



## Charity on call: in times of joy or in times of sorrow (i.e. floods), political parties, ministries, county councils and municipalities are free to make donations and sponsorships

As our politicians have already accustomed us every year, Easter Day and the First of May have been new occasions for spectacular (pre-election) fiestas organized in parks, accompanied by the usual „arsenal“: gifts for children and pensioners, sausages, beer and trendy bands that have kept up the holiday spirit. On the other hand, the disaster generated by the recent floods has mobilized „good-hearted“ politicians, both from the governing party and from the opposition, who have engaged in a genuine fund-raising (campaign) competition for the victims of the disaster<sup>1</sup>. What is less or very little known about these events of a strong political flavor are the mechanisms whereby such public events are being financed. Who pays and how for the citizen to have a good time?

All these image exercises, whereby the local authorities (particularly the highly visible mayors) attract practically speaking their popularity capital, rely most frequently on donations and sponsorships, which represent, according to the legislation in force, local budget revenues. If in certain circumstances (especially those meant to support social welfare services), donations made to local budgets represent monetary funds or physical goods received by a public institution from a legal or a physical entity on a non-reimbursable basis and without any service rendered in return<sup>2</sup>; quite often though public institutions – to be more precise, their political managers, link their names with the activity undertaken, thus aiming at increasing their popularity amongst their voters<sup>3</sup>.

The Institute for Public Policies (IPP) has conducted between February – March 2006 a study on the topic of local budget revenues collected from sponsorships and donations, on a sample based on all of the 41 county councils, as well as on 24 county seat Municipalities<sup>4</sup>. Following the analysis of the answers given to the questions asked, as well as of the cases covered by the media to this effect, IPP draws your attention on the numerous problems identified, as follows:

- The inconsistent recording of the donations and sponsorships to the local budgets: whereas some county or local councils approve the amounts received as donations and sponsorships by a council deci-

<sup>1</sup> PSD Bucharesti has initiated a campaign to support the population from the flooded areas: we quote Rompres, „ at the party headquarters [...] money will be collected, as well as construction materials and household items; the people who will donate cash amounts will receive supporting documents (i.e. receipts)“. (source: ROMPRES:CENTRAL--30.04.2006-17:53--3--Parties-PSD-aid) „The party leader ( The Democrat Party) Emil Boc has informed that each parliamentarian shall have to donate a sum of money to an amount to be determined by the chapter they belong to, and all the sums reaching the flood victims will be raised from donations and sponsorships.“ (source: ROMPRES:CENTRAL--27.04.2006-17:28--3--Parties-PD-floods roa/gab/)

<sup>2</sup> Cf. O.U.G. No. 45/2003, on local public finances.

<sup>3</sup> In Bacău, approximately 1,100 families have received food packages for their Easter meal. The food was packed in yellow plastic bags with the following inscription: „Romeo Stavarache, the mayor of Bacău, wishes you „Happy Easter!“ (http://stiri.rol.ro/stiri/2006/04/\_stavarache\_miluieste\_ca\_sechelariu.htm – date of ccess: 3 May 2006). In Bucharest, Marian Vanghelie, the mayor of Sector 5 has hosted in Izvor Park a public event to celebrate the 1st of May, where 18,000 food (sausages and beer) tickets were distributed to the population.

<sup>4</sup> For the cases in which IPP did not get answers within the stipulated legal timeframe or the answers received were incomplete, IPP has taken to court the respective institutions (for instance: Sector 5 City Hall, which has not provided the requested information to the date).

sion, others open bank accounts, without having any control over the source of the money (e.g.: Tulcea County Council).

- The practice of opening donation bank accounts with commercial banks, as in the case of Sector 4 Municipality Bucharest, which has opened donation accounts for the flood victims with BCR Sector 1<sup>5</sup> or the Government General Secretaria which has opened three donation accounts for the food victims with BCR Sector 1<sup>6</sup> ) is not in keeping with the legislation in force and must be sanctioned accordingly by the competent authorities.
- Altering the goal of the donation by pressures made by the managers of public institutions. Although the idea is that a donation must be a voluntary gesture, especially when it is made for humanitarian purposes, a current practice today, quite spread in our country, is to have local and central public authorities put pressure by publicly calling<sup>7</sup> on their employees to make donations in cash, especially for the victims of the floods in the flooded areas. Even if specific evidence to this effect is missing, due to the defective mechanism itself, whereby pressure is being put on the employees of certain public institutions to make donations from their own income (as a rule, from their bonuses), it is quite obvious that a call made from the top management of the institution in question has an impact more powerful than any written regulation, while those who do not answer such calls run the risk of being publicly stigmatized.
- Various holidays are an opportunity to collect funds from donations and sponsorships: there are numberless examples of local authorities that have received donations and sponsorships to organize certain public events, according to the results of the IPP study<sup>8</sup>.
- The mechanisms whereby the money collected from donations and sponsorships reach their beneficiaries (e.g.: the disaster victims) are artificial and non-functional: before reaching their potential recipients, whether these are institutions which are social care providers or simple citizens, the amounts collected from donations and sponsorships are first managed at the level of local public administration. At first sight, such a mechanism is subject to the legal provisions in force, the amounts collected being reflected in the accounts of the respective institution, and managed according to its priorities. But reality shows that this system does nothing else but make the process itself more difficult; what is more severe is the fact that the managers of the local public institutions „confiscate” most often the image capital and assume charitable qualities, while in fact they are no more than go-betweens from the donor to the beneficiary of the donation.

As a consequence of the abnormalities identified during the study, the Institute for Public Policies (IPP) has drafted a series of recommendations, part of which are going to be transposed into amendments to the pieces of legislation which currently regulate the local public finances, as well as the way in which the local public administration is organized and works in Romania today:

- The Institutionalization of a consistent way of recording the amounts collected from donations, by observing the legal provisions in force. IPP draws the attention of the competent authorities to oversee the financial activities of the local public administration institutions (the Court of Audit), of those who watch over the lawfulness of the local administration acts (the Prefect's Institution), on the fact that the amounts collected from donations must be approved only by (county/local) council decision; clear mention must be made of the source (donor), of the purpose and of the beneficiary.
- In the case of opening donation accounts, also approved by a Council decision, and in keeping with the legal framework in force, these accounts can be opened only with the State Treasury, and not with commercial banks, as could be seen in certain cases. Consequently, the competent control institution

<sup>5</sup> [www.ps4.ro/13activitateviceprimar.htm](http://www.ps4.ro/13activitateviceprimar.htm) (date of access: 3 May 2006)

<sup>6</sup> Source: ROMPRES:CENTRAL--19.04.2006-18:25--3--Executive-donations-ann accounts/

<sup>7</sup> Bucharest, 19 April /Rompres/ - the Minister of Administration and Internal Affairs, Vasile Blaga, has launched on Wednesday a humanitarian call to help the people affected by the recent floods, as mentioned in a press release conveyed by the Public Communication Department of the MAIA: "I strongly call upon the entire MAIA staff to contribute, according to each individual's means, with cash amounts that can bring some solace to those afflicted by the ruthless elements of nature", said minister Vasile Blaga in his message to all the staff of the institution.

<sup>8</sup> The City Hall of Ploiesti Municipality for the Days of Ploiești, the City Hall of Iasi Municipality for the Iasi Festival, the City Hall of Constanta Municipality for the International Environment Day, Sector 4 City Hall for the International Woman's Day and for the World Day of Blood Donors, the City Hall of Mangalia Municipality for the Christmas Tree Feast.

( the Court of Audit and its local offices) must be informed and take all the measures for the legislation in force to be observed. Likewise, the public institution in question must, upon request, provide documents regarding the detailed statement of all the financial entries of a donation nature in its accounts.

- IPP strongly disapproves the manipulation of the fund-raising campaigns from public institution employees, based on pressures put by the top management of those institutions. We believe such practices to be populist, as they are channels whereby the employees' money is oriented based on one decision only, instead of a transparent system; such practices must be discouraged.
- A firmer regulation of the role of collector/distributor of the donation-based revenues of the local public administration is needed. At present, the specific legislation in force has many gaps, and practice shows that, unfortunately, activities that should be exclusively humanitarian in nature, are considered equivalent to the „generosity” of politicians. Against this background, and aware of the fact that in Romania the governmental sector does not enjoy the same public recognition as it does in other mature democracies, IPP suggests that such a fund-raising function for humanitarian/charitable purposes be assumed by recognized non-governmental organizations, with a highly qualified staff in the field. Empowerment is to be done by a strict control of the performances reported on the amounts collected, on their destination, on the way in which they have been managed and used for the intended purposes, etc.
- In the context depicted above by numerous examples, IPP demands a ban to be put on the sponsorships made by local public authorities and institutions, as well as the preservation in the legal text of the Maecenas contract alone<sup>9</sup> , as a measure meant to prevent corruption and the conflict of interests. The main argument which underlies this measure is the insufficient regulation of the current sponsorship regime, as well as the significant distinction between the donation or the Maecenas act – which is an act of free will that does not imply a counter-service from its recipient, and the sponsorship act which requires a proportional capitalization proportional to the amount invested.

Like in the case of political party financing, a more efficient regulation of the donation and sponsorship regime for the local public administration is needed in Romania, in order to avoid the kind of practices described above, where we witness a confusion between the role and the money of the political class and the local administration. At the same time, it is the opinion of the Institute that the performance of the local public administration does not consist in the number of collective shows/events it organizes or in its fund-raising capacity in emergency situations, but in its efficient way of managing the funds which already exist in the local budgets.

Along these lines, the Institute for Public Policies (IPP) calls openly on the local public administration managers and on the citizens as well to pay more attention to the priorities on which public money is being spent and hence discourage any future panem et circensis („bread and circus”) practices occurring to the detriment of really necessary investments.

Bucharest, May 4th, 2006.

For any additional information, please do not hesitate to contact us at the following numbers: tel/fax: 021 314 1542, mobile 0722 166 888 and 0726 688 371, email: elena@ipp.ro, monica@ipp.ro. Contact persons: Elena Iorga and Monica Tobă, IPP program coordinators.

<sup>9</sup> In keeping with Law No. 204/2001 on the approval of OUG No. 36/1998 on the amendment and completion of Law No. 32/1994 on sponsorships, Maecenas-like activities represent „an act of free-will whereby an individual or a legal person called Maecenas transfers, without any direct or indirect counterparty obligation, his or her right of ownership over certain physical or financial assets onto an individual, as a charitable activity of a humanitarian nature, in order to perform activities in the following fields: culture, arts, health(care) or science - fundamental and applied research.”