



COMPARATIVE CHARACTERISTICS AND TRENDS OF THE FINANCIAL SUSTAINABILITY OF THE BULGARIAN THIRD SECTOR

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ABSTRACT

Being a member of the EU, Bulgaria is called to evaluate the necessity of having an effective civil sector, which is deemed to give enough room for thriving of unbiased and independent ideas and initiatives. Sustainability of the Third Sector depends to a great extent on the provision of necessary means to finance its proper functioning. A detected trend in Bulgaria demonstrates that there is a diminishing stream of financial means, provided by foreign donors. Thus, this necessitates a shift in the approaches related to how the sector searches for financial aid from Bulgarian sources. And consequently, there is a sharp need of diversifying the sources of financing of the civil structures from sources, such as the national, municipal or other types of funds. Most of the countries in Central and Eastern Europe have established mechanisms for delivering financial support to their civil structures. However, Bulgaria has not established such special mechanisms for financing, yet. Thus, the main issue for the Third Sector in Bulgaria turns to be provision of financial independence and sustainability, which are taken as mechanisms to create effects, as a result of the activities of the Third Sector in the long run.

Key word: civil structures, politics, financial sustainability, Third Sector

Being a member of the EU, Bulgaria is called to evaluate the necessity of having an effective civil sector, which is deemed to give enough room for thriving of unbiased and independent ideas and initiatives.

Sustainability of the Third Sector depends to a great extent on the provision of necessary means to finance its proper functioning in the long-run. Atop of the problems of the Third Sector are the weaknesses, related to provision of financial sustainability of projects, the goals set, the results targeted, and the ways finding right approaches for distribution of necessary budget means.

A detected trend in Bulgaria demonstrates that there is a diminishing stream of financial means, provided by foreign donors. Thus, this necessitates a shift in the approaches related to how the sector searches for financial aid from Bulgarian sources. And consequently, there is a sharp need of diversifying the sources of financing of the civil structures from sources, such as the national, municipal or other types of funds.

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result of the activities of the Third Sector in the long run.

Considering the situation in the Third Sector, a thorough analysis of the fiscal policy conducted in 2011, reveals that there are numerous modes of support, which the state and local authorities provide in the form of funds, measures, national and European projects, specific set of tasks, and numerous other tools. Although specific funds, targeted to the development of civil organization capacity and in support for these organizations' sustainability are unavailable.

Distribution of budget means in support of non-governmental organizations /NGOs/ is as a rule of thumb - a part of an overall state framework for cooperation with the civil sector. Numerous European governments have adopted strategies and programs for sustaining the civil sector or for cooperation with it.

In 2007 the Parliament of Croatia passed the Code of Good Practices, Standards, and Criteria for ensuring the financial support to civil structure. The code is applied by the institutions of the central power, which finance different projects of the NGOs in the country.

The United Kingdom has also adopted a Code of Good Practices for financing the Third Sector and Public Procurement practices. This UK Code formulates the main principles, which must be observed in the process of public financing of activities of organizations in the Third Sector.

There is a regulated legal framework in France for distributing public funds to NGOs, and much of these legal rules have been approved by the Government (10). According to the approved regulatory framework, public financing for civil organizations may be allotted by different units of the central administration (ministries and agencies) and from the local authorities.

The main sources of state financing of the NGOs in the European states may be grouped in three categories:

1. Financing from the Central and Local Budgets

- Subsidies from the Central Budget for the NGOs - this form of financing is typical for the states from Central and Eastern Europe - Hungary, Romania, and others

- Subsidies from the Budget of Different Ministries - an example for such a practice is the

financing of the Red Cross in Hungary, which receives direct support from the budget of the Ministry of Health. Another way of financing the NGOs by the Ministries is through the funds, allotted to them through different programs, conducted by the Ministries. An example for this is the Hungarian national cultural program, which is financed by the Ministry of Cultural Heritage. In Croatia - some Ministries - the Ministry of Health Care and Social Care, the Ministry of Culture, the Ministry of Science, Education, and Sports distribute means to the budgets of civil structures.

- Subsidies from the Budget of Local Power - examples from different countries illustrate different practices/mechanisms for directing financial means to the NGOs. For instance, in Hungary, they utilize a special fund or public local foundation, which are financed by the local tax incomes. Also, in Poland they apply a Program for Cooperation between the local authorities and NGOs, where the forms of financing and mechanisms for mutual cooperation are set.

2. Financing from Tax Incomes

An example for such a mechanism is the Percentage Legislature, known also as an Act for 1%, introduced in 1996 in Hungary. This mechanism exists in numerous European countries, such as Romania, Slovakia, Lithuania, and Poland. According to this mechanism, tax-payers may define the way a percentage of their taxes to be distributed. The percent is different in different countries (2). Besides to the financial effect, this mechanism has the following main characteristics and consequences:

- tax-payers define themselves how a percentage of their taxes to be spent;
- it helps the civil society to evolve;
- it contributes to the development of a donor's culture;

3. Financing from Other Sources

The big lottery fund (11) in the UK is a public organization, which distributes about 50% of the incomes from the national lottery for "good causes".

In 2003, Croatia establishes a National Foundation for Support of the Civil Society. This foundation directs to the NGOs financial means, collected by a lottery or another type of games of chances.

There are some funds in Denmark, which finance the civil structures. The means in these funds are accumulated through lottery or soccer betting.

In 1991 the Czech Government got the following decision - 1% of the incomes from privatization of the state enterprises to be distributed for the benefit of the foundations in the country. The distribution mechanism there is called Czech Investment Fund for Foundations.

In November 2011 the Ministry of Finances in Bulgaria cancelled the reserve funds in the Budget - 2012, which reserves were deemed for financing projects of the NGOs, which increased direct subsidies for defined by legal acts organizations. This contradicts to the recommendations of the civil structures to limit direct subsidies and to transfer more means to finance projects through competitive bidding. Some local authorities distribute financial means to the NGOs, but this is rather an exception than a usual practice.

There is a working mechanism only in the field of social services for state financing of the NGOs. The EU funds, which are distributed by state institutions, are directed mainly to social projects. In this sense, the effects of the activity due to civil structures are more visible in the social services sector, where they appear to be the only partner of the state. Presence of specific rules and required documents by each of the separate mechanisms for distributing means from the budget creates the impression of fragmentation, lack of clear rules and transparency. This leads to two problems, at least:

- lack of accessible, structured, and public information for delivered and expensed public means by the legal not-for-profit entities and lack of information about the results they have had achieved;
- lack of standardized procedures and rules for distributing financial means from the consolidated fiscal program.

The European structural funds are a public resource for development and serve as the main financial tool for forming the policy for economic and social cohesion of the countries, which are members of the EU. The Structural Funds influence greatly the national public policies. To have a positive influence though,

there is an irreversible change of the way for distributing of the means with the aim to ensure transparency and the necessary steps to overcome the problems related to management capacity of these funds.

After the accession of Bulgaria to the EU, due to the specifics of the scheme for decentralization of the management of the Structural Funds and the unreformed administration, the main channels for financing the civil organizations go through the structures of the state administration. Application procedures and selection procedures of benefactors of some the Operational Programs are subject to serious critics due to the high level of centralization of the administration.

Particularly strong is the problem with the effectiveness and misuse of allocated and managed funds, distributed by the Operational Programs, where the NGOs happen to be benefactors. In some European states, there are adopted different models of management of funds, distributed through the Structural Funds. Comparative review of the organization of work in different European countries delineates three main models of governance of the EU - funds:

- The means, distributed by the Operational Programs, are managed by a state body - in most of the EU countries, a governing body of the Operational Programs is a state institution. NGOs are included in the monitoring of the expensed means, as their representatives, which participate in the units, which execute this activity (Romania, Slovenia, and Slovakia). In Lithuania the civil structures have the opportunity to participate both in the application process, and in the selection process of projects. Representatives of the civil structures are included in the Committee for Evaluation of project proposals, which Committee is founded by the Operational Program for Development of the Human Resources and is administered by the Governing Body of the program - the Ministry of Interior.

- A part of the funds from the Operational Programs are managed by NGOs. An interesting example in this direction is Spain, where the Operational Program to Combat Discrimination operates through five intermediate units - the biggest NGOs in the social sphere: the Red Cross of Spain, Caritas-Spain, Once Foundation (a foundation to support individuals with eye problems), Luis Vives

Foundation (a foundation to support NGOs, working in the social sphere), and the Roma Secretariat Foundation. Similar opportunity is created in the Czech Republic, where a NGO may be loaded with governance of some of the funds of an Operational Program. In order to realize all this, a special grant scheme may be applied.

- A part of the funds from the Operational Program are managed by a NGO, where the state is also a stakeholder. Such a practice exists in Estonia, where an intermediate unit in the Operational Program “Human Resources Development” is a state - funded non-governmental foundation - INNOVE (12). This foundation serves as an Executive Agency; in its capacity as an intermediate unit it administers the EU funds, which are deemed for financing projects in the field of education. “Private” NGOs participate only in the monitoring of program as members of the Supervisory Committee. In Hungary, there is also an opportunity to give management of a certain Operational Program or a part of it to an external organization, called Executive Organization. This organization has to be a state - owned one, but in a legal way, the organization may be state-funded or to be a public foundation, or a business association. Participation of the NGOs in managing the Operational Programs is deemed to happen in the decision-making process for expensing the means, and in the control of the Program.

In a research of the Foundation for Reforms of the Local Self - Governance interviewed representatives of non-for-profit organizations, municipal and governmental structures shared the opinion that the majority of newly registered NGOs in the last 2 years are created by big companies or party structures, which were forced by the drive to get an easier access to the Structural Funds. In many of the cases these organizations use personal contacts with representatives of the local authorities, in order to successively enter into partnership initiatives. The party connectedness of the NGOs was proved by the researcher - Mrs. Vyara Gancheva (3). The created scheme of governing the pre-accessed process just imitates support of the civil organizations, while – in practice, definite political circles take advantage of this.

Lack of clear procedures and transparency in the activity of the governing bodies of the Operational Programs create doubts for misuse and mistrust in the activity of the civil structures. Negative perceptions of the role of the Third Sector and doubts for irrational spending of the resources create unfavorable environment for development of the civil society.

Diminishing the institutional financing through the last years is a reason to search for financing projects, which not always correspond to the activity of a given organization, but this organization submits a project, and it receives the money for it to implement it. Many of the NGOs rely on some international donors and when there is a change in their priority goals, they find it difficult to finance their activities. A reason for this is the non-realistic comprehension that these donors will finance the NGOs permanently; besides, there are very many difficulties to elaborate new projects and ideas.

According to Mr. Georgi Ganev - a Program Director of the Centre for Liberal Strategies, withdrawal of main foreign donors (1) affects civil structures, which have done two main strategic mistakes:

- First, they have relied mainly on these donors for financing;
- Second, they are not prepared how to operate in a situation without having donors.

Organizations, which have made both mistakes, will probably not have a serious chance for effective governance and sustainable development. These organizations - which have done only the first one, will have to restructure or adapt their missions according to the new realities.

The general evaluation about the development of the Third Sector is defined mostly by the donor organizations and the possibilities for financing, which these donor organizations create. The result is a colorful palette of organizations in terms of the themes, scope, and approaches, which in a lesser or greater extent follow the dynamics of the donor policy through different years.

Although there is a difficult access to financial resources, imperfect legal framework, not enough developed organizational skills, and lack of public trust, the Third Sector in Bulgaria

manages to exercise influence onto the public life. An argument for this is the fact that the state and the businesses overcome their negativism to the NGOs and look for them as mediators in solving problems, as well as in solving group civil contradictions in search of reaching certain goals.

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