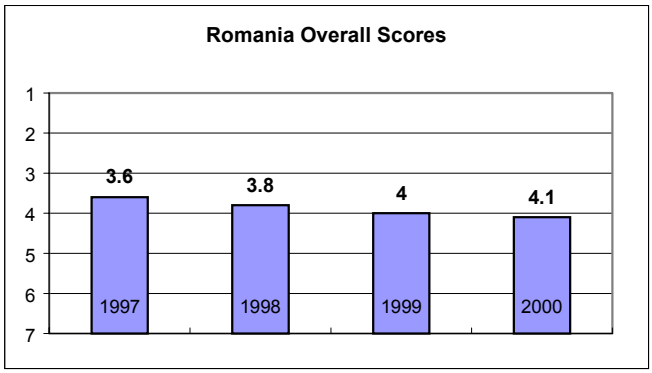
ROMANIA

Capital: Bucharest	**Inflation: 46%**
GDP per capita: $1,721	**Unemployment: 10.3%**
Population: 22,500,000	**Foreign Direct Investment: $1,345,000,000**

OVERALL RATING: 4.1

Ten years after the non-profit sector reemerged in Romania, NGOs, although relatively numerous (official databases[1] indicate that there are almost 23,000 organizations), continue to struggle with a lack of resources. Many of the trained professionals who contributed to the development of Romanian civil society in the early 1990s have moved to the business sector, partly as a result of the lack of financial resources that the nonprofit sector faces, and partly due to their own career development plans. Many programs are donor-driven, rather than demand-driven, because most of the sector's funding still comes from foreign sources,

During 1999 and early in 2000, even foreign funding resources available to Romanian NGOs (including FDSC, the Open Society Foundation, EU-PHARE, and USAID) declined or were delayed. This resulted in even more profound limitations than usual on resources for NGO development, and severely inhibited NGO capacity building.



Although significant steps have been made regarding cooperation between NGOs and public institutions, there is still a lot of mistrust between the two sectors. Similarly, although there are NGOs involved in community development programs, in general, organizations do not have close relationships with the communities that they work in, and are not able to build long term bonds of trust with their constituencies.

On the positive side, Law #21, which regulated the sector since 1924, was replaced by Government Ordinance #26/2000, which aims to facilitate the activity of NGOs and support their partnership with state institutions.

In sum, the sustainability of the Romanian nonprofit sector changed little over the past year. Although there were some improvements in areas such as the legal environment, advocacy and public image, NGOs continued to experience financial difficulties that had a negative impact on the development of their organizational capacity.

[1] Sources: Civil Society Development Foundation (FDSC), Romanian Ministry of Justice, local public administration, Romanian National Commission for Statistics

LEGAL ENVIRONMENT: 3.0

Since May 2000, NGO registration has been governed by Government Ordinance #26/2000, regarding associations and foundations. The ordinance replaced the previous Law #21/1924, which did not provide adequate safeguards or a complete framework for NGO regulation. The new legislation streamlines the registration process, establishes a central registry for NGOs, and specifically grants the right to NGOs to establish subsidiaries to carry out commercial activities. The ordinance will remain in force until it is repealed, amended, or adopted by the Parliament as a law.

The "Sponsorship Law," passed as a government ordinance in early 1998, was amended by Parliament in 1999. A decrease in the cumulative amount that can be deducted from the taxable base for sponsorships and donations, to a maximum of 5% was a significant change. Many perceived this as a failure of the NGO sector to follow up on its previous success with the "Invest in Civil Society" advocacy campaign, which had originally led to the passage of the Ordinance.

Under current legislation, there are no limitations on NGOs or their representatives regarding their right to operate freely within the law and to address matters of public debate and express criticism. NGOs are legally allowed to compete for government contracts and procurements at the local and central level.

Romanian NGOs are exempt from import and value-added taxes on foreign grants. They are also exempt from VAT for economic activities that generate less than $2,250. However, the procedures that are required to be followed to recover VAT expenses are so cumbersome that in practice most do not benefit from this exemption. NGO revenues from donations, sponsorships, and foreign grants are not included in the taxable profit. Associations of people with disabilities are exempt from profit tax.

Free legal advice is not easily available to NGOs, especially those outside of big cities. While NGOs can access paid specialized legal advice, this service is limited, because there are very few lawyers who have an understanding of the regulations regarding NGOs and the needs of the nonprofit sector.

ORGANIZATIONAL CAPACITY: 5.0

Institutional capacity continues to vary from organization to organization and from region to region. Over the past year, a lack of funds has contributed to the decline of the sector's organizational capacity by decreasing NGO activities. Many NGO professionals gave up working full time in the sector and transferred to jobs in the business or public sector. Funds to train new staff were not generally available, resulting in further amateurism in the sector.

While the strongest NGOs, located mostly in Bucharest and major cities, have boards of directors and executive staff, members assume both a leadership and a management role in most organizations. Problems commonly encountered include boards that are elected by staff, and board members who receive remuneration. Those few

NGOs that try to think strategically are often limited in their attempt to make long term plans by the uncertainty of funding levels. Although there are NGOs with strong leaders, civil society generally faces an acute lack of those leadership skills needed to provide vision, motivate organizations to work together, and to ensure further development of the sector.

Most NGOs struggle to cover basic costs including office space, telephones and the salary and benefits of at least one professional staff member. Although most NGOs have basic office equipment such as telephones and fax machines, less than 18% have e-mail connections, and only 3% have developed web pages. A relatively small number of organizations employ qualified accountants or have proper internal financial control and external audits.

Few Romanians envision a career for themselves in the NGO sector. The number of volunteers is decreasing due to the difficult economic situation in the country and to the fact that most NGOs that work with volunteers lack clear strategies regarding how to attract and use them. Furthermore, voluntary work is not regulated under Romanian law, which creates administrative problems for NGOs using volunteer labor.

FINANCIAL VIABILITY: 5.5

NGOs continue to rely heavily on foreign funding. With GDP falling by 16% over the past three years and real wages being more than 25% below their 1996 level, it is difficult for even the most advanced NGOs to raise funds locally. Furthermore, because NGOs have fragile links with their communities and constituencies, it is difficult for them to raise even limited amounts of money from local sources. The majority of organizations tend to live from project to project, with very few making long-term strategic or financial plans.

Many NGOs, particularly those located in under-served areas, lack skills in financial planning, accounting and financial management. Those that have received significant donor support or donor supported financial training, and are more skilled in identifying alternative financing methods such as membership fees, fees-for-service, in-kind contributions, subsidiary commercial activities and government funding, tend to be better in this regard. NGOs expect an increase in revenues from economic activities and contracts following the implementation of Governmental Ordinance #26/2000.

ADVOCACY: 3.5

Advocacy and communication with government policy makers continues to be a challenge for the nonprofit sector. Although NGO expertise has been occasionally sought out -- for example during the preparation of Romania's strategy for EU accession or the Stability Pact consultations organized by the Ministry of Foreign Affairs -- in general political leaders do not engage NGOs in the decision-making process in a systematic manner. While access to draft legislation in the Parliament is ensured – especially at the Chamber of Deputies through its Office for Public Information and Relations with Civil Society – access to draft legislation within the Ministries is very difficult and is usually only accomplished through personal contacts. The Government's Office for Relationships with NGOs and its local branches at the county level facilitate access to central sources of information for local organizations.

Lobbying is a relatively new concept for both NGOs and policy makers. Legislation that aims to regulate lobbying activities has recently been drafted. Coalitions of organizations, by activity, objective, or region are not characteristic of the Romanian nonprofit sector. Nevertheless, there are a few active federations such as the Federation of National Organizations for Child Protection. There are also a number of informal coalitions of NGOs that work together on short-term projects.

The 1998 NGO National Forum established an informal group of fifteen NGO representatives, known as The Group for the Implementation of NGO National Forum Resolutions (GIR) to follow up on the implementation of various Forum resolutions designed to benefit the NGO sector as a whole. After a new GIR was elected in 1999, members initiated a successful campaign for the enactment of GO #26/2000. Other functions of the GIR include intervening in situations that affect the overall image of the NGO sector, creating a campaign to attract funds for NGO programs and projects, and analyzing ways in which to institutionalize the NGO Forum.

SERVICE PROVISION: 4.0

Organizations providing social services dominate the sector in Romania. While activities related to culture and the arts are numerous, social and economic development NGOs are less common. In addition, the nonprofit sector continues to be weak in less developed counties.

The concept of developing community services is still unknown to many NGOs, though there are organizations that are responsive to community needs. One example is Albamont, an NGO that assists poor rural communities in Alba county receive financial support from the Romanian Social Development Fund and other local agencies.

The results of NGO activities, as well as some of their products and services, are marketed to a broad audience, but not in a particularly systematic manner. Generally, NGOs provide free services and products, but fees-for-service are increasingly being used in an attempt to partially cover costs and to ensure the commitment of beneficiaries.

NGOs are recognized as important partners for the delivery of social services. The Ministry of Labor and Social

Protection was the first central public institution to implement legislation allowing increased government support to NGOs (Law #34/1998). No other laws have been passed regarding government support for NGOs, but the Ministry of Youth and Sports organizes regular training sessions and forums for youth organizations, and supports regional Youth Information Centers.

INFRASTRUCTURE: 4.0

Romanian civil society is still in need of resource centers that provide access to information and technology. The more highly developed support organizations such as CENTRAS and FDSC, donors like the Mott Foundation, and leading NGOs in specific sectors such as Save the Children, Romanian League for Mental Health, have supported the establishment of regional, local and sectoral resource centers. The success and viability of these centers varies depending on the commitment level of their staff and on the types of services provided. There are very few Romanian grant-making organizations administrating international funds to the non-profit sector, though examples do exist, such as FDSC and the Community Partnership Foundation.

The NGO National Forum has been organized annually since 1994. Since 1998 participation at the National Forum has been based upon nominations made by local Forums, meeting in more than half of Romania's 43 counties. The local and sectoral forums supported by FDSC and the Open Society Foundation have facilitated communication among NGOs, as well as between NGOs and public authorities. However, contacts and cooperation among NGOs need to be further developed beyond sporadic meetings and one-time actions. While local authorities lack the resources and staff trained to deal with NGOs, NGOs complain about the lack of good will on the part of local authorities.

Although still rare, there are examples of partnerships with the international business community such as the Procter & Gamble/Save the Children campaign to support investments of information technology in schools.

PUBLIC IMAGE: 3.5

During 1998-1999, the public image of the sector was seriously affected by a media campaign, exposing fake NGOs that were engaged in fiscal corruption. Over the past year, NGOs have been raising awareness of large public interest issues including corruption, domestic violence, and employment, and have enjoyed positive media coverage. Relationships with the press are often evaluated as excellent at the local level, while at the national level, NGOs are rarely able to get substantial positive media attention.

A public opinion poll conducted in September 1999 indicated that citizens are particularly aware of organizations active in the social field (44.7%), followed by health (26.3%), and human rights (24%). Of 1,553 persons interviewed, 44% knew about NGOs – most of them from television (67.%) followed by the print media (44.8%), radio (44.4%) and acquaintances (13.3%). NGOs are best known in medium-size cities (54.4%), followed by large cities (51.9%) and

small cities (44.4%). In rural areas, NGOs are less well known.

NGO leaders are developing more systematic approaches to promoting the sector, such as the "Bridging the Gap -- Romanian NGOs and the Media" project developed by FDSC and CENTRAS in collaboration with the BBC Marshall Plan of the Mind Trust. The project consists of a series of 10 radio shows on the subject of how to set up and run an NGO, and were produced and broadcast nationally. A training video and package are currently being distributed to NGOs for the purpose of increasing the efficiency of NGOs in managing relationships with the mass media.

Self-regulation in the sector has also improved. The 1999 NGO National Forum adopted a Code of Ethics covering issues such as transparency, commitment to a stated mission, separation of executive and supervisory/advisory functions, and willingness to cooperate with other NGOs. Leading NGOs regularly publish activity reports that turn into public relations instruments.