

Contradictions in the Partnerships between Nonprofit Organizations and their Public Funder

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1. Abstract (please do not exceed 250 words)

(Partnership between the third and the public sector in service production has been emphasized also in Nordic welfare states. In Finland, partnerships were strengthened especially during late 80s and early 90s when state-governed public grants were directed to support third sector service production in Finnish municipalities. Partnership and interaction between public sector and civil society have been goals of Finnish government policies also in 2000s. Meantime, Finnish nonprofit service producers have also faced new financial uncertainties in marketized operational environment of welfare state. (Särkelä 2016)

Against this background, this case study investigates governmental position of nonprofit organizations gaining public funding in Finland. The data consists of 20 semi-structured thematic interviews of representatives of nonprofit civil society organizations (CSOs) which have received public grants from the Finnish Slot Machine Association (RAY) and Ministry of Education and Culture. The method used is Applied Thematic Analysis (Guest et al., 2011) and the aim of the study is especially investigate the relationship between CSOs and public funders.

The results indicate that the relationship between NPOs and the funding organizations involved interactional features and partnerships. However, the CSOs were also expected to adapt to the evaluative practices required by the funding organization. Somewhat contradictory expectations towards CSOs are embedded to the public funding; To the certain extent public funder and state require professionalized practices from CSOs. Meantime, CSOs are also expected to base their work on voluntarism and have light administrative structures.

1. Introduction

In this study, the governmental relationship between civil society and state is examined from the perspective of public funding targeted to the non-profit associations. Researchers of third sector and civil society have been also critical towards the public funding of non-profits: For example, Miika Pyykkönen (2007) has referred funding as “tool of governance” through which CSOs can be controlled by the public administration. Through public funding, CSOs has seen to adapt governmental practices and logics from market actors or public bodies which has seen leading to the increased professionalization of the non-profit sector (Surez 2010; Hwang and Powell, 2009).

In this study, I look how the current governmental relationship between the public funder and Finnish CSOs seems in the light of the interview data. The case consists of 20 interviews done in non-profit associations which have received state grants based on profits from the Finnish gambling monopoly. The topic is timely

both in Finnish and international context: In Finland, there has been recent changes in the system of governing the state administrated grants stemming from gambling profits. The three Finnish gambling monopoly companies merged in 2017 which brought changes especially from the perspective non-profit social and health care associations. Internationally, the case study contributes to the on-going discussion of different types of governmental regimes defining public and third sector relationship. Findings point towards two directions: On the one hand, public funding gives opportunities for CSOs to more structured and influential action. On the other, the public funder expects CSOs to adapt governmental practices of measuring the outcomes of their work and evaluating their societal impact.

The research on public governance has paid increasing attention to co-operation and partnerships between state and civil society or public and third sector. There is also a wide discussion about which type of governmental regime this relationship and co-operation is negotiated and carried out. Two concepts, Public Management (NPM) and New Public Governance (NPG), often emerge in this discussion. The NPM has been heavily criticize, for example, because it has considered to be imposing the logics of markets sector to the public and non-profit fields. New Public Governance has, instead, seen in more positive light as it emphasizes interaction and reciprocity in the governmental relationship between the different sectors. (Osborne, 2010; Phillips and Smith, 2011; Pestoff et al., 2013.)

As Osborne (2010) highlights, it is important to be able to separate when the NPM is treated as an ideology, as a field of study and as a collection of managerial practices. He also points out that on methodological level, the concepts such as NPM and NPG may be treated as ideal typical; They may not occur in reality as such but as concepts, help a researcher to describe and understand practices and logics of governance. In my analysis, I look the practices of governance embedded in the relationship between CSOs and their public funder. I loosely connect my findings to NPM and NPG treating them as ideal typical models. However, in order to understand the historical context of the case study at hand, I first shortly introduce how the ideologies and practices of NPM has seen impacting on the Finnish governance of third sector.

2. Background

The governmental regimes of the Nordic countries has been also affected by NPM (Yliaska, 2014). In the case of civil society, one criticism has been that neoliberal ideologies related to NPM moved the Nordic civil society away from its collective representative function towards service production and individualism (Alapuro, 2010). The partnerships between public and third sector became also questioned after early 90s when the governmental changes towards NPM doctrine was made in Finland. Despite the new public regime emphasized public-private partnerships and co-operation, the actual practices of governance were still often dictated by public sector and the CSOs remained inferior (Perälä, 2010).

Särkelä (2016) also brings out that already in 1980s, during which the Finnish welfare state was still growing, partnerships in service production between non-profit social and health care organizations and Finnish municipalities became established. First, these partnerships were governed in CSO-friendly manner but towards 2000s the state started to put more restrictions to the terms and conditions of the public funding of CSOs. In 2000s, public grants admitted to the non-profits were seen a threat the free market competition. According to Särkelä, the operational environment of non-profit sector became marketized. The most important public funder of the Finnish non-profit social and health care, the Finnish Slot Machine Association (RAY), became very careful in its funding decisions and withdraw from supporting the services and investments from the activities which market sector was also interested.

In 2010s, after the fusion Finnish gambling monopoly companies, the topic of third sector funding and governance of the public grants remains actual. In 2017, the three companies, Veikkaus (the Finnish

lotteries), the Finnish Slot Machine Association (RAY) and Fintoto (horse racing), merged into one state owned, joint-stock company and started to operate under the name of Veikkaus. Previously, Veikkaus and Fintoto were also joint-stock companies. The former was owned by state and the latter an association promoting horse-breeding. The profits of former Veikkaus were channeled to the Ministry of Education and Culture which divided them further as a form of a state grants to fund non-profit activities in the field of science, culture, sports and youth work. In the field of youth work and sports, the Ministry has admitted grants to the non-profit CSOs.

The Finnish Slot Machine Association (RAY) was a very different type of organization compared to the two other gambling companies. RAY was not a joint-stock company but an “association of associations”. Originally, RAY was founded in 1938 by eight civil society organization working in the field of social care and health. First, the number of member associations was limited but in the 60s the membership was opened to any non-profit social and health care organization which was entitled to applying RAY-grants (Kortelainen 1988). In 2016, there were 94 member associations in RAY. A general meeting, in which all the member organisations had right to participate, had the highest jurisdiction in RAY. The association had also a special task of admitting grants for non-profit social and health care CSOs. RAY grants were public profits and the Ministry of Social Affairs and Health supervised RAY and process governing the funds. However, also the associations themselves were also participating to the governance of RAY profits.

The fusion brought especially chances to the system of funding social and health care nonprofits as RAY stopped existing. The grant department of RAY has been moved to operate under the Ministry of Social Affairs and Health. The department is called the Funding Centre for Social and Welfare Organizations (STEA). It has the same staff and organizational form that former grant department. However, after the fusion, state is expected to have more control over the governance of the grants whereas the social and health care associations will lose their power. In the new system, CSOs will not be as heavily involved in governance of funding decisions as they were in RAY.

For youth and sport associations funded by Ministry of Education and Culture, the fusion did not bring immediate changes. The same amount of the profits of new Veikkaus still goes to the Ministry of Education and Culture and the Ministry admits still grants to CSOs. However, after the fusion, it is also expected that the eventually the grant application systems of the two Ministries will be harmonized. As former RAY and present STEA has a more developed evaluation and controlling system of the grants, the new model would probably bring more changes to the governmental practices of the Ministry of Education and Culture.

Besides describing the current governmental situation of third sector funding in Finland, this study also aims to gather data about the former system in order to later assess how the fusion and possible changes will impact on the CSOs funded from state grants. These grants are not the only source of funding for the Finnish CSOs and it depends on an organization how large share of their budget the public funding covers. However, the public grants seem to be an important source of the long term funding for many CSOs. From former RAY, STEA and the Ministry of Social Affairs and Health have also inherited the position of the most important funder of the Finnish social and health care associations.

3. Data and Methods

The data consist of 20 semi structured key-informant interviews which were conducted in 17 Finnish non-profit civil society organizations working in the fields of social welfare, leisure sports and youth work. The interviews were conducted in 2015–2017. The CSOs had applied and received funding from either RAY (now the department STEA under the Ministry of Social Affairs and Health) or the Ministry of education and Culture. The purpose of this study is also compare the different funding system of these organizations.

However, some of the organizations were entitled to apply grants from both organizations or interviewees had experience of both types of funding from their previous jobs, for example. As a result, the interviewees themselves also made comparisons between the two public funders.

The interviewees were (mostly) the paid workers (not volunteers) of their organizations such as managers, administrative staff, or project leaders who had practical experience from the process of applying public grants and reporting to the funding organization about the use of grants. Finland is a country of only five million people. Many CSOs are well-known and have only one or a few paid workers. To ensure the anonymity of the participants, the names of the CSOs they represent are not published either.

Common to all the CSOs represented in this study is that they are promoting welfare. The other feature in common is that in order to be qualified for either type of public funding the organizations are required to have nationwide or at least regional activities. Otherwise, various types of organizations were included in the data in order to gain the comprehensive picture of the field. For example, the size, age and target groups of CSOs varies considerably. The organizational type of CSOs also varies as some have only individuals as members whereas some are so called 'umbrella organizations' with CSOs as their members. In this article, I do not compare different types of CSOs but the multiple types of CSOs are included in order to compare them in the future analysis.

The main research questions here is: Under what kind of governmental relationship civil society organizations receive gambling profit based public grants? More specific questions are: How CSOs describe their cooperation with the funding organization? What kind of practices CSOs engage when applying and receiving the funding? The method used is Applied Thematic Analysis (Guest, MacQueen et al. 2011) help of which the textual data is first grouped into themes and then under wider codes. This method offers a systematic qualitative approach which is still sensitive the unexpected themes emerging from the material.

4. Analysis and results

The sub-titles of this section are codes which cover several themes located in analysis. The first sub-section introduces why the CSOs consider public funding is worth of applying and why CSOs are willing to establish and maintain to the relationship to public funder in the first place. Second sub-section opens up the partnership between the public funder and CSOs. In this section, there are especially themes that view the public funder in the positive light and responsive towards the CSOs. Third section delves into the conditions that funder sets for the CSOs. As I will conclude my analysis, these conditions can be interpreted to somewhat contradictory.

4.1 Firmer civil society

Generally, interviewees consider the gambling based funding granted by RAY or the Ministry of Education and Culture essential for their organizations. Many of them mention that the very positive side of funding is that it has enabled their organizations to widen the scope of its actions and projects. The wider scope means that with the help public funding, the organizations are able to carry out nationwide projects, target their actions to the larger groups or make more effective work within their target group. Even the actors in the organizations with more sources of funding consider the grants important in this sense. As one interviewee from a big organization with the multiple funding sources describes:

"I do not believe that our organization would vanish from Finland if this type of public funding would ended but the impacts of the action would become essentially smaller.." *

The previous interviewee carries on that the organization could probably still operate locally with the fiscal support from the members and municipalities but the organization could not have an impact on a national scale.

The interviewees brought up that public grants are also needed for infrastructure in which the happenings and actions would take place. Planning and developing the more effective ways of reaching target groups, and also applying for more funding, requires financial resources and full-time workers. All in all, the funding from gambling revenues is important for building firmer structures and enabling the wider scope of actions. Despite the organizations had volunteers working in them, the coordination of the whole organization required financial resources. Some representatives of CSOs established in 2000s told that they had decided to apply public funding when their organization had started to grow so big that it could not be run solely as a voluntary project; Administration and coordination of the organization required a full-time work of one person at least.

4.2 Partnership with the public funder

The representatives of CSOs give a lot of descriptions of successful cooperation between themselves and the funding organization. The opportunities of taking contact to the public funder was seen generally good. The interviewees also saw that in recent years, both RAY and the Ministry of Education and Culture had tried to improve their communication with non-profits. Especially, RAY was portrayed as service-oriented funder as the next extract illustrates:

"But in these days, the role of RAY is no longer to be 'a monster' which guards and divides money... ...there is more like a real dialect going on and one gets support and advices (from RAY regarding the funding). Maybe also my role here in CSO has changed, and it's not such an issue to just call (to funder) and ask 'hi, how to do this?'"

When a non-profit organization applies funding from former RAY or present STEA, a certain contact person is named to the organization. The contact person helps with the applications process. This system received a lot of positive feedback from CSOs interviewed. The interviewees often describes that it was rather easy to take contact to this representative of the funder and reflect the former grant decisions and new projects that CSOs were planning to launch.

When applying funding from Ministry of Education and Culture, CSOs are mainly in contact with one or two officials responsible the grants related to certain field of policies (such as youth policy or sports). From the perspective of CSOs, the governance practiced by the Ministry occurs traditional form of governance and bound to the authority of a certain official responsible in the field in question. However, CSOs also brought up that recently also the Ministry had started to make the system more interactive and partnership-based. When it comes to partnership and relationship between funding organizations and CSOs, it is worth of mentioning that RAY had a specific role between the state and civil society associations in the mindset of

* All the extracts presented in this paper are free translations from Finnish to English by the author. In order to protect the anonymity of the participants of this research, the extract are left without the background information of the speakers.

CSO actors. Due to its history of an association established by CSOs, RAY was, at least to some extent, considered to be owned by civil society or social and health care associations. RAY was also portrayed to be on the same side with CSOs as it takes a role as a sort of a negotiator between state and civil society organizations.

In the following extract, one interviewee describes that as a sole and small actor they cannot have an impact on vast number of people but RAY can collect data from all the social and health care organizations and legitimize their work to the state. As RAY gathers data from the organizations, it can prove to the public authorities that the work of the CSOs really have positive impact on wider population so they are worth of public funding also in the future.

"The policies of the Slot Machine Association seems to be that if we can show our results and impacts to them, so then they (RAY) can prove the effectiveness of the whole sector to the Ministry (of Social Affairs and Health)."

In the previous extract is stated that the impact and effectiveness is something that the organizations must prove to the public sector. Societal impact is something that the Finnish state requires as a funder. In the next section, I go deeper to also this topic as the section especially includes themes related to the practices CSOs are required to engage in order to gain funding.

4.3 Conditions of the public funder

Reporting the use of grants, and the outcomes and impacts of their work done with the help of the grants, is something that public funder expected from CSOs. The reporting does not only include the professional bookkeeping from the use of money; It also includes qualitative and quantitative reporting for example, number of people participating to happenings organized by CSOs and assessments of the impacts that CSOs had in the lives of people engaging their activities. Already when seeking the funding CSOs were asked to clearly express their goals, how they are planning to attain them and what kind of impacts they will have. The target of this reporting, goal setting and assessing is evaluate the performance of CSOs and ensure their societal impact. The evaluation has become as a new feature of the gambling profit based funding especially during the 2010s. Especially former RAY had developed its practices of evaluation such as measuring outcomes and requiring different types of reporting from CSOs. However, also the Ministry of Education and Culture had moved towards more evaluative approach of governing the public funds.

In recent years, CSOs have had to adapt to the changing practices of the funder as public authorities were (and to some extent still are) seeking the indicators for the third sector performance evaluation. Many CSOs already had some own practices of assess the quality of their work, so the idea was not completely strange and CSOs interviewed here are rather willing to adapt to the evaluation practices the funder posed. However, the representatives of CSOs also expressed that the reporting and other practices related to evaluation increased their workload. Societal impacts were also considered hard to prove in practice. For example, CSOs considered that they were often involved in such a long term holistic processes that the impacts, on both society and individual lives, were difficult to address after only a year or a few. Despite the interviewees criticized some forms of reporting and measurements, they still often had to adapt the practices required by the public authorities as they were afraid to lose funding otherwise.

Besides the readiness to carry out the practices related to evaluation and reporting, the interviewees also often mentioned that one needs to "adapt the right language" or start "to speak the language of the funder" in order to make successful applications and reports. All in all, the interviewees also seemed to agree that in

order to gain funding and understand the requirements of application process and evaluation, the organization needs to be rather professional.

Despite certain professionalism, the funding also includes opposite conditions according to which CSOs should clearly stay voluntary and have light organizational structures. For example, interviewees describe that the funder was highlighting the meaning of the volunteer work and was unwilling to cover too much administrative costs. Meantime, CSOs themselves hoped for firmer organizational structures.

The public funders also expects that CSOs will stay non-profit. This concerned especially social and health care CSOs which may produce services. In the Finnish welfare state, the municipalities are required to produce certain service or buy them from private producers (third sector or market actors). These types of services should not be funded from public grants as this would disturb the competition between market and non-profit actors when producing services for municipalities. In the data, there is discussion of the negative impacts of public grants on the free competition and this could be also a starting point for further research and analysis of the relationship between third and market sector.

5. Conclusions

Funding and partnership requires certain level of professionalism and adaptation of the practices of evaluation. The non-profit organizations and public funder has to also respect the market competition. These practices could be interpreted as features of a regime defined by New Public Management. However, the partnership seemed to also have interactional features and CSOs had an experience that the relationship both to the former RAY and the Ministry of Education and Culture had become more reciprocal during 2010. These practices can be seen as a features New Public Governance. Despite the governmental regimes, the public funder seem to have a last word in the governmental relationship and the third sector must still adapt to the requirements of the state.

All in all, the public grants seemed to offer both opportunities and obligations for CSOs. One of the contradictory obligation in this governmental relationship is that CSOs are expected to professional to some extent but also meantime nurture volunteerism and not develop too expensive and wide organizational structures. Despite CSOs would have their own methods of self-evaluation, they still must to adapt also the practices required by public funder. The professional practices of evaluation may serve the interests of state to manage the use of grants and to build civil society capable of implementing policy goals.

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