

International Practices of Supporting Civil Society

In the autumn of 2019, the Civic Alliance – Latvia (CAL) association conducted a survey of civil society organisations with the aim of examining other countries' practices of supporting civil society.

The survey gathered practices of supporting civil society from 17 different countries such as Austria, Bulgaria, Denmark, Ethiopia, Guatemala, Estonia, Iceland, Lithuania, Malta, Moldova, the Netherlands, Poland, Portugal, Slovenia, Hungary, Germany, and Sweden.

The compiled report reviews qualitative data from the survey as well as secondary data from various sources mentioned by respondents and from the researches¹ available to the CAL.

Data provided by the respondents show that the most common support mechanisms for civil society are as follows:

- 1) Percentage philanthropy;
- 2) Tax relief on donations;
- 3) Different types of state funding.

Percentage philanthropy is a system in which a personal income tax (PIT) payer can divert a certain percentage from the PIT to civil society organisations. Such systems mainly exist in countries where the culture of donations is not well-established and there are no incentives for donations. In countries with strong economies, often accompanied by favourable donation regulations – tax relief on donations and other public financing instruments designed for civil society, such a system is not introduced because it does not promote philanthropy in the long term.

Percentage philanthropy systems vary from country to country depending on the types of legal institutions allowed to gain the support, the procedure for gaining the support, and the percentage diverted from the PIT:

- In **Lithuania**, every income tax payer has the right to divert 2% of the income tax to any non-profit entity (including CSOs, budget institutions, churches, trade unions), while there is a limit of only 1% for a political party.
- In **Hungary**, a taxpayer may indicate in a tax return that they divert 1% of the PIT to a civil society organisation and 1% – to the church.
- In **Poland**, a personal income tax payer may divert 1% of the PIT to a public benefit organisation of their choice.
- In **Portugal**, 0.5% of the PIT may be diverted to civil society organisations for social purposes.
- In **Moldova**, individual taxpayers have the right to divert 2% of their income tax to a non-governmental organisation. In 2017, approximately 5% of the total number of associations, foundations and religious organisations in Moldova registered for this opportunity².
- In **Slovenia**, citizens can indicate in tax returns that they divert 0.3% of their income tax to an CSO, political party or church. Enterprises can also divert 0.5% of their taxable income to public

¹ <https://www.cafonline.org/docs/default-source/about-us-publications/country-notes-for-donation-states>
https://www.usaid.gov/sites/default/files/documents/1866/2017_CS0_Sustainability_Index_for_Central_and_Eastern_Europe_and_Eurasia.pdf

² https://crjm.org/wp-content/uploads/2018/07/2018-06-LRCM-report-2perc_fin.pdf

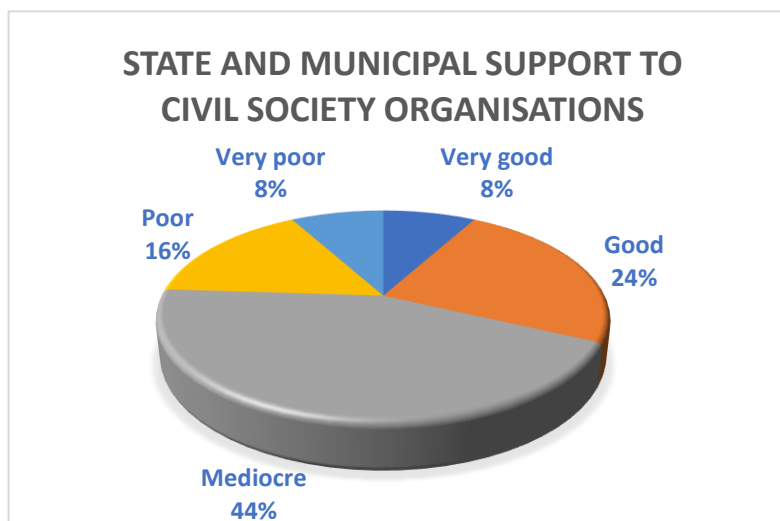
benefit organisations and an additional 0.2% if their financial allocation goes to cultural organisations or used for disaster relief.³

In most of the countries surveyed, the respondents pointed out that they have **tax reliefs on donations to non-governmental organisations**. Tax-based support instruments vary from country to country and include the following:

- 1) the right to deduct the amount of donation or a part of it when calculating the income tax;
- 2) the right to apply an income tax credit to a part of the amount of donation;
- 3) combined instruments which include the two abovementioned instruments.

It is worth noting that it is common practice that tax credits are granted only to organisations with special status, like public benefit organisations in Latvia. Another important aspect is that the countries generally have a broader range of tax reliefs on donations. For example, in Iceland CSOs do not pay inheritance tax (10%).

With regard to public financing instruments, the data provided by the respondents show that one of the most popular ways of allocating state and municipal funding to the non-governmental sector is through



open calls for projects, as well as by purchasing services of non-governmental organisations or concluding cooperation agreements with them. At the same time, the respondents also pointed out that the overall economic situation and the political environment in the country have a major impact not only on the financial sustainability of the non-governmental sector, but also on the performance of organisations. Representatives of Polish and Hungarian CSOs emphasised that, unfortunately, in actual practice they

encounter government-loyal fake civil society organisations in the participatory processes and the bodies responsible for the non-governmental sector are very politically motivated.

The survey data show that, in most cases, public funding is redistributed through ministries rather than centrally. The survey showed that a government-supported centralised CSO foundation is not a common practice, as only the Estonian respondent indicated that their country has the National Foundation of Civil Society (NFCS) with a budget of approximately €3.5 million a year which is also responsible for CSO sector development in the country. The results of the survey highlight the tendency for civil society development to still be financially supported by foreign donors.

Overall, according to the survey results, 32% are positive and consider the state or municipal support good or very good, for example, there was a complete unanimity among Swedish representatives who evaluated the support in their country as very good. 44% of the countries, for their part, rate the state support as mediocre, as was the case for Lithuanian and Maltese representatives who expressed the unanimous opinion. A minority of respondents, or 24%, said that the state and municipal support in their country was bad or very bad. It is interesting that many respondents from one country had different, sometimes very opposed, opinions, suggesting that support for CSOs is not felt in all sectors.

³ <https://efa-net.eu/wp-content/uploads/2018/12/EFA-Tax-Survey-Report-Dec-2018.pdf>

Country	A body responsible for civil society is established	Support ⁴ is provided by the state and local governments	An CSO funding model aimed at promoting participation in decision-making and advisory boards as well as mutual cooperation	Thematic networks are funded by the structural funds	Tax relief on donations to civil society organisations	“Percentage Philanthropy”
Austria	-	+	-	-	+	-
Bulgaria	-	-	-	-	-	-
Denmark	-	+	+/-	+/-	+	-
Ethiopia	Civil society organization agency	+	-	-	+	-
Guatemala	-	+	-	+/-	-	-
Estonia	National Foundation of Civil Society and Ministry of the Interior	+	+/-	+/-	Tax relief or tax deduction for donations.	-
Iceland	-	+	-	+/-	-	-
Lithuania	Ministry of Social Security and Labour	+	+	+	Only for enterprises.	+
Malta	-	+	-	-	-	+
Moldova	Official of the State Chancellery	+	-	-	-	+
Netherlands	-	+	-	+	Donors may deduct the amount of donations from their taxable incomes.	+
Poland	-	+	-	-	Donors may receive tax deductions from their taxable incomes: 6% for individuals and 10% for companies.	+
Portugal	<i>Plataforma Portuguesa das ONGD</i>	+	-	+	+	+
Slovenia	Ministry of Public Administration	+	+	+	+	+
Hungary	-	+	-	-	+	+
Germany	-	+	-	+/-	+	-
Sweden	Ministry of Culture	+	-	-	-	-

⁴ Open state and municipal funding competitions, purchase of services and donation.

Conclusions and Possible Solutions

A number of countries have a successful implementation of “percentage philanthropy”, which helps the citizens support not only the non-governmental sector, but also political parties, churches and other institutions. The citizens use their incomes to “vote” for initiatives that are important to them and thus participate in the budget distribution, which promotes a sense of the importance of civic participation in decision-making. Conversely, there is a number of negative side effects that such a system can have, including a decline in donation rates with the citizens believing that diversion of a percentage from the PIT may have negative consequences. However, such a system can effectively work in a financial crisis situation that currently exists in Latvia in the field of civil society.

A number of countries have unclear CSO funding models aimed at promoting participation in decision-making and support for thematic networks of CSOs. In this area, it would be important to promote a transparent funding model as well as to develop a single funding procedure to make sure that there is no confrontation when some areas receive funding on a regular basis and some areas receive no funding at all. For example, in the table above, a number of boxes in the columns “An CSO funding model aimed at promoting participation in decision-making and advisory boards as well as mutual cooperation” and “Thematic networks are funded by the structural funds” have a plus/minus mark as funding may be allocated at the discretion of a relevant ministry or other responsible body in order to support the field of activity of a certain CSO; for example, in Moldova, youth and social organisations receive more funding than organisations operating in other fields.

Most countries receive substantial external financing and relatively little support from national budgets. The major donors include European Economic Area (EEA)/ Norway Grants, Switzerland’s Cooperation Programs, and European Union funds. This shows that national governments are not prepared to invest in strengthening democracy, while at the same time the support received from foreign programs contributes to the independence of non-governmental organisations in decision-making and operation, which is particularly important for organisations that represent interests.

Similarly, national governments do not support thematic networks/platforms, although Article 8 of the European Social Fund Regulation stipulates⁵ that (1) each Member State shall ensure appropriate participation of social partners and civil society organisations in employment, education and social inclusion policies supported by part of the ESF+ with shared management; (2) Member States shall allocate an appropriate amount of ESF+ funding to each program through shared management in order to build capacity of social partners and civil society organisations. National governments shall; therefore, use the support mechanism developed by the ESF to strengthen dialogue with civil society, as provided for in the EU Regulation.

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⁵ <https://eur-lex.europa.eu/legal-content/lv/TXT/?uri=CELEX%3A32013R1304>