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## Executive Summary of the Study

# DIAGNOSIS OF NGOS IN PORTUGAL 2015—2024

**ACTIVE CITIZENS**
PROGRAMME

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FUNDAÇÃO CALOUSTE GULBENKIAN

FUNDAÇÃO BISSAYA BARRETO

UNIVERSIDADE CATÓLICA PORTUGUESA
PORTO
ÁREA TRANSVERSAL DE ECONOMIA SOCIAL

**ACTIVE CITIZENS**
PROGRAMME

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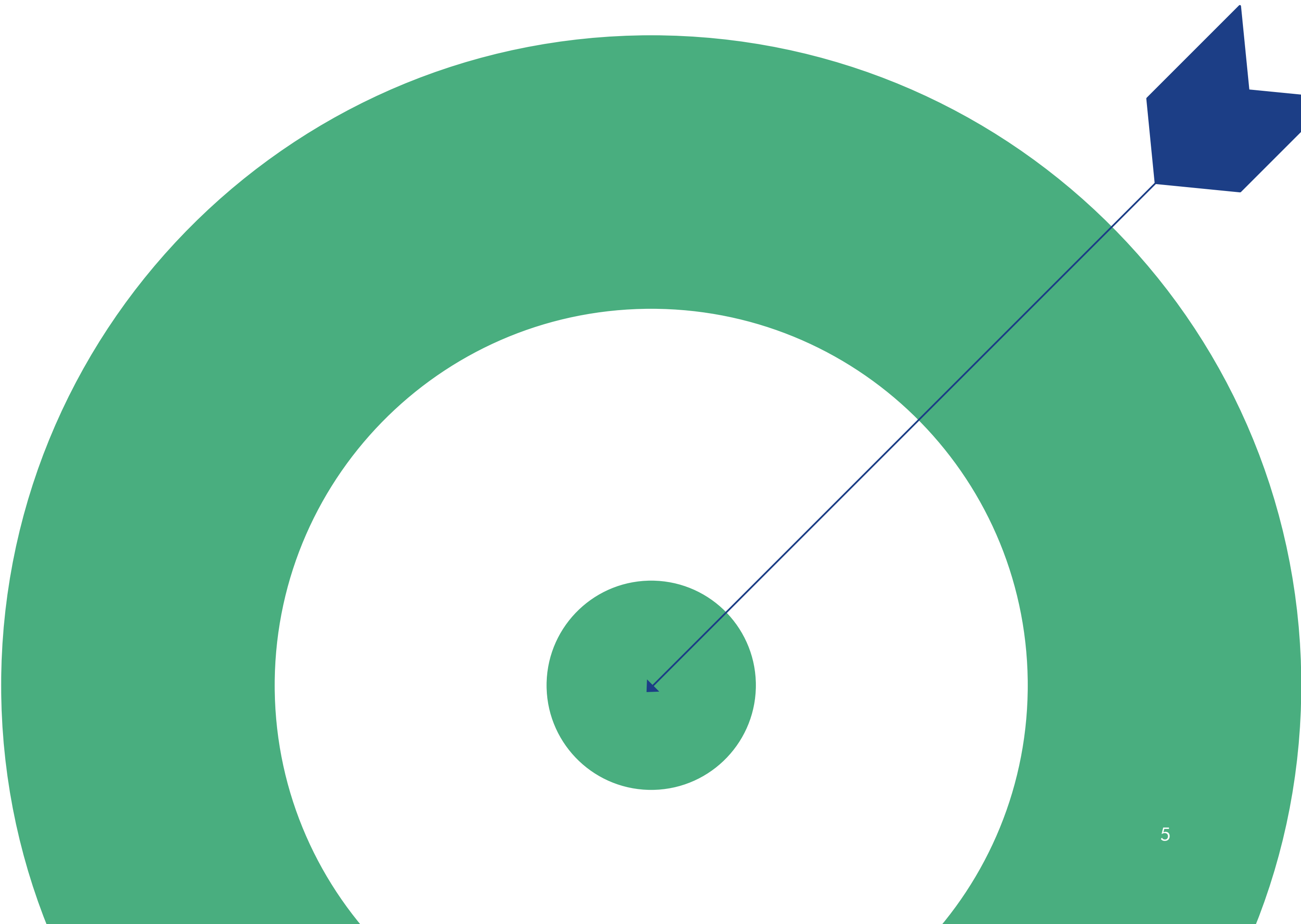
## Objectives of the study

The study was designed with the following main objectives:

- **To analyse the evolutionary trends in the operational and strategic capacities of NGOs in Portugal over the last decade.**
- **To assess the impact of socio-economic and political changes on the functioning and sustainability of NGOs.**
- **To compare the development of the NGOs ecosystem in Portugal with that of four European countries, identifying similarities and differences and areas for improvement.**
- **To propose strategic recommendations for strengthening and sustaining the sector in the future.**



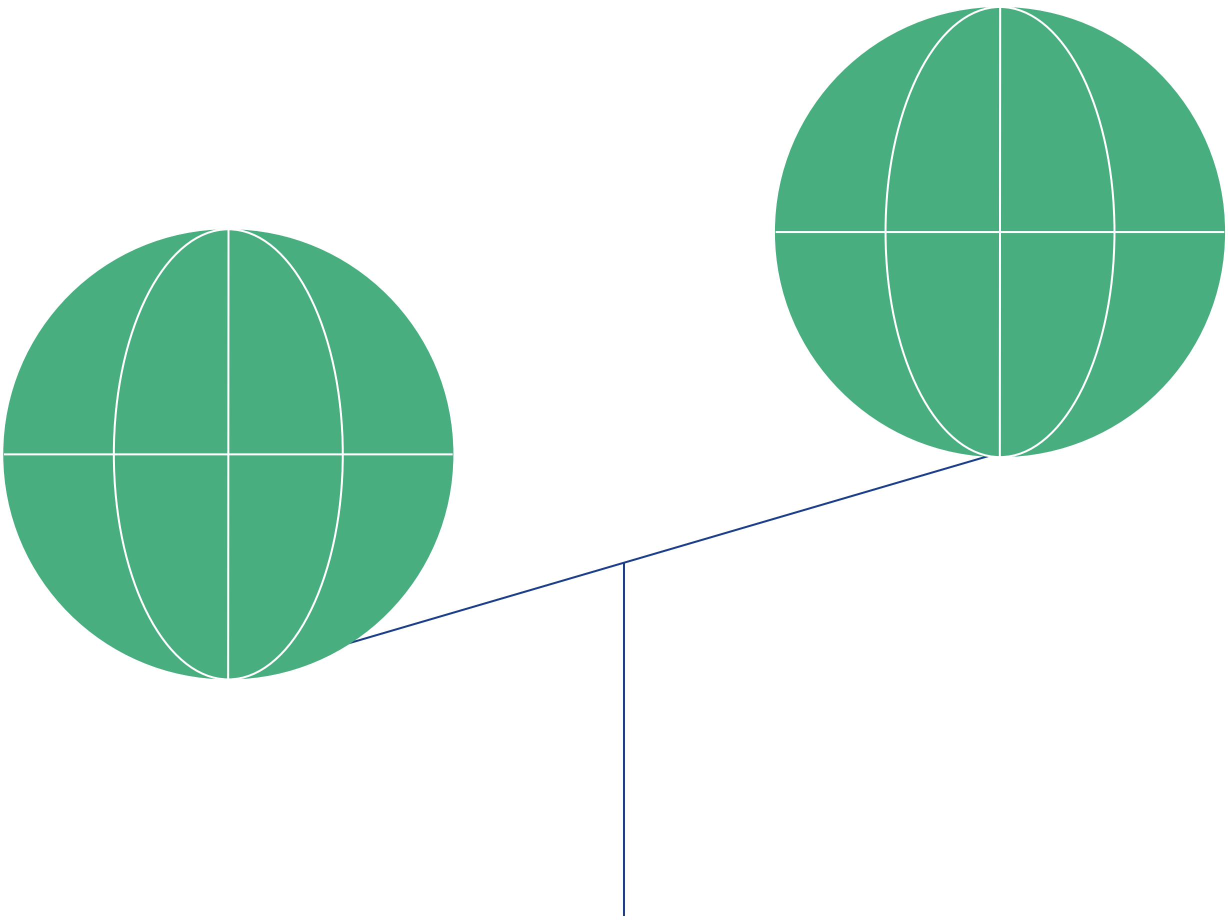
## Introduction

The study "Diagnosis of NGOs in Portugal 2015–2024" was conducted at the request of Calouste Gulbenkian Foundation, by ATES – Transversal Area of Social Economy Portuguese Catholic University. Aiming to provide a comprehensive and critical analysis of the evolution of Portuguese Non-Governmental Organizations (NGOs) over the last decade, this work updates and expands the diagnosis published in 2015 (Franco *et al.*, 2015), exploring the structural changes, operational challenges and strategic opportunities that have shaped the sector in this country.

An international comparative analysis completes the study, with the Portuguese NGOs sector placed alongside those of four European countries selected for their diversity – a southern European country, Greece, a Nordic country, Norway, an Anglo-Saxon country, the United Kingdom, and an eastern European country, Romania.

### — International Comparative Analysis

A comparative analysis was carried out with four European countries – Greece, Norway, the United Kingdom and Romania – in order to understand how the NGO ecosystem develops in other societies. This analysis was crucial to understanding similarities and differences and identifying common challenges and areas for improvement, which can serve as a basis for reflection in the Portuguese context.



## Methodology

The methodology used in the study includes the following qualitative and quantitative approaches:

— **Questionnaire**

The questionnaire was sent to the 153 NGOs that took part in the study published in 2015[1]. This instrument, more concise than the previous one, focused on relevant issues such as governance, management practices, resource sharing and funding strategies. The response rate was 56.86 percent.

— **Case studies**

Ten case studies were conducted, revisiting five organizations already studied in 2015 and interviewing five new ones proposed by the Calouste Gulbenkian Foundation. This qualitative method allowed an understanding of the internal dynamics, challenges and adaptation strategies of different types of NGOs. The case studies were selected in order to cover different areas of activity and organizational sizes.

— **Indicators about the economic and financial situation of the NGO**

Based on their financial statements, indicators were calculated for the years 2016 to 2023 on the economic and financial situation of 49 NGOs that were surveyed in 2014 and 2024. Although it is not possible to say that this is a representative sample of the 153 NGOs from the previous study, the results obtained are an indication of what happened in this group of organizations. These indicators were compared with indicators of the same nature for three groups of organizations:

- **The series of indicators for 565 charities that are included in the Balance Sheet database of the National Confederation of Charities (CNIS) (Mendes, 2018; Mendes & Oliveira, 2020; Mendes & Rocha, 2022, 2023);**
- **Indicators for 53 Local Development Organizations (LDOs) associated with ANIMAR (Mendes, Pinto & Rocha, 2023);**
- **Indicators for all non-financial companies in the country that are part of the Bank of Portugal Balance Sheet database[2].**

1 The survey was carried out in 2014.

2 https://www.bportugal.pt/QS/qsweb/Dashboards

## HUMAN RESOURCES AND VOLUNTEERING

### Paid Staff

Over the past 10 years, the number of paid staff in NGOs has increased by 58.62%. However, demotivation and turnover remain significant challenges in this dimension, affecting organizational stability and effectiveness. Staff training is a priority, with the majority of NGOs (88.51 percent) developing training activities for this target group. The analysis suggests that ongoing training and career development are essential to maintain motivation and reduce staff turnover.

### Volunteers

NGOs' critical dependence on volunteers is evident, although the number of those who do so regularly has decreased slightly. The changing age profile of volunteers, with an increase in the number of young adults, suggests a potential revitalization of this dimension. However, it also points to the need for more effective strategies to engage volunteers. NGOs must develop volunteer programs that appeal to different age groups and provide meaningful personal and professional development opportunities.

## FUNDING SOURCES AND STRATEGIES

### Fundraising

Fundraising remains a critical challenge for NGOs in Portugal. In 2024, 52.87 percent reported having formal fundraising plans, an increase from 2014. Nevertheless, the sector relies heavily on donations from private individuals (47.3 percent) and non-refundable public funding (42.53 percent). The volatility of these sources underscores the need for diversification and innovation in fundraising efforts. The analysis of the answers to the questionnaire highlights the importance of developing marketing and communication skills to improve the effectiveness of fundraising strategies.

### Fundraising initiatives

Fundraising initiatives have evolved over the past decade, with tax consignment emerging as the dominant one in 2024, adopted by 32.18 percent of NGOs. This shift reflects an adaptation to new financial realities and funding opportunities. NGOs that have implemented tax consignment campaigns have reported a significant increase in revenue, highlighting the importance of exploring all viable funding options.

# Main results from the questionnaire

## EVOLUTION OF NGOS' CAPACITIES AND ACTIVITIES

Between 2014 and 2024, 71.3 percent of NGOs in the fields of culture and arts, human rights and international activities maintained their core activity. However, 28.7 percent changed it, reflecting an adaptation to new social and economic demands, suggesting an attempt to maximize their impact. A detailed analysis of the sectors of activity revealed that the NGOs that changed their focus did so mainly due to external pressures, such as changes in funding priorities and changes in public policy.

### Beneficiaries and association members

The study shows that the average number of beneficiaries has increased significantly, from 3,804 in 2014 to 14,259 in 2024. On the other hand, the average number of association members decreased from 1,076 to 394. This contrast indicates a strategic shift in the way NGOs relate to the public and their stakeholders, highlighting a greater focus on broadening the scope of their activities. This trend can be attributed to the increasing professionalization of the sector, as well as the use of digital technologies to reach a wider audience, reducing the need to invest in attracting new members.

## GOVERNANCE AND MANAGEMENT CHALLENGES

### Governance and Management practices

Over the past decade, NGOs have adopted more modern management practices, including strategic planning and marketing activities. However, they continue to face difficulties in attracting and retaining board members. The analysis shows that, despite the increasing tendency for technical management to become more autonomous from the board, there are still significant barriers in this dimension, which limit the effectiveness of daily management. The lack of leadership and management training among board members is a critical issue that needs to be addressed for improving the performance of these organizations.

### Executive bodies

The executive bodies are predominantly made up of people over the age of 65, with the majority of top positions being held by men. There is more gender parity in lower positions. Tenure is high, with 27.59 percent of NGOs reporting that more than half of their board members have served for 10 years or more. This pattern suggests a lack of renewal and dynamism in executive bodies, which may limit NGO's ability to adapt quickly to external changes.

## Comparative analysis based on the case studies

The case studies that were carried out provide interesting information about the differences between newer and older organisations. The former – namely MEERU, Zero Waste LAB, Pão a Pão, Surf for Good – Wave by Wave and Reshape – stand out for their innovation and ability to adapt, factors that are critical to their success. However, structural insufficiencies could jeopardise their growth. On the other hand, the older organisations – CAIS, APAV, Bagos d'Ouro, ILGA and APPC – have a visibility and reputation that give them a prominent position. Nevertheless, they face challenges related to internal bureaucracy and resistance to change, which can limit their ability to innovate and adapt to new realities.

### WEAKNESSES AND THREATS

Newer organisations struggle with dependence on external funding, difficulties in retaining talent and language barriers when they have foreign beneficiaries. The lack of a robust formal structure is another area of concern. Addressing these weaknesses is essential to meet the threats posed by volatile funding, competition in the sector, changes in public policy and the political and social climate.

In older organisations, dependence on external funding and talent retention challenges are also evident. Bureaucracy, complexity of processes and limited responsiveness are common weaknesses. Lack of performance evaluation and limitations in communication and marketing are also noted. These aspects are all the more important as the threats perceived by this group relate to instability of public funding, competition with other NGOs, legislative and policy changes and socio-economic challenges.

### STRENGTHS AND OPPORTUNITIES

The younger organisations stand out for their innovation, flexibility and ability to adapt. They have well-structured intervention models, a strong social impact, strategic partnerships and growing recognition. These strengths are crucial to take advantage of opportunities for project expansion, new business lines, partnerships with investors and government support.

For their part, older organisations benefit from a consolidated history and credibility in the sector. They have well-established partnership networks, diversified activities and a focus on capacity building and transparency. Their visibility and reputation are important strengths. These assets can be used to take advantage of opportunities such as expanding their social media, new applications for funding, raising awareness and business partnerships. Harnessing innovation and improving public policy are promising growth areas for these organisations.

## COLLABORATION AND NETWORKING

### Partnerships and Networking

NGOs have increased their involvement in collaborative working processes and partnerships, especially with municipalities (75 percent) and other social economy organisations (59.72 percent). These collaborations are seen as essential for complementing activities, sharing good practice and obtaining funding. However, their effectiveness is often limited by bureaucratic structures and a lack of clarity about common objectives. The analysis suggests that setting clear objectives and defining roles and responsibilities are key to the success of partnerships.

### Relations with public entities

Partnership relations with public bodies, while in many cases characterised by a positive openness, face significant challenges due to bureaucracy and a lack of ongoing support. NGOs report that, despite some improvements, interaction with central and local government is still characterised by complexities that hinder the effective implementation of collaborative projects. Simplifying bureaucratic processes and improving communication between NGOs and public entities are key areas for improving these relationships.

## Indicators about the economic and financial situation of NGOs

### TRENDS IN OPERATIONAL AND NET RETURNS

The NGOs in this study have lower percentages of negative operational and net returns than the organizations in the Balance Sheet database of the National Confederation of Charities, the Local Development Organizations (LDO) of the ANIMAR study and the non-financial companies in the Bank of Portugal Balance Sheet database.

For the NGOs in this study, for the charities and for the LDOs, the time of the pandemic was when the percentages of organizations with negative operational and net returns were the lowest, while for non-financial companies in the rest of the economy the opposite happened.

An explanation for this difference may be the fact that there was public and civil society support and dedication from the workers to allow charities and other NGOs to remain active during the pandemic, helping these organizations not to interrupt the care they provided to people who depended on of them.

Since the pandemic, the NGO, the charities and the LDO diverged again from the non-financial companies when it comes to these indicators: the percentages of non-financial companies with negative operational and net returns fell, returning to their pre-pandemic levels, while in the NGOs in this study, in the charities and in the LDOs they began to increase.

### STRUCTURE AND TRENDS OF TOTAL INCOME

Public subsidies represent more than half of the total income of the NGOs in this study, with voluntary contributions from civil society (subsidies, donations and inheritances, legacies, donations in kind) being much smaller than public cofunding (slightly above 7%, at the moment).

The percentage of public financing in total income increased during the pandemic and decreased thereafter. The share of voluntary contributions from civil society has increased throughout the period under review but remains relatively low.

As mentioned in the concept of NGO proposed in chapter 1 of the 2015 study (Franco *et al*, 2015) in line with the work of Mendes (2015), one of the most distinctive characteristics of NGOs is that they mainly produce public goods (promotion of social and territorial cohesion, protection of the quality of the environment and cultural heritage, advocacy of human rights, etc.). Therefore, the relatively low percentage of voluntary contributions from civil society in the total income of these organizations means that there is a lot of “free riding” behaviour. This means that, although these public goods benefit the whole

## INDICATORS OF FINANCIAL STRUCTURE

### Liquidity ratios

During the period under analysis here, the median values of the current ratio and the quick ratio were above 1, as is needed for short-term financial equilibrium.

Until 2022, these ratios tended to grow, with a decrease in 2023, without, however, reaching median values below 1.

Comparing with the charities in CNIS Balance sheet database and the non-financial companies in the Bank of Portugal Balance Sheet database, the NGOs studied here have lower liquidity ratios.

### Financial ratios

With regard to the solvency ratio, financial autonomy ratio, debt ratio and non-current asset coverage ratio, the NGOs studied here have values that are above, or even well above (solvency ratio) the levels recommended for the long-term financial equilibrium.

Compared to the group of non-financial companies, the NGOs studied here have higher levels of financial autonomy and non-current assets coverage ratio and lower levels of debt ratios, which means that they resort relatively less to external funding.

The financial autonomy and non-current asset coverage ratios did not register major changes over the period under analysis here. The solvency ratio fluctuated significantly, increasing from 2016 to 2017, decreasing from 2018 to 2022 and increasing again the following year. This might have been due to a decrease in the debt ratio between 2016 and 2018, followed by an increase until 2022 and a decrease in 2023.

## RETURN ON EQUITY AND ITS COMPONENTS

The return on equity in the NGOs analysed here increased between 2016 and 2020, having been decreasing since then. It is possible that negative impacts on the economy of these organizations resulting from the pandemic contributed to this situation.

As expected, the return on equity for these NGOs is much lower than in the non-financial companies of Bank of Portugal Balance Sheet database, with the following factors contributing to this difference:

of society, only a minority of people voluntarily contribute to paying their production costs. The vast majority do not contribute, “free riding” on those who do it.

In this situation, despite what NGOs can and should do to encourage voluntary contributions (in cash, in kind and in voluntary work), they are left with only two alternatives to pay their costs, namely, resorting to public co-funding and the production and sale of tradable goods and services at prices that cover their cost.

## STRUCTURE AND TRENDS OF COSTS

Regarding the structure of costs, the most relevant fact is the very high percentage (around 2/3) corresponding to labour costs in the total operational costs. In the 521587 non-financial companies included in the Bank of Portugal database for 2022, this percentage was 15%[3].

The other relevant fact is the tendency for this percentage to increase over the period under analysis.

In the charities and also in many other NGO this high percentage of labour costs is combined with two more situations:

- **A slower growth in labour productivity compared with the organizations in the rest of the economy;**
- **A rate of increase in workers’ wages that cannot lag behind that of organizations in the rest of the economy.**

The combination of the three situations mentioned above corresponds to the so-called “Baumol Disease” (Baumol & Bowen, 1965, 1966) which results in an increase in the cost of goods and services produced by these organizations in relatively to those produced in the rest of the economy.

3 https://www.bportugal.pt/QS/qsweb/Dashboards

## International Comparative Analysis

The international analysis revealed very different patterns of third sector development in Portugal, Greece, Norway, the United Kingdom and Romania.

### PORTUGAL

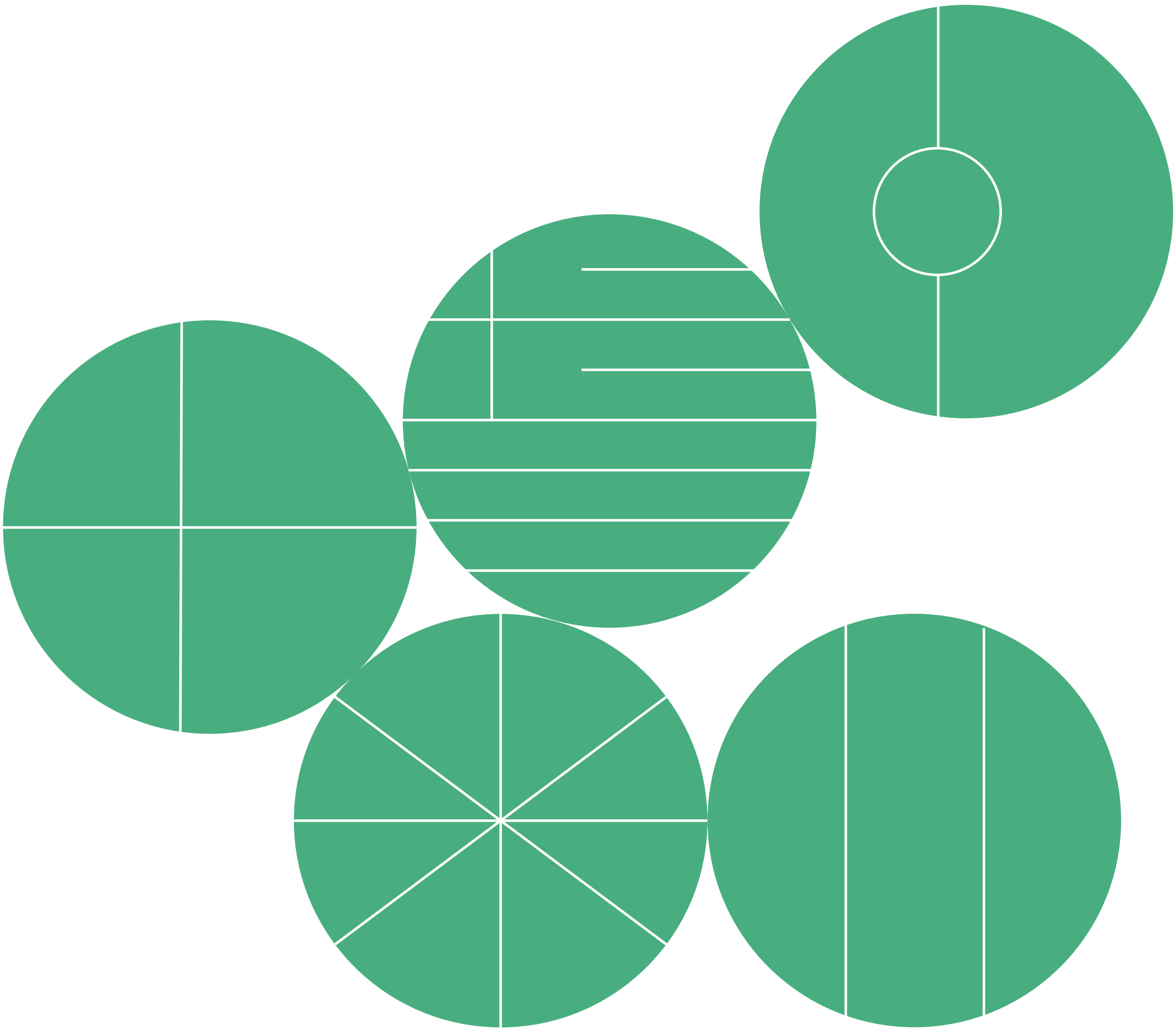
- **The Portuguese third sector has an average labour force of all five countries, the third most significant.**
- **Volunteering has the lowest expression in terms of the labour force compared to the other three countries where this information is available; and the expression of volunteering in society is average in the context of the five countries under analysis and is shrinking. This downward trend is occurring in all the countries analysed, with the exception of Norway, and should be a cause for reflection.**
- **The volume of public spending on social protection is significant, the second highest of the five countries analysed.**
- **Service activities are predominant, with an intensity not seen in any of the other three countries with available data, and this is even an exception in the European context.**
- **Income generated by the sector itself predominates as a source of funding, followed by public support.**

### GREECE

- **The Greek third sector is comparatively smaller in terms of the number of organisations and paid workers.**
- **Levels of volunteering are relatively low and on a downward trend. In addition, however, the family in Greece has always played a very important role in the area of social support, which may constitute a form of informal volunteering not captured in the available surveys.**
- **The volume of public spending on social protection is the highest of the five countries.**
- **The Greek third sector is more orientated towards service activities, given the country's economic and social challenges, but there is a growing dimension of expressive activities.**
- **There is a huge dependence on public funds, including those from the European Union, which are likely to represent the largest share of funding sources, followed by philanthropy.**

- **A greater percentage of amortization and depreciation in the total costs;**
- **A lower asset turnover rate;**
- **A lower debt ratio and, therefore, a lower leverage effect from external funding.**

Since NGOs analysed here use relatively less external funding, namely from banks, the part of EBITDA that is absorbed to pay interests on that kind of funding is smaller than in the group of non-financial companies.



## ROMANIA

- **Romania has the smallest third sector workforce as a percentage of the economically active population of the five countries.**
- **Volunteering as a percentage of the sector's workforce has a significant percentage, but it is a figure without apparent significance. In fact, the figures for volunteering by the Romanian population are the lowest of the five countries analysed.**
- **The volume of public spending on social protection is the lowest of the five.**
- **The dominant function of the third sector is in services.**
- **The sources of funds are the most evenly distributed, with philanthropy having a very close share of own revenues and public funds having a predominant weight.**

Membership of an NGO was also analysed, despite the scarcity of data. There are indications that the younger sections of the population are less interested in this type of connection to organisations than past generations. This is also an issue that deserves reflection.

The UK, and more recently Norway, have been on a path of opening up social services to the market, with competitive public procurement processes in which companies and NGOs compete for contracts. If, on the one hand, civil society expects the quality of the services provided to be higher, in the long term this may raise the question of what the identity of NGOs is and what the best use of public funds will be. This is a relevant issue for European countries considering this path.

An additional important issue in Europe is the reduction in civic space that is taking place in various parts of Europe and which has been followed with concern by some organisations – a subject that deserves reflection.

Finally, a note on the discrepancy between countries in terms of the quality and comprehensiveness of the information available. There is a long way to go in terms of data comparability in Europe, but there are countries that already have a wealth of information that is worth replicating. In the certainty that it is only possible to act on the internal and external conditions affecting the NGO sector if information and reflection are produced.

## NORWAY

- **The Norwegian third sector has a large paid labour force of all five countries.**
- **It has a very significant volunteer force, both in its formal and informal dimensions and, unlike the other four countries, both dimensions are showing an upward trend. This is a remarkable example of the population's participation in the construction of a sector and a country, with marked historical and cultural roots, including very high levels of trust, which should serve as food for thought.**
- **The volume of public spending on social protection is average for all countries.**
- **Unlike the other countries, Norway has expression activities as its dominant function, which is understandable given the country's history and its third sector.**
- **As sources of funds, own revenues exceed 50 per cent, more than in any of the other countries, followed by public funds.**

## UNITED KINGDOM

- **The third sector in the UK has the largest paid workforce of the five countries analysed.**
- **Volunteering has some expression in the population, being the second country with higher numbers, but far from the Norwegian reality and is falling. It has been a cause for concern for some organisations for some years. Since 2019, in line with the huge amount of information collected and disseminated about the sector, the quality of the volunteering experience at national level has been measured in the UK. The drop in youth volunteering is a concern. Social media has been identified as a relevant 'gateway' for promoting youth volunteering. An area for reflection for Portugal too.**
- **The volume of public spending on social protection is the second lowest of the five countries.**
- **Service activities are only slightly higher than expression activities, making it the country with the most balanced distribution between the two functions.**
- **Also, in terms of sources of funding, the weight of public funds and own revenues are fairly close, with the former slightly predominating.**

## Recommendations

### TRANSFORMATION AND PROFESSIONALISATION

It is recommended that the sector be professionalised by recruiting specialised staff and adopting more effective management practices. Continuous training and career development are essential to maintain motivation and reduce staff turnover.

### FINANCIAL RESTRUCTURING AND TRANSPARENCY

NGOs need to adopt transparent practices in order to attract more investment and increase the confidence of funding agencies. Diversifying funding sources and developing marketing and communication skills are essential to improve the effectiveness of fundraising strategies.

### CULTURAL CHANGE AND SECTOR RECOGNITION

It is crucial that the great importance of NGOs is recognized as entities that produce public goods which are essential for a better society, such as the promotion of social and territorial cohesion, the defense of Human Rights and the protection of the environment and cultural heritage. This recognition must be consequential, that is, it must imply greater voluntary contributions from civil society in cash, in kind and in voluntary work and better public policies to support these organizations.

Fostering a culture of innovation and adaptation is essential to ensure the sector's relevance, effectiveness and long-term sustainability.

### COLLABORATION AND SHARING OF GOOD PRACTICE

NGOs should intensify collaborative working methods, sharing resources and best practices among themselves and with international organisations. Setting clear objectives and defining roles and responsibilities are fundamental to the success of partnerships.

And also at a supra-organisational and policy level:

- **Produce more and better information on the sector, comparable with European countries.**
- **Monitor the evolution of volunteering in order to understand the quality of the experience and act on it.**
- **Promote reflection on the identity of the sector and what society would like to see as the direction of future development**

## Conclusions

The *"Diagnosis of NGOs in Portugal 2015–2024"* reveals a sector in transition, with organisations adapting to a rapidly changing socio-economic environment. NGOs face significant challenges, including the need to improve internal management, diversify funding sources and strengthen strategic partnerships. However, they are also exploring new opportunities to increase their social impact, demonstrating resilience and capacity for innovation.

Portugal must follow developments in the NGO sector in the European context because they are both diverse and common. This can be an important source of learning, both by sharing challenges and by inspiring new practices.

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— **Monitor the evolution of civic space in Europe and contribute to reflection and action in the desired direction**

To sum up, the study highlights the complexity and dynamism of the NGO sector in Portugal, underlining the need for support and development strategies adapted to the specific realities of each organisation. The proposed recommendations aim not only to address immediate challenges, but also to promote a fundamental transformation of the sector, to ensure its long-term relevance and effectiveness.

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