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Ruhama Foundation: Understanding the Importance of Business Planning

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- 1 NESST uses the term “self-financing” to refer to diverse strategies used by civil society organizations to generate their own revenues (sale of products, service fees, use of hard or soft assets, and dividends or investment income). NESST uses the term “social enterprise” when these strategies are carefully assessed and planned to significantly strengthen the financial sustainability and the mission impact of the CSO.
- 2 http://en.wikipedia.org/wiki/Bihor_County
- 3 <http://www.cidcm.umd.edu/mar/assessment.asp?groupid=36003>

Executive Summary

Ruhama Foundation is a Romanian civil society organization (CSO) founded in 1996 under Government Ordinance 26/2000. Originally established as a community development organization implementing projects for marginalized Roma communities, Ruhama has grown into an established organization that manages a variety of programs in the fields of community development, social services (accredited by the government), and professional trainings (certified by the National Council for Adult Professional Training).

Over the past several years Ruhama started a series of self-financing¹ activities to increase its financial sustainability. Facing increasing difficulties to fund its core program and projects, the organization felt it had no choice but to identify self-financing ideas and to generate its own income. Some of these activities resulted in successful new programs that now form an integral part of the organization’s mission and strategy; others were discontinued or put on hold until more resources could be identified. While self-financing activities contributed to the rapid growth of Ruhama, they have not always met their original financial objectives. However, the organization is determined to launch new income-generation services in the future to further improve its sustainability.

Ruhama has had little difficulty identifying and launching self-financing activities, but managing and growing these activities has been a great challenge. Recruiting someone with the appropriate business skills and willingness to work in the CSO sector where salaries are lower than at for-profit companies is a limiting factor on the impact of the self-financing activities.

Section A: Organization Background

A.1. Mission and History

Ruhama’s mission is to provide a better life to the persons, families and communities who are in some way disfavored, marginalized or vulnerable. The organization operates in the city of Oradea, in Bihor County, located in the North West of Romania, on the border with Hungary.

Ruhama was originally founded as a community development organization targeting Roma communities, who make up 5% of the county’s population.² The organization wanted to respond to the needs of this community, which is poor, lacks employment opportunities and access to basic infrastructure (i.e., water and electricity), and is the victim of widespread discrimination.³ As a severely marginalized group, the Roma do not benefit from development and assistance projects specifically targeted to their needs, and Ruhama was the first organization to provide such services in the region. The activities implemented in the first two years mostly consisted of information and counseling in health and social issues.

After several years of community development programs, Ruhama realized it had



become victim of the same prejudices afflicting its beneficiaries; it lacked community support and suffered from a poor image. At the same time, its community development projects were difficult to fund: For example, while it possessed technical skills and personnel to conduct projects such as building wells to increase access to water, Ruhama often found it difficult to secure funds. For these reasons, in 2002, the organization decided to expand its range of services, first by setting up the Citizens Advice Bureau of Oradea, which sharply increased the community's support for the organization. A year later, Ruhama launched a number of home care social services. This marked the beginning of rapid organizational growth.

Further growth came in 2004 when Ruhama identified training delivery to other CSOs as having the potential to generate self-financing income for the organization. Taking advantage of EU funding to design and implement the project, Ruhama became accredited as a training provider.

In 2002, Ruhama decided to expand its range of services, first by setting up a citizens advice bureau, which sharply increased community support for the organization.

Ruhama currently manages three programs:

1. Community-driven development program. This program focuses specifically on Roma communities, and projects provide services at several levels: educating members of Roma communities about their civil rights and obligations; encouraging them to make use of their legal rights to get actively involved in solving community problems; developing and promoting inclusive and sustainable educational activities for Roma children through the Roma Education Centre, which provides pre-school and primary education; providing professional information and counseling and employment mediation; improving community infrastructure and housing; and developing human resources among Roma.

2. Social and health services. This program provides a series of accredited home care services for the elderly, disabled, and sick.

Elderly home care includes a comprehensive set of services. The first activity is social services provision, which includes information on elders' rights, participation in cultural services (concerts, exhibitions, etc.), volunteer opportunities for the elderly to stay active in their communities, transportation, and legal and administrative counseling related to home maintenance. The second activity is social-medical service, which includes personal hygiene, physical therapy, and monitoring of the beneficiary's overall health.

Home care and recovery for people with disabilities. This activity provides similar services to those provided in elderly home care to people with physical disabilities, including facilitation of access to social services, monitoring physiological parameters, kinetotherapy, administering medication at doctor's recommendation, etc.

Home medical care is provided to beneficiaries of the above two services (the elderly and disabled) who need it after a hospital stay. Medical services include physiological check-ups (temperature, breathing, pulse, etc.) and more complex medical support (medicine administration, etc.).



4 Ruhama is also a member of the International Federation of Social Workers (IFSW), the European Roma Grassroots Organisation (ERGO) and the Romanian Network of the Employment (RONOR).

To conduct these services, Ruhama has a full-time staff of specialists in social and medical services, including social workers, caregivers, nurses and therapists. In total this program reaches 85 beneficiaries.

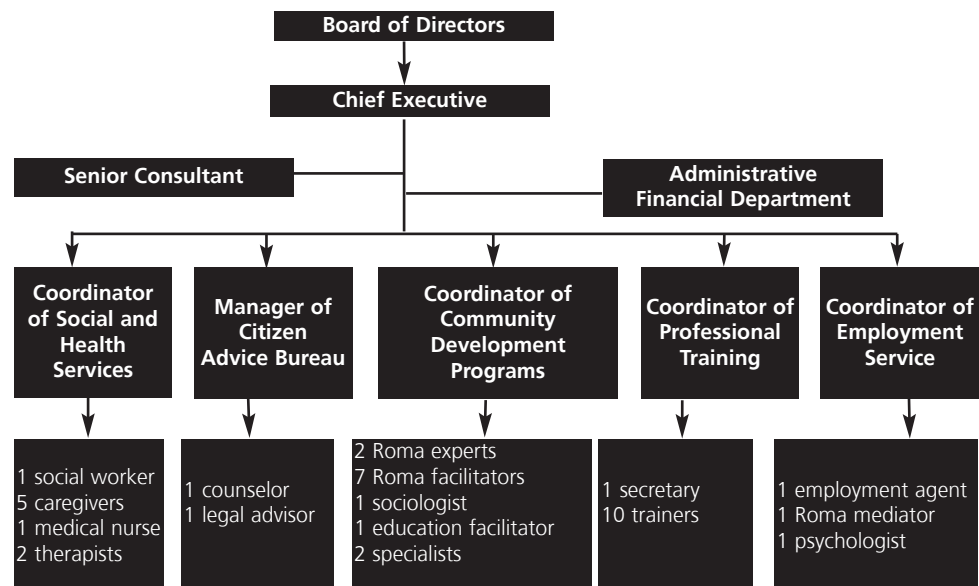
Under its social and health services program Ruhama also runs the Citizens Active Bureau of Oradea, which is part of a national network of 50 similar bureaus. The bureau encourages and participates in the development of an information-oriented culture by providing independent and free information and advice to citizens in areas ranging from citizen rights and civil responsibilities to taxes, labor relations, social services, education, child protection and more.

3. Professional training. Ruhama is an accredited provider of trainings in elderly home care, child care, social work, proposal grant writing, and training of trainers. Each training is certified by the National Council for Adult Professional Training (CNFPA by its Romanian acronym) and provided to groups of participants over the course of several months.

Through its diverse programs Ruhama Foundation has developed sector-wide relationships, notably through memberships in several networks. It is a member of the European Association of Service Providers for Persons with Disabilities (EASPD), the European Society for Research on the Education of Adults (ESREA), the National Association of the Citizen Advice Bureaus (NACAB), The Coalition for the NGO SecToR's consolidation in Bihor County (STRONG Coalition).⁴

A.2. Staff and Financial Information

In 2007 the organization employs 28 people full-time, five part-time, and also works with 32 volunteers. Ruhama is organized into five departments which cut across its three programs.





Since 2004 Ruhama has experienced rapid growth, reflecting the launch of several new initiatives (Citizen Advice Bureau, social services, and professional training). This expansion is indicated by both in the number of staff members it employs and its annual budget. Ruhama almost tripled its staff from 2004 to 2006 (from 10 people in 2004 to 28 in 2006) and it doubled the number of volunteers with whom it works.

Similar to its staffing level, Ruhama's income has grown rapidly over the past few years. From 2005 to 2006, overall income increased by 262%, largely due to new grants from international donors, which represented more than 97% of the income growth. From 2006 to 2007, Ruhama expects income to continue increasing, albeit at a slower rate (23%). For 2007, Ruhama projects that about 83% of its funding will come from foreign sources, which increased substantially in 2006 with the establishment of the Roma Education Centre. The rest of the funding will come from public sources, both local and national, which subsidize Ruhama's social services, as well as self-financing.

Funding Source	2007	%	2006	%	2005	%
Foreign/int'l sources	270,944	83.6	228,227	86.4	42,854	58.8
Public sources (local/national)	27,803	8.6	17,418	6.6	25,698	35.3
Individual donations (local/national)	461	0.1	1,525	0.6	126	0.2
In-kind donations	614	0.2	553	0.2	414	0.6
Subtotal donations	299,822	92.5	247,722	93.8	69,092	94.9
<u>Self-financing</u>						
Fees for services	22,119	6.8	15,569	5.9	2,152	3.0
Dividends from investments	2,150	0.7	614	0.2	1,459	2.0
Other	169	0.1	205	0.1	125	0.1
Subtotal self-financing	24,439	7.5	16,388	6.2	3,736	5.1
Total	324,260		264,111		72,828	

In the past few years Ruhama has consistently spent over 85% of its budget on program expenses with the remainder spent on administrative expenses.

Expense	2007	2006	2005
Administrative/ office expenses	14.7%	11.8%	14.7%
Programs/activities	85.3%	88.2%	85.3%
Total	100%	100%	100%



Though Ruhama considers its financial status is stable and improving, the organization still has difficulties funding some of its core programs, in particular community development activities targeting Romas. Furthermore, the organization is attempting, but has not succeeded yet, to turn its home care services into a sustainable program.

Section B: Self-financing

B.1. Self-financing Activities

Ruhama started identifying and developing self-financing activities in 2002, when it became apparent it would continue to face difficulties funding its core community development programs. The organization is currently managing two self-financing activities.

Social services: Social services include three home care activities: elderly home care, disabled home care, and medical care. These activities were started to self-finance Ruhama, and while all are conducted under the social services label, each service exhibits a different model.



Beneficiaries of Ruhama's elderly home care service are asked to make a small contribution for the services they receive.

1. Elderly home care: Beneficiaries are asked to make small contributions for the services they receive. Income from beneficiaries is complemented by subsidies from the Ministry of Labor, Social Solidarity and Family, which certifies elderly home care services.

2. Home care for disabled people: As a certified social service provider for social services to people with disabilities, Ruhama receives yearly payments from the Ministry of Labor, Social Solidarity and Family (to operate the organization also needs authorization from the National Council for People with Disabilities but this agency does not provide funding). Program beneficiaries do not pay for the services they receive.

3. Medical care: Ruhama is a certified medical service provider with the Ministry of Health and it receives reimbursements from the County House of Health Insurance for the days of medical care it provides. Since beneficiaries are insured, they only pay for the services indirectly through their monthly insurance contributions. This service targets hospital patients who are discharged from the hospital with a medical home care prescription stating the number of days and type of medical care the patient is to receive.

Professional training: Ruhama conducts trainings certified by the National Council for Adult Professional Training. All trainings target people who work with social service providers, mostly CSOs and public authorities, and people with an interest in working the field. The objective of the training is to certify social service providers, a requirement under EU laws. Ruhama offers five types of trainings:

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elderly home care, child care, social work (aimed at people who have no experience in the field), training of trainers (for people working or intending to work in the adult education and professional training sector, which by law will require by 2010 that they be trained in pedagogy), and proposal grant-writing (targeted at CSOs and public authorities who need to learn about EU funds and how to develop proposals). Social service courses (elderly care, child care, and social work) last several months and take place during weekends. Between 360 and 1080 hours of training are provided, encompassing both theory and practical work. Training of trainers and grant-writing courses are shorter, lasting one day to a few weeks.

B.2. Self-financing Start-up and Evolution

Ruhama's motivation to start using self-financing was financial. The organization felt obligated to explore self-financing as a funding mechanism since support for CSO activities remained limited to a few foreign donors, and the organization witnessed other organizations ending their activities on a yearly basis due to the lack of funding. Ruhama needed funding to cover its core activities of community development for which it was unable to buy project equipment. Furthermore, the organization needed to cover some operational expenses, especially during the months when projects were not being implemented because the organization had completed some projects but not yet started new ones.

The idea to initiate self-financing was generally accepted among the staff. In 2002, Ruhama was an entrepreneurial organization with a staff of five people, which allowed for a democratic management system where everyone contributed and from which many ideas emerged. The first idea was to establish a printing company to sell printed flyers, brochures, etc., to clients from the community. The idea emerged from Ruhama's own experience of purchasing printing services for fliers and other materials it needed for its information campaigns. During this process, it realized that there the few printer shops in Oradea were very expensive and provided low-quality services, although demand appeared high (the organization had to wait days or sometimes weeks for a set of fliers to be printed). Ruhama set up a separate, for-profit entity, called Plan Info, to comply with Romanian law on CSO self-financing activities.⁵ The print shop won a few contracts but Ruhama was forced to close it down because the organization was unable to obtain funding to acquire the necessary equipment. Plan Info remained in existence but without activities associated to it.

In 2003, Ruhama decided to start providing social services to respond to community needs and improve Ruhama's image of a "Roma organization." Staff also believed social services had the potential to generate income for the organization through beneficiary contributions and government subsidies. The idea to start social services developed from staff expertise, since three of the five staff had experience in this field. The first social service was home elderly care, which was generally lacking in the region. To deliver this service the organization needed certification from the Ministry of Labor, Social Solidarity and Family, and once this process was completed, the organization became the first CSO in the region to become an accredited service provider. This accreditation made the

- 5 Romanian legislation requires non-mission related self-financing to be operated by an entity separate from the nonprofit organization.

Ruhama's first self-financing idea was to establish a printing company. The idea emerged from Ruhama's own experience of purchasing printing services for fliers and other materials it needed for its information campaigns.



organization eligible to receive payments from the Ministry.

The elderly home care service program led to the identification of additional social services needs. First, the organization introduced home care services for the disabled based on experiences working with elderly beneficiaries who were particularly vulnerable because of their disabilities. Second, Ruhama launched a medical care service as a response to the poor home care its beneficiaries received after a hospital stay. As a result of these activities, the organization quickly increased its visibility in the community and was able to obtain new sources of public funds.

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After the launch of social services, Ruhama continued to identify and start up new self-financing activities. In 2004, a house-cleaning service was launched. This service was already provided free of charge within the home care and recovery services for people with disabilities, and the organization decided to offer this service, on a fee basis, to the community at large. Ruhama delivered the service through its for-profit company, Plan Info (since the activity was non-mission related), and while the cleaning service was fairly successful, the activity had no link to Ruhama's mission and the staff eventually lost interest in this activity. The cleaning service was therefore abandoned, but the service continued to be provided to beneficiaries free of charge.

As Ruhama was winding down one self-financing activity it was planning a new one. Over the years, a few staff members had been asked to provide training on a regular basis, and the organization eventually decided to create its own training program with the goal of generating self-financing income. In 2004, a funding opportunity arose through EU PHARE, which announced funding for a CSO sector development project. Ruhama was aware that Romania's planned EU accession would require new accreditation of Romanian social service providers to meet EU standards, so the organization wrote a proposal to provide technical assistance to local CSOs on the development, documentation, management, and quality standards necessary for EU accreditation in the fields of elderly home care and child care. Although the project did not receive funding, Ruhama decided to start the program on its own because it believed this was a necessary service for local CSOs. After the organization had developed the curriculum, received training certification from the National Council for Adult Professional Training, and successfully conducted its first courses, the PHARE project was re-evaluated and Ruhama's original proposal was accepted. This provided the necessary resources to develop and conduct additional trainings, in particular training of trainers and social work.

While Ruhama did not set financial targets for its self-financing activities, it set objectives in terms of number of beneficiaries or clients for its social services. The initial goal was to serve 20 beneficiaries for the first six months, using three employees, and to grow that number gradually. Not setting financial targets had the benefit of putting less pressure on the self-financing activity and to test these services in the market, in particular to determine pricing. Ruhama first set social services prices that were relatively low but the services turned out to be much



more costly than anticipated so prices were raised after six months.

The pre-planning to start social services was kept at a minimum. Ruhama conducted a focus group with potential beneficiaries of its elderly home care service to identify the services they needed most and also to get feedback on the implementation of a paid contribution. For medical care, Ruhama knew a large number of patients were discharged from hospitals each day, a good indicator of potential demand for its services, but it also expected difficulties in securing contracts because of the lack of transparency in the Romanian health system. The organization did not expect to lose money because it would use existing staff and resources from the elderly and disabled home care services to run the medical care services.

For professional trainings the planning was more developed. Ruhama staff had a very clear idea of the potential demand because they had close relationships with local CSOs and consulted with them during the project design. Ruhama knew how many staff members CSOs would want to train and it calculated the number of clients they could reach. Based on this assessment they estimated they could conduct a minimum of three to four trainings. Ruhama staff also analyzed the start-up costs necessary to launch the activity and calculated how many workshops were needed to break-even. Furthermore, the organization performed research on trainers, including their costs and qualifications, and Ruhama had already identified which trainers would be used before the first training was conducted.

Section C: Management

Current self-financing activities (social services and professional training) are managed internally by staff hired for this purpose. In the past Ruhama set up a separate, for-profit entity (Plan Info) to run non-mission related self-financing activities (this is required under Romanian law) but this structure is not required for current mission related ones.

A total of 12 people work full-time in the social services and professional training. This includes 10 staff members for social services (including the program manager) and two for professional training (including the program manager). The professional training staff is complemented by 10 trainers who work with Ruhama on a contractual basis. When trainings were first implemented, senior management conducted trainings and the organization hired outside trainers for topics on which it lacked expertise. The fact that senior management conducted trainings did not trigger many management disruptions because courses were held during weekends, when social service providers have time to attend outside of regular work hours. This practice is now changing as Ruhama is introducing new trainings for which it does not have expertise, so it will contract out all trainers. Managing outside trainers has not been a challenge, since Ruhama has established long-term



Local development projects that benefit Roma people, including these homes, help fulfill Ruhama's mission to serve marginalized communities.



partnerships with them in two ways: by hiring them for multiple courses and by involving them in the training design and development. Through these measures, trainer turnover has remained low.

Income from self-financing is used to cover funding gaps. Since the social services do not break even, all the income from this activity is reinvested in the program, which is now managed as a cost recovery program. Income from professional training is used to cover funding gaps from social services, and to cover other program and operational costs. The financial department is responsible for allocating self-financing income based on the organization's needs. For major budget decisions the financial department involves the senior management team.

Ruhama markets its trainings through many channels: local newspapers, radio ads, fliers, meetings with directors of public institutions and CSOs, press releases presenting results of the trainings, periodical newsletters about trainings sent to social services providers, and the website. In addition to service providers (both public and private), Ruhama has also targeted the general public. A few years ago Romanians sought to work in Western Europe and an EU-accredited home care services training provided employment opportunities for them.



Ruhama's social services include several programs for the elderly.

For its home care services, the organization also advertises through many channels: partner institutions, the website, fliers and posters in public places (e.g., public institutions frequently attended by potential beneficiaries), press releases, regular activity reports, annual campaigns (including volunteers distributing fliers or delivering fliers to city areas with higher density of older people), radio ads, TV news, and interviews. Word-of-mouth has also been very effective.

Though Ruhama was the first accredited organization in its region to provide social services, it now faces competition from other CSOs both in social services and trainings. Some for-profit companies also provide trainings but they usually focus on different training elements. Competition is forcing Ruhama to develop new products and services to find new market niches. In 2007, the organization plans to certify a series of new trainings that it expects will differentiate its services from those of other organizations.

Section D: Management Challenges

One obstacle Ruhama has met in its attempt to develop self-financing activities is difficulty in recruiting and hiring a manager with business experience. The salary for this position should allow for the recruiting of a qualified person but the organization does not have the resources. This is especially difficult since the



business manager's salary needs to be covered from self-financing and not from grants. Hence, the organization faces the dilemma of needing a business manager to increase self-financing but lacks the funding needed to hire the person, which in turn limits self-financing impact. In particular, covering the person's salary for the first few months until the salary can be fully paid from higher self-financing income is the major obstacle.

This challenge was compounded when Ruhama attempted to develop its house-cleaning service by hiring a management school graduate. The person, who had received high marks in school and was recommended for the position, was hired to supervise the cleaning services and assist with overall organizational financial management. However, the person did not have the appropriate skills to manage the business and thus did not have the impact Ruhama expected, particularly in terms of identifying and pursuing new ideas and business opportunities. As a result the person was laid off and the cleaning service was discontinued.

This experience marked a turning point in Ruhama's hiring strategy. Until then the organization had hired young people and trained them to work in the self-financing activities. This strategy was driven by the organization's limited resources to hire experienced managers. Ruhama is now reconsidering this strategy, as it views experienced management as key to successful self-financing. To overcome this challenge, Ruhama has decided to take a loan to cover a business manager's salary for the first few months. This person will oversee a re-launched cleaning service. Ruhama's management realizes that this is "moderately" risky as the outcome – in the form of higher self-financing income – is uncertain, but it is willing to take this risk in return for more experienced management. The organization has identified a potential candidate who brings good client relations, contacts, and broad experience in small business, civil society, and local government.

Section E: Legal Aspects of Self-financing

Ruhama is registered as a nonprofit organization and as such is exempt from paying taxes on grant incomes. In addition, the Romanian Fiscal Code provides an exemption on the profit tax to be paid on CSO commercial activities for annual incomes under 15,000 euros, or if income does not exceed 10% of the total income of the CSO. In 2006, Ruhama registered self-financing income of less than 15,000 euros so it did not pay a profit tax on its self-financing activities.⁶

Though exempt from profit tax, Ruhama pays other taxes, including:

1. Employment tax: 50% on employee gross income and 16% for self-employed (i.e., trainers) gross income.
2. Land tax: Ruhama operates in three buildings, two of which are provided by the city for a fixed period of time, with the possibility for extension.
3. Value-added tax: 19% on the acquisition of goods and services

In addition, Ruhama pays an accreditation fee for each training certified by the public authorities. This fee amounts to twice the national gross minimum wage.

- 6 The table on page 5 reports self-financing income of 15,569 euros in fees for service, which corresponded to 50,679 RON. Due to exchange rate fluctuations, in 2006 50,679 RON corresponded to less than 15,000 euros.



By law Ruhama must record self-financing income and expenses in distinct accounts in its accounting system. If self-financing income exceeds 15,000 euros, the organization must submit a statement regarding the total income generated through self-financing, along with monthly and annual balances to the county's fiscal authorities. This filing must be done by February 15 for income earned in the previous fiscal year.

Section F: Effects of Self-financing

F.1. Performance of the Enterprise

In 2006, Ruhama earned a total of 26,335 euros in income from its two self-financing activities (home care services and trainings). This amounted to approximately 10% of Ruhama's budget. Nevertheless, the total amount of profit earned was relatively small, at 1,827 euros.

		2006	2007 (Jan-April)
Home Care Services	Income	19,274	14,591
	Beneficiary contributions	9,185	3,894
	Government payments	10,089	11,057
	Expenses	20,574	16,288
	<i>Surplus (Deficit)</i>	<i>(1,300)</i>	<i>(1,336)</i>
Training	Income	7,061	8,145
	Expenses	9,934	3,487
	<i>Surplus (Deficit)</i>	<i>3,126</i>	<i>4,658</i>
Total	Income	26,335	23,096
	Expenses	24,058	19,774
	<i>Surplus (Deficit)</i>	<i>1,827</i>	<i>3,322</i>

Trainings, being service-based and cost-effective to manage, posted a total profit of 3,126 euros on sales of 7,061 euros (representing a profit margin of 44%). For the first four months of 2007 this self-financing activity already surpassed 2006's income and profit due to performance in the month of January during which several trainings were conducted (in comparison, eight trainings were conducted during all of 2006). However, since then trainings have slowed considerably. In 2005 Ruhama trained 40 people and in 2006 another 62, and at this point not many additional organizations/social workers in the region need to be certified.

Home care services earned close to 20,000 euros in 2006, with 52% of this income



coming from government payments and 48% from beneficiary contributions. However, social services are very expensive to manage, as demonstrated by the 10 full-time staff these services require (compared to two full-time staff for trainings). Furthermore, the beneficiaries' low incomes make it difficult to charge for the actual price of the service. Combined with the relatively low levels of reimbursements from public authorities, home care services in 2006 lost a total of 1,300 euros. For the first four months of 2007 income is already at close to 80% of last year's income, due to a 30% increase in the number of beneficiaries (from 65 to 85). While beneficiary contributions are not expected to increase much in 2007, government payments already surpassed last year's due to the higher number of beneficiaries in the program. Despite this growth in beneficiaries and income, profits were still negative for the period January – April 2007. This is due to a sharp increase in transport and wage costs from 2006 to 2007, which contributed to doubling service costs. In 2006, home care services cost approximately 26 euros per month per beneficiary, and in the first four months of 2007, this number increased to close to 48 euros.

Another difficulty Ruhama has faced relates to medical home care. Medical home care should work according to the following model: the patient stays in the hospital for a few days and as the patient is discharged, he or she receives a prescription from the hospital doctor describing the number of days and type of home medical treatment the patient is to receive. The patient should then go to the public insurance company and choose from a list of home care medical service providers that compete on quality, price, and a number of other factors. However, this model suffers from two challenges. First, hospital doctors have an incentive to report a high number of occupied beds in their institution since their remuneration is tied to the number of patients they serve. Hence doctors tend to keep patients in the hospital longer than is necessary, even when the injuries are minor or the patient could recover at home. This results in fewer prescriptions for home medical care. Second, hospital doctors often fail to write up prescriptions and directly assign home medical care (from a service provider or hospital employee) to the patient. This practice prevents patients from choosing their service provider, reduces competition, and often leads to medical care that is not high quality. The system thus effectively keeps out organizations like Ruhama that, even if accredited by the government to provide home medical care, do not have the right connections to operate in such an opaque market. Ruhama expects that, with health care reform taking place in the next few years, medical home care services will become a competitive market that will open up opportunities to serve new clients and to earn income.

The difficulty of turning a profit in the social services program is an indication that this self-financing activity will, under current circumstances, break even at best. Ruhama is currently lobbying local public authorities to increase the financial support provided to CSO service providers that, if successful, would help to make social services sustainable. Despite turning small losses at present, social



Ruhama's trainings have been a source of income for the organization, but demand for trainings in the region is slowing.



services are important to the organization's mission because of the assistance they provide to 85 marginalized people.

F.2. Organizational Sustainability

Over the next few years, Ruhama expects income from self-financing to increase to the point of covering all operational expenses. To achieve this, a series of new trainings are being developed to take advantage of Romania's EU accession, which will require new certifications and licenses for many business sectors. Ruhama plans to position itself as a certifier/trainer for small businesses needing to meet new standards. New certification materials have already been submitted to the National Council for Adult Professional Training. The organization does not have expertise to conduct these trainings so it plans to contract out all trainers, a change believed to be manageable since the organization has already been using a growing number of outside trainers.

In addition, the cleaning service is to be re-launched with the help of a new manager. This self-financing activity was successful in the past but was discontinued because of a lack of staff interest and management expertise. Ruhama now plans to hire dedicated staff members – including a business manager – who will make this enterprise more successful and sustainable.

A number of new self-financing ideas have also been identified. One is to expand social services by targeting a new customer group, Romanians living abroad whose families still reside in Romania need support services. Another is to establish private kindergartens since due to a lack of supply, many families have difficulties placing their children in such institutions.

The organization now feels better equipped to successfully implement self-financing activities. Through its social services program the organization has gained capacity in human resources management and planning. Each person is aware of the tasks to perform, down to details such as the time it takes to go from one beneficiary's house to another. Moreover, every three months beneficiaries are surveyed to gain their feedback about the program, in terms of quality, number of services, prices, personnel, and expectations. This client feedback system has assisted the organization to manage its programs and make the necessary adjustments or changes, including in the area of personnel.

In terms of the cleaning service, Ruhama has learned some valuable lessons. Specifically, the organization is now planning how the activity will be implemented. First, an emphasis will be put on human resources and on hiring an experienced manager (this is in the process of being completed) and dedicated, trained staff. Furthermore, a start-up budget will be developed identifying the necessary elements to operate the enterprise. This will ensure the enterprise's staff has the right equipment, supplies, and operational budget to do its job. Ruhama anticipates that it will break even after four months and turn a profit in 2008.



Ruhama believes self-financing has helped to identify and secure new sources of funding. Self-financing has changed the organization into a well-managed structure with documented processes and methodologies. The successful implementation of social services and trainings demonstrate a capacity to plan and manage projects, in areas such as human resources, financial management, and impact measurement. For example, before starting social services, the organization could not obtain funding for grants above 50,000 euros. With the addition of social services and trainings, Ruhama is now a larger organization that can attract larger grants from a variety of donors.

F.3. Impacts and Trade-offs

Self-financing has had two important impacts on the mission the organization.

First, self-financing strengthened the mission at two levels: social services reached a new group of beneficiaries who are, according to the organization's mission, "disfavored, marginalized or vulnerable". Today 85 new beneficiaries are provided services on a daily basis and the organization is considering starting additional social services. Moreover, trainings in home care services have helped to increase social service provision standards among local CSOs, in turn benefiting Ruhama's target program beneficiaries.



The mission of the Roma Education Center is to promote an inclusive educational model for Roma children.

Second, self-financing put in place a system and culture of needs assessment that was lacking before. When the organization first began operating, staff believed that fundraising from individuals and volunteering were important for the success of the mission. However, staff felt they worked for the good of the community but that beneficiaries were not engaged and committed to the projects that were being developed for them. When it implemented social services, Ruhama realized the importance of a needs assessment approach. When some beneficiaries complained about the services being provided, staff decided to deliver services based on what end users wanted, irrespective of whether they paid for the services or not. This change led to a relationship where beneficiaries were now treated as clients and beneficiary feedback systems were put in place to identify and respond to their needs and formulate appropriate responses.

Self-financing has also had a profound impact on the structure and culture of the organization. With the implementation of social services and trainings the organization grew rapidly, changing the management structure from one that was democratic but less organized to one that was systematized and results-oriented. As roles became better defined staff became more responsible, which helped with project implementation.

Self-financing also influenced the emergence of new relations and alliances with CSOs. For example, self-financing contributed to bringing together social service



provider CSOs under the umbrella of the newly constituted STRONG Coalition, which works to strengthen CSOs' development in Bihor County. This federation of CSOs advocates for social services development in the interest of beneficiaries.

One drawback of self-financing has been the increase in bureaucracy. Being an accredited social service provider requires forms, paperwork, and filings that have significantly increased Ruhama's administrative work.

Section G: Conclusions and Recommendations

Ruhama Foundation was established for the purpose of serving marginalized communities. It focused initially on community development projects, but found it necessary to expand services to improve its image and access new sources of funding. As it identified new services and programs, a strong emphasis was put on starting activities that would provide self-financing income. While four major self-financing initiatives have been launched since 2003, only one – trainings – is today generating surplus income. Nevertheless, this amount of surplus income remains low.

Ruhama's experience demonstrates the importance of business planning. Of the four self-financing activities launched, the one providing surplus income was the subject of the most planning, including basic market research, financial (break-even) analysis, and operational planning (identification of trainers). When Ruhama started this activity it knew that it was likely to be profitable. In contrast, little market research or pre-planning was conducted for the other self-financing activities. For example, the printing shop was launched although basic financial analysis would have demonstrated that the start-up costs were high and funding needed to be secured before implementation. Moreover, in-depth market research would have indicated that low contributions from beneficiaries and low government payments, coupled with high costs and a medical home care system that is not competitive, would limit the financial potential of the home care service. Nevertheless, the mission impact of social services is important and the organization has decided to continue to put time and effort to strengthening this cost recovery program.

For these reasons, Ruhama believes that business planning experience, either within the existing staff or through outside expertise, is important for the success of its self-financing activities. Furthermore, while planning is important, Ruhama strongly believes that business experience is an important factor in sustaining ongoing operations of self-financing activities, as demonstrated by its decision to hire a business manager to lead its cleaning service and other potential social enterprises.