Foundations⁶, out of which 66 organizations are CSOs and 1 organization is a foundation.

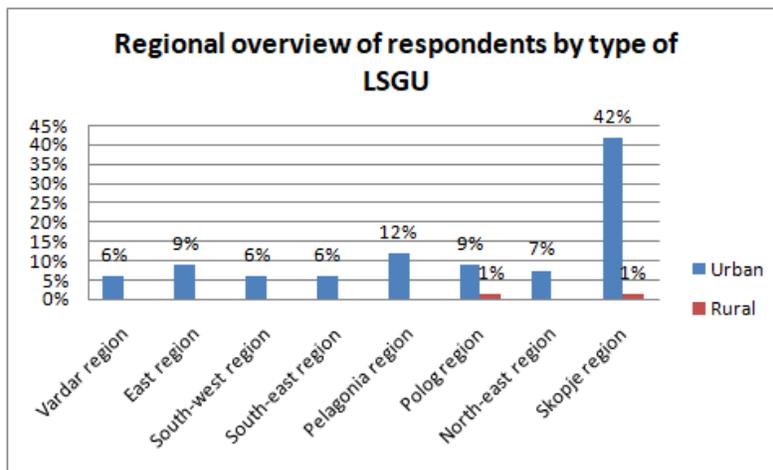
The questionnaire was distributed to more than 260 CSOs registered in urban and rural LSGUs in the Republic of Macedonia, while only 67 CSOs have answered, out of which 65 were registered in urban LSGU and only 2 CSOs were registered in rural LSGU.

If we make a regional overview of the respondents according to the type of LSGU (urban / rural), we can notice that 42% of the organizations are registered in the urban LSGU and they are from the Skopje region. Only two organizations are registered in the rural LSGU, one of the Polog region and one in the Skopje region.

6

<http://www.pravda.gov.mk/documents/%EF%F0%E5%F7%E8%F1%F2%E5%ED%20%F2%E5%EA%F1%F2%20%E7%E0%EA%EE%ED%20%E7%E0%20%E7%E4%F0%F3%E6%E5%ED%E8%BC%E0%20%E8%20%F4%EE%ED%E4%E0%F6%E8%E8.pdf>

Figure 1. Regional overview of respondents by type of LSGU

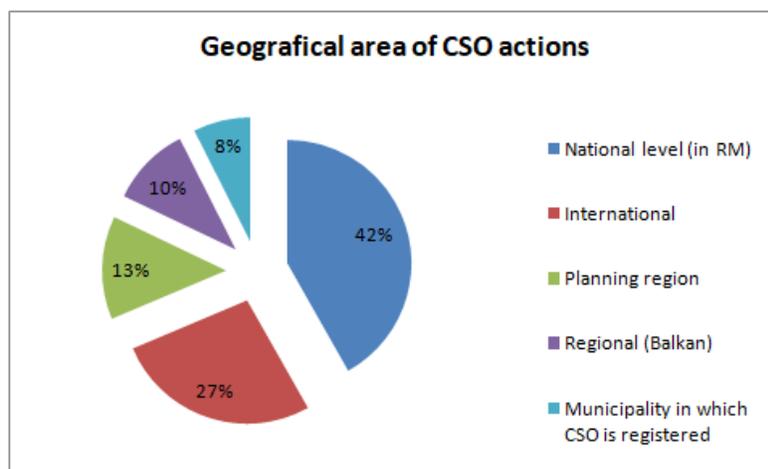


Source: Author's calculations with data from electronic questionnaire

According to the geographical scope of the activities of CSOs, most of the CSOs or 42% act on the national level, and the smallest part or 8% act exclusively in the municipality in which they are registered.

CSOs located in the rural LSGU which act on a local level, have a small human capacity, a small budget and are poorly networked. Hence, we can conclude that the low turnout of organizations registered in rural LSGUs is a consequence of the limited opportunities for networking, poor information and lack of motivation for active work due to the high concentration of donors in the Skopje region.

Figure 2. Geographical area of CSOs actions

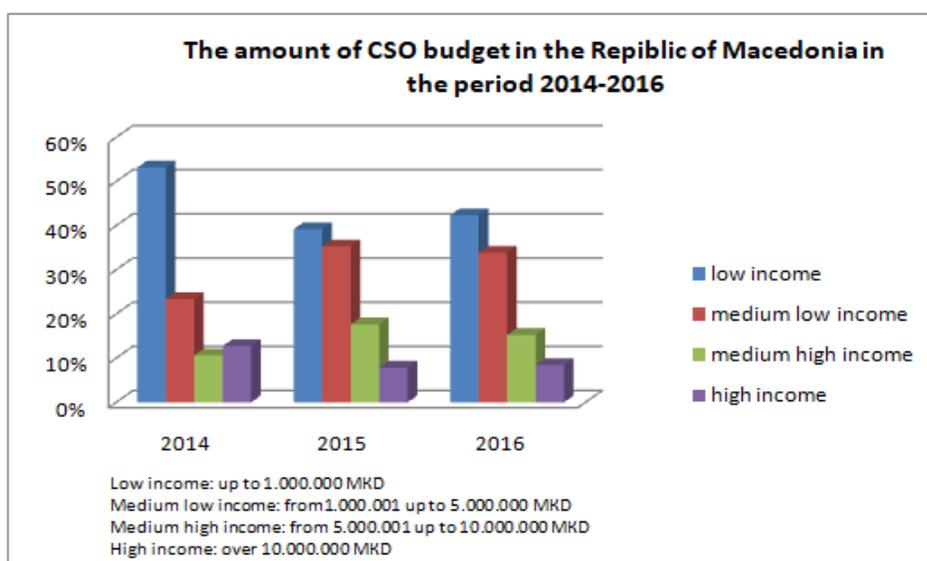


Source: Author's calculations with data from electronic questionnaire

Sources of financing CSOs

The number of CSOs that do not have available funds or whose budget is 0, in 2015 compared to 2014, is decreasing. Namely, in 2014, 70% of CSOs stated the amount for their budget, while in 2015 - 76% and in 2016 - 88% of the surveyed CSOs stated the budget. Although, the perception of CSOs is that there are less available funds from foreign donors, however, the financial data indicated that the number of CSOs that do not have financial resources and work exclusively voluntarily decreases.

Figure 3. The amount of civil society organization budget in the Republic of Macedonia in the period 2014-2016



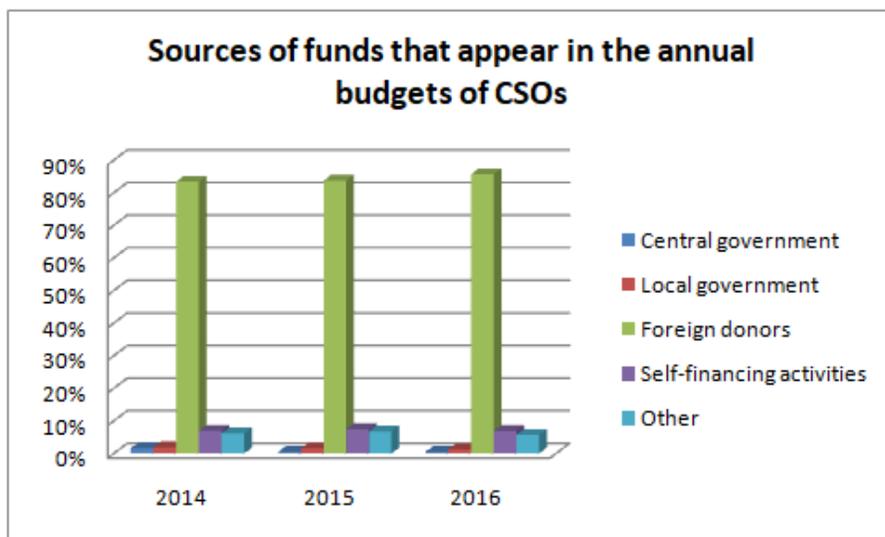
Source: Author's calculations with data from electronic questionnaire

What we can see from the graph 3 is that most of the CSOs have low incomes and their budget is up to 1 million denars per year. Despite the number of CSOs with low incomes which is the highest in 2014, in the same year, the number of CSOs with high incomes is the highest in comparison with the rest of the years. **Hence, in 2015 and 2016, the number of CSOs with low incomes is reduced, but at the same time the number of CSOs with high incomes is decreasing, which indicates that the incomes of CSOs are distributed in the categories from 1 million to 10 million denars, i.e. the gap between organizations with low incomes and those with high incomes has been reduced.**

If we look at the sources of funds that appear in the annual accounts of CSOs, it can be determined that the foreign donor funds has highest share in the annual accounts of CSOs (over 80%). Namely, the share

of foreign donors in total CSO incomes in the period from 2014 to 2016 is increasing. Funds from central and local governments take the smallest share in annual accounts of CSOs, and they are reduced in 2015 compared to the previous year, while in 2016 the share is unchanged. The percentage share of funds from self-financing activities is also unchanged over the years and amounts to 7%. Likewise, the incomes from the business sector and services amount to 7% in average.

Figure 4. Sources of funds that appear in the annual budgets of CSOs



Source: Author's calculations with data from electronic questionnaire

What is the purpose of CSO funds from the various sources of funding?

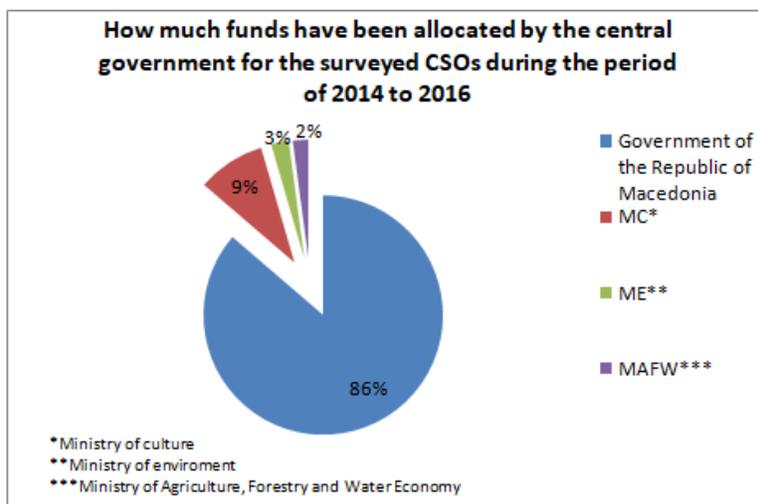
Financial support of civil society organizations from the central government

The central government as a source of funding for CSOs is relatively weakly presented in the budgets of organizations. Central government funds not only take the smallest share in annual accounts of CSOs but also decrease and, on average, their share is 1.5% in the period 2014-2016.

Namely, in the period 2014-2016, the central government has allocated a total of 11 grants to 7 of the surveyed civil organizations in the amount of 4,998,311 denars.

In the following figure, we can notice that the largest percentage of the funds allocated by the central government, and intended for CSOs, are by the Government of the Republic of Macedonia (General Secretariat) as a state institution. Other state institutions that granted CSO are: the Ministry of Culture, the Ministry of Environment and the Ministry of Agriculture, Forestry and Water Economy.

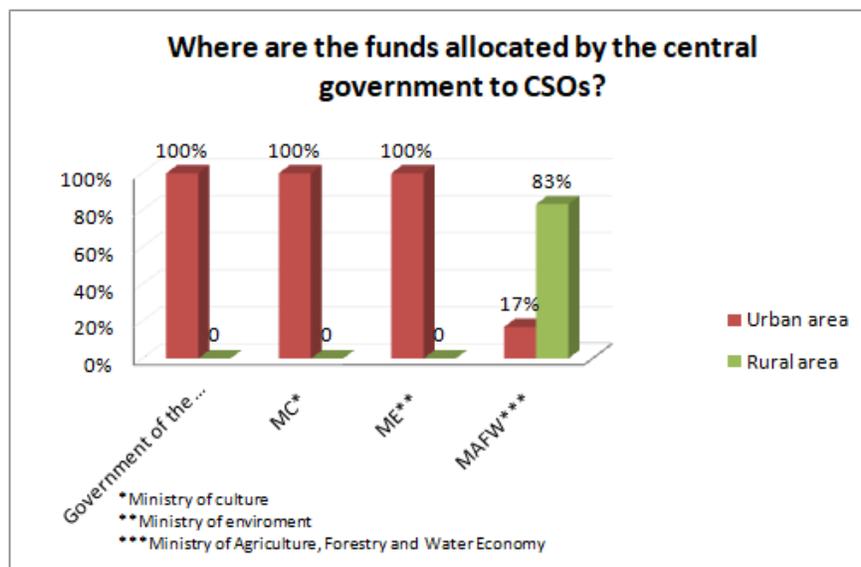
Figure 5. How much funds have been allocated by the central government for the surveyed CSOs during 2014 to 2016



Source: Author's calculations with data from electronic questionnaire

If we monitor the flow of funds allocated by the central government, they are mostly intended for activities that are present in the urban environment, most often in the Skopje region. On the other hand, only the funds allocated by the Ministry of Agriculture, Forestry and Water Economy to CSOs are for activities most commonly intended for rural areas.

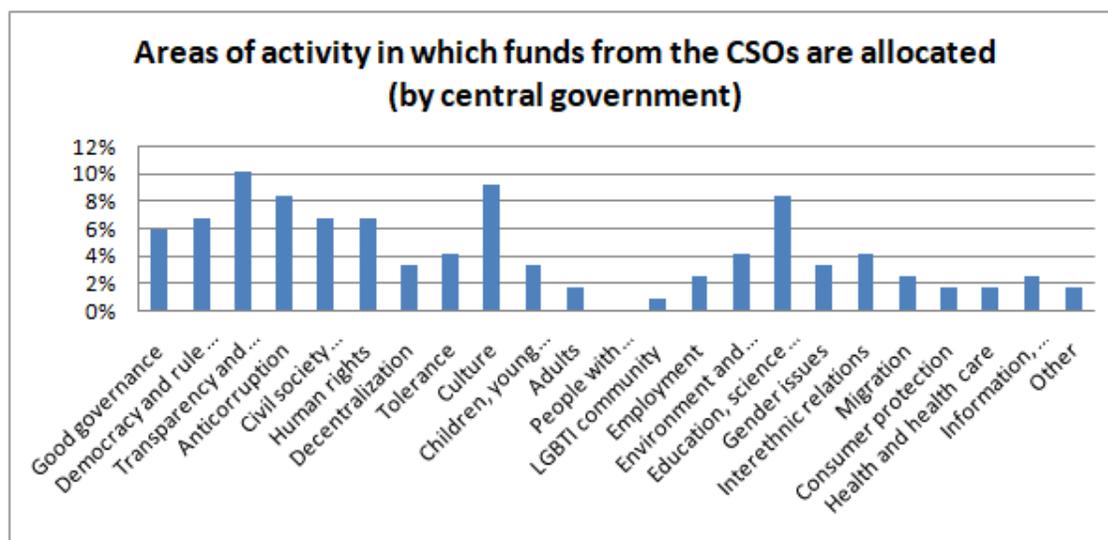
Figure 6. Where are the funds allocated by the central government to the civil society organizations?



Source: Author's calculations with data from electronic questionnaire

If we follow the flow of the funds for which areas of action are intended, it can be noticed that the central government often gives grants to CSOs for project activities in the areas of: transparency and accountability, culture, anticorruption and education, science and research.

Figure 7. Areas of activity in which the funds from the civil society organizations are allocated (by Central Government)



Source: Author's calculations with data from electronic questionnaire

Financial support of civil society organizations from the local government

Local government, just like the central government, as a source of funding for civil society organizations is relatively weakly represented in the annual accounts of organizations. The funds from the LSGU not only take the smallest share in the annual accounts of CSOs, but also have a downward trend.

In addition, 19% of the surveyed CSOs received a grant from the local government in the period 2014 – 2016 and most often the same organizations receive a grant in continuity. The average amount of the grant awarded by the local government to one CSO is 225.305 denars.

CSOs that have received support from the LSGU say that LSGUs mostly support them for project / action, and less provide institutional support and co-financing.

In general, most CSOs (38%) state that LSGUs announce a public call, but the entire process is not transparent. On the other hand, 24% of CSOs say that LSGUs announce a public call and the whole process is transparent, and the same percent of CSOs stated that they are not familiar whether the LSGU announces a public call for financial support to CSOs.

On the other hand, 41% of CSOs that received support from the LSGU say that the LSGU announces a public call and the whole process is transparent, and also same percent of CSOs share the opinion that the process is not transparent and the criteria are not well known.

The transparency of the LSGU in the procedure for granting CSOs

Good practices:

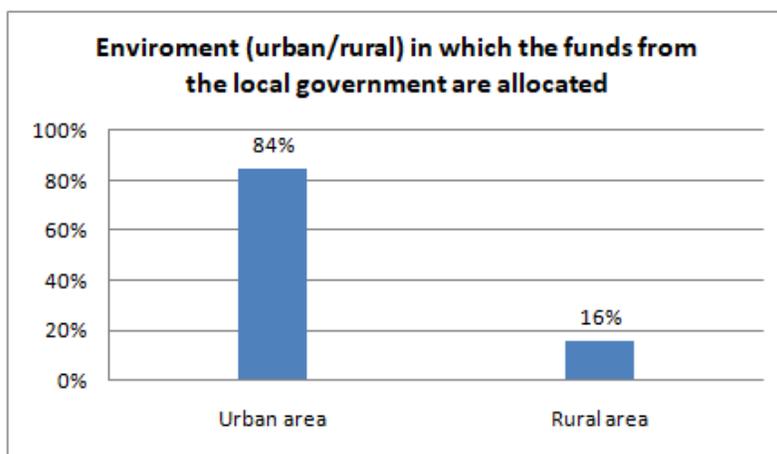
- For the first time in 2018, the Municipality of Stip published a **public call** for granting to CSOs;
- For the first time in 2018, Municipality of Kriva Palanka announced a **transparent public call** for granting CSOs;

Bad practices:

- The municipality of Tearce has so far not announced and did not grant CSOs, but spending in the municipality's budget was constantly presented.

CSOs that received support from the LSGU are registered in the urban LSGU. Local self-government units support activities that relate to the local level, i.e. the funds are allocated to local urban areas. Both organizations registered in the rural LSGU have not received financial support from the local LSGU.

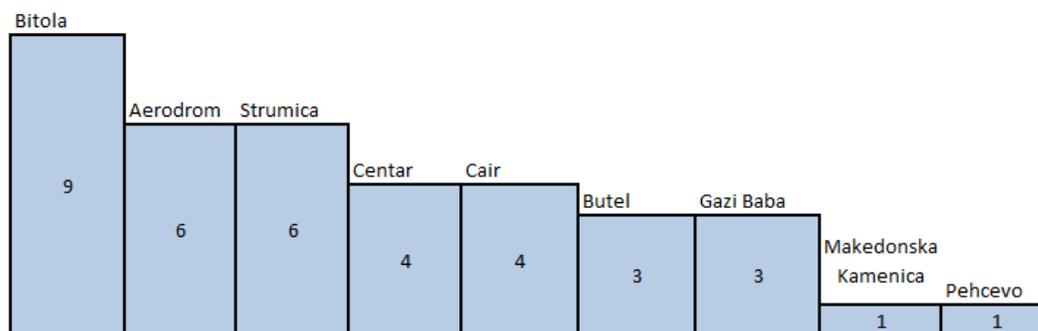
Figure 8. Environment (urban / rural) in which the funds from the local government are allocated



Source: Author's calculations with data from electronic questionnaire

Most of the LSGUs that have allocated funds to some of the surveyed CSOs are from the Skopje region. In addition, we provide an overview of LSGUs that have granted the CSOs according to the number of CSO grants awarded. What we can notice is that the Municipality of Bitola in the period 2014-2016 has granted financial support to 3 of the surveyed CSOs, one grant per year or a total of 9 grants. The municipalities of Aerodrom and Strumica have awarded 6 grants, and in both municipalities 2 CSOs received one grant per year.

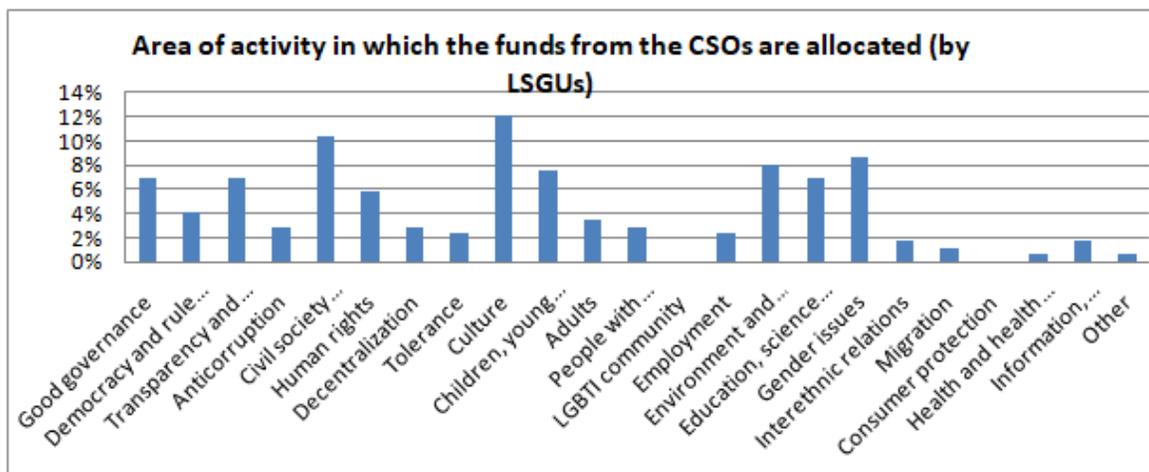
Picture 1. The units of local self-government that awarded grants to the surveyed civil society organizations according to the number of awarded grants



Source: Author's calculations with data from electronic questionnaire

Additionally, if we follow the flow of the funds for which area of action are intended, it can be noted that LSGUs most often support CSOs for project activities that are in the areas of: culture, civil society development, children, youth and students and gender issues .

Figure 9. Area of activity in which the funds from the civil society organizations are allocated (by LSGUs)



Source: Author's calculations with data from electronic questionnaire

Financial support of civil society organizations from the foreign donors

The financial sustainability of CSOs in Macedonia is largely based on foreign donors. The obtained data once again confirms the fact that the share of foreign donors is highest in the budgets of CSOs.

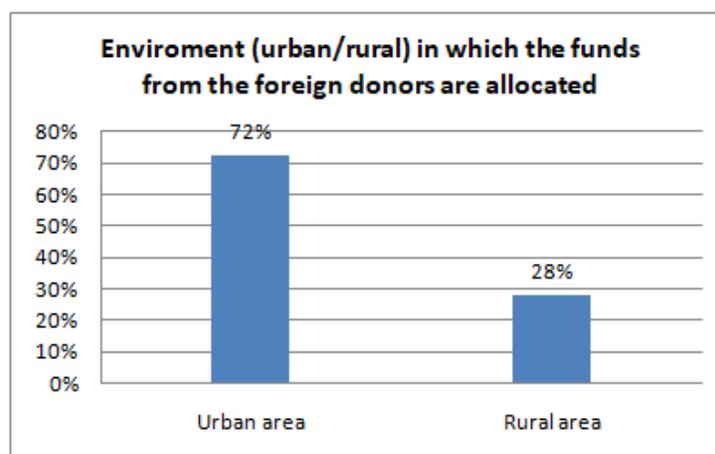
The funds from foreign donors not only take the highest share in the CSO budgets, but in the period from 2014 to 2016 they are increasing in percentage, and in 2016, the foreign donors share in the total revenues of CSOs is 86%. Namely, the highest amount of revenues of CSOs from foreign donors (cumulatively from all foreign donors), which appears in the annual account of one CSO in 2016, amounts to 23,092,265 MKD, while the lowest amount is 61,500 MKD.

Table 1. The highest and lowest amount of fund from foreign donors in the period 2014 – 2016 (in MKD)

	2014	2015	2016
The highest amount of funds from foreign donors	19.117,563	21.456,207	23.092,265
The lowest amount of funds from foreign donors	27.675	60.000	61.500

Just like other sources of financing, most of the foreign donor funds allocated to CSOs are for project activities implemented in urban areas, which means that the final beneficiaries are citizens from urban areas and less from rural areas. In 2016, 75% of the surveyed CSOs received support from a foreign donor/s, of which 20% have a diversified portfolio, where besides foreign donors, the sources of funding are: the central government and/or local government, self-financing activities and business-sector.

Figure 10. Environment (urban / rural) in which the funds from the foreign donors are allocated



Source: Author's calculations with data from electronic questionnaire

In the period from 2014 to 2016, foreign donors mostly supported CSOs for project activities for civil society development, transparency and accountability, democracy and the rule of law. In the following figure, can be seen in which areas of activity, the foreign donors have provided support in the period from 2014 to 2016.

Recommendations

- It is necessary to prioritize the areas of funding from foreign donors and central government for allocating funds to CSOs from rural areas for addressing community problems in accordance with their missions and goals of existence.
- Institutional, financial and administrative strengthening of CSOs that work in smaller LSGUs and rural areas and their reactivity in networking with other CSOs.
- More efficient budget planning of the central government for funds intended for CSOs, as well as increased financial support to CSOs from rural areas.
- Continuous cooperation of LSGUs with local CSOs in order of identifying the priority areas of the municipality.
- More efficient planning of the funds allocated by LSGUs to local CSOs, which will have the character of long-term survival and sustainability of CSOs.