Particularities of Non-governmental Organizations’ Financing. The Case of Romania

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Abstract

Nongovernmental non-profit organizations (NGOs) are becoming more and more prominent social actors in today's world. This coagulation and development of the nongovernmental sector, as an alternative to the market and public institutions, prompts the need for an analysis of the functionalities and eventual non-functionalities featuring their financing process. Our research method consisted of a combination of library and Internet searches for relevant materials, analysis of relevant information and of case study about Romanian situation.

The results of our research described in this paper are the following, first an inventory of the main financial resource categories available to Romanian NGOs today. Second, we present an overview of the sources of financing accessible to these NGOs, including brief details of potential problems that might be encountered. Where relevant, we have included examples and data reflecting the current situation of these organizations in Romania, as the main country we have focused on.

We have formulated the following conclusions referring to NGO’s financing in relation to the assumed social task and their role in terms of coverage of social needs: first, though the need for funding, often they do not give enough importance to financial preparation of the proposed activities; second, NGOs have access to specific funding sources available just for NGOs. However, as in the case of public institutions or for profit companies, available resources are not sufficient to cover the assumed organizational task; third, they can address financing issues by specific methods, but methods used are not always adequate to pursue their funding objectives; fourth, NGOs act often in a rather emotional, intuitive manner, at the expense of a systematic planning process; fifth, they need a certain expertise in handling activities efficiently and effectively. However, we have identified that most of the time NGO’s do not have sufficient internal resources or do not pay enough attention to developing necessary expertise by training their staff.

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1. Introduction

Non-governmental non-profit organizations (abbreviated: NGOs) are becoming more and more prominent social actors in today's world. This coagulation and development of the nongovernmental sector, as an alternative to market and public institutions, prompts the need of an analysis of the functionalities and eventual non-functionalities featuring their financing process. Our main research question was which are the NGO’s financing sources and specific methods to get resources, available and used by Romanian NGOs, and subsequently, to what extent NGOs are using them and how are they doing it. Our research method involving a combination of library and Internet searches for relevant materials, revealed an inventory of the main financial resource categories available to NGOs today. It also presents an overview of the sources of financing accessible to them, complemented by brief details of potential problems that might be encountered. Where relevant we have included examples and data reflecting the current situation of these organizations in Romania, as a case study.

Following the collapse of the communist regime in 1989, the non-profit sector re-emerged in Romania showing impressive dynamics: more than 62,000 organizations are registered in Romania today, with more than 21,000 active organizations. Only in one year, 2008, Romanian NGOs attracted Euro 1.25 billions (FDSC, 2010). Like in other post-communist countries in the region, this is the result of relatively recent social coagulation processes taking place in the complex environment of an emerging civil society, which is filling the available space between the market sector and the state. This coagulation and development of the NGO sector, as an alternative to the market and public institutions, prompts the need of an analysis of both the functionalities and disfunctionalities of the financing process. It is also desirable to study financing aspects specific to these organizations in comparison with commercial, for profit organizations.

1. The NGO concept. A literature review

1.1. Understanding NGO concept: definition and typology

The expression "non-governmental organizations" positions these organizations relative to the public institutions (based on the nature of the property) as institutionalized structures, of private nature, independent of the public institutions (fig. 1. a)).

![Fig. 1. a) nature of the property based organization typology; b) organization’s goal based typology (detail of fig. 1.a))](image)

In turn, the non-governmental organizations can be classified based on the goal of the organization (fig. 1.b)) as: (I) profit-seeking organizations (the case of the private commercial agents, regardless of their form of
incorporation) and (II) non-profit organizations (the case of associations, foundations, unions, political parties, etc.). The second category is also called non-governmental organizations or non-profit organizations, although the correct name should be “non-profit non-governmental organizations”.

An NGO can be defined in multiple ways. According to the structural-functional definition (Salamon, 1992), NGOs should meet the following criteria: to have an institutional structure, to be of private nature, not to share profit, to be self governed, to be managed by volunteers. Like all organisations, NGOs vary much in terms of mission, size, mode of operation and impact. Some are closer to the model of a government agency; others may indeed resemble the business firm; and yet others may be little more than an informal network (Anheier, 2000).

Comparing to other categories of institutions which operate in a community, NGOs resemble private commercial entities in the way they function, while their goals and objectives are focused on social needs which are approached through public interest activities, without a distribution of the profit (if profit exists) among the persons involved in the activities. This brings NGOs closer to the concept of public institutions (Andersen et al., 2010). Generally, non-profit organizations can operate either as informal groups or as incorporated entities. In Romania, the establishment and functioning of NGOs, is governed by the Governmental Order 26/2000, with amendments introduced by Law 246/2005.

In addition to organizations explicitly dedicated to the societal problems (education, culture, social protection, minorities, human rights, environmental protection, etc.), NGOs include also, in the same organizational category, organizations such as: political parties, trade unions, profit sharing employees’ associations, churches, etc. (which, in Romania, are regulated by specific laws). Further, our discussion has focused on only one category of NGOs. Our working definition of a non-governmental organization or non-profit organization is the following: an organizational category, formed by institutionalized entities, of private nature, dedicated to social needs, independent from other institutions, not distributing profit and not interested in political power (i.e. political parties).

1.2. Particularities of NGOs activities

For any organization, the reason of being determines its organizational behavior. For example, in the case of commercial enterprises, the reason of being is to develop services and products for sale to a particular group of consumers in terms of efficiency and effectiveness and having profit maximization as performance criteria. By comparison, in the case of non-governmental organizations, development of services and products for sale could be one of the ways to achieve their organizational goal. This difference is manifested in several perspectives of organizational behavior (development of the model described by Noya and Clarence, 2007):

1. **the organizational goal.** In case of non-governmental organizations, the target is to satisfy a social need of a specified or ascertainable group or of the community at large. Eventually, if the organization performs commercial activities, the development of services and products for sale is a method that leads to achieving the social purpose of the organization;

2. **how organization acts in relation to the issues addressed.** In most of the cases, NGO’s action is direct, in other words, the organization operates, itself, the concerned issue. In the non-profit sector, there are, also, support organizations, called intermediary organizations, which operate as sources of resources for other organizations. In other words, they act indirectly to cover a precise needed resource. This organizational action consists of providing information, funding or equipment. Such types of support organizations are information resource centers, NGOs incubators, donor organizations, etc. The transfer of resources can be definitive (in case of grants) or temporary (for example, the allocation of an equipment for the duration of a project);

3. **service - market torque.** Most of the time, the cost of a product or service provided by a NGO has not been determined in relation to the cost of service delivery so that beneficiaries do not pay for products / services obtained or paid at below market value. This is possible when there is a third-party, the funder, which subsidizes, in whole or in part, products or services provided to beneficiaries by the organization;
4. *Multiplicity of ways to get resources.* In order to obtain the needed resources for developing their activities, NGOs can appeal both to non-commercial activities (i.e., attracting grants) and to commercial activities;

5. *Use of a mix of types of human resources:* both paid and volunteer staff;

6. *The principle of profit sharing.* Unlike commercial agents, the profit derived from carrying out commercial activities and/or, the remaining not spend amount, if any, arising from grant funded projects can not be claimed by the employer or associates like in the case of commercial agents. These amounts remain available to the non-governmental organization to be used for achieving the overall organizational goal;

7. *The power relationship between the executive and governance structure* of the organization. In comparison to non-profit and government organizations, for-profit firms delegate more decision-making power to owners, shareholders and/or executives, and less to their employees, consumers, families, and community representatives. The existing situation in NGOs supports the hypothesis that power of decision-making is allocated to a broader range of different groups in accordance with the broad objectives of the organization. Consequently, in NGO’s we are in a “multiple stakeholder” situation;

8. *The distribution of decision making power within the NGO’s governance process.* In non-profit organizations, decision-making power is usually equally divided between those stakeholders involved in the governance process;

9. *The role of the governing board.* For an effective and efficient design of strategic decisions in the case of non-profit organizations, the governing board must also assume the role of the representative of the market. Carver (1997) suggested that boards should act as the “market” to determine services by setting mission and policies, because non-profits operate in a “muted market”.

In such a complex situation, NGOs’ operations are assumed to have certain specific features in comparison with the functioning of for profit companies, essentially due to existing differences regarding the vision, mission, organizational culture, goals and values of the two sectors: commercial and non-profit. More specifically, the differences consists of items such as: financial management (in terms of affordable funding sources, ways of attracting resources, financial reporting methods, etc.), human resources management (in terms of volunteering and coagulation of the necessary expertise within the organization through professional training), information management (in terms of identifying funding sources and opportunities), the regulatory applicable framework (both in terms of incorporation and operation of non-governmental organizations, and financial accounting and tax records), etc.

It should be noted that the particularities of the above mentioned items are not absolute, neither in terms of their existence in the entire group of NGOs, nor in terms of their uniqueness just for this category of organizations. For example, working with volunteers can be done in public institutions too, but in this case, volunteers are found only at operational management level and, more importantly, they have no role in the decision making process. On the other hand, the items mentioned above are the most representative and thus defining for any NGO operation.

The above mentioned particularities of NGOs show no significant differences in relation to the type of incorporation of the non-governmental organization (i.e. association or federation or foundation). This observation takes into account the fact that in modern times the tendency for foundations to operate, often as a direct operator on the problem while in a classical approach the role of foundations is to act as sources of funding for other non-governmental organizations (i.e. associations, federations) has become increasingly consistent (Andersen et al., 2010).

2. NGOs financing. Available sources and resources typologies

Whether public or private, most organizations’ goal is to produce and deliver goods and/or services. In this respect, they must obtain resources and transform them into outputs sold and distributed to customers. Securing funding is needed for the proper functioning of the organization, and therefore, essential for organizational
success. These comments are universally applicable to any organization, regardless of its size, its legal nature (public or private), or lucrative nature (commercial or non-profit). That is, the NGOs financing process defines how the financial resources used by an organization to achieve its objectives are generated. In other words, it can be said that there is no difference between for profit companies and non-profit organizations regarding the role of financing function within these organizations.

All organizations need resources. NGOs obtain their resources from both public sources (public institutions: public administration, either central or local, and institutions with competence in a particular area) and private sources (individuals or private institutions). These resources can be (I) refundable or (II) non refundable. An element specific to NGOs’ operation (without excluding the use of refundable resources) is the use of non refundable resources (grants). Therefore, to better understand the specificity of the NGOs’ financing activities, a classification of resources according to their source is presented in Table 1. First type is attracted resources. Considering the legal nature of the funding source, these resources could be: (I) from private sources (either from members or from non-members) or (II) from public funds (either as direct allocation – grants, for example, or indirect allocation - such as tax exemptions are, for example); second type is self-generated resources (in the form of commercial activities).

Table 1. NGOs financing sources and resources typologies

<table>
<thead>
<tr>
<th>legal nature of the funding source / Types of non refundable resources</th>
<th>attracted resources</th>
<th>self-generated resources</th>
</tr>
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<tbody>
<tr>
<td>from private funds</td>
<td>from members:</td>
<td>from non-members:</td>
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<tr>
<td></td>
<td>- grants</td>
<td>- grants</td>
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<td></td>
<td>- sponsorship</td>
<td>- sponsorship</td>
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<td></td>
<td>- unconditional contribution (donation)</td>
<td>- unconditional contribution (donation)</td>
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<td></td>
<td>- (membership fee)</td>
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<tr>
<td>from public funds</td>
<td>direct allocation:</td>
<td>indirect allocation:</td>
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<td></td>
<td>- grants</td>
<td>- tax exemptions</td>
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<td></td>
<td>- subsidies</td>
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<td></td>
<td>- (% of personal income tax)</td>
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</table>

Regarding the priorities of NGO staff, it is noted that obtaining needed resources for the organization is the priority that consumes most of the time devoted to organizational management (Jacobs, 2011).

2.1. Methods used by NGOs for getting the non refundable resources. Romanian case particularities

It should be noted that, in most situations, non-governmental organizations attract resources through non-commercial activities. Self-generating resources through commercial activity is less specific (but not excluded) for their organizational behavior. By comparison, the financing of for profit companies is done, mostly, through self-generated income (commercial income). Consequently, this paper is focused on NGOs attracted financial resources.

In terms of preponderance of attracted resources compared to self-generated resources, this statement is correct for Romania’s NGOs, too. The percentage of NGO revenues by source of funding in 2010 is 86.6% revenues from non-commercial activities and 13.4% revenues from commercial activities (Constantinescu, 2012). From this perspective, although they considered income generating activities as being important, most NGOs in Romania felt that they lack both the skills and opportunities to achieve significant levels of funding by developing commercial activities (Dakova et al., 2000). From a more general perspective, the “NGO Leaders
Barometer” (FDSC, 2010) shows that a large proportion of organizations in Romania use funding from a multitude of sources. Thus, the most common sources of funding for Romanian NGOs are based on personal contributions - the routing of the 2% tax on personal income (64.7% of organizations), individual donations (52.1%) and membership fees (44.4%). The commercial activities are the most important income source only for a small part of Romanian NGO’s, 5.5% of the organizations.

Based on the legal nature of the funding source, the methods used by NGOs to attract resources are the following: a) from private sources: the establishment of the obligation to pay the membership fee, requesting contributions (donations), requesting sponsorships, sending grant applications, b) from public funds: sending grant applications, requesting subsidies, conducting campaigns to attract from individuals a share of the tax payable by individuals, requests for exemption from taxes. In Romania (according to GO 26/2000), the law mentions the following categories of resources that can be used by non-profit organizations: membership fees, interests and dividends resulted from the legal investment of available funds, dividends of the companies founded by associations or federations, incomes from direct commercial activities, donations or sponsorships, resources from the state budget and / or local budgets, other income stipulated by law.

2.2. Attracting non refundable resources

Next, we present a brief overview of the main forms of resources attracted by NGOs:

- Unconditional contribution/donation

The “unconditional contribution” is a NGO specific method (but not limited to these organizations as long as other categories of physical or legal persons may benefit from donations) of attracting resources both in kind or in money. This is materialized by an irreversible transfer of ownership in which one party transfers the property rights over a good or a sum of money to another party, without waiting for any benefit from the latter. Obtaining “unconditional contributions” by an organization is usually based on a campaign, which involves a specific marketing expertise in organizing and carrying out such activity, and other efforts (including financial).

A specific case of “unconditional contribution” is payroll giving, known as “donation wage” or salary deduction. From a fiscal perspective, the wording is incorrect. Perhaps a more accurate name would be “scheduled salary donation”. It means that an employee donates a preset part of his future wages with a certain frequency (most often monthly) for a certain period of time established by the act of donation to a charity. Money transfer is made by the employing company in the name of the employee under a contract between the company and the NGO, based on the donation act committed by the employee. In Romania, the payroll giving practice is still at an early stage compared with the countries from which the practice was transferred.

Another case of specific unconditional contribution is the amount by which a person participates in the formation of a NGO patrimony in the process of obtaining legal status. Depending on each country's legislation, the minimum value of the necessary patrimony to establish a non-governmental organization is ruled by law. Patrimony is the equivalent of capital for businesses. The legal minimal amount of patrimony necessary to obtain NGO legal personality may differ depending on the type of incorporation.

In Romania, another difference is that, unlike for profit companies, in case of subsequent withdrawal from the organization or dissolution of the organization, founders can not back up contributions to patrimony.

Another specific case of unconditional contribution is the donation. The difference is made by a certain degree of procedural solemnity imposed by each country law. In this sense, the donation is materialized by a contract unilaterally assumed by a party, called the donor, in favor of another party, called the grantee. Depending on each country's legislation, in certain fields, there may be legal restrictions applying to donations, in other words, situations with special regulations (i.e., the size of donations to parties competing in election campaigns). In practice, the use of contributions, respectively, of the donation depends on the value of property transferred. At high value levels, based on custom and law of each country, donation is used.
Regarding the donation, in Romania, the law requires that procedural solemnity has to include notary authentication of the act of donation. Additional bureaucracy, namely, costs, and a low level of philanthropic culture in our country, lead to little use of the donation as a source of funding for non-profit organizations.

Depending on each country's legislation, donations received from abroad often are regulated by a special legal regime, both in terms of bureaucratic process and applicable restrictions.

In Romania, “unconditional contribution” is enacted as a NGO specific method to attract financial resources. Its use is interpreted as being complementary to particular situations, which is based on the statutory provisions of some associations where mandatory membership fee are not fixed, but it is left up to each member decision whether or not to pay a contribution. Based on this perspective, “unconditional contributions” were extended to foundations, including all income types, except membership fees, donations and sponsorships.

- Sponsorship

It is another NGO specific method (but not limited to these organizations as long as individuals can also benefit from sponsorship) aimed to attract money or products (goods and services) as non refundable resources. Sponsorship is a contract by which two people/entities, sponsor and sponsored, have agreed to transfer ownership of property goods and financial means to support certain activities undertaken by the recipient non-profit organization (sponsored). In return, the sponsor, usually a business, benefits of promotion of its products and/or services. Unlike donations, sponsorship is a bilateral contract. Getting a sponsorship by an NGO is usually tied to a campaign, which involves a specific marketing expertise in organizing and carrying out such activity, namely, various organizational efforts (including financial). In Romania, in order to be valid, a sponsorship contract must be drawn up in written form, without the need of authentication by a notary. On the other hand, by law, in order to be tax deductible, the amount of sponsorship must meet a dual requirement: (I) not to exceed 20% of due tax due and (II) not to exceed per thousand of the sponsor total yearly turnover. The legal threshold is established in relation to the lower. In other words, sponsorship is a part, limited by law, of the amount of tax a company owes to the state. Exceeding the legal limits does not affect the legality of the transaction, but the tax exemption is limited to a ceiling set by law, the difference being taxable.

Using contributions, namely, donations and sponsorships as a source of funding for non-profit non-governmental organizations, first, is dependent on a complex of factors and second, has a random character. In essence, the success of attracting contributions depends on the following four factors: first, accuracy of the planning process (identification of target groups, adequacy of communication channels and messages to target groups), second, visibility of the organization or of the social cause, that is, its public image; third, weight scale of philanthropic culture of the target groups and fourth, their financial strength. The random character relates to the fact that excepting the scheduled payroll giving, contribution is not a stable source of funding and, from this perspective, it is difficult to quantify the resources to be obtained, respectively, to plan activities based on projected resources. Also, sponsors’ willingness to contribute depends on the evolution of the general commercial situation; requires an initial investment. Finally, the process of attracting contributions entails costs due to organization spending money without the warranty of a successful campaign. Such processes carry risks of spending more than receiving.

With some exceptions (i.e., donation with a restriction clause), the major advantage of the contribution, donation and sponsorship, as sources of funding for non-profit organizations work is that, in general, who gives money does not impose restrictions on the use of financial resources only for a specific task or just for certain categories of expenditure (as it happens usually when grants or subsidies). This freedom is very important for the activity of an NGO.

- Grant

It is a NGO specific method (but not limited to these organizations as long as there are grants, such as provided by the European Union, which can be accessed business, too) to attract non refundable financial
resources as grants. The grant is obtained on the basis of a bilateral agreement signed between the NGO and funder, which may be a public or private institution. Signing the contract is usually based on a request for funding made by an organization asking for a sum of money to be used to address a problem identified by the organization and whose solution is presented in detail in the proposed project. There are situations of “blind grants” provided that there is a financed project of an organization with exceptional credibility.

In Romania, international donors (European Union, but mostly foreign foundations or governments) are the most important source of funding for 35.2% of organizations (FDSC, 2010).

In particular, if the funder is a public institution, the grant is awarded depending on its financial potential and its willingness to act on solving community problems through non-profit organizations.

The major advantage of the grant as a source of funding for NGOs (if the amount is relevant enough), is that secures the organization’s potential to develop activities with a more complex and longer duration, thus, with a potentially greater impact. Another advantage, this time related to marketing, is that the grant is equivalent to getting a "quality certificate" obtained by the organization.

- Public budget allocation (subsidy)

It is a less NGOs specific method to attract non refundable resources in money or kind (goods and services). Public budget allocation is obtained on a unilateral decision taken up by a public institution that has, by law, the funding allocation competence. The allocation is usually based on a NGO request for money or free use of a property (land, building, etc.) owned by the public institution and which will be used for fulfilling the organization generic purpose (and does not, necessarily, impose the existence of a project). In Romania, this is usually the case of NGOs that have a special connection with the public institution (i.e. the allocation is required by law, the case of national sports federations, or the public institution is a founding member of the NGO, possibly with the preservation of a particular right to decide in the governance of the organization, etc.).

The use of subsidies as a source of funding for non-profit organizations, raise a few issues: a) providing subsidies depends on the financial potential of the public institution and its readiness to take on solving community problems through non-profit organizations; b) there is a risk to damage the organization's independence. Using mainly longer term and non refundable resources offered by a public institution affects the organization's decision-making capacity, in terms of adoption by the NGO, even if not always consciously, of the priorities of the public institution; c) there is a risk of funder's involvement in the projects management process. This risk exists with any funder, public or private, but it is more relevant for the case of public subsidy, when the funded organization has a more privileged status than in the case of a public call for projects.

The major advantage of subsidy as a source of financing for NGOs (if the amount is relevant enough), as in the case of the grant, is that secures the organization’s potential to develop activities with a more complex and longer duration, thus, with a potentially greater impact. Another advantage, this time related to marketing, is that the subsidy might be equivalent to getting a "quality certificate" obtained by the organization.

- Granting exemption from taxes

This method is a less NGOs specific financing method. It consists of saving NGO’s resources, being an indirect method of funding from public budget. It is based on an one-sided decision assumed by a public institution that has, by law, the obligation to collect taxes. Granting the exemption shall be made following a request by the NGO applying for partial or complete exemption from payment. Use of Granting exemption from taxes as a source of funding for non-profit organizations depends mainly on the financial potential of the public institution and its readiness to act for solving community problems through non-profit organizations.

In general, in terms of NGO access to government resources in Romania, the following negative aspects are reported (Dakova et al., 2000): lack of clear and transparent systems of funds allocations. Funding tend to rely on personal contacts; lack of ministries’ skills and capacity to efficiently allocate funding; lack of specific public funding dedicated to NGOs.
Allocation of a share of the personal income tax

It is an Eastern and Central Europe NGO specific method (but not limited to these organizations as long as, depending on each country legislation, church or individuals may, in turn, be beneficiaries of the mechanism of 2 %) to attract financial non refundable resources. It is considered a special public budget allocation. The citizen does not give away his own money, in other words it is not a donation or contribution, as the amount due as tax is part of the public budget, and thus the amount is out of the taxpayer's property anyway.

In essence, the mechanism of budget allocation of a share of the personal income tax is a form of public-private partnership oriented towards the main issues perceived by the public opinion. In our opinion, it is actually a partnership between citizens, authorities and NGOs.

As in the case of contributions, namely, donations and sponsorship, the use of budgetary allocation of a share of the personal income tax as the source of funding for NGOs, raises several issues:

1. is dependent on a complex of factors. In essence, the success of attracting budgetary allocation of a share of the personal income tax depends on first, the accuracy of the planning process (identification of target groups, adequacy of communication channels and messages to target groups), second, the visibility of the organization or of the social cause, that is, its public image, third, the provision of the law on tax percentage at personal disposal, the dimension scale of philanthropic culture of the target groups and their financial strength;
2. has a random character. The exception being the scheduled payroll giving, the budgetary allocation of a share of the personal income tax is not a stable source of funding. Based on this perspective, it is difficult to quantify the resources to be obtained, respectively, to plan activities based on projected resources;
3. it requires an initial investment. The process of attracting budgetary allocation of a share of the personal income tax entails costs that organization engage without the warranty of a successful campaign;
4. the law imposes certain limitations regarding the operating of this source of funding. Thus, the amount available to a taxpayer, regardless of size, must be directed to a single NGO, even if the taxpayer's interests cover several organizations, and the size of the amount they would allow a division between more beneficiaries. The law also requires the taxpayer anonymity, which discusses the logic of a partnership in which one party is unknown to the beneficiary organization.

In Romania, for example, since 2005, as a result of new provisions in the tax code at that time, any person may allocate, depending on personal interest, 2 % of global income to a non-governmental organization. Delivery is done by the national fiscal agency based on the written statement made by interested taxpayers. In relation to the short history of this social aggregation mechanism in our country, statistics show that only 60% of people who earn income from various sources know about the possibility to redirect 2 % of income tax to an NGO.

Membership fee

A particular case of revenue is the membership fee. It is a classical NGOs specific only method to attract financial non refundable resources. Obligation to pay the fee and other procedural provisions concerning this source of income must be provided in the legal statute of the organization. The fee is assumed voluntarily by a prospective member willing to become a member of the association. It is worth mentioning, as a special case, the situation of foundations, which, do not have members and thus can not collect dues. The amount of the fee is fixed by the organization, and the total revenue derived from membership fees is not limited. There are, however, cases in which, by law, limitations are imposed (in Romania, according to Law 43 of 21 January 2003 on the financing of political parties and electoral campaigns, for political parties in Romania, the amount paid during a year as the fee can not exceed 100 gross national minimum wage).
While some researchers (Salamon et al., 2003) consider the membership fee as an income from commercial activities benefiting the members of the organization, in Romania, the law considers it as a non-profit revenue, namely as a members’ contribution to the organization (FDSC, 2010).

Using the membership fee as a source of funding for non-profit organizations, raises a few issues: (I) membership fee is dependent on the size, scope and incorporation form of the organization. In general, those organizations seeking a quantitative type of legitimating operate based on small fees. At the opposite pole are elitist and professional organizations to which loyalty is evidenced, among others, by the high level of membership fee. The size of the fee also depends on the societal culture and individual financial power; (II) for organizations in which the fee represents the main source of financing, financial discipline is an essential problem. This is reflected in internal regulations of the organization. Meanwhile, an organization that relies exclusively on membership fee as a source of income is not likely to realize this way a consistent income.

The major advantage of the membership fee as a source of funding for NGOs is the predictability of expected income, which can secure the organization a correct planning of activities and related resources.

3. Conclusions and recommendations

We have discussed NGOs as a concept and type of organization. In relation to their social goal, we have described the particular aspects of their functionality. By identifying their financing sources and specific methods to get resources, we generated a complex typology of the financing function within NGOs.

Based on the above discussion about their financing methods, we conclude that: (1) though the need for funding, often NGOs do not give enough importance to financial preparation of the proposed activities; (2) they have access to specific funding sources. However, as in the case of public institutions or for profit companies, available resources are not sufficient to cover the assumed organizational tasks; (3) they can address financing by specific methods, but methods used are not always adequate to pursued funding objectives; (4) often, NGOs act in a rather emotional, intuitive manner, at the expense of a systematic process of planning; (5) they need a certain expertise in handling activities. Most of the times, however, they do not have sufficient internal resources or do not pay enough attention to developing necessary expertise by training the staff.

In light of the above and in order to secure their success, we recommend the following: (1) diversification of funding sources, an important aspect being the development of commercial activities as a source of financing; (2) addressing the appropriate funding source to target specific group or issues; (3) increasing the stability of revenues; (4) planning resources for optimization of financing; (5) increasing the expertise of staff involved in obtaining financing; (6) attracting the community members to promoted social causes; (7) increasing donors’ “loyalty” to the organization; (8) more persistent pursuit of obtaining financing from public institutions (especially for public issues).

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