

NATIONAL REPORT: THIRD SECTOR IN SLOVENIA

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1. THE THIRD SECTOR IN SLOVENIA: A PRELIMINARY DEFINITION

The third sector is a frequently used term for non-governmental or non-profit organisations, describing all organisations which are neither profit-oriented nor governmental agencies and bureaucracies (Rončević, 2001:23). It is therefore a sector which exists *alongside the state and the private profit-making sector*. It is primarily based on the social immune impulse of self-support and solidarity as well as the social need for free self-organisation in satisfaction of needs, resolution of problems and states of distress (Ramovš 1993, 1995, 1995a).

In Slovenia, we do not have a legal definition of the term non-profit-voluntary organisations (hereafter referred to as third sector organisations). There exists only a series of informal definitions by individual authors found in the expert legal literature. According to their status form, the third sector organisations should be seen as including the society of civil law, associations, funds, institutions, private institutes, co-operatives, chambers, religious communities, self-governing communities of interests, international organisations, informal groups, trade unions and political parties (NGOs in Slovenia 2000 – The Report). Therefore, the term non-governmental organisations can be found under various names such as third sector organisations, non-profit, non-governmental, voluntary, humanitarian, charity and solidarity organisations, self-support organisations and others. All terms comprise the same complex of organisations, which are:

- a. **non-profit** – the profit made by the organisation is not divided neither between the owners nor between the members (if they exist) nor is the administrative board or any other organ of legal entity allowed to divide the profit, rather the profit or the surplus of the income over the costs can be used only for the financing of activities or the purpose for which the legal entity has been founded (Abrahamsberg, 1998 in NGOs in Slovenia 2000 – The Report)
- b. **non-governmental** – their founder is not the state, instead they are founded by an individual or a group on their personal initiative.
- c. **autonomous**, i.e. independent of the state organs.

In Slovenia, this is the definition of organisations, registered in accordance with the Societies Act, as non-governmental institutes, as institutions or funds, as co-operatives, religious institutions and various informal action groups. These organisational forms exist in social sector also in the social field with associations being the most frequent form. Basic principles of these are laid down by the law (Societies Act OJ RS No. 60/95):

- *voluntarism* – the right to free association of individuals; there is no compulsory associating;
- *independence* – associations have to be independent in identification of their purposes, aims and way of work; these have to be formed in accordance with the provision of protection of the rights of the third parties and within our legal order;
- *non-profitability*
- *openness of work* – associations have to operate publicly (Hrovatič, 1998:185).

1.1 Legal-formal aspects

In Slovenia, **various legal statuses of third sector organisations are not regulated by one but by several legal acts; each organisational form is covered by one act.** Furthermore, *profit and non-profit organisations* as well as public and private organisations *are united in one legal status by individual Acts*, which makes it *impossible to clearly distinguish between third sector organisations and organisations from other sectors* only on the grounds of the legislation (Črnak-Meglič, Vojnovič, 1997:164). The broadest definition of non-profit, i.e. third sector in Slovenia is given by the Corporate Profit Tax Act (OJ RS No. 23/95) laying down in its Article 6 that this tax is not paid by associations, religious communities, private funds and other organisations and institutes, established for ecological, humanitarian, charity and other non-profit purposes.

Non-profit activity in Slovenia is referred to in the Institutes Act, Public Utilities Act, Foundations Act, Societies Act, as well as in the Corporate Profit Tax Act. On the basis of the existing legislation, it is possible to found the following kinds of third sector organisations (Črnak-Meglič, 2000: 139,140 and Trstenjak, 1998: 59-61):

- **ASSOCIATIONS (SOCIETIES)** – are independent, voluntary, non-profit associations, founded for common interests of their members; associations are not allowed to perform profitable activities as their exclusive activities (Societies Act, OJ RS No 69/95)
- **INSTITUTIONS/FUNDS** – are founded with the purpose of managing tied assets for special purposes; they are private institutions, founded for purposes of general benefit or charity they have neither members, nor partners or owners to take care of its interests; the state has a more intense controlling role (Foundations Act OJ RS No. 60/95)
- **PRIVATE INSTITUTES** – are the form of organisations which work in the fields aiming at the performance of the activity and not the making of profit. If an institute is founded by legal entities or natural persons which define its non-profit action in their founding act, it is classified among the third sector organisations (Institutes Act, OJ RS No. 12/91, 8/96).
- **HOUSING AND OTHER CO-OPERATIVES** – are founded by natural persons to promote economical benefits of their members; they are based on the voluntary association and equal co-operation and management of their members; special Rules defining work of the housing co-operatives (OJ RS No. 64/93) lay down that members should use profit exclusively for the purpose for which the co-operative was founded.
- **RELIGIOUS ORGANISATIONS** – are founded by natural persons in accordance with the Constitution and the Legal status of Religious Communities in the Socialist Republic of Slovenia Act (OJ SRS, No. 1976, 42/1986, 5/1990, RS No. 17/1991-I, 10/1991, 22/1991, 13/1993, 66/1993, 29/1995)

Tax legislation is of great importance for third sector organisations, as *only* the tax system which offers tax reliefs for donations to third sector organisations presents favourable treatment of third sector organisations and enables their prosperity (Trstenjak 1998:61). The existing tax system in Slovenia envisages **some forms of tax reliefs for third sector organisations, which however are relatively low.** This especially goes for tax reliefs for donators, individuals and companies, and therefore they do not present sufficient financial stimulation and are more of an expression of good will of these (Črnak-Meglič, Vojnovič, 1997:166-167).

Also the legislation which envisages *the possibilities of granting concessions for the performance of a public service*, such as health care and education, is of relevance for the third sector organisations, as well as *the legislation regulating control*, for example over the public resources (Trstenjak, 1998:61).

The Slovenian legislation envisages the possibility for an organisation of the third sector to acquire the necessary financial means by performing additional activities, which are economic in their nature. Therefore the association, institute or similar organisation of the third sector acts

on the market of goods and services similarly to an economic company, the only difference being that the profit so created should aim at the realisation and development of its basic activity (Jelovac, 2001:7).

While legal barriers for the work of third sector organisations were removed with the changes of the relevant laws after 1990, no sufficient stimulation was developed (e.g. tax relieves, support system) which would promote a more rapid development (Črnak-Meglič, 2000:169).

1.2 Management - organisational aspects

According to the opinion of some distinguished Slovenian experts, the discrepancy between the managerial theory and practice today is hardly anywhere as marked as in the field of the third sector organisations. Here they have in mind primarily *the lack of theoretical achievements and rare scientific and research enterprises in this field of action in Slovenia* and the *incomplete legal solutions and their obsolescence*¹, the *modesty of educational possibilities* in business or managerial schools and faculties in Slovenia² (Jelovac, 2001:9).

In the third sector organisation the management encounters a basic contradiction: it is supposed to produce results which usually are not materialised as market goods or services in their contents, often appearing in the form of spiritual values such as knowledge, solidarity, health, esthetic pleasure and alike. Contrary to that, it operates in the market environment enforcing with its laws the logic of profit-making operation. This additionally makes tasks of management in the third sector organisations more difficult. In personnel management, for example, complications appear already at the top because it is difficult to find a good general manager who would be successful at least to the extent of creating a surplus of income over the costs in one business year. Therefore, such work is taken on mainly by those who do not have the appropriate managerial abilities, but are rather enthusiasts and people with a humane vision. Also all other personnel can not expect to be awarded for their work by the market principles. Therefore, acquirement of personnel is difficult and its fluctuation high, which makes the position of the organisation even more difficult (Jelovac, 2001:12).

Numerous third sector organisations rely on the *work of volunteers which as a rule do not achieve the level of professionalism which is the standard in profit-making organisations, in range, intensity, quality and responsibility*. With such work, third sector organisations have constant problems in achieving the planned results. This weakens their already bad initial position in society. Paradoxically, personnel has to consist of managers and co-workers qualified to perform various, often very demanding tasks and roles also outside working time and show a relatively higher performance in comparison with profit-making organisations where specialised personnel works in regular working conditions. Therefore, numerous third sector organisations are forced to connect several functions and jobs in one person. Often, bosses are their own “labour force”. The most critical is the position of general managers who beside all knowledge and skills, typical for managers in profit-making organisations, need to cope as their own lawyers, psychologists, financial experts, commercialists, lobbyists, teachers, fundraisers, personnel managers, counsellors etc. (Jelovac, 2001:8,9).

Another **contrast** is the one between the regularly **highly set goals, values and ideals and chronic lack of financial means for their quality realisation**. The lack of financial resources continually causes new problems, from inappropriate and obsolete technical equipment or lack of premises to inappropriate working conditions and an inevitable lag in the development

¹ for example the Institutes Act was adopted as early as 1991 which is before the establishment of the Slovenian state and in essentially different social conditions

² Recently, the undergraduate study at the Faculty of Social Sciences and College of Management in Koper include the subject “management of non-profit organizations”. There is also a postgraduate study “management of non-profit organizations” at the Faculty of Social Sciences.

of knowledge and technology which is available for third sector organisations. This causes a continuous tension between aims, for which the organisations were founded, and their achievement in every day practice. Modest public financial means cause merciless competition, egoism, self-sufficiency and hostility between third sector organisations which according to their nature and recorded mission should co-operate, complement each other and create social network within the world of everyday life (Jelovac, 2001:12).

In its search for resources and its organisation, management encounters *unsolvable oppositions* which reign in the field. Let us mention a few (Jelovac, 2001:8,9):

- Project financing of third sector organisations runs according to the model which envisages that the active approach to the realisation of the project will only start with the signing of the contract and will last only to the day of its expiry. Each *approved rate is only paid retroactively with the realisation of actual costs only on successful realisation of the project*. Third sector organisations have to adjust to the rhythm of the fiscal years of donators' funds. This includes the principle that any organisation of the third sector is wholly engaged in the realisation of only the defined project, while actually, most organisations deal in several projects which are in the process of realisation and are therefore incapable of dividing their operating and material costs accurately in their accounting, through cost allocation, which is of interest to (co)financiers. Numerous third sector organisations have insurmountable organisational problems.
- Some institutions and funds aim to build self-promotion through support of third sector organisations. This leads them to the *practice of single time financing* which, however, *in practice is often damaging for the organisation of the third sector*, as it makes its planning of stable financial sources for long term projects impossible.
- Strained market conditions of economy – *unfavourable tax law* that does not recognise donations for non-profit purposes as business costs; *expensive loans; complications in the ownership transformation in economy* – cause dramatic restrictions for the inflow of money from economy into the third sector. As a result, while the financial resources are growing scarcer, there is a growing number of applicants for the project financing. The negative consequences of this state of affairs are shown by the fact that no resource could be sufficient to cover the price of the project as a whole, resulting in more and more donators setting as a condition the demand for organisations to acquire other co-financiers.
- With the end of the war in Bosnia and our acquisition of the status of the accession country of the EU, *numerous resources of foreign financing suddenly ran dry for Slovenian third sector organisations*, forcing their management to systematically, expertly and continually look for new financial resources for their projects which have to be annually as current, interesting and competitive in the “global market” of donations and subventions as possible.
- Some Slovenian institutions finance only those non-profit projects in which the organisation showed loss in the realisation of the project. Therefore, *only the negative difference between the income and the costs is co-financed, regardless of the amount of resources approved at the public tender*.

Probably, paradoxical difficulties awaiting the management of the Slovenian third sector organisations also in the future, in carrying out their every day tasks, are best shown at this very point. According to the estimates of Jelovac (2001:9), the most important condition for its successful work will be a substantial change in the organisational culture towards its gradual and quality modernisation, which means the equalisation of patterns of managerial operations with those known and recognised in the developed world, regardless of the type of activity into which individual organisation is classified.

2. THE NATIONAL SCENARIO

2.1 Historical - cultural origins and the economic importance of the third sector

2.1.1. Historical and cultural aspects

Slovenian society has a long and extensive tradition of associating according to interests and self-organisation of people. Third sector organisations in the current meaning of the word are primarily of urban origin. Therefore, **the first third sector organisations**, are to be looked for only in *the early urban forms of human associating* in medieval towns in **13. and 14. Centuries** (Črnak-Meglič, Vojnovič, 1997:156). In that period craft-guilds emerged (as craft brotherhoods), religious charity organisations and funds. In the later period, primarily the catholic *church* played an important role in the development of charity and social activities, not only as religious but also as social institution and a strong political force in the Slovenian life. All the states, formed on the Slovenian territory, accepted it as a trustworthy partner and trusted it with an important social role: the care for the poor and other marginal population groups not taken care of by the state or the cities, as well as being the only or at least the leading force in the fields of culture, education and health care (Črnak-Meglič, Vojnovič, 1997 and NGOs in Slovenia 2000 – The Report).

In the **first half of the 19th Century**, **first labour movements** emerged which were prohibited or restricted in their action by the later regime. The most important turning point is presented by the bourgeois revolution of 1848 which brought **freedom of association as a classical constitutional right** and **legal norms which regulated the foundation of associations** and other forms of association of people on the basis of common interests. At that time, Slovenia had no legislation of its own, having the legal system of the Austro-Hungarian monarchy into which formation it belonged (Črnak-Meglič, Vojnovič, 1997:156). Considering the fact that Slovenians were peasant and working class population, while the leading classes in Slovenia mostly consisted of foreigners, in this period special importance is attributed to the emergence of movements aiming for the national awakening. Thus, the most important forms of association were *reading rooms* as meeting places of the upper strata, and *camps* as a form of mass meeting of people outdoors. Especially in the late 19th Century, also national defence associations were important. In that period, parallel to their development, was the beginning of the founding of expert and professional associations (Črnak-Meglič, 2000:132).

Third sector organisations also had an important economic function. **At the end of the 19th Century**, the system of co-operative societies which began to develop, ramified into mass social movement and represented the defence mechanism of farmers, workers and craftsmen against the growing capitalism (Črnak-Meglič, Vojnovič, 1997:158). Their initiator, Janez Evangelist Krek, was one of the greatest social geniuses in the Slovenian history, both, in his written works and practical social action. Almost in every small town, a peasant or craftsmen co-operative as a modern form of production was set up on the principle of self-support and self-organisation, as well as a savings and loan association as banking institution was established on the same principles. In smaller number also technical, stockbreeding, dairy, cheese making, wine production and purchase-and-selling co-operatives, and for workers also housing, production and loan co-operatives were founded. Thus, before the World War 1, Slovenia was a leading country in Europe regarding self-organisation of peasants and craftsmen in the fields of production, finance and insurance (Ramovš 1995: 74-77). Among workers, support societies, voluntary sick and pensioners' funds and various funds in social organisations were formed. Especially peasants' co-operatives also performed non-profit activities (NGOs in Slovenia 2000 – The Report). An important factor of the development of third sector organisations were also political parties which supported various kinds of organisations as well as the labour movement.

Thus in the period leading to the World War 2, the third sector encompassed an extensive network of associations, co-operatives, charity organizations, trade unions and professional organisations and unions. The end of the World War 2 and the arrival of the socialist social system broke up with the tradition of a strong and developed third sector. To a great extent, its functions were taken over by the public sector (Črnak-Meglič, 2000). In socialist times, the work of third sector organisations presented danger to political power and could therefore be organised only *in a very restricted form, often at the local level and for the purposes of profession* (firemen, mountaineers...). Some organisations enjoyed state support (e.g. Red Cross, The Association of the Friends of Youth, The Association of Pensioners), while numerous activities were transferred to the so called social-and-political organisations. Thus, most of associations came under state control or were included into the public sector, while funds were mainly nationalised or ceased to exist in other ways. The work of religious organisations was prohibited or restricted to exclusively religious affairs, their numerous charity and other organisations and their property being nationalised. Considering the restrictions on private property, some forms of third sector organisations (such as funds) were impossible to be founded (Črnak-Meglič, Vojnovič, 1997 and NGOs in Slovenia 2000 – The Report).

The year 1974 marked the beginning of a new era in the development of the third sector, **opening and promoting the foundation** of third sector organisations with **the new Constitution³ and new Societies Act**, in which however, *these organisations remained small and constrained in their numbers due to unstimulating financial support of the state*. Simultaneously, that period saw the *development of self-support groups, groups for mutual help and alternative groups in the fields where this type of services was not provided by the state*. Characteristically, new social movements in Slovenia were not “grassroot” movements as they were not mass based (Črnak-Neglič, 2000). **After 1980**, numerous **new social movements** emerged (peace, ecological, for protection of human rights, spiritual etc.), a part of their members later entering the political sphere of action and a part remained at the non-governmental level. In Slovenia, the rise in the number of third sector organisations was the most intense in the period between 1975 and 1985, and not in the 90's, after the change of the political system. This proves that as early as 70's and 80's, Slovenia experienced democratic changes and the ensuing change of attitude by the state towards the third sector organisations. (Kolarič in: Črnak-Meglič, 2000:137)

In contrast with other transitional countries, the **gaining of independence in 1991** did not bring Slovenia such a mass emergence of new third sector organisations except in some fields (*sports, culture, social welfare*). After the introduction of formal democracy and with the growing influence of civil society⁴ on the processes of political decision-making and the consolidation of civil society as grounds for quality decisions at the state level, numerous expectations remained unfulfilled. Most of the burning questions that third sector organisations were facing in the past, remained unsolved (NGOs in Slovenia 2000 – The Report). In spite of the open legal possibilities for foundation of co-operatives, private institutes and funds, associations still form the greatest proportion of the third sector organisations (Črnak-Meglič, 2000).

³ The Constitution was based on that the political system should be open for the assertion of the widest interests, and that interest communities and associations are an integral part of the political system and an important framework for a direct realisation of interests and needs of people (Črnak-Meglič, Vojnovič, 1997:155).

⁴ The role of the third sector in Slovenia in the democratisation is not such as it is said to be in the opinion of the European Commission which stresses the triple value of civil society, that is: 1. to present an important pressure on the state in the democratic reform; 2. to expose problems and create conditions for public discussion on these for their resolution; 3. to contribute to the development of democratic culture.

2.1.2. Economic importance of the third sector

2.1.2.1 Number of Third Sector organisations at national level and primary activity sectors

According to ICNPO classification (International Classification of Non-profit Organisations), there were about **13,000 third sector organisations in Slovenia in 2000** among 143,000 of all registered legal entities. They were mainly founded **at the local level**, are of **membership character** and **plural modes of funding**.

According to the data from 1996, there is one *third sector organisation per 250 inhabitants*, which would indicate a relatively developed third sector. *However, all the registered associations are not actually active, almost one third having been estimated inactive, and moreover, almost one half of the associations operates only for the interests of their members and not for public benefit.* Therefore, the number of associations that form the potential for an alternative production of collective goods and services is reduced for more than one half, indicating a *relatively underdeveloped third sector* (Črnak-Meglič, Vojnovič, 1997:168).

Data from the register enable only the analysis of the structure of associations (Table 2), however, also the survey including the sample of all the third sector organisations, showed a similar picture. A deviation only occurred in the field of education where official statistics record only a small proportion of third sector organisations. This means that organisations, identifying themselves as educational in the survey are not registered as such, but classify themselves as such because they are active also in the field of education (Črnak-Meglič, 2000:155).

These data show an *inappropriate structure of third sector organisations*, which is similar to the profile of the rest of the transitional countries of Central and Eastern Europe, that is **59% of all active associations, therefore the majority, are sports and re-creational, culture-and-art and firemen's associations** (Rončević, 2001). Funds, private institutes and religious organisations mainly work in the fields of education and culture (Črnak-Meglič, 2000:156).

Table 2: Structure of the third sector according to the type of associations

ASSOCIATIONS	1997	Share (in %)
Sports/recreation	3.345	32
Firemen associations	1.425	14
Culture/Arts	1.373	13
Social and health care	1.095	10
Environment/Animals	916	9
Professional	664	6
Technical	381	4
Development/ec.soc.	379	4
Education/Research	170	2
Military	101	1
Advocacy	34	0,3
Other Associations	533	5
TOTAL	10.416	100

Source: Bernik and Kolarič, 1998 in: Rončević, 2001:32

Interestingly, 87% of all professional⁵ non-governmental organisations and as much as 81% of all funds, which however form only 5% of all non-governmental organisations, work for public benefit. The remaining 95% are associations, among which 54% work for public good (Rončević, 2001:32).

⁵ The term defines organizations of the third sector which regularly or irregularly employ workers.

2.1.2.2 Global number of the employees

One of the most important indicators of the range of the third sector is the employment or its increase. Characteristically, numerous Slovenian third sector organisations have **weak organisational structure, small number of members and few paid or employed members and experts** (Freedom House, 1998 in: Rončević, 2001:32).

There are no statistical data on all the employed in the third sector in Slovenia. The available data on associations shows that in 1996 associations employed 2930 persons, which represents 0.4% of all the employed in Slovenia (Črnak-Meglič, 2000:142).

The estimate on the basis of the generalisation of data from the survey carried out on the representative sample of third sector organisations showed that **in 1996**, all such organisations in Slovenia together **employed 3750 persons (full-time employment)** which is a **0.54% share of all the employed in the country**. The same survey showed that those contractual workers do the **equivalent for additional 1360 of full-time employees**, while according to the survey, **volunteers** in Slovenia perform approximately **260,000 hours of work**, which is the equivalent for **2722 of those employed full-time** (Črnak-Meglič, 2000:142-144, Bernik and Kolarič, 1998 in: Rončević, 2001:33).

The complete picture on the employed in third sector organisations is given by the data on the number of the employed in them (see also Table 3):

- **85%** of organisations have **NO full-time employees**;
- 4.9% organisations have **ONE** full-time employee;
- 3% of organisations have **TWO** full-time employees;
- 6.8% of organisations have **MORE THAN TWO** full-time employees;
- on the average, one organisation of the third sector employs 0.4 of workers (Črnak-Meglič, 2000:144, Bernik, Kolarič, 1998 in: Rončević, 2001:32).

Table 3: *The share of third sector organisations according to the number of the employees and types of organisations in Slovenia*

Type of organisation	Number of the employed (in %)			
	0	1	2	2+
Associations	91	3,4	1,7	3,9
Funds	81,3	6,3	6,3	6,1
Private institutes	60	20	6,7	13,3
Co-operatives	33,3	16,7	8,3	41,7
Church organisations	74,9	12,5	6,3	6,3

Source: Črnak-Meglič, 2000:144

Slovenia is among the countries that have the smallest number of the employed in the third sector. International research shows that the share of those employed in the third sector is on the average 4.9% of all the employed. In Slovenia, third sector organisations only employ (full-time or temporarily) 0.37% of people *in comparison with all the employed in the country* (Črnak-Meglič, 2000:144).

2.1.2.3 Financial composition

Beside the number of the employed, data on the range and financial resources of third sector organisations, are quite a trustworthy indicator of the significance of the sector, its working conditions and the relationship of the state towards it. In Slovenia, statistical *data are very incomplete*, as it is only possible to acquire the data on the income of those associations which forwarded their final accounts to the Agency of the RS for Payments. In 1997, only 56.3% did this. On the average, the highest income was acquired by the organisations for the disabled (Črnak-Meglič, 2000:148).

According to the data from the survey, **third sector organisations are financially weak**. The income of non-governmental organisations which hand in their final accounts, amounted only to 1.63% of GDP. In 1996, the total income of all the associations was SIT 50 billion which was 1.92% of GDP (Bernik and Kolarič, 1998 in: Rončević, 2001: 32). Various sources state alarming data on the income of third sector organisations. A survey⁶ showed that in 1996, one fifth of organisations had no income, 60% of organisations had up to SIT 3 million of income, while only one fifth of organisations had an income over SIT 3 million (Črnak-Meglič, 2000:149). According to other data, stated by Šporar (2001:159) even more than 80% of non-governmental organisations have an income under SIT 3 million, 12% of the organisations from SIT 3 to 10 million and only 8% above SIT 10 million. All the data prove the conclusion that **third sector organisations have low means for the execution of their activities** which results in the low rate of employment in them. The survey showed that 95.4% of organisations with the income under SIT 3 million had no employed persons (Črnak-Meglič, 2000:149).

Non-governmental organisations combine various ways of fundraising. In Slovenia, beside public financial means, the most important financial resource for third sector organisations is membership fee. The third most important source of income is donation. The important share is also represented by commercial activity (Table 4).

Table 4: *The structure of income of third sector organisations in 1996*

FINANCIAL SOURCES	SHARE (in%)
State resources (concession, relieves, subventions...)	29
Membership fees	20
Own commercial activity	18
Donations from companies	14
Individual donations	9
Income from lottery	3
Donations from various funds	2
Other resources	5

Source: Bernik and Kolarič, 1998 in: Rončević, 2001:32

Financial means (public income, private donations, commercial activities) of third sector organisations are evenly distributed, which is a Slovenian peculiarity. An international comparison showed that, on the average, the most important financial resource of the third sector organisations are payments for services (47%) followed by state subventions (42%), while income from donations forms only 11% of the income (Salamon, Anheirer and others 1988 in: Črnak-Meglič, 2000:152 – see the Appendix).

⁶ The survey “Non-profit-voluntary organizations in Slovenia 1997” encompassed a representative sample of all organizations of the third sector in Slovenia.

The state or municipalities support the work of the third sector organisations primarily by annual subventions or financing of individual projects, and very rarely on the basis of long-term financial arrangements, such as concession contracts. A survey among the third sector organisations showed that the range and way of funding are inappropriate for one half of the organisations. Only 16% of organisations do not acquire state subventions. Income from the state is the most important resource only for 30% of the organisations, while nevertheless, the failure at a public notice can pose a threat for the existence or considerably reduce activity of the third sector organisations (Črnak-Meglič, 2000:157).

There is a continuity of an indirect resource of the state funding of the organisations for the organisations for disabled and humanitarian organisations from lottery means. However, the access to this financial resource for the third sector organisations is selectively limited, by which it strongly influences the maintenance of the dualist system and unequal position of these organisations in the system of funding from public resources. The existing way of funding strongly influences the destabilisation of the sector, establishing competition between weak and underdeveloped third sector organisations (Črnak-Meglič, 2000).

3. WELFARE GOVERNANCE

After World War 2, specific type of welfare state was asserted in Slovenia, which was perhaps the most similar of all to a social democratic type and which also included elements of the corporatist type (Table 5). The welfare state was constituted of the insurance and care/service dimension with a clearly expressed tendency of the latter to prevail over the former. Regarding the provision of care, the governance of the welfare state was decentralised and transferred to federal units to a great extent. Public institutions dominated the provision of services.

Table 5: Elements of social-democratic and corporatist model of the welfare state in the Slovenian model of the welfare state after the World War 2.

SOCIAL-DEMOCRATIC MODEL	CORPORATIVIST MODEL
<ul style="list-style-type: none"> - the dominant role of the state at all levels of social policy; - social policy is a part of economic policy - the attempt for egalitarian social stratification of the population - the emphasis on universal, quality and widely accessible social and other services and on social transfers 	<ul style="list-style-type: none"> - strong role of companies and trade unions in the governance and provision of welfare – but they were controlled by the state - the financial source of the majority of social transfers were the compulsory contributions of the workers and employers – the money from the national budget was only intended for those who were not included in compulsory groups of social insurance

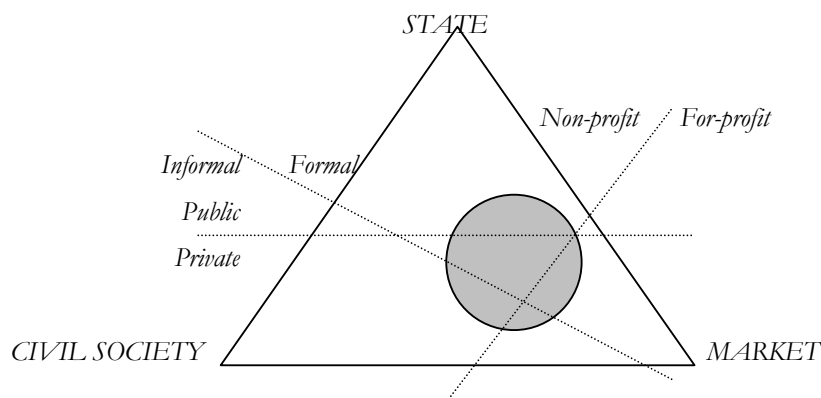
Source: classified according to Črnak-Meglič, 2000: 122-124

The most important innovation *after 1991*, when Slovenia became independent and a multi-party democratic state, was a **new social programme**, which had for its starting point the **re-orientation of the welfare state into a corporatist type**. The basic responsibility for the provision of social welfare should be transferred from the state to the individual, for which the state should provide appropriate possibilities. This should reduce the significance of social insurance regulated by the state and increase the significance of private and additional insurances of the individuals. This introduced the principle of subsidiarity, which is one of the basic elements of the corporatist welfare model. An important innovation introduced by the programme, is the provision requiring from the state to promote different forms of organisation and implementation of programmes also outside public services. Services

of public institutions should complement services of the commercial and third sector (Kidrič, 1994 in: Črnak-Meglič, 2000:126).

In the transitional period, the third sector and commercial production of goods and services grew in Slovenia, while the public sector remained unchanged in its range (Figure 1). Otherwise, in the transitional period of the 90's the state neither reduced costs for social services nor the number of the employed in public services, nor specifically changed the existing network. Therefore, Slovenia never faced the post socialist welfare gap (Svetlik, 1992 in: Črnak-Meglič, 2000:127), characteristic of other post-socialist countries.

Figure 1: *The welfare triangle in the transitional period* (Source: Črnak-Meglič, 2000:167)



Today, the actual situation in Slovenia is different from the planned one. The above-mentioned programme is being implemented gradually, so that there has not been a significant shift towards the corporatist type of the welfare state in Slovenia, as yet. The state has not begun to withdraw from the provision of public goods and services and therefore has not opened space for other sectors (Črnak-Meglič, 2000:127).

1.1 Objectives, means and relationships

From what has been said so far, it follows that Slovenia has not as yet defined the aims of its third sector in the whole of its social system; aims and solutions which are being set and followed from case to case are mostly coincidental in their nature either due to pressures from within or from outside, among others also because of the processes of the approximation to the EU, these aims and strategies can achieve the opposite effects, because they do not originate in the actual needs of the third sector and its actual possibilities.

The same as for aims goes for the resources and mechanisms that are available for the third sector and for its development and execution of the role which it could have had in the present developmental stage of the Slovenian welfare governance. What has been said about the legislation, financing, personnel management and distribution of third sector organisations in Slovenia, is typical for the available resources in their momentary development and operation.

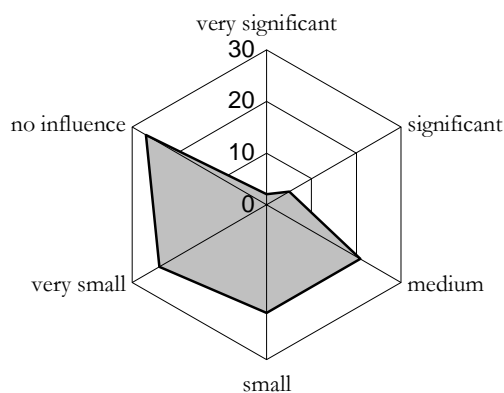
Regarding the relationship between the sectors, Slovenia – as all former socialist countries – differs significantly from the states with social-democratic system of welfare for the great distance between the third sector and the state and their low rate of communication. This means “that **the state is not taking the third sector organisations for serious partners in meeting the needs of people or is not considering as important their contribution to general social welfare**” (Kolarič, 1994:19 in: Črnak-Meglič, 2000:161).

In the beginning of the 90's, S. Kuhle and P. Selle (1992 in: Črnak-Meglič, 1997:176 and Kolarič, Črnak-Meglič, Svetlik 1995:85-86) classified Slovenia among the countries with a characteristic **relationship of separated independence** between the state and the third sector. Characteristically, this type consists of the predominance of the state and the restriction of the third sector on the part of public policy, a great distance in communication and co-operation between the state and the third sector and a high dependence of the third sector organisations on public funding (Črnak-Meglič, 1997:176). This type still prevails in Slovenia today.

The third sector has only a complementary role. That means that its role is limited only to the filling in the gaps in the services of the public sector. Nevertheless, the differences in fields of action of individual organisations can be said to exist. So, for example sports and firemen organisations have the primary role in production of public goods and services, while the role of the third sector organisations in culture and social care is only supplementary. In the field of education, research and health care, third sector organisations as producers hardly appear at all (Črnak-Meglič, 2000: 156, 159).

Third sector organisations only occasionally co-operate with the state in regulation of activities or fields of operation. The survey showed that *almost three quarters of third sector organisations think that their influence on decision-making is non-existent or insignificant* (Diagram 2). Organisations showed the need for a more substantial state financing and provision of information as well as for co-operation in the execution of programmes (Črnak-Meglič, 2000:162).

Diagram 2: *The influence of third sector organisations on the decision making of the municipality or the state*



Source: Survey, Non-profit-voluntary organisations in Slovenia, 1997 in: Črnak Meglič, 2000: 156, 161

Third sector organisations have very limited possibilities of representing their interests at the political level. Weakness of non-governmental organisations is noticeable in all key political issues: *in public warning about social problems and possible ways of their resolution, in the process of formation of political agendas, in processes of formation and implementation of public policies and in processes of valuation of effects of public policies* (Hafner-Fink, 2001:54). Therefore, crisis of civil society and its institution is characteristic for post socialist period in Slovenia. Because there are not enough developed formal representational institutions, and the political parties are also less interested in the development of such organisations, *the lack of lobbying mechanisms* is one of the basic causes for the disappearance of civil society from the Slovenian social order. Civil society does not have enough influence on social development (Kovač, 2001:108).

Therefore, only a *small number of the third sector organisations are asserting themselves in the role of interest groups*. According to the politological study carried out among parliamentarians and interest groups the number of active interest groups is on the increase, yet, with a marked predominance of those economic groups which are to an important extent financially, personnel managing and professionally -wise independent from the state (Hafner-Fink, 2001:54).

Third sector organisations are dispersed, both in sectors and in regions, and are frequently organised as private companies, competitive with one another, which results in poor orientation towards co-operation and openness for interactions (Hren, 2001:66). Therefore, **third sector organisations are the only ones which take the initiative for their own mutual co-operation**, and even here, less demanding forms of association are prevailing, such as personal and telephone conversations and preparation of written proposals. The preparation of alternative legal solutions and bringing forward of amendments to material in the procedure present a very rare form of co-operation (Črnak-Meglič, 2000).

Status legislation enables different forms of connection and association of third sector organisations, however the problem remains at the level of contents where most of these organisations see no privilege in the association of interests and inclusion into co-operation networks. Most often such co-operation is possible only in similar projects and aims for a single purpose and limited time. Third sector organisations are also very poorly represented in the global and European forums, such as The Council of Europe, the platforms of EU, the UN, the World Bank and others (NGOs in Slovenia 2000 – The Report).

As has been shown, **a continuity of the pattern of relationships from the socialist period has been noted in the Slovenian system, with one important difference – a considerable reduction of state control over the work of third sector organisations** (Črnak-Meglič, 2000:162).

4. POSSIBLE DEVELOPMENT TRENDS

In considering further development of the third sector, the following factors are of relevance:

1. *Good historical experience of Slovenia regarding the development and organisation of self-support and solidarity system*. Over the centuries, Slovenia developed a very elaborated experience of traditional forms of peasant, trade, kinship, professional and neighbourhood self-support and solidarity system, developing modern industrial forms of solidarity and self-support a hundred years ago in the then third sector of self-organised system of co-operative societies, banking with saving and loan system and insurance system – occupying the position at the head of the European development. Values which form the basis of the work of organised self-support and solidarity are still very vivid in the minds of people, which is an important source for future development of the modern third sector in Slovenia.
2. In the 50 year period of communist socialism, this experience has been broken, because that social system was systematically destroying the remains of the traditional forms of self-organisation and also new industrial forms of organised self-support and solidarity, while the conceded forms were at the margin of social happening or harnessed to the structure of the then state system. *A relatively high rate of welfare of socialist welfare state had put to sleep the immune impulses of personal initiative, responsibility and need for self-organisation*. This discontinuity in the development is a hindering factor in the present development of the third sector in Slovenia.
3. During communist socialism, Slovenia geographically bordered the capitalist countries and its western and eastern borders were among the most open in Europe after 1975. Therefore, in the last decades it has been completely open also for the influence of the

competitive capitalist and consumer individualism which on the one hand weakens solidarity among people and other basic social immune impulses in people, and on the other hand produces contemporary forms of poverty which within the impulse of self-help for survival organise themselves in contemporary self-support groups and organisations. In Slovenia, these processes are noticeable in a similar way as in other countries of the Western Europe.

The stated facts reveal that in its further development, the third sector in Slovenia should – with at least a certain degree of favourable circumstances – count on the *following peculiarities and necessary tasks*:

1. Third sector organisations in Slovenia cannot automatically take over the present model of these organisations from Western European countries, and their development is different from other post-socialist countries, which experienced less of western influence in time of socialism. The *present development* shows that in the deficiency fields of development of the third sector, that is in social, educational, scientific research, *the most sensible is the development of smaller autonomous third sector organisations*, known in Western Europe, *which connect among themselves according to mechanisms for increasing the potentials at the regional and national levels*, while *their organisation is remaining consistently decentralised and local*.
2. The existing network of third sector organisations, the variety of their organisational forms, their personnel and financial potential, form a firm basis for a relatively soft partial transfer of services from the public to the third sector, however, this potential is exhausted, and is possible only at the change of the state policy towards the third sector, especially at the legislative, tax and financial fields. *Past governments* maintained a strong public sector, and saw the possibility of its reduction in the privatisation of services or their commercialisation while they *overlooked big potentials of the third sector in the production of common goods and services*. The desirable relationship between the state and the third sector is ***an integrated dependence***¹, that is a low degree of state control over the third sector organisations, a medium degree of their public funding and a high degree of communication and relationships between the government and the third sector. *The strongest incentive for the change of the state orientation is perhaps the inclusion of Slovenia into the European Union*.
3. Essential elements for the development of the third sector in Slovenia include a wilful “*help for the development of the organised self-help and solidarity*”. Beside the state, this developmental task and opportunity should primarily be fulfilled by the professional branches as described under the preceding issue. *The integration of contemporary knowledge, organisational and working methods in third sector organisations, will enable the compensation of the lag from the decades of socialist loss in this sector*. In the last decade, experiences from the field are very good, for example in the social field in the development and extension of programmes for postmodern intergenerational connection and for the preparation and increase of the share of the aged population (Groterath, Ramovš 1999, www.instantonatrstenjaka.si)

¹ Classification according to Kuhnle and Selle, 1992, in: Kolarič, Črnak-Meglič, Svetlik, 1995:86.

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6. APPENDIX

Table: Income structure and dominant areas of work in the Third Sector in Europe

	GDP/ INHABITANT (USD)	SIZE OF THE SECTOR (v%)	INCOME STRUCTURE			DOMINANT AREAS OF WORK
			Commercial resources (v%)	Public resources (v%)	Private donations (v%)	
England	18.700	6,2	45	47	9	Education / Social protection
Austria	26.890	4,5	44	50	6	Social protection
Belgium	24.710	10,5	18	77	5	Education/Health
Czech Republic	3.870	2,8	40	43	17	Recreation/Culture
Finland	20.580	3,0	58	36	6	All areas
France	24.990	4,9	35	58	7	Social protection / Education
Hungary	4.120	1,3	55	27	18	Recreation/Culture
Germany	27.510	4,5	32	64	3	Social protection / Health
Netherlands	24.000	12,4	38	60	2	Health / Education
Romania	1.480	0,3	54	11	35	Recreation/Culture
Slovak Republic	2.950	0,9	56	21	23	Recreation/Culture
SLOVENIA	9.431	0,7	38	32	30	RECREATION/ CULTURE
Spain	13.580	4,5	49	32	19	Social protection / Education
Sweden	23.750	2,5	64	27	9	All areas

Source: Anheier, 1998 and for Slovenia: Kolarič, 1998 v Kolarič, 2001:20