

Vesna Vašiček, PhD

Faculty of Economics and Business, University of Zagreb
Trg J. F. Kennedyja 6, 10000 Zagreb, Croatia
Phone: +385 1 238 3408, Fax: +385 1 233 5633
E-mail address: vvasicek@efzg.hr;

Ivana Dražić Lutilsky, PhD

Faculty of Economics and Business, University of Zagreb
Trg J. F. Kennedyja 6, 10000 Zagreb, Croatia
Phone: +385 1 238 3408, Fax: +385 1 233 5633
E-mail address: idrazic@efzg.hr

Jelena Pavić, MA

E-mail address: jelena.pavic@hotmail.com

FINANCING ENVIRONMENTAL ORGANIZATIONS IN REPUBLIC OF CROATIA

FINANCIRANJE EKOLOŠKIH UDRUGA U REPUBLICI HRVATSKOJ

ABSTRACT

Fundraising is a problem not only for profit but also for non-profit organizations. Low historical tradition of civil society in Croatia is the cause of the underdevelopment of civil society in relation to other European countries. The development of the non-profit sector and non-profit organizations is depending on state development, economy, social, legal and legislative system. In addition to external factors, internal factors of one non-profit organization influence its development and success. The aim of this paper is to look at the problem of financing environmental organizations from the internal aspect. Results arising from conducted survey in 2014 indicate a lack of transparency of ecological organizations, poor correlation of these organizations through social networks and organizations and poor response to public tenders. A major problem of environmental non-profit organizations in Croatia is poor diversification of revenue structures, by which organizations are at high risk of lacking funds.

Keywords: *civil society, external and internal factors, the problem of financing, transparency, diversification of revenue structure*

SAŽETAK

Prikupljanje financijskih sredstava je problem, ne samo u profitnim, već i u neprofitnim organizacijama. Slaba povijesna tradicija civilnog društva u Hrvatskoj uzrok je nedovoljne razvijenosti civilnog sektora u odnosu na druge europske zemlje. Razvijenost države te vanjski čimbenici poput ekonomskih, socijalnih, pravnih, zakonskih i drugih utječu na razvitak neprofitnog sektora i samih neprofitnih organizacija. Osim vanjskih čimbenika, i unutarnji čimbenici jedne neprofitne udruge utječu na njezin razvoj i uspješnost. Cilj istraživanja ovog rada je promotriti problem financiranja ekoloških udruga sa internog aspekta. Rezultati koji

su proizašli provedenom anketom upućuju na nedovoljnu transparentnost ekoloških udruga, slabu povezanost spomenutih udruga putem društvenih mreža te slab odaziv udruga na javne natječeaje. Velik problem ekoloških udruga u Hrvatskoj je i slaba diverzifikacija strukture prihoda, čime su udruge izložene visokom riziku nedostajućih sredstava.

Ključne riječi: *civilno društvo, vanjski i unutarnji čimbenici, problem financiranja, transparentnost, diverzifikacija strukture prihoda*

1. Introduction

Non-profit sector and civil society organizations aim to meet the specific needs of the wider community. Globalization and the development of a democratic economic system are conditioning development of civil society in the world, while major changes to the civil society in Croatia appear only after independence in the 90s of the 20th century. Today the organizations are the largest type of non-profit sector organizations, and represent a form of free and voluntary organization of legal or natural persons for the protection of common interests or promotion of issues of social interest; so there are environmental, humanitarian, social, health, educational, cultural and other organizations. Since the environmental organizations are integral part of civil society in a particular country, the question is how the development of the civil society is influencing the development of environmental organizations, and vice versa, how the development of environmental organizations affects the development of civil society. Awareness on common objectives, the organization of members as well as quality management and governance affects the performance of the organizations activity. The greater the development of civil society, public and economic sector is more involved in supporting the non-profit organizations, and comparatively, better management of the organization, opportunities for fundraising for the same action are greater. The aim of this paper is to enter into the problem of funding of non-profit organizations, specifically environmental organizations. The purpose of research is to collect data on the problem of financing environmental organizations, ways of raising funds and share of individual models of financing in total financing of the organizations. Due to the growing internet and telecommunication development of the world and the increasing connectivity of citizens through various social networks, effect of environmental organizations and their development will be seen from the point of view of awareness of organization members for modern channels and ways to connect with stakeholders. The development of environmental organizations depends on the development of political, legal, economic and social system in Republic of Croatia.

2. Development and influence of environmental organizations on civil society in Republic of Croatia

Civil society in 90s of the 20th century became one of the most popular areas of research in the social sciences. Various authors differently define the concept of civil society, although it is possible to notice the overlap of conceptual meanings of the same components. So one part of researchers, civil society seen as an abstract category attributing some macro-sociological characteristics, the second part represents the individualistic approach and emphasizes the concept of civil action and social capital, while the third part civil society seen as institutions and organizations located in the public sphere. The very concept of civil society as well as research related to civil society exceed the boundaries of individual disciplines such as sociology, economics, political science, law, and in the centre they put relationship between economy, state and society.

According to Jensen (2006), one of the central concept that characterizes modern civil society is based on the rights of citizens to freedom of organization, while Salamon and Anheier (1998) defines civil society as a particular area that is deeply rooted in the traditions and culture of individual societies. CIVICUS is a global alliance dedicated to strengthening citizen and civil society. According to that expert group civil society is a space between the family, the state and the market where people associate to advance common interests.

CIVICUS with the study from 2005 showed the strengths and weaknesses of civil society in Croatia (Bežovan, Zrinščak, 2006, 1). Active membership in civil society organizations is still a developmental problem, which is visible in insufficient civil engagement of citizens and considerably sparse actions in local communities. Insufficient cooperation among civil society organizations is a consequence of the low level of trust between them. The big problem is their poor networking at the international level. The development of civil society depends heavily on investment in human resources, and the main obstacle to its sustainable development remains the problem of financing. On the other hand, the tax framework for the development of civil society is quite encouraging, support of state to civil society at different levels are quite respectable, economic sector is increasingly showing interest in cooperation with civil society and this is especially felt among small and medium-sized enterprises.

Inter-sectoral collaboration, or cooperation among different sectors is becoming more and more increasing as solving tactics for deeper conflicts of interest in the role of public administration, the interests of the business sector and civil society organizations, which are taking up for generally accepted social values. Partnerships are somehow inevitable, because no one is good enough to succeed on they own but still leave room for making choice. Inter-sectoral collaboration is a trendy response to the challenges of globalization, so organizations and other non-profit organizations often engage in various forms of this kind of cooperation geared towards the development of civil society.

The European Commission in April 2004, has published its opinion on the Croatian application for membership in the European Union stating that Croatia will have to make considerable efforts in harmonizing its legislation in the environmental field with the *acquis communautaire*. In the field of environmental protection, unlike other areas such as the problems of poverty reduction, there is significant role of civil society organizations. One of the most famous examples of effective public action of civil society's engagement is environmental organizations Eko Kvarner, Green Action and others engaged in the the Družba Adria project. This shows that the public is very sensitive to actions and activities that may threaten or contaminate Croatian natural resources. The role of civil society in environmental protection is assessed as moderate or significant. Environmental non-profit organizations are increasingly attracting some influential citizens to the membership.

Environmental organizations represent powerful factor of political and social events. Those organizations, as well as other non-profit organizations are taking different actions in public, trying to promote their views and interests, stop or encourage decision-making of some institutions, therefore, represent a powerful corrective measure to official policy.

As people's awareness about sustainable development strengthens, there is a need for their organization and action through a variety of initiatives to preserve natural resources for future generations. The civil society of a country is consisted of various forms of active and free assembly and association of citizens in all spheres of social action but environmental organizations that form association of persons for the purpose of environmental beliefs and goals represent it's very important segment. As there is not a very long tradition of the environmental movement in Republic Croatia, greater impact of environmental organizations in the development of civil society is still expected.

2. Empirical research results

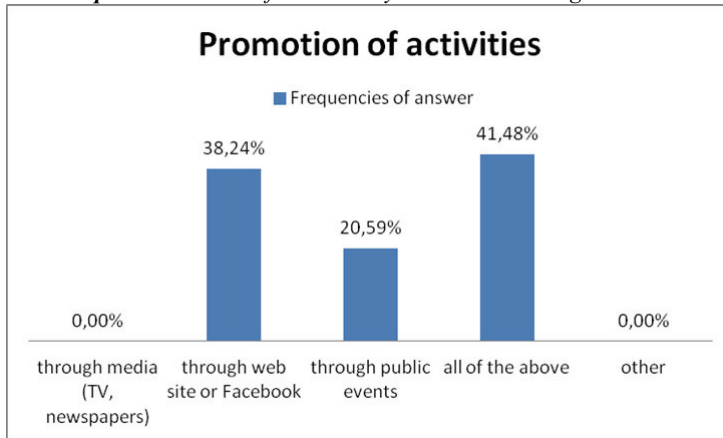
Conducted research about funding problems of environmental organizations has included all environmental organizations in Republic of Croatia (Pavić, 2014). At the time of commencement of the research, the number of environmental organizations in Croatia was 921, whereas only a month later the number of organizations reached 935. At the same time, the Register of non – profit organizations in the Republic of Croatia are not fully up to date, because it contains and those organizations that have been shut down or stopped with its action, and there was some changes with organization addresses. Despite the initial obstacles in finding contacts and the fact that only a small number of organizations have its own page, most of them were found. About for one third of the organizations, contact were not found because the organizations does not exist anymore, the organization does not have a website, even a Facebook page or the blog page, or contact is not made public.

City of Zagreb is the most concentrated county with environmental organizations in Croatia with a population of 162 organizations, while the next, Split-Dalmatia had 108 environmental organizations in 2014. For the purposes of research about the problem of financing environmental organizations a short questionnaire with ten questions was designed, sent via SurveyMonkey. Surveyed organizations comprise 223 registered environmental non-profit organizations for which the contacts were found. Most of the leading figures in the environmental organizations are persons who are volunteering and have a regular job. To organizations a questionnaire was sent, but not all them responded. The research results include an analysis of responses from 34 participants of environmental organizations. Data were collected in the period from 05 May 2014 to 17 June 2014.

There are several different factors that affect business performance of the organization, whether it's profitable or non profitable organization. External factors or influences can be political environment, economic factors, legal factors, socio-cultural factors, technological factors and others. With this conducted research, the problem of financing is seen from an internal point of view, or how the organization and its development impact on the ability to raise funds. The knowledge, enthusiasm and willingness of members and good coordination of activities of members affect the success of the organization.

Potential donors will not get by itself to some organization, if it does not use any form of promotion. A good performance management activity of the organization is the best promotion, because there is no better advertisement for the organization then well conducted program or activity. Every organization should be adjusted to new technological developments, and the potential scope of the organization depends on the application of social networks. Creating a website has to be paid, and the allocation of resources in the organization should be careful, but it is necessary that each organization should then have at least a blog page, Facebook or Twitter page (which are free, and easy to set up and maintain).

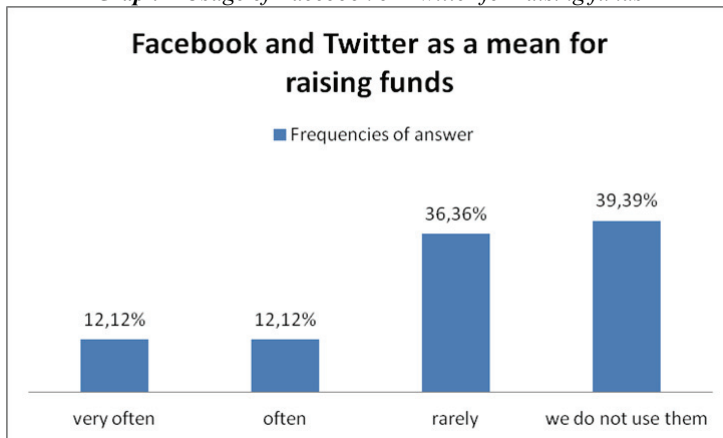
Graph 1 Promotion of activities by environmental organizations



Source: authors

From Graph 1 it is visible that from 34 participants in the survey 41.18% of them used all of these ways to promote their activities. Own website or web page has 38.24% of them, while organizing various events as a means of promoting activities use 20.59% of them. From the answers it can be concluded that they are not using media because it is too expensive but the authors believe that they are not using Internet enough to promote their activities or to raise funds.

Graph 2 Usage of Facebook or Twitter for raising funds



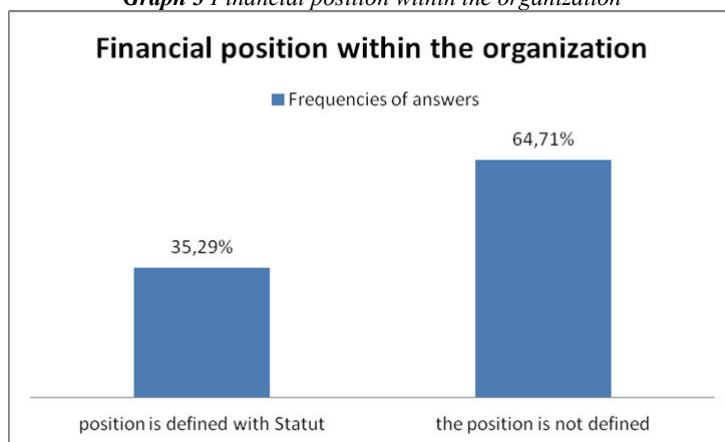
Source: authors

New social networks are adding ever greater connection between citizens. The environmental organizations and other non-profit organizations must recognize the growing importance of these networks. Whether it is on the promotion of its activities, inviting people to various organized events, or the promotion of its products and services, there is not a faster and cheaper way of penetration to the public awareness. From Graph 2 it is visible that 39.39% of respondents answered that they do not use those media, and 36.36% respondents answered

that they are rarely using those medias. Those percentages are not reassuring and it is not leading to better development of civil society in Croatia. Of the surveyed organizations, only 12.12% of them very often used social networks to promote their activities and fundraising. Many organizations do not have a website, and also do not use these social networks.

People, who are establishing an organization, established it mainly to achieve socially-beneficial objectives and with this research authors wanted to know to how many organizations it is important to have a person in charge for the financial part of the organization. So it's not enough to have a purpose, a plan, or set goals which should be achieved if the member of organization does not know how to make a good financial budget. Incomplete, inaccurate and unrealistic financial budget can only hinder the collection of funds. Each organization must adopt the Statute, which is the main act of a society or organization. In the example of the Statute states that the general assembly adopts the financial plan, while president of the organization manages the assets, material and financial operations of the organization, appoints commissions and similar bodies when necessary and assigns their tasks (Non-profit organization Law, 2001). Not every president of the organization has to know how to make a financial plan or budget, but there must be a person in the organization that knows how and that will be in charge of the financial activity.

Graph 3 *Financial position within the organization*

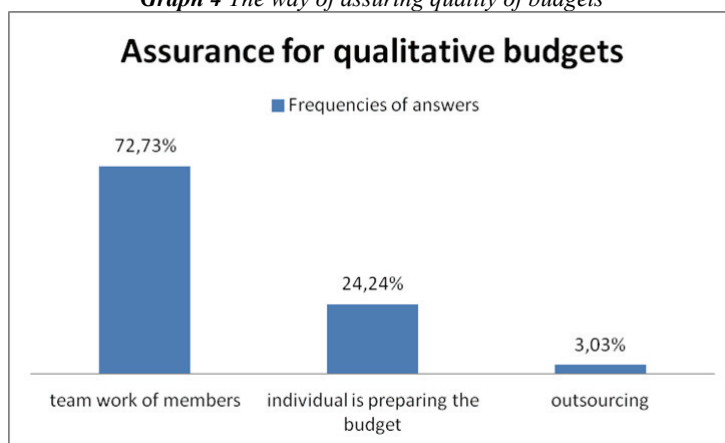


Source: authors

According to the Non-profit organization Law (2001) division of responsibilities does not have to be defined, it has been mentioned that the responsibility of managing financial resources and their allocation is up to the president of the organization. Up to the organization is how liability and responsibility will be distributed. President of the organization does not have to have knowledge in accounting, financial reporting or compiling the budget; he may employ a person who shall take charge of this segment. The problem is when the organization does not have a person in charge of finances, because taking care of the finances is too important to be left for outsourcing. From 34 questionnaire respondents, it is visible in graph 3, that 22 of them, or 64.71% answered that in their organization specific position is not strictly defined which is a very high number and shows that either they are outsourcing the position or all members are responsible for the financial part. If all members are responsible for financial part of the organization, it could lead to the confusion and to the lack of ability to recognize responsible person for financial plan or budget.

That budget for project proposals would be well made; there must be coordination of all members of the organization. Members of organizations who understand only finance, but not current and future activities of the organization, cannot make a quality and realistic budget. Also, outsourcing that kind of work is not a major drawback, but what does that mean for the organization itself? If any member does not know how to compile a financial plan or budget, it will not know nor to read it nor to apply it in order to achieve the objectives and purpose of the organization. Of course, small non-profit organizations usually do not have the finance department, but usually only one person who is responsible for managing the financial part of the business, but because of that there should be coherence and coordination among all members of the organization in order to improve business performance.

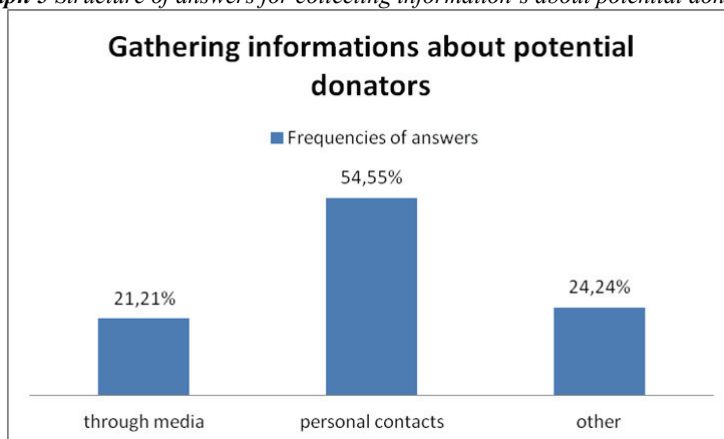
Graph 4 *The way of assuring quality of budgets*



Source: authors

In the organization there must be a person who understands the financial part of the activities, but at the same time there must be coordination of the entire staff in preparing the budget. In Graph 4 it is visible that of the 34 responses collected, 24 of them (72.73%) said that in preparing the budget all members and staff are working together, while 24.24% of them stated that only one person is preparing the budget, or a qualified individual is preparing the budget. Only 3.03% of them are outsourcing the preparation of budget. From answers it can be concluded that members are involved in preparation of budget but we do not know how. If the individual is preparing the budget it is not visible whether he is doing that in collaboration with other members in order to grasp all current and future activities of the organization. The worst thing for organizations is that they are outsourcing financial activity because it could lead to the distorted financial plans, budgets and financial statements.

Graph 5 *Structure of answers for collecting information's about potential donators*

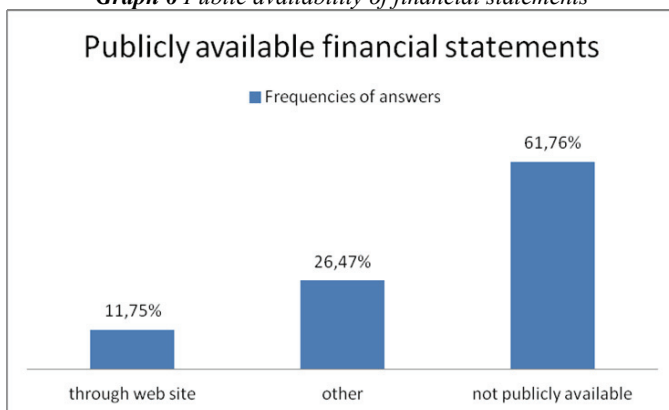


Source: authors

Gathering information about potential donators is important for the greater success of fundraising. How environmental organizations are collecting information's about potential donators can be seen in graph 5. Members of the organization should not be associated only with the top people in the public administration, but also with private and corporate entities. Even 54.55% answered that information on potential donators are collecting from personal contacts and from the media even 21.21% of them.

The success of achieving goals of the organization depends on the cooperation of the organization with key people in the local community, including the members of the organization who are older, commercially ambitious, experienced and who know a wider range of "real" people will help get the resources needed for normal operation of the organization. Some donators do not check the financial statements of the organization, but if it is a little bit higher amount, the financial statements must be made available to them. If the business of the organization is transparent, it is easier to raise funds.

Graph 6 *Public availability of financial statements*

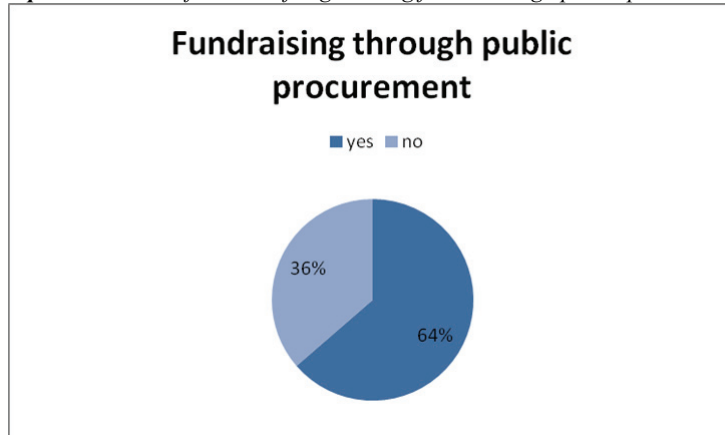


Source: authors

Transparency of organization activities affects the success of fundraising. Just as organizations are preparing budgets for projects to collect funds they also must publish annual financial statements, where is realization of goals visible, i.e. for what really the funds are spent. One cannot expect that the money will arrive without any consideration to donors, because most of the donors want to know where the funds are going and on what the money is spent. Graph 6 shows that from responded environmental organizations, 61.76% of them do not publish public financial statements, while only 11.76% of them publish, either on the website, Facebook page or blog site, their financial statements. From those answers it can be concluded that organizations probably do not understand that by publicly disclosing financial statements they are increasing transparency. In general, profit and non-profit organizations in Croatia do not have a culture in publicly disclosing information's about them. Those figures are worrying and organizations should be aware of benefits that public disclosure brings.

Participation in public (procurements) tenders for the purpose of raising funds is one of the possibilities for financing environmental organizations. No matter win or lose in the competition, organizations should work and provide quality programs and budgets to participate in tenders. Pursuit of economic activities as a form of self-financing becomes an increasingly important source of financing of the organization when they cannot obtain funds from other sources.

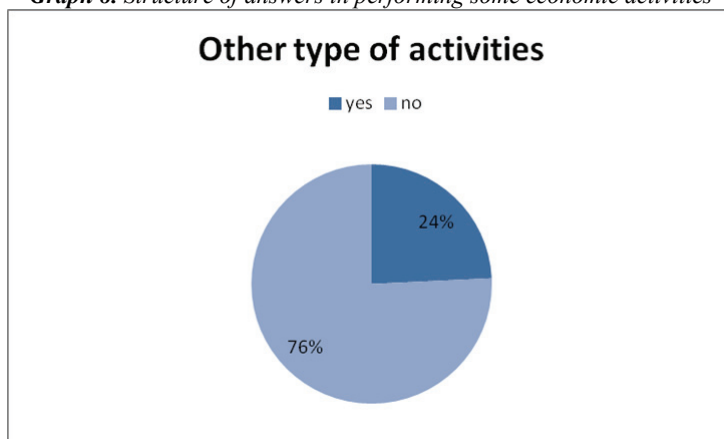
Graph 7 *Structure of answers for gathering funds through public procurement*



Source: authors

Subventions and supports of local or regional governments also represent one of the ways to raise funds. Out of respondents, 21 of them (63.64%) are applying for public tenders, while 12 of them (36.36%) are not applying, answers given in graph 7. The reason for those answers may be either in lack of knowledge in the preparation of budgets and projects documentation, or either loss of faith in the state institutions and public administration. But the question that rises from those results is that if they do not apply for funds how they can finance their activities and perform set objectives.

Graph 8. *Structure of answers in performing some economic activities*



Source: authors

For the financing organization, it is important to have as many different sources of funding, not just one, that can backfire. So, if organization also carries out some economic activity it will reduce the risk in lack of funds in the organization. From surveyed organizations answers visible in graph 8, only 24.24% of them is involved in economic activity, while 75.76% of organizations is not carrying out any economic activity. The state has some funds destined with budget to fund organizations, but the organization is not allowed to rely on government assistance only, but they must work to achieve the objectives and purposes for which they were established.

Table 1 *Source of financing in the environmental organizations*

Source of financing	Frequencies of answers
state budget	5,88%
local government budgets	8,82%
EU funds	8,82%
donations from companies	17,65%
donations from private persons and membership fees	41,18%
performing some economic activity	8,82%
other	8,82%

Source: authors

From Table 1 it can be seen that the most frequent source of financing environmental organizations are donations and membership fees (41.18%), while donations from companies are the largest source of financing for 17.65% of the surveyed organizations. Funding through the performance of certain economic activities is the largest source of financing for 8.82% of the surveyed organizations, as well as funding from the budgets of local and regional government and EU funds. So, it can be concluded that most of the organizations are relying on themselves and their members when it comes to raise funds.

Table 2 *Challenges in raising funds*

What in your opinion is the biggest challenge to raise funds for the activities of the organization? (24 responses from 34 participants in the survey)
1. Raising funds from banks, companies and state
2. The biggest problem is complexity of administration as soon as organization has some funds on the bank account. We estimated that it is easier not to apply for public tenders and to gather money among ourselves when we need it for some activities. It is exhaustive in time and money to invest in writing project proposals, accounting and financial reporting.
3. Corruption of umbrella organization and donors
4. Financial crisis
5. To small public funds and non transparent public tenders
6. There is not enough tenders which match to the organization activities and bad economic situation in country
7. Ministries which are in charge for financing do not have enough financial resources for taking care of the environment (2 organizations)
8. Not enough donors
9. Lack of financial resources, ignorance, bureaucratically approach and underestimation of organizations by potential donors (2 organizations)
10. Mistrust because of the different manipulation within the organizations (2 organizations)
11. Donators through tenders are largely directing the activities of the organization and with that are violating the freedom of action and decision-making, even if reasonably expected and desired activities are matched, donations are generally insufficient and responsibility and obligations arising from the donations are not in accordance with the value of the donation and results of the project. On the other hand self-financing takes too much time and energy to carry out basic activities. The solution is the implementation of the projects with proportional participation of all stakeholders associated with project activities
12. Lack of human resources for applying on public tenders
13. Foreign donations are not exempt for VAT
14. Insufficient knowledge of legal financial operations - do not dare to enter in some higher economic activity. Smaller organizations often do not have sufficient income in order to have an accountant whom they could ask for advice. They often do not have the ability to pay external consultants / associates who could help with designing a quality budget. Courses to solve the first two problems usually are (too) expensive and are held during working hours (not necessarily members of organization are employed in the organization, members are engaged in their free time and cannot be absent from work to attend the courses). Small organizations are not competitive in tenders of major donors or even local governments (where such advantage have projects already obtained the support at the national level or EU funds).
15. Organizations are on bad reputation. Perception of public is that they are only spending money without any use for community
16. People do not understand the problems that the organization deals with
17. Assuring co-financing
18. Lack of knowledge and time
19. Forms for projects are too complicated
20. There is no culture in supporting the local community and everything is left to individuals or organizations in their orientation. Insufficient is support by the city government that are often considered rivals rather than collaborators in public activities
21. Too few individuals and too much work in writing project proposals, not enough experience

Source: authors

From the answers shown in Table 2 it is visible that respondents are very sceptical either for community, either for politicians or for the organizations themselves. It is visible that they understand the problem with human resources regarding financial activities and their lack of resources when preparing project documentation and budgets for public procurement or tenders in raising funds. They are also blaming financial crisis for lower funds and lack of funds from Government and from responsible Ministries. So, it can be concluded that environmental organizations are facing many challenges in raising funds. But they should change their thinking and become more open to public and transparently publish their financial statements and activities. The authors believes that with higher transparency, environmental organizations could raise more funds from companies and private persons but also from state and local budgets.

3. Conclusion

Civil society in Croatia is relatively young, and to the intensive growth we are witnessing since independence. How environmental organizations are part of civil society, it can be said that they are depending on the general situation and development of the civil sector. Funding of organizations is the problem of many non-profit organizations, including environmental organizations. Bringing together the right people, capable, with specific knowledge, is determinant of good governance with organization. The purpose and objective of the establishment is important, but people are the ones who lead and manage the organization and which lead to the realization of the purpose and objectives.

The main objective of the research was to assess the problem of financing environmental organizations, from within or from the internal aspect of organizations. With regard to the promotion of the organizations themselves, most of them replied that uses all available ways form promotion (41.18%), while 38.24% of them answered that in order to promote they use website or Facebook. According to the present 79.42% environmental organizations has a website or Facebook, which is not entirely true. Looking through every organization on the Internet, it is estimated that a website or Facebook has less than 50% of organizations, because most of the contacts that were collected were collected from the phone book. There is also a large percentage of those who do not use those media in order to raise funds, even 39.39% of them. The big problem in the environmental organizations is that the specific position of the person in charge for finances is not strictly defined (64.71%). It has already been mentioned the importance of teamwork in environmental organizations, but also in preparing the budget for project proposals. Even 72.73% of them use teamwork staff for preparation of budget.

Good connections with other organizations may only reduce the problem of raising funds. Even 61.76% of respondents answered they do not go public with their financial statements, and thus weak transparency is not reliable and not provides confidence to potential donors. Many organizations have the opinion that tenders of local and regional government are not transparent, but instead to be so focused on the source of funding, it would be better to develop their own transparency through public disclosure of financial statements. That can certainly increase the possibilities of financing from other sources such as donations from private business entities. Even 75.76% of the interviewed subjects are not carrying out any economic activity, because of the lack of ideas, knowledge, interest or time. For most organizations, the largest source of financing represent donations and membership fees (41.18%). Each organization, to reduce the risk of missing funds, should use multiple sources of financing.

The problem of financing environmental organizations can be linked with the development of the civil sector. Civil society, however, and environmental movement has little tradition in

Croatia. It does not have to be a big problem, because the future is uncertain and the future development of environmental organizations and development of civil society depends largely on themselves.

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