

# The Financial Aspect of Non-Governmental Organisations – The Case of Slovenia

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## ABSTRACT

**Purpose:** As part of the third sector, non-governmental organisations have become an important factor in the public life of modern countries. This emerging wave can be noticed especially in South-East Europe during the transition period. In this context, the aim of the paper is to analyse the financial aspect of the NGOs' business model, exposing cumulative data for Slovenia for the past eleven years.

**Design/Methodology/Approach:** Based on the financial data obtained, the paper reveals the structure of financing of Slovenian NGOs in total amounts, as well as the trends of change for specific categories. Using descriptive methodology, it focuses mainly on the dissection of funds acquired from public finances.

**Findings:** The results show that in 2019, Slovenian NGOs recorded almost EUR 1 billion of total revenues after increasing rapidly over the entire period under consideration (2009–2019). As far as the funds acquired from public finances are concerned, the amounts were higher at governmental level where funds are provided by ministries than at the local level that receives funds from municipalities, which had not been the case before 2019.

**Practical implications:** The challenge for further research is an in-depth study of Slovenian NGOs' financial strategy focusing on bidirectional financing as well as an analysis of public services currently provided by NGOs compared to services needed in the future.

**Originality/value:** The paper is a pioneer attempt to analyse the financing of NGOs in Slovenia.

*Keywords:* financing, non-governmental organizations (NGO), public funds, private funds

*JEL:* M16

## 1 Introduction

The third sector, or the non-governmental organisations (NGOs), has famously been deemed a »loose and baggy monster« (Kendall and Knapp, 1995). It presents entities with its own type of social form and practical logic. Those entities (organisations) are established "by people on a voluntary basis to pursue social or community goals" (Ridley-Duff and Bull, 2011).

The idea of the third sector remains under-theorised, especially compared to public administration and politics gathered at state theory on one hand, and economics as a market theory developer on the other. This sector is characterised by value-driven action and commitment from individuals operating within it, existing without coercion and sanctions (specific for public sector) or reward and remuneration (specific for private sector) (Corry, 2010). In practice, it presents very different organisations (like charities, non-governmental organisations, self-help groups, social enterprises, clubs, etc.), whose main characteristics are non-state, non-market, non-private/informal, independent, and civil society oriented.

There are big differences in how NGOs have been established, what are their functions and features, as well as differences in relations with the public sector between the USA and European countries. Starting from the institutional perspective and factors, in the USA, the primary role is on the federal and sub-federal institutions, while in Europe, the focus is on EU-wide and national institutions. Additionally, this federal structure in the USA diffuses the opportunities for political policy influencing, while the situation is much different in Europe, where movement of policy-making has shifted from national to European regional level. In many, especially Western European countries, interest groups have a formal, institutionalised place in policy-making. For reasons arising from history (Italy), economic efficiency (Germany), or social peace (Austria), those European countries regularly include business, labour, and other interested groups in the social dialogue. Besides institutional, the cultural differences can also be observed. The individualism and important role of religion has determined the NGOs role in the USA, while in Europe, religious beliefs are largely separate from NGOs' activities (Doh and Guay, 2006).

In Slovenia, the legal basis for operations of NGOs consists of several legal sources, mostly laws. The fundamental ones are the Non-Governmental Organisations Act and the Rules on the criteria determining the significant achievements of an NGO in order to be granted the status of an NGO operating in the public interest, which determines the conditions for obtaining the status of NGO in the public interest. Such a status (among other issues) enables NGOs to compete to be listed for 1% of personal income tax of citizens. Most of the NGOs' financing arises from indirect financing through public tenders and public calls, although there are few cases in which direct financing is provided. The Slovenian Red Cross Act sets the rules for the performance of humanitarian activities at state level as a public power of attorney, and provides the direct financing from public funds. A similar situation is in the field of firefighting (Firefighting Act). Besides that, some of those laws gather prof-

itable and non-profitable organisations, and even private and public organisations. Based on that fact, NGOs in Slovenia can be registered as societies, institutions/foundations, private institutes, housing and other cooperatives, religious organisations, etc. The first three forms are the most frequent. One of the most general findings regarding NGOs in Slovenia is that several are inactive, and several operate according to members' interests and not in the general public interest. The majority are established at local level, focusing mainly on sports-recreational, cultural-artistic, and fire-fighting associations, which together represent around 60% of all NGOs (Rončević, 2001). Foundations, private institutions, and religious organisations operate mainly in the fields of education and culture (Črnak-Meglič, 2000, pp. 156).

The management of NGOs is facing several, almost unsolvable problems, such as low financial resources, messy tax rules, expensive loans, etc. Those difficulties in the organisation and management of organisations forces them to combine multiple functions and services for one person, while several rely on volunteer work, which cannot reach the level of professionalism (in terms scope, intensity, quality and responsibility), compared to the private sector.

All of the above-mentioned facts about NGOs in Slovenia have been the motivation for this paper, which focuses mainly on the financial challenges of the Slovenian third sector. It explores the structure of public resources of financing (revenues) in the last 10 years, according to the data obtained. The main research question, however, is about the total amount and the structure of revenues of Slovenian NGOs obtained from public resources, as well as the trend of changes during the period 2009 -2019. Since the period includes the economic and financial crisis that influenced the public and private sector, as well as all aspects of social life in Slovenia, our hypothesis assumes that the trend of public financing has been influenced during that period.

The paper is divided into five chapters. After the introductory part, the second chapter is dedicated to a literature review of the financial structure of the non-governmental organisations area. In the third chapter, the review of NGOs in Slovenia is presented, while the methodology and the results are revealed in the fourth chapter. The fifth chapter covers the discussion part of the paper, and sixth is dedicated to the conclusion.

## **2 Financial structure of non-governmental organisations – literature review**

The third sector, as a new subject of social policy, has gone through exponential growth in the last 40 years. Changing economic and political conditions caused the enormous increase in the number and types of organisation in this sector in the 1970s in over 60 countries worldwide. This growing trend has also reflected in the prevailing governmental funding of non-profit organisations. In the USA, governmental funding at all levels tripled in the 1980s, while traditional philanthropic sources have dropped from 18% to 11% (Salamon, 1993). Almost simultaneously, the process of privatisation and commerciali-

sation occurred in fields dominated by non-profits, which has reflected in increasing competition and declining governmental support (Kramer, 2000).

This trend of multiplicity of NGOs has continued in recent years, due to the end of the Cold War and changes in many political regimes, fast-growing technologies, the increase in resources, professionalisation and jobs available in this sector, public awareness about global problems due to mass media, and changes in economic and political ideologies (Amagoh, 2015). In the past, civil society, which is the main idea of NGOs' existence, has been closely related to the state itself, and the political society that governed and ordered society. In today's bureaucratic logic of the state on one hand, and the depersonalised force of global markets on the other, they are incompatible with the renewed concept of a civil society (Corry, 2010). The diversity of the NGO sector is visible not only between European countries, but even within regions of those countries. The development of NGOs, also known as "associational revolution" (Salamon, 1994), has been especially visible in Central and Eastern Europe (CEE), after the revolution in 1989. NGOs, seen as an indispensable component of a healthy, functioning, modern democracy, were provided financial and technical support, aimed at helping those countries on their way to EU membership. Unfortunately, this help has started to dry up in recent years, challenging NGOs in the CEE region to achieve a sustainable social position (Toepler and Salamon, 2003; Koncz, 2005).

For any organisation, funding is the crucial process of the survival of the economy. According to the theory of dependence on resources, it presents the ability of the organisation to procure and maintain resources (Froelich, 1999). Traditionally, NGOs have problems with scarce sources of financial resources. Few NGOs have truly independent sources of income for constant and sufficient survival or even life. They are forced to weigh several factors when choosing their sources of funding: legitimacy, independence, correlation with their mission, sustainability, financial sustainability, and many others. Grønberg and Clerkin, 2003 revealed that "securing funding" was ranked as the first and most important challenge NGOs are facing.

Growing competition puts a large number of NGOs in a position to reconsider their dependence on traditional sources of funding, and to accept that the chances of getting a grant has decreased significantly and will further reduce as new organisations emerge. This led to situations where NGOs tried to get any sort of funding applied to any available programme, in order to increase their chances that at least a minimum number of projects receive funding (Ceptureanu et al., 2017).

The role of the financing function does not differ between for profit companies and non-profit organisations. NGOs are financed through a) public sources (public institutions; local or central) or private sources (individuals or private institutions/companies), and these resources can be (I) refundable or (II) non-refundable. Table 1 presents a classification of resources (Bibu et al., 2013).

Table 1: NGOs’ financing sources and resources typology

Types of non-refundable resources	Attracted resources		Self-generated resources
From private funds	From members: <ul style="list-style-type: none"> <li>• Grants</li> <li>• Sponsorship</li> <li>• Unconditional contribution (donation)</li> <li>• Membership fee</li> </ul>	From non-members: <ul style="list-style-type: none"> <li>• Grants</li> <li>• Sponsorship</li> <li>• Unconditional contribution (donation)</li> </ul>	Commercial activities
From public funds	Direct allocation: <ul style="list-style-type: none"> <li>• Grants</li> <li>• Subsidies</li> <li>• % of personal income tax</li> </ul>	Indirect allocation: <ul style="list-style-type: none"> <li>• Tax exemptions</li> </ul>	Commercial activities

Source: Bibu et al., 2013

In the last period, two interesting trends have occurred regarding the sustainable long-term survival, and the continuation of programmes and fulfilment of NGOs’ missions. The first trend can be described as the diversification of funding sources by choosing an optimal mix of resources, which should minimise risks and maximise revenues, while the second trend is observed as focusing on a single main source of funding to ensure long-term viability of the organisation (Ceptureanu et al., 2017).

The fact is that resource dependence can constrain NGO political activity. This would mean that governments have limited ability to ‘purchase’ civil society (Bexell et al., 2010; Dupuy et al., 2015). Politically active civil society groups need to be connected to the grassroots. Interest group scholars have identified group composition and internal decision-making as potential obstacles to reducing democratic deficits and improving the popular representation of NGOs (Steffek and Hahn, 2010; Saurugger, 2011). We find that the share of government funding in NGO budgets is negatively associated with lobbying expenditure (Bloodgood and Tremblay-Boire, 2017). While some authors have researched the financing structure of NGOs in specific countries (like Tkachuk and Shvets, 2020, Vašiček et al., 2019, Đorđević et al, 2019, Haltofová, 2011), a bibliometric analysis of the research on accounting transparency was also performed by Zhang et al., 2020.

The set of literature challenging NGOs’ financing in Slovenia is quite modest. There are few papers discussing different aspects of Slovenian NGO’s problematic, such as organisational, political and other issues (Bučar, 2012, Rodela et al., 2017, Zupančič and Pahor, 2016), but the financial aspect is poorly explored. Novak, 2019 revealed that despite the successful path of development of Slovenian environmental NGOs, non-professionalism and insufficient funding obstacles still remain. These shortfalls in financial resources are compensated by building coalitions, and networking with international organisations.

The study (Glaser, 2004) reveals that indirect donor support is seen as an optimal starting point for self-financing initiatives for South Eastern European networks, since these networks already possess the potential and knowledge which might be used to establish new revenue streams. Such networks may greatly benefit from a gradual switch to a diversified self-financing model.

### 3 NGOs in Slovenia

The development of NGOs in Slovenia goes back far into history, having its roots in the 7<sup>th</sup> and 8<sup>th</sup> centuries. After guilds, religious charities and foundations invented in the 14<sup>th</sup> century, organisations from which NGOs originate are the labour movements from the 19<sup>th</sup> century. The Right to Associate in Associations and Political Associations Act from 1867 represents the first legal regulation in this area.

The end of the Second World War and the arrival of the socialist system were marked by the decline of the activities of NGOs, as state regulations prevented the development of the non-governmental sector. In 1974, the enactment of Associations Act was meant to be the millstone of today's NGOs. Unfortunately, these organisations had not developed well, due to unstimulating support from the state. In the 1980s, a number of new social movements emerged (peace, ecology, human rights, spirituality, etc.), with some of the most active actors later moving into the political sphere, and some remaining at non-governmental level. In the field of non-governmental organisations, the period after Slovenia's independence meant the continuation of their development and strengthening (Kolarič et al., 2002).

The Slovenian NGOs can be divided into three groups according to different factors/connections. The first is the content which enables the horizontal connections. As far as content is concerned, there are the fire brigade association, the mountaineering association, the association of cultural organisations, the association of pensioners' organisations, the association of disability organisations, etc., bringing together organisations from the same or a very similar field of activity. Such associations are also the oldest and most numerous in Slovenia, and their number is growing from year to year. The horizontal connections are much more recent, becoming interesting in the last couple of years. The common factor of those is the legal form. The Union of Associations of Slovenia (ZDOS) gathers associations in different activities. The same goes for the Association of Slovenian Institutions (ZSU), the Community of Private Institutions (SKUP), and the Centre for Non-Governmental Organisations in Slovenia (CNVOS), which unites associations, as well as institutes and institutions, as it is a network which all Slovenian non-governmental organisations can be members of, regardless of their field of activity or legal form.

The second factor is the strength of their connection to umbrella associations and networks. The associations connect more firmly on a representative basis, while the operation of the networks is looser. Finally, the third factor is territorial. There are some connections among organisations from all over Slovenia,

while others only connect organisations from a certain area. According to this factor, there are national, regional, and local connections or networks (Mevlje and Kavčič, 2012). Nevertheless, the trend of NGOs' increase in the last couple of decades, has not changed the position of the public sector (state), which still has the primary role in the production of public goods and services in Slovenia. The NGOs only fill the gaps, and consequently play a marginal role, having problems with financing and voluntary work. However, all of those problems (low level of professionalisation, dependence on volunteers, and lack of resources) are typical for NGOs in the CEE region (Rojc Štremfelj et al., 2020).

An NGO in Slovenia is defined as an organisation that meets the following conditions (Non-Governmental Organisations Act, Article 2):

- Is a legal entity established under private law;
- it was established exclusively by a domestic or foreign person or legal entity governed by private law;
- is non-market oriented;
- is non-profitable;
- is independent from other entities;
- is not organised as a political party, church or other religious community, trade union or chamber.

In 2018, the status of a non-governmental organisation in the public interest was enacted as general status, regardless of the NGO's field of activity or legal status. The status may be obtained if the organisation's activities exceed the interests of its founders or its members, and if it is generally useful. The status can be granted in the field of culture, education, health care, social protection, family policy, development of democracy, protection against discrimination, protection of human rights, disability protection and humanitarian activities, equal opportunities for women and men, protection of the elderly, integrity in the country and civil society, consumer protection, etc. The organisation applying for the status must meet the following conditions (Non-Governmental Organisations Act, Article 6):

- its members are not legal entities established by public law;
- its activities are defined in a constitutive act;
- has been operating for at least two years prior to the application for status;
- must prove significant achievements in the field of the registered activity;
- has been funded by funds to perform activities in the public interest for at least two years prior to the submission of the application, and it has regularly implemented programmes, projects, or other activities to achieve the purpose and objectives in the public interest;
- has prepared at least a two-year programme of future activities in the field, which includes regular implementation of activities in the public interest;
- it has not been legally sanctioned for a serious tax offence, or an offence of a particularly serious nature, and has not been convicted of a criminal offence,

- it is not intertwined with any bankruptcy proceedings or liquidation proceedings.

In recent years, the number of NGOs has increased by around 500 per year. According to data, there were approximately 22,000 NGOs in 2012 and 27,000 of them in 2019. Among the 27,000 NGOs, 6,484 have obtained the status of being in the public interest. The profile analysis of those NGOs has revealed that 28% operate in protection against natural and other disasters, 26.5% in the sports area, 13.9% in the cultural area, 10% in agricultural, 4.2% in humanitarian activities, 3.6% in disability activities, while other businesses cover a very small percentage of all NGOs (Stražičar, 2020). Observing the number of financial reports submitted every year, it is well known that there are 3% of inactive NGOs. The structure according to the legal status of the NGOs is presented in Table 2.

**Table 2: The share of organisations in each legal status form in 2019 in Slovenia**

The legal status form of the NGO	Share (in %)
Association	86.93
Foundations	0.87
Institute	12.19

Source: CNVOS, 2021

NGOs include associations (which also includes data on branches of associations and youth councils), institutes (which also includes religious communities that have the status of a humanitarian organisation) and institutions. In Slovenia, the NGOs voluntarily associate within a central organisation called CNVOS (Centre of Non-Governmental Organisations in Slovenia), and 12 regional hubs offering a wide range of services to professional teams with many years of experience and many successful projects. The NGO sector employs just over 9,000 people, and over 2,000 volunteers are also engaged. More than half of all employees are employed in institutions, although they represent only 12.19% of all non-governmental organisations. Globally speaking, the idea of voluntary work inclusion in BDP has been in development since the EU Commission initiative, led by Stiglitz, confirms that BDP measurement should shift from measuring economic production to measuring people's well-being, since non-market activities such as household production accounts for 35% of conventionally measured BDP in France, 40% in Finland, and 30% in the USA (Stiglitz et al., 2013). An important indicator of the development of the NGOs is the share of the NGOs' revenues in relation to gross domestic product (GDP), and this share is around 2% every year. Another important indicator is the share of GDP allocated to non-governmental organisations, which explains how much the state engages NGOs in the services it provides. This share is approximately a little over 0.7% of GDP in the last 10 years.



## 4 Methodology and results

The methodology is based on financial and other data collection, available on the web. Most of the data has been collected from the CNVOS (Centre for information service, cooperation, and development of NGOs) website, which is the umbrella organisation of NGOs in Slovenia. The data used in our research was obtained for the period from 2009 to 2019. Due to the same uncertainties in data interpretation, the analysis started after some consultation with the CNVOS. The data was analysed and processed using Excel. In the analysis used, the data presented was cumulative for the whole population of NGOs in Slovenia, providing a comprehensive picture of the sector.

In the first step, the total amount of revenues obtained from public funds and private funds was obtained for each year during the period 2009-2019. Out of those, the share of each source was calculated, as well as the changes between the years during that period and the average values.

Table 3 also presents the total amount of revenues for each year during the mentioned period. In 2009, revenues reached the amount of a little over 702 thousand euros, while in 2019, the amount was almost 1 million euros, which represents a 40% increase in revenues. Nevertheless, the total amount of revenues has firmly and constantly risen, and the share of revenues obtained from public finance sources was more or less the same all the time. This public finance share was changing from 35% to 40%, while market and other (mostly grants, sponsorships, donations, etc.) sources were consequently moving from 65% to 60%. It is interesting to observe that total revenues have increased by 3.5% on average per year.

Table 3: The shares and amounts of revenues of Slovenian NGOs during the period 2009–2019

Year	% of revenues from public funds in total revenues	% of market and non-market (other) revenues in total revenues	The total revenues of NGOs	Change of total revenues compared to year before (in %)
2009	39	61	702.769.807,00 €	
2010	40	60	735.719.810,00 €	4,69%
2011	39	61	746.808.517,00 €	1,51%
2012	39	61	748.973.576,00 €	0,29%
2013	39	61	742.700.234,00 €	-0,84%
2014	38	62	762.205.732,00 €	2,63%
2015	36	64	782.952.395,00 €	2,72%
2016	35	65	801.936.978,00 €	2,42%
2017	36	64	873.419.927,00 €	8,91%
2018	36	64	917.973.611,00 €	5,10%
2019	38	62	986.687.883,00 €	7,49%
Average	37,73	62,27		3,49%

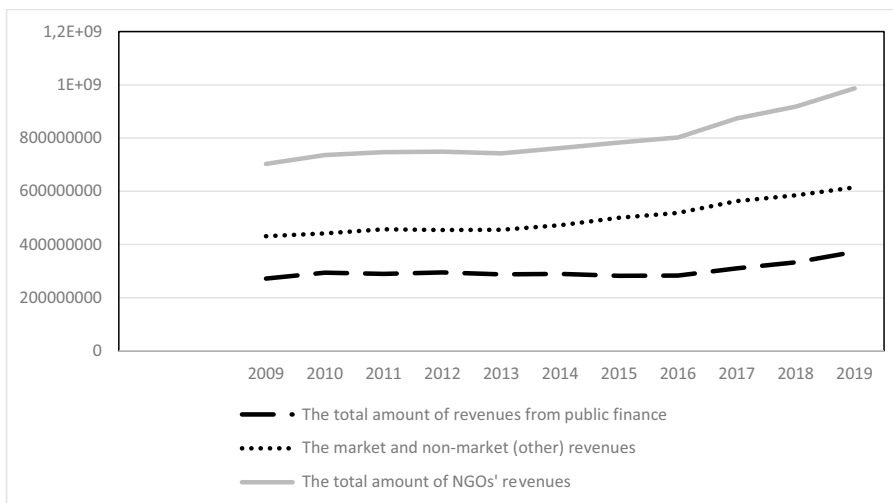
Source: CNVOS, own

The results revealed that total revenues of Slovenian NGOs were rising during the period from 2009 to 2019, with the exception of 2013, when the total revenues decreased by 0.84% compared to 2012. The reason for the negative change might be observed from an economic and financial crisis perspective,

since the BDP fell by -2.5% in 2012 and -1% in 2013. The largest rise occurred in 2010 (4.69%), compared to 2009, and then again in 2017 (8.91%), compared to 2016. The average rise in total revenues was 3.49% per year during the mentioned period.

Graph 1 presents the trend of total revenues, revenues obtained from public finance and revenues earned on market or acquired from other sources. It can be observed that market and other sources revenues were increasing quite rapidly, especially after 2014, while public finance sources were more constant.

**Graph 1: The trend movement of the NGOs' revenues during the period 2009–2019**



Source: CNVOS, own

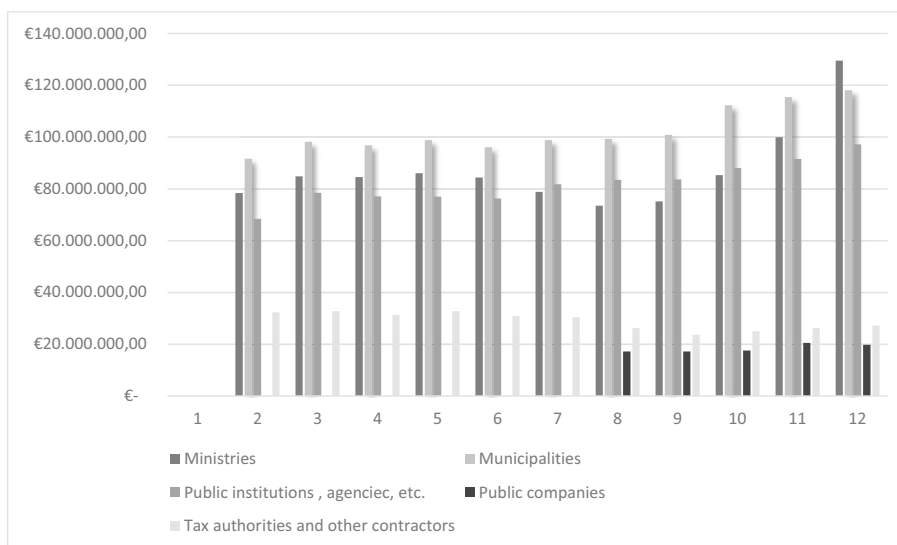
The resources from the public (finance) sector were constant, slightly increasing from 2017. As we were interested in the structure of those revenues, Table 4 presents the amounts of each specific public source, as well as the percentage change in each source for every year. The results revealed that the biggest changes occurred on the ministries' side, so that a 30% increase was achieved in 2019. Additionally, a significant (16.58%) increase in revenues happened in 2018, with revenues received from the public company's side. The revenues from the tax authority and other contractors were quite unstable during the observed period, expressing a 13.52% decrease in 2015, and a 9.76% decrease the year after. Other contractors supporting NGOs from Table 4 are the Foundation for the Financing of Humanitarian and Disability Organisations (FIHO) and the Foundation for the Financing of Sports Organisations in the Republic of Slovenia (FŠO).

Table 4: Revenues (absolute numbers and percentage change) obtained from the public (finance) sector during the period 2009–2019

	Ministries	Changes in revenues_ministries (in %)	Municipalities	Changes in revenues_municipalities (in %)	Public institutions, agencies, etc.	Changes in revenues_institutions, agencies (in %)	Public companies	Changes in revenues_public companies (in %)	Tax authorities and other contractors	Changes in revenues_Tax authorities and other contractors (in%)
2009	78.367.362,86 €		91.694.914,82 €		68.394.840,87 €		no data	- €	32.331.543,45 €	
2010	84.871.910,25 €	8,30	98.206.233,57 €	7,10	78.482.785,90 €	14,75	no data	- €	32.780.146,88 €	1,39
2011	84.538.571,89 €	-0,39	96.831.976,14 €	-1,40	77.106.110,36 €	-1,75	no data	- €	31.328.828,26 €	-4,43
2012	86.017.482,90 €	1,75	98.822.073,45 €	2,06	77.030.691,11 €	-0,10	no data	- €	32.787.421,03 €	4,66
2013	84.370.195,92 €	-1,92	96.082.334,24 €	-2,77	76.262.831,52 €	-1,00	no data	- €	30.849.221,88 €	-5,91
2014	78.850.839,90 €	-6,54	98.814.569,61 €	2,84	81.793.461,02 €	7,25	no data	- €	30.350.689,23 €	-1,62
2015	73.535.567,48 €	-6,74	99.325.864,48 €	0,52	83.451.529,18 €	2,03	17.237.578,49 €		26.248.359,94 €	-13,52
2016	75.165.646,06 €	2,22	100.911.512,39 €	1,60	83.642.376,54 €	0,23	17.237.578,49 €	0,00	23.685.244,09 €	-9,76
2017	85.260.689,57 €	13,43	112.328.563,22 €	11,31	88.068.700,57 €	5,29	17.598.909,77 €	2,10	25.050.156,95 €	5,76
2018	99.915.370,41 €	17,19	115.389.777,15 €	2,73	91.545.129,61 €	3,95	20.517.104,35 €	16,58	26.308.361,15 €	5,02
2019	129.490.338,09 €	29,60	118.145.248,13 €	2,39	97.196.556,32 €	6,17	19.827.725,11 €	-3,36	27.294.952,24 €	3,75

Source: CNVOS, own

Graph 2: Amounts of revenues obtained from specific resources belonging to public finance during the period 2009–2019



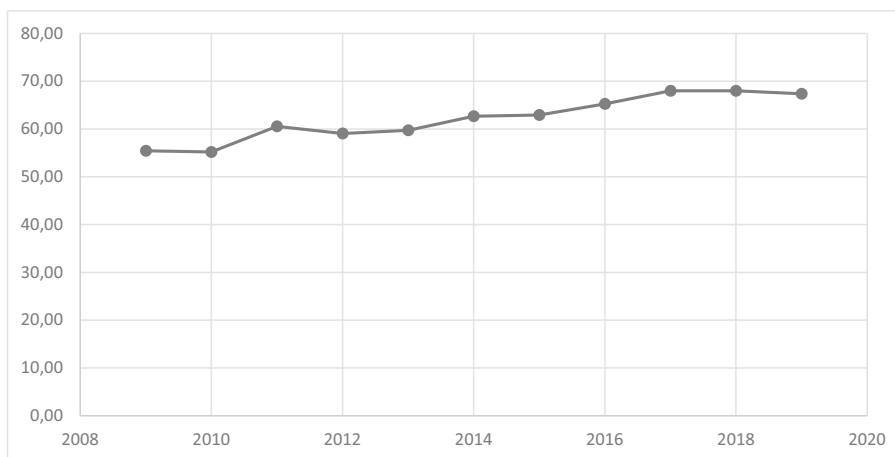
Source: CNVOS, own

Graph 2 reveals the proportions of NGOs’ revenues obtained from different organisations belonging to the public (finance) sector. Besides the ministries, municipalities, and public institutions, there are revenues from public companies (companies operating on a market basis, founded by central or local government). The data for public companies was available for the years 2015–2019. The results revealed the constant increase in this type of revenue. In 2019, out of 27,000 NGOs, 16.101 (almost 56%) received public funds, with Slovenian Red Cross at the top of the list with more than 6 million euros. 2,870 NGOs received funds from ministries (916 from the Ministry of Defence, 291 from the Ministry of Culture, 269 from the Ministry of Labour, Family, Social Affairs and Equal Opportunities, etc.), while at local level, 11,982 (almost 42%) individual NGOs received public funds from municipalities. The municipality of Ljubljana with 17.54 million euros, the municipality of Maribor with

5.74 million euros, and the municipality of Kranj with 2.77 million euros are at the top of the local financer list. Considering the 50 NGOs that received the highest amounts (from 6 to 1 million euros) of public funds in 2019, it has turned out that 20 operate in social security, 14 in disability protection, 13 in education, 10 in healthcare protection, 9 in humanitarian activities, 6 cultural activities, 4 sport, and 1 in scientific and research activities (Stražičar, 2020).

The revenues of NGOs obtained from the public funds (sector) can be observed through the criterion of “status of public interest”, defined in the Non-Governmental Organisations Act. The results of the observation of the revenues have revealed that more than half of the public funds were allocated to the NGOs with this status during the period 2009-2019. The share (percentage) has been changing, which is presented in Graph 3.

**Graph 3: The share of public funds allocated to NGOs having the status of an NGO in the public interest**



Source: CNVOS, 2021

## 5 Discussion

The sustainability of NGOs depends, among other factors, on financial stability, as they are primarily funded by fluctuating donations, government support, and fundraising efforts. For the majority of NGOs, which predominantly rely on volunteers or hired employees with minimal experience, financial management is a difficult task. Searching for calls to apply, potential donors, or writing project materials, are demanding fundraising operations. The strategy of fundraising allows an organisation to ensure a sustainable existence, and progress to follow the objective of becoming independent from the individual source of funds, and less sensitive to changes in funding. Furthermore, a firm revenue structure can be obtained by forming reserve funds to provide survival in difficult times (Vodlan, 2010). Such diversification of funds is inevitably for long-term survival, since relying on outside or single source is one of the biggest challenges encountered by NGOs.

As presented in the results, in 2019, NGOs in Slovenia achieved almost 1 billion euros of revenue, which were increasing rapidly during the whole observed period (2009-2019). Considering the structure of the funds, this year (2019), NGOs obtained more funds from ministries than from municipalities for the first time, although this financial source was on an ascending path for the last 3 years. Actually, the total public funds were constantly increasing from 2014, including the rising trend of revenues from public companies founded by central or local government. On the other hand, an explicit trend of market and non-market revenues rising in the last couple of years can be observed.

What might be the consequences and effects of the revenue structure of Slovenian NGOs in the last 11 years? The share of public funds financing has been stable, showing a very slight increase in market and non-market revenues. The financial source might influence NGOs' activities and agenda, which can be seen at national and international levels. NGOs operating at national level have increased their power to influence public opinion, and consequently political life, while the international NGOs have dramatically influenced the world's politics, being important actors in international relations. Their role is observed in public diplomacy, resulting in successful positioning of the country through the activity of public actors, like NGOs. They become "agents of influence" instead of "agents of loyalty" (Bokeriya, 2014; Radu, 2019).

Besides this, one of the most recent trends is also the convergence and blurring of lines between the sectors, resulting in the emergence of two contrasting perspectives. The dominant and prevailing one celebrates the rapid institutionalisation of the third sector as a primary partner with government in the delivery of services, and as an advocate and core of civil society. The other view is sceptical about the validity of a sectoral model based on type of ownership, in the face of a convergence of boundaries and extensive interdependence (Kramer, 2000). Since public funding dampens NGO advocacy, government funding cannot improve the civil society status. Especially effective is external funding, which may create concerns about international interference in national governance (Bloodgood and Tremblay-Boire, 2017).

According to the results obtained, as well as the financial management theory of NGOs (Mevlje and Kavčič, 2012), NGOs' financial strategy should diversify their revenue resources as much as possible, to prevent financial instability and independence. Depending on a single source might cause the risk of illiquidity, and endanger long term existence. From the list of NGOs that have received the highest amounts of public funds, it can be concluded that most important social subsystems are financially well supported, leaving the most important programmes implemented within those grants. There are some case studies revealing positive results of public financing of third sector development. Rojc Štremfelj, 2020 proved that the state was efficient in the co-funding of the jobs in NGOs, proving the suitability of the state's first promotion of NGO employment in overhead professions.

The challenge for further research is the in-depth study of Slovenian NGOs' financial strategy, due to the global trend of bidirectional financing; the di-

verification of funding sources by choosing an optimal mix of resources on one hand, and focusing on a single main source of funding to ensure long-term viability of the organisation on the other (Ceptureanu et al., 2017). Since 88.97% of NGOs in Slovenia earned less than 50,000 euros in 2019, and 17.47% of those operated without revenue, such future research would enable a holistic approach to the financial challenges of NGOs.

## 6 Conclusion

The fact that NGOs, as part of the third sector, are becoming a more and more important representative of civil society, the challenges of their financial situation is coming in the front line of academia interest. In the last 10 years, NGOs in Slovenia have been financed by approximately 60% of market and non-market resources, and 40% of public finance resources, while the situation is the opposite when considering NGOs in the public interest. The positive trend of the increase in total revenues (average 3.5%), and a predominant share of government (ministries) financing, might indicate more stable financing in the future, and consequently, hope for the solution of the NGOs' permanent problems. Besides the instability of financing, other studies have revealed problems like the dependence on voluntarism, dependence on financial sources, as well as the influence of government financing on NGO lobbying. The chronological review of the financial resources lays a solid foundation for decision-makers to evaluate their policy on one hand and future specific in-depth studies on the other.

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