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Public Policies and State and Market Failures Social Economy in the Context of Partnership with Civil Society Organizations

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Abstract

The State as the Entity that represents the first sector of the economy, has the aim of being the provider and articulator of public policies so that the Market, as the second sector, produces utilities, generates employment and income, which are the bases for supporting economic and social policies. Failure to fulfill this mission produces losses, known as State failures, due to the lack of clarity and inclusive public policies. The market, dependent on economic policies, produces inefficiency, known as market failures. The article discusses the context of State and Market failures and partnerships with Civil Society Organizations from the perspective that partnerships can be one of the instruments to mitigate the consequences of the aforementioned failures, and aims to propose a quantitative-qualitative theoretical model to evaluate the contribution of the third sector in building the social economy, as well as evaluating the performance and sustainability of partnership projects, in the context of State and Market failures. Using academic data from the research group "Third Sector Research and Extension Laboratory - TSREL", the model was tested and the results obtained suggest that the methodology is consistent in signaling that the project performance is efficient, effective and the partnership is sustainable, getting a robust contribution to the construction of the social economy, assisting regulators and public policy managers in monitoring the performance and sustainability of social policies.

Keywords: state and market failures, metrics for evaluating social policies, convergence for social economy, performance and sustainability of a partnership project

1. Introduction

The State, for its reason for existing, must be the provider and articulator of public policies that deliver well-being and security to society so that there are opportunities for growth, development and each individual feels represented. As a provider and coordinator, the State must regulate and encourage economic and social policies to reduce inequalities between individuals.

Well-being is a status achieved by society and the lack of it produces discomfort and suffering for social classes. In this context Wegner (2008) discusses the legitimacy of politics in democracy with a focus on economic liberalism. This discussion, supported by the positivist theory of economic liberalism, identifies that well-being is related to the individual income of the citizen, which is the individual element produced in the markets.

Economic growth and development, with social justice, are the foundations of a nation's autonomy and sustainable status. Otherwise, we fall into the curse of extractive economic institutions that prevent the State from navigating growth paths that lead to economic development as discussed by Acemoglu and Robinson (2012), violating the principles of social democracy.

Aligned with the foundations of social democracy, global market capitalism, and contextualized in the discussion of the third way, Brown (1999), Kiely (2005) and Giddens (2008) present counterpoints to ideologies that ignore poverty and distribute privileges because they are points that contribute to the State failing in its institutional mission of assisting its citizens. In this context, Iqbal and Starr (2006) understand that one of the causes responsible for the failure of the State is the complete collapse of the central authority of a sovereign State. Therefore, as the State is the first sector of the economy, it conducts public policies and, in the social context, its failure triggers insufficiencies in essential public services.

The design of public policies signals to the Market, as the second sector of the economy, opportunities for growth and development of specific sectors for setting up businesses that generate employment and income. These opportunities allow families, as providers of labor and consumers of production, to enjoy the benefits of social welfare. In the opposite sense, when public policies are not successful, or are insufficient, the market does not react and fails, as discussed by Iqbal and Starr (2006) and Acemoglu and Robinson (2012).

Faced with the joint or isolated failures of the two first and second sectors of the economy (State and Market), Civil Society Organizations (CSOs) present themselves, sometimes spontaneously, sometimes by public call from the State, as regulated by Law 13.019 (Brazil, 2014), to mitigate the gaps left by the insufficiency in the provision of essential services. This occurs because there is an expectation that Civil Society Organizations, legitimate representatives of the third sector, are the economically viable alternative to delivering a public service to society in an efficient and effective way.

In this context, the article discusses the contribution of the third sector in the construction of the social economy and suggests a quantitative-qualitative theoretical model to evaluate the performance and sustainability of a partnership project in response to State and Market failures, as the main objective. Performance is evaluated by the quantitative part of the model that measures the effectiveness in allocating the expenses detailed in the work plan, while sustainability is associated with the qualitative part of the model that measures the fulfillment of the objective.

The insertion of CSOs in the social economy, in addition to the regulation of the MROSC (Brazil, 2014), has been signaled since the first half of the 20th century by the initiatives of Law 91 of 1935 and Decree-Law 525 of 1938, which created, respectively, the companies declared to be of public benefit and the National Social Service Council. But the contribution of the third sector to the social economy, as argued by Anheier (2005), goes beyond the CSO typology because, in the context of volunteering and non-profit entities, many other typologies are added, as discussed by Giddens (2008).

The methodological contributions of the article are relevant for regulators and public policy managers in monitoring performance and sustainability in the allocation of resources in social policies, as well as being relevant for literature in the construction of a theoretical architecture to partnership project evaluation.

In addition to this introductory section, the article is structured into eight more sections: (2) Discussion of the State's failures; (3) Discussion of Market failures; (4) Discussion of the taxonomy of Civil Society Organizations; (5) Discussing the context of the social economy; (6) Partnership evaluation model; (7) Analysis of the results of the partnership; (8) Final remarks; references and acknowledgments.

2. Discussion of the State's Failures

In theoretical and narrative terms, the discussion of life in society dates back to prehistoric times in which human beings interacted in tribes, fiefdoms, city-states and other forms of social organization. The history of the modern State, as currently known, is recent and in Brooks (2005) argument, the modern State is ephemeral and historically contingent in various parts of the planet, and in these circumstances it is exposed to various types of failures, such as not fulfilling a agreement with its citizens, not containing violence, not curbing illicit economic activity, among others. But, beyond these requirements, what could be the reasons for the State to fail? Brooks (2005) aligns the failures of the State with oppression, lack of government control or ineffective control and these deficiencies require intervention by international, national, regional institutions and non-governmental organizations (NGOs) to mitigate deficiencies, mainly humanitarian, security and food insecurity.

A study prepared by Englehart (2009) ensures that the State is responsible for the conditions of human rights, within its geographical borders, and that it must guarantee that the rights of citizens are respected, refraining from committing abuses and preventing private entities from doing so it, but declares that there is evidence that the State is incapable of fulfilling its normative social responsibility. In this context, the author declares that there is evidence that indicates that a weak State is infected by corruption that makes it incapable of preventing abuses by powerful private actors that taint its security and justice institutions and their respective public agents.

In an approach to the universal practice of human rights, Donnelly (2013, pp. 35-36) discusses the need for an active State to protect the economic and social rights of individuals with an emphasis on the natural right to private property, as a vision of classical liberalism of the 18th and 19th centuries. As conceptions of these rights expand, economic rights policy fails and, as a consequence, the State fails to ensure the enjoyment of these rights, because this process requires a positive State that does not tolerate discrimination and inequality. But contrary to this need, the language of abuses and violations of rights are an active threat to the State, which should be the main agent of protection.

Other views of State failures occur, as discussed by Acemoglu and Robinson (2012), due to a combination of factors that prevent nations from navigating paths that lead to growth and economic development. Part of these factors are identified as extractive economic institutions, dominated by elites, which reserve all privileges for themselves and, as a consequence, keep poor countries in poverty.

Corroborating this discussion, Iqbal and Starr (2016) argue that State failures can spread to surrounding regions, such as those that occur in regions of the Middle East, Africa and South America, where the failure of a State contaminates neighboring States with impact on the public health and security system, arising from the migration crisis that unbalances the social policies of the receiving State and social well-being as an achieved status is threatened.

Well-being is a status achieved by society and the lack of it produces discomfort and suffering for social classes. In this context Wegner (2008) discusses the legitimacy of politics in democracy with a focus on economic liberalism. This discussion is supported by the positivist theory that well-being is related to the citizen’s individual income, which is the individual element of social well-being produced in the markets, as a teaching of economic liberalism.

3. Discussion of Market Failures

What can be understood by market failures? Bator (1958) responds by clarifying that based on allocation theory, this terminology refers to the failure of an idealized system of price market institutions to support desirable activities and prevent undesirable activities in the sense of Paretian efficiency. Later this discussion is conducted by Stiglitz (1993) in a scenario that affects market equilibrium as a consequence of negative externalities. Both discussions are related to Marshall’s (1961) thought in which well-being is the worker’s ultimate objective.

On the other hand, market failures arise because there is no compatibility of production factors to obtain an optimal result. But opposing arguments assess that there are institutional or contractual solutions for various forms of market failure in which optimization would not be the main objective, considering that Governments also fail, as stated by Furton and Martin (2019). These arguments assess that Government failures are as problematic as Market failures, considering the globalized economy in which Governments and Markets are interconnected and interdependent. Given the interconnection and interdependence of these first two sectors of the economy, the cited authors propose, as an alternative to the situation, the language of institutional incompatibility as a way of consolidating and synthesizing the understanding, on these issues, of public choice and the new institutional economy. They state that institutional incompatibility occurs when the rules governing an economic problem are inferior to an alternative set of viable rules, when the interests of individuals are in conflict.

In the context of institutional incompatibility are the structural flaws of the Market institution which, as taught by Samuelson and Nordhaus (1993), come from the inefficiency caused by monopoly power in which a single supplier raises prices above costs and reduces production, to the detriment of loss of consumer purchasing power, maintaining a high volume of profit. Inefficiency can also occur due to government failure, insufficient regulation, in activities that degrade the environment such as air and/or soil pollution, characterized as externalities, which will require public health policies at a cost to society as a whole.

In Hetzel’s view (2012), a likely cause of market failures comes from the disruption of the economy during recession processes due to insufficient macroeconomic policy. In this context, the results contradict the predictions and answers are required to explain whether the failure comes from the lack of prediction of the macroeconomic model, or whether it comes from politics, or whether it comes from unpredictable circumstances not captured by the macroeconomic model. The concrete fact is that in this process institutions seek explanations to justify the failures that cause financial losses and loss of well-being to individuals.

Winston (2006) argues that, in theory, market failures and social policies should be complementary and that when redistributing income efficiently, social policies should not reduce market efficiency, under penalty of the former conflicting with the latter. Otherwise, social policies exacerbate market failures and distort the functioning of potentially efficient markets.

The economic approach to market failures since, at least, the beginning of the second half of the 20th century has explored externalities associated with the concepts of “res nullius” (goods that can be owned through possession, but are said to have no owner) and “res communis” (common property or public good) or even private monopoly (market concentration) and natural monopoly (specific activities of the State), as discussed by Randall (1983). This discussion permeates the concept of market equilibrium and Paretian efficiency because the Pareto optimum is not satisfied as long as a market improves the situation of an agent and does not improve the situation of another agent involved or, at least, keeps it constant. This imbalance condition would be associated with transaction costs. So, monopoly is an externality that causes market failures and, consequently, does not allow satisfying Pareto-efficiency. But, despite the robust content of this discussion, the literature shows that there are divergent understandings in the applications of “res nullius” and “res communis” with implications for Paretian efficiency.

Zerbe Jr. and McCurdy (1999) developed a study to understand and explain the concept of market failures because it was the concept originally presented as a normative necessity to justify government expenses. Over time, the concept was transformed into a diagnostic tool, used by economists and political analysts, also to justify government intervention. The writers, based on Samuelson (1954), declare that they reached these conclusions based on concepts extracted from the perspective of transaction costs and reviewing empirical studies with a high degree of generalization to conclude that there are flaws in identifying market failures and that this occurs because public agents face questions to decide which public services the State should provide or how to regulate private activities and then make efforts to privatize public responsibilities and reinvent the government.

4. Discussion of the Taxonomy of Civil Society Organizations

The standardization of terminologies for organizations that represent the third sector has been an academic discussion for some time, which has not yet produced the expected effects, as discussed by Barman (2013) and Wagner (2012). Evaluating this diversity of taxonomy, Salamon and Anheier (1992) discuss the differences between European, Asian and American views. In this discussion, two questions are proposed that must be resolved in the design of any classification system. The first question involves the unit of analysis; the second involves the basis of classification and the variables in terms of which entities should be differentiated. They argue that the basis for classifying third sector organizations must take into account the size, legal basis, users of the services offered, among other issues.

As Uluorta (2009) argues, the civil society organizations that make up the third sector, in a broad context, admit a diverse menu of terminologies, such as the charitable sector, voluntary sector, non-profit sector and others. The charitable sector recognizes this identification by bringing together social economy organizations that juxtapose themselves with the state economy and the market economy and evokes a set of organizations that help the less favored. The voluntary sector abstracts the social relations of production and, by not practicing paid work, effectively decontextualizes and depoliticizes both the worker and the sector. The terminology non-profit sector is inappropriate because it denies the market economy, and the inadequacy comes exactly from there because the sector generates income, and the distinction is not in not generating profit, but in the way in which income is distributed, which differs from the distribution of other for-profit market entities (second sector).

In Brazil, although several terminologies are also used, the officially established term is Civil Society Organizations (CSO), as mentioned before, as stated in the Law that regulates the State’s partnerships with these organizations (Brasil, 2014).

Salamon and Anheier (1992) present a list of terminologies with juxtaposed objectives that justify their existence, and for a brief discussion, among them the following stand out: independent sector, non-governmental organization, philanthropy and faith-based organizations (FBO). Independent sector describes organizations that play a “third force,” outside the scope of government, which is driven by political power, and outside the private sector, which is motivated by profit. Non-Governmental Organization is the taxonomy used to represent these organizations in the developing world and in international relations, in promoting economic and social development and, typically, at the grassroots level. Philanthropy refers to the use of personal wealth and skills for the benefit of specific public causes and is commonly applied to philanthropic foundations and similar institutions. Faith-based organizations (FBOs) are organizations that are part of a category of church clergy to help meet the human service needs of the congregation.

5. Discussing the Context of the Social Economy

Justice in the global economy, in the perception of Aaron James (2012), in philosophical terms, must answer central questions such as applicability, importance and justification. Applicability is associated with social practice in which societies depend, fundamentally and mutually, on common markets. The importance is related to what justice can demand, in practice, from economic and social institutions and this relationship requires structural equity from non-market organizations, in the context of free trade, and that these organizations must regulate, with justice, the form of how the global economy should distribute benefits and burdens across societies and their respective social classes. Finally, the justification is articulated with the demands of structural equity, in the context of emerging responsibilities, as a consequence of the "global economy's organizing social practice, quite apart from concerns with the general welfare, efficiency, basic freedoms, human rights, or other forms of justice". These arguments underlie the foundations of the social economy.

Uluorta (2009) analyzes the global growth of the social economy based on the Canadian global political economy. In his observations he states that the social economy does not have a single definition, being the subject of debates regarding its dimension, its scope, its temporality and its objectives. Thus, in general terms, the title social economy "is a point of reference for a wide variety of activities carried out by different constellations of networks" called the charitable sector, voluntary sector and non-profit sector and others.

Everling (1997) discusses the political and social processes to achieve economic renewal and greater equality that make possible new political and social control over production, distribution, exchange, consumption and their directions, with a view to a sustainable social democratic future. He argues that capitalism uses money as a form of accumulation of social wealth and as a device for dissolving previous relationships within the scope of social development and its organization is for private appropriation. It ensures that capitalism creates the political economy as a social economy and in this speech elects the neighborhood as the urban space in which social coexistence, production, exchanges and public services meet the outcry of the social economy and the discussion that permeates this entire speech, the capitalism versus socialism dichotomy.

The discussion on social economy occupies a relevant space in economic literature based on the pillars of cooperativism, mutualism and associations, as discussed by Defourny (2001) in From Third Sector to Social Enterprise. This discussion is reflected in the approach of Amin, Cameron and Hudson (2002) in the context of Fordist deindustrialization as "the landmark" of the end of full employment in a stable economy.

5.1 Measuring the Social Economy

The social economy does not yet have a theoretical-empirical model, recommended by the literature, that can assess the impact of its benefits within the global economy. The model that the global economy offers is the income model specified by $y = c + i$ in which "y" is income, "c" is consumption and "i" is investment, replacing "i" with "s ", to denote investment equal to savings, $c=(1\text{-}s)y$ is obtained, which does not evaluate the effects of the social economy.

In a preliminary study, De França (2023) proposed that the social economy can be evaluated using the estimative model $Ys=\alpha y$ in which Ys is the income of the social economy and the operator α is given by the probabilistic calculation to evaluate income outside the capitalist economy in relation to the global economy (see De França, 2023).

6. Partnership Evaluation Model

The partnership evaluation model used in this article is the one proposed by De França (2021). The model consists of a set of indicators produced by two-stage equations. The first stage measures the efficiency and effectiveness of the resources allocated in the work plan. The second stage intervenes in the partnership process to evaluate the fulfillment of the objective, and signal the sustainability condition of the partnership. Thus, the first stage leads to a quantitative assessment while the second stage supports a quantitative-qualitative assessment.

6.1 First Stage Evaluation Model

In this first stage, the model captures the primary data from the work plan and the financial execution reports that accounting produces. The indicators produced by the equations of this model are Estimated Per Capita Expenditure (EPE), Realized Per Capita Expenditure (RPE) and Project Efficiency Index (PEI). All indicators use the subscript i that identifies the project, where $i \in (1, 2, \ldots, n)$.

6.1.1 Estimated Expenditure per Capita (EEP)

To specify the equation that produces the EEP model, the variables "estimated project value (EPV)" and "estimated project quantity (EPQ)" are chosen. Both variables are identified and collected directly from the work plan, which is the partnership budget. The EPV is the value of the financial contribution or equivalent that the project financier undertakes to pay into the partnership. The EPQ is the physical number of beneficiaries to be served or the number of services to be offered. Thus, the GPE is the quotient of dividing the EPE by the EPQ for each project *i*.

$$EEP_{(i)} = EPV_{(i)} * EPQ_{(i)}^{-1}$$

6.1.2 Realized Expenditure per Capita (REP)

The REP is specified based on the variables "realized project value (RPV)" and "realized project quantity (RPQ)". The two variables are obtained and retrieved directly from the project's financial execution data, which must mirror the partnership's work plan. The RPV corresponds to the financial contributions, or equivalent, from the financier, effectively received by the partnership. The RPQ is identified by the physical number of beneficiaries served or the number of services offered. Thus, the REP is the quotient of dividing the RPV by the RPQ for each project i.

$$REP_{(i)} = RPV_{(i)} * RPQ_{(i)}^{-1}$$

6.1.3 Project Efficiency Index (PEI).

The PEI uses as variables the REP and EEP indicators specified and obtained from the equations in 6.1.1 and 6.1.2. The informational content of this indicator reveals that the partnership signals efficiency and/or effective, which are the performance and effectiveness metrics.

$$PEI_{(i)} = REP_{(i)} * EEP_{(i)}^{-1} \begin{cases} 1 => effective\ performing \\ < 1 => \ effective\ and\ efficient\ performing \\ > 1 => \ ineffective\ and\ inefficient\ performing \end{cases}$$

To validate the PEI metrics, it is assumed that the values delivered as RPV are identical to the values estimated as EEP (EEP=RPV). Therefore, it is said that the partnership is efficient and effective, tending towards effectiveness, when PEI is less than 1 (PEI < 1).

6.2 Second Stage Evaluation Model

In the second stage, the intervention process is carried out in the partnership to assess compliance with the objective. The quantitative-qualitative evaluation model is composed of a set of three equations, being (a) percentage of satisfaction (PSA), (b) percentage of socialization success (PSS) and, (c) qualitative evaluation index (QEI). Thus, as in the quantitative assessment model in 6.1, here in 6.2, all indicators use the subscript i that identifies the project, and i∈(1, 2,⋯, n). The observations used to provide content to the variables of each equation are identified and collected directly from the object fulfillment report (accountability).

6.2.1 Percentage of Satisfaction (PSA)

The PSA specification uses the satisfied quantity of the project (SQP) and RPQ variables identified in 6.1.2. Both variables represent physical quantities of beneficiaries served or quantities of services offered by the partnership at the end of the project and/or at the end of partial stages. The SQP observations are obtained through a satisfaction survey (questionnaire) carried out with the partnership's alumni contained in the RPQ, and its content totals the alumni satisfied with the benefit they received. So, PSA is the quotient of dividing SQP by RPQ, for each project i, which, to be fully satisfied, must have a quantum equal to 1.

$$PSA_{(i)} = SQP_{(i)} * RPQ_{(i)}^{-1} \leq 1$$

6.2.2 Percentage of Socialization Success (PSS)

To specify the PSS, the variables quantity placed on the market (QPM) and RPQ are used. The QPM observations, contained in the RPQ, are collected through interviews with each partnership's alumni to assess integration into the job market or satisfaction with another specific object such as resocialization or rehabilitation. Subsequently, the PSS is obtained by the quotient of dividing the QPM by the RPQ, for each project i, and for full satisfaction the quantum must be equal to 1.

$$PSS_{(i)} = QPM_{(i)} * RPQ_{(i)}^{-1} \leq 1$$

6.2.3 Qualitative Assessment Index (QEI)

The QEI is specified based on the combination of the PSA and PSS variables and, as a pure number, reports the degree of fulfillment of the object to signal whether the partnership is sustainable or not. The sustainability assessment parameter is given by P between zero and 1 ($0 < P \leqslant 1$). The quantum of P is given by the project financier which, if satisfied, signals that the partnership has mitigated State and/or Market failures and the project is sustainable. Otherwise, it signals that the partnership architecture was not sufficient to mitigate the failures of the first and/or second sectors, even though in the quantitative assessment of the partnership it was effective, satisfying the attributes of efficiency and effectiveness. Then, the QEI is obtained by multiplying the PSA by the PSS for each project *i*.

$$QEI_{(i)} = PSA_{(i)} * PSS_{(i)} = \left(SQP_{(i)} * QPM_{(i)}\right) = {RPQ_{(i)}^{2}}^{-1} \equiv P$$

6.3 Reliability of the Evaluation Model

The reliability of the model arises from the informational content of the quantitative and qualitative metrics. The quantitative metrics, derived from the model in 6.1, signal, with certainty, that the project governance meets, or does not, the efficiency and effectiveness requirements in the allocation of resources allocated in the work plan, contributed by the financier. Qualitative metrics ensure that the project governance fulfilled, or not, the object contracted in the partnership. By fulfilling the objective, the signal is that the partnership is sustainable and mitigates State and/or Market failures. Otherwise, no evidence of sustainability is found even though effectiveness is satisfied, and failures have not been mitigated.

The effectiveness of the project, with satisfaction of the attributes of performance, efficiency and effectiveness, only guarantees that the resources of the work plan, contributed by the financier, were allocated appropriately. Sustainability guarantees that, for the contracted object, the project governance mitigated the State and/or Market failures that gave rise to the partnership.

7. Analysis of Partnership Results

The results presented in this article are obtained using academic data from the Research Group "Third sector research and extension laboratory - TSREL", hosted at the University of Brasília (UnB) and registered with CNPq (dgp.cnpq.br/dgp/espelhogrupo/ 3170976735381631). The data is used as an example of a failure in public educational policy to offer early childhood education and literacy for children aged 6 to 8, in the countrifield territory of the municipality XK, where there are no educational establishments to provide formal early childhood education. To diagnose the absence of the State and the Market, a census was carried out by the TV Educational Organization, which identified 45 children aged 6 to 8 who did not attend school due to the lack of formal education on offer.

To mitigate the consequences of this failure, the TV Educational Organization submitted a partnership project to the XK municipality, through a public call, detailed in a pedagogical project to teach 45 children to read and write, within two years. The cost of the partnership was estimated at R$1,305,120.00 as shown in the work plan (Table 1).

In view of the proposal from the TV Educational Organization, the municipality's governance estimated the cost of the project to be carried out directly by the municipality and concluded that it would be necessary to allocate the amount of R$ 2,420,000.00 in the budget for a period of three years. Based on these two estimates, the governance of the XK municipality approved the contracting of the partnership proposal, through a funding agreement, following the logic of economy and effectiveness in allocating public resources.

The contracting rules require that at the end of the contractual term, the TV Educational Organization must demonstrate efficiency and effectiveness in the application of resources, as well as demonstrate compliance with the objective. To prove the fulfillment of the object, each child must show that they have acquired verbal and written communication skills and also an understanding of the basic arithmetic operations of addition and subtraction. To assess the object fulfillment, the municipality's governance chose the P indicator with a quantum at least equal to 90% ($P \geq 0.90\%$) so that the partnership is sustainable and State and Market failures are mitigated.

Table 1. Work plan proposed by the TV Educational Organization for literacy training for 45 children in the countrifield area of the municipality XK within 24 months

Resource allocation	**Value in BRL 1**
Wages and labor charges for early childhood educators	450.000
Wages and labor charges for the support and logistics team	150.000
School bus	90.000
Rental of physical space for classrooms	120.00
School meals	270.000
Security	120.000
Cleaning	90.000
Health services	45.000
Psychological guidance	35.000
Control and accountability	55.000
Total	1.305.120

Source: Research Group "Third sector research and extension laboratory - TSREL".

The funding term used for contracting allows the contracted organization to relocate values between headings, from one heading to another, but this relocation cannot change the estimated total.

7.1 Analysis of the Project in Process

The resources estimated in the work plan were fully contributed by Municipality XK and the execution of the project was completed within the contractual deadline as stated in the audit report. At the end of the partnership contracting process, two more children were identified, but could not be incorporated into the project because this would require reprogramming the estimated value of the work plan and the municipality’s governance claimed that there was no budget to increase the value of the contract. Given this budgetary constraint in the municipality, the TV Educational Organization made a commitment to carry out the project with the 47 children with the same financial resources as the work plan for the 45 children.

The XK Municipality audit evaluated the hiring and payment processes for the amounts allocated under each heading of the Work Plan and found no evidence of non-compliance with project compliance.

The quantitative assessment of performance (efficiency and effective) and the qualitative assessment of object fulfillment were conducted by a team of independent experts, whose results prove regularity as demonstrated in Table 2. To carry out the quantitative-qualitative assessment of object fulfillment, the team of specialists carried out reading, writing and basic arithmetic operations tests (addition and subtraction) with the 47 children, as well as interviews with the parents, and the answers obtained indicate that of the 47 children, 46 children met all the requirements that indicate the sustainability of the partnership. The child who did not meet the requirement was diagnosed with a learning disability, a characteristic that was not identified when the census was carried out to propose the partnership.

7.2 Project Performance Assessment

The project performance assessment consists of combining the quanta of the EEP and REP indicators to obtain the PEI coefficient metrics, all specified in section 6 preceding. The efficiency and effective signal the performance of the project execution and the object fulfillment metrics signal the sustainability of the partnership, as shown in Table 2.

Table 2. Performance of the partnership between Municipality XK and the TV Educational Organization

Performance ratio	Performance model	Quantum
Estimated expenditure per capita (EEP)	5.1.1	29.002,66
Realized expenditure per capita (REP)	5.1.2	27.768,51
Project efficiency index (PEI)	5.1.3	0,9574

Source: Authors.

The performance ratios shown in Table 2 ensure that the execution of the partnership was efficient and effective because the PEI quantum is less than 1 (PEI < 1), confirming the theoretical premise of the model. This occurred because the number carried out in the project was 47 children while the estimated number contracted in the work plan was 45. This performance, in the judgment of the project’s accountability, was sufficient to ensure regularity in the application of financial resources contributed by Municipality XK and that the metrics of effectiveness, efficiency and efficacy, were satisfied. This occurred because the EPV was not changed with the inclusion of the two additional children.

Performance quanta, in addition to evaluating the efficiency and effective of the project, are ratios of income distribution because the informational content of the EEP signals the distribution proposal and the informational content of the REP demonstrates how much income was actually distributed. This information, in social terms, is relevant because it is equivalent to the economic acquisition of income by the family to pay for their children’s education. So, this distribution of income made by a Civil Society Organization, delivering non-state public services to a community, is a social economy way.

7.3 Object Fulfillment Assessment

On the side of object fulfillment, ratios in Table 3 ensure alignment with the optimal signaling parameter “P”, greater than 90%, required by the Municipality XK ($P \geq 0.90$). This alignment is sustainable because the objective was fulfilled with QEI=0.9370 >P , and, consequently, the success of the partnership mitigated the failures of the State and the Market.

Even though a child was not successful in the qualitative assessment approach, the metric signals compliance with the contracted object because the combination of the PSA and PSS quanta resulted in the QEI quantum greater than the quantum of the "P" parameter required for the contracted object is declared as fulfilled.

Table 3. Object fulfillment of the partnership between Municipality XK and the TV Educational Organization

Object Fulfillment Estimators	Model	Quantum
Percentage of satisfaction (PSA)	5.2.1	0.9574
Percentage of socialization success (PSS)	5.2.2	0.9787
Qualitative assessment index (QEI)	5.2.3	0.9370

Source: Authors.

Thus, evidence of efficient and effective performance, and fulfillment of the objective, also allows the assessment of compliance with the fiduciary responsibility of governance, contributing to the partnership being successful and sustainable. This successful fulfillment signals the sustainability of public policy in the commitment to income distribution as an anchor of the social economy.

7.4 Partnership Assessment

The partnership assessment was tested in both stages of the methodology. The first stage signaled that the partnership's performance was effective with the efficiency and effectiveness metrics met in which PEI < 1. In the second stage there is robust evidence that the fiduciary responsibility of the TV Educational Organization's governance provides credibility. This evidence is related to the object's fulfillment with the QEI coefficient quantum (QEI=0.9370) satisfying the requirement of "P" ($P \geq 0.90$). Therefore, once the compliance, accountability and fulfillment of the objective requirements are satisfied, the signal is that the partnership is sustainable and the failures have been mitigated.

8. Final Remarks

The article discussed the contexts of State and Market failures and partnerships with Civil Society Organizations in the expectation that partnerships can be one of the instruments to mitigate the consequences of these failures.

The quantitative-qualitative methodology, proposed as an objective, was used to evaluate the efficient and effective performance of the project and fulfillment of the objective of the partnership, from the perspective of sustainability aligned with the fiduciary responsibility of the contracted organization's governance.

For the empirical tests, academic data from the research group "Third sector research and extension laboratory - TSREL" hosted at the University of Brasília (UnB) registered with CNPq were used.

The objective of discussing the contribution of the third sector in the construction of the social economy and suggesting a quantitative-qualitative theoretical model to evaluate the performance and sustainability of a partnership project was satisfied with the theoretical proposition and empirical evaluation of the model with academic data from the research group.

The article's contributions are relevant to the literature and to regulators and public policy managers in evaluating the performance and sustainability of partnership projects, as well as in evaluating the participation of Civil Society Organizations in the construction of the social economy.

In the context of the article, the social economy, represented by per capita expenditure assessed by the EEP and the REP, is distributed as a non-state public service provided by the contracted Organization, with direct transfer resources from the State.

In conclusion, the evidence provided by the empirical test is robust to support that the failure of the State and the Market, in not providing early literacy education for children in the countrifield area of the municipality XK, was mitigated by the partnership. This result is significant, but is limited by testing with academic data. Therefore, to broadly test the model, it is expected that other research can do so with actual data from concluded partnerships.

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