

The European Union political economy reflected through the associations and foundations activity

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Abstract:

The concern for the control and management of money received by the Romanian state through the European programs aimed at developing the civil society was mostly noticed after 1993. In 1994, the EU delegation head Karen Fog came up with the idea of establishing a foundation to manage money for NGOs. Under these circumstances, in 1994 was founded the Foundation for the Developing of the Civil Society (FDSC) which represented an important step in developing this area. The nonprofit sector development was possible due to the legal regulation that allows every employee to donate 2% of income tax to NGOs. In Romania, this was possible starting with 2006, as part of the European Union's influence with respect to the social economy concept. Once Romania joined the European Union its influence was felt through the Sectoral Operational Program "Human Resources Development" 2007-2013 which allocated money for this sector. The developing of the social economy model in the E.U., but also in Romania has determined both at a European and local level to promote this type of social affairs, social entrepreneurial and the microfinance of this type of sector. The fulfilment of these objectives is pursued by the European Council and the European Parliament for the period 2014-2020. A legitimate question would be what Social Economy is in fact?

Keywords: *nonprofit sector, associations, foundations, social economy, social enterprises*

1. Short resume of the NGOs evolution influence in the social-economic reality in the post-revolutionary Romania

In 2015 there were registered in the register of associations and foundations over 80,000 associations, foundations and federations. Their number increased constantly since 1990 and reveal their importance in the social and economic environment. The Romanian state inefficiency in spending, control and manage public money, but also disastrous social policies can be noticed in recent corruption scandals at the highest levels, including fraud with public money. The suspicion has also been noticed on certain NGOs.

The Romanian state has proved to be ineffective in managing and spending public money in a transparent manner which was reflected in the society. Without the existence and activity underpinned by NGOs, the way in which these expenditures are made, would be even more deficient.

During the 1990s, the NGOs sector in Romania was mainly covered by charity foundations and associations, as well as the sportive ones.

Currently, associations and foundations have diversified their activity while the social activities continue to be considerably more active. These are followed by the NGOs that are representing educational purposes and the sportive foundations. It is obvious that the Romania`s state social services are still unreformed or partially reformed, therefore it would be an even more unfortunate situation especially for vulnerable groups if these NGOs wouldn't exist. The NGOs got involved in a series of informative campaigns and created the first services in this domain.

A clear example on how the Romanian state proves its inefficiency is related to the home care system. The Romanian State does not have such a service, this being only provided by NGOs through financial support received from external sources (donations) without the involvement of the state. In order to have a clear view with respect to the state financial support towards NGOs, it will be important to mention that Romania is on the last place in the EU.

The lack of financial support for NGOs, rapid economic and political changes or the working market put a significant pressure on the public administration and this makes it really difficult. Most frequently, the solution and support came through the coagulation and development of the nonprofit sector. The development of this sector could be made possible due to the legal regulation, according to which, an employee can give 2 % from their payable taxes towards NGOs. At the moment, there are over 26.000 NGOs that have access to these donations and over 7500 organizations that offer social services.

The first solutions agreed by the Romanian State representatives in relation to the financial aid for NGOs was the Government ordinance 26/2000 which refers to the state public utility?!

Besides financial aid from the national budget, the NGOs have also received offices with modest rents in many unclaimed properties under the state administration Protocol State Organization with the possibility to purchase these premises under market price, which led to many abuses.

According to the `Public Opinion Pole NGOs` - survey realized in 2011 by F.D.S.C- the financial support from the state us just 7% - very low compared to the average European rate.

In 2011, it was founded the Office for the relationship Govern- NGOs whose duties are being undertaken by the Political and Associative Relation Service. The main scope of this administrative scheme was to improve the partnership with the associative environment and the governmental policies in this domain.

2.Social economy in Romania

Although from a declarative point of view, Romania does well in terms of new institutions, when it comes to financing, administering and spending the public money, we are facing with real problems, mainly due to the numerous bureaucratic systems, doubly qualified and unprepared to take decisions.

In 2008, The Romanian state has received from the European Social Fund (FSC) 30 million euros to develop the new type of social enterprises. The purpose of their establishment is to reduce the number of socially excluded people by integrating them into the labor market in Romania. On the same occasion, a new concept of social economy has begun.

The concept of social economy has emerged from the need to identify solutions for finding and providing jobs for those who are in need.

In Europe, the social economy is also called "third sector" separated from the public and the private and is called nonprofit sector in the US.

The term social economy in Europe originates from the French Language and refers to "organizations enterprises that are neither private nor the public sector.

An attempt to define the social economy is made by the International Centre for Research and Information on Public Economic, Social and Cooperatives (CIRIEC) that the social economy is "the set of undertakings formally organized, based on freedom of association, producing and providing services, where decision-making and profit distribution are not directly proportionate capital contribution or when the contributions are paid.

The social economy can function on several principles:

- Religious organizations that provide social welfare services
- Certain groups aimed at helping the citizens
- Public Social Structures, the so-named business incubator
- Non-profit organizations

- Charities, associations and foundations

In Romania after years of debate and delays the social economy law was adopted.

At this stage, we can discuss about a legal definition of the concept. Under these law circumstances, the social economy is defined as "all activities organized independently by the public sector , whose purpose is to serve the general interest and the interests of a community and / or personal interests patrimonial by increasing the employability of persons belonging to the vulnerable group and / or production and provision of goods, services and /or works .

According to legal procedures, the social economy has three major objectives, these being:

- To contribute at the social and economic cohesion
- To create and integrate people who find themselves under risking situations on the working market
- To develop social services for the above group of people

The same legal agreement confirms the principles underlying the social economy that need to be respected by the entities belonging to this concept. Among these:

- Individual`s priority and social objectives for increasing profit
- Allocate the largest part of its profits to achieve objectives
- Solidarity and collective responsibility
- The democratic control of the members regarding the activities conducted.

The same law is eligible to define the social enterprises as 'any private legal person operating in the social economy, which has a certified social enterprise and follows the principles listed above'.

In order to be accepted as a social partnership, the entity will need to obtain a qualification. The criteria that need to be met by a judicial entity are:

- To action with a social purpose or to represent the general interest of the community
- To provide at least 90% from their profit towards a social scope
- In the event of liquidation, to send the remaining assets to one or more social enterprises

- To provide fair wage levels (to minimize the wage differences on scale from 1 to 8).

Under the law, social enterprises can have the following forms of organization: cooperative societies, credit unions, associations and foundations, unions of employees or pensioners, agricultural companies or other legal entities that meet the criteria for certification of social enterprises.

As seen from above, the forms of social enterprises they are present in almost all fields of the economy (services, agriculture, food industry, trade, industrial production). Besides the specific forms of social economy, there are new forms such as the protected authorized societies (UPA). The protected units are social economy entities known in Europe under the name of social enterprise for integration into work (Work Social Integration Enterprises- WISE) or enterprise employability. Social enterprises for work integration are autonomous economic entities whose main objective is the professional integration of people experiencing serious difficulties in the labor market. This integration is made on the open labor market, in sheltered workshops or training and qualification. Businesses employability structures are active in various fields; in Europe the most common are: manual activities (construction, carpentry), the collection and recycling, maintenance of green spaces, public cleaning and packaging.

In Romania, there is a rich legislation supporting the development of this type of sector and emerging forms. Among these, please note: GEO 26/2000 on associations and foundations , supplemented by Law 540/2002 on the unions , then OUG99 / 2006 supporting credit institutions more specifically credit unions , law 448/2006 amended and supplemented UPA- further on the protection and promotion of persons with disabilities , the law 346/2004 to stimulate SME creation and development of small and medium- sized law IFN - Law 93/2009 regarding non-banking financial institutions growing role in the economy CEST types of associations or foundations.

The social economy is present where the state has performed unsatisfactory or failed through the policies used or due to the irresponsible administration of the public expenditure. As it was already shown, a specific form of social enterprise mentioned by the social economy policy is the insertion social enterprise, where:

- At least 30% of its employees are part of a vulnerable group;

- Need to fight against exclusion, discrimination and unemployment by inserting socio-professional activities for disadvantaged groups of people.

The social economy is fully contributing to reducing expenditures on social welfare, increasing the number of disadvantaged people and those with a certain disability, but who are professionally eligible to be on the labor market or by developing the consume, such as a new type of more reasonable entrepreneurship and solving social problems at a local level, providing new opportunities and lastly developing new mentalities. The result is visibly occurring while improving the quality of life of individuals and communities in which they live by preserving traditions and customs. In support of this idea it will be worthy to mention statistical data on the portal Atlas of Social Economy which uses data on income taxes / income with contributions to health insurance paid by social economy organizations in 2011 and 2012, showed that in 2011 social economy which contributed to the state budget 334.369 RON, the taxes and other contributions increasing in 2012 to 498141. Comparing these amounts to the total taxes on income, profits and capital gains from businesses and employers contributions from state budgets 2011-2012, it is considered a contribution to the social economy sector 4.18% from total corporate taxes and employer contributions in 2012, so it can be seen a significant increase compared to 2011. The social economy sector (associations, unions, cooperatives) provided 115,000 jobs for employees in Romania, representing 2% of the labor force in Romania. Given that 41.7% of Romania's total population at risk are people / situations of poverty and exclusion, 50 % of social services in Romania are provided by associations and foundations for 150,000 beneficiaries. These statistics are impressive considering that most of the social economy sector was formed and developed only in the last 25 years.

Due to new regulations, foundations have strengthened in recent years the role of foundations and social service providers expanding their activity in rural areas, which are most disadvantaged. However the social economy sector in Romania is far from what is recorded in other member states. There are countries in Europe where the social economy sector employment reaches 10 % of the total workforce employed.

Another aspect that needs covering is represented by the implication of the civil society through volunteering opportunities.

The problem of financing the social economy is being increasingly challenged by representatives who demand that tax incentives be made directly to the sector because now the criteria for granting such financing are more related to non-profit organizations that organize economic activities directly or through a company.

For this type of organizations it will be in place an exemption from corporation tax to 15 000 per year exempted from payment of reinvested profit for UPA have exemption from customs duties , VAT for CAR have tax and reduce the amount paid for rented premises from local authorities. The social economy act recently adopted by the Romanian Parliament mentions a number of facilities. They are taken from some of the EU countries is needed to create a more favorable framework but especially for its development. Social Economy Coalition supports maintaining the old facilities of the previous Fiscal Code and will introduce new ones as well.

- tax relief / tax on buildings , buildings used for providing social services , buildings used by associations and foundations used exclusively for non-profit activities and buildings used by social enterprises insertion;
- the possibility of granting councils , decrees , exemptions or reductions from tax / tax due for the following buildings and land used by social enterprises buildings and agricultural buildings owned by social cooperatives based on Law 1/2005 and agricultural cooperatives laws.
- Exemption from VAT in terms of services provided and/or goods delivered, as well as services provided by the final consumer which are offered by the insertion social enterprises.

In addition to these measures other financial and non - financial measures can be integrated such as the integration of many social and community interest in public procurement procedures, social impact in terms of the public tender procedure. The role of the social economy is recognized and supported at EU level by the European Parliament that supports and promotes an active social policy through the creation of structures more versatile crisis, national and local partnership development at EU, through a stimulating legislative and financial system.

In order to support and develop this sector, the EU, through the European Strategy earmarked 958 million euros for the period 1 January 2014-31 December 2020.

The social protection system should encourage social inclusion, active economic and social entrepreneurship. For this need and because of the changes occurring in the nonprofit organizations from 15-20 years ago, labor was voluntary (Red Cross) and now, for the most part, it is specialized and remunerated. Therefore, we could say that the term nonprofit is outdated and that the most important thing is the goal or mission of the Foundation as a criterion for the definition of organizations.

As a brief conclusion, we can say that the foundations meet the needs of association in terms of self and autonomy from government and these help crystallize and empower the civil society better, while providing territorial communities or professional prospects for some people-centered services and the public good.

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