



**MASARYK UNIVERSITY
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The non-government organizations in Slovakia and Austria and the current state of their self-financing

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Abstract

In this paper we map the development of the NGO sector in Slovakia and Austria. In the context of a common historical development we assess the current state and economic strength of NGOs in both countries. Furthermore, the presented paper deals with the self-financing of non-government organizations and compares the current state and potential of self-financing in Slovakia and Austria. We focus on exploring the self-financing activities of NGOs in the context of maintaining a generally beneficial purpose for which they were founded. We draw on the comparable findings of primary research conducted in Slovakia and Austria, showing that self-financing must be understood in a broader context than a "business" of non-government

organizations and that it can be in compliance with the general benefit as the primary purpose of organizations founded on a non-profit basis.

Key words: Non-government organizations, non-profit organizations, self-financing, general benefit

JEL classification: L30, L31, L39

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1. Introduction

The impulse for processing the presented paper was a scientific research of John Hopkins University in Baltimore (USA) from which the results are studies which compare the inter country non-profit sector, describing the size and power of diverse indicators. The research was carried out in 1995, twenty-two countries participated, among them Slovakia and Austria.

These countries were part of the Austro-Hungarian Empire between the years 1867-1918. Even during this period a non-profit sector existed, represented by charities and various voluntary associations and self-help groups or institutions providing social and health services for the poor. After the collapse of the monarchy, the non-profit sector was developed in the successor (nástupnícké krajiny) countries of Czechoslovakia and Austria. Different political regimes have affected the non-profit sector and its formation in both countries.

According to available information such a study, based on primary research comparing the development of NGOs and the current state of their funding in these countries, has not yet been published. All so-far published studies remain at a summarizing and descriptive level.

Scope of non-government organizations (NGOs) is so diverse that it is impossible to find a single term to define these organizations. Therefore many authors (Anheier and Salomon, 1999; Bútorá, 2011, Frič, Goulli, 2001, Haken, 2005, Hansmann, 1996; Hyánek, 2011; Kuvíková, 2004; Marček, 2004; Ondrušek, 1998; Pestoff, 2006; Petijová, Woleková, 2006; Rektořík, 2001, Rose-Ackerman, 1996; Toepler, 2003, Weisbrod, 1988) in a number of publications prefer a broader description of the characteristics of non-profit organizations. The structural-operational definition by Anheier and Salamon (1999) can be used. According to this definition an NGO should meet five characteristics: institutionalization, independence, non-distribution constraint, self-government, voluntary participation.

The concepts of non-profit and non-government organizations have many names and likewise there are also a number of names for self-financing (Atkinson, 2003; Etchart, Davis, Messing, 2001; Fukas, Guštafík, 2005; Ondrušek et al., 1999): gainful occupation, economic activity, enterprise of NGOs, non-profit business, income from NGO's own activities, community business.

NGOs have not yet reached such a level of economic and managerial professionalism to be able to exist solely on sources from self-financing activities. It is not their goal – it would be in contradiction to several principles of their financing (multi-sourcing, non-distribution constraint). As used by several foreign and domestic authors (Etchart, Davis, 2011; Glaeser, Shleifer, 2001, Hansmann, 1996; Kuvíková, 2004; Majduchová, 2004; Murgaš, 2001, Ondrušek, 1999; Šebo, 2002) the income cannot be used to enrich the owners, managers or members. According to the above named authors the self-financing activities include: membership fees, sale of services and products, the use of intangible and tangible assets, and the use of investment appreciation.

In the paper we want to prove that self-financing that self-financing may be in compliance with the general benefit and purpose of NGOs, e.g. it is a suitable method of fundraising for NGOs, with respect to the benefits and risks that self-financing entails. We explore whether and to what extent the self-financing has an effect on the general benefit of the goals of NGOs.

According to available data such a paper that deals with the possibilities of achieving generally beneficial goals of NGOs through the use of self-financing activities has not yet been published. This presented paper provides new insight into the studied problem while generating sufficient theoretical and methodological basis for further scientific study and research work in this field.

2. Non-profit sector in Slovakia and Austria

In describing the development of the non-profit sector in the countries the paper we will focus mainly on Slovakia. The Austrian non-profit sector and its development is described in detail in numerous research studies that have been processed mainly at Vienna University of Economics (Haider et al. 2008, Schneider et al. 2007; Trukeschitz 2006; Badelt 2002; Heitzmann 2001; Bachstein 2000; Bachstein 1997; Badelt , Bachstein et al. 1997).

Civic and volunteer activities have had a long tradition in Slovakia. The establishment of the first non-profit organizations in this area is related to the formation and activities of the church. The oldest examples are charities, institutions providing

social and health services for the poor and various brotherhoods of religious communities (Kuvíková in Zimmer, 2004).

At the turn of the 19th and 20th centuries many voluntary associations and groups with self-help mission existed in Slovakia. The first break occurred in the development of voluntarism occurred in the post-revolutionary years 1848-1849 when most of the associations ceased to exist.

During the 20th century many regimes changed within Slovak and the Central European environment (Spaček, 2009). Slovakia was in different regimes: the Austro-Hungarian Empire, the Czechoslovak First Republic, the Slovak Fascist State, the Czechoslovak Republic 1945-48, Communist Czechoslovakia, Czechoslovakia after Soviet and Warsaw Pact Occupation in 1968, Federal Socialist Czechoslovakia, Federal Democratic Czechoslovakia, and currently the Slovak Republic formed in 1993. Despite these facts, NGOs and civil society were formed in Slovakia. There have been eight currency reforms and nine constitutions in the territory of Slovakia. The country has experience with political systems such as parliamentary democracy, a fascist regime, Stalinism, 'normalization', socialism and the post communist return to democracy (Hochel, 1996).

November 1989 brought political and economic changes and increased civic activities and the entry of private institutions including non-profit organizations into the economy. The number of private non-profit (non-governmental) organizations and volunteers soared. By 1993 there were almost 6,000 registered non-governmental organizations. In one year the number increased to 9,800 and by year 1996 there were already more than 12,000 NGOs. Positive growth was complicated by the government of the time's new restrictive laws. Administrative guidelines and limits for the establishment and funding made it difficult for the existence of the non-profit sector. In 1997, the Act on Foundations was adopted which greatly limited the independence of civic activities and as a result 1,800 Slovak foundations ceased operating. After the 1998 elections a new coalition established a liberalization of regulations regarding the non-profit sector. Favourable legal and economic conditions for its further development and existence were created (Kuvíková-Svidroňová, 2010).

The government following the 2010 election chose the topic of civil society as important. The post of representative for the development of a civil society in

Slovakia was created. Based on his recommendations the Government Council for NGOs, which had operated in Slovakia since 1999, was transformed into the Committee for NGOs. The resolution of the Committee shall be automatically placed as a reminder to relevant materials discussed at parliamentary session (Radvanský et al, 2010). The government, however, ended early due to the election in 2012 and the present government came up with a proposal to create the post of the government representative for national minorities and civil society. The non-profit sector does not agree with this proposal and they are for maintaining a post of an independent representative for civil society. This issue has not been solved yet.

Certainly we can say that the non-profit sector in Slovakia has a strong representation and its size is documented in Table 1:

Table 1: Development of private non-profit organizations in Slovakia according to organizational and legal form

| Legal form | 1998 | | 2008 | |
|--|----------|----------|----------|----------|
| | absolute | relative | absolute | relative |
| Legal entities | 83476 | 100,00% | 169960 | 100,00 % |
| of which non-profit organizations | 23142 | 27,72% | 50027 | 29,43% |
| <i>Of which budgetary organizations</i> | 5005 | 21,63% | 6592 | 13,18% |
| <i>Of which subsidiary organizations</i> | 988 | 4,27% | 751 | 1,51% |
| <i>Of which non-governmental organizations</i> | 17149 | 74,10% | 42684 | 85,32% |
| Of which civic associations | 12000 | 51,85% | 25613 | 51,20% |
| Of which foundations | 422 | 1,82% | 394 | 0,79% |
| Of which public benefit organizations | 16 | 0,07% | 2006 | 4,01% |
| Of which non-investment funds | 161 | 0,70% | 625 | 1,25% |
| Of which other | 4550 | 19,66% | 14046 | 28,08% |

Source: Statistical Office of the Slovak republic

Table 1 shows that the non-profit sector has increased over the past 20 years. Less than 10 years after the revolution there were 23,142 non-profit organizations in Slovakia from which 17,149 organizations were non-governmental. Over the following ten years this number more than doubled. According to the latest available statistics 42,122 non-governmental organizations operate in Slovakia (Statistical Office, 2011).

Growth in the non-profit sector in Slovakia can also be monitored through employment in this sector. In 2010, according to the Statistical Office 20,938 employees worked in NGOs and another 269,714 volunteers participated which

converted to full-time employment gives an additional 7,178 workers. For different part-time contracts 63,618 employees worked in the non-profit sector; we do not have data separately for NGOs (for further characteristics of importance of NGOs in Slovakia see e.g. Kuvíková-Raguseo, 2008).

The non-profit sector has a long tradition in Austria, and many of the NGOs that are active today date back to the 19th century. A foundation for the formation of the civil society sector was the law on registered associations which was established in 1867. The most important types of associations, from around the turn of the century until 1914, were charitable societies and savings clubs, reflecting the lack of a public system of social security and the necessity for the working class to save for unforeseen happenings. Also, the political parties of the Austrian Republic have roots in the registered associations active at that time. During World War I, the activity of the non-profit sector supposedly diminished. However, the sector recovered and grew very quickly afterwards. In the years between the wars – when fascist ideology gained ground in Austria – civil society associations played an important role in disseminating fascist thoughts, which first manifested themselves within such associations, especially sports associations. Thus, associations served to disguise political activity and contributed to keep fascist ideology publicly unnoticed before emerging across the board (Simsa et al., 2006).

The steady increase in the number of NGOs since 1925 came to a sudden end in 1934 when the Social Democratic Party and all associations linked with it were dissolved and any further activities forbidden. Associations with ‘undesired’ aims were either shut down or brought in line with nationalistic goals. All Jewish associations were dissolved. Membership in those NGOs which were co-opted by the regime was partly obligatory (Heitzmann - Simsa, 2004). After World War II, and with the formation of the Second Republic, the reinvigoration of the non-profit sector was influenced a lot by political parties. Many NGOs were founded or supported either by the Social Democratic Party or by the conservative Austrian People's Party (ÖVP). Following the retreat of the Church from current political affairs, some of the NGOs associated with the Church started to work closely with the ÖVP (Simsa et al., 2006). Due to these affiliations, NGOs had an enormous influence on politics. This constituted the base for the corporatist system Austria has today, where not only political parties but also the labour movement, professional associations, and NGOs in general are represented.

In 1973, many ecological, cultural and political movements that had been developing throughout the 1960s resulted in the founding of a huge number of registered associations. Charity associations engaging in activities for disadvantaged people (like drug addicts) and a number of self-help groups and organisations delivering services emerged. Since then the number of registered associations in Austria has increased steadily. One of the more recent occasions that motivated action within the civil society sector was the year 2000, when in the course of the protests against the

new right-wing government, a great number of initiatives emerged spontaneously (Schneider et al. 2007).

As we can see, in both countries non-profit sector has its ups and downs. Meanwhile, in Austria, NGOs started to develop (and in co-operation with political parties) already in the 1960s, whereas in Slovakia the communist era delayed the reinvigoration and slowed down the development of NGO until 1989.

2.1 Material and Methods

The goal of the paper, on the basis of comparable findings of primary research of NGOs conducted in Slovakia and Austria, as well as the best practices of selected NGOs in Slovakia, is to prove that self-financing may be in compliance with the general benefit and purpose of NGOs.

Primary data was obtained by the sociological method of a structured questionnaire. Source data for Austria are the findings of the project "Different sources of funding of non-profit organizations" (Schober et al., 2010) conducted by the Research Centre NPO-Kompetenzzentrum WU Wien. For Slovakia the data are the findings of primary research conducted in the dissertation "Self-financing strategy and sustainability of non-profit organization" that was part of the project "VEGA 1/1001/09 2009-2010: The status of the non-profit, non-governmental sector in building a framework for the provision of public services (European Perspectives)" solved by a team of authors from the Faculty of Economics, Matej Bel University in Banska Bystrica. This presented paper will be part of the findings of the Masaryk University project „CZ.1.07/2.3.00/30.0009 Employment of Newly Graduated Doctors of Science for Scientific Excellence“.

In order to achieve comparable findings the same methodology in both countries was chosen (Benčo-Vaceková, 2012):

- Selection of relevant NGOs in the database or on the Internet.
- Establishing personal contact with selected NGOs at management level.
- Sending an e-mail with a link to an online-questionnaire to contacts that have been identified in the previous step.
- Sending a reminder after two weeks from the start of questioning.

Based on the representative sample of NGOs in Slovakia (SVK) and Austria (AT) and the best practices of 13 Slovak NGOs we can focus on the self-financing of NGOs in the context of sustaining the general benefit of their goals.

2.2 Research sample of NGOs in Slovakia and Austria

Non-profit organizations can be classified in terms of the founder or proprietor to the government (non-profit state) and non-governmental (non-profit private)

organizations. We focus on non-governmental organizations that are represented in Slovakia in four main types of organizational-legal form:

- Civic associations
- Foundations
- Non-investment funds
- Public benefit organizations

Of the 670 surveyed NGOs we obtained data from 182 respondents in the following structure:

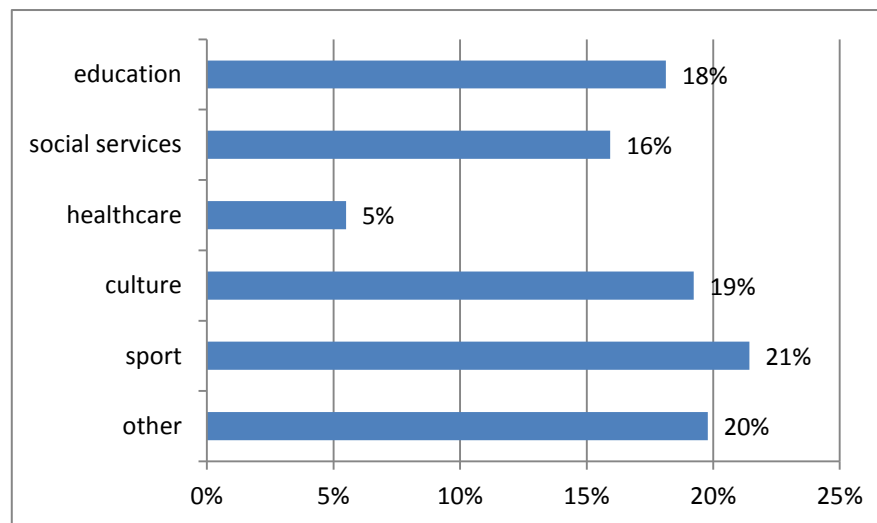
Table 2: Sample size

| Legal form | Absolute number | Relative number |
|------------------------------|------------------------|------------------------|
| Civic associations | 117 | 86 % |
| Foundations | 4 | 3 % |
| Non-investment funds | 2 | 1 % |
| Public benefit organizations | 9 | 7 % |
| Others | 4 | 3 % |
| Total | 136 | 100 % |

Source: Own research, 2011

Most of the surveyed NGOs are active in the field of sport (21.43 %), culture (19.23 %) and education (18.13 %). Almost 20 % of them (19.78 %) reported "other" as their core work where they indicated options as the environment, development and humanitarian aid, social and legal protection, defence of citizens' rights and interest activities, spiritual development, youth work and organization of cultural events and managing the leisure time. Chart 1 summarizes the overview:

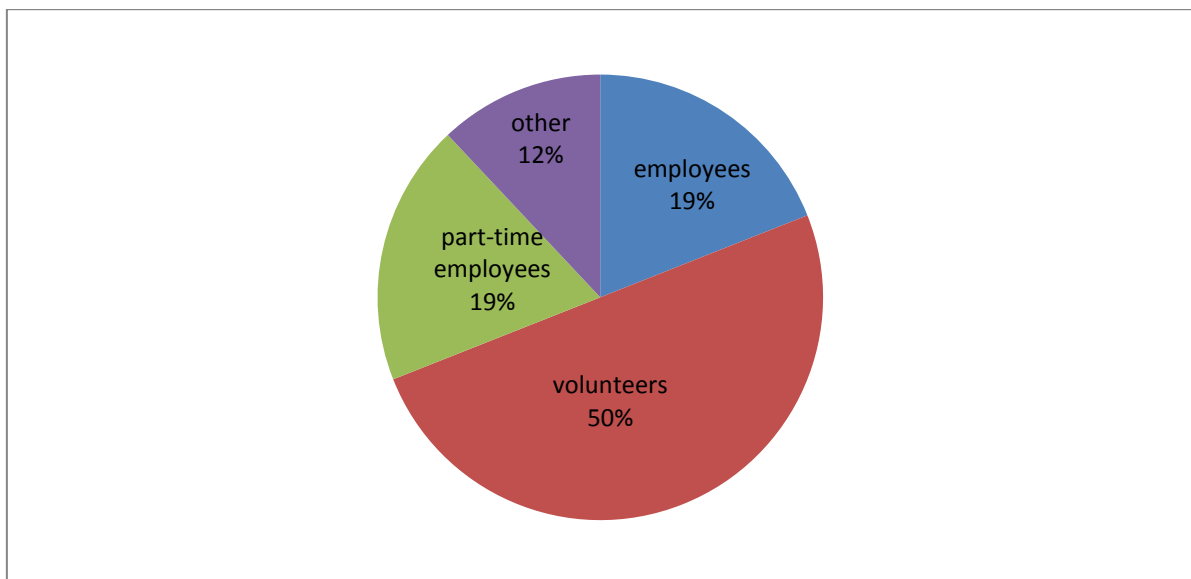
Chart 1: The core work of Slovak non-governmental organizations



Source: Own research, 2011.

In terms of the number of workers (both paid employees and unpaid volunteers) we can say that half of NGO workers are volunteers. Full-time employees are represented by 19% and part-time employees are represented by 19 % (Chart 2).

Chart 2: Composition of the staff of the Slovak NGO



Source: Own research, 2011.

External co-workers, mentors, tutors and occasional co-workers were marked as "other".

In Austria there are the following legal forms of non-profit organizations:

- "Verein" (association),
- "Stiftung" (foundation),
- "gemeinnützige Kapitalgesellschaft" (public benefit organization),
- "Genossenschaft" (cooperative).

Likewise, in Slovakia the strongest represented and therefore the dominant legal form is the association (Schneider, U. - Badelt, C.-Hagleitner, J., 2007). In 1960 there were 42,269 associations in Austria, in 2008 the number increased to 112,945 (Statistik Austria, 2010).

The available data obtained by a nationwide poll of NGOs in Austria in 2010 shows that the number of employees in this sector is about 170,113. Approximately 59 % of the employees work in the field of social and health services. Another 55.67 % workers are employed part-time (Haider, A. - Schneider, U. - Leisch, R. - Stöger, K., 2010).

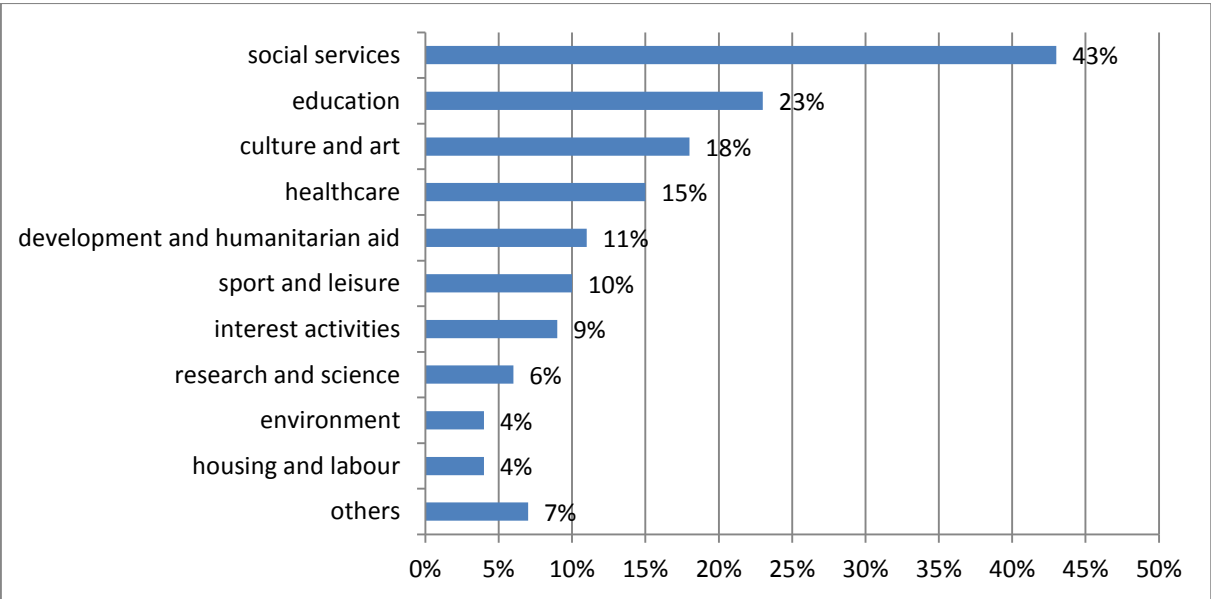
These figures only illustrate the non-profit sector in Austria; to describe the size of its real economic power we would have to research more complex macroeconomic indicators which is not the goal of the presented article.

Data describing the financial situation of NGOs in Austria is from the project conducted by research institute for non-profit sector - WU Wien (NPO-Institute) entitled "Financing of NGOs." In the project an extensive primary research on various sources of funding of non-profit organizations was conducted (Schober et al., 2010).

In 2010, there were 266 respondents from Austrian NGOs that were selected from the database of the NPO Institute, containing ca. 4,000 NGOs. The questionnaire was completed by 116 NGOs, which corresponds to a return of 43.6%.

A significant proportion of participating NGOs (28%) comes from Vienna and is active in the social field (social services), which is typical for the Austrian non-profit sector.

Chart 3: The core work of Austrian NGOs according to ICNPO



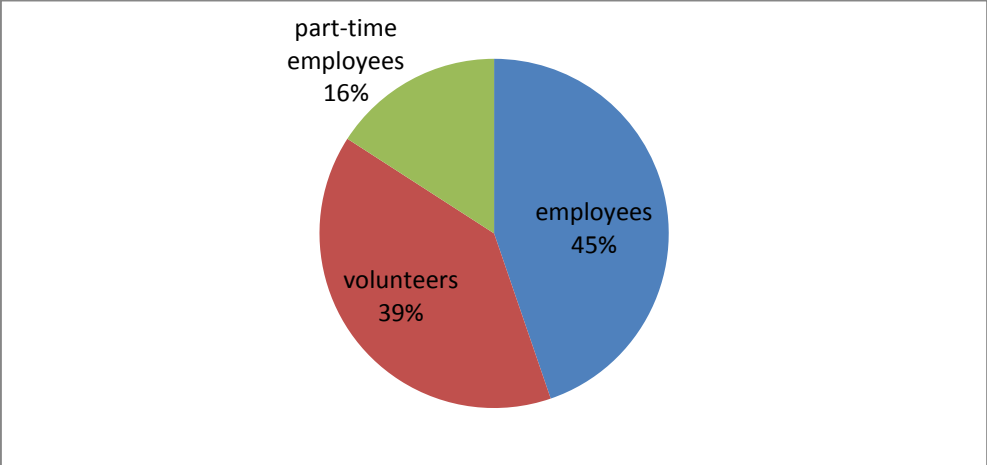
Source: Schoeber et al, 2010.

Compared with data on revenue and employment (e.g. Heitzmann 2001, Schneider - Haider, 2006) ICNPO classified NGOs are highly represented in education (23%) and

culture and art (18%) whereas health (15%) is significantly low. We can say that in both countries the significant sectors for NGOs activities are education, social services, sport and health sector.

Another comparable characteristic of Slovak and Austrian NGO is the number of employees. According to the median 21 paid employees and 5 unpaid voluntary co-workers work in a single NGO.. From this point of view we can say that Austrian NGO are more professional: they have 45% of employees (Chart 4) compared to Slovak NGO with 19% of employees (Chart 2). On the other hand Austrian NGO does not use the labour of volunteer as much as Slovak NGO as it is recommended by Rehli et al (2011), especially for international NGOs.

Chart 4: Composition of the staff in the Austrian NGO



Source: Schoeber et al, 2010.

Based on the definition of the characteristics of the environment in both countries in which the research was conducted, we can proceed to analyzing the funding of NGOs in Slovakia and Austria.

2.3. Sources of funding NGOs

The main division of sources follows the microeconomic division on equity and borrowed capital. The concept of equity is problematic in many NGOs as they do not have any equity in the business or economic meaning. Generally, there is a lack of investors who would provide capital in anticipation of earnings. Classic features of equity are often undertaken by donors, providers of subsidies or members of the

organization. To take into account this aspect we use the term "quasi-equity" (Schober et al., 2010).

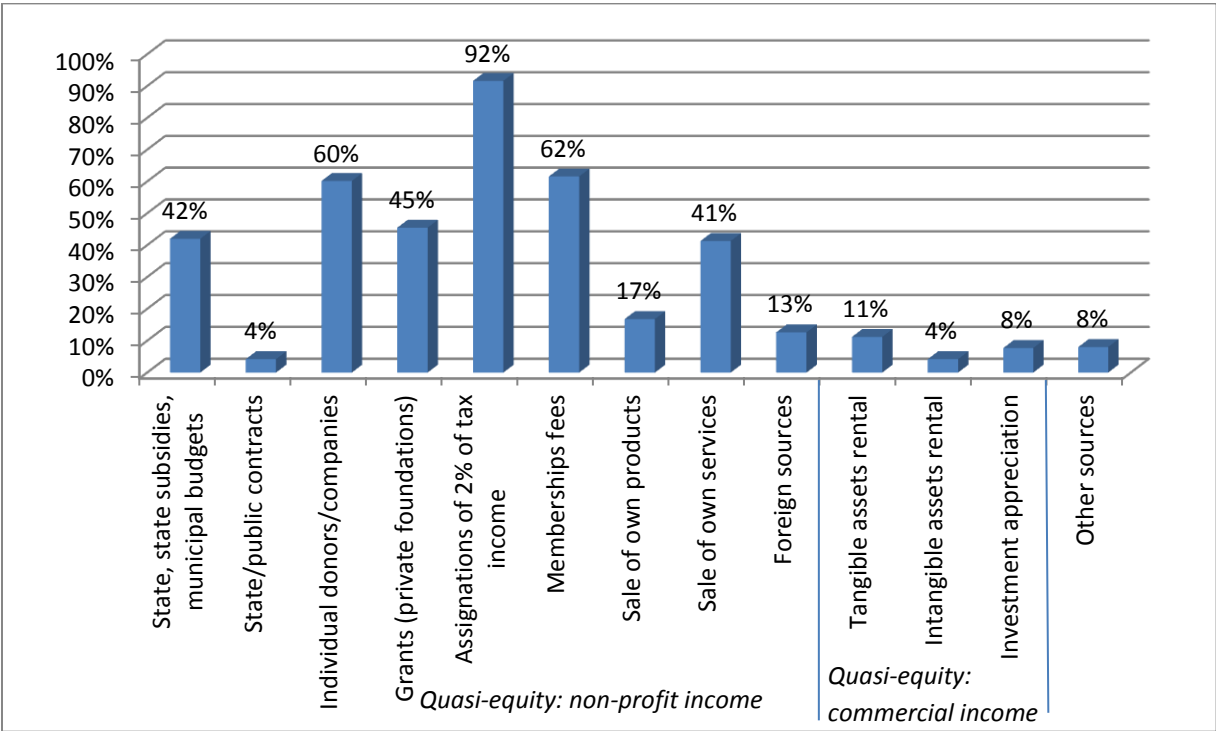
The "quasi-equity" can be divided into typical non-profit incomes and standard commercial incomes. Under typical non-profit incomes (to the left of the image in Appendix 1) we understand incomes primarily related to the main core work and mission of an NGO; these incomes may come from a variety of funders.

Commercial incomes are, on the contrary, incomes from activities non-related to the mission of an NGO. In particular it is income from investment activity or yield of capital (e.g. income from renting its assets). Commercial income also applies to restructuring of assets and include sale of assets and the associated effects of financing, such as the sale of buildings and real estate. Other commercial income is a residual category that includes all the commercial activities carried out by NGOs that are not related to their mission and at the same time cannot be assigned to any of the other commercial income categories.

The borrowed capital can be divided into common bank loans and other subsidized borrowed capital, i.e. loans that are provided by government authorities and designed specifically for NGOs. Government supports NGOs and thus provides this capital also by assumption of guarantees or remission of debts and taxes.

The following charts represent the main sources used in NGO funding, the outcome is from comparable researches in Austria (266 respondents) and in the Slovak Republic (136 respondents).

Chart 5: Sources of funding of Slovak NGOs

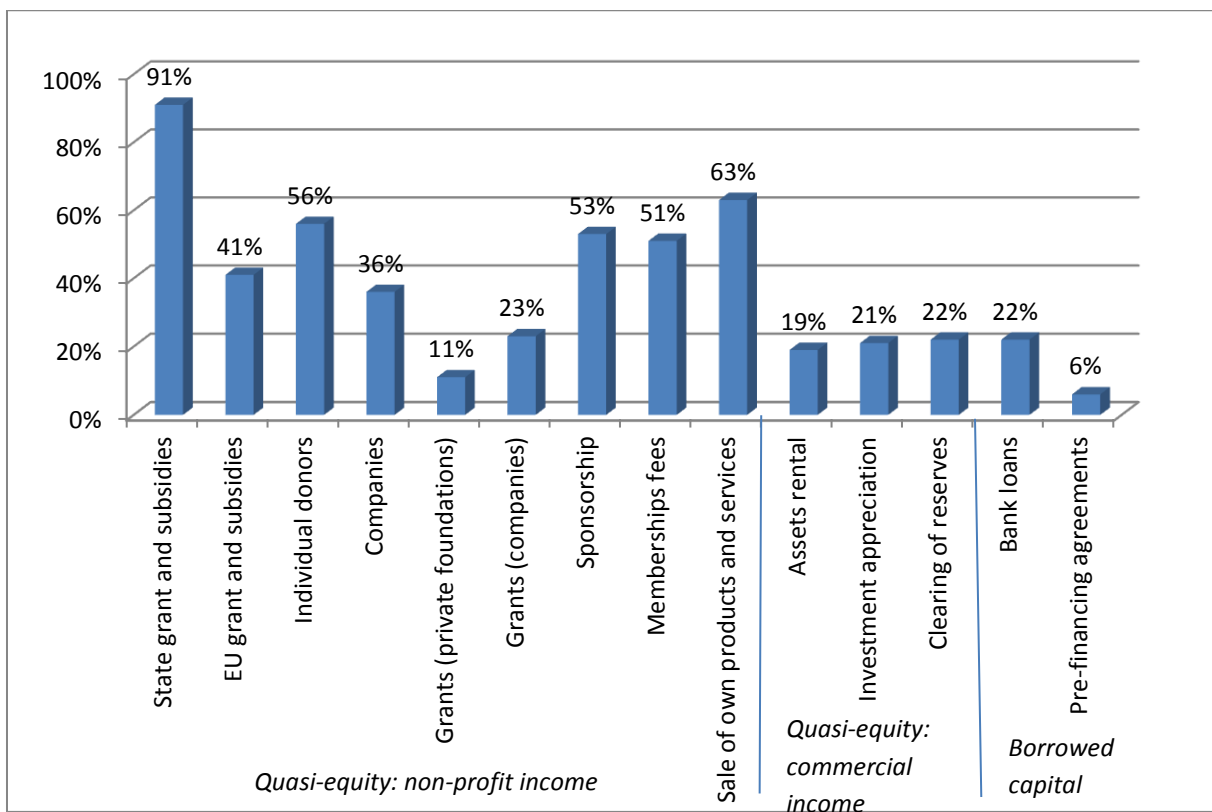


Source: Own research, 2011.

Other sources of funding were not further specified, therefore we cannot assign this point to non-profit or commercial income. The structure of funding is dominated by private and individual sources, also of significance is self-financing and public funding. Foreign sources are represented by foreign foundations that support Slovak NGOs and as such they can be assigned to non-profit income. None of the respondents stated bank loans or foreign capital which supports the fact that in Slovakia loans for NGOs have yet not been established as a common source.

The funding sources in the Austrian NGOs correspond to the presumed model, i.e. public finance is clearly the most used source. Other frequently used sources are fees for services and products, donations from individuals, sponsorship and membership fees (Chart 2):

Chart 6: Sources of funding of Austrian NGOs



Source: Schoeber et al, 2010.

In both countries non-profit income as a part of quasi equity prevails. For the purpose of achieving the goal of the paper the quasi-equity is essential for us. As the charts show, the non-profit income can be generated from self-financing activities that are not necessarily of a commercial character. We will try to point out the differences resulting from the breakdown of incomes for non-profit and commercial, especially in the context of maintaining a generally beneficial purpose of NGOs in the implementation of self-financing activities.

2.4. Self-financing of NGOs

As already mentioned, self-financing of NGOs is not a clearly defined term. In a broader meaning it is defined as any diversification of the funding sources of NGOs. From the narrower point of view self-financing can be understood as a business or any other economic activities of the NGOs that generate their own income, i.e. self-financing as a method of obtaining internal sources (Kuvíková-Svidroňová, 2010).

Self-financing activities bring financial income and potential profit but the principle of non-distribution constraint still applies and compared to any commercial company it is given in advance how NGOs use this profit. Profitable activities of NGOs (e.g. revenue from sale or rent of assets, revenue from advertising) are subject to income tax. When taxing this type of income it is necessary to take into consideration:

1. Whether the activity is conducted within the mission of the organization, such activity is in accordance to the statutes or the activity fills the purpose for which an NGO was established. This is called core work and it cannot be considered as a business activity. It is not important whether incomes are higher than expenses while conducting core work activities. The goal of NGOs is not gaining a profit but to promote and support the mission and purpose to which they were founded. Even if NGOs gain some profit by performing core work activities in the terms of fulfilling the general benefit, it cannot be called a profit as defined by the law on income tax and is not subject to taxation.

2. Whether the activity is really a "business" - we draw on the definition of business which primary European Union law indirectly describes as every sort of economic activity regardless of its legal form and method of financing. In defining business and functional definition of "economic activity" in the particular case, three components are taken into the consideration: the provision of goods and/or services; taking economic and financial risk of carrying out the economic activities; economic activity must have the potential to generate income from economic activity. NGOs provide services of special character (public services and/or general benefit services). The main feature of these services is they do not bring profit (therefore companies are not interested in providing them and they are provided by the state or NGOs).

If the activity is not a core work activity or it complies with the above-stated definition of business, then we are talking about another form of self-financing which Majduchová (2004) refers to as a commercial activity. To distinct: the term self-financing activities is considered to be those that are associated with the entry of NGOs on the market and that require thinking of the business sector, but these are not business/economic activities in the true sense of the word (they do not meet the above two conditions).

It follows that in order to maintain and fulfill the generally beneficial purpose it is strategically advantageous for NGOs to focus on self-financing activities in accordance with the core work of NGOs and their missions. Therefore, we can say that from the narrower point of view, self-financing is raising funds from sources which we defined in the "quasi-equity" as non-profit income. We explored the range

of use of self-financing by NGOs in two research projects conducted in SVK and AT. Concerning the Slovak part the findings are extended by the best practices of selected Slovak NGOs.

3. Recommendations based on the results of primary research in Slovakia and Austria

We conclude that despite the comparable size of the countries, as well as their shared past in the Austro-Hungarian monarchy, the influence of economic and non-economic factors leads to different development of NGOs and their funding. Austrian NGOs have very strong state support and the use of public funding is very significant but less than half of Slovak NGOs use this source compared to Austria. They have to search for other sources and therefore private funding represented by grants is at a higher rate, as well as membership fees (funding by self-financing), than in Austria.

The most used source of funding in Austrian NGOs is public sources, used by 91% of respondents participating in the research (Schober et al., 2010). This involves long-term contractual relationships which greatly influence the acquisition of new sources of funding. The question how much effort NGOs have to put in to keep these sources whilst obtaining new financial sources and fulfilling their missions comes to the fore. The need to fulfill the mission and achieve the generally beneficial goals of NGOs must be a priority when doing any activity bringing money in for running NGOs.

A partial aspect of this issue also includes a fixed purpose of sources and the accountability of the source provider. Compared with other sources of funding it can be stated that the highest effort must be made by NGOs when applying for EU funds, state funds and contributions and donations from companies and individuals. This explains the research results which showed a clear desire of NGOs to gain a larger part of the funds through their own activities (Schober et al., 2010). It also confirms the importance of self-financing as it can offer the highest level of independence and freedom in the decision-making process.

We can support the importance and benefits of self-financing with the findings of the part of the Austrian research on funding of NGOs that focused on the freedom of use of financial sources. This shows that the highest purpose-fixed sources provide the lowest freedom to decide about the use of these sources in fulfilling the mission (Schober et al., 2010). The highest influence of source provider was observed in contractual support from the state and the EU (the source provider strictly controls the use of provided money). The lowest influence and control was in the event of income from financial investments and renting assets which are self-financing activities. We can conclude that self-financing has a positive effect on achieving generally beneficial purposes for which NGOs were founded.

Similar results were obtained in research about the funding of NGOs in SVK (Svidroňová, 2012). However, there is an important difference - unlike Austria, the least used sources by NGOs in SVK are state/public contracts (only 2.20%). This suggests that in SVK suitable conditions to provide public services by NGOs are still missing. On the other hand, self-financing in SVK is represented by 25.4% (Svidroňová, 2012) which is higher than the estimation reported in "ideal" diversification of funding sources (Vaceková, 2009). Although the level of this type of financing is a quarter of the total sources of an NGO, the value of 25.4% is still lower than the European average of 36.9% (OECD, 2001).

Due to the evaluation of the impact of self-financing on the generally beneficial goals of NGOs we explored whether respondents considered self-financing activities for commercial deflect attention from the mission and core work of the organization. 68% of NGOs reported no, self-financing is not such an activity. More than 21% of them said no, but had some objections to self-financing (e.g. NGOs should not develop business activities) or the respondents were not able to decide because they said it depends on other factors e.g. the legal form of an NGO. Less than 11% of organizations believe that self-financing is a commercial activity that distracts from the mission and core work of NGOs. We conclude that NGOs must be able to distinguish between what is a commercial activity and what is an activity that requires a business way of thinking and focus on self-financing in compliance with the mission and core work.

In Appendix 2 we summarize NGOs considered as "best practices". These are the NGOs that have a high self-financing ratio (in some cases almost 100%) in the funding sources. To increase this ratio and to strengthen their sustainability the NGOs used the factors described in Appendix 2. The most common factor for the use of self-financing in the higher range was the expansion of core work and the extension of the portfolio of provided services or by narrowing and specialization in some services so that projects/programs providing specialised services is able to self-finance its operation and that they also contribute to the organization's budget. This factor was followed by staff training and the use of volunteer labour and in some cases also the establishment of cooperation with companies (Svidroňová, 2012). All these factors resulted in the strengthening of the financial stability of the NGOs. Thus we were able to demonstrate that self-financing may not be contrary to the general benefit of NGOs and thus we fulfilled the goal of the presented paper.

4. Conclusion

The goal of the paper was on the basis of comparable findings of primary research projects of NGOs conducted in Slovakia and Austria, as well as best practices of selected NGOs in Slovakia and to prove that self-financing may be in compliance to the general benefit and purpose of NGOs.

We fulfilled this goal: we confirmed that self-financing is a method used for raising funds and one of the possible ways to gain financial stability, independence and in the end to the long-term sustainability of NGOs.

We have shown that self-financing can be connected to the core work and does not have to be in conflict with the general benefit and purpose of NGOs. The fulfillment of mission of NGOs supported by self-financing activities in accordance with established core work is considered to be an appropriate way which should be undertaken by NGOs in order to achieve financial independence and stability.

The proposals are based on the partial results of primary research and on the experience of Slovak NGOs we drew on 13 best practices. Most of the best practices NGOs have succeeded in increasing the ratio of self-financing by adjusting the portfolio of provided services. Thus they gained sources that can be used by an organization's needs according to its development strategy and not according to the donor's demands. This increases the degree of independence and allows NGOs to use the sources to create a sustainability strategy.

An outline of the problems and their solutions which we introduced in the presented paper is considered as a suitable basis and starting point for further research in the field of self-financing of NGOs. Since our existing research is from both theoretical and methodological perspectives it is unique in this field in Slovakia and we will try to use it as a competitive advantage and continue to further explore this issue.

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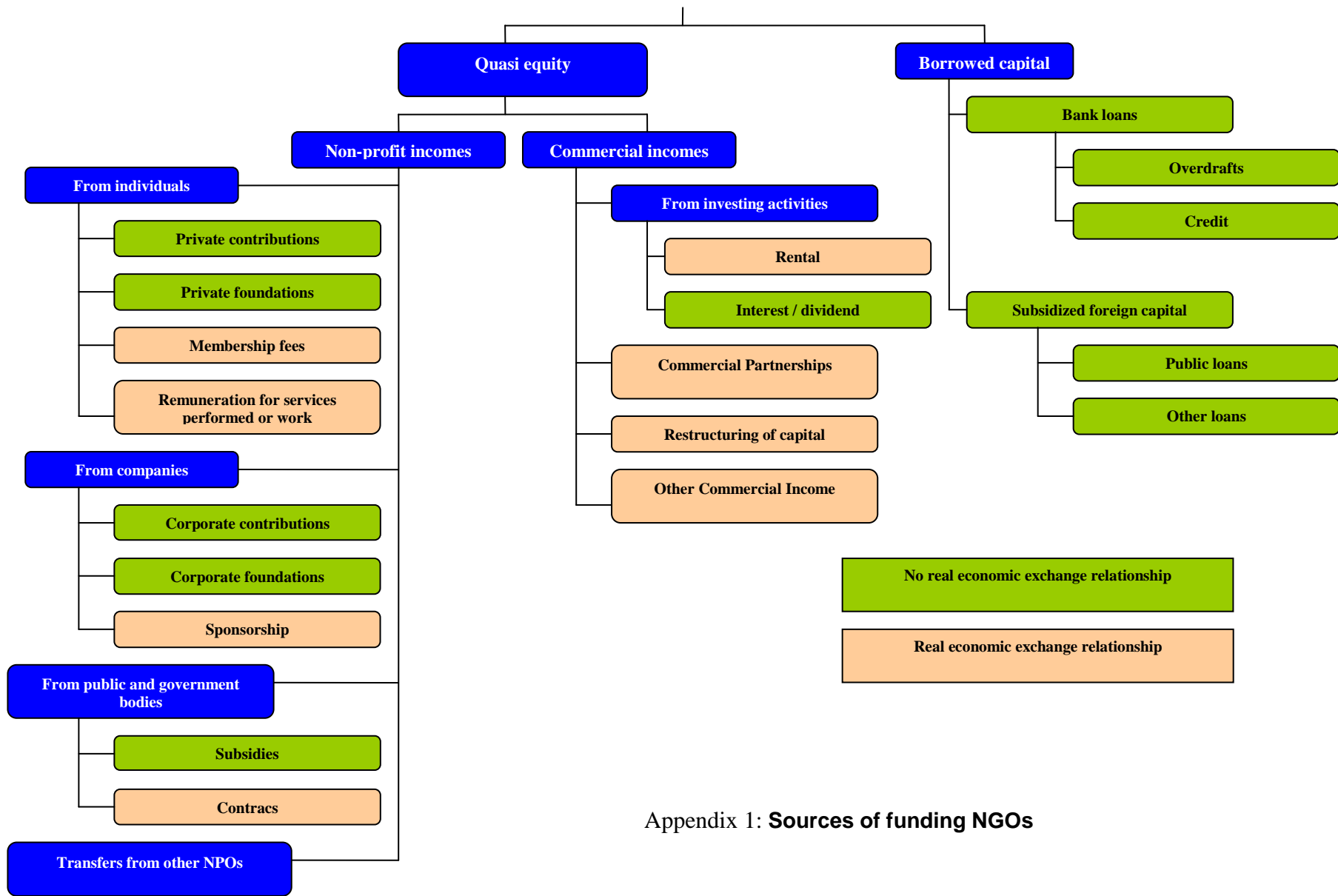
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Appendix 1: Sources of funding NGOs

Appendix 2: “Best practices”

| Organisation | Factor | Activities |
|-------------------------------|---|--|
| Orbis institute Slovakia, o.z | Field of activity - extension of services, creation of a program / project. | Incomes from promotion events are used to fund education, leadership programs and workshops. |
| Outdoor institute | Field of activity - extension of services, creation of a program / project. | Renting and providing attractions such as wall climbing. Organizing wall climbing technique courses. |
| OZ Jablonka | Field of activity - extension of services, creation of a program / project. | Sale of old varieties of fruit trees and shrubs, organizing seminars and workshops – eco-education, traditional crafts. |
| Galenospharm | Field of activity - extension of services, creation of a program / project. | Organizing courses. |
| | Business (commercial) activity. | Business with parking. Incomes from parking fees. |
| | Networking, cooperation with companies. | Cooperation with several important companies, e.g. Zentiva. |
| Sieť LetNet | Field of activity – extension of services. | Organizing meetings, selling products. |
| | Membership fees. | Registration charges, membership fees. |
| Aliancia Fair-Play | Field of activity - extension of services, creation of a program / project. | Selling products (gifts) and services (organizing trainings for other NGOs). |
| | Involvement of volunteers. | Involvement of volunteers into self-financing activities. |
| Kaspian | Field of activity - extension of services, creation of a program / project. | Sale of products (T-shirts with the logo of the organization), ceramic workshop, publishing and sale of publications. Providing advertising space in the skate park. |
| | Involvement of volunteers. | Volunteer to map the possibilities of self-financing (how much investment is required, what are revenues), in collaboration with the staff will seek other sources of funding. |
| EFFETA | Field of activity - extension of services, creation of a program / project. | Organizing courses of sign language, providing interpreters services, organizing workshops. |
| Lepší svet n. o. | Field of activity - extension of services, creation of a program / project. | Organizing workshops (ceramics, painting, arranging), cafes and galleries. Sale of paintings and other products of the workshops. Providing advertising agency services, rental of premises, publishing a magazine. |
| O. z. Pomoc ohrozeným deťom | Cooperation with companies, networking. | Cooperation with Nadácia pre deti Slovenska (co-organization of projects). Cooperation with Philip Morris International (“social marketing/cause related marketing” - Education of police officers to evaluate the risk in domestic violence cases). |
| Nadácia Pontis (foundation) | Field of activity - extension of services, creation of a program / project. | Organizing conferences, forums and seminars (mainly focused on philanthropy, donations, responsible entrepreneurship). |
| O. z. Archimera | Field of activity - extension of services, creation of a program / project. | Organizing exhibitions and competitions. |

