

## Slovenia

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*The article details the development of the voluntary sector in Slovenia. Starting with a broad historical analysis, the article then brings us to the structure of the sector. Types and varieties of organisation are presented. The dynamics of the foundation of organisations and their characteristics are also analysed. The characteristics of the organisations are described according to methods of establishment, the relationship between the members and those they serve, levels (village, local community, municipality), and the plurality of finance resources. On the basis of the latter characteristics, the authors present a model of the relationship between the government and voluntary organisations according to how near or how far, and how dependent or independent, an organisation is. The next part consists of the legal and fiscal frameworks within which a voluntary organisation works, with an emphasis on tax policy. The authors conclude that the voluntary sector in Slovenia could occupy second place in the structure of the welfare system. This statement is based on future government preferences for a strategy of de-institutionalisation.*

*Keywords: Slovenia, voluntary sector, history, characteristics of the sector, model of the relationship between government and non-profit organisations, legal framework, fiscal framework*

### Introduction

Slovenia is a new East Central European country which was a part of the Austro-Hungarian Empire until the end of World War I, and then a part of Yugoslavia until 1991. It is a small country with a population of about two million, situated between Italy, Austria, Hungary and Croatia (for more details see Svetlik (ed.), 1992).

Its geographic location and historical links created special conditions for the development of a voluntary sector in Slovenia. These conditions were similar to those in central European countries until World War I, were increasingly influenced by other Yugoslav peoples afterwards, and were specifically shaped after World War II, when a specific form of a socialist regime dominated by the communist Party was introduced.

The most outstanding heritage of the voluntary sector in Slovenia, as will be shown later, could be found in agricultural communities, the Catholic Church,

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cultural organizations and to some extent also in business related organizations. Although there were certain discontinuities after World War II, voluntary organizations did not disappear. Only some, e.g., church organizations, had to limit their activities or transfer them to the informal sector. Bigger organizations, such as the Red Cross, came under control of the Communist Party. Some new organizations such as the Association of Friends of Youth were founded by the new regime and ran their activities rather independently. A substantial number of voluntary organizations and associations continued their activities under the new circumstances without being significantly touched. There were small village communities, fire fighters, associations of retired and disabled people, professional associations, cultural organizations and groups, sporting clubs, and many others. As we describe in this chapter there were ups and downs in the development of the voluntary sector after World War II and not just a "black hole". The independence of Slovenia and changes in the economic and political regime have been just an impetus for a new resurgence of the voluntary sector.

This development could be explained by the specifics of the economic and political regime in the former Yugoslavia. It started to deviate from the Soviet model as early as the 1950s. The main distinctive characteristic was the introduction of self-management in the economy and in the public sphere, which led to an increasingly decentralized public administration, higher independence of enterprises and other organizations from the state, a bigger role for market forces which linked the economy with the Western one, a better standard of living, and more freedom of individuals with respect to their self-organization and contacts with the outside world. Although partially controlled, the civil society was in existence in the former Yugoslavia either formally or informally. However, due to the big cultural and economic differences between various regions (republics), and due to its semi-autonomy, civil society could not establish itself as an overall integrative power. It was Balkanized as much as the other spheres of life were.

## Historical Backgrounds

An analysis of the historical roots of the development of nonprofit/voluntary organizations in Slovenia reveals at least four different elements.

### *Agricultural Communities*

The first element is the tribal form of social organization practiced by the Slavic people when they occupied the present territories of Slovenia (in the 6th century). The tribe represented a sort of total institution performing all the social, political and economic functions. This organization led to independent tribal union - "a state of Samo" in the 7th and 8th centuries (The History of Slovenians, 1979). Later on Slovenian people did not have their own independent state. From the 8th century to 1918 they were dominated by Germans, and from 1918 to 1991, Slovenia was a part of Yugoslavia.

Under the influence of Christianity, tribes previously based on kin networks changed their form. The family unit started to play an important role. But, kin networks were maintained in the form of agricultural communities which pre-

served their multifunctional character up to the beginning of the 20th century. Only the political function was taken over by the state and the religious one by the Church.

Agricultural communities were economic, cultural and social units. They produced the bulk of items needed for the survival of their members. They maintained ethnic identity in the periods when German and Austrian nobility owned most of the land. They protected members from hazards coming from outside, e.g. Turks in the 15th to 18th century. They developed social functions such as the education and training of children and protection of the infirm and disabled. Up to the end of World War II there was an informal obligation of farm households to host local beggars for a few days a year.

Under Socialism people living in villages preserved high level of a solidarity. They helped each other in case of accidents and they took an active part in local infrastructure development. They contributed money, labor and other resources for building telephone and CTV networks, water pipes, new roads, as well as schools, kindergartens, health care centers, cultural centers etc.

Perhaps agricultural communities cannot be considered as nonprofit organizations. They were seldom formally organized and they were multifunctional. However, they represented an intermediary structure between the state and isolated families and households, a social tissue forming a foundation for some interesting forms of nonprofit activities.

### *Church Organizations*

The second important institution for the development of nonprofit/voluntary organizations in Slovenia is the Church. Its role on the Slovenian territory dates back to the end of 8th century when Slovenian people accepted Christianity. The Church was not only a religious and social institution. It was one of the biggest land owners and took part in political life up to the end of World War II.

One of the most important events in the history of Slovenians was the Reformation in the 16th century followed by the Counter-Reformation in the 17th century. The Reformation contributed to the affirmation of Slovenian language (as the first books in Slovenian appeared). It also contributed to the affirmation of liberal values shared particularly by people living in the towns. That was the beginning of an ideological and political differentiation with two main protagonists: Clericalist linked with the nobility and the Catholic Church on one hand and Liberals linked with craft, artisan and industrial producers on the other. This differentiation, although modified, can be observed in politics even now.

The Counter-Reformation gave the Catholic Church back all the functions it had before. It was the leading institution of the cultural and social life of the population. In addition to agricultural communities it was an institution of social protection for the poor and infirm. It managed all the schools up to the middle of 18th century. The Counter-Reformation also gave more power to the monarchs. In the second half of 18th century in the Austrian empire schools were put under the control of the state. And in 1870 Austrian state terminated the contract with the Catholic Church and took full control over the school system.

Due to expanding industry and liberal capitalism and the simultaneous crisis in the agricultural sector, the teaching of Pope Leon XIII was widely accepted in

Slovenia by the end of 19th century. The Catholic priests were mainly those who tried to implement the Church's social doctrine. Theologian and politician J.E. Krek organized farmers' cooperatives. He also organized associations of workers to promote their self-help activities. Workers' cooperatives were not organized only by Clericalists but also by Social-Democrats. In 1918, 730 different cooperatives were registered in Slovenia. And at the end of 1937 there were more than 1,600 cooperatives (Memorial Code of Slovenia, 1939).

The space for Church activities was highly limited in the socialist period. The Church could legally deal only with religious issues. Nevertheless, it ran some social programs in the informal sector, e.g., child care, care for elderly, entertainment, and social activities for the youth, etc.

### *Cultural Organizations*

The third element which has to be mentioned as a background for the development of nonprofit/voluntary organizations are cultural organizations. It is widely accepted that the history of Slovenians is primarily a cultural history. Cultural organizations played very important role as protectors of Slovenian ethnicity and were therefore often involved in political life and political struggles.

In 1550 the Reformation gave Slovenes the first book written in their own language. The Counter-Reformation brought the decline of Slovenian culture. The nobility and other upper classes used German while the lower classes spoke Slovenian. In the 18th century Slovenian high class intellectuals influenced by the Enlightenment movement started to write Slovenian literature again. They founded public libraries and theaters.

Up to 1848 the cultural activities were limited to small groups of intellectuals linked with either the Church or the emerging industrialists. The year 1848 was called the spring of nations. People started to identify themselves as Slovenians. For the first time the demand for the unification of Slovenian people was put forward. This stimulated the foundation of a number of cultural and sports organizations in the whole Slovenian territory (reading clubs, the Museum Association, the Drama Association, the Slovenian Science Association, the sporting association "Sokol", the Mountaineering Association, the Association of Hunters, etc).

On one hand Slovenian cultural and sporting associations competed with German and Italian ones. On the other hand there was a cleavage between Slovenian Liberal and Clerical associations. This tradition continued up to the end of World War II. In the socialist period sporting and some cultural associations changed their names and were put under the state control.

### *Business Related Organizations*

The last element which should be mentioned are organizations linked to economic activities. We have already mentioned farmers' cooperatives. Apart from that, one should observe the economic activity of medieval towns, the centers of artisan and craft production and trade. A very important role was played by various

craftsmen associations, which regulated the economic and social life of particular occupations.

The beginnings of industrial production in Slovenia date back to the 15th and 16th centuries. In that period the production of iron and mercury started. However, the working class grew only in the 19th century. First the shop assistants who worked for craftsmen organized themselves in 1850 and in 1897 the first workers' association appeared. They were grounded on two different concepts. Those influenced by the Church followed the Schulze-Delitsch concept of self-organization and self-help. They organized several activities for their members to help them in case of accident, illness, unemployment, etc. They also organized cultural activities, and social events, and education for the members.

Another stream of organized labor followed Lassal's concept of accentuating the responsibility of the state to interfere with capital and to protect and help the working class. These organizations were more militant. They organized strikes from the 1880s on and formed the basis for the Social-Democratic party of Austria, which was founded in 1888. Along with the process of industrialization, workers' organizations became more important both for their members as well as for political parties that sought their support. In the 1920s and 1930s they supported the Communist party and helped it to introduce a one-party system after World War II. Paradoxically workers' organizations lost a great deal of their autonomy in that time.

After all we have said it cannot be a surprise that more than 6,000 associations were registered in 1939 (Memorial Code of Slovenia, 1939). World War II broke the intensive life of voluntary organizations and the Socialist period brought new rules for organizing and volunteering.

## The Structure of the Sector

### *Types and Number of Organizations*

According to data which have been collected, 12,224 voluntary organizations and societies were established in Slovenia between the end of the World War II and the end of March 1994. Out of the total, 11,168 voluntary organizations were registered at the municipal level and 1,056 at the national level (Kolarič, 1994).

Most organizations and societies were registered in the field of sports and recreation. Second highest was the number of organizations and societies registered in the social welfare and health care areas. Organizations in the field of culture and art were in third place. Fire fighters societies were in fourth, professional, technical and business societies were in fifth, and societies for the protection of the environment and animals were in sixth. (Table 1)

The same rank list of the number of organizations according to individual fields is evident from the Table 2, where organizations registered at the municipal level are included. Sports and recreation organizations are the most numerous here too, followed by organizations in the field of social welfare and health care in second place, organizations in the field of culture and art in third place and fire fighters societies in fourth place. The organizations involved in protect-

ing the environment and animals are in fifth place at municipal level, while professional and business associations are in sixth place. (Table 2)

The rank list of the number of organizations according to individual fields is much different at national level. This level includes voluntary organizations and societies whose statutes define the territory of the entire state as the location of their activity. The absolute majority of organizations at this level belongs to professional organizations and associations (349), followed by organizations in the field of sports and recreation in second place (187), organizations for the protection of the environment and animals in third place (120), organizations in the field of social welfare and health care in fourth place (113) and organizations in the field of culture and art in fifth (67). At the national level there are no fire fighters societies apart from the association of fire fighters societies. But the national level includes a number of educational (37), developmental (31), ethnic (18), international (13) and religious organizations (11) and organizations in the field of jurisdiction and legal profession (8). In addition to this, 6 foundations are registered at the national level, while only one is registered at the municipal level. (Table 3)

### *Dynamics in the Foundation of Organizations*

The rate of founding/registering voluntary organizations and societies has been constant and relatively high since the World War II. It was high at the end of the 1940's and the beginning of the 1950's due to the re-registration of some organizations from before the war. It fell somewhat in the 1960s. Strong growth in voluntary organizations and societies being founded was noticed in the second half of the 1970s, after the Law on Societies was passed. In the 1980's and at the beginning of the 1990s, the rate in founding organizations was somewhat lower than in the second half of the 1970s but still higher than it was in the 1950s and 1960s. (Graph 1)

The rate of organization forming cited are based on the data from twentyone municipalities and the city of Ljubljana. In all other municipalities, the original dates of registration were not preserved when "renewing" the registration records or, it should be said, during re-registering. But the above rates are confirmed by events in small local environments, as well as in large urban environments. On this basis, we can conclude that the description of the dynamics is generally valid.

The forces for founding voluntary organizations and societies were relatively high in the second half of the 1940s. Its basis included the renewed registration or re-registration of many fire brigade societies that were founded as early as the end of the 19th century or at the beginning of the 20th century. They are a special feature in Slovenia. The societies are organized at the level of individual villages and connected in associations of municipal fire fighters societies, while these constitute the association of fire fighters societies at the national level. Their "mission" in a certain local environment surpasses the function of providing fire safety. Excellent organization, perfected methods of recruiting new members, especially the young, and of gathering financial means make them the "motor" of social, cultural and sports life in individual localities. The property at their disposal (fire stations including halls for cultural and social events, contemporary fire fighting

equipment, etc.), which has mainly been acquired through voluntary work and donations made by individuals is far greater than the property of any other voluntary organizations in Slovenia. This property is of course, like all the voluntary activities of firemen, directed towards public benefit in general and not the benefit of the members.

The re-registration of multipurpose sports and cultural organizations as well as some humanitarian organizations also took place in the second half of 1940s. In the 1950s, fire fighters were joined by hunting and fishing societies, as well as multipurpose cultural organizations. An intensive process of founding single-purpose sports organizations (clubs) also began in this period. In the 1960s, the rate of founding new organizations was somewhat lower. Most of the organizations founded were the professional and technical organizations.

In the mid 1970s, the Law on Societies was passed, which introduced a new system for regulating the foundation of voluntary organizations. The verified signatures of at least ten founders (citizens), together with a resolution on the foundation of the organization passed at the foundation meeting, and a statute (by law) sufficed for the founding of a society. These conditions mostly promoted the foundation of single-purpose organizations in the fields of sports, culture, and social welfare and health care (societies for senior citizens, invalids, the blind, deaf, paraplegics, etc.). A large number of societies for the protection and breeding of animals, as well as professional and technical societies were also founded. The passing of a special military decree in the second half of the 1970s and first half of the 1980s triggered a mass foundation of voluntary organizations of reserve soldiers and their officers.

In the 1980s, the intensity of founding new organizations fell slightly (compared to the second half of the 1970s), but most organizations were founded in the field of sports (both single and multipurpose). The trend of intensive founding of multipurpose organizations also continued in the field of social welfare and health care, culture, organizations for the protection of animals, professional and technical organizations and organizations in the field of education and research.

A great number of new organizations sprang up in the first three years of the 1990s. Sports take absolute first place (single and multipurpose organizations). Culture took second place, while social welfare and health care took third place. The process of founding professional and technical organizations also continued, along with the founding of international and business organizations (managerial clubs).

The rate of founding/registering voluntary organizations and societies at the national level is similar to those already described. This means that a considerable increase in founding new organizations was also noted in the second half of the 1970s - after the passing of the Law on Societies. But the rate of founding new organizations was very high in the first three years of the 1990s - it was greater than in any of the previous periods. (Graph 2) This high increase in registering new organizations at the national level in the early 1990s can be associated with the transition from Socialism to post-socialism.

The following factors must be considered accordingly:

- some of the formal obstacles for the registration, i.e. for religious organizations, were eliminated,
- changes occurred not only in the economy but also in other areas which triggered the need for new organizations, i.e. ethnic organizations,

• external influences and the tendency to imitate foreign experiences in, i.e. founding international organizations played a considerable role.

Nevertheless, it must be pointed out that the rate of founding new organizations was at its peak in the second half of the 1970s. At that time, the Law on Societies was passed, which considerably liberalized the founding of societies. Similar laws to the Slovenian were passed in other socialist countries (Hungary, Poland) in the late 1980s and were already parts of the transition process from socialism to post-socialism. Slovenia has the advantage of fifteen years in this respect. This should not be a source of self-complacency, but can serve as a defence against reckless imitations of foreign patterns and experiences.

### *Characteristics of Organizations*

The previous section shows the relatively high level and continuity of founding voluntary organizations in Slovenia throughout the post-war period.

The first characteristic of voluntary organizations can be identified in response to the question: what is the main difference between the organizations founded before 1974 (when the Law on Societies was passed) and those founded later?

The difference can be observed in the way the organizations were founded and in the degree of their autonomy:

- During the first period, voluntary organizations were founded according to the "top down" principle, in accordance with the state party or local party's initiatives and directives. They were quasi-state entities, the leadership of which was formed, financed, and controlled by the state and party structures (Svetlik, 1992: 208). The situation was the same with cultural societies, sports societies, the Red Cross, hunting societies and to some extent also with the fire brigade societies. But it must be pointed out that this was the situation of the top organizations at the national level. They employed and paid professionals but at the level of performing the tasks for which they were founded they functioned as fully voluntary organizations.
- During the second period, voluntary organizations were founded according to the "bottom up" principle, in accordance with the initiatives and interests of citizens. They were established at local levels, but they attempted to form their own top bodies at national level. Through these bodies, they communicated with the state while searching for financial support for their activities and while lobbying for certain systemic decisions which were important for their activities.

The second characteristic of nonprofit voluntary organizations is the relationship between their members and those who they serve. Some membership organizations do not function only for the benefit of their members, but also for the benefit of others or of society overall. An example of a member-serving organization is a sports club or professional society. Organizations with wider purposes could include paraplegic societies, or societies for helping mentally disabled children. Fire fighters societies serve the society overall, while hunting societies are primarily member-serving. This defining characteristic distinguishes the members of an organization from the target group (the group of users) for whom the activity of the organization is intended. A membership organization can function mainly for the benefit of its members (i.e., sports clubs), but it can also function



mainly for the benefit of a certain social group or even for the general benefit of the society.

The third characteristic of the Slovenian nonprofit voluntary organizations is their dual structure. They are organized at local levels (at the level village, the local community, or municipality) and come together and unite at regional or national levels. These umbrella organizations usually employ at least one professional. Their task is to present the problems to governmental bodies and to offer services to local organizations (information, education, finance). Local organizations are usually completely voluntary organizations with regard to the performance of the activity and management of the organization, but they can also function as mixed organizations employing professionals with the task of managing the organization and using volunteers to carry out the activity of the organization (for example, some of the recently established organizations in the field of social welfare and health care).

The last common characteristic of nonprofit voluntary organizations is the plurality of their finance sources. Sources used by all organizations are, as follows:

- membership fees,
- donations made by individuals and legal entities (Slovenian and foreign),
- organization's own economic activity,
- government grants, and/or certain projects carried out (sources: national budget, local authorities budgets),
- resources obtained from the pension and health insurance funds,
- revenue obtained from the national lottery (for organizations which help the disabled).

The plurality of financial sources is a necessary condition for the autonomy of organizations. But it is not the only condition. Thus the question about what kind of relationship exists between the state/government and non-profit voluntary organizations in Slovenia must be asked.

The answer to this question can be found in the typology of relationships between the government/state and non-profit voluntary organizations, based on the following criteria:

- nearness or distance between the government and voluntary organizations (with regard to communications and contacts), and
- dependence or independence between them (with regard to financing and control (Kuhnle, Selle, 1992: 30).

On the basis of these criteria, four ideal types of relationship between the government and voluntary organizations can be defined:

- the relationship of "integrated dependence" (dependency + nearness),
- relationship of "separated dependence" (dependence + distance),
- relationship of "integrated autonomy" (independence + nearness),
- relationship of "separated autonomy" (independence + distance).

With regard to the above, the relationship between voluntary organizations and societies in Slovenia can be defined as the relationship of "separated dependence". It can be further defined, as follows:

- a high degree of control exercised by the state over voluntary organizations and societies,
- middle degree of financing the activities of societies by the state, and

- a low degree of communication and contacts between the state/government and voluntary organizations. This low degree of communication and contact means that the government does not take seriously these organizations with regard to meeting the needs of people or contributing to the general prosperity of citizens.

If this is the actual type of relationship between the government/state and voluntary organizations in Slovenia, then a question concerning the type of possible and desired relationship for the future arises. Our opinion is that it is a relationship of "integrated dependence". It can be defined, as follows:

- a low degree of control,
- a middle degree of financing non-profit voluntary organizations by the state,
- and a high degree of communication and contact between the government and non-profit voluntary organizations.

This would mean that the government adopts a serious attitude towards non-profit voluntary organizations as performing public services or carrying out certain parts of national programs in individual fields, namely the parts which cannot be carried out by public institutions or which are not carried out in a satisfactory way. On this basis, the non-profit voluntary sector could gain power (in the sense of better organization and a higher degree of professionalism) and trigger because of the competition a process of restructuring in the public sector. The synergic effects of both changes would introduce a new quality in the Slovenian welfare system.

## The Legal and Fiscal Framework

### *New Legislation*

The deregulation and subsequent abolishment of monopolies of public institutions in the field of social services started in Slovenia with the introduction of new legislation at the end of 1980s and beginning of 1990s. The Law on Companies (1988) opens the possibility to establish companies with limited liability in the field of social services and opens for the first time the structure of these services. The Law on Institutions (1990), which presented a new, common framework for operating social services, has defined that the programs of social services can also be provided (besides by public institutions) through contracts (concession) with private profit and nonprofit organizations. This was very important first step but the legalization did not lead to use of this legal provision. The criteria when and under what conditions the local government or the state can give such concessions have not been defined. They should have been defined in basic laws on each field of social services or at least in by laws.

The analysis of the context of these laws on different fields of social services shows that the basic changes didn't happen in the direction of pluralization of welfare system but on the contrary in the direction of the consolidation of the stable financial resources for public institutions. The Law on Institutions nationalized public institutions and because of that, founders (state and local governments) are obliged to provide financial support for their operation. Limited financial resources and an extremely wide network of public institutions offer, among oth-

er reasons, very limited practical opportunities for the involvement of private profit or nonprofit organizations. Contracting out is in fact used only in providing additional programs and programs to solve newly emerging social problems usually not covered by public institutions (drug abused, domestic, women and child violence, refugees, environment protection, human rights etc.). The public financial support for these programs is changing every year and its amount is very small. It represents only 1-4 per cent of the whole amount for social programs. So in fact there are not really big changes on the field of social services provision. The public sector is still in the relatively monopoly position.

The only exception is in health care, where private practice represents already around 10 per cent of services. The majority of them have a contract with the state health insurance agency. So, the conclusion is that legal conditions for involvement of nonprofit voluntary organization have been changed only partly. They are not sufficient for actual changes.

Before 1988 only two allowable legal forms for nongovernmental, nonprofit organizations existed. The first legal form was association, the second one was cooperative.

In 1994 the process of changing legislation started also with the basic laws regulating the status and activities of nonprofit voluntary organizations. Associations are the widest form of nonprofit voluntary organizations in Slovenia. Their work is based on the law passed 1974. That law already set very loose conditions for formation of associations. Three preconditions are required: minimal number of founders (10 individuals or 2 associations), bylaws, and registration in a court. But it applies only to member-serving, not public-serving organizations. These legal regulations, which were connected with the establishing of the self-management socialist system, caused a real growth in the number of associations in 1970s, even an greater rate of growth then in the 1990s. In spite of these relatively good legal conditions, a majority of associations were in fact "quasi-governmental" organizations because they depended mostly on state financing.

A new law on associations passed through Parliament only recently. For the first time, it enables the establishment of public-serving associations. It defines areas of activities where associations can provide services of common interest: education, culture, social care, health, science, environment etc. An association can achieve this status trough confirmation by the supervisory ministry, which has jurisdiction over the subject with which the association is concerned. By dividing associations into two groups the foundation for recognition of associations as potential providers of public services and for their different tax treatment are set up.

Working its way trough Parliament is a new Law on Foundations. The legal system within socialist Yugoslavia ceased to permit the establishing of foundation. For the moment the legal rules from the Law on Funds, Foundations and Institutions from 1930 can be used for establishing the foundation. Foundations which exist now (less then 10 of them) have been founded after 1990 by these rules or by the Law on Associations. These last are foundations by name but their official status is association.

In the draft of the new Law on Foundations, foundations can be founded by private founders and juridical persons. They have a status of property-holding legal person and can be founded for the matter of public interest in the fields of

education, culture, social care, child care, health, science, environment protection, sport, religion, etc. Capital investment is obligatory. The Ministry of Internal Affairs has responsibility for judging whether the capital investment is substantial enough for the establishing the foundation. Thus, the Ministry of Internal Affairs has the discretionary right to decide whether the foundation can be founded or not. Too strict rules about necessary capital investment could be the main barrier for future development of foundations in Slovenia.

### *Tax Policy*

Tax policy is one the important instruments for encouraging the development of a nonprofit voluntary sector. If nonprofit voluntary organizations are eligible for certain tax exemptions and deductions it means that they have access to independent sources of founding. Favorable tax policy stimulates individuals and companies to give a part of their incomes or profits to these organizations, which operate for the public good. It can also relieve nonprofit organizations from paying taxes. In the present tax system some income tax deductions for nonprofit organizations and their donors exist. But they are very low and they have been even reduced recently.

Tax laws have not provided a distinctive definition of "public serving organizations" and "public good". Therefore, this does not result in different tax treatment of public and member-serving organizations.

Within the existing tax system there are some tax exemptions which stimulate activities of nonprofit voluntary organizations. All nonprofit organizations, associations, religious groups, public and private funds founded for humanitarian, ecological, charity and other nonprofit purposes are exempt from income tax. If nonprofit voluntary organizations make a profit by business activity they have to pay the same taxes as profit organizations. The tax rate is 25 per cent of the profit. The nonprofit voluntary organizations are paying the same tax even if they reinvest the profit into carrying out the basic activities for which they were established.

If nonprofit voluntary organizations sell their services some of them (on the fields of humanitarian, health, social care, education or employment intervention services) are not obliged to pay the tax on the fees earned. For other organizations this tax amounts to 5 per cent.

Specific nonprofit organizations such as Red the Cross, the Catholic Church Charity (Caritas) and organizations which employ disabled people don't pay the tax on selling the products. Other humanitarian organizations in the field of care for the elderly, children and disabled people and education are exempt from paying tax only if they sell products in their own shops.

In the Slovenian tax system there are also tax deductions for donors, but they are very low. Corporations which donate funds to humanitarian, cultural, scientific, educational, ecological and religious organizations have the right to the income tax deduction up to the level of 0.3 per cent of their annual income. They can deduct this amount from their annual tax base. Individuals can also donate funds to humanitarian, cultural, educational, ecological, scientific and other organizations. With that they have the right to an income tax deduction up to a

maximum of 3 per cent of their income tax base. This deduction was reduced in 1994 from 10%. But other purposes can be deducted and every individual can choose among them. The donation to a nonprofit organization is only one of them, others are: voluntary social insurance, costs for building a house or buying a flat, etc. Because of these different possibilities the tax deduction for charity contributions is not an important source for nonprofit voluntary organizations.

Individuals also don't pay tax on a bequest if they donate it to humanitarian nonprofit organizations. In practice tax legislation does not stimulate donations because the tax deductions are low. Thus, donations mostly express the good will of sponsors. It is obvious that the state has still the main right to allocate incomes for public purposes. It doesn't give much incentive to individuals and corporations to chose to whom they want to donate money.

## The Future of the Sector

The nonprofit voluntary sector as a service producer could occupy second place in the structure of the welfare system (Kolarič, Svetlik, 1987), following the public sector and preceding the private for-profit sector. Thus a new type of welfare system could be formed, which would not be completely identical with the social democratic, liberal or conservative corporative model (Esping-Andersen, 1990), but would include elements of all three.

The argument serving as a basis to the above hypothesis is the fact that the Slovenian government gives preference to the strategy of deinstitutionalization over the strategy of privatization (Rus, 1991) in the restructuring of the welfare system. The strategy of deinstitutionalization means a shift away from the principle of making the state the exclusive financier of the public sector to the principle of financier pluralism; the state is only one of the financiers of the public and other sectors. Deinstitutionalisation also represents a shift away from the principle of the universal accessibility of services to the principle of selective access. Namely: the principle of universal accessibility is valid for the quantity and type of services defined by the national program; above this limit, the principle of selective accessibility is valid with regard to the needs and the purchasing power of users.

By applying this strategy, the government would give all service producers, also non-profit voluntary organizations, a chance to access various financial sources, including the government's. At the same time, it would encourage the users' demand for all those services which are not included in the national program. This would result in the following (Kolarič, 1993):

1. The public sector, as the "predestined" protagonist of the implementation of the national program, would keep its leading position in the welfare system. This social democratic component is supported by the conservative-corporative element within the welfare system. The accessibility of services from the national program is mainly made possible through the compulsory systems of social insurance. Only in the case of those individuals and groups which are excluded from the compulsory insurance schemes, are the services financed directly from the budget.

2. The access to government finance sources which are connected with the right to implement the national program would put the nonprofit voluntary sector as a service producer in second place in the structure of the welfare system. On this basis, the sector could compete with the public where the quality of its services is inadequate and fill the gaps where its services are insufficient. This liberal component of the welfare system can be based on the still extremely important and irreplaceable role of informal social networks.

3. The users' demand for services which are not included in the national program represents a basis for the formation of a private profit-orientated sector. Considering the relatively low purchasing power of the users, the establishment of this sector does not have much space for manoeuvre. Therefore, it is expected to occupy the final position in the welfare system in the 1990s.

The possible and desired structure of the Slovenian welfare system in the 1990s would be to have the state in first, civil society in second, and the market in third place.

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(This source is used as a basis for the first part of the article.)

## Appendix

Table 1. All voluntary organizations and associations in Slovenia classified with regard to the fields.\*

1. CULTURE/ART multipurpose	996
2. CULTURE/ART singlepurpose	433
3. SPORT/RECREATION multipurpose	1,363
4. SPORT/RECREATION singlepurpose	2,406
5. SOCIAL/HEALTH CARE multipurpose	850
6. SOCIAL/HEALTH CARE singlepurpose	1,115
7. DEVELOPMENT, ECONOMIC, SOCIAL	457
8. EDUCATION, RESEARCH	170
9. ENVIRONMENT	625
10. ANIMALS	449
11. LAW AND ADVOCATESHIP	18
12. INTERNATIONAL ORGANIZATIONS	30
13. BUSINESS ASSOCIATIONS	44
14. PROFESSIONAL ASSOCIATIONS	816
15. TECHNICAL ASSOCIATIONS	404
16. FOUNDATIONS	7
17. FIREMEN - ASSOCIATIONS	1,395
18. MILITARY - ASSOCIATIONS	500
19. RELIGIOUS - ASSOCIATIONS	17
20. ETHNIC - ASSOCIATIONS	39
21. ORGANIZATIONS NOT ELSEWHERE CLASSIFIED	90
TOGETHER	12,224

\* With the exception of the community of Jesenice.

Table 2. Voluntary organizations and associations registered in all Slovenian communities.\*

1. CULTURE/ART multipurpose	949
2. CULTURE/ART singlepurpose	413
3. SPORT/RECREATION multipurpose	1,308
4. SPORT/RECREATION singlepurpose	2,274
5. SOCIAL/HEALTH CARE multipurpose	841
6. SOCIAL/HEALTH CARE singlepurpose	1,011
7. DEVELOPMENT, ECONOMIC, SOCIAL	426
8. EDUCATION, RESEARCH	133
9. ENVIRONMENT	574
10. ANIMALS	380
11. LAW AND ADVOCATESHIP	10
12. INTERNATIONAL ORGANIZATIONS	17
13. BUSINESS ASSOCIATIONS	28
14. PROFESSIONAL ASSOCIATIONS	467
15. TECHNICAL ASSOCIATIONS	358
16. FOUNDATIONS	1
17. FIREMEN - ASSOCIATIONS	1,393
18. MILITARY - ASSOCIATIONS	494
19. RELIGIOUS - ASSOCIATIONS	6
20. ETHNIC - ASSOCIATIONS	21
21. ORGANIZATIONS NOT ELSEWHERE CLASSIFIED	64
TOGETHER	11,168

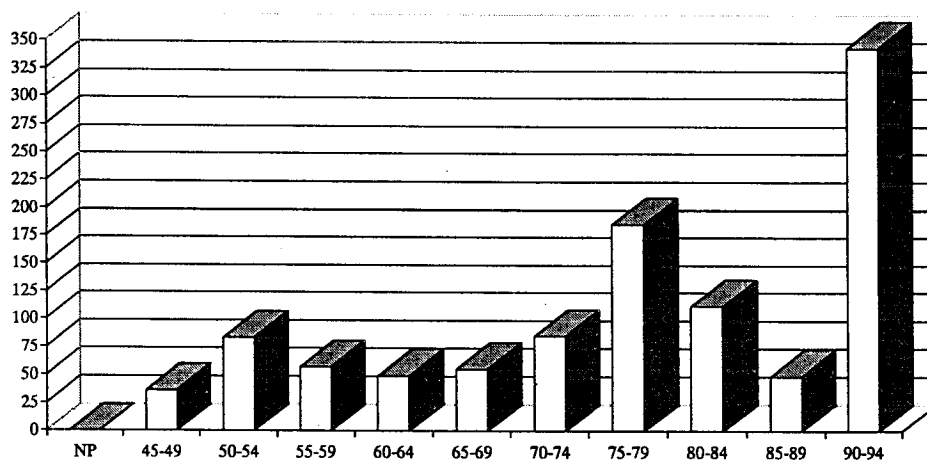
\*With the exception of the community of Jesenice.



Table 3. Voluntary organizations and associations registered at national level and classified with regard to the fields and the time of registration.

	NP	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	TOGETHER
CULTURE/ART multipurpose	-	-	1	3	-	2	4	3	3	3	28	47
CULTURE/ART singlepurpose	-	3	-	2	1	1	2	3	4	-	4	20
SPORT/RECRE. multipurpose	-	5	5	2	1	1	3	9	3	2	24	55
SPORT/RECRE. singlepurpose	-	4	18	7	2	7	9	25	20	4	36	132
SOC./HEALTH multipurpose	-	1	-	-	-	-	-	-	-	1	7	9
SOC./HEALTH singlepurpose	-	3	2	7	4	5	20	26	10	5	22	104
DEVELOPMENT econ./soc.	-	2	1	3	-	-	1	3	2	2	17	31
EDUCATION, RESEARCH	-	1	2	2	-	-	4	6	1	1	20	37
ENVIRONMENT	-	1	12	8	1	5	3	8	5	2	6	51
ANIMALS	-	4	5	4	2	4	7	12	7	2	22	69
LAW AND ADVOCATESHIP	-	-	-	-	-	-	-	-	1	1	6	8
INTERNATIONAL ORG.	-	-	1	-	1	-	-	-	-	-	11	13
BUSINESS	-	-	-	-	-	1	2	1	-	1	11	16
PROFESSIONAL	-	8	35	15	35	28	26	80	49	14	59	349
TECHNICAL	-	2	-	4	1	-	3	10	6	5	15	46
FUNDATIONS	-	-	-	-	-	-	-	-	-	-	6	6
FIREMEN ASSOCIATIONS	-	1	-	-	-	-	-	-	1	-	-	2
MILITARY	-	-	-	-	1	1	1	-	-	-	3	6
RELIGIOUS	-	-	-	-	-	-	-	-	-	1	10	11
ETHNIC	-	1	1	-	-	-	-	-	-	-	16	18
others	-	-	-	-	-	-	-	-	-	5	21	26
Together	-	36	83	57	49	55	85	186	112	49	344	1,056

Graph 1. Voluntary organizations and associations classified with regard to the time of registration (sample of 21 local communities and municipality of Ljubljana).



Graph 2. Voluntary organizations and associations registered at national level and classified with regard to the time of registration.

