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The World Bank  
Resident Mission in Romania

# **Report**

# **NGO Stock-Taking in ROMANIA**

**November 9, 1998**

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**Attachments: Law 21/1924, on Associations and Foundations**

## Introduction

According to the request received by the Resident Mission in Romania, we have attempted to present in the present report an overview of the NGO sector in Romania. As every where in the region the NGO sector is very dynamic and the data concerning the NGOs grow quickly outdated in terms of numbers or of constraints.

The data used for the report has been selected from public or draft studies made by the research center of the Civil Society Foundation, the “NGO White Papers”- a series of documents issued by the NGO National Forum – edited by the NGO CENTRAS, working documents of various ministries and other governmental agencies.

In drafting the report we have attempted to follow as closely as possible the terms of reference provided. Therefore, the first chapter tries to present briefly a complex set of historical constraints which has led to the present diverse social fabric and issues in the development of the Romanian social capital, with reference to the religious, legal and political evolution in Romania.

The second chapter is a study of the legal and fiscal system regulating the NGO sector. The study describes the constitutional basis and the present, outdated legal base, as well as the recent relevant laws and Government ordinances referring to NGOs. Mentions of the legal system abound, however throughout the paper due to the importance of needed change in legislation and the constraints the present system imposes upon NGOs. The second part of the chapter makes an overview of the fiscal treatment applicable to NGOs, with special reference to the legal possibilities for microcredit activity.

The third chapter, the largest, tries to present the NGOs by domains and sectors. The presentation is uneven in its depth and detail, depending on the sources and its availability. Some sectors, paradoxically generally the largest, are the ones, which network least, and therefore there is less information available. Most of the information in this chapter comes from the research done annually on the occasion of sector meetings of the NGOs, as well as from particular surveys done by Governmental or nongovernmental agencies. The text boxes provide individual examples of NGO activity.

Chapters four and five benefit from a recent survey made on the very issue of collaboration and inter-sector partnership which allowed us to provide empiric data on the subject.

Chapter six, concerning the sustainability of the sector touches upon one of the most controversial and hot topics of the NGO sector. Data is provided concerning funding sources, by type and origin, as well as a discussion on the approach of the main donors.

Chapter seven, makes a brief overview of the projects involving NGOs in preparation or in implementation, and highlights the constraints or the strengths of the NGOs working in Bank projects.

The ideas and suggestions in the final chapter are based on the presently known opportunities to involve NGOs into Bank operations and policy dialogues and makes recommendations accordingly. The interested readers should know the Resident Mission is in possession of an electronic database of 850 NGOs which are active, working organizations and which is available on specific demand.

Law 21 of 1924, for the establishment and registration of NGOs is attached.

## **1. Historical overview of the growth of NGOs, and the conditions leading to their growth in Romania**

Given its recent history, the Romanian non-profit sector is the result of institutionalization processes that are taking place in the complex environment of an emerging civil society that is filling the space between the market and the state created by the institutional upheaval after 1989. Civil society, in turn, is also a relatively recent social phenomenon in Romania.

Strong political and societal institutions did not develop in Romania until the 19th century. Rather, the historic Romanian territories remained predominantly agrarian in nature with only archaic forms of social organization. With weak linkages between largely rural communities and administrative structures, and the neglect of the dominant Orthodox Church to stress the value of charity in its theology, Romania did not develop the institutional foundations for civil society and philanthropy for large parts of her history.

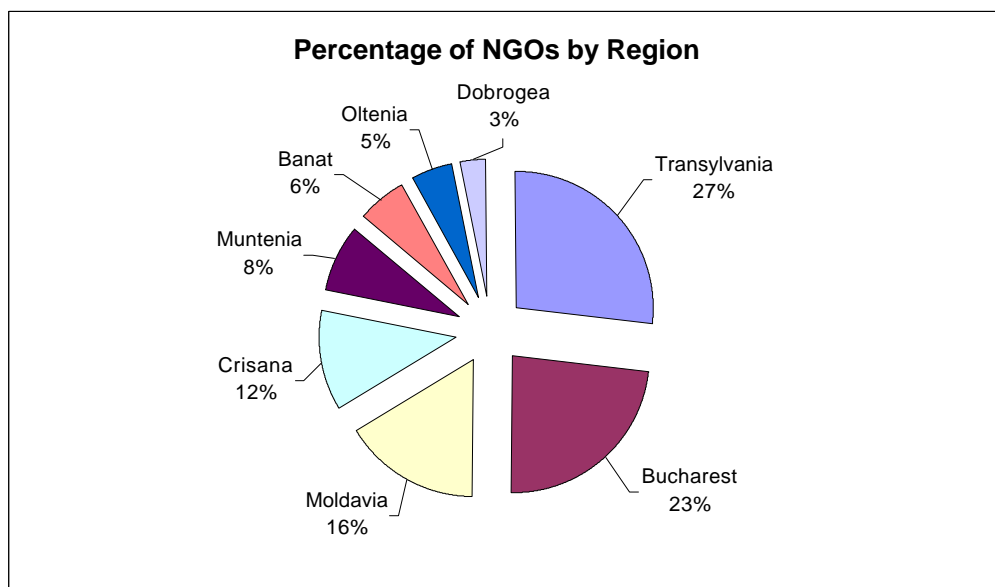
The first modernization trends emerged in the Romanian society after the creation of the Romanian state in 1864 unifying the Moldavia and Muntenia regions, as the young monarchy, supported by the local elite, systematically attempted the cultural and economic “synchronization” of Romania with Western countries. Western models for the modernization of society were “imported” to replace the traditional, archaic forms unable to generate and maintain social development. Nevertheless, most of this process was carried by the state rather than private institutions, and the organizational bases for the development of civil society and the NGO sector were not put in place until the brief democratic period between the two World Wars. Indeed, the frame-law of 1924 provided the first full recognition of citizens’ freedom of association and introduced associations, foundations, unions and federations as new legal forms to the Romanian legal system. The brief democratic period between the two World Wars led to the emergence of a new, though fragile civil society, whose development, however, was stopped by the authoritarian regimes during the Second World War. During the subsequent communist period (1945-1989), the associative life was further brought under the severe control of the authorities to the stage of outright repression of any activities associated with civil society.

The current, post-communist picture of the NGO sector is made up of organizational entities set up mainly on the basis of the legal act in force between the two World Wars: associations, foundations, unions, and federations. A general tendency of continuity in the associative movement before and after communism is noticeable, especially as regards the types of objectives and missions of NGOs. Similar themes include the promotion of democracy, the development of civic attitudes, or the fostering of volunteering and charity reflecting important values in the process of social modernization and development. Although difficult to measure directly, these values play an essential role in shaping mentalities and behavior, and have influenced social and political change both in Romania’s first period of democratization in the 1920s and 1930s, and now. In Romania, civil society developed historically at a later stage and to a somewhat lesser degree than in other Central or Western European countries.

The re-launching of the non-profit sector after the revolutionary changes of 1989 was achieved in a new reference framework, provided by the new Constitution, granting an increasing value to the non-governmental status and to the social missions of associations. The changes occurred in the Romanian post-communist society are included in the dynamics of the complex transition phenomena, common to the countries of Central and Eastern Europe. Among the major tendencies identified in the contemporary evolution models from this region, one can notice also the expansion of social and civic movements, illustrated by the development of NGOs.

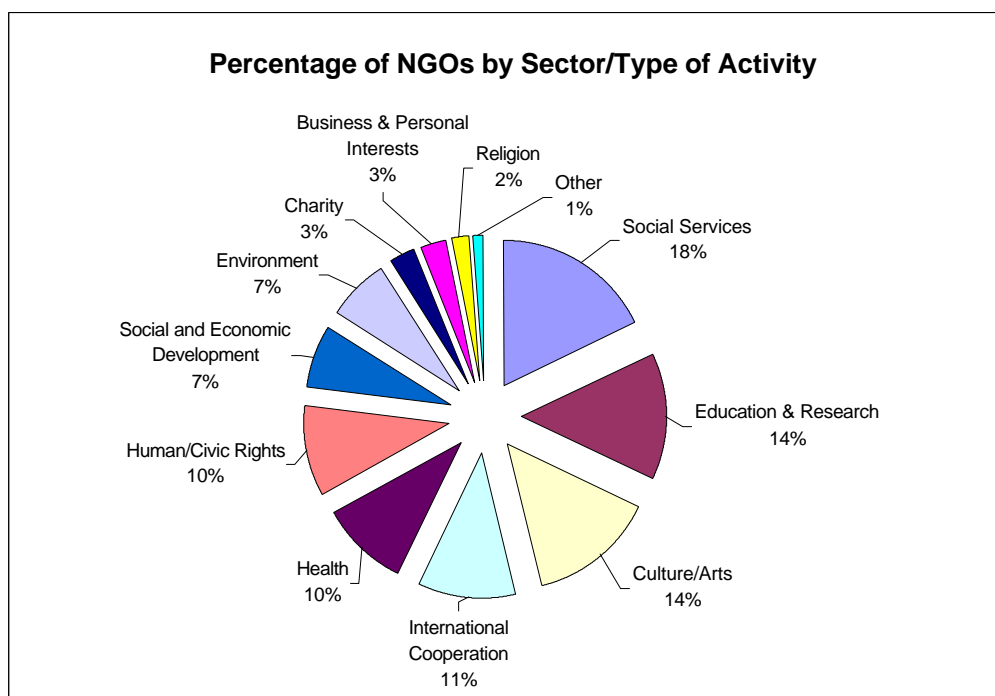
The following chart illustrates the dynamic of NGOs establishment between 1990 and 1996. Starting with 1990, the NGO sector in Romania had a continuous growth. If at the beginning of 1993 in Romania existed 5,150 NGOs, in 1996 the number was 2.5 times more reaching to almost 12,500 NGOs. In March 1998 were identified around 27,000 NGOs, from which 59% are associations and 32% foundations, the rest of 9% being unions or federations.

The economic, social and cultural differences existing in the regions of the country strongly influenced the development of the non-profit sector, both in terms of number and capacity. At the same time, 92% of the NGOs are located in the urban areas, from which 78% are located in the capitals of the counties. Following is the distribution of NGOs in the historical regions and Bucharest:



Region	No. of NGOs	% from total of NGOs
Transylvania	7,290	27%
Bucharest	6,210	23%
Moldavia	4,320	16%
Crisana	3,240	12%
Muntenia	2,160	8%
Banat	1,620	6%
Oltenia	1,350	5%
Dobrogea	810	3%

In 1996, the division of NGOs by types of activity they provide was the following:



Sector/Type of activity	No. of NGOs	% from total of NGOs
Social Services	4,860	18%
Education and Research	3,780	14%
Culture/Arts	3,780	14%
International Cooperation	2,970	11%
Health	2,700	10%
Human/Civic Rights	2,700	10%
Social and Economic Development	1,890	7%
Environment	1,890	7%
Charity	810	3%
Business and Personal Interests	810	3%
Religion	540	2%
Other	270	1%

One of the last trends in the last years is the migration of the activities from the fields of promoting civil rights and professional interests to social, educational and health activities. Another characteristic of the NGOs is the diversity of activities performed by one organization, since only 9% of the NGOs are dealing only with one type of activity.

The general predictions concerning the future evolution of NGOs and their role in society, refer to the continuation of a process by which the non-profit sector increases its participation to the overall goods and services production, as well as social responsibilities.

The structuring of the NGO sector, based on coalition building and networking, has



been a slow process, due to the lack of trust and competition on scarce resources. However, recently sector –wide umbrella organizations have started a slow development. This process has been fostered by the general meetings based on a sector approach or, more recently geographic approach, through the Annual NGO FORM (see box below)

The Annual NGO Forum, is an event, which started in 1993 and was initiated by the International Foundation for Electoral Systems, an USAID contractor. Later, when the funding ended the initiative was carried on by its Romanian offspring, CENTRAS. Initially the Forum has represented a meeting of the most active NGOs working in advocacy related activities and only in certain sectors (i.e. social and cultural NGOs were not invited). It was an occasion to present to themselves and to the authorities their activity in an attempt to start a dialogue and promote partnerships. The Forum published every year the “White papers” of the different sectors, which until 1995 were the only broad and documented published documents on the NGO sector in Romania, generally accepted.

The Forum has evolved and is now a tradition. The last few events have even passed “motions”, concerning the position of the NGOs (present) on certain social issues, as well as “motions” calling for action on different issues concerning NGOs. These documents have led to the passing of a favorable amendment to the Sponsorship law, has led to the submission, in the Parliament, of a new draft on the NGO law, etc.

The last event, held in October, has had a different structure, aiming at national representation based more on the geographic distribution and following a round of county level Forums that sent delegates to the annual meeting. It is unclear yet if this approach toward a federative structure for a national umbrella organization will be substantive, but it is the first time it has a grass-roots approach, rather than a top-down drive, doomed to failure as all attempts made until now.

## **2. The legal framework under which NGOs are established, registered, monitored and held accountable and their tax treatment**

The constitutional basis for setting up an NGO is article 37 of the Constitution, which stipulates the right to associate in chapter II, regarding "The fundamental rights and liberties". The feature of constitutional norm of the statement concerning the freedom of association, places the associative act on the highest legal level, meaning that besides a number of limitations imposed by the Constitution to the right of free association, no other restriction can be imposed through organic or ordinary laws completing the constitutional text.

In Romania's legislation the term NGO is not defined, however the framework Law no. 21/1924 defines associations, foundations, unions or federations as being types of NGOs. The above mentioned law stipulates that "associations and foundations having no lucrative or patrimonial aim, created and organized by individuals" will obtain legal status and that associations and foundations are legal entities

based on private law, with no lucrative or patrimonial aim.

Law no. 21/1924 contains provisions which are common to associations, foundations and federations, as well as distinct sections, which cover definitions and legal treatment applied for each of them. The fact that the law does not define the term “non-governmental” is due to the fact that it was not used at the time the legal act was drawn up. According to the law, the association “is the convention by which several persons put together, on a permanent basis, their material contribution, knowledge and activity, in order to achieve a purpose which does not pursue pecuniary or patrimonial benefits”. The text of the law contains a special provision referring to the aim of the association, stating that this could be “purely ideal, complying with the general interests of the community, or with those of a social category to which the associates belong, or complying with the non-patrimonial personal interests of the associates”. The foundation is defined as an “act by which a natural or legal entity creates a patrimony, distinct and autonomous from its own, and dedicates it, generally, in a permanent way, to the achievement of an ideal purpose of public interest”. While the essence of an association consists in forming a group with a common, corporate ideal, the foundation is a one-sided legal act, through which a fund or a patrimony receives a particular destination. This is the starting point for the different legal treatments applicable to associations and foundations in the Romanian law system. For unions, federations or groups of legal entities, the Romanian law stipulates that two or more legal entities can set up into unions or federations, if the centralizing action is justified.

Although Law no. 21/1924 is the framework law for NGOs, a number of associations have been established by Government Decisions: The Romanian Cultural Foundation (G.D.no.354/1990), The General Association of Livestock Breeders of Romania (G.D.no.485/1990). A provision in the Law stipulates the conditions under which a branch of a foreign organization can operate in Romania: “Legal persons under private law, having non-profit or non-patrimonial aims, which have their residences abroad, can benefit from their legal status and function on the territory of the Romanian State according to the Romanian laws, if they are recognized according to the laws of their country and if they had obtained the authorization of the Romanian Government beforehand”. It is the situation, for example, of The Regional Environmental Center for Central and Eastern Europe, which is operating according to the G.D.no.194/1992.

The documents for the legal establishment of an association are the following: the statute and the constituting act. A first element for obtaining the legal status is the patrimony of the organization, which must be distinct from that of the founding members. Article 32 of Law no. 21 stipulates that the patrimony must be capable to sustain, at least partially, the aim for which the association had been set up, that which allows a subjective consideration of the court. Another constituting element of the legal status is the aim of associations and foundations, which must be complying with the stipulations of the framework law and of the Constitution. Legal status is not recognized to organizations having an illicit object of activity, contrary to the public order or to the moral standards. Similarly, the aim of the legal entity must be non-patrimonial, the economic activities performed by associations being subject to the non-profit aim of the association. The law also stipulates that the aim must be

determined, meaning that the state can exert an elementary form of control over the development of the organization's activity. The third constituting element of the legal treatment regarding the granting of legal status to voluntary associations refers to the internal organization. The text of the law confers a great importance to the existence of a well-determined organizational structure, that which is inferred also from the provisions stipulating the nomination in certain situations of the management bodies by the competent court. In the judiciary process of founding an association, a significant stage is the court's request of a setting up recommendation from the competent public authority, which is issued according to the opportunity criterion.

The Romanian legislation stipulates a separate fiscal treatment for non-profit legal entities. However although existing, these regulations do not offer a legal and favorable support to the development of NGOs. The procedure rules for benefiting of fiscal facilities do not yet consist in a package of provisions designed to offer a special status to NGOs. In the national legislative system there is a series of regulating acts establishing a separate legal treatment for legal entities having non-lucrative and non-patrimonial aim. Law no. 21 establishes the exceptional character for receiving donations by these organizations - fact that is justified in the context of the non-profit sector funding during the two World Wars, when social assistance associations enjoyed a regular support from the state. At the same time, an important self-financing resource for associations consisted in the possibility to develop economic activities.

Recently was passed the Government Ordinance no. 36/1998, which modifies Law 32/1994, concerning the sponsorship. According to this Ordinance, NGOs can be beneficiaries of a sponsorship (financial or in-kind contribution) if they have activities such as cultural, artistic, educational, scientific, humanitarian, environmental etc.

By adopting Law no.208/1997 on the setting up and the running of social aid canteens, of Law no.34/1998 on grants to associations and foundations which set up and manage/run social assistance units, as well as Government Ordinance no.36/1998 concerning sponsorship in order to amend and complete Law no.32/1994, the legal framework becomes more stimulating for NGOs having in their constitution the development of social services.

Law no.69/1991 modified by Government Ordinance no.22/1997 allows Local Councils to lease buildings held in their own property to registered charity companies and to set up local interest public services.

Except for the field dealing with the protection of children in distress and of their family, which has been decentralized by the adoption of a regulations package which came into force in 1997 (Government Decision no.205/1997, Emergency Ordinance no.25/1997, Emergency Ordinance no.26/1997, Government Decision no.245/1997 and Government Decision no.604/1997), the management of social services at local level represents only the management and the administration of funds allocated from the state budget or from local budgets for providing financial or in-kind services. The only legal regulation trying to establish quality criteria regarding the provision of social assistance is Decision no.315/1994 of the Minister of Labor and Social Protection through which the roles and responsibilities concerning the professional activity and the behavior of the social worker are approved.

## Tax Treatment Applicable to NGOs

### Value Added Tax

In accordance with Government Ordinance No. 3/1992 regarding Value Added Tax, with its subsequent modifications, added value tax shall not be levied for delivery of goods and rendering of services resulting from specific licensed activities performed by the following organizations:

- a) Non-profit-making organizations carrying out social and philanthropic activities;
- b) Organizations carrying out religious, political or civic activities.

Following the passing of Resolution No. 7/1995, it was decided, with regard to economic activities carried out by entities which are not included in the category of Value Added Tax payment, that there shall be registered as VAT payers only those parts of the respective entity which performs taxable operations and for which distinct financial management and accountancy records are kept.

Registration as VAT payer shall only be made if the annual turnover obtained from the carried out activities exceed the amount of 50 million ROL.

In accordance with the same above-mentioned Ordinance, no VAT shall be applied provided the following requirements are fulfilled:

- A. In case the objectives to be achieved are:
  - a) nominalized in Government resolutions;
  - b) stipulated in agreements, protocols or conventions concluded with foreign governments or international organizations;
  - c) intended for humanitarian, social-philanthropic, health protection, cultural, artistic, education, scientific, religious or sports purposes.
- B. Funding shall be insured from:
  - a) the switch trading fund constituted from the ROL equivalent of assistance received by Romania under the form of goods and services;
  - b) non-reimbursable assistance or loans granted by foreign governments and international organizations, other than those provided at item a) above;
  - c) funds held by non-profit making and charity organizations, including those held by religious creeds in Romanian and abroad, also constituted from donations made by natural and legal persons.

A distinct treatment shall be applied to certain organizations, which carry out social assistance activities. In accordance with the same Ordinance, value added tax shall not be levied with regard to delivery of goods and rendering of services resulting from specific licensed activities carried out in Romania by health care entities, including veterinarian ones, and social assistance units: hospitals, sanatoria, clinics, dispensaries, medical consulting rooms, old people's homes, orphanages and other units licensed to carry out health care and social assistance activities.

There shall also be exempt from VAT payment entities which legally carry out research, development and innovation activities and which develop programmes, sub-programmes, themes, projects and actions that are components of the National Programme for Scientific Research and Technological Development or of the National Programme for Research, Development and Innovation.

Entities that legally carry out the above mentioned activities with funding granted by

international partnership with the European Union, by regional and bilateral cooperation shall also be exempt from VAT payment.

In case of operations to which no VAT quota is applied, deduction shall be made by refunding by the fiscal authority of the amount representing the difference between the tax pertaining to inputs and the tax invoiced by the beneficiary for the performed activity.

Applications for refunding shall be quarterly submitted to the fiscal authority, the latest by the end of the month following the completion of the quarter, and shall only be justified by documents testifying the acquisitions made during the quarter for which VAT refunding is requested. Failure to submit the applications in due time and to provide all justificatory documents shall lead to the loss of the right to VAT refunding.

Mention should be made that legal norms which regulate Value Added Tax are particularly clumsy and numerous. Moreover, such norms have been modified several times, they are sometimes doubled by resolutions of central administration bodies, by interpretations and instructions for the application of such norms (passed by the Central Committee for Unitary Application of Legal Provisions regarding Indirect Taxes).

Alongside with the difficulties in interpreting legal regulations, there are also a series of practical difficulties in obtaining refunding as provided by law. Procedures and documentations are very complicated and require considerable financial efforts from the non-profit making organizations.

Another real problem is the difficulty in approaching the public administration authorities' employees who process the refunding files.

This is why it is only few of the non-governmental organizations that recover in fact this type of expenses, in spite of the fact that there is a law regulating such recovery.

## Profit tax

Government Ordinance No. 70/1994, with its subsequent modifications, establishes the legal framework applicable to non-governmental organizations regarding profit tax.

Thus, sightless and disabled people's organizations, disabled people's associations and business entities exclusively employing such persons shall be exempt from profit tax payment.

Associations and foundations that use at least 80% of their profits - regardless of their source - to achieve the objectives they are licensed for, including investment, equipping and operating expenses, shall also be exempt from profit tax payment.

It is necessary to underline that the Ordinance text contains incorrect provisions, as, in accordance with Romanian law, it is only associations that are allowed to carry out profit making activities.

It is only incomes and expenses of non-profit making legal persons (associations or foundations) related to profit making economic activities that shall be taken into account when establishing taxable profit.

The Ordinance stipulates that the following are incomes obtained from non-profit making activities, and are therefore not taxable:

- contributions paid by their members
- contributions in cash or in kind paid by members and supporters
- registration fees established in accordance with the legislation in force
- donations and amounts of money or goods received from sponsors
- interests and dividends obtained from placement of liquidities resulted from such incomes
- incomes obtained from advertisement and publicity, except for those obtained through specialized companies
- incomes for which show taxes are due
- incomes obtained from turning to good account of assets in their patrimony.

## Local Taxes and Duties

In accordance with Law No. 27/1994, non-governmental organizations are liable to pay local taxes and duties as regulated by law.

Determining, ascertaining, control, supervising and collecting of local taxes and duties, delayed payment penalties and fines shall be carried out by the specialized departments of local councils.

Law regulates the following taxes and duties:

- Building taxes
- Taxes for land occupied by buildings and other constructions
- Taxes for vehicles
- Taxes for use of public spaces
- Taxes for issuing construction certificates, approvals and licenses
- Taxes for the right to use means of publicity and advertisement

Local councils can also institute other taxes, besides the ones regulated by law, for public services rendered at village, town, city or district level, with a view to provide funds necessary to fulfil certain community needs.

## Dividend Tax

Non-governmental organizations can establish commercial companies carrying out economic activities, in their capacity as shareholders or associates, under one of the forms provided by law.

Companies shall pay 10% tax at source for dividends, in accordance with the provisions of Government Ordinance No. 26/1995.

Legal persons shall be liable to calculate, retain and pay the dividend tax upon payment of dividends to shareholders or associates.

## Customs Duties

Romanian law provided exemption from customs duties for non-governmental organizations. Such

dispositions have a special character and they apply to specific categories of goods. In accordance with Government Ordinance No. 26/1993, this exemption shall apply to donations and assistance having a social, humanitarian, cultural or education nature received from non-profit making humanitarian or cultural organizations. Such restrictions are established in order to avoid that donations be used in election campaigns or in actions that can be a threat to national safety.

Customs duty exemption shall also apply to imported goods or to goods directly paid as a form of assistance, non-reimbursable loans, as well as goods obtained from scientific and technical cooperation programmes granted to Romania by foreign governments, international organizations, non-profit making and charity organizations, intended for non-profit making activities.

Goods exempt from customs duty payment shall only be used in accordance with the specific purpose for which tax exemption is granted; customs duties shall be paid in the event that their destination is changed.

For these special legal provisions to be applied, the law stipulates a set of requirements to be fulfilled by imported goods. Such goods shall comply with the following requirements:

- To be dispatched by the sender without any payment liability for the receiver
- Not to be further commercialized
- Not to be used for rendering profit making services to third parties
- To be incorporated in the patrimony of the beneficiary legal person and registered in its accounting records.

### **Tax Treatment Applicable to Credit Granting**

In accordance with Banking Law No. 58/1998, banking activity in Romania is carried out through the National Bank of Romania and through other banks.

However, banking activities of other business entities can also be licensed, under the law, provided the provisions of the Banking Law are complied with.

Banking Law forbids all persons to carry out banking activities on the territory of Romania unless a license is granted to them by the National Bank of Romania.

Institutions, other than banks, authorized under the law to carry out banking activities, shall be subject to licensing, prudential supervising and regulation by the National Bank of Romania.

A series of explanations need to be given here. Non-governmental organizations established in accordance with the dispositions of Law No. 21/1924 do not have the legal capacity to carry out credit granting activities. In accordance with Art. 40 of Law No. 21/1924, associations may establish accessory business entities only when such business entities are related to their main purpose.

It is necessary to add that the purpose of an association can be *“or should ideally comply with the general interests of the community or of a social category to which the associates belong or with the personal non-patrimonial interests of the associates”*.

Romanian law contains specific dispositions, which derogate from the provisions of common law and establish special legal conditions for certain categories of non-governmental organizations.

Law No. 109/1996 stipulates the conditions regarding operation and organization of consumption cooperatives and credit cooperatives.

In compliance with the law, consumption cooperative and credit cooperative organizations are autonomous, apolitical and non-governmental associations, the main purpose of which is organization of activities intended for mutual assistance of their members.

Consumption and credit cooperative organizations shall have a variable number of members and their registered capital shall be constituted from shares of equal value. It is forbidden to establish such organizations with a fixed registered capital.

The minimum number of founders of a credit cooperative/popular bank is 100 persons, each subscribing and paying up at least one share.

In accordance with the law, credit cooperatives/popular banks shall carry out activities intended for the benefit of the cooperative members, of the following type:

- Granting loans and rendering banking services
- Priority granting of loans under preferential terms for cooperative members, farmers - for purchasing animals, fodder, agricultural machines, equipment and tools, fertilizers and other materials necessary for the development of agricultural production in individual households, in accordance with the refinancing possibilities
- Turning to good account of the savings of the cooperative members and of other persons
- Contracting of bank loans
- Depositing of cash savings of cooperative members and of other natural and legal persons in accounts opened on demand and performance of operations in such accounts
- Foreign currency exchange operations
- Financial and banking operations performed on mandate basis.

The financial resources of the credit cooperatives have the following sources:

- Members' contributions
- Paid up shares
- Profits obtained from their own activity or from participation titles
- Other means resulted from contributions of the members of consumption and credit cooperatives organizations to special funds, arbitration fees, surpluses found upon performance of patrimony inventories, fines applied by authorized special control authorities, donations, sponsoring, etc
- Dividends resulted from the activity of companies and business entities in which the consumption and credit cooperative organizations hold participation shares
- Contributions of the associated cooperative associations

Another special regulation which establishes derogations from the common terms applicable to non-governmental organizations is Law No. 122/1996 regarding the legal status of employees' mutual assistance houses.

In compliance with the law, employees' mutual assistance homes are non-profit making associations organized based on the free consent of the employees, with a view to insure financial support and assistance to their members.

The object of activity of the employees' mutual assistance houses is exclusively employees' mutual support, by granting loans the interest of which shall return to the members' registered fund, after deduction of the statutory expenses.

For certain non-governmental organizations established in conformity with Law No. 21/1924 to be able to carry out credit granting activities, a special regulation is necessary, capable to provide a special legal status for such category of legal persons.

We should not neglect the solution stipulated in the current legislation with regard to carrying out of economic activities by non-profit making organizations. Thus, there is



a legal possibility that a non-profit making organization participate in the establishing of a commercial company operating in compliance with commercial legislation. The object of activity of such a company shall be established in the incorporation documents.

### 3. An assessment of the relative strength and weaknesses of NGO work in different domains and sectors

*Domains: advocacy, research, service delivery, capacity building.*

*Sectors: culture, civic, human rights, training/capacity building, gender, rural development, social protection, business and economic associations, environment, youth, funders and donors*

#### Assessment of NGOs working in different domains

The practice in the non-profit sector and common understanding of donors working in Romania refer mostly to NGOs working by sectors, rather than separating them by domains. However, the domain can be included both in the statutory act of the NGO or in the eligibility of the donors. This is why the assessment for NGOs working in different domains is comprehensive, their assessment on sectors being more detailed.

**Advocacy activity of NGOs** was promoted and supported mainly by USAID programs, following the strategic definition of civil society the organization has been using. Important initiatives were initiated in National NGOs Forums, mostly referring to the improvement of the legislative framework of the non-profit sector. Working groups were established, under the coordination of CENTRAS, to submit to the decision makers draft laws, like the Sponsorship Law (with good results) and a new framework law for NGOs.

NGOs which oriented themselves to **research activities** can be divided in two categories: those which consider pure research activity (they are set up by researchers which look for an alternative to poor support of the Romanian state for the research sector) and those which are preoccupied with the evolution of the social and political phenomena in Romania. The Civil Society Development Foundation, for example, has a specific research department which produces reports and studies on different aspects of NGOs activity, as well as on the relationship of the third sector with governments and businesses.

In the first part of the 90s, foreign assistance considered **capacity building of NGOs** as a condition for the formation and sustainability of the non-profit sector. Donors started capacity building programs (e.g. Environmental Training Program) or doubled their grants programs by capacity building components (e.g. the Regional Environmental Center for Central and Eastern Europe). The foreign donors generally formed a local organization capable to take over the know-how and develop further the programs or set up new programs or NGOs with wide and important training programs. Such important training delivery organizations are the Civil Society Development Foundation, Opportunity Associates - Romania and Democracy Network Program through World Learning. The courses delivered targeted NGO members in different positions and covered a large area of subjects, from general management topics to specific topics, like good governance, PR, financial management, volunteering, campaigning, introduction to PCs.

## Assessment of NGOs by sector

### Culture

The number of NGOs in this area is increasing from one year to another. However, the number of really “active” NGOs is a small part of the huge amount of registered associations and foundations.

Many of these organizations have been set up as “offsprings” of public institutions, having as a purpose to support by fund raising their current activities. The founders had in mind either to get supplementary funds or to avoid bureaucratic mechanisms in the development of various projects. There are also organizations that fall into a different category, namely those dealing in the fields that seem overlooked or poorly managed by already existing institutions and bodies. Finally, there are many foundations that have been set up to support their founders’ personal ambitions or financial interests disguised under a cultural mask.

Part of the NGOs dealing in culture is striving to build a viable alternative to the institutionalized cultural productions, as well as to the commercial productions. Identifying the financial resources on the one hand and the level of competence of the promoters condition the success of this move, on the other hand. Financial resources usually come from sponsorship activities. The range of possibilities made available through Government Ordinance 9/1996 (subsidies for projects with the local or central authorities, on a contract basis) could easily become a means to support cultural initiatives coming from the NGOs.

Probably the best known cultural organization is UNITER - acronym for the union of the theater related people. The UNITER has received in 1990 a minor support from the authorities, due to the notoriety of its leaders, highly respected civic and cultural figures (the President is Mr. Ion Caramitru, the present Minister of Culture). Their activity goes from the organization of shows for the handicapped and the prisoners and advocacy for the rights of retired actors to enormously popular awards galas.

Another popular cultural NGO is “Jeunesse Musicale” an NGO whose objective is the promotion of young musicians. It has a very intense program, with concerts and festivals in Romania as well as internationally.

But what cultural NGOs really lack is cultural marketing. The identification of cultural needs is either left to momentary intuition, or triggered by the organizations’ need to survive at any cost, just as it happens with the specialized institutions financed through government subsidies. NGOs can hardly afford cultural marketing studies.

Too often, the cultural activities performed by NGOs usually ignore the needs of the community. In large cities, cultural events usually take place downtown; the access to culture progressively decreases for the faraway districts. In rural areas, cultural activities are scarce and of little significance.

The NGOs working in this field often feed on momentary activities, and they are little

concerned with long term strategies. Cooperation with the authorities was deficient under the previous governments, but even with the changes brought by the last general and local elections, NGOs are faced with difficulties when their long-term projects must be defined and funded.

### **Civic Education**

The 90's have added to the school curriculum for gymnasium education the subject "Civic education" with classes in the 7<sup>th</sup> and 8<sup>th</sup> grades. Subsequently, elements of civic education were introduced in the primary schools, with classes in the 3<sup>rd</sup> and 4<sup>th</sup> grades.

In spite of the significant progress made in Romania in the field of institutionalizing democracy, very little is still done concerning civic education in schools. The necessity of conscious political attitude based on culture and political information at the level of adult people is very little supported by the system of institutional education.

Unlike the informative education system, the civic education programs of NGOs are mostly formative. They pursue the development, at young people's level, of the capacity to critically analyze the political situation, to make decisions in accordance with personal interests, but also to develop collective initiatives for the benefit of the community.

A great number of factors negatively affect the administration process: they go all the way from lack of competence in the discharge of a public mandate, to the legal framework damaging local initiative irrespective of the direction in which it may manifest itself. The problem is aggravated by the social economic situation, the public authorities not being used to exercise transparency in making decisions. The lack of democratic practice in communication affects negatively the relationships between the local public authorities and the citizens, determining - along with other factors - the inability of the authorities to mobilize the citizens and the NGOs to solve the local problems.

The implementation of the local community development concept is backed up through the promotion, by the civic organizations, of the partnership of NGOs, local public administration and the private sector represented by the businessmen in the community. Despite the appearance and development, at least theoretically, of the civic journalism concept, the relationships between the mass media and the civic NGOs in Romania remain a delicate subject.

The peasants represent the social-professional group with the smallest impact on the Romanian political life. Characterized by a big political inertia, an expression of their traditional way of life, the peasants are the citizens benefiting to the smallest extent from the political information. This fact leads to a deep lack of exercise of independent political attitude. The limited presence of the press and of the politicians in the rural areas, consequently a weak political information, corroborated with the low level of political culture, make the political involvement of this category negligible. Consequently, one finds only a small number of NGOs and hence a minimal impact of the programs of information and political involvement in the rural

areas.

There is little doubt the best known NGO in Romania is Pro-Democracy Association, a civic action and education NGO. Fostered and trained initially by the National Democratic Institute on an USAID contract, the organization was founded in 1990, it has national coverage through its quasi -independent branches and numbers around 7,000 members and can call upon a large number of volunteers for monitoring the voting process which is one of their regular activities. In between the election years they organize activities related to Parliamentary transparency (town hall meetings with MPs, monitoring and training of MPs, debates, mock elections at mid term, etc). They command attention in the political sphere and they manage to keep a neutral position. They are on their way to achieve a certain sustainability due to their past record and interest of the funders in their community action programs.

The parties, the main actors of the political life, represent a difficult partner in the relationships with NGOs. The difficulty originates in the parties' lack of appetite for building a relationship with a social partner they obviously do not particularly appreciate, on one side, and on the NGOs side, in the risk of being accused of taking sides politically (any organization developing programs in this field runs such a risk).

The objectives of the programs whose subject are the political parties are linked with the insufficient training of the people with responsibilities in drawing up the political message intended for the citizens, the civic NGOs being directly interested in the way the voter receives and deciphers the political speech. Another important issue is the reduced representation of women and young people in the decision-making mechanisms of the political parties. Democracy is not only a problem of the outside environment, the one in which the political structures operate, but also of their inside environment.

Outstanding in this field is the Foundation for Pluralism, which since 1993 organizes "Schools for Young Political Leaders" - under the format of roadshow seminars or months old training courses, in the basic skills and theories of the political life and culture. The programs have been funded through private or public U.S. foundations as well as PHARE programs, are open to all the spectrum of the political parties, and have trained until now hundreds of young politicians.

The central public administration is perhaps the most important actor of the transition period. In spite of this reality, the difference in dimensions and activity areas results in very few civic NGOs setting out to perform their programs together or linked to the government, although the main problem facing them, hyper-centralization, persists beyond time or the political force in office.

Since the civic organizations have a non-governmental character, they were perceived as acting against the state institutions or, in the best case, if their activity is not considered disturbing, the majority of public institutions directors regard them with a certain skepticism originating in lack of knowledge and misunderstanding. This state of affairs has generated only infrequent cooperation between the authorities and the civic organizations.

Things are a little better in the case of the programs which NGOs develop for parliamentarians. A whole lot of problems accompany the functioning of the Parliament, the lack of transparency being one of the most serious. It would be difficult to say whether this is due to an insufficient experience in carrying out the legislative process, a fact that accounts for the process complexity to be ignored, or to an inaccurate conception about the parliamentarian's role.

The trade unions may be defined as subjects of civic education programs both by the social dimension of their activity on the labor market and due to the political pressure that they exercise in carrying out the economic reform process. Their importance, along with the insufficiently defined status they adopt in the relationships with the other actors within the framework of the community, would confer them the role of an important partner in the development of civic education programs of NGOs. Unfortunately, the collaboration in this respect is extremely weak, since the initiatives of the civic organizations are blocked by a passive attitude triggered by the lack of cooperation.

The local community is also a target of the civic education programs carried out by NGOs. The process of changing citizens' attitude, with a view to adopt an active civic behavior and exercise it, is difficult and lengthy. The education of the citizens, by means of information and training campaigns, is one of the most important objectives of the civic education programs carried out by NGOs. From the same perspective, the initiatives of the civic organizations should focus more on the relationships between the citizens and the persons elected by them with a view to define and promote these relationships at community level and also to educate both parties involved towards dialogue.

At the beginning of the nineties, the interest of the civic organizations was focused mainly on adults. Subsequently, the civic education programs for people gained some scope and impetus, but not at the level of those intended for the category mentioned. This is mainly due to the fears of school administrations as regards the collaboration in programs initiated by NGOs in view of the fact that school is the most efficient means of getting in touch with groups of young people.

An important issue in the carrying out of civic education programs is the limited action capability of civic NGOs. They have neither the financial resources nor the human ones to perform large-scope programs, their actions being focused, as a rule, on a limited geographic area and their activities on national scale being rare. In this context, the inability of the organizations to collaborate in carrying out programs is symptomatic. There are very rare cases in which several organizations decide to put together their own resources and to collaborate on a longer-term basis.

There are various types of activities that can be carried out within the framework of the civic education programs: stimulation of the dialogue between the citizens and the people elected by them at various levels of representation; education of the elected people as regards the responsibilities towards their voters; increased transparency in the operation of public institutions; prevention and solution of conflicts; intercultural education; training of trainers for civic culture; development of skills enabling the children to become good citizens; legal education in high schools; strengthening of relationships between the ethnic groups, the local authorities, and the mass media;

training of local leaders; training for young politicians; education of the electorate and of the volunteer observers during the elections; training of civil servants in the local administration etc.

## Human rights

There are many types of human rights legally considered and included in international documents Romania has ratified in the three main human rights categories: a) civil and political rights; b) economic, social and cultural rights; c) solidarity rights (including minority rights).

There is no association or foundation to fully cover nowadays – professionally and effectively – all three categories of rights. Their complexity renders impossible any action in all the cases of human rights violation (except for an inappropriate attitude consisting of “hot” press statements that do nothing but affect the image of the whole sector).

Given the complexity of the legal and practical knowledge required in order to fully cover all these categories of rights, an organization to deal with all these should probably be made up of some hundreds of experts. This is obviously not possible, as one of the main features of an NGO is a small number of experts (volunteers and supporters being just complementary) and flexible programs, the possibility to adjust the actions to social demands.

One of the largest bona-fide human rights organizations is APADO - acronym for Lawyers for the Defense of Human Rights, national organization based in Brasov. It has around 150 lawyers, engaged in three main activities: basic legal education for students and private individuals; judicial reform - advocacy and drafting of new legislation and regulatory norms; litigation (pro bono) on human rights cases. It is a highly respected organization, with a good track record.

Another important human rights organization is APADOR- CH, acronym for the association for the defense of human rights in Romania - Helsinki Committee. The organization monitors and reports on the activity of the Parliament, the Police and other law enforcing agencies, and enters in pro-bono litigation when needed. They are the local correspondents for Amnesty International and the Helsinki Committee on Human Rights. They have an impressive record of activity.

According to the above mentioned classification, the following types of human rights organizations can be identified:

- organizations having as a main goal the human rights protection; these have mainly developed programs on civil and political rights, some being also interested and active in defending minority rights;
- organizations with civic concerns, running programs on the human rights issue, especially focused on education; these also deal with both civil and political rights

- those whose main objective is to protect certain social categories and which implicitly deal with some human rights, es

and protection of civil and political rights were emphasized, which was quite natural after escaping a totalitarian regime. At the s  
by the events of the year 1990: the serious violation of these rights (famous miners' raids, the election campaign based on the incitation to violence by the Romanian violence against whole Roma communities, where the authorities did not intervene etc.).

Under these circumstances, the organizations in the first category were easily organizations themselves and for the media because the general public was less about countless abuses.

Specializing on certain fields sometimes took place without the organizations in q  
the general public who thought and still thinks that an organization whose name contains the phrase "human rights" actually deals in everything. The press, in its turn, not grasp and was not given the necessary information to understand why certain organizations can only deal in certain fields.

Unfortunately, there was only occasional cooperation between the organizations for gh together they could have covered a larger scope of rights. The most obvious examples are those on the ownership right, rights are also an issue. Over the past years, there were organizations dealing organizations that they do not involve in child rights protection, many people showed surprise.

On the other hand, the organizations themselves – especially those in the social field ask for help from the human rights organizations when they are in need, which stands matter. This way, the appeal for cooperation between the organizations in support of a another.

Generally speaking, the organizations with activities in any of the three categories of this field are quite industrio  
results. Seven years from the registration of the first human rights NGOs, one can see the paradox that, on the one hand there is a specialization in the field depending on the type of rights de – and on the other hand, the need for asserting this

accurate information of the public, the mass media, decision-field.



### Training/Capacity Building

There are three major directions as far as training is concerned: training of trainers (TOT), management training and training in matters of sector interest.

The development of Romanian NGOs has been paralleled by training sessions provided at first by experienced foreign organizations or programs (Support Center International, Charity Evaluation Services, Regional Environmental Center, United States Agency for International Development, National Democratic Institute, Environmental Training Project). While these projects were running, many members of Romanian NGOs acquired the necessary skills to continue these trainings either within their own organizations, or for other beneficiaries. Romanian trainers started to apply their new knowledge, alongside foreign consultants, and/or in mixed teams.

There are not many training NGOs in Romania. Generally speaking, training is the responsibility of developed organizations, with strong activities and resource centers. The results of process training and contents training can be seen by the steps the NGO community has taken forward, especially at the level of organizational development and at the individual level (for community members). This last statement is backed by government and presidential experts who say that “the most able and best trained staff come from NGOs.”

The organizations working in training in nowadays Romania can be classified according to different criteria:

#### 1. Types of activities:

- organizations working only in training and technical assistance (Opportunity Associates – Romania, OAR);
- organizations which have a training section besides the activities in relation with their mission (the training component is mostly oriented in the sector).

#### NGOs with training sections:

- The Foundation for Civil Society Development – FDSC, World Learning – WL, The Association of Romanian Ecumenical Churches – AIDROM, Regional Environmental Center – REC (these are donors which also provide training and technical assistance T/TA);
- CENTRAS provides training and technical assistance for NGOs irrespective of their field of activity;
- Estuar provides training on specific matters to other organizations working in the same field, while the Romanian Anti-AIDS Association – ARAS and the Society of Contraceptive and Sexual Education – SECS provide training for their beneficiaries;
- The resource Centers for Small and Medium-Sized Enterprises – CRIMM and the consultancy centers for SMEs have developed activities in organizational management and training human resources.
- For the profit sector: CRIMM, FIMAN (the International Management Foundation);
- For local governments: the Foundation for Local development and Public Services (FDLSP).

2. Domestic or foreign.

Organizations providing T/TA for particular sectors: NGOs, SMEs, the governmental sector.

A new trend in training comes from mission and having gained experience, took up training as a field of activity in order to make good use of their experience. Examples are: Project Concern International working with children, Pro Democracy working

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Recently, the Civil Society Development Foundation started a grants component to training and advisory

and consultancy institutions and individuals, another initiative of the same

Under the present circumstances, the main problems that training organizations face

for training in the Romanian NGO community. This is the main problem, in words that the demand is huge and the supply insufficient;

- traditional pedagogical education, which is still the basis of the Romanian suspicion;
- there is no accreditation system for the courses provided by the NGO sector;
- there is no official recognition of the profession of “trainer” at the level of the courses provide

In order to improve the relationship between trainers and the training institutions, the following

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representation through institutions is recommended;

- setting self assessment criteria for training provider organizations; any program that more than two trainings per year should evaluate the impact;
- clearly defining the concept used in training, introduce new concepts in the information flow,

training to Romanian culture and civilization and control the training materials;

- identifying training needs;
- ensuring protection against amateur performances.

## Gender

uld be predicted,

keeping the previous one.

Women's organizations in Romania have as a common trace a will to change the women's status so that they may have equal chances with men. In family life, a space dominated by traditional stereotypes, and in the productive, public one, women often come across obstacles that marginalize them in poverty or anonymity, in secondary roles.

The number of women's NGOs is hard to evaluate, either because of the state of anonymity they stay in, or because they were not constituted as legal entities. Those which became known are not many, about eighty in the whole country; most of them are located in Bucharest, and one or two in Arad, Bârla, Braşov, Braila, Buzău, Cluj, Constanţa, Craiova, Făgăraş, Iaşi, Moeciu, Oradea, Odorheiu Secuiesc, Sfântu Gheorghe, Slatina, Târgu Frumos, Titu, Târgu Mureş, Timişoara, Vrancea. The networks composed of subsidiary organizations have not been mentioned.

The following organizations have education and research as a main priority: ANA – the Society for Feminist Analyses, the Association of Women in the Press, Arts and Business ARIADNA, the National Association of Women with a University Degree in Romania, the Center for Research on Female Identity – GENDER, the Girl Scouts Association in Romania, the Soroptimist International Clubs, the National Confederation of Women in Romania, Equal Opportunities for Women (Iaşi). From the endeavors of these organizations the following groups have benefited: women active in NGOs, in political life, in the government, female students, female pupils and, a very important aspect, female journalists.

Other organizations have set up professional training or re-training courses for unemployed women, thus contributing to the social protection programs of the Ministry of Labor and Social Protection. In this respect, the contribution of the National Confederation of Women in Romania is important, as they have organized training courses in Bucharest and 38 branches for 12,000 women.

The organizations with humanitarian programs for poverty alleviation provide material support and occasionally also moral-spiritual help, social assistance for old people at their homes, social canteens and social protection of single women. The results cannot be quantified. The actions of the church or religious associations, among which some for women: the Saint Stelian Association, National Society of Orthodox Women in Romania, National Union of Christian Women, National Association of Romanian Orthodox Women, the Catholic Organization of Romania have been more efficient because they possess the tools specific to the charity actions traditionally undertaken by the church.

The organizations concerned with reproductive health are among the most active ones. The Society for Contraceptive and Sexual Education (SECS), through its 22 branches, the coalition organized by CEDPA (Romanian office of an American NGO), the Association of Women with Special Needs, the Association of Physician Women, the Solidarity of Women in Romania, the Family Planning Movement in Vrancea, ARAS, Marie Stopes, facilitate the access of women to family planning and contraception services in general.

The organizations specialized in the legislative protection of women have the purpose of making the public aware of the difficult situation in prisons, the situation of women refugees, victims of family violence, the promotion of equal chances, legislative proposals, participation in the setting up of government structures specialized in strategies for protecting the women's rights. The amendment and modification of the laws on gender discrimination, the more severe punishment of domestic violence and rape, and the harmonization of the national legislation with the international one are only intentions at the moment, as these organizations have a low effectiveness.

The international organizations have played a major role through the projects they funded. The PHARE Programs for Democracy and LIEN have been a great success. The organizations that have obtained UNDP grants have at the present moment an experience that must be turned to good account. The entrepreneurial programs were supported by the SOROS Foundation for an Open Society. The British Council and the Know-How Fund have funded experts for training the women running for the local and general elections.

## Rural Development

discrepancies between the urban areas and the rural areas concerning mentalities, in a stage of reduced institutional development. Strong initiatives for developing the NG Operation Villages Roumains. Most of the rural development organizations are represented by professional associations concerned with specific agricultural issues, erally located in cities. However, many are active and make a difference locally.

### **Social protection**

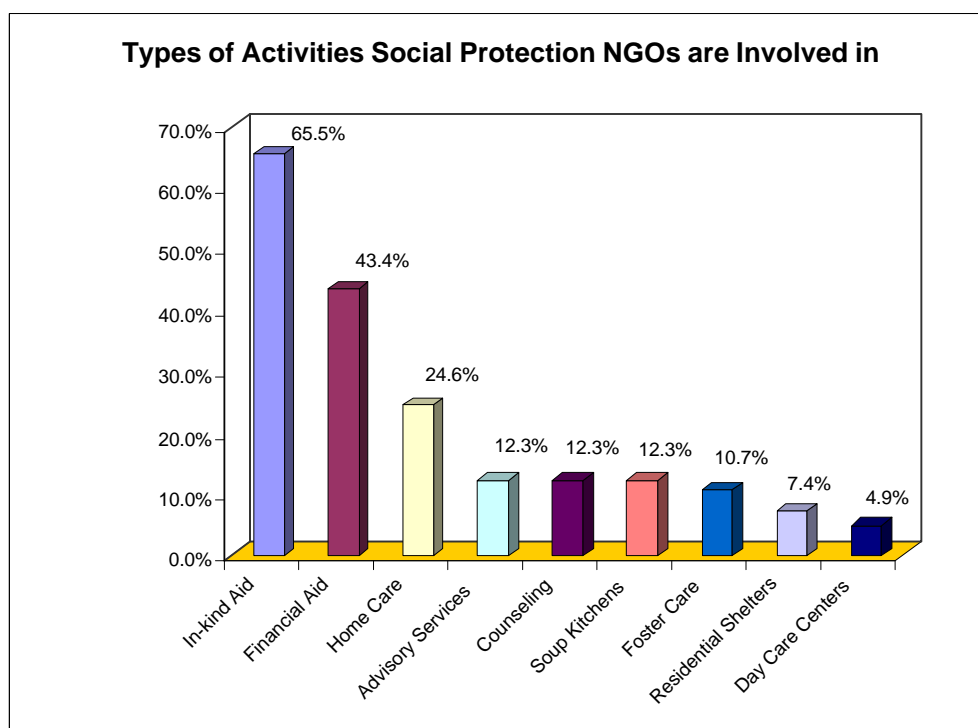
In 1997, the Government declared its availability to consolidate the civil society and cooperation with the civil society. The governing program also includes among the objectives services, to stimulate civil structures participation to social activities as well as to pass/move the responsibility of granting social assistance to local communities. The ion related to the degree to which NGOs can cover the programs of assistance remains open.

Social protection organization are, according to data available the most numerous protection objective in their constitution document. The numbers however may be -functional or covers for a poor sector networking, as no umbrella organizations or sector resource centers have at times pooled information and try to network (Child protection NGOs and Handicapped assis

of Labor and Social Protection (MLSP) and the Research Unit of the Civil Society Foundation, through a survey considered representative in a number of cou survey wanted to determine the status and needs of the NGO sector, evaluate their potential and determine the conditions for improving the collaboration and partnership . It should be noted, from the start, that the MLSP seems to realize the potential of the

are the following:

ancial aid	
In kind aid	
Counseling	12.3%
	12.3%
	10.7%
Home care	
Soup kitchens	12.3%
	4.9%



Concerning the identification of beneficiaries of the protection, most of the organizations have declared the identification has been done with the help of the local public authorities. 2% had done their own investigation, while 19% had declared having trained social assistants to take care of the matter. Other means used have included schools, mass – media, etc.

Regarding their needs, on a scale from 1 (most pressing) to 8 (not very urgent), the needs identified in the survey are:

Financial resources	1.35
Partnerships	3.15
Human resources	3.63
Buildings, offices	3.71
Training of personnel	4.20
Legislative changes	4.30
Advisory services	5.06

Regarding the partnership and collaboration with the local authorities, 54% of the respondents to the survey have had an active form of partnership with the specialized state institutions, in different forms: joint funding, information sharing, legal advice, joint distribution of in-kind aid, joint social assistance investigations, training of personnel, joint applications for bids. All parties involved agree to the benefit of these activities and are anxious for a more permissive environment for such partnerships.

On the public authority side, the findings suggest that many officials have a poor understanding and a built-in distrust of NGOs, and advocate the institutionalization of an excessive control over NGOs. Not surprising, these officials are the ones with least collaboration experience. However a larger number of civil servants regard favorably such cooperation.

The largest difficulty in promoting the wished for cooperation lies in the

communication gap between the two, defined as lack of a common language to determine the needs of the community. Again lack of information on the opportunities offered by both sides is proving a handicap.

The financial support offered to social protection NGOs, allowed under law 208/98 – on local government subsidies to NGOs and law 34/98 – on subsidies for soup kitchens, is only partial. The main cause was not, as expected, insufficient funds, but rather the lack of trust, due to poor communication between the two actors.

### **Business and economic associations (BEA)**

The most common mission of BEAs is to promote trade, industry and/or agriculture within a market economy and to represent the interests of the members of the local business community in their relations with the central and local authorities.

For most of the associations, the goal is "to protect and defend the interests of the members or target groups, to support them with information and to take action to solve the problems they face and to provide services: consultancy, training, technical support for development".

Although they are more focused on promoting the interests of their members or target groups, some business organizations hesitate between generalities "to promote the appropriate management to meet the requests of market economy", ambiguity "to represent the rights and interests of owners and entrepreneurs related to the judiciary, the legislative and executive, and trade unions" or specificity (they only have purposes related to the field or industry branch they represent) "to promote alternative tourism, to inform the public on ecological and cultural tourism"; "to settle documents for companies, to get financial support, to find foreign partners, to import raw materials" or "to contribute to organizing efficient and modern services in the following fields: water supply, heating, roads, parking lots."

As a conclusion, at this level of development, the organizations can declare a purpose, but they are not able to make the final leap to identifying and stating a mission and long term objectives.

Concerning organization size and structure, the spectrum is very large: small organizations (under 100 members); medium-sized organizations (100-700 members); big organizations (more than 1000 registered members); exceptions (more than 5000 members). There is no real certainty over this information, because no census has been done, and there is no database of exhaustive member registration.

Unfortunately, most of the organizations don't have strict evidence of their number of members, fee paying members, newly registered members, and withdrawn members. Therefore, if there are two confederations, according to the draft law on ownership, they can declare as members the members of their mother-organization or have disputes over members. One thing is clear: most of the organizations are small or medium-sized, according to the degree of private business development in Romania.

The situation is different with the Chambers of Commerce and Industry, whose emergence was sped up by Decree 139/May 1990. The emergence and organization of

the Romanian Chamber of Commerce and Industry and the local/county chambers outran the restructuring of the economy. This brought a number of advantages to the chambers of commerce and industry, but they have started losing some of these through the parallel development of the volunteer associations.

The number of members also depends on the type of organizations they are part of. As many organizations are at a local level, this situation explains the relatively low number of members. As compared to the chambers of commerce and industry, thus, the entrepreneurs' associations might be said to rather have few (or fewer) members.

The organizations are run by the members' general assemblies, whose frequency is of one year for most of the polled organizations. This frequency is applied to chambers of commerce and industry, while the entrepreneurs' associations hold their general assemblies once in 2-4 years. Most of the organizations have a president running alongside a board of directors. Only about half of the organizations have an executive board, and these are usually the chambers of commerce and industry.

Most of the registered organizations have membership dues included in their statutes. The amount differs from one organization to another. Nevertheless, it is a general belief that this amount is reasonable.

There are many particular situations, and no clear tendencies. These circumstances shape again the organizations' incipient level of development, and the fact that many of them, barely on the market, cannot find a developing way of existence, being prematurely confronted with moments of weakness and decline. The lack of financial resources is the cause of the above-mentioned decline, bringing them into a vicious circle, in which the cause becomes the effect and vice-versa. The absence of a wide variety of services makes the organization non-appealing and not credible enough in the eyes of the potential new members. The statement is equally valid that a low number of members leads to a shortage in financial means to support the design and implementation of a large scope of quality services.

More recently, the entrepreneurial associations have succeeded in creating an informal body called the "Strategic Alliance". With this development and with the opening of the GOR to dialogue they have succeeded to obtain from the authorities certain rights and benefits (on threat of fiscal strike). The leaders of this organization are the CISA - Acronym for the center for entrepreneurial studies, and the entrepreneurs association in Timis County, a powerful and energetic organization.

There is an overlapping of activities and supplied services, especially when it comes to associations. The only exception are the chambers of commerce and industry that have separate blocks of services to members, and trade services supplied with a different price policy, either to members or to non-members. This separation is put into practice through the new legal entities that have emerged from the chambers of commerce and industry. These entities are organized as companies (incorporated or limited), and they are the only way an NGO can get a profit, to the benefit of its

members and the business community as a whole. This separation was also triggered by the government tax policy, especially regarding the VAT and the avoidance of double taxation.

The main categories of activities within the chambers of commerce and industry are:

- the Register of Trade and the National Bureau of the Register of Trade (registered under law 26/1990 and organized as part of the local and national system of chambers of commerce and industry);
- professional training and the Romanian Business School, with three levels of education: vocational school, post graduate and management improvement;
- trade Arbitration (mediation of litigious situations);
- exclusive rights over granting origin certificates and other certificates of authenticity;
- organization of fairs and exhibitions, trade shows for contracts and negotiations, Romanian economic missions abroad or foreign economic missions to Romania, with international participation);
- service supplies;
- legal activities, legal representation of companies vis-à-vis the ruling power (Parliament, government, ministries, local government), followed by actions for the passing of regulations and amendments).

A deeper analysis of the activities of chambers of commerce and industry shows other categories of services:

- supply of business information on the market and potential business partners. To this end, the chambers of commerce have set up an information network and developed an information system with easy access for all the network subscribers.
- operational Center for Business Information;
- a larger scope of printed materials: catalogues, annuals, books, brochures, periodicals, newsletters, newspapers;
- database and business opportunities;
- development of research reports (market research, product research, context research and polling);
- legal, economic and technical support;
- own infrastructure for rent to members for various activities (negotiations, company seminars);
- organization of the “top of companies”, on the grounds of a selection system and an authenticated jury; this activity gives impetus to the attitude and spirit of legal competition among the participants.

As compared to the activities of the chambers of commerce and industry, the entrepreneurs’ associations have less structured activities. The reason is that business associations emerged later on the market, and this is why their degree of development is lower. The circumstances under which they emerged brought upon them more difficulties in terms of technical infrastructure and staff, along with major financial difficulties.

The system of chambers of commerce and industry was legally supported through the register of trade, as the law provides the obligatory registering of a company when it is set up, and there are differences in fees according to the type of supplied services.



The newly emerged associations, however, found themselves in a different situation, as they had no steady source of funding. This source became less and less important throughout the years for the chambers of commerce and industry as well, especially starting with 1995, because the number of registrations and obligatory service request decreased, and incomes dropped abruptly. The very Register of Trade found itself in a position to supply a more diverse range of services, in order to find more funding sources. There are talks at the moment regarding the possible amendment of Law 26/1990 and Law 31/1990 regulating the functioning of companies.

The chambers of commerce and industry have always been accused of using the services and funds of the register of trade, as they started in a financial boom. According to Law 12/1991, newly set-up companies had certain tax facilities that were canceled starting with January 1995, because of Government Ordinance no. 70/1994 on the new fixed tax installment on the company gross profit. These legal regulations brought an increase in the number of registered companies within that particular period, resulting in benefits both for the chambers of commerce and industry (from the favorable functioning notes) and the register of trade (from registration fees).

As far as the entrepreneurs' associations are concerned, their main activity was trying to represent the interests of their members by gathering information on their problems, developing study materials, organizing information meetings with the authorities and negotiating and supporting the interests of their members.

The main critical issues for the economic and business organizations are:

- the lack of resources for financing steady activities;
- difficult and defective communication with members as well as deficiencies in management knowledge;
- lack of space and office equipment within the organization headquarters;
- the lack of an appropriate infrastructure and the financial means to support the activities leads to the impossibility of hiring more specialized staff;
- the difficulties in getting enough correct information from the economic field, in order to supply good quality services on the market;
- the difficulties in assigning responsibilities to members for performing concrete activities, because entrepreneurs are loaded with problems of their daily struggle for their firms and thus are less interested in or ready to think of the future;
- the improvement of the range of services in order to bring in new members;
- internal reorganization and the reorganization of services to businessmen and members;
- the entrepreneurs associations have no access to credits with subsidized interests for technical equipment and project development;
- the civil servants whose right to control and decision is provided by law have no inclination or education towards helping the entrepreneurs. This has negative effects on the whole economic environment, and brings difficulties in the social dialogue, leading to corruption used as a means to solve concrete situations;
- the lack of capital for the setting up of Mutual Funds among the members of an organization or network;
- the legal frame is not clear regarding some particular types of associations (tenants' associations, owners' associations);

- shortcomings in cooperating with the local authorities;
- deficiencies in legal, management and organization knowledge.

## Environment

Environmental NGOs were perceived recently as the most dynamic field in the Romanian civil society. There are about 300 very active NGOs at the moment dealing mostly with environmental issues, unevenly distributed all over the country. Most of them are located in Transylvania (40%) and Bucharest (25%), being also the most competitive in terms of access to funds and information.

The environmental NGOs were beneficiaries of special tailored institutions or programs. The main financial support comes since 1992 from the Regional Environmental Center for Central and Eastern Europe - Local Office Romania (REC Romania), while the Environmental Training Project (USAID funded) ensured training for 3 years to NGOs members in general non-profit management and specific environmental issues.

In 1997, an Environmental NGOs needs assessment was performed by REC Romania, having an extremely high response rate of 90%. According to this study, a typical Romanian environmental NGO:

- is created and registered after 1990
- is located in large cities
- has between 10 to 50 (active) members
- is a local environmental citizens' organization or a group of environmental professionals
- does not operate at international level
- has as main areas of activity: environmental education and/or environmental fieldwork
- evaluates its effectiveness as "partially successful"
- operates with budgets under 500 USD/year or between 1000 and 5000
- is based on foreign & international grants
- cooperates with local authorities and does not cooperate with central authorities

Albamont, from Alba Iulia, Alba county, is one of the largest organization (over 150 members). Started before 1989 as a mountain hiker's club, it switched to environmental activities, which included educational and clean-up activities. In 1992 it embarked upon a crusade to save the environmental disaster area of Zlatna, facing huge political and environmental odds. Their activity has lead to a definite success (budget allocations, etc) as well as creating a definite and structured civic movement at community level.

Rhododendron in Tirgu -Mures (Mures county) is among the more active associations at present, which also gets involved in direct actions (from cleaning parks and rivers to street protests). An ethnically mixed organization (Hungarians and Romanians) it has started having branches in other cities. It is at present "crusading" against Azomures - a main polluter of the Mures river.

The most important problems faced by the organizations were identified in the following order of priority:

- insufficient funding - especially for local and national projects and operational support
- capacity building and technical assistance: specific environmental topics (e.g. local environmental action plans, sustainable development, impact assessment, domestic waste management, public participation in environmental decision-making)
- problems with official registration
- imperfection of country's legislative framework
- limited access to communication means
- tension with central governing bodies
- poor management of the NGOs
- lack of volunteer support and full time staff
- excessive taxation

Currently, the sector is in a stagnation phase characterized by lack of direct action, identity crisis, and lack of originality. The trend was observed recently by the donors especially, one of the reasons being the limited capacity of absorption of know-how and the dynamics of the sector itself, where people move to different positions and to other sectors.

## Youth

The youth NGOs are estimated up to 1000, being evenly distributed all over the country. Most of these NGOs have headquarters in the big cities, a small number of them being reported in villages. Large numbers of NGOs are in Bucharest, Giurgiu, Mehedinti, Galati, Cluj and Suceava, while small numbers are in Satu Mare, Bihor, Tulcea, Calarasi, Ialomita, Arad, Caras - Severin and Constanta. It is estimated that over 3% of the Romanian youth (between 15 and 29 years) are members of an NGO, 1% of them being active members.

The main purpose of most Romanian youth NGOs is to manage the leisure time of young people. This is the result of a social need and it is very important because it balances the structure of leisure time between a time for recovery, personality development and entertainment.

Among the better examples of youth organizations is PAL-TIN, an acronym for Local councils of the youth. Based on the French model, this organization has fostered the election and setting up of a mock-parallel local council for students grades 4 to 8. This "council" is supposed to set its own agenda, raise funds, etc. In the towns where the movement was encouraged by the local authorities (quite a few in fact) the program was a success.

Youth NGOs have had the least opportunities for foreign financing among Romanian

NGOs. Most of them depend exclusively on the financial support offered by the Ministry of Youth and Sports. It is generally understood, however, that using this source of financing means the acknowledgment of the 12 youth political programs promoted by the ministry.

About a half of the youth NGOs seek to develop group policy, at times with a large social scope, while the other half develop specialized projects (ecological, sports, scientific, religious, humanitarian). During the last years, some youth NGOs have changed from hobby associations into organizations with strong public impact.

One third of the youth NGOs are affiliated with the County Youth Foundations. These County Youth Foundations have been set-up in 1990, by the GOR, as trustees of the former assets of the Communist Youth Organization. Their objective is to support, by a proper use of these assets the youth organizations of the county. Two thirds of them associated in the Convention of Youth Foundations in Romania. Their record is mixed, from outstanding work in about 60% to disasters and fraud.

Difficulties are faced by the youth NGOs in the following areas:

- bringing in new members because of: weak recruitment strategies, lack of finding new funding sources, lack of efficient long term dialogue with the media
- associative management. Recent trainings in the areas of negotiation, public motivation, efficient protest and public participation techniques are expected to provide results in the near future
- the dependence on the Ministry of Youth and Sports funds
- the relation with the corresponding ministry, which sometimes influences the projects or the relations of Youth NGOs with third parties

### **Funders and donors**

Starting with 1990, the young NGO sector in Romania received substantial support from various donor structures, public or private, various governmental or inter-governmental structures. When we talk about “substantial support” we mean not only financial support, but also logistic support, consultancy, training programs. The various European Union programs, Western foundations, the programs of USAID, UNDP, UNICEF, OSCE and others constantly led to a change of view over the NGO sector in Romania and supported the building of democratic institutions, the fight for human rights, the production, structuring and dissemination of information for various fields, the building of databases and documentation for the NGO sector, educational programs, the reform of public policies, legislation reform, the building of alternative models to the crisis of social services etc.

The results of this funding effort are to be found not only in concrete projects, in the management of public or private funds by NGOs in Romania, and but also through the emergence and development of new concepts, the implementation of a new “way to do” in the Romanian society, a new manner of understanding the term “resources”. Therefore, we can also talk about an educational and support function for new projects and ideas, the setting up of tools necessary to the development of civil society.

Specific issues of the funding organizations and their fields of concern:

- the need for communication and information exchange within the field for the optimization of communications between the various funding structures. This way redundant activities will be avoided, the possibility of obtaining supplementary funds through doubling (registering the same project with various donors) will be reduced, the organizations will become more efficient in the development of their own funding strategy, based on a correct information on all the other developing programs on the Romanian market, the amount of information regarding the cooperation opportunities between the funding structures will increase.

At the beginning of 1998, the Civil Society Development Foundation took the initiative to establish an informal working group of donors active in Romania, taking also the responsibility of coordination. The Donors Forum meets each month, on the agenda being general issues, as well as specific problems related to one sector. All major donors joined the working group, even though not all of them are attending all meetings. There are perspectives for future development of the Forum, one of the medium term solutions being the institutionalization of the Donors Forum as an NGO.

- one of the funders' "illusions" was that the funds they provisioned for projects would quickly be absorbed by the Romanian organizations. Most of the funders, however, have not been able to comply with the cash flow level they themselves set, because many of the projects submitted for funding were weak or because the information on project bidding reached the potential beneficiaries late or not at all. The natural conclusion of this situation is, on the one hand, that there is a need to support certain structures in the building process (through training) and, on the other hand, there is a need for regional and sector centers for NGO support. There is a need for focused and steady efforts towards the training and information of NGOs, in order to support the training and communication infrastructures.
- the Romanian NGO sector has entered a stage of quality development, the funders think. If during the first years after 1989 the efforts were concentrated on the development of the sector, now there is a need for deeper professional accomplishment. This conclusion is also reached through the openness to partnership with the governmental sector in many fields, the need for self-sustainability and the promotion of new legislation.
- funders aim at making the NGO environment in Romania strong, active and self-sustainable. Irrespective of the field they are concerned with, NGOs must be a real partner, to offer complementary and alternative activities to relieve the crisis of services in the Romanian society, to be a warrant of democracy, a credible scale of society's needs and interests at a certain moment. Social reality is built within the spirit of democratic values and the NGOs can take active part in this building effort. To this end, the criteria used in assessing the projects NGOs forward view the development of the NGO partnership, co-funding (funds or in-kind) and the basis for future self-sustainability when funding is over.
- the large donors are sensitive to the development of the Romanian legislative frame for the NGO sector. Although donations and grants are tax-exempted, they, too, are affected by the tax policy applicable to NGOs in Romania, they, too,

are subject to the same treatment when it comes to the distribution of offices by the local government, they, too, are affected by the conditions of hard currency exchange. This is why projects are funded for NGO activities regarding amendments to legislation, as the legal base will be the one to allow self-sustainability and the independence from the governmental sector. As profit on revenue is heavily taxed

- the funders publicly express concern about the media coverage of negative articles about NGO activities, with a particular aim at their funds and assets. The funders and donors acting in Romania and who supply over 50% of the funds used by NGOs find it necessary to emphasize that the activities they fund are completely transparent and can supply information on the management of the funds coming from the donors. The intermediate and final reports forwarded by the beneficiaries of the funding programs, project and financial monitoring are open information sources for professional journalists. If journalists keep avoiding these primary information sources, there is an imminent danger that all Romanian NGOs be labeled as what they are not. As the Romanian NGO sector has not yet offered a significant public image, the general public, the members of the Legislative and Executive, magistrates that register the new structures of NGO type, can be irrevocably influenced by the negative signals sent by the media (comments, editorials etc., and not journalistic inquiries) about NGO structures or people working in the field, but which are not representative for the NGO community.

#### **4. An assessment of the existing role of NGOs in policy dialogue or collaboration with the public sector, and the potential for enhancement of, or constraints inhibiting relationship with state institutions**

Generally, public authorities in Romania are divided between the central government (ministries) and its decentralized agencies (inspectorates, agencies and directorates) and local authorities (City Halls, Local and County Councils.)

Legally, the partnership between the governmental and non-profit sector is based on Government Decrees concerning the function of different ministries and on Law 60/1991 on public administration, modified through Law 24/1996. However, we can't say that there existed a governmental policy for partnership with NGOs until the second part of 1997, when the Office for the relationship with NGOs within the Government was established.

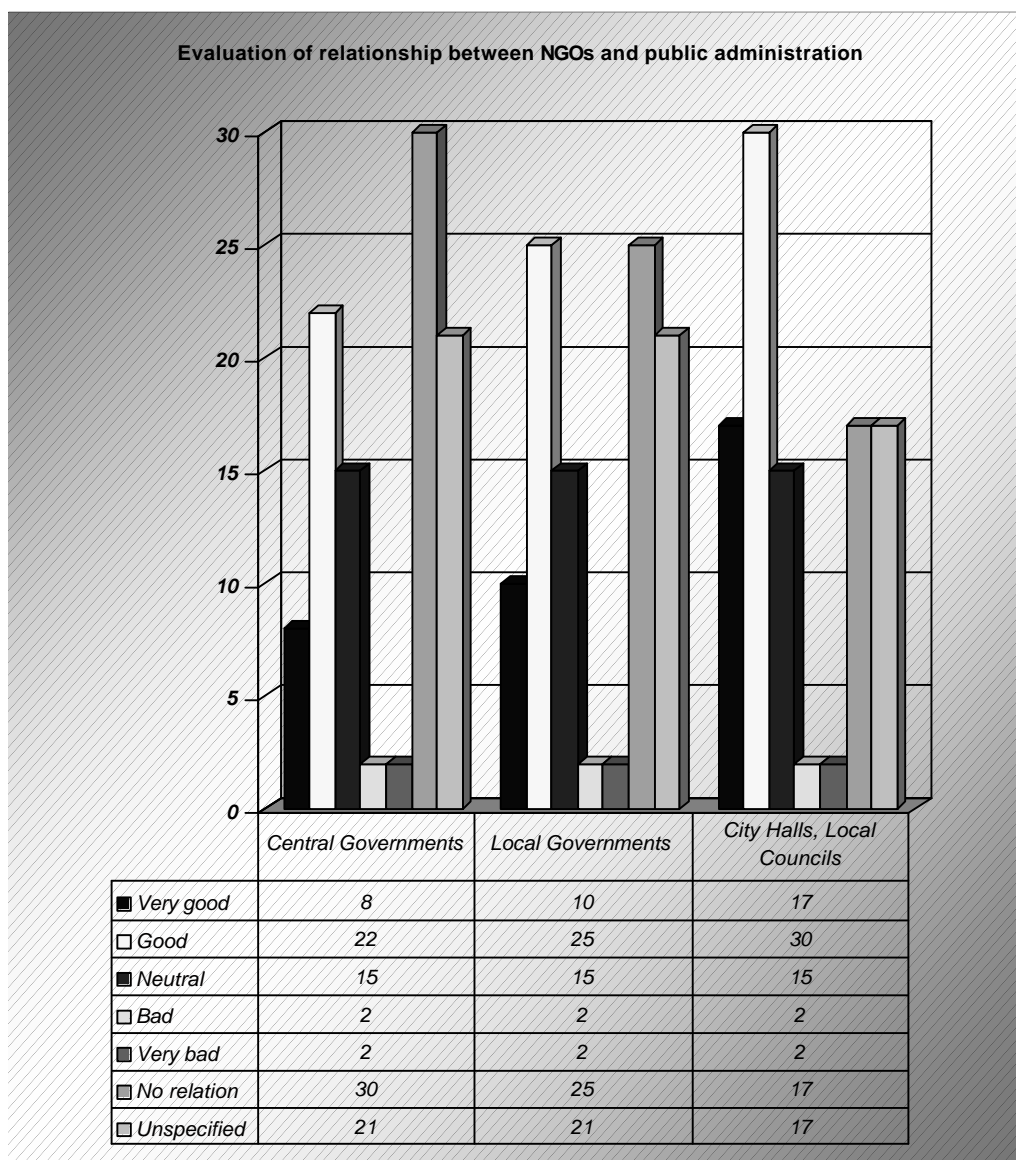
We can say that until the last general elections in November 1996, previous Governments promoted an approach based on limited openness and suspicion, while the Governments after 1996 stated in their programs a partnership relation with the non-profit sector based on the fourth of the eight governance principles, "the principle of social partnership".

A recent evaluation of the relationship between NGOs and public authorities of the Civil Society Development Foundation is presented in the chart below.

Concerning the relationship with central governments, we can notice the high lack of interest of both sides (30% from NGOs never had relations with central governments), while 30% of NGOs have good relations. Moving to the local aspect, we can notice that the relationship between the two sectors improves. 35% and respectively 47% of NGOs consider their relations with local governments, city halls and local councils are good. At the same time, the lack of cooperation decreases at local level, being 25% respectively 17%. It is obvious that close relations are established at local level, centralism and bureaucracy of the central governments generating lack of interest in developing close cooperation from both sides.

Based on the principles of: 1) equal opportunities for NGOs; 2) adequate taxation of the three sectors and 3) cost effectiveness; the support of public authorities for NGOs is recommended in the following priority:

- First, through indirect support consisting in fiscal advantages for sponsors and donors (the advantage is the promotion of free and equal competition between NGOs in fundraising and the direct way of receiving funds, from sponsors to NGOs).
- The second priority would be the indirect support through fiscal advantages to NGOs).



- The third option is the direct support through subventions and grants, which present the disadvantage of additional costs and bureaucracy because of supplementary links in disbursing the funds.

Recommendations for improving the general framework of the non-profit sector are related to the following domains:

1. Modification of the legal framework of NGOs. This includes:

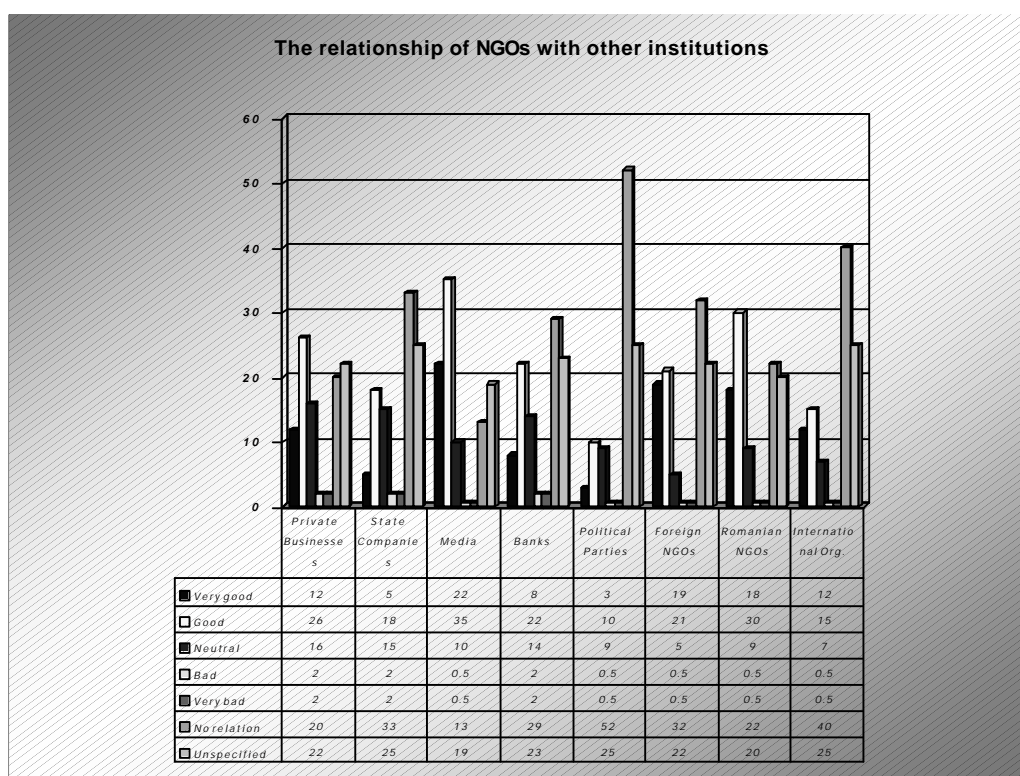
- A new or modified framework for NGOs with improvements in: the right to free association, recognition of the legal body, number and the status of members, the donations, the economic activities.
- Terminology coherence through the recognition of the concept of public utility organization
- Fiscal system will have to improve in the following areas: taxation on income from economic activities taxes concerning buildings or properties, VAT, simplifying the accountancy system.



2. Increasing the partnership with the public administration through:
  - modifying the Law 72/1996 on public finances in order to improve the relation with the central authorities, in the sense of an explicit provision allowing grants and subsidies to private organizations.
  - adopting a stimulating law of local budgets with provisions for supporting NGOs
3. Contracting services to NGOs by public authorities, promoting collaboration in service providing and simplifying the related procedures
4. Increasing the direct support of public authorities to the non-profit sector through:
  - specifying in the Law of state budget the amounts the ministries can grant to NGOs
  - improving the data collection and analysis methodology of central bodies in order to evaluate the capacity and needs of non-profit sector
  - the establishment of the National Lottery grants for non-profit or other similar funding institution.
5. Improving access to public information by:
  - approving the Law of access to information
  - modifying the Law on confidential and secret documents.
6. Encouraging volunteering by:
  - encouraging youth to engage in voluntary activities
  - allocating earmarked funds for NGOs with voluntary activities
  - an adequate legal framework

## 5. The relationship of NGOs to other civil society organizations - the private sector, trade unions, political parties, the media, academic institutions, private think tanks, professional associations and CBOs - including existing ties and potential for collaborations

The diagram attached below presents a recent evaluation of the relationship of Romanian NGOs with other institutions: private businesses, state companies, media, banks, political parties, foreign NGOs, intrasectoral relationships, and international organizations.



In the first case, it can be noticed that the relationships between NGOs and private businesses are somehow at the average level: there are not significant aspects presenting a close cooperation or a bad relation. The relations are explained through close contacts (like friendship) between NGO members and small entrepreneurs and that even the last ones are sympathizers or NGO members in some cases. No further developments are expected in the same economic and legal environment for small businesses.

In the second category, the state enterprises, cooperation is under average. This is explained by the fact that the state companies are less open to changes in general, since they are still strongly related to the old mentalities in the previous top-bottom command system. Still, state enterprises can be capable, because of their larger budgets, of important contributions like sponsorship or in-kind. Most of the important ones prefer to support sports (like football), because of the greater impact in the

media, and are not open to support NGOs because of non-stimulative conditions in the sponsorship law. The hope for "good corporate citizens" stays far away, within the current slow rhythm of privatization and interest of foreign investors.

The media is the sector to which the NGOs are most connected (almost 60% of NGOs evaluate their relationship with the media as good). This has two very different aspects. On one hand, the NGOs need the media to make their presence and activity known regularly and to raise hot issues to the public opinion through the media (in fields like human rights, social issues, civic education, culture or environment). On the other hand, media reacts in a different way: its interest lays only in sensational and "hot" issues. This approach goes, in many cases, to exaggerate articles and false stories in searching for the sensational. It is true that the media changed negatively the image of the non-profit sector in the last years. Main subjects were the use of the funds and the illegal trade with second-hand cars made by individuals protected by the police, who set up foundations or associations for this only purpose (it is known, for instance, that the most active illegal trading is in the Suceava county). Generally, central newspapers present the negative side of NGOs activity, the general image of the non-profit sector being presented as individuals involved in second-hand cars illegal trade. Hopefully, the new standards for importing cars will reduce this activity which influences negatively the NGOs image. On the other pole, local TV stations present local aspects of NGOs activity contributing to the improvement of NGOs reputation.

Under the average is the cooperation of NGOs with the banks. Within an old state banking system and the weak presence of foreign finance in Romania, no improvements will be noticed until the banking system reform starts. For this year, the Government will have to privatize at least two major banks (BankPost and the Romanian Bank for Development) in order to keep the door open to the international financing institutions.

The weakest relations of NGOs are with the political parties. Only 12% of them have good relations, the rest of them not being interested in such developments, because of their non-political status and the general disappointment of the population with the Romanian political class. The small percentage of NGOs with good relations with the political parties is due to some NGOs which are sympathetic or belong to one party or influent personalities, and to some NGOs which are active in lobbying and civic education.

The cooperation with foreign NGOs is almost satisfactory, while the relationship with international institutions is not fully developed (only 26% of NGOs have good relations with them. Even though the most important international organizations and programs addressed (competitively) the whole sector, it is impossible to deal with most of the over 25,000 NGOs registered at the moment.

In the academic sector, because the lack of resources (including financial) to achieve a better quality of the educational process, universities created "own" NGOs which write proposals and fund raise for projects directly related with the academic activity. These NGOs are initiated generally by professors and most of the members are students.

An example is the Association for the Protection of Geological Environment. The association is led by professors and assistants, students contributing to both the initiation and implementation of projects. One of their projects, the establishment of Trovants Museum, meets both the need for preserving the environment and for educational practice.

On the other hand, many of the people working in the academic sectors are NGOs members and they are currently using universities' resources for their non-profit activity.

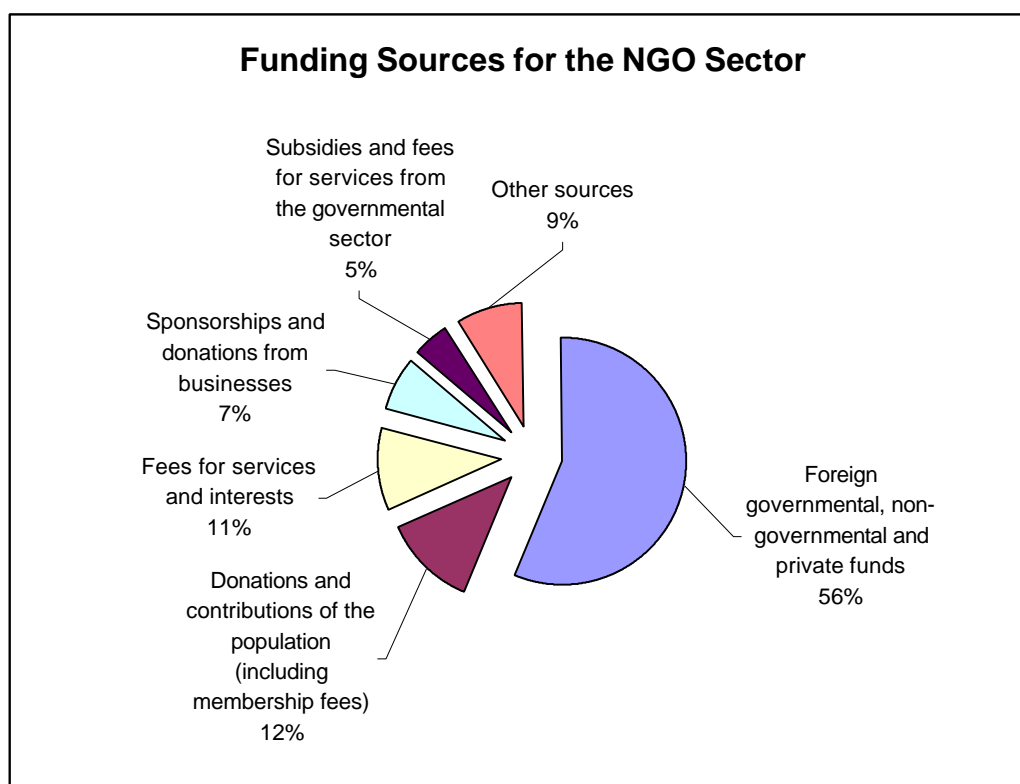
Private think-thanks are quite few and are just emerging (examples are the initiatives of the Open Society Foundation and the Civil Society Development Foundation). An interesting mixture of an association with a think-thank is the Future for Romania Foundation, which produces, among others, an annual report about the real situation of Romania. Still, the Future for Romania Foundation is not a regular think-thank since it has hundreds of members and branches.

## **6. Sustainability of the NGO sector, including financial sustainability, as well as relationship with and dependency on international NGO networks.**

While the non-profit sector and associative behavior have developed relatively rapidly, there remain a number of problems and obstacles, the most prominent of which center around issues of support and assistance to the NGO sector. The limited access to financial resources and the weak economic capacity of voluntary associations make them constantly vulnerable. Currently, the degree to which NGOs depend on the foreign financing sources, provided by international bodies, governments or private foundations is still high (over 50%). By contrast, membership fees (6%), corporate giving (6%), governmental subsidies and contracts (5%), or the establishment of community foundations are not yet feasible financing options for most of the NGOs.

In 1995, the gross estimate for the total funds raised and allocated for the NGO sector were about 435 Billion ROL (approx. 189.2 million US dollars), which meant 0,006% of the GDP. These funds came from the following sources:

<b>Financing Sources</b>	<b><i>Value – Mil. US\$</i></b>	<b><i>% of total</i></b>
Foreign governmental, non-governmental and private funds	<i>106.0</i>	<i>56%</i>
Donations and contributions of the population (including membership fees)	<i>22.7</i>	<i>12%</i>
Fees for services and interests	<i>20.8</i>	<i>11%</i>
Sponsorships and donations from businesses	<i>13.2</i>	<i>7%</i>
Subsidies and fees for services from the governmental sector	<i>9.5</i>	<i>5%</i>
Other sources	<i>17.0</i>	<i>9%</i>



There is no recent data, concerning foreign donors. The Resident Mission is at present in the process of collecting updated information which will be available in the next version of this report..

### Public resources

Given the overall social and economic developments in Romania over the past few years, one of the main questions remaining is to what extent an economy in recession can afford to allocate significant parts of its national income to fostering of non-profit activities. This question may be raised in the larger framework of debating the extent of the state's commitment or ability to provide social assistance in general.

In the context of a diminishing ability of the state to support social welfare, we cannot say the Romanian government's policy included the financing of the non-profit sector. Nevertheless, there were a number of attempts to initiate certain governmental collaboration programs with civil society organizations that grew out of the special concerns of some particular public authorities. Here are the two ways in which these organizations were supported:

1. Direct funding, through subsidies from the state budget. This frequent type of support was carried out:
  - a) Through the ministries' competitive funding programs, drawn up by ministries (the case of the Ministry of Youth and Sports, in preparation Ministry of Labor and Social Protection);
  - b) On request, by allocation from the ministries' budgets (the case of the Ministry of Culture).

2. Direct material support granted by local administrations. Many NGOs request the collaboration of the municipalities to obtain facilities enabling them to develop their activities. Municipalities, local governments or other decentralized services of the administration, according to their competencies, granted: offices, rent discounts or exemptions, equipment (telephone lines, office furniture), land plots for buildings (orphanages, hospitals), free construction licenses etc.

On the whole, it comes out that there is an unsubstantial proportion of state subsidies granted to NGOs. Therefore, it can be stated that the development of NGOs in Romania has been achieved without a significant and direct support of the state.

Recently, in January 1998, Law 34 /1988 was passed which provides for subsidies from the local budgets, for social assistance associations and foundations. Although a step in the right direction, the law is not used mainly due to lack of trust on behalf of local administrations (see social NGOs)

#### **Private Resources**

While government subsidies and grants have remained very limited, they have nevertheless proven to be the only support that is available on a continuous and certain basis. In contrast, financial resources from both domestic and foreign institutions and individuals have a fluctuating and irregular character and more than often-preferential destinations. Therefore, certain fields of the non-profit activities benefit from the philanthropic support more than others.

The proportion of individual donations oriented towards the religious field is three times bigger than that oriented towards social services (77.7% versus 24.2%). In the fields of education and research, culture and arts, environment protection or human rights the proportions are almost insignificant (between 0.4% and 3%).
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Moreover, the requests for donations and other forms of support from the general public require the development of fundraising campaigns, which so far have not yielded satisfactory results. In fact, the very few fund-raising campaigns carried out in the last years by organizations oriented towards philanthropy and volunteering proved, by their poor results, that the time has not yet come for such activities to represent a major funding source.

Since many NGOs find themselves in a situation where resources cannot be attracted sufficiently from the private sector or from the public at large, requests are increasingly made for public funds. Such requests have been consistently expressed at all NGOs' National Forums till now. The managerial and performance alternative to direct government delivery of services that NGOs can provide in the fields of health, social assistance, culture, preservation and promotion of civil rights or environment protection, often underlies these requests for the state support. Despite the still relatively recent experience of interference by the communist state, the small size of the direct financial support granted so far by public authorities has not yet given reasons for concerns of subordinating the NGOs to the state's powers and of reducing the independence of the non-profit sector.

### **Fiscal exemptions and incentives**

The current stage of the debates concerning the granting of governmental support is that of the introduction of certain regulations, in order to enact either a direct financial support from the state budget, or some fiscal facilities applied to NGOs: profit tax, local taxes and VAT, (see chapter 2) which would be user-friendly, rather than mere gestures. Thus, central questions concerning the fiscal regulations of the sector are still unresolved. One type of indirect governmental support is that of encouraging private donors who contribute to supporting the activities carried out by associations and foundations, having as aims the public benefit or the mutual aid. (See also the legal framework for NGOs).

### **Foreign assistance**

As mentioned above, foreign funding still accounts for more than half of the revenues of the Romanian non-profit sector. Of particular importance have been the assistance programs of the U.S. government and the European Union. Both programs, however, have been markedly different in objectives and approaches chosen.

Through the explicit objective of promoting civil society, practically until 1995, the American government assistance program focused on granting assistance to “civic” organizations (civic advocacy organizations) - which are small-size non-governmental organizations aiming to influence governmental policies. With the Democracy Network Program (DNP), the assistance granted to the civil society also included the organizations from the field of social and economic development, but only the ones oriented towards changing the public policies. The DNP assistance consisted mainly in capacity building and grant giving (while the capacity building component achieved certain results, the grant giving component was a failure the outcome being just several minor grants, due to bureaucratic and redundant decision making processes). The main types of civic organizations that have been supported in Romania by the USA assistance program for the civil society development have been working for the safeguard of human rights, civic education and environment protection. The assistance provided to the social sector NGOs has been mainly indirect, through a number of social projects (contraceptive or anti AIDS – campaigns) implemented through NGOs.

In a way, the approach chosen by the USAID reflects their experience by assuming that civic organizations, unlike organizations offering social services, unlike the church and even the social movements, find themselves in the center of the civil society. This assumption reflects the experience of the USA, where the number and the impact of civic organizations on the influence of the state public policies, on national or local level, succeeds in changing them into an efficient form of development of the civil society. The second assumption is the opinion that influencing the legislation in a country where the rule of law is established as an essential instrument of the social and political change that is more likely to take place in a gradual and technocratic manner. It is widely believed that influencing legislative systems by various interest groups is a democratic practice. The third assumption refers to the fact that non-governmental organizations having the aim to promote public interest are more important for the strengthening of the civil society than the informal groups of citizens aiming to change public policies for promoting special

interests.

The U.S. assistance for NGOs has also come through other public or private channels. The National Endowment for Democracy has had, over the years, a limited number of programs they have faithfully funded, as long as the program has functioned. Their area of interest has encompassed the development of NGOs, human rights, and political and civic education. Few private foundations have been active in Romania. Outstanding are the German Marshall Fund and the Charles Stewart Mott foundations, which have funded programs in the field of civic participation and NGO development.

In comparison, through the assistance offered by European governments, by the European Community or by private European institutions or organizations, the promotion of the civil society is related to the same extent to sustaining activities carried out by organizations offering social services, which reflects, this time, the experience of the European countries in the development of the civil society. At the moment, the EU financial support is bigger than the USA support. The main tools for EU grant giving to NGOs are the PHARE Civil Society Development Program (which set up the Civil Society Development Foundation), the PHARE for Democracy, the PHARE LIEN, the PHARE for Partnership.

An essential conceptual distinction explains the different approach of the civil society development from the perspective of the two major types of assistance. The American government program applies a universal pattern for the promotion of civil society and democracy, the efficiency of which may be proved in any country aiming at establishing democracy. European programs apply a regional pattern aiming to promote Romania (together with the other former communist countries) to the regulatory and institutional standards of Europe, on social, economic or political level. This represents a stage of a process that has properly begun in 1993, when Romania became a member of the Council of Europe, and has as final objective the integration in the European Union.

Other main foundations or institutions which award grants to Romanian NGOs under different types of programs are: the Open Society Foundation, the Regional Environmental Center for Central and Eastern Europe, the United Nations Development Program, the International Management Foundation, the AIDRom, the Fund for the Carpathian Euroregion Development, the Charity Know How Fund.
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The issue of sustainability is intricately linked with the exit strategy of these donors, and a number of solutions have been forwarded, none of which, to my knowledge, is being implemented. However, the exit strategy has to take into consideration the overall economic performance, especially of the small and medium enterprises, which are perceived as the future main resource for private corporate giving.



## 7. Collaboration with NGOs in Bank supported activities

One difficulty in describing the NGOs' involvement in Bank projects arises from the definition of NGOs. Often, even western funded foundations or think tanks involved in project preparation are considered non-governmental organizations, even if they do not represent large groups. Another difficulty consists in defining where consultations or informal collaboration becomes "involvement". Most of the Bank projects have had at one point or another consultations or collaboration with an interest group or different NGOs, without sensibly affecting the project. This type of intercourse has not been taken into consideration.

### The evolution of Bank – NGO relations

The direct relations between RMR and the NGO community have been generally of reduced intensity but positive and the proactive actions of the Bank staff in trying to involve NGOs in its projects have been appreciated. An important aspect underlying the Bank – NGO collaboration is the attitude of the Government concerning NGOs. The Vacaroiu Government has had a deep distrust of NGOs, whom they could not control and considered to be, "ab initio" pro –opposition. Efforts of Bank staff to involve NGOs has only succeeded in few cases.

The EU funded PHARE program, as well as USAID, have had quite a number of programs executed directly by NGOs during that period through direct contracting or subcontracts through private Western foundations. Until 1996, Bank funds have been used by NGOs for a contraceptive distribution campaign by SECS, a Romanian NGO, and for a mobile clinic for infant AID cases through the US? Organization "Angel Appeal". Both cases were part of the Health Rehabilitation Project and the activities were unfamiliar to the health authorities who were unequipped to deal with the challenges. Efforts to involve NGOs in other components of this project have met with an emphatic refusal from the Ministry of Health.

The new Cabinet installed after the November 1996 elections has stated the collaboration with the civil society as a government policy and, at least at higher levels, collaboration with NGOs is welcomed. The cultural barrier between mid-level government officials and NGOs is still present and inhibits collaboration. However, many of the "newcomers" in government structures originate from NGOs and are open to new forms of collaboration with positive consequences in the involvement of NGOs in Bank projects.

The Children Welfare Reform Project, a \$5 million LIL, is an outstanding example of the above. The project involves decentralization, intense collaboration on competitive bases of NGOs and has a community based approach. This project has been welcomed and supported by the present head of the Child Protection Department. Until November 1996, he has been one of the leaders of the "Pentru Copii Nostri", a children welfare NGO.

Another consequence of NGO personnel's migration towards the public administration has been a transfer of expertise and management culture, more goal oriented and familiar with project management procedures. Unfortunately, these cases occur rather seldom, in the more recent or restructured Government agencies.

This newer attitude of the government has also led to an enhanced consultative attitude between the Bank and the NGOs, especially in the projects involving the

social and environmental sectors, such as the Social Development Fund, which has involved extensive outreach work and consultation with the community based organizations as well as with larger, grass-roots based NGOs.

The direct relations RMR - NGOs have been greatly enhanced following the recent (November 1997) decentralization of the Small Grants Program, which has been marketed directly and has made the Bank an active, though modest actor in the NGO funding sector. The program though has raised the awareness on the Bank's interest in the sector and contacts with NGOs have increased considerably.

### **Bank projects involving NGO participation.**

At present, the World Bank has 15 projects under implementation and 9 projects under preparation. Of these, most of the projects concerning environment, social protection or health sectors have had forms of NGO involvement in various degrees.

**1. Health Sector Rehabilitation Program.** The project had provided for a 4.5 million component for the introduction of a health promotion program focused on preventive medicine. NGOs were supposed to have access to these funds on a competitive basis. Lack of political will has prevented intense access to these funds. The exceptions have been mentioned above.

**2. Employment and Social Protection Project.** The project has a labor re-deployment component of \$ 5 million through active labor market measures. Under this component the Ministry of Labor and Social Protection contracts public or private organizations to implement training, re-deployment or public works micro projects. In August 1998, out of 162 contracts, 39 have been awarded to NGOs. Many of these are organizations set up previously to implement a PHARE funded active employment measures program. In the same project, under Bank guidance and a round table organized in the RMR, the law related to the functioning of soup kitchens provides for public funding for NGOs organizing soup kitchens.

**3. The Danube Delta Bio-diversity Project (*GEF grant*).** The project includes a program to increase public awareness and the involvement of local non-governmental organizations in environmental protection. Under this component, 4 NGOs submitted proposals to carry out public awareness activities and received funds from the project to carry out such activities. The results are mixed according to the motivation and capacity of the NGOs involved.

**4. The Children Welfare Reform Program.** The project has involved from the very beginning a number of Romanian and Western NGOs in the preparation phase (Solidarite Roumaine Enfants Abandonnes, European Children Trust, Pentru Copii Nostri). The activities of these NGOs have been mainly related to the technical assistance they can provide due to their extensive experience in the field of alternative child-care services. The program, which has become effective in July, is based on the capacity of local authorities to contract NGOs for child-care services, under the funding and monitoring of the central state authority. A second component, which will address the issue of street children will also be based on the collaboration between the Child Protection Department, the local authorities and NGOs selected on a competitive basis.

## Projects under preparation

Characteristic of the new perception at government level, many of the projects in the pipeline at present have involved NGOs during preparation or are based on wide NGO action.

**1. The Social Development Fund** has been prepared with a very extensive research and consultation on available NGOs for community development action and is going to be implemented through community based organizations. It should be noted that the law establishing the Fund provides for a revolutionary novelty in the judicial field, the incorporation of community based organization through a very accessible procedure. Again, during preparation, a number of community facilitators have been trained using the expertise of an U.S. based NGO operating as an USAID contractor in Romania (World Learning).

**2. The Small Business Development Project** is again relying on NGO collaboration. During the first stages of preparation the project drew up a survey on SMEs. The survey was carried out through a number of government inspired nonprofit entities (chambers of commerce, etc.). For the future project both the Government and the Bank acknowledge that SME development programs managed by the public authorities have little chance to succeed, and are now working on the necessary legislative measures to allow NGOs to implement the program, an idea which meets the approval of other donors, too.

**3. The Industrial Pollution Abatement Project** also relies on NGO participation both in preparations as well as in the implementation phase. The PMU responsible within the Ministry of Environment is made up basically by a French funded Romanian registered NGO. During the implementation, for the component related to the monitoring capacity and the public awareness campaign the project provides for NGO collaboration.

**4. The Integrated Protected Areas and Conservation Management Project** is another GEF grant. The project stresses the need for a sustainable development in the three conservation areas targeted, based on involvement of the local stakeholders, among them NGOs, which will be active actors during the implementation. A study is now under preparation, by a Canadian contractor (Geomatics).

**5. Agricultural Support Services Project.** Part of the project will provide support for innovative, pilot extension activities whose purpose will be to test a combination of approaches of organizing advisory services for private farmers and agro-processors. Such activities will be run by farmers associations, NGOs and foundations, private sector entities or private/public partnerships.

Depending on the different sectors and the level of competition for financial or political resources, projects have various constraints. A common one is identifying NGOs that have the capacity to deliver the services they contract. The majority of these NGOs are either branches or offsprings of Western NGOs, which have the resources and trained personnel for the intense activity needed. However, these NGOs

are to be found only in a limited number of cities.

Another constraint appears due to the perception of public authorities (i.e. health) of a competition for resources, which they feel entitled to control and use. This perception leads often to a quiet resistance on behalf of the health authorities against use of public money through NGOs.

An inherent weakness of NGOs is their limited ability to work in a coalition. In the child protection sector, a federation of NGOs has been established, but with very limited effectiveness due to internal conflicts caused by the scarcity of resources. In the case of economic development associations, (businessmen associations, industrialists associations, etc.) divergent political backing and interests compound this phenomena. An important step ahead has been recently achieved, when the important associations have agreed to set up an informal “Strategic Alliance” which advocates perceived common interests.

The conflict of interest is again a cause for constraints. Very often, IFI’s staffs find that in talking to a public servant they also find a leading NGO figure, with conflicting interests. While this situation is often created in search of additional resources, in many cases it is an inheritance of the previous administration when many of today’s public servants were NGO leaders, a position they are reluctant to leave as it provides for a fall back position in the insecure environment of the public service.

## **8. Suggestions for Bank contribution to NGO development**

At present, most of the observers of the NGO sector agree that Romanian NGOs should make a decisive step towards a qualitative growth. The scene is filled at present with numerous mediocre or fraudulent actors, among whom shine only a few effective stars that have managed the step towards professionalism and have adapted to the resources available. In this context, some of the suggestions for Bank involvement in NGO development would be the following:

- Continue the policy of involving NGOs in program implementation. However, they should be engaged from an early stage in the policy dialogue and the training (including governance and internal management issues) of the identified organizations or individual actors should be a part of the preparation phase. The experience the SDF team has had following this strategy is an example. Such a course of action will lead to a sustainable growth of the organizations involved. More important, the ensuing collaboration between the public and private organizations may lead, if correctly implemented, to the creation of mutual trust as an obligatory ingredient for the sustainability of NGOs.
- The strategy of the future round of the Small Grants Program may have as a main or side objective the building up of a realistic sustainability plan for the recipient NGOs. As western funding grows scarcer for NGOs and economic growth is delayed, more and more NGOs will have to adapt themselves to the harsher conditions. NGOs should be encouraged to look upon these grants as seed money for an investment in their own sustainability.

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