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Capital: Bucharest

GDP per capita (PPP): \$5,900 (2000 est.)

Population: 22,364,022 (July 2001 est.)

Foreign Direct Investment: \$1,000,000,000

Inflation: 45.7% (2000 est.)

Unemployment: 11.5% (1999)

OVERALL RATING: 4.0

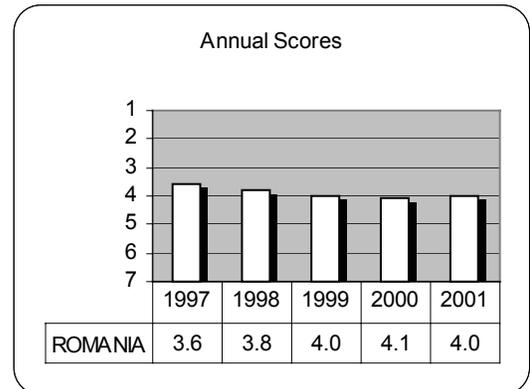
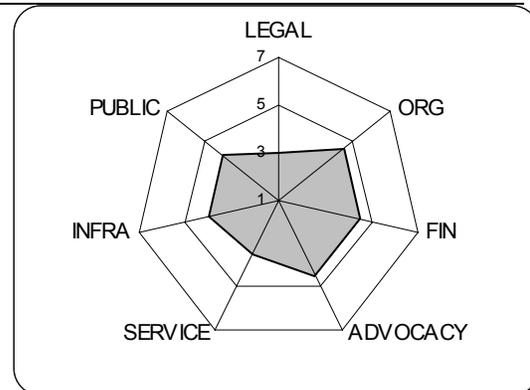
Despite improvements anticipated as a result of the recent passage of Government Ordinance 26/2000 (G.O. 26/2000), the Romanian NGO sector made little progress over the past year. The sector continues to need further develop in institutional capacity and in the relationship between NGOs, government, and the private sector. Nevertheless, more local authorities are establishing partnerships with community-based NGOs and NGOs now have increased access to local media.

Recent data indicates that there are approximately 25,200 NGOs in Romania, an increase of approximately 2,000 over last year. The Romanian nonprofit sector remains predominantly urban, with only 14% of all NGOs located in rural areas. Geographic distribution in the country also remains uneven, with counties in southeast Romania, for example, showing very low levels of associational life.

NGO social service delivery continues to expand in both geographic scope and range of services, reflecting the need for such services in Romania's difficult economic and social environment. Organizations working in the social services sector are also drawing public attention to social problems, particularly child welfare issues.

Financial resources for NGOs continue to be scarce. While donor funding and individual and corporate contributions are decreasing, NGOs are beginning to successfully raise money from local and central governments. Staffing continues to remain a problem, with many organizations unable to develop and retain core full-time staff.

While NGOs have lobbied for legislative and policy changes in various sectors, including discrimination against Roma and other minorities, and public access to information, such actions have not yielded expected results. The overall legal and fiscal environment for NGOs and the low level of public recognition of NGOs have not changed. NGO constitu



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encies remain weak, and opinion-makers, media, and the business sector remain skeptical of them. Nevertheless, some media and business groups have begun to partner with NGOs in public education campaigns about important social issues such as family violence, child abandonment, community health, and education.

LEGAL ENVIRONMENT: 3.0

G.O. 26/2000 governs the registration and activity of associations and foundations. Although the government ordinance attempted to simplify registration and the conditions under which NGOs can earn income from business activity, several problems remain. A list of desired amendments to G.O. 26/2000 is currently being advanced by NGOs. Specifically, improved legislation is needed regarding the tax treatment of individual contributions and corporate sponsorship, the registry of NGOs at the Ministry of Justice, and more consistent enforcement of the provision eliminating required approvals by individual government ministries based on initial NGO registration at local courts.

G.O. 26/2000 created a distinction between “direct” business activity, under which NGOs may sell products or services related to their non-profit purpose without setting up a company, and “indirect” business activity, under which business activity is done through a

company. Profit, in the latter case, if not reinvested in the company, must be used to fulfill the NGOs’ purpose. In addition, the ordinance enabled NGOs to compete for government contracts and procurements at both the local and central government level. However, many NGOs still find this system too difficult to navigate. For example, procedures used for awarding public benefit status remain unclear, with a lack of uniform criteria across different government ministries. Many local NGOs have chosen to ignore these provisions and have established partnerships with local governments to provide services in spite of the unclear enabling environment.

The legal treatment of sponsorship also remained a concern for non-profits. Law No. 204/2001 established new rates of tax deductions for individuals and legal entities that donate to NGOs, with the maximum deduction dependent on the type of organization.

ORGANIZATIONAL CAPACITY: 4.5

Most NGOs have limited capacity to increase the populations they serve or diversify their activity. There are often gaps in communication between service providers and recipients. Among the exceptions are associations created by parents of disabled children that are active in developing NGO capacity to maintain specific programs. Some NGOs are less concerned about being accountable to their beneficiaries than to donors, reflecting a lack of constituency-

building capacity.

NGOs aim to respond to various needs of communities, but often fail to establish clear mission statements. Strategic planning is not commonly used, and NGOs are less interested in receiving training or assistance on strategic development topics than on fundraising and project writing. However, Romanian NGOs are gradually starting to look at internal factors that impact

sustainability, addressing the need for organizational management, internal controls, permanent staff, and financial accountability.

Financial accountability remains a critical issue. Information on NGOs' financial status is not generally made available to the public. However, some NGOs that raise money locally understand the long-term strategic importance of building trust in local communities, and have begun to show greater openness and transparency. A positive example is Community Support Foundation – Bacau in northeast Romania, which provides information to local sponsors and community leaders on its community services.

NGOs are aware of the importance of having qualified human resources and acknowledge the need for at least two

permanent paid staff in order to ensure and develop institutional capacity. However, difficulties in raising funds for salaries force many NGOs to reduce permanent staff or to hire personnel on a project-by-project basis.

Volunteers are an important resource for NGOs, especially in light of a new law that creates a framework for employing volunteers. The law provides the following legal definition for volunteer services: "an activity of public interest undertaken by individuals called volunteers within the framework of certain legal relationships, other than a legal or civil labor relationship for carrying out a paid activity". Even with these provisions, many organizations cannot take full advantage of working with volunteers, as they are not prepared to manage them, assign adequate tasks, schedule their activities, etc.

FINANCIAL VIABILITY: 4.5

During 2001, the number of major grants programs for Romanian NGOs declined, with many ceasing activity altogether. Despite this, grants remain the principal source of funds even for NGOs which have diversified their funding base to include state subsidies, contracts, membership fees, donations, corporate sponsorship, and business activities. Local support is growing, but varies by field of activity: education, social services and sports are still the most attractive to potential donors and sponsors.

NGOs are increasingly raising money from the local and central government. Individual and corporate contributions as well as membership fees decreased over the past year as a potential source of funding for NGOs given the economic downturn which has affected both companies and individuals.

G.O. 26/2000 raised expectations in terms of public support and economic activities. It stated that some public benefit organizations "may be granted subsidies," but NGOs understood it as "will be granted subsidies." In practice, public funding is available only through select ministries with special programs, including the Ministry of Labor and Social Protection, Ministry of Youth and Sports, Department of Ethnic Minorities, and the State Secretariat for Disabled. Local governments have been more active in developing procedures through which in-kind donations (such as office space) and cash support can be provided to NGOs.

Advanced fund-raising techniques are being developed, with some NGOs beginning to organize TV and other fund-raising events. For example, "SMILE," a

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project established by Health Aid that works with HIV-infected children, successfully raised approximately \$50,000

through a TV fund-raising campaign in 2001.

ADVOCACY: 4.5

After the change of government in 2000, the Office for Government–NGO relations (under the Directorate for Protocol of the General Secretariat of the Government) was reorganized as the Department for Institutional and Social Analysis headed by a Secretary of State under the Prime Minister. The Department (DAIS) has worked since February 2001 to provide information on NGO activity, support their initiatives, and facilitate NGO consultations with government and has co-sponsored NGO events, supported NGO proposals to the Government, and served as a channel of communication between NGOs and policy makers.

Although the Office of Public Information and Relations with Civil Society in the Romanian Chamber of Deputies (lower chamber of Parliament) was nearly dissolved at the beginning of last year due to rising pressure for the Chamber to reduce personnel costs, it survived and continues to provide effective services to the NGO community. A group of hu-

man rights NGOs have demanded similar access to legislative documents in the Senate, but have been refused so far.

A successful lobbying campaign led by a well-organized coalition of media groups, think tanks and human rights NGOs resulted in the passage of a widely praised Law on Free Access to Public Information. Another positive example of collaboration between NGOs and the government was passage of the law on human trafficking, which was produced by a legislative working group established in part by the Center for Legal Resources. Another effective campaign was developed by ACCEPT, an association for sexual minority rights, that resulted in removal of discriminatory provisions from the penal code.

Despite these successes, lobbying activities for the sector as a whole lost momentum, and some initiatives were not finalized, including the “one percent law” – a tax incentive for sponsors modeled on a Hungarian law.

SERVICE PROVISION: 3.5

Romanian NGOs provide mostly social, educational, cultural and recreational services. NGOs have displayed their efficiency in complementing the state in domains such as higher education or child welfare, where the state is unable to meet demand. Goods and services offered by NGOs increasingly reflect the needs and priorities of communities. While NGOs are slowly becoming more sensitive to community needs, the sector has a volatile public image. Although

beneficiaries still generally expect NGO products and services to be free, NGOs have started to introduce fees in an attempt to get partial cost recovery.

Social service provision is improving especially in the area of child welfare, as NGOs develop solutions for the public sector related to preventing child abandonment, supporting family education, offering legal advice, promoting “foster” care, and organizing baby sitting. By the

end of 2001, the Government had issued a draft framework law on social assistance to address relations with NGOs for providing social services. The underlying principle of the draft law is

that the state should organize and provide financial and logistic support for a social services system through promotion of partnership with local community organizations.

INFRASTRUCTURE: 4.0

Few of the many NGO resource centers initiated with donor support over the years have survived. Often, such centers failed to become sustainable because the NGOs that took on the provision of these services lacked the capacity to maintain their core activities for which they had built community support. There are some positive examples, however. In Cluj, a local NGO network functions as a resource center, and a special NGO resource center was created for NGOs active in social work. A new program to develop five regional NGO resource centers was recently launched by Centras and seeks to incorporate these lessons learned.

Training activities are supported by a number of local resource centers, including CREST Satu Mare and the Resource Center Galati. The NGO sector has a core group of professional trainers, and training materials adapted to Romanian NGOs are widely available in the Romanian language. Training providers are looking for ways to develop sustainability, such as charging small fees, but such income remains insufficient. While university programs in non-profit management exist, they are

generally not of high quality or based on practical Romanian realities.

The Executive Group of the annual National NGO Forum (GIR) continues to represent the interests of the NGO sector, acting as a rapid reaction group on issues of concern to the sector as a whole. The national forum is organized following county level meetings throughout Romania each year. Topics on the agendas of county forums have included: resources for NGOs, legal framework, public benefit status, public image, and partnerships with local government and among NGOs. NGO representatives are looking at network and federation structures to increase their strength.

In recent years, some local funders started to provide small grants to NGOs. Funders such as Princess Margarita of Romania Foundation and Foundation for Community Partnership mostly distribute funds raised abroad, but rely on local decision-makers. NGOs consider them well-positioned to make small grants because of their knowledge and understanding of rapidly changing local needs.

PUBLIC IMAGE: 4.0

NGO leaders still regard a media campaign against NGOs in 1998 – which targeted the misuse of foundations, for example, using them for tax-free import of personal vehicles – as having had lasting negative impact on the public

image of the nonprofit sector. Negative reports on NGOs in the fields of international adoption and animal rights recently brought more negative attention to the sector. Despite these problems, NGO relationships with local mass me

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dia have improved on the whole.

Publication of achievements and annual reports has not yet become regular practice for most NGOs. Although the National NGO Forum approved a code of ethics for NGOs, uniform ethical practices have not yet been developed. Public awareness of NGOs remains limited. According to surveys, 78.4% of the population does not know the acronym "NGO". This lack of awareness and confidence in NGOs affects the level of voluntary activity. However, a slowly improving understanding by local government and the business sector, as earlier

noted, has helped NGOs to play a role in developing new laws and policies at the local level.

Professional media campaigns organized by NGOs to promote their causes are new. Positive examples include a campaign against domestic violence by the Community Safety and Mediation Center in Iasi, following the release of a study by Save the Children Romania, and a similar campaign by the Association for the Promotion of Women in Timisoara.