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FINANCIAL RESOURCES MANAGEMENT – FACTOR OF SUSTAINABLE DEVELOPMENT OF THE NGOs IMPLEMENTING SOCIAL ECONOMY ACTIVITIES*

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Abstract

The purpose of the paper is to approach the elements of financial management in terms of the structure of the incomes of the non-governmental organizations active in the field of social inclusion and to determine the way in which the strategies used to obtain these incomes fit the promotion of social economy as sustainable manner of support for the vulnerable groups. There are many economic activities which play an important role for the reinsertion of the vulnerable groups. The focus is on the inclusion of the Roma population, of the people with disabilities and of the young people living in placement centers. The NGOs mentioned several problems and difficulties they experienced in running these activities because the current regulations rather deter such initiatives and block the development of the social economy.

Keywords: social economy, non-governmental organizations, management, structural changes, organizational development.

1. Introduction

Next to the human resources and the operational infrastructure, the budget of a non-governmental organization is one of the most important aspects in terms of management. The NGOs are confronted, worldwide, with major difficulties (Jaskyte and Kisieliene, 2006) which presume several structural adjustments at the organizational level and in the way in which the activities are developed and the services specific to the third sector are delivered (Hințea, 2011). In Romania, the non-governmental sector involved in social activities experienced structural changes over the recent years, changes determined by the modification of the financing opportunities, of the legislation or of the economic environment (Țigănaș *et al.*, 2011). The structural funds allocated to Romania for 2007-2013 for the component of social inclusion are a major factor in the reconfiguration of the non-governmental organizations active in the field of social intervention by promoting alternative approaches to the classical solution of protecting the vulnerable groups (Tomescu and Stănescu, 2009). Social economy is a domain which can supply sustainable solutions to decrease social exclusion by increasing the employment rate of the vulnerable people and by creating mechanisms to aid these people (Arpinte, Cace and Cojocaru, 2010). Although a legal, properly developed, framework supporting and promoting social economy is yet to be implemented (Cace *et al.*, 2011), some elements emerge which start to outline the role of the social economy as welfare supplier.

The development of the social economy in Europe is obvious, particularly during the last 25 years (Arpinte *et al.*, 2010, p. 138), and the results started to show, unlike in Romania, where the first steps towards the crystallization of this domain were just taken.

The recently initiated and enacted normative acts (the Framework Law for the social economy which is currently under discussion and Law no. 292/2011 concerning the social assistance) brought structural changes to the operational framework of the non-governmental sector, at least in terms of the sources of the funds required by the activities that promote the inclusion of the vulnerable groups. The Framework Law for the social economy introduces several measures supporting and promoting the social economy organizations and facilitates the absorption of the structural funds allocated for the domain. The Law of social assistance sets mechanisms of competition for the suppliers of social services by regulating the enfranchisement of social services. Both normative acts have a significant impact on the non-governmental organizations active in the field of social inclusion, which must reconsider significantly their strategies of organizational development. The way in which the organizations manage their financial or human resources is essential.

2. Methodological aspects

The paper used quantitative and qualitative data obtained during two surveys conducted in 2010 and 2011 by the Institute for Quality of Life Research as partner of the Association for Socio-Economic Development and Promotion CATALACTICA,

within projects on social economy topics financed from European funds. Both surveys had a similar approach. They aimed to evaluate the social economy sector in terms of its capacity to contribute to the social inclusion of the disadvantaged groups in different regions of implementation.

The first research was conducted within the project „PROACTIV – from marginal to inclusive” (hereinafter mentioned as the “PROACTIV database”) and it covered the following regions of development: South Muntenia and South-West Oltenia. The second research was conducted within the project “INTEGRAT – Resources for socially excluded women and Roma groups” (hereinafter mentioned as the “INTEGRAT database”).

This paper uses only the quantitative and qualitative data regarding the representatives of the social economy organizations from both surveys. The topics approached during the interviews with the representatives of the relevant institutions or with the representatives of the social economy organizations aimed to evaluate

(1) the initiatives in the field of social economy; (2) the forms of support available for the beneficiaries of social economy and their adequacy in relation to the needs of the beneficiaries; (3) the inter-institutional relations between the institutions engaged in social economy and the protection of the disadvantaged groups; (4) the level of knowledge and perception about social economy; and (5) the perception of the legislation regulating the activity of the institutions or organizations active in the field of social economy and of the legislation which stipulates various forms of support for the vulnerable groups.

The quantitative component approached subjects regarding (1) the profile of the social economy organizations; (2) the dynamics of the human resources and budget indicators and estimation of their future evolution; (3) the support for the development of the current activity and for their capacity to supply services and opportunities of integration of the disadvantaged groups; (4) the perception of the efficiency of the specific legal framework; (5) the human resources and the capacity to encourage the employment of the people from the disadvantaged groups; and (6) the requirement for personnel training.

The size of the sample for PROACTIV survey was of 150 NGOs representatives. The counties Dâmbovița, Vâlcea, Mehedinți and Gorj have the largest number of NGOs, while the counties Giurgiu, Călărași and Teleorman have the lowest number of NGOs. The distribution of the NGOs in our sample is in agreement with the data at national level which confirm the fact that the lowest number of acting NGOs is in the southern counties. For instance, in Teleorman, where we conducted three interviews with NGOs representatives, there is no organization accredited to supply social services. Our purpose was to include in the sample only the NGOs which have direct activities for the disadvantaged groups or the NGOs whose activity generates a significant impact for the disadvantaged groups. Thus, most NGOs (45.3%) list the provision of social services as the main field of activity, followed by the organizations involved in educational activities (21.3%), philanthropy (10%) and by the organizations

performing cultural and media activities (9.3%). Using data from Foundation for the Development of Civil Society (FDSC), from the Ministry of Labor or Research Institute for Quality of Life (RIQL) (2004), we estimate that for the two regions, the sample includes more than 50% of the active NGOs which perform social economy activities. Data collection for PROACTIV survey was conducted in 2010.

INTEGRAT survey analyzed a sample of 220 NGOs whose distribution is in agreement with the estimated presence of the non-governmental sector in the two regions of development covered by the research. For the analysis performed in this paper we used the answers provided by 220 NGOs (118 from Bucharest-Ilfov region of development and 102 from South-East region of development). Most NGOs which responded to the questionnaire presently supply social services (76% for Bucharest-Ilfov region of development and 83% for South-East region of development), or used to supply social services in the past (1.7% in Bucharest-Ilfov region of development and 6.9% in South-East region of development). The NGOs have been identified in the database of the Ministry of Labor which includes all the licensed suppliers of social services, completed with data from FDSC database. Because of the limits determined by the identification of structures, we used the snowball method to expand the number of entities at the local level. We asked each representative of a social economy organization to provide us contact data of similar local organizations, with the view to expand the initial database of organizations. The large proportion of the NGOs active in social services field is explained by the objectives of our research, reason why for the initial selection of the NGOs from the sample centered on the availability of subjects we used databases with licensed suppliers of social services. Some of them recommended other local partner NGOs to be included in the research. Same as in the case of PROACTIV survey, the final sample consisted of organizations providing social services or of organizations which implement relevant activities for the disadvantaged groups. The data of INTEGRAT survey were collected in 2011.

3. Structure of the income obtained by the NGOs active in the field of social inclusion

The specificity of the activity of social services supplier leaves extremely little opportunities for budget reserves to be used as own contribution or as non-eligible costs for the projects with foreign financing. The data of the 2008 RIQL research regarding the capacity of the Romanian institutions active in the field of social inclusion to absorb and manage the structural funds confirms the problems co-financing (Arpinte and Baboi, 2009). 41% of the organizations which implemented only social services projects pointed out the insufficient funding as a weakness, compared to 29% of the NGOs which also implemented other types of projects and 30% of the NGOs which implemented projects in fields other than social services. The access to several opportunities which may increase the odds to draw resources from projects financed from European funds is easier for the organizations from Bucharest-Ilfov region than for the organizations from the South-East region.

The structure of the incomes obtained by the NGOs from the four regions differs in the NGOs from South-Muntenia and South-West Oltenia regions, where the most important sources of income are the funds obtained from the proposals of financing and by direct ingathering from the financer.

For Bucharest-Ilfov and South-West Oltenia regions, the largest share of the budget comes from the applications for non-reimbursable financing and by direct ingathering from the financer, while in the South-East region the sponsorships are the main source of incomes. In terms of incomes structure, South-Muntenia region shows the most balanced distribution. The significant difference is accounted by the profile of the organizations from the four regions of development. The organizations which have favorable conditions to access European funds are predominant in Bucharest-Ilfov region of development while in South-East region of development the NGOs access rather resources from local authorities or get incomes from sponsorships or membership fees. In Bucharest-Ilfov, almost two-thirds of the organizations provide services at the national scale, while in South-East region most organizations provide services at local or county scale.

Significant differences between Bucharest-Ilfov and South-West Oltenia on the one hand, and South-Muntenia and South-East regions of development, on the other hand, can also be noticed in terms of the perception of the role which the structural funds have for the development of the social services for the non-governmental sector. While in Bucharest-Ilfov and South-West Oltenia, the perspective is clearly positive, the NGO representatives from the other two regions displayed reserved or even negative perceptions. The main reasons expressed by the institutional representatives are the bureaucracy, the cumbersome procedures to access the European funds and the restrictive conditions of resources management. However, one must not ignore the fact that most of the respondents represent rather small NGOs, which have a limited capacity to manage projects in the current formula of allocation of the European funds. The difficult access to the European structural funds is one of the causes of the poor rate of absorption and contracting (Brăgaru, 2011).

Table 1: Sources of NGOs income (% of the total budget)

| No. | Source of financing | South-West Oltenia | South Muntenia | Bucharest - Ilfov | South-East |
|-----|---|--------------------|----------------|-------------------|------------|
| 1 | Economic activities | 0.5 | 9.5 | 7.44 | 1.80 |
| 2 | Applications for non-reimbursable financing | 39.1 | 29.6 | 44.26 | 9.31 |
| 3 | Direct ingathering from the financer | 37.8 | 10.2 | 13.32 | 6.81 |
| 4 | Subsidies from public and local authorities | 8.9 | 10.5 | 5.26 | 11.47 |
| 5 | Sponsorships | 5.7 | 8.9 | 17.80 | 39.03 |
| 6 | Membership fees | 3.5 | 7.2 | 6.19 | 12.37 |
| 7 | 2% campaign | 4.0 | 5.1 | 3.98 | 11.79 |
| 8 | Other sources (donations etc.) | 0.5 | 19.0 | 1.76 | 7.41 |
| | TOTAL | 100 | 100 | 100 | 100 |

Source: INTEGRAT and PROACTIV databases

The evolution of the average budget for 2008-2009, for the four regions of development, shows an increase, particularly in Bucharest-Ilfov and South-West Oltenia regions. A very low number of NGOs from Bucharest-Ilfov region reported that the number of staff and the budget decreased. The causes mentioned by the managers of these NGOs are the economic crisis and the lack of financing opportunities. The same factors have been pointed out in 2010 for South-Muntenia and South-West Oltenia regions (lack of financing opportunities and the unfavorable economic environment). Any major change in the allocation of the European funds is expected to generate a more significant impact among the organizations from Bucharest-Ilfov and South-West Oltenia regions, which rely largely on such resources.

The proportion of the incomes from economic activities is clearly higher in South-Muntenia (9.5%) and in Bucharest-Ilfov than in South-East and South-West Oltenia regions, but generally, the contribution of this type of income to the total budget is rather low, which increases the dependency of the NGOs on the external sources of financing. While in South-Muntenia region the economic activity was performed only within the organization for all the NGOs included in the survey, in Bucharest-Ilfov and South-East regions, there have also been some cases in which the incomes were generated by a commercial company. Most organizations which obtained income via a commercial company operate in the rural areas and the main income-generating activity is agriculture.

In South-West Oltenia and South-Muntenia regions of development, only 6.5% and 7.9% of NGOs representatives consider that the current legislation stimulates to a large or very large extent the NGOs to run economic activities. The corresponding proportions are 11.8% in Bucharest-Ilfov and 13.8% in South-East regions of development. The differences between the two pairs of regions is explained rather by the fact that the data for Bucharest-Ilfov and South-East regions of development were collected in 2011, a year later than for the other two regions, interval in which the effort to promote social economy projects or the Framework Law influenced the general perception regarding the role of the legislation.

Table 2: Extent to which the acting legislation encourages the NGOs to run economic activities

| | Bucharest-Ilfov | South-East | South-West Oltenia | South Muntenia |
|------------------|------------------------|-------------------|---------------------------|-----------------------|
| Very little | 32% | 24% | 32.3% | 48.9% |
| Little | 35% | 31% | 40.3% | 36.4% |
| Much | 9% | 12% | 6.5% | 4.5% |
| Very much | 3% | 2% | 0% | 3.4% |
| Do not know | 21% | 31% | 21.1% | 6.8% |
| Total | 100% | 100% | 100% | 100% |
| Total (N) | 118 | 102 | 62 | 88 |

Source: INTEGRAT and PROACTIV databases

The revision of the current legislation is considered by 28.8% of the NGOs, measure expressed even within the context in which debates are currently in progress regarding the Framework Law for the social economy; however, the measures suggested by NGOs representatives target a broader set of measures which may stimulate the organizations to obtain resources for the services they provide.

Table 3: Types of solutions to encourage the development of economic activities – Bucharest-Ilfov and South-East regions (%)

| Types of solutions | % |
|--|------|
| Fiscal deductions/benefits/gratuities | 58.4 |
| Revision of the legislation | 28.8 |
| Non-reimbursable financing/financial support/subsidies | 20.8 |
| Stimulate the public-private partnerships | 10.4 |
| Reduce bureaucracy | 9.6 |
| Access to information/running information campaigns | 7.2 |
| Subsidized credits/facilitate crediting | 6.4 |
| Consultancy | 2.4 |
| Interest rates/ loans | 1.6 |
| Rents | 0.8 |
| Establishment of social enterprises | 0.8 |

Source: INTEGRAT database

The Framework Law for the social economy cannot solve in a satisfactory manner the problems identified in the development of this sector. Even if the law attempts to define the field of social economy and to promote support measures for the social economy organizations, it is necessary to adapt a broader set of normative acts which currently regulate the activity of the organizations which have the potential to run social economy activities.

Another problem we had regarded the type of legal entity. I mean, we didn't know what type of legal form we are to develop for these entrepreneurship projects, because the law of the cooperatives is ok, but it is an old law... only that POSDRU legislation is not applied. (Union representative)

The lack of regulation also creates difficulties to the promoters which run social economy projects. Contractually, the promoters assume results under conditions of uncertainty due to the lack of legal provisions concerning the social economy organizations. For instance, the concept “*social economy enterprise*” does not exist within the acting laws, while some promoters undertook to establish such enterprises by implementing projects financed from the structural funds. The identified solutions depend on the originality and resources of each individual promoter. Some of them established non-governmental organization, other established commercial companies for existing NGOs which can conduct economic activities. In such situations, some promoters decided not to apply for new funds, considering the incertitude of the outcomes required by the financing party.

It seemed interesting and it was related to our goals, so that we said it is ok and we can make a project on 6.1... However, we were surprised to find out that POSDRU finances 6.1 for this priority axes, but there is no legal correspondent for the social economy [...]. Given these circumstances, we decided not to make a strategic project because we were afraid of the legislative void. (Union representative)

The incoherence of the measures for fiscal support for the social economy has an adverse impact on the initiatives that have been developed. Although the NGOs secure just a small part of their income from economic activities, the latter should be developed not just because of the income they generate, but also because of their impact for the reinsertion of the vulnerable groups. Hence, the economic efficiency must not be the main criterion for the fiscal facilities or subsidies granted to the social economy activities.

A social enterprise presumes significant costs to keep it running. Unlike a company, where the purpose is to make maximum of profit, the social enterprise needs funds to train its staff, to create special facilities for them or to develop complementary social services. It is difficult to estimate the cost required to run a social economy activity, because the disadvantaged groups need social services or other forms of individualized support. It is impossible to determine a standard cost in such situations.

This is our problem: we have rather high production costs. Each side adds something, this social side, the environment... they increase the price of costs. (NGO representative)

The case studies conducted on the NGOs from Bucharest-Ilfov and South-East regions show that the economic activities of the NGOs via commercial companies are treated by the Fiscal Code in a similar manner as a plain business, even if the income is used to finance social activities.

We have a tractor, a garden of 3000 square meters, animal houses and we raise chicks from incubator, geese, goats, pigs... we have 20 piglets. This micro-farm operated as social enterprise, which must not be considered a SME, meaning, to get profit for myself... I needed some profit to finance the social activity which we have. I employ young people, I train them, help them live an independent life. (NGO representative, CT)

The lack of consistent forms of fiscal support may deter the social economy initiatives addressing disadvantaged groups running a high risk of social exclusion. The young people leaving the placement centers or the people with serious disabilities are among the most vulnerable categories because in present time the labor market has very little opportunities for their integration. Given the lack of facilities, it is difficult to develop social services which provide the necessary support for the target groups. This type of support is indispensable for the professional reinsertion and it presumes the development of social and professional competencies via the economic activity.

Under these circumstances, the economic activity tends to become poorly efficient in terms of the profit which can be generated and, therefore, it is vulnerable in the competition with the usual commercial companies which provide similar goods.

The employment of workers is a matter which must be understood, as a speaker from the conference was saying, that the productivity of the people must be taken into account, because indeed, it is a smaller activity, for instance, the young people who are employed and are older than 18, up to 20-24, need at least one year of work before learning how to color, how to paint. Therefore, they need a longer period of training; they need a program which is adapted to their disability. They must not be overloaded, they have a low productivity because of their disability and we cannot produce more objects, even if we would have orders. This is why some expenditures specific to a company must be reduced, or partnerships must be done, to decrease the expenditure and to increase the revenues. In some years, we may level out. (NGO representative, Bucharest)

Because of this, the social economy organizations need differentiated support, not just facilities or fiscal deductions, but also subsidies which allow the provider of social services to maintain the profit-generating activity as a means of supporting the vulnerable groups. The excessive work taxation, with no clear differentiation for the beneficiaries of social services will deter the initiatives of professional reinsertion and will maintain the vulnerable groups within the area of the beneficiaries of free social services.

The legislative framework seems not to help you, but it neither hinders you... the taxation for these young people is the same as for any company employing people with no disabilities (NGO representative, Bucharest)

The current legal provisions which are relevant for the social economy are difficult to apply. Most provisions are confusing or impose requirements which are difficult to observe. Most problems have been pointed out in the field of the laws for the people with disabilities, where several facilities which existed for several past years cannot be accessed. Failing to know the provisions or advantages presumed by granting facilities for the disadvantaged groups is the most often claimed reason.

There is a facility in Law no. 448, according to which the employers with more than 50 employees are compelled to purchase products... they have those alternatives, to employ people with disabilities. This is a facility we try to use, but it is rather difficult. It is also very difficult with the market... selling our products. (NGO representative, CT)

Several previous evaluations (such as the protection of the victims of human trafficking, the system of protection of the unaccompanied minor children) show that the adoption of a Framework Law which regulates a specific area is not enough to ensure the coherence of its operation. Practically, the two types of services of social assistance proved to be totally dysfunctional under the conditions in which the related

legislation was not changed in agreement with the Framework Law. In the case of the social economy alike, the Framework Law will start the process of development for this sector, but this has to be supported by the revision of the fiscal code and of the other normative acts which address the disadvantaged groups or which regulate the activity of the social economy organizations. This process is expected to be long, with feeble chances that the benefits support directly the running projects of social economy. We showed earlier, using the results from Table 3, that most of the proposals of NGO representatives do not target directly specific provisions from the future law of the social economy; rather, they target existing laws which are not functional or which do not encourage sufficiently the diversity of the resources which an NGO can obtain.

A major risk for the revision of laws is the low availability of the policy decision-makers to create additional facilities on the background of the lower social expenditure. The fiscal instability is another reason to worry. The fiscal facilities or the favorable provisions for the development of economic activities in support of the vulnerable groups, which can be developed within the social economy, are changing frequently and this hinders the sustainability of the social economy organizations. Given their specificity, they are expected to be more vulnerable to the changes of legislation or of their operating environment.

Another risk for the social economy legislation is the potential abuse of the facilities provided by the state. The NGOs stressed the need of strict mechanisms which verify the accessing of these facilities, because the possible abuses may affect the entire sector. Some dysfunctionality has been reported for the structures ensuring the protection of the people with disabilities, and this situation should be taken into consideration when developing the Framework Law for social economy.

Last year in March, at the country level, there were 400 units protected at the county level, as far as I know. After the questionnaire we applied, we found out that many protected units are established by companies and they exist just by their name. (NGO representative, CT)

The main legislative modification proposed by NGO representatives regards the establishment of fiscal facilities for the social economy. The draft of the Framework Law for the social economy has provisions which may provide facilities for the social economy, but their application depends on the operation of changes in the related laws. The Fiscal Code is mentioned most frequently, because it does not provide enough mechanisms of support for the social economy activities.

For the field of the social economy, certainly, because it is a new field of activity, where there is initiative... forms of social economy existed in Romania for many years... support the social economy organizations... at least by the Fiscal code... some facilities which allow this type of economy to be competitive on a rather tough market. (NGO representative, VN)

The lack of reaction of the public authorities, while important resources are allocated from the European funds, affects significantly the running projects or the

initiatives previous to the opening of the financing lines for the social economy. The national legislation has provisions supporting the employment of the people with disabilities or the long-term unemployed, which may be used to generate income, but their application is difficult.

4. Perspectives for the development of the non-governmental sector

For all four regions, the structure of their budget shows a high dependency on the European funds, which is even higher for Bucharest-Ilfov and South-West Oltenia. The proportion of the other sources of financing, particularly of the economic activities, is low. A rather low number of NGOs have reported own incomes. Under these circumstances, we may estimate that the non-governmental sector is vulnerable, particularly in Bucharest-Ilfov and South-West Oltenia regions, where the significant development of the recent years was supported by the European funds which they managed to absorb. The unfavorable evolution of the recent years may affect the sustainability of the sectorial development if no alternative sources of income are identified. The strong increase of the size of the organizations from the two regions may affect their capacity to adapt to the process of organizational development.

Table 4: Estimation of budget evolution in the next year (%)¹

| | Bucharest-Ilfov | South-East | South-West Oltenia | South-Muntenia |
|----------------------|-----------------|------------|--------------------|----------------|
| Do not know | 9 | 21 | 21 | 3.4 |
| Will decrease | 19 | 12 | 29 | 27.3 |
| Will remain constant | 38 | 45 | 32.3 | 58 |
| Will increase | 35 | 23 | 17.7 | 11.4 |
| Total | 100 | 100 | 100 | 100 |
| Total (N) | 118 | 102 | 62 | 88 |

Source: INTEGRAT and PROACTIV databases

The structure of NGO budgets shows a rather unstable profile, given the large variations of their budgets from one year to another. The proportion of the stable sources of financing is low and the financing per project holds a significant proportion of the incomes. The current legislation provides no facilities for the employees from the social field, which is why the costs with human resources hold a significant proportion of their budget. As the NGOs earn their resources from projects, it is difficult to keep the employees if no continuous financing is available.

These laws don't help you much, you cannot keep your specialists... this is the core problem; you have them and then you lose them... you get a subsidy, some sponsors... you can still keep them for one year, maybe, and thereafter... nobody knows... they have been a lot of time in unpaid leave... last year they have also

¹ The data for Bucharest-Ilfov region are estimations for 2012, while the data for South-Muntenia and South-West Oltenia are estimations for 2011.

been unemployed for several months, because if you don't have stable financial resources or if you cannot rely on some certain sources, you build up wage debts because you have no way to pay them. So, this is the main inconvenient of the lack of continuous financing. (NGO representative, Vrancea)

The perception of NGO representatives from all four regions is in agreement with the previous evolution of the number of employees and of the budget. While the representatives of the NGOs from South-East and South-Muntenia regions have a more prudent estimation regarding the evolution of the number of employees and of the budget for the next year (2011 and 2010, respectively), the NGO representatives from Bucharest-Ilfov and South-West Oltenia regions have more optimistic estimations.

On the short term, the regional disparity, very strong in Bucharest-Ilfov region compared to the other regions in proximity, will preserve and become even more acute during the coming years. According to the evolution of its budget and of the number of employees, Bucharest-Ilfov region has a similar profile with South-West Oltenia region, but it has a stronger development. South-East region, although reported a decrease of the number of employees in 2009-2010, has similar characteristics with South-Muntenia region, at least in terms of the annual variations of the number of employees and of the average value of the budget.

USAID, NGO Sustainability Index for Central and Eastern Europe and Eurasia (2010) draws attention to the risks which the European funds represent for the NGOs operating in the European countries, particularly in Central and Eastern Europe. The accession of European structural funds is associated with a significant inflation of the wages in this sector and to higher disparities between the NGOs with preponderantly European financing and those obtaining funds from other resources. For instance, in Poland, the NGOs which draw European funds reduced significantly the proportion of incomes from other sources or from income-generating activities, which is associated by the authors of the USAID report to a major risk for the stagnation of the sector. From this perspective, on the long-term, the NGO sector from South-Muntenia and South-East regions, although less developed than the NGO sector from Bucharest-Ilfov and South-West Oltenia regions is more stable and less vulnerable to the factors that may influence the activity of the non-governmental organizations.

Although according to the USAID index, the overall sustainability of the NGO sector did not change during the past 3 years, several major risks are mentioned. The support of the business environment for the non-governmental sector decreased recently, according to the USAID report, by more than 30%, while the increase of the other sources of financing is rather modest and far from compensating the decrease. For instance, in 2010, the 2% campaign brought about 41 million USD to the non-profit sector (churches included), increasing by just 1.06% compared to the previous year.

5. Conclusions

The strategy for the development of the NGOs and of other institutions active in the social economy must take into consideration the following aspects: (1) The development of a legislative package to harmonize the provisions which presently regulate each type of social economy institutions: the non-governmental organizations, the mutual organizations, the credit cooperatives and the cooperative societies of level 1. On the other hand, given the diversity of organization of the social economy institutions existing already, the laws should be updated and should identify the current activity of each type of social economy organization; (2) Granting fiscal facilities to the social economy institutions which employ vulnerable and highly disadvantaged people on the labour market. These facilities should be related to the social, economic and fiscal benefits of the higher number of contributors (employees) to the national budget. The employment of the vulnerable people, such as the beneficiaries of the minimal guaranteed income, may lead in time to the reduction of the number of people who are socially assisted. Therefore, there are fiscal arguments in support not just of the business environment, but also of the social economy, as generator of sustainable jobs; (3) A distinct fiscal regime for the social economy institutions is necessary, but it does not guarantee visible outcomes on the short term. The initial period is essential for the subsequent development of the social economy institutions; (4) Because the social economy institutions are not advantaged by their isolation in terms of affiliation to national and international networks, it is important to stimulate their integration within more comprehensive economic organisations and networks, both within the social economy, and within the economic context of the market, by facilitating the purchase of services and products; (5) The media coverage of the social economy, as an alternative economic activity which may improve the standard of living of the people and which may reduce the risk of social exclusion; (6) The developed social economy is a long-term social and economic investment. Its benefits have been thoroughly demonstrated in the past, both within the Romanian context, and within the European context, the remote and recent past. The social economy creates real and sustainable opportunities for social development and not just under conditions of economic instability.

The stimulation of the economic activity of the NGO sector is imperative given its significant role in providing support for the disadvantaged groups (Popoviciu and Popoviciu, 2011). There already is a large volume of initiatives for income-generating activities, but they still are insufficiently exploited, or they have little odds to become sustainable. In the case studies conducted in the two regions we identified economic activities which play an important role for the reinsertion of the vulnerable groups, particularly of the people with disabilities or of the young people leaving the placement centres. The difficulties mentioned by the NGOs in the management of these activities and the current regulations deter such initiatives and block the attempts to initiate the development of the social economy.

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