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Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Croatia

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation

Five main social issues addressed by these organizations: Arts and Culture, Basic Needs, Environment, Higher Education, Sports

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: USD 8

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.77	3.60	3.75	3.25	2.80	3.80	3.66
2018 GPEI	4.77	3.35	3.75	3.50	N.A.	3.80	3.83

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.5

There has been no change since 2018. For more information, please see the 2018 Croatia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16000>

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 5.0

Operations of philanthropic organizations (POs) remain unconstrained with minimal requirements from the government. POs are free to pursue any activity which is not forbidden by law and to cooperate mutually. They can also perform a range of economic activities which are not necessarily directly related to their core activity. For more information, please see the 2018 Croatia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16000>

Question Three: To what extent is there government discretion in shutting down POs?

Score: 4.8

Reasons for dissolution of POs remain clearly prescribed by law. The government is reluctant to erase POs from the register even if there is no evidence that the organization is active anymore. For more information, please see the 2018 Croatia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16000>

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 3.7

There has been no change since 2018. For more information, please see the 2018 Croatia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16000>

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.5

The environment which regulates payment of the profit tax was somewhat improved. The rate of 12 percent was decreased to 10 percent; therefore, the two rates are now 18 percent and 10 percent. Any PO which engages in for-profit activity will pay the profit tax on the income from that particular activity and the rate depends on the amount of income. Exemption from profit tax, besides donations of medical treatments and medications, was extended to the donation of food to people in need. The threshold for VAT collection was increased from CZK 230,000 (USD 37,000) to CZK 300,000 (USD 48,000).

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

There has been no change since 2018. For more information, please see the 2018 Croatia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16000>

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.5

There has been no change since 2018. For more information, please see the 2018 Croatia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16000>

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 3.3

The government has depleted the central budget due to the COVID-19 crisis. Therefore, there has been a decrease in motivation and less resources to support POs. Even though there is no direct conflict between POs and the government, there is also no improvement in the government's support to the POs. A strategic plan regarding future development of POs is missing. One of the most visible

NGOs in Croatia (GONG) is dedicated to the development of the political and democratic standards and has concluded in its flagship report on Government Attacks on Civil Society in Croatia. The report stated that the framework for cooperation and support of civil society in Croatia, which was built step by step over the last 15 years, has collapsed, starting from 2016. Therefore, considering the COVID-19 consequences, the score is a bit lower compared to 2018.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 3.2

It is clear now that there is neither a particular plan for supporting philanthropic organizations nor cooperation among government agencies in order to promote philanthropy. Support very much depends on political orientation of election winners and there is no common agreement about which public benefit organizations should be supported. Therefore, the score is a bit lower than in the last report.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 2.8

Despite potentially significant resources, Croatia was never a rich country, mostly due to the lack of proper management. Over the decades, income from tourism was increasing and now it is close to 20 percent of GDP according to the OECD, while industry and production in the same period did not significantly develop. About 5 percent of the population moved to other countries in the last 10 years while economic prospects in Croatia remain modest. The consequences of the COVID-19 epidemic and related measures (small tourist income in 2020, economy closed for several months, etc.), together with damages from two significant earthquakes in March and December narrowed the already decreased area of philanthropy. In addition, corruption remains a huge issue in the society without significant reaction from leading political personalities. This drains out resources and more and more creates general public's opinion that it is simply the way things goes in this country.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.8

Due to the over-engagement of the State in all areas of social activity during the communist time, which was successfully continued in the last 30 years, citizens never developed a sense for institutionalized philanthropy which goes beyond ad hoc humanitarian actions.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The philanthropic sector remains weak and fragile, even more endangered with the COVID-19 epidemic as well as consequences of two earthquakes. However, the most important thing in the future would probably be fighting corruption and raising the confidence of the general public toward institutions, which requires their continuous strengthening. In the meantime, non-institutional, ad hoc philanthropy remains strongly embedded in Croatian society.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. New Law on Foundations (2019)
2. COVID-19 epidemic
3. Lack of national strategy to develop civil society

Future development trends in the philanthropic landscape

Being on the edge of the developed Western world, Croatia is not a champion of innovative trends, including in philanthropy. Therefore, crowdfunding and other emerging philanthropic tools are present but to a limited extent. It is likely that Croatia needs a bit more time to digest whatever innovative trends show up. Therefore, it will take some time for emerging forms of philanthropy to become common in Croatia.

Three key recommendations to improve the environment for philanthropy

- Less politics in relationships with civil society (every political party which wins the election has its own view on public benefit organizations).
- Strengthening of institutions (institutional philanthropy cannot be significantly improved without strengthening the trust of citizens in institutions).
- Fighting corruption.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

During the COVID-19 crisis, some nonprofit organizations were increasingly active, such as the ones dealing with domestic violence, the elderly, the poor, and the homeless. However, the majority are lacking resources for their work, and it is not likely that the government will help them because the money from the public budget was already spent on preserving jobs in for-profit entities.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

One innovation is remote work and the extensive use of digital technology in providing services. Other innovations, if existing, were not visible to the public.

Impact of COVID-19 on the philanthropic environment

The COVID-19 pandemic has significantly impacted the environment for philanthropy. Namely, in Croatia private resources in philanthropic activities are limited—a significant portion of resources comes from the state budget or European Union (EU) funds. Even though the government announced that it will support nonprofit organizations in the COVID-19 crisis, it never happened. In addition, implementation of the contest for EU financial support was delayed for months without visible reason. Without income from tourism in 2020, and with decreasing economic activity in general, the philanthropic environment has been significantly affected.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

Considering the issues with the procurement of the vaccine, it is clear now that the vaccination process will not be smooth and easy. Therefore, the measures of social distancing such as wearing protective masks, closing restaurants, and working from home among others will go on for the significant portion of the year. Even when all pre-conditions would be fulfilled, it will take some time to get back to “normal”. In that scenario, we are losing one more year of tourism and we will have one more year of decreased economic activity. It means less money in the budget and for philanthropic organizations.

References

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