

ROMANIA

Community foundations

History

Association for Community Relations (ARC) started research into the community foundation concept in 2005, when comparing our work with similar organizations in the region, particularly Poland and Slovakia. We began with an assessment of the relevance of community foundations for the Romanian context, as well as for our organizational strategy (ARC's mission is to support mobilization of private, financial resources for public benefit causes).

Late 2005, we carried out a feasibility study in 8 cities in Romania and follow-up facilitation work in 4. We have invested in bringing in international expertise (we have a particularly good relationship with Center for Philanthropy Slovakia) and supporting the understanding of key leaders from the involved communities who have showed interest in this area.

As both philanthropy and grant-making as core activity are still relatively under-developed especially outside capital city, the main focus of our work was to find ways that can illustrate the added value of community foundations to leaders from the involved communities.

Thus an important element was the creation in Cluj of wide community partnership initiatives focused on two types of privately supported funds – YouthBank (fund for youth initiatives) and Terapia Ranbaxy (company named fund). Through this approach we have identified key leaders with an interest in promoting privately supported community initiatives and who now are involved as board and volunteers of Cluj Community Foundation.

Our initiative has been merged with one of a Peace Corps volunteer with interest in developing philanthropy in one of the cities in which he was working – Odorheiu Secuiesc. He brought his knowledge of the US foundations sector and became involved as a volunteer on ARC's program, as well as a facilitator in development of a community foundation in Odorhei. Like community-wide efforts in Cluj, Odorhei tested community philanthropic interest through the initiation of the "2% for Odorhei". This campaign developed a model for joint community fundraising initiatives focused on individual donors. The campaign increased individual donations through the 2% campaign by more than 25 percent, providing a solid argument for a community foundation to further encourage local philanthropy. The test of citizen interest was complimented by a community choice campaign in January 2008 in which citizens chose projects to receive foundation funding.

While in Cluj, ARC's role was more pro-active, in other cities our role was to support the leaders, who have shown interest in the feasibility study phase, to better understand the roles of community foundations and how these may find a position in their own city. Thus in all cities, we have offered consulting and technical assistance on key areas of community foundation development – strategic planning, fundraising, communications, board relations, bylaw development, legal set-up of the foundation.

First two community foundations have been registered late 2007 in Odorheiu Secuiesc and early 2008 in Cluj Napoca, ARC's home city. Odorhei Community Foundation has been registered at the initiative of a group of business leaders, with the facilitation of the Peace Corps volunteer, who are its founders and first volunteer board. Cluj Community Foundation has been registered at ARC's initiative (which is the

founder), with support from partners and volunteers (representing media, academia, business, communications and non-profit sectors), who are now Cluj Community Foundation's first board.

At this stage these are the only two community foundations in Romania. An initiative group exists in a third city from the original 4 in which ARC worked, Alba Iulia, with high chances of registration in the course of 2008.

Current situation: Facts and figures

Number of community foundations formally established in total.	2
Number of community foundations established in 2007.	1
The number of community foundations at early stages of development.	2
Percentage of country's territory covered by community foundations.	5.60 %
Percentage of population that has access to a community foundation.	1.77 %
Total number of people with access to a community foundation.	390,000
Is the rate of community foundation formation steady/increasing/decreasing? Explain why in the box below:	Steady with chances of increase

Our assumption is that once two community foundations exist and develop different ways of working in the Romanian context, development of such organizations in other cities will be easier (both in terms of examples, as well as lessons learned). Also, ARC has a commitment to continue its community foundations development program – both supporting existing foundations to develop and promoting community foundation concept to new communities.

Total sum of grants made by community foundations in 2007	US \$6,500 USD granted by Cluj initiative for YouthBank program
Total number of grants made in 2007.	15 grants made in Cluj
Total sum of the income/donations in 2007.	US \$18,600 in cash & in kind for YouthBank, also for 2008; US \$35,000 Terapia Ranbaxy program grants made in 2008 Odorhei, \$8,000 for “You Choose,” \$5,000 from local business for registration fee.
Single largest source of income for community foundations	Donations from businesses
Total sum of endowments at the end of 2007.	N/A
Community foundation with the largest endowment at the end of 2007 and size of its endowment.	N/A

Complete list of community foundations

Odorheiu Secuiesc Community Foundation, 2007

RO: Fundatia Comunitara din Odorheiu Secuiesc/ HU: Székelyudvarhely Közösségi Alapítvány
Strada St.Imre, Nr. 17, Odorheiu Secuiesc, 535600, Harghita, Romania, www.szka.org,
szka.office@gmail.com

Chris Worman, President

Csaki Rozalia, Executive Director

Hegyí Hunor, Program Manager

Cluj Community Foundation, 2008

RO: Fundatia Comunitara Cluj

Str. Closca nr. 6, ap. 2, 400039, Cluj Napoca, Romania,

simona.serban@fundatiicomunitare.ro

Simona Serban, Executive director

Mariana Salagean, Grants Program Manager

Adina Cristea, YouthBank Program Coordinator

Community foundation staffing

Each community foundation has 5-8 members of the board who meet at least once quarterly (met more often in the beginning stage). Daily operations of the foundation are run by professional staff – in the beginning a combination of paid and volunteer, with the aim of having 3 members in the paid staff at the current level of planned activities.

Cluj – 5 board members, 3 staff

Odorheiu Seuiesc – 8 board members, 3 staff

Community foundation income

Income

Companies/corporations are a main source of support, as legislation offers good fiscal incentives and they have more concentrated relative wealth compared with individuals. Rough estimate – 70% corporations, 10% individual support, 20% grants from international foundations/programs.

Purposes

For Cluj, most of funds are for specific grant-making programs.

For Odorheiu Secuiesc, funds are unrestricted, combining grants and operating support

Permanent funds/Sustainability

For Cluj, most of funds are for specific grant-making programs.

For Odorheiu Secuiesc, funds are unrestricted, combining grants and operating support

Environment for philanthropy

Local attitudes

Most of the individual donations are relatively small and usually based on impulse or emotional response, with few cases of long-term commitment for a cause/organization. Donations are largely seen as positive and appreciated in society, but there is not a strong social impetus to give. For larger corporations, donations are connected to their corporate citizenship, public relations or marketing strategy. Smaller companies donate smaller amounts, mostly based on emotional response. Obstacles to giving include lack of surplus (still relatively under-developed middle class) and insufficient trust in foundations, but in both there is a positive trend.

Legal and tax environment

For corporate giving, companies may deduct sponsorship from payable profit if it is less than 20% of the payable profit and 0.3% of the company turnover. Sponsorship is not a deductible expense when the profit base is calculated (thus the cost of sponsorship for the company is 16% when conditions described above are met and 116% for the amounts that go over these limits). These are important stimulations for large companies (with relatively large turnover and profit margin), which can offer as sponsorship relatively high amounts at a minimum cost for them.

There are no fiscal incentives for individual giving, but a form of tax redistribution that started with the fiscal year 2004. Through this, individual tax-payers may choose a non-profit organization as a recipient for 2% of the individual income taxes paid for that year, and the state directs this money to the chosen recipient. For 2007 campaign/2006 fiscal year, about 14% of tax-payers made use of this legal provision (compared with 8% the previous year and 2% in the first year of the campaign).

Community foundations may benefit from these incentives as all other non-profit organizations, but there are no special incentives for community foundations or foundations in general.

Changing attitudes and the national or local environment

In terms of legal environment, tax incentives for individual donations or special forms of giving (e.g. payroll giving) may stimulate the development of these forms of philanthropy. Other ways of supporting this environment may include campaigns and events to promote giving or publicly recognize contributions of donors, initiatives to foster trust (e.g. through building and communicating ethical practices around fundraising and fund management), development of mechanisms for frequent/constant donations, services for corporate and individual donors. Community foundations play an important role in their respective communities – both in offering services to donors as well as promoting usefulness of giving/recognizing successful examples. ARC is active in these areas at the national level in close partnership with the Resource Mobilization Network.

Community foundation activity and impact

Example 1. The first program for the Cluj Community Foundation Initiative was setting up of a fund for youth initiatives (using and further developing the Community Foundation for Northern Ireland model) – YouthBank. Fifteen youth volunteers constituted the core team of the program – raising resources for the fund in creative ways (special events, selling Christmas cards). The resources raised this way have been matched by the Romanian Development Bank – BRD – Soci t  G n rale. Fifteen youth-led projects have been awarded in the first year and 17 in the second, while the core program team made decisions and

monitored the projects. Program has been extremely successful in bringing together a variety of local stakeholders, including School Inspectorate, city hall, Junior Chamber International, and a number of local media outlets (radio, print and TV). Another success lies in the fact that this program is a good example of how money that local donors give is a leverage and catalyst for other resources (in this case from the bank, but also direct support offered to youth-led initiatives). Most media partners were interested in supporting other programs of the community foundation.

Example 2. Odorhei Community Foundation has started a Donor's Club Initiative in their community asking participants for 3-year, flexible support for its work. The pledged amount for the first year was around US \$45,000, allowing the foundation to carry at least one open grant-making program and to strengthen itself as an institution. The Donor's Club offers community business leaders an opportunity to come together in an apolitical environment and develop their corporate social responsibility. This has led to several interesting developments such as a Speakers Series which attracts national and international business leaders and a Community Investor Award which recognizes good corporate social responsibility partnerships between businesses and NGOs. Further, the Donor's Club has led to a ripple effect of CSR interest from villages surrounding the town and nearby communities whose business leaders are interested in developing named funds within the Foundation to work on their local needs.

Current challenges and future developments

Major challenges facing community foundations

The most important challenge, given the novelty of community foundations, is to strengthen community foundations' position in the community, demonstrating added value as a local resource mobilization and grant-making organization. Another important challenge for community foundations is to set up local teams and management systems which can deliver on promises made to communities in terms of quality grants and transparent fund management. Raising money for their own operations only from their own communities still may prove difficult until a higher profile is attained necessitating external funding to complement locally raised resources.

Areas for future community foundations development

Given the age of community foundations, basically all areas need development, including in relative order of priority: governance, management systems, communications, fund-raising, grant-making, organizational strategy. In terms of fundraising, raising money from individuals is a key area that needs development in both cases. Endowment building and financial sustainability may also become important areas in the future, but others are critical at this stage.

International links

Representative of both existing foundations and the Alba Iulia initiative group have been part of a study visit in Slovakia in 2007, visiting three community foundations and discussing the context and concept with the Center for Philanthropy. Cluj Community Foundation director and team have visited both the Community Foundation for Northern Ireland and Prešov Community Foundation.

These visits have been inspirational. Investment in international networking is a good investment. In an ideal world, community foundation teams (board and staff) could be involved in 1-2 international events each year to be in touch with critical developments in the field, as well as to have space to think and reflect on their own work.

Support Organization: Association of Community Relations

History and purpose

Purpose of the Association for Community Relations (ARC):

ARC contributes to effective mobilization of private resources for public interest causes. For this, ARC builds the capacity of and relations between existing actors involved in private giving and fundraising, creates and develops new specialized institutions and promotes a supportive environment for the resource mobilization field in Romania.

Brief History

ARC was formed in 2001 by a group of professionals involved in NGO development programs that identified the need of supporting NGOs in raising resources from diverse, in-country sources and promoting philanthropy as a way to support non-profit initiatives. Starting with research into the philanthropic context, a public campaign to support NGO giving, a training and consulting program for NGOs and a recognition event for donors, ARC has diversified target groups and approaches to include technical support for companies with an interest in community involvement, as well as to engage a variety of stakeholders interested in creating a framework for organized giving.

ARC has organized five editions of a National Community Fundraising Conference, facilitated the development of a network of fundraising organizations and professionals that adhere to a common Code of Ethics, share experience and work together for improved environment and offered financial support to NGOs to develop new community fundraising activities and support systems. This year, we have launched a post-graduate accredited course for resource mobilization practitioners. The services for companies include: research into corporate community involvement practices, consulting for setting up new community involvement programs, as well as evaluating existing ones.

ARC's interest in community foundation development started in 2005 and is based on the experience of other resource mobilization support organizations in the region (e.g. in Poland and Slovakia). See attached document for ARC's involvement in support of community foundations.

Other organizations that support and promote the development of community foundations

To our knowledge, there are no other in-country support organizations with an interest in this area at this stage. Recently, the Trust for Civil Society in Central and Eastern Europe has indicated interest to support the development of community foundations in Romania, possibly in a strategic partnership with ARC.

Structure and organization

The organization is an association of private individuals with an interest to support mobilization of private resources in Romania.

The Association has a Leadership Board of six volunteer members that provide oversight, outreach support and involvement at the strategic level:

- Adriana Stoica - Director, United Way Romania
- Anca Harasim - Director, American Chamber of Commerce

Andrea Rosca – Chief Editor, Business Standard Magazine
Ciprian Taraca - Talent Development Director, Orange Romania
Laszlo Potozky - Director, Environmental Partnership Foundation
Mariana Salagean - Program manager, Etnocultural Diversity Resource Center

The staff of ARC has been typically between 9-11 in the last two years. There is complete separation between staff on one side and the Leadership Board or members of the association on the other side.

The roles in the staff include: executive director, communications director, research and development director, finance director, NGO programs coordinator, business programs coordinator, community foundations program coordinator, Bucharest representative, a program assistant and a finance-administration assistant.

In addition to the community foundations program, community foundations may benefit from other services offered by ARC, including research into individual and corporate giving, community fundraising conference and resource materials, fundraising network, social involvement marketplace (promotion of non-profit programs to potential business supporters, as well as support for on-line donations and possibly SMS donations, i.e. donations via text messaging).

Income Budget Structure (as % of the total budget)	Year 2004	Year 2005	Year 2006	Year 2007
5.1. foreign donors	87%	84%	76%	72%
5.2. local public donors (e.g. government programs)	8%	9%	6%	2%
5.3. local private donors	1%	0%	10%	18%
5.4. income from services and business activities	4%	7%	8%	8%

At this stage, the community foundations' program, as all programs, is supervised by ARC's Leadership Board. We are considering creating a special advisory board for the development of community foundations in Romania, which would combine both community foundations staff or board members, as well as other experts willing to contribute on a pro-bono basis.

Recent accomplishments

The last year of ARC's work has been focused on efforts to provide peer-to-peer exchanges and training for emerging community foundations teams. Examples include: the visit to Slovakia plus peer-to-peer events focused on community foundation strategy and fundraising and communications. A grant-making seminar will be next.

For YouthBank in Cluj, ARC has provided host capacities in the first year of operations and some administrative support for the gradual transition of the program in the second year to the new community foundation that has taken over the second year grant-making.

We also have regular communications with each of the community foundation teams trying to respond to their requests for information and support and to identify solutions to problems that arise in their work.

For more on ARC's activities, see the attached documents (Annexes 3, 4, 5).

Current challenges/future developments

In the remaining part of this year we will be focusing on the existing 2 community foundations and the third initiative in Alba Iulia. Our plan is to support Alba Iulia in raising the initial set-up funds and identify board members for the registration process. We also would like to continue providing peer-to-peer opportunities for the work of the existing community foundations, especially around defining key standards for work and their needs related to set-up of management systems.

We have started to plan a new program for extending community foundations to new cities, which would probably begin middle 2009.

Additional resources

The Association's website is: www.arcromania.ro

See attached:

- ARC strategy 2007-2011 (Annex 3)
- Annual report 2007. This is a rather detailed, draft version of the annual report; a summary will be published soon and could constitute a link to the website (Annex 4)
- ARC support for community foundation development in Romania. This is a summary of ARC's steps and the results so far (Annex 5)

At this stage there are no specific community foundations publications in English. Our focus was to make them available in Romanian.

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