

# “DEMOCRACY NEEDS DEMOCRATS”

-THE ROLE OF POLITICAL  
FOUNDATIONS IN THE  
DEMOCRATIC DEVELOPMENT  
OF THE WESTERN BALKANS





**“DEMOCRACY NEEDS DEMOCRATS” – THE ROLE OF  
POLITICAL FOUNDATIONS IN THE DEMOCRATIC DEVELOPMENT  
OF THE WESTERN BALKANS**

*Policy Paper*

**Aleksandar Lj. Spasov  
Danko Nikolic**

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## EXECUTIVE SUMMARY

Political foundations play a crucial role in the process of building a democratic society and a political system based on pluralism, rule of law, respect for human rights and solidarity. They are involved in political education in its broadest sense; they are active in the development of policies and policy proposals in line with certain political values; and they have significant experience and a relatively positive track record in international development and foreign aid.

In that sense, the most important function of political foundations is to contribute to the internal democratization of political parties in order to operate in a transparent and inclusive way. Furthermore, political foundations contribute toward stabilizing democratic systems in transitional democracies by promoting and mediating political dialogue, as well as fill existing gaps in policy development within political parties. Most importantly, the work of political foundations may contribute to the efforts to get more voters to make political choices based on the rational assessment of alternatives, rather than on disinformation, ignorance and fear, or pressure by a network of dependencies.

This paper analyzes different models of organization for political foundations in developed democracies in Europe and critically evaluates their advantages and possible weaknesses in relation to the state of democratic development in the countries of the Western Balkans. Additionally, the authors provide an overview of the existing organizations in the countries of the Western Balkans and Slovenia that, although not all registered as political foundations, work in areas typically associated with political foundations and fulfill the functions attributed to political foundations.

Finally, the authors summarize the theoretical overview and empirical data of the research and offer concrete and effective policy recommendations for various stakeholders willing to promote and develop the concept of political foundations in the Western Balkans.

Aleksandar Lj. Spasov, PhD<sup>1</sup>  
Danko Nikolic<sup>2</sup>

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<sup>1</sup> Assistant Professor at the Faculty of Law “Iustinianus Primus” at the University “Ss. Cyril and Methodius” (UKIM) in Skopje and Program Manager in Progres-Institute for Social Democracy in Skopje.

<sup>2</sup> Consultant at Regional Political Party Initiative, National Democratic Institute (NDI).

# “DEMOCRACY NEEDS DEMOCRATS” – THE ROLE OF POLITICAL FOUNDATIONS IN THE DEMOCRATIC DEVELOPMENT OF THE WESTERN BALKANS

## 1. INTRODUCTION: THE CONCEPT OF POLITICAL FOUNDATIONS

Political foundations play a crucial role in the process of building a democratic society and a political system based on pluralism, rule of law, respect for human rights and solidarity. Although we are witnessing a growing number of publications and research studies on the notion and role of political foundations, there is no single and comprehensive definition of a political foundation. The absence of such a definition is not a result of essentially opposing opinions on what is, or what should be, considered a political foundation, but much more due to the variety of roles and tasks that political foundations perform in different political systems and the range in legal status and funding opportunities across countries.

According to a recent publication by the European Network of Political Foundations (ENOP) dedicated to the role of political foundations in the European context, political foundations:

“...operate on a level in between government and citizens, where they are most effective. As such, they are part of the institutional build-up of the public sphere, enabling face-to-face interaction and reciprocity between speakers and addressees in an egalitarian exchange of claims and opinions”.<sup>3</sup>

Peter Massing presents a more detailed definition of political foundations, although his definition derives exclusively from the German model of political foundations. According to him:

“The political or *party affiliated* foundations in Germany are important institutions of political education. Although they direct their education work— as well as their complete work—to the basic values of the parties that they are allied with, they still belong to the so called ‘free actors’. By that as ‘free’ can be labeled all non-public actors that sometimes are connected by their *Weltanschauung (worldview)*, but aren’t state institutions. Political foundations are economically, organizationally and regarding to the personnel independent from the parties which ideals they share.”<sup>4</sup>

Massing’s explanation is based on the well-know “Common Statement” of the German political foundations signed in 1999, in which the foundations state their shared general goals and tasks. The undersigned foundations define themselves as an “important part of the political culture of the Federation of Germany,” thus stating that their work is in accordance with the constitution and the “constitutional task of the free state to support the political education.” In that spirit they enumerate their most important tasks: political education and citizen involvement; support for science; political research and advising; research of the historical development of the parties; providing educational and research scholarships for youth; providing information, and organizing international meetings that support European unification and the mutual understanding of the peoples and development programs and projects by helping to build democratic and free structures, governed by the rule of law.<sup>5</sup>

<sup>3</sup> Buchtikova,L., Garkova,A., Haaze,J., Kakolyris,P., KameI,A., Stanoeva,L., Reconnecting Europe with its Citizens – The Role of Political Foundations, A Policy Paper from the European Network of Political Foundations (ENOP), Brussels, 2015, p. 12

<sup>4</sup> Massing, P., für bpb.de, Politische Stiftungen, <http://www.bpb.de/gesellschaft/kultur/politische-bildung/193401/politische-stiftungen?p=all> (last accessed on: 6.4.2017).

<sup>5</sup> Gemeinsame Erklärung, [http://www.hss.de/fileadmin/migration/downloads/gemeinsame\\_erklaerung.pdf](http://www.hss.de/fileadmin/migration/downloads/gemeinsame_erklaerung.pdf) (last accessed on: 6.4.2017).

Although the German model has its own specifics that, as Massing states, “can’t be compared” to any other model in western democracies, important parts of this model, including its tasks and goals can still be identified in numerous other developed western democracies (for example the Olof Palme International Center from Sweden<sup>6</sup> or the Max van der Stoel Foundation from the Netherlands<sup>7</sup>).

Within the European Union, there is an ongoing process of creating political foundations working in similar contexts, with similar goals and tasks and on similar legal basis as the German model, just transposed on a European level. According to Art.2, Par.4 of the Regulation (EC) No. 2004/2003 of the European Parliament and of the Council from 4 November, 2003, as amended by Regulation (EC) No. 1524/2007 of the European Parliament and of the Council of 18 December, 2007:

“political foundation at European level’ means an entity or network of entities which has legal personality in a Member State, is affiliated with a political party at European level, and which through its activities, within the aims and fundamental values pursued by the European Union, underpins and complements the objectives of the political party at European level by performing, in particular, the following tasks: observing, analyzing and contributing to the debate on European public policy issues and on the process of European integration; developing activities linked to European public policy issues, such as organizing and supporting seminars, training, conferences and studies on such issues between relevant stakeholders, including youth organizations and other representatives of civil society; developing cooperation with entities of the same kind in order to promote democracy, serving as a framework for national political foundations, academics, and other relevant actors to work together at European level.”<sup>8</sup>

One may conclude that although a single concept and by that a single definition is absent, political foundations may be described as non-state actors that share certain political values and play an intermediary role in linking society with political parties and politics in general. Unlike political parties, they do not aim to win elections and form governments, and unlike other CSOs, they are more intensively oriented to the political parties, both as their target groups and as their partners. Very often they share similar political values with a political party or in their work are ideologically driven. In that sense, they build strategic partnerships with political parties which are not only single-issue or –policy driven, as is often the case with relationships between CSOs and political parties. Finally, unlike state institutions, although very often they receive state funding or tax exemptions, political foundations do not exercise public authority.

There are three general characteristics of currently existing political foundations. The first characteristic is that political foundations work in the field of political education in the broadest possible sense. This includes education in: ideology and political values; the foundations of the political, legal and economic systems; policy development; the management of political parties; public relations and political marketing; and, skills development for party leadership, party members and activists.

The second characteristic of political foundations is that they foster the development of policies and policy proposals by serving as a platform for inclusive dialogue and a research center for different stakeholders such as, experts, civil activists, trade unionists, politicians, civil servants and religious leaders.

<sup>6</sup> Olof Palme International Center, <http://www.palmecenter.se/en/> (last accessed on: 6.4.2017).

<sup>7</sup> Foundation Max van der Stoel, <http://www.foundationmaxvanderstoel.nl/> (last accessed on: 6.4.2017).

<sup>8</sup> Regulation (EC) No. 2004/2003 of the European Parliament and of the Council of 4 November 2003 on the regulations governing political parties at European Level and the rules regarding their funding, [OJ L 297,15.11.2003],

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2003R2004:20071227:EN:PDF> (last accessed on: 6.4.2017).

The third characteristic of political foundations derives from the two models under which political foundations operate. In the German model, political foundations operate both on federal and regional levels, thus fulfilling not only their primary responsibility to contribute to the internal democratic development of the country and reflect democratic competition and coexistence of different political ideologies and worldviews, but also to contribute to German efforts in international development and foreign aid in the internal democratic development of other countries. These political foundations support relations between German political parties and their international partners, which positions the foundations as actors in German foreign policy. The second model is characteristic of a number of other European countries, in which political foundations exclusively operate abroad to contribute to the efforts of their respective countries’ international development agenda and foreign aid efforts to support democratic development and fruitful relations with other countries. This model was developed, mostly, in the nineties in countries like Sweden, the Netherlands, the United Kingdom, and Austria, following the end of the Cold War and in response to the political will for rapid democratization in former communist countries in Central, Eastern and Southeastern Europe. In that sense, one may conclude that the third characteristic of political foundations is that they are actors in international development and foreign aid, as well as the foreign policies of their countries.

Finally, political foundations are uniquely characterized as a byproduct of western democratic political systems. The adjective “developed” is intentionally omitted, because, at least in the German experience, political foundations started their work in a society that was far from being democratically developed and suffered from the consequences of the bloody totalitarian dictatorship during the national socialist era. That makes the concept of political foundations “transferable” to other developing democracies as a tool to foster internal democratic development. That does not mean that these models should be copied and pasted onto other systems, but rather they should serve more like a collection of best practices that can underpin domestic efforts.

## 2. ONE SIZE FITS (NOT) ALL!?!?

The concept of the “transferability” of political foundations provides a great opportunity to further democratic development in Western Balkan countries, however, as previously stated, the transfer cannot be made in a “copy-and-paste” style. Many arguments support this claim. Firstly, the specific context which gave rise to political foundations in Europe does not match the challenges of the region. Following World War II, political parties in the West and in Germany specifically, arose as a product of industrialization and class conflict. In contrast, political parties in the Balkans have their roots either in the national liberation movements of the nineteenth century or in the Yugoslav communist movement, which although it managed to overcome national divisions and nationalism to a certain extent, transformed itself after the war into a single-party dictatorship. As a result, political parties in the Balkans are in the beginning stages of developing into parties with coherent political values and clear ideological worldviews. The impression is that political parties, in the present situation, are more a reflection of deeply divided societies than a factor for integration across ethnic lines of division.

In order to critically assess the strengths and weaknesses related to the ability of a certain model to be transferred into another context, the classical German model of foundations will be presented in a summarized way. The classical German model was selected since this model developed not primarily as a tool of foreign policy, but as a mechanism for internal democratization which succeeded in transforming a dictatorship into a vibrant, functioning democracy.

Additionally, the developing European model, of political foundations functioning on a European level, provides a great opportunity for politically affiliated organizations or political foundations in Western Balkan countries to gain experience and support from their sister organizations from EU countries and foundations functioning at the EU level.

The classical German model of political foundations rests on the system of non-state organizations, that have a similar legal basis as CSOs but are also, as German foundation Heinrich Böll Stiftung explains:

“important actors in the political system in the Federal Republic even though they do not strive directly for ‘power’ in parliaments and governments and also they should not strive for it. Their tasks are diverse: political education through seminars; scientific political advising; student support through scholarships; foreign political support for development projects; and, support of mutual understanding among nations”.<sup>9</sup>

As already described, the German political foundations in their “Common Statement” enumerate their most important tasks, and these are: political education and citizen involvement; support for science, political research and advising; research of the historical development of the parties; providing educational and research scholarships for youth; providing information and organizing international meetings that support European unification and the mutual understanding of peoples; and development programs and projects that help to build free, democratic institutions which support rule of law and rule of law structures.<sup>10</sup>

The legal basis for the functioning, and especially for the state funding, of political foundations was disputed in the early decades of the German political foundations. Although their political work and political tasks in the country and in the international realm were largely supported by the public, state funding and the constitutionality and legality were often disputed. Foundations often justify the constitutionality and legality of their work by quoting a famous 1986 decision of

9 Sacksofsky, Ute (in:) Die Steuerung und Finanzierung Politischer Stiftungen, Eine Dokumentation zweier Veranstaltungen in der Heinrich Böll Stiftung, Heinrich Böll Stiftung, 2009, p. 28, [https://www.boell.de/sites/default/files/TXT\\_20110801\\_Stiftungsreader.pdf](https://www.boell.de/sites/default/files/TXT_20110801_Stiftungsreader.pdf), (last accessed on: 31.8.2016)

10 Gemeinsame Erklärung, [http://www.hss.de/fileadmin/migration/downloads/gemeinsame\\_erklaerung.pdf](http://www.hss.de/fileadmin/migration/downloads/gemeinsame_erklaerung.pdf) (last accessed on: 6.4.2017).

the Constitutional Court of the Federation of Germany that states, “state support of scientific political advising, also through general grants as for political foundations, is in the public interest and does not cause, in general, constitutional concerns.”<sup>11</sup> Additionally, the Constitutional Court used the argument that the work of political foundations does not rest on the legal provisions of the Law on Political Parties and that the task of political foundations is to provide all citizens with discussions on political issues.<sup>12</sup>

Regarding state funding, political foundations receive annual general grants and project grants from the federal budget of Germany. The formula to calculate the specific amount for each of the foundations depends on the number of votes received by the political parties with which they are affiliated during the parliamentary elections, specifically the so-called second vote or vote for the political party in Germany’s dual election system. Even when receiving general grants, foundations must spend the general grant according to the approved budget lines. Part of the general grants serves to cover institutional costs, and part covers financing the projects and activities. However, the institutional grant does not interfere with the type and content of programing, implemented by the foundations. Project grants are more specific and are directed toward implementing a defined project. Project grants are allocated after a positive evaluation of the project applications and do not depend on the electoral success of the political parties with which the foundations are “affiliated.” Financial control of the work of political foundations is quite strict, and the task for financial control is assigned to the Federal Ministry of Internal Affairs and the State Audit Office.<sup>13</sup>

The political foundations in Germany are: the Friedrich Ebert Foundation (FES)<sup>14</sup>, affiliated with the German Social Democratic Party (SPD); the Konrad Adenauer Foundation (KAS)<sup>15</sup>, affiliated with the Christian Democratic Union (CDU); the Hans Seidel Foundation (HSS)<sup>16</sup>, affiliated with the Christian Social Union (CSU); the Heinrich Boell Foundation (HBS)<sup>17</sup>, affiliated with the Green Party (Bündnis 90/Die Grünen); the Rosa Luxemburg Foundation (RLS)<sup>18</sup>, affiliated with the Left Party (Die Linke); and the Friedrich Naumann Foundation (FNS)<sup>19</sup>, affiliated with the Free Democratic Party (FDP).

As previously stated, the political foundations at the European level are established and function according to the *Regulation (EC) No. 2004/2003 of the European Parliament and of the Council from 4 November, 2003, as amended by Regulation (EC) No. 1524/2007 of the European Parliament and of the Council of 18 December, 2007*. Their work, as defined by the Regulation, focuses on:

“observing, analyzing and contributing to the debate on European public policy issues on the process of European integration, developing activities linked to European public policy issues, such as organizing and supporting seminars, training, conferences and studies on such issues between relevant stakeholders, including youth organizations and other representatives of civil society, developing cooperation with entities of the same kind in order to promote democracy, and serving as a framework for national political foundations, academics and other relevant actors to work together at European level.”<sup>20</sup>

11 Urteil “Parteinaher Stiftungen” des Bundesverfassungsgerichts vom 1986, BVerfGE 73,1,38, <http://www.servat.unibe.ch/dfr/bv073001.html> (last accessed on: 6.4.2017).

12 Urteil “Parteinaher Stiftungen” des Bundesverfassungsgerichts vom 1986, BVerfGE 73,1,38, <http://www.servat.unibe.ch/dfr/bv073001.html> (last accessed on: 6.4.2017).

13 Gemeinsame Erklärung, [http://www.hss.de/fileadmin/migration/downloads/gemeinsame\\_erklaerung.pdf](http://www.hss.de/fileadmin/migration/downloads/gemeinsame_erklaerung.pdf) (last accessed on: 6.4.2017)

14 Friedrich Ebert Stiftung, <http://www.fes.de/de/> (last accessed on: 30.8.2016).

15 Konrad Adenauer Stiftung, <http://www.kas.de/> (last accessed on: 30.8.2016).

16 Hans Seidel Stiftung, <http://hss.de/> (last accessed on: 30.8.2016).

17 Heinrich Böll Stiftung, <https://www.boell.de/> (last accessed on: 30.8.2016).

18 Rosa Luxemburg Stiftung, <http://www.rosaluxemburgstiftung.de/> (last accessed on: 30.8.2016).

19 Friedrich Naumann Stiftung, <https://www.freiheit.org/> (last accessed on: 30.8.2016).

20 Regulation (EC) No. 2004/2003 of the European Parliament and of the Council of 4 November 2003 on the regulations governing political parties at European Level and the rules regarding their funding, (OJ L 297,15.11.2003).

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2003R2004:20071227:EN:PDF> (last accessed on: 6.4.2017).

If the tasks are summarized, one may conclude that the main tasks of the political foundations at the European level are policy development through inclusive political dialogue among different stakeholders and support for the process of European integration.

The most prominent political foundations at the European level are: the Wilfried Martens Center for European Studies (Martens Centre)<sup>21</sup>, affiliated with the European People’s Party (EPP); the Foundation for European Progressive Studies (FEPS)<sup>22</sup>, affiliated with the Party of European Socialists (PES); the European Liberal Forum (ELF)<sup>23</sup>, affiliated with the Alliance of Liberals and Democrats for Europe (ALDE); the Green European Foundation (GEF)<sup>24</sup>, affiliated with the European Green Party (EGP), among several others.

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21 Wilfried Martens Centre for European Studies, <http://www.martenscentre.eu/> (last accessed on: 30.8.2016).

22 Foundation for European Progressive Studies, <http://www.feps-europe.eu/en/> (last accessed on: 30.8.2016).

23 European Liberal Forum, <http://www.liberalforum.eu/> (last accessed on: 30.8.2016).

24 Green European Foundation, <http://gef.eu/de/> (last accessed on: 30.8.2016).

### 3. STATE OF PLAY: POLITICAL FOUNDATIONS IN THE WESTERN BALKANS AND SLOVENIA<sup>25</sup>

#### 3.1 Legal Basis

Characteristic of all countries included in this research, is that there is no specific legal framework for political foundations rather, interviewed organizations use different legal bases. Primarily, they are established under the national laws on associations, including: Progress Institute; New Society; Center for Modern Skills; New Initiatives Center. The only organization registered as a foundation in the region is the Croatian Statehood Foundation. In Slovenia only, there are three main laws regulating the establishment and operation of civil society organizations: the Law on Societies; the Law on Institutes; and the Law on Foundations. Thus, in Slovenia there are Novum Institute, Institute Joze Pucnik and Institute dr. Janeza Evangelista Kreka.

This situation is problematic in several respects. The lack of specific rules and criteria regarding operation, funding, legal protocols and external relations of entities that are linked to or affiliated with political parties raises many questions, doubts and concerns. Firstly, it is questionable to put civil society organizations dealing with issues such as human rights, the environment, youth or marginalized groups in the same basket with those who have close relations with political parties. This is particularly dangerous when it comes to state funding provided to CSOs, especially when in competition for public funds. Organizations linked with political parties may be seen to have a political advantage. For example, in Serbia the New Conservative Democracy, a G-17 Plus-affiliated NGO, received funds from the Ministry of Youth and Sports through a public call, regardless of any background in that field; the Minister of Youth and Sports was appointed by G-17 Plus.

<sup>25</sup> The study was based on cross-national interviews with representatives of selected civil society organizations, which operate as political foundations that were done in several Balkan countries: Macedonia, Serbia, Bosnia and Herzegovina, Croatia and Slovenia, in 2014/2015. The following organizations took part in the study: Progress Institute for Social Democracy (Macedonia), Center of Modern Skills (Serbia), New Initiatives Center (B&H), Forum of the Left Initiative (B&H), the Croatian Statehood Foundation (Croatia), New Society (Croatia) and NOVUM – Institute for Strategic and Applicable Research (Slovenia). Included also were Institute Joze Pucnik (Slovenia) and Institute dr. Janeza Evangelista Kreka (Slovenia), but they failed to respond timely. Their inputs will be included in the final report on this study. These organizations were selected based on criteria that included formal membership in one of the Europe-wide networks of political foundations (the Foundation for European Progressive Studies, the Wilfried Martens Centre for European Studies, the European Liberal Forum and the European Network of Political Foundations). Only Center of Modern Skills does not meet these criteria, but was selected as it is the only active organization in this field in Serbia.

Name of the organization and country	Party Affiliation	Ideology	Membership in European networks	Name of the interviewee and Position in the Foundation
New Society, Croatia	The Social Democratic Party of Croatia	Social democracy	ENOP FEPS	Karolina Leaković, Program Manager
Progres Institute for Social Democracy, Macedonia	The Social Democratic Union of Macedonia	Social democracy	FEPS	Aleksandar Spasov, Program Manager
New Initiatives Center, Bosnia and Herzegovina	SDA, HDZ 1990, HDZ B&H, PDP, SDS	Conservatism	The Wilfried Martens Centre for European Studies	Amer Obradović, Executive Director
Center of Modern Skills, Serbia	Democratic Party	Social democracy	/	Miloš Đajić, president of the Managing Board
Croatian Statehood Foundation, Croatia	Croatian Democratic Union	Conservatism	The Wilfried Martens Centre for European Studies. ENOP, EPPFI	Kristijan Sedak, Advisor
Forum of Left Initiative, Bosnia and Herzegovina	The Social Democratic Party of Bosnia and Herzegovina	Social democracy	FEPS	Miroslav Živanović, Director
NOVUM – Institute for strategic and applicable research, Slovenia	/	Liberalism	ENOP, ELF, LIPSEN	Sebastjan Pikel, Managing Director

Secondly, in the absence of a proper legal framework, such organizations will always carry a burden of being connected with a political party, which will raise many doubts among the public. This is obvious in a situation of declining trust in political parties, preventing aspiring political foundations from being more effective in communicating with citizens and relevant stakeholders and in pursuing their mission. Finally, without a specific law regulating the operations of organizations or foundations that are linked to or affiliated with political parties, there is potential for fraud and corruption, particularly in terms of channeling funds for party activities that otherwise they could not legally receive.

An important limitation that could prevent potential growth of the political foundations sector is a minimum capital requirement for registering a new foundation. There is no minimum initial capital amount required in Serbia, Slovenia, Kosovo, Montenegro and Croatia. In Bosnia and Herzegovina, the law requires an equivalent at least EUR 1,000, but there is no requirement to maintain the initial capital. In Croatia, the Law on Foundations proscribes that a foundation's basic capital should allow the foundation to carry out all activities related to its core purpose, and foundations are required to maintain the value of their basic property. In Albania, foundations are required to have enough initial funds to attain the goals for which they were established. In practice, the courts have accepted a minimum capital corresponding to approximately EUR 715. In Macedonia, the law requires initial capital of at least EUR 10,000, but there is no requirement to maintain this level. To conclude, it seems that a foundation's capital does not play an important role, since the majority of countries do not require a minimum capital amount or only require a relatively small amount, with the exception of Macedonia, where EUR 10,000 is required for the official registration of a foundation.

In Macedonia, the Law<sup>26</sup> has been passed recently, enabling internal party analytical centers to receive public funding. According to Aleksandar Spasov, from the Macedonian Progress Institute, this Law is an attempt by the governing party to obtain additional funding from the state budget rather than a genuine initiative to strengthen political parties and their research activities in the country.

What is also important to underline is the fact that the interviewed organizations and foundations more or less sought to replicate the model of German political foundations when they were established. While it is legitimate to replicate such a model, doing so in a significantly different legal context can create confusion if these differences are not considered. Interviewed organizations learned this during their work.

To conclude, carefully designed laws that will provide a meaningful framework and clear rules for operating political foundations in each country, are a necessary prerequisite for the further development of this sector.

### 3.2 Funding

The lack of a proper legal framework will also influence the financing of organizations linked with political parties, making it harder for them to diversify their sources of funding, broaden their range of activities, or professionalize their work.

The interviewed organizations are almost exclusively funded by foreign political foundations, primarily those from Germany and Sweden, and to a lesser extent, the Netherlands. Only the Croatian Statehood Foundation receives funds from the mother party, business and individuals. Organizations like the Center of Modern Skills and Progress Institute succeeded in building their capacities and financial credibility to become successful in proposal writing. Today, they are able to receive funding from other bilateral and multilateral donors, EU programs and development agencies for different activities. The Progress Institute from Macedonia developed its capacities to receive funding from EU programs that are highly demanding in terms of administration as well as from USAID through the Open Society Foundation.

<sup>26</sup> Zakon za partiski istraživačko-analitički centri, Official Gazette of Republic of Macedonia 13/2013 and 15/2015, available at: <http://pravda.gov.mk/documents/zakon%20za%20partiski%20istazuvacko-analiticki%20centri.pdf>, last retrieved: 7.2.2018.

In such situations, it is quite hard for interviewed organizations to step away from the donor-driven approach and to pursue their own agenda. Very often, what they perceived, beforehand will not match funding priorities of the international donor community, so they will be forced to adjust their activities to fit those priorities. This is particularly true for EU funds and foreign development agencies. Thus, political foundations in southeastern Europe (SEE) are sometimes forced to give up activities they believe are important, in favor of doing something that funding is available for.

German political foundations as well as many other organizations involved in working with political parties and political foundations do not transfer funds to their grantees, but pay for the costs of activities on a cost-reimbursement basis. In this way, their control over activities to be implemented is even more visible and significant. Also, they are generally unwilling to approve enough funds necessary for overhead costs, staff salaries, rent and running costs. For example, the Novum Institute from Slovenia and the New Society from Croatia do not have regular staff or permanent office space. Such a situation has an extremely negative influence on the overall sustainability of these organizations and foundations, thus limiting the possibilities for growth of organization, development of capacities and their professionalization.

Bearing in mind the absence of a strong philanthropic tradition in SEE, it is unlikely to expect, at least for the time being, that individuals will play a significant role in the funding of these organizations and foundations. This is also true for businesses, which CSOs' strategies target. It is also highly questionable whether businesses should be allowed to fund certain interests pursued by organizations that are closely connected to political parties.

Interviewed organizations do not have endowments, nor do they plan to build them. Only the Croatian Democratic Union has its own property: "a small house, the birthplace of the first Chairman of the HDZ and the first President of the Republic of Croatia, and a big school with a library and an exhibition place."

To conclude, the current legal framework also determines a funding framework for political foundations and organizations. The current funding framework in SEE is very unfavorable for further development of the political foundations sector. In being forced to rely almost exclusively on foreign funding, these organizations are limited in pursuing their own missions. Like in Germany, public funding seems to be common sense solution, but strict rules, wide legitimacy, and proper laws are necessary for allowing organizations and foundations linked to or affiliated with political parties to receive money from taxpayers, who generally have no trust in political processes and institutions.

### 3.3 Main Activities

The focus of almost all interviewed organizations and foundations is political education. What is important to underline is the fact that these foundations and organizations put a strong emphasis on ideological education, aiming to educate a broader range of party members on core values and principles that a party is standing for. This is a very important role for political foundations, bearing in mind that parties in SEE still struggle to shape their ideologies. The Forum of Left Initiative runs its Political School of Social Democracy, training young party members to further educate wider party membership.

Some of them also provide political skills training in addition, such as training in political management, marketing, public relations, campaigning etc. For example, the Centre of Modern Skills conducted more than 100 trainings for the Democratic Party, helping it to build its capacities and empower its members. Further, political foundations are excellent training grounds for individuals that could be future party leaders.

Policy development and research is also represented in the activities of these organizations and foundations. As political parties in SEE generally have underdeveloped in-house capacities for policy development, this role of political foundations is extremely important. For example, the Progress Institute provides resources for policy development and research to the Social Democratic Union of Macedonia, coordinating all activities in this area with the party. The Forum of Left Initiative established the Team for Policy Development that also assists the Social Democratic Party of Bosnia and Herzegovina (SDP BiH) to establish own policy infrastructure.

It is worthwhile to mention that few interviewed organizations succeeded in establishing regular program activities. The Croatian Statehood Foundations, the Progress Institute and New Society regularly implement their Political Academy workshops. New Society also organizes 'Politics to Women' and 'Feminism for All' programs. Generations of participants have gone through these programs, creating valuable benefit for affiliated parties.

A few organizations and foundations, such as Novum Institute, Centre of Modern Skills, Progres Institute and New Society, are also involved in advocacy work and awareness-raising campaigns. Apart from Progress Institute, which regularly publishes its policy brief documents, no other interviewed organizations have regular publications.

### 3.4 Internal Controls

Interviewed organizations and foundations identified room to improve transparency and accountability in their work. This is particularly important bearing in mind citizens' mistrust of political processes and parties and a need to justify public funding of political foundations if new laws on political foundations are to be developed and adopted in SEE countries.

These foundations and organizations need to codify their policies and procedures (P&P) in writing and enforce them in practice. Interviewed organizations and foundations should publish relevant details, including the amounts provided by donors, their annual reports and their audit reports. In a nutshell, they need to do everything in their power in order to build trust among citizens and strengthen relations with stakeholders.

### 3.5 Structural Relationships between Foundation and Party

This is a very complex and important category. What can be concluded from this study is that the existence or lack of support from a party's leadership will mostly determine the quality of the relationship between a foundation and a party. The Croatian Statehood Foundation was founded by the Croatian Democratic Union, and the party's Central Committee appoints members of the foundation's Board. So the Chairman of the Foundation's Board is automatically a member of the party's Central Committee. What is very important is that in the Statute there is an article about the founder and foundation's obligations.

The situation is quite different when it comes to other organizations and foundations that took part in this study. In some cases, the mother party initially participated in the establishment of a new legal entity, but later this entity became more or less independent from the party, both in terms of decision-making and the party's representation in its structures.

In some cases (e.g. Novum Institute and the Centre of Modern Skills), the relationship between an organization or foundation and a mother party is rather loose. A particularly extreme example is the Novum Institute, which still claims to stand for the liberal ideology (social – liberal or green), without being affiliated with a political party, as both liberal parties in Slovenia dissolved after bitter election defeats. In such situations, it is very hard for a political foundation to pursue its mission. Often, it will be tempted to depart from the original mission and goals and to start implementing other activities. The Novum Institute is quite involved in the field of social entrepreneurship today, dealing with new economic models, while the Centre of Modern Skills has focused more and more on parliament and entrepreneurship. The Centre implemented numerous trainings for the Democratic Party, developed a number of policy documents and assisted the party in international cooperation. However, it seems that the new party leadership does not perceive the Centre to be a relevant partner. In both cases, there was no document (Memorandum of Understanding, statute etc.) that would govern the relations between the party and the affiliated organization. Having no written rules governing this relationship is very dangerous, as relying exclusively on personal relations (as the Centre of Modern Skills did) could easily undermine efforts by a foundation to provide continual assistance to a mother party. In SEE, due to political culture and tradition, there are number of cases in which internal party conflicts, which are not rare, caused a split within a party. Thus, it is of key importance to regulate relations between a party and an affiliated organization through a written

document. Besides the Croatian Statehood Foundation, which is institutionally linked to HDZ, and the Forum of Left Initiative, which has an MoU signed with SDP BiH forums, no other interviewed organizations has written rules governing the relations between the party and the foundation.

In other cases, organizations and foundations such as the Progress Institute and the Forum of Left Initiative remained linked to their parties, without significant overlaps at the staff or leadership levels. Such a position is very good, as it enables foundations to effectively implement activities and provide assistance to a party, as well as take critical standpoints towards the party when needed.

### 3.6 Organizational Structure

Organizational structure varies from organization to organization, but in general each of them has a Governing Board (e.g. a Managing Board or a Board of Directors), a director or a president (who is sometimes a member of the governing board) and an Assembly, which is the highest decision-making body. Members of a Governing Board are elected by an Assembly. The Governing Board members work as volunteers. Only few interviewed organizations and foundations have such bodies as Supervisory Boards (Progress Institute and Centers of Modern Skills) or Political Councils, i.e. Advisory Boards (New Initiatives Center, Forum of Left Initiative, Novum Institute). Members of these boards are also volunteers.

Political Councils and Advisory Boards provide recommendations and decide on strategic directions.

### 3.7 Cooperation and Networking

This study confirmed that political foundations are very effective in penetrating 'deeper' into society, something that political parties in SEE are not able to do. Interviewed organizations demonstrated a remarkable ability to establish cooperation among a broad range of stakeholders, including individuals, groups, organizations and institutions. This type of social capital that they bring is just as important as political knowhow, policy expertise, trainings and other forms of assistance they bring to a mother party. The Progress Institute has developed cooperation with other think tanks from Macedonia as well as with local NGOs and organizations dealing with marginalized groups. New Society extensively cooperates with trade unions, women's organizations, and the academic community. The New Initiatives Center and the Croatian Statehood Foundation also have good relations with the academic community. The Croatian Statehood Foundation regularly cooperates with think tanks engaged in the field of economics. The Centre of Modern Skills is a member of a nationwide network of environmental organizations, but it also actively cooperates with the parliament. The Novum Institute made a step forward establishing close cooperation with entrepreneurs and start-ups. The Forum of Left Initiative is able to reach a wide range of civic groups and civil society organizations. The question is whether affiliated political parties recognize the huge importance of this social capital.

When it comes to cooperation and networking, interviewed foundations are equally successful in the international arena. We can freely say that they have almost equal shares in international cooperation as parties' international secretaries. For example, the Centre of Modern Skills proved to be catalyst for international cooperation within the Democratic Party. CMS established its first contacts with European political foundations because a former party international secretary did not see a benefit in such cooperation, considering these foundations to be irrelevant.

All interviewed organizations have developed networks of international partners with whom they are cooperating. These international partners are mainly like-minded organizations, political foundations of sister parties, and international organizations involved in democracy assistance, as well as European networks of political foundations.

Name	Legal basis	Activities	Funding
New Society	Citizens' Association	<ul style="list-style-type: none"> <li>• Political education 80%</li> <li>• Advocacy 20%</li> </ul>	Project-based funding: <ul style="list-style-type: none"> <li>- Foundation Jean-Jaurès,</li> <li>- Foundation Max van der Stoel,</li> <li>- FES</li> </ul>
Forum of Left Initiative	Citizens' Association	<ul style="list-style-type: none"> <li>• Political education</li> <li>• Policy development and research</li> </ul>	-FES, <ul style="list-style-type: none"> <li>- Olof Palme International Centre,</li> <li>- The Labour Party's International Democracy Program (Westminster Foundation for Democracy)</li> </ul>
NOVUM – Institute for strategic and applicable research	Institute	<ul style="list-style-type: none"> <li>• Education and political trainings</li> <li>• Policy development and research</li> <li>• Advocacy</li> <li>• Awareness-raising campaigns</li> <li>• International Cooperation</li> </ul>	Project-based funding: <ul style="list-style-type: none"> <li>- D66,</li> <li>- European Liberal Forum,</li> <li>- Friedrich Ebert Stiftung</li> </ul>
Progres Institute	Citizens' Association	<ul style="list-style-type: none"> <li>• Education and political trainings</li> <li>• Policy development and research</li> <li>• Advocacy</li> <li>• Awareness-raising campaigns</li> </ul>	Project-based funding: <ul style="list-style-type: none"> <li>- Olof Palme International Centre,</li> <li>- Foundation Max van der Stoel,</li> <li>- FES,</li> <li>- Kalevi Sorsa Foundation</li> <li>- The Labour Party's International Democracy Program and</li> <li>- European Commission</li> </ul>
Center of Modern Skills	Citizens' Association	<ul style="list-style-type: none"> <li>• Education and political trainings</li> <li>• Policy development and research</li> <li>• Advocacy</li> <li>• Awareness raising campaigns</li> </ul>	Project-based funding received from foreign donors.
New Initiatives Centre	Citizens' Association	<ul style="list-style-type: none"> <li>• Education 70%</li> <li>• Advocacy 30%</li> </ul>	Foreign donors: <ul style="list-style-type: none"> <li>- KAS,</li> <li>- Norwegian Conservative Party (Hoyre),</li> <li>- JHS,</li> <li>- Eduardo Frei Foundation,</li> <li>- Conservative Party WFD Program</li> </ul>
Croatian Statehood Foundation	Foundation	<ul style="list-style-type: none"> <li>• Education and political trainings</li> <li>• Policy development and research</li> </ul>	<ul style="list-style-type: none"> <li>- Mother Party 50%</li> <li>- Other foundations 30%</li> <li>- Businesses 15%</li> <li>- Individuals 5%</li> </ul>

## 4. CONCLUSIONS AND RECOMMENDATIONS

Political foundations have an important role in contemporary democratic and multiparty political systems. As already stated, there is not a single model and, by that, a definition of a political foundation. Still, the different national models in which political foundations operate have some common characteristics. First, they are involved in political education in its broadest sense. Political education starts from basic instructions for party members and activists within the foundations on the ideology and political values that the political parties stand for. These are the different *Weltanschauungen* (“worldviews”) of the parties regarding “preferred” political, economic and social systems. Political education continues with educating leaders on strategic issues in order to increase their knowledge and capacity to reach decisions and implement policies based on transparent consultation processes, inclusiveness where possible, a sense for the speeded development of society, and general societal diversification and multiple identities on the one side, and on the other side the increased interdependence of societies in the process of globalization. Finally, political education is an essential element of political dialogue and democratic education, since only educated and properly informed individuals can be involved in a dialogue aiming to find compromises and solutions and not to further deepen conflicts.

Second, political foundations are very often active in the development of policies and policy proposals in line with certain political values. Political pluralism rests on the existence of different values that are further legitimized through elections after which those who win the majority, implement the policies from their manifestos. This does not mean that there are no common values in a democratic society like the democratic and pluralistic system in and of itself, respect for human rights, and minimum social protections for everyone, or that the winners of the elections have no political obligations to take into consideration the aspirations of the minority when policies are formulated. Still, there are political choices that, on top of being well argued, fact-based and legitimate, have to be made. More or less state regulation in the economy, state-managed or predominantly privately managed social care, more competitiveness or more protection for workers in the labor market, and finally the “eternal” question, “How much state do we need?” are all issues of political choice rather than a result of exact “right or wrong answers” derived from scientific research. In that sense, policy development in line with certain political values is an essential supplement or added value to the “ideologically neutral” research in the social sciences.

Third, political foundations have significant experience and a relatively positive track record in international development and foreign aid. In a European context, they have played and continue to play a significant role in the process of European integration. This is especially important for political foundations operating on the EU level. On the one hand, they are a platform for cooperation among the national foundations of EU member countries; on the other hand, they offer political education and produce policies in favor of further European integration and by doing so are strengthening the European spirit. Finally, they are integrating and supporting their sister organizations in countries that are in the process of EU integration or are aspiring to become members or even countries in the EU neighborhood, and political foundations do this much more directly, more quickly, and in a way more effectively than EU institutions. In that sense, the role of political foundations in the democratization processes even before the end of the Cold War (Spain, Portugal and Greece after the fall of dictatorships in the late seventies and eighties of the twentieth century), but much more after 1989, shouldn’t be underestimated.

The described characteristics are a solid ground on which to build arguments in order to justify the existence of political foundations and, especially important for taxpayers, the allocation of public financial recourses or public funding of certain activities of the political foundations.

Political foundations are a specific type of non-state organization, which all share certain political values and play an intermediary role in linking society with political parties and politics in general. In other words, they politicize citizens, while at the same time “demystifying” politics and to some extent help to the de-partization of the societies. This role of political foundations is fundamental to developing democracies, which are often characterized by political parties that lack an

ideology based on social representation outside of nationalist or ethno-religious discourse, or clientelistic networks, domination by a charismatic leader, or parochialism in relations between party members and party leaders, or very often a combination of these characteristics. The existing malfunctioning of the multiparty system is, however, no justified argument to replace the multiparty system with a one-party system or even to abolish political parties. Parties cannot be replaced in a democratic society, but political parties also cannot be left on their own, simply because they are too important and too influential.

Knowing that, the most important function of political foundations is to contribute to the internal democratization of political parties in order for them to operate in a transparent and inclusive way. The internal democratization of political parties will help their members to have their say by actively taking part in the decision-making process, as well as “demystify” the work of the parties for citizens who do not have party affiliation and as a result may have increased interest in participation in political parties. This function may be described, also, as putting citizens and parties in a position of “egalitarian exchange of claims and opinions.”<sup>27</sup> This function is an essential priority in Western Balkan countries.

Next, political foundations may stabilize the democratic system by promoting and mediating political dialogue. In the countries of the Western Balkans, especially in countries like Macedonia, Bosnia and Herzegovina and Kosovo that suffer from severe ethnic and religious divisions, organized dialogue may channel reconciliation around the conflicts.

Third, as already mentioned, political foundations would fill an existing gap in policy development. By adding the ideologically oriented policy development, parties will benefit from strengthened ideological clarity, and citizens would have the opportunity to choose between substantial and just nominally alternative policies. The civil sector would also benefit since political foundations would bring added value to policy-oriented research, at least by raising awareness of the importance of the policy development process among political parties.

Finally, the work of political foundations may contribute to efforts to get more voters to make their political choices based on a rational assessment of alternatives, instead of on disinformation, ignorance and fear, or pressure by networks of dependencies.

The next important issue is the model or the framework in which political foundations would be established and would operate. The described German model of political foundations seems to be a solid base to build a model in Western Balkan countries. However, the German model must be modified and adapted to the specific circumstances in Western Balkan societies. The reasons to modify the model, in a summarized way, are the following:

1. The political parties in Macedonia, Bosnia and Herzegovina and Kosovo, and to lesser extent in Serbia and Montenegro, are *de facto* ethnically based.<sup>28</sup> There are positive tendencies in the main social democratic parties in Macedonia and Bosnia and Herzegovina that are slowly transforming them into multiethnic parties, but the process is in a nascent phase. Political parties of ethnic groups in Macedonia, even among Albanians who constitute a significant share of the total population, as well as parties of the smaller ethnic groups in Serbia, Montenegro and Kosovo, are in the very early stages of their development into programmatic parties with clear ideological orientations.
2. In Serbia and Montenegro, and to a lesser extent in Macedonia and Croatia, there is more than one party declaring itself to be social-democratic<sup>29</sup> or national conservative.<sup>30</sup> Some of them are not represented in parliament (which has an impact on their credibility), but this situation is also reflected in parliaments. The concept of “one party, one foundation” is not applicable in such a situation. On the contrary, by granting each parliamentary party a “right to a foundation” according to the number of seats, the principle of ideological and not party-driven organizations would be undermined. Furthermore, political party systems are

27 Buchtikova, L., Garkova, A., Haaze, J., Kakolyris, P., Kamel, A., Stanoeva, L., Reconnecting Europe with its Citizens – The Role of Political Foundations, A Policy Paper from the European Network of Political Foundations (ENOP), Brussels, 2015, p. 12

28 See more: Stojarová, V., Emerson, P. (ed.), Party Politics in the Western Balkans, Routledge, London and New York, 2010

29 Stojarová, V., Legacy of Communist and Socialist Parties in the Western Balkans [in:] Stojarová, V., Emerson, P. (ed.), Party Politics in the Western Balkans, Routledge, London and New York, 2010, p. 37–39

30 See more: Stojarová, V., Emerson, P. (ed.), Party Politics in the Western Balkans, Routledge, London and New York, 2010

far from being stable in Western Balkan countries. As a result, a number of parties with significant support in one election may not even succeed to surpass the election threshold to secure parliamentary seats in the very next elections. Political foundations should work on a longer term and not only from one election to the next.

3. The rule-of-law state, and especially the institutions assigned with tasks to combat the wide spread corruption, does not function properly in the countries of the Western Balkans (except in Croatia), so the proper allocation of state funds granted to political foundations cannot be guaranteed. In existing circumstances, where the financing of political parties is considered nontransparent and corruptive, as stated in the EU Progress Reports for Western Balkan countries, the granted funds may be used for other purposes different from those intended. The funds may end up as additional money for political campaigns or corruption.<sup>31</sup>
4. State funding of political foundations may face significant opposition among non-partisan citizens, CSOs, trade unions and companies. The reputation of political parties as non-transparent and corruptive organizations may affect the reputation of political foundations. In such cases, the work of the foundations would be damaged and their impact in the society would not have the intended effects.

Considering the stated reasons, and starting with the German model of political foundations as a framework for the organization and functioning of political foundations in the countries of the Western Balkans, the following recommendations should improve the quality and sustainability of the system if it is developed and implemented in the future:

1. Political foundations should be established as separate legal entities, different from CSOs and foundations in general. A legal framework for the establishment and functioning of political foundations could be added to the existing legislation on CSOs and foundations. However, bearing in mind the different organizational and functional characteristics of political foundations compared to CSOs, drafting a special law on political foundations in the form of a *lex specialis* seems to be a much better solution. By that, the new legislation will closely regulate political foundations, having in mind their specific characteristics, but where needed and possible the legal provisions of the legislation on CSOs and foundation, serving in this situation as *lex generalis*, will be applied. If an organization has the intention to work *de facto* as a political foundation (which is the present case in the countries of the Western Balkans), if such provisions are in force it will have to register itself as such an entity overtaking all duties, but also enjoying the privileges of the status. The proposed approach's major advantage is that it will avoid the development of a completely new and separate legal framework and on the other side will avoid situations in which inappropriate legal provisions for CSOs and foundations are applied. This balanced approach will avoid overregulation and by that will contribute to the clarity of the legal framework.

<sup>31</sup> Buying Influence: Money and Elections in the Balkans, Transparency International, 2013, [http://www.transparency.org/whatwedo/publication/buying\\_influence\\_money\\_and\\_elections\\_in\\_the\\_balkans](http://www.transparency.org/whatwedo/publication/buying_influence_money_and_elections_in_the_balkans), p.2-3 (last accessed on: 6.4.2017).

2. Political education should be added as a policy priority of the governments of Western Balkan countries. In order to transform the declaration into effective policy, it should be followed by the re-organization of the state apparatus. This re-organization should be done in a direction that would lead towards efficient management of public funding for political foundations, including specific procedures for evaluating and approving submitted projects, oversight of project implementation, management of finances in projects that are covered by public funds, development of programs for political education in schools, and networking and encouraging cooperation among political foundations.
3. The activities of the political foundations should be based on value- and policy-oriented political education whenever possible on an advanced level. Skills-oriented political education (especially in political management like the internal organization of political parties, campaigning, recruiting members, etc. and public relations and political marketing except activities that are oriented toward the development of strategies for effective public relations and party management) should be the task of parties' internal education and training centers. Without underestimating the importance of such education and capacity-building, one may conclude that the division of tasks will contribute to the quality of the work of the political foundations and will strengthen their autonomy towards the political parties.
4. Political foundations should especially pay attention to activities that lead to inclusive political dialogue in the process of developing policies. In that sense, foundations should be oriented toward organizing thematic conferences, working groups and expert meetings with different stakeholders. By that, they will play an effective role in bridging the gap between political parties and the rest of society and will contribute towards de-escalating political conflicts that have escalated in the last half-decade in all Western Balkan countries.
5. All activities of political foundations should be transparent, and most of them should be open for participation. The selection of participants, where needed, should follow open calls and should be based on clear and transparent criteria. Furthermore, political foundations should make their best efforts to reach all stakeholders and stimulate a dialogue across party lines of divisions.
6. The state funding of political foundations should be projects-based. Although one of the criteria for funding should be the number of parliament seats of the political party or parties that share same ideological values with the foundations, there should still be “reserved finances” that will be automatically transferred to the foundations. In order to avoid “party foundations,” one of the criteria for state funding besides project applications and positive evaluations of the applications should be signed mutual agreements for cooperation with political parties that share the same ideological values.
7. The financial management of political foundations, at least for state funding, should be supervised by a government institution in charge of public funding and additionally by an independent supervisor from the government. The most acceptable institutions for that purpose are the state audit offices. Proposed oversight will lead toward greater transparency in the work of political foundations and will effectively prevent the misuse of state funds.

## » EXECUTIVE RECOMMENDATIONS

1. The work of political foundations contributes toward strengthening democracy, political pluralism and societal dialogue. The countries of the Western Balkans should adopt the concept of political foundations, using the German model of political foundations as a framework, while amending and adapting it according to the specific characteristics of their political systems and societies and their needs.
2. Political foundations should be established as separate legal entities following special legislation that will regulate their establishment and functioning.
3. Political education should be added as a policy priority for the governments of Western Balkan countries. Procedures for the efficient management of public funding for political foundations should be developed.
4. Political foundations should be oriented toward activities that will provide value-oriented political education on an advanced level, organizing policy conferences that aim to strengthen political dialogue in the policy development process, and the developing strategies for public relations and political management. The activities should be transparent and the selection of participants as inclusive as possible.
5. State funding for political foundations should be project-based following submission of project proposals and positive evaluations. There should not be “reserved finances” that will be automatically transferred to foundations. In order to avoid “party foundations,” one of the criteria for state funding besides project applications and positive evaluations of the applications should be signed mutual agreements for cooperation with political parties that share the same ideological values.
6. The financial management of the political foundations, at least for state funding, should be supervised by a government institution in charge of public funding and additionally by an independent supervisor from the government.

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