

PN-ACG-081

FINAL REPORT

**CITIES MATTER:
Community Based
Economic Development**

**Gudauri, Georgia
March 17-20 and March 22-24, 2002**

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In Collaboration with the
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CITIES MATTER: COMMUNITY BASED ECONOMIC DEVELOPMENT

Introduction

The results of USAID technical assistance and training in a number of sectors - civil society, economic growth, health, housing, education, and local government are positioning communities to begin the process of implementing a community based economic development (CBED) process. Successful CBED requires that local governments make informed financial and administrative decisions that allow them to carry out their responsibilities for the efficient provision of infrastructure, services and programs to support CBED, and to facilitate the economic development process in other ways.

At the invitation of USAID/Caucuses and the Armenia Mission, in March 2002 ICMA conducted two three-day training courses for forty-five USAID staff and counterparts entitled "Cities Matter: Community Based Economic Development." Course participants included USAID expatriate and local professional staff from the three missions, and host country counterparts from the NGO and university sectors. Their focus areas included energy, environmental management, housing, minority rights, humanitarian assistance, and land reform.

The purpose of the course was to explore the dynamics of how public and private sector interests can come together through a CBED process to identify shared needs and objectives, develop a strategy to achieve them, and mobilize necessary public and private resources. Key issues addressed included:

- The process of using CBED to integrate the basic principles of economic development with the active involvement of civil society: individual citizens, nongovernmental organizations, community-based organizations, and businesses
- The link between and the impact of economic development on other sectors such as health, environment, and education
- The steps that local governments must take in order to be responsive to citizens and businesses and to deliver the services and infrastructure necessary to support CBED.

The program emphasized the important role that local government administrations, working in partnership with the national government, private sector, NGOs, community based organizations, citizens, and other stakeholders such as educational institutions, can and must play in CBED. It also focused on the financial management practices that must be instituted for successful community development, in particular sound and transparent management of existing resources, and the ability to raise capital for key public infrastructure investments. Copies of the course agenda and handouts are attached as appendices.

Course Overview and Summary

The course was structured around five basic principles of economic development, which were illustrated through case studies from northern Kazakhstan, Bulgaria, and Romania:

1. ***Firms, not government, create wealth.*** The basic premise is that if something can be done more efficiently and effectively by the private sector (e.g. hotels, restaurants, development of commercial properties), the local government's role is to create an enabling environment and leave these functions to the private sector.
2. ***Physical infrastructure contributes to a community's comparative advantage.*** 'If you build it (roads, water supply, sewer, telecommunications networks, etc.), they will come.' For example, Sofia, Bulgaria chose to invest in upgrading its infrastructure - using a variety of financial mechanisms - in order to create an environment that meets the needs of modern businesses.
3. ***Efficient and effective public institutions reduce the costs of production for the private sector*** - Local governments should foster a stable, fair and transparent business environment. Timisoara, Romania's Five Star Program illustrated this concept. The City reduced red tape by streamlining and computerizing its permitting process and introducing a 'one-stop shop.' Staff were retrained to be service-oriented and efficient, and to provide thorough and accurate information to potential investors. As a result, in the last six years Timisoara's Foreign Direct Investment has increased five times and has become a model for other Romanian cities.
4. ***Local economic development programs should be executed in partnership with the national government.*** Local governments and donor-supported decentralization and reform programs that advocate for more local autonomy must strive to introduce reforms and innovations in a way that is viewed by the national government as supporting its objectives and agenda, not conflicting with them. As one participant put it, 'Don't embarrass the national government.' Successful pilot programs at the local level that test new policies and programs can serve as the basis for policy reforms and programs at the national level, as Timisoara's 'Five Star' program demonstrates.
5. ***Employment opportunities improve the overall wealth of the community.*** Local governments have a vital role to play in expanding access to employment opportunities for their citizens. In Sofia, the municipal government targeted its infrastructure improvements to help create jobs (through construction, operations and maintenance, etc.). This in turn generated a secondary economic effect by creating new income tax revenues for the municipal government and more disposable income to cycle through the local economy. In Ekibastuz, Northern Kazakhstan, the local government-led Economic Development Council identified its main comparative advantage - coal extraction - and built on that to create small and medium enterprises that were linked to this industry, creating new jobs in the SME sector.

In addition to these basic principles of economic development, the course emphasized two other important considerations: (1) Community resources must be effectively mobilized and used strategically to achieve results; and (2) CBED strategies must reflect existing resources, markets and market potential. It is important to understand for communities to have a good understanding of their market – not every town can be a tourist mecca or high-tech center.

Local government economic development specialists from the United States, Romania and Bulgaria provided an overview of these CBED concepts and practices, illustrating them with case studies of CBED strategies and programs drawn from the region. All of the case studies emphasized the strong leadership and facilitating roles that local government officials can and must play to foster and implement successful CBED (the case studies are attached as appendices).

Workshop sessions were structured to be highly interactive, with small group discussions and exercises intended to examine how these principles and practices could be applied in the legal, political, and cultural context of participants' countries. Participants were split into 4-6 person regional teams (with the exception of the Armenian participants, who worked as one team) for part of the course to encourage the exchange of ideas and strategies and foster a team-oriented approach.

At the conclusion of the three-day workshop, each team was asked to identify the key factors of success, summarized below, relevant to the implementation of CBED in their respective countries. As country-based teams, participants were asked to develop a country strategy for integrating CBED into the USAID Mission's programs. In addition, participants were asked to develop individual one-year work plans for incorporating CBED principles and practices into their own work programs. These work plans and country strategies will serve as benchmarks for the evaluation ICMA will conduct this fall to assess how participants are using the principles and practices discussed in the course.

Key Challenges and Solutions

At the conclusion of the workshop, participants identified a number of challenges that local governments in the Caucasus face in developing and implementing successful CBED strategies. These include:

- Defining results
- Understanding the market
- Balancing community needs against business interests
- Identifying and mobilizing *all* of a community's resources and garnering additional, external resources
- Finding the political will and leadership

The case studies from northern Kazakhstan and Timisoara provided models of how communities have addressed these challenges and come up with innovative solutions. Both case studies highlighted the importance of strong, committed leadership. Local governments were catalysts and facilitators of this process, helping to develop and

nurture partnerships with the private sector, NGOs, and other community interests to create a vision, identify objectives, develop a strategy and mobilize resources to implement it.

CBED strategies developed with the full support of the community and the elected leadership can serve as policy tools to help guide capital planning and other budget decisions. Participants noted that while governments and elected officials may come and go, a good CBED strategy should be able to withstand changes in political administration. Equally important, the existence of a community vision and strategy for realizing it sends an important signal to the private sector that the investment environment is stable and predictable.

Getting the Financing and Incentive Policies Right

A number of workshop sessions and analytical tasks addressed one of the most vexing challenges of economic development: finance. How can local governments raise revenues for infrastructure and other critical community investments? How can they use their existing revenues/resources more effectively and target them to fulfill community priorities and capitalize on community assets?

Participants examined several financial incentives and tools to finance infrastructure and other capital improvements, such as Sofia's use of Eurobonds to finance key infrastructure improvements (metro, roads). While clearly not a viable strategy in the Caucasus at this time, Sofia's experience in going to capital markets identified the path that local government support programs in the region can follow to prepare municipalities for eventual entrance into capital and municipal bond markets.

Other financial incentive programs that local governments can use that were discussed include the sale/lease of municipal assets, public-private partnerships, and joint ventures, as the case of the Sofia Hilton Hotel demonstrated (see attached case study for details).

Participants were cautioned to distinguish between *capital* investments (roads, water/sewer lines, buildings, etc.) and other kinds of financial investments governments can make to support economic development, such as tax incentives and holidays. National and local government incentive packages must be carefully structured to ensure that the community receives maximum benefit from any financial commitments made to private investors, while at the same time ensuring a reasonable profit to investors.

Other sources of capital financing that were discussed included:

- Creation of special assessment districts to generate funds for targeted investments (e.g. water districts)
- Increased tariffs and fees
- Loans and grants from national budgets or international finance institutions¹

The case studies highlighted several other important conditions related to financing economic development that local governments must strive to achieve:

¹ There was agreement that the latter should be viewed as a short-term option and that local governments need to look at how to become financially independent of these sources in the future.

- Understanding the importance of getting their financial houses in order before they attempt to access capital markets
- Transparent budgeting and accounting practices that meet international standards (this process helped Sofia's municipal government defend itself against allegations of corruption and unfair practices)
- Improving the capital planning process
- Restructuring municipal organizations and management processes to improve efficiency
- Establishing taxation authority for local governments to set tariffs and fees and keep them (e.g. Timisoara's property tax – see case study)
- Improving the collection of existing local taxes and fees
- Improving budgeting and accounting practices to meet international standards
- Improving asset management and ensuring the proper maintenance of public facilities to reduce waste and replacement costs
- Educating municipal officials about financing options such as municipal bonds to ensure that they understand their uses and implications
- Creating the ability to retire debt instruments

Critical Factors for Success of Community Based Economic Development Program Development and Implementation

On the last day of the workshop, participants were asked to identify critical factors of success for CBED. These factors can be grouped into two basic categories:

1. The conditions that should exist in a country and within individual communities to implement successful CBED programs.
2. Factors that reflect actions local governments should take to develop and implement successful CBED programs.

These factors are summarized below. They have been divided between the first and second workshop sessions.

Session 1

1. Country/local conditions

- Stakeholder/community desire and will/spirit
- Community accountability
- Relevant human resources (available labor pool that matches market demand and/or can be (re)trained to do so)
- Political will to change existing conditions, inspired leadership at all levels of government, and initiative
- Two-way information flow through multiple communications channels
- Favorable legislative environment

2. Local government actions

- Strong leadership (as well as a willingness to delegate tasks) and a strategic approach
- Early involvement of all community stakeholders
- Citizen involvement in the decision-making process
- Commitment to improving administrative and management systems
- Transparency and accessibility to information
- Realistic planning that corresponds to political, economic and cultural conditions
- Ensuring that local government staff have the capacity and skills to implement projects efficiently and effectively
- Access to financial resources

Session 2

1. Country/local conditions

- Political will
- Investment environment improved (specifically for capital projects)

2. Local government actions

- Community leadership and mutual trust
- Facilitating partnerships and cooperation
- Prioritizing projects
- A willingness to share resources
- Creating new paradigms
- Involvement of the different groups in the process of strategic planning and implementation
- Good financial management and personnel management systems, allowing limited funds and staff to be used most effectively
- Increased community understanding about CBED by all community stakeholders groups

The course facilitators observed an interesting shift in participants' thinking over the course of the three days. At the beginning of the workshop, many participants indicated skepticism that much can be done in the Caucuses to encourage CBED without major changes to the countries' legal frameworks. However, by the end of both three-day sessions, there was consensus that local governments can introduce a variety of new management practices and reform actions, even in the absence of an enabling legal framework. Indeed, local government innovations and pilot policy and program reforms can inform the development of an appropriate and supportive legal framework. These actions can lay the foundation for more sophisticated local government approaches to economic development, such as securing a reasonable credit rating and access to the credit market, and structuring financial incentive programs that ensure return on community investment in to private sector development.

By working in cross-sectoral and cross-country groups, participants were able to uncover the linkages between the sectors in which they work and how their respective programs can foster CBED. The resulting country strategies and individual work plans should

result in more effective planning and cross-sectoral coordination of USAID programs to achieve the CBED goals that participants defined.

Participant Evaluations

Based on the written evaluations received from both sessions, the training generally met the objectives of the course, in particular two key objectives:

1. *How CBED can integrate the basic principles of economic development with the active involvement of civil society: individual citizens, nongovernmental organizations, community-based organizations, and businesses*

Comments from the evaluations indicated that the course was timely, as this is a critical issue, especially in Georgia. Further, the course aided participants in understanding why and how to mobilize the NGO sector in support of economic development. Participants noted that the use of case studies from Europe and Eurasia and involvement of regional presenters added value to the course.

2. *The steps that local governments must take in order to be responsive to citizens and businesses and to deliver the services and infrastructure necessary to support CBED.*

Participants found the sessions that illustrated why and how the local governments can be more responsive to community conditions and citizen expectations to be the most useful. The two key areas that were discussed - municipal administrative structures and the management and use of financial resources - were subjects that participants felt warranted further discussion, or even a separate course (in particular finances and financial management).

There were few recommended changes to the course structure and content in the evaluations. A number of participants felt that a four-day, rather than a three-day program would have allowed time to explore certain subjects in greater depth.

Follow-up Survey

In August 2002, ICMA will forward a draft outline of tasks for carrying out the follow-up evaluation required by the task order. ICMA's initial proposal is to conduct a follow-up workshop for course participants in September-October 2002. A pre-workshop questionnaire will be sent to all course participants to solicit input on the impact of the course on their work and their success in implementing their individual work plans and country strategies. The workshop will be designed for participants to address issues related to questions or issues they have encountered with implementation.

Deliverables

- Individual and country team frameworks for strategies by which to implement Community Based Economic Development ²
- Course materials

Appendices

- A. Course Agenda*
- B. Team Strategies*
- C. Case studies*
- D. Participant Roster*
- E. Evaluation Summary*

² Team strategies can be found in Appendix B.

Appendix A
Course Agenda

**Cities Matter:
Principles and Practices of Community-Based Economic
Development**

Gudauri, Georgia
March 17-20, 2002

COURSE AGENDA

Sunday, March 17

4:00 – 6:00 p.m. **Pre-Course Terminology and Concepts**

6:00 – 7:30 p.m. **Opening Reception**

Monday, March 18

- 9:00 a.m.** **Opening Remarks**
Presenter USAID/ Caucasus Mission
- 9:15 – 9:45 a.m.** **Framework and Overview of Course**
Presenter **Deborah Kimble**, Senior Governance and Management Advisor,
International Division, International City/County Management
Association
- 9:45 – 10:30 a.m.** **Participant Introduction**
Facilitator **Corinne Rothblum**, Senior Program Manager, International
Division, ICMA
- 10:30 – 11:00 a.m.** **Break**
- 11:00 – 11:45 p.m.** **Community-Based Economic Development: What Makes It
Different, How It Works, What Skills and Systems Are
Needed**
Presenter Case Study on Kazakhstan
- 11:45 – 1:45 p.m.** **Creating an Analytical Framework**
Facilitator Deborah Kimble, ICMA
- 1:45 – 2:45 p.m.** **Lunch**
- 2:45 – 4:45 p.m.** **Retooling Local Government's Administration and
Organization**
Presenter **Aurelia Junie**, Director of Strategic Planning, Timisoara,
Romania
- 4:45 – 5:15 p.m.** **Reflections on the Day and Afternoon Tea**

Tuesday, March 19

- 9:30– 10:00 a.m. Overview of Day**
- 10:00 – 1:00 Managing the Financial Impact**
Presenter Alexander Mihaylov, Executive Secretary of the Municipal Privatization Fund, Sofia Municipality, Bulgaria
- 1:00 – 2:00 p.m. Lunch**
- 2:00 – 4:30 p.m. Public, Private, and Community Partnerships**
Presenter Alexander Mihaylov, Sofia
- 4:30 – 5:00 p.m. Reflections on the Day and Afternoon Tea**

Wednesday, March 20

- 9:15 – 9:30 a.m. Overview of Day: Exploring Results**
Moderator Corinne Rothblum, ICMA
- 9:30 – 10:15 a.m. Community-Based Economic Development in Action**
Identifying Critical Success Factors
- 10:15 – 1:00 p.m. Finalizing Participant CBED Project and Action Plan**
Facilitator Panel of Presenters and Course Facilitators
- 1:00 – 2:00 p.m. Lunch**
- 2:00 – 3:15 p.m. Presentation and Critique of Analytical Tools**
Moderator Corinne Rothblum, ICMA
Respondents All Case Study Presenters, Deborah Kimble, and Participants
- 3:15 – 3:45 p.m. Course Evaluation**
- 4:30 p.m. – Participant Dinner and Closing Ceremony**

Appendix B
Team Strategies

Principles and Practices of Community-Based Economic

Vision Statement TEAM NAME AND/ OR NUMBER: 1, ARMENIA LOCAL GOVERNMENTS TAKE ACTIONS TO GENERATE LOCAL ECONOMIC DEVELOPMENT		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1 Clear Vision of comparative advantages and community needs	1. Inventory the strengths and weaknesses of the community (LG, AID)	Economic Development strategy
	2. Articulate the vision (LG, AID)	
	3. Establish realistic benchmarks (LG, AID)	
	4. Identify approach to address weaknesses (LG, AID)	
	5. Define role of stakeholders in the achievement of strategic goals (LG)	
2 Capacity of Local Governments to implement projects with efficient and transparent management systems and well-trained personnel	1. Analyze personnel and training needs (LG, AID)	Efficient and transparent local government
	2. Identify and acquire required staff (LG)	
	3. Develop and implement training plan (LG, AID)	
	4. Perform management assessment of procedures and systems (LG, AID)	
	5. Design and implement transparent procedures and systems (LG, AID)	
3 Ability to obtain sufficient financial resources	1. Increase collection of own source revenue by improving local tax administration (LG, AID)	Adequate financial base to support community operations, capital budgeting and local economic development
	2. Restructure local fee collection to increase fee revenue (LG, AID)	
	3. Advocate the National Assembly to increase the revenue sources for local governments, including transfers from the state budget (LG, NGOs)	
	4. Identify and secure outside funding sources to finance economic development programs (LG)	
	5. Eliminate obstacles to municipal borrowing, including issuing bonds (LG, AID)	
4 Public awareness and stakeholder participation	1. Organize media campaign (LG, AID)	Community support and involvement
	2. Hold public forums (LG)	
	3. Mobilize community based organizations and all other stakeholders (LG)	
	4. Identify and priorities community needs (surveys, polls, etc.) (LG, AID)	
	5. Include stakeholder input in development and implementation of the strategy (LG)	
5 Favorable legislative environment	1. Analyze the existing legislature to identify weaknesses (LG, AID, NGOs)	Legislative framework supports local economic development
	2. Identify and advocate for legislative reforms favorable for local economic development (LG, AID)	
	3.	
	4.	
	5.	

**Cities Matter:
Principles and Practices of Community-Based Economic Development**

VISION STATEMENT		
WE SEEK TO CREATE THRIVING COMMUNITIES IN GEORGIA, FORGING A PARTNERSHIP BETWEEN THE PRIVATE AND PUBLIC SECTORS THAT RESULTS IN IMPROVING THE SOCIAL AND ECONOMIC WELL-BEING OF ALL CITIZENS, AS WELL AS DEVELOPING A SYSTEM OF STRONG LOCAL GOVERNANCE BASED ON TRANSPARENCY AND TRUST.		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1. Partnerships	1 Convene community meetings between local government and the business community.	Attempt to build cooperation and trust between these groups. As well as begin the process of finding ways to work together to improve business climate and make government more effective (enlisting business community as an advocate for LG).
	2 Provide opportunities for LG and business community to work together on practical issues in the community.	
	3 Conduct community meetings to identify local community needs and resources to release results of the assessment and facilitate a constructive and proactive discussion.	
	4 Conduct comprehensive assessment with regard to patterns of relationships between different sectors of the community. Following assessment, work on developing realistic action plan with specific recommendations for how to promote partnerships.	
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3. Political Will	1 Conduct national meetings with LG officials to explain economic development and explore the potential roles of LG in the economic development process. Stress the benefits and the need to cooperate with other sectors within the community.	Raise the awareness level about ED and government's role(s).
	2 Small grants to develop advocacy outside the LG structure for promotion of economic development.	
	3 Working at national level to work on national strategy for LED, stressing the role of LG in that process.	
	4 Work with local media on stressing economic development and its effect on the local community as an important issue.	
4. Involvement	1 Work with local communities (when ready) to develop CBED strategies utilizing a broad-based community coalition.	
	2 Provide grants and technical assistance to help facilitate creation and sustainability of community based organizations with a goal of working in partnership with local government and private sector.	
5.	1	Bring the community together and
	2	
	3	

	4	<p>outline concrete and realistic steps for the community to improve its economic condition. Follow-up activities include working on the LG's budgeting systems to create better planning so they can build funding into the budget to implement developed strategies.</p>
	5	

TEAM: _____

**Cities Matter:
Principles and Practices of Community-Based Economic Development**

VISION STATEMENT ACTIVE CITIZENS TAKING INITIATIVE, ACCEPTING RESPONSIBILITY IN COOPERATION WITH MORE TRANSPARENT, MORE RESPONSIVE AND ACCESSIBLE GOVERNMENT TO ADDRESS ISSUES.		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1. Political will inspired leadership both levels (local and national government) to change existing situation, initiative	1. Educate LG and national government representatives on their roles and responsibilities	Better understanding of the role of the government as a provider; understanding of community needs and finding ways to meet them. More responsive local and national government
	2. Empower LG to implement their activities properly	More capability to respond to the needs of the community.
	3.	More responsive and accountable local and national government
	4.	
	5.	
2. Active citizen involvement	1. Educate general public on their individual roles and responsibilities	More responsive and accountable local and national government
	2. Educate general public on their community roles and responsibilities	More responsive and accountable local and national government
	3. Rebuild public trust	Desire of the community and the government to cooperate
	4. Monitor implementation of the existing laws and regulations	Improved implementation of ROL activities
	5.	
3. Transparency	1. Accessible at every stage	More responsive and accountable local and national government

	2. Public involvement in decision making processes	
	3. More public meetings	
	4. Budget records available	Proper spending of funds
	5. Monitoring	
4. Relevant human resources and effective management system, both at community and government level.	1. Capacity building of the community and LG	Effective implementation of the CBED projects (public, private, government)
	2.	
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TEAM NAME AND/ OR NUMBER: TEAM 2

**Cities Matter:
Principles and Practices of Community-Based Economic Development**

Team name and/ or number: #4 Incurable Optimists with achievable goals

VISION STATEMENT		
TO BUILD A HOLISTIC SOCIETY IN ONE PILOT CITY IN GEORGIA, AND REPLICATE THIS SUCCESS THROUGHOUT GEORGIA (2-5 YEARS).		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1. Strong leadership & Clear strategic vision	1. Leaders identified through an open and transparent balloting system.	Community (including LG, CS, & PS) able to clearly identify their priorities and steps to achieve their own needs.
	2. Dedicated teams/Working groups formed/trained/activated.	
	3. All stakeholders hold planning meetings and workshops to identify strategy, and identify community priorities.	
	4. Strategic plan articulated; working committees formed to lead and mobilize the strategy.	
	5. Action plan, timetable, and resources clearly articulated and agreed upon by all stakeholders (perhaps another referendum would be useful).	

TEAM NAME AND/ OR NUMBER: 3

VISION STATEMENT		
A COMMUNITY WITH ACTIVELY DEVELOPING SMALL BUSINESSES GENERATED AND SUPPORTED BY MEANS OF STRONG CITIZEN PARTICIPATION AND WELL-DEVELOPED LAND AND PROPERTY MARKETS.		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1—Developing networks and promoting cooperation (partnerships)	1. Survey, identify & attract key members of community	An association carrying out concrete projects agreed on by members
	2. Training in facilitation skills	
	3. Convene meetings	
	4. Identify themes or objectives of shared concern and form working groups to develop them (should be achievable in near term).	
	5. Create more formal association to realize objectives aligned on.	
2 – Practice of taking initiative and responsibility (political will).	1. Generating conversations about what is working in relation to particular issues and concerns.	Things happening
	2. Identify and empower local leaders.	
	3. Provide leaders with support to accomplish objectives	
	4.	
	5.	
3 – Functioning banking and land informationsystem providing services to the community (investment, involvement of different groups, creating new practices, trust).	1. Educating community about land registration other factors relating to loan collateral	Increased lending and collateralized investment. Improved management of local businesses. Jobs created.
	2. Working with banks to provide inducements for increased use of banking services (direct deposit of pensions, salaries, etc.)	
	3. Provide technical assistance in use of capitalized assets in business lending and investment.	
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	5.	

**Cities Matter:
Principles and Practices of Community-Based Economic Development**

TEAM: TEAM 1 (BUILDERS UNION KJNKI)

VISION STATEMENT IMPROVED INTERACTION BETWEEN THE LOCAL COMMUNITIES AND NATIONAL GOVERNMENT THROUGH ACTIVE CITIZEN PARTICIPATION WITH LOCAL GOVERNMENT ACTING AS A CATALIST.		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1 Early involvement of all community stakeholders <i>(Desire/will of all stakeholders to participate and implement the strategic plan)</i>	1. Identify community leaders to start the process	Changed attitude to the process of community development
	2. Identify all stakeholders	
	3. Convene interactive public meeting	
	4. Define the vision/project/need	
	5. Assess the existing resources	
2 Well written and defined strategic plan	1. Defined responsibilities of all stakeholders	Well written and defined strategic plan is in place and steps being taken to implement
	2. Ensure two way communication among all parties	
	3. Clear identification of problems and actions to be taken to address them	
	4. Identify and secure necessary resources both local and national levels	
	5. Monitoring and Evaluation Plan	
3 Capacity of the community to effectively carry out the planned activities	1. Identify the strength and weaknesses of the knowledge and skill level of the community	All the implementers have necessary skills and knowledge to carry out the tasks
	2. Use the strength of the community to compensate for the weakness (may need to access expertise outside the community)	
	3. Provide the necessary training as identified	
	4.	
4. Transparency of entire process	1. Sound management (both financial and administrative) system in place	Building trust within the community, reduced corruption, empowered citizenry
	2. Availability and accessibility of information and process through regular community meetings, publications, media etc.	
	3. Outreach to appropriate national representatives	
	4.	
5 Improved Legal Framework	1. During the process we will identify the areas where legislative improvements would make process easier	Supportive legal framework for implementing community development

VISION STATEMENT

TO PROMOTE COMMUNITY MOBILIZATION TO ENCOURAGE COMMUNITIES TO PRIORITIZE AND SOLVE THEIR PROBLEMS.

Critical Factor Of Success	Actions To Be Taken	Expected Result
<p>1 Partnerships and involvement of different groups (stakeholders)</p>	1. Organize meetings and facilitate dialog between citizens, schools, and other community institutions and local government officials.	<p>Local governments will include citizens and community institutions in strategic planning process and beyond.</p>
	2. Organize meetings and facilitate dialog between business and schools/ local government/ citizens groups.	
	3. Explaining to local government the importance of working with citizens, and providing local government with the tools necessary for this.	
	4. Engage local NGOs and mass media in dialog with schools and other community institutions.	
	5. Provide national government bodies with information on importance of intersectoral partnerships on the local level.	<p>Citizens and other community institutions (including schools) will demand responsible local government that is transparent and serves the needs of the people.</p>
	6. Provide people with tools and information to help them share resources within the community.	
	7. Provide information and training to youth, to encourage them to be active citizens and understand local government.	
<p>2 Political will</p>	1. Provide training to local government about the role of local government itself, as well as about the role other community institutions/citizens can play in decision-making process on the local level.	<p>Local government leaders and community leaders who are willing to take responsibility for their actions and take initiative to serve their communities.</p>
	2. Disseminate information about best practices of local government.	
	3. Hold discussion groups with citizens to increase their awareness about the rights and responsibilities of citizens and local government, and specifically, about citizen's involvement in local government.	
	4. Provide national government bodies with information on importance of intersectoral partnerships on the local level.	
	5.	<p>National government that does not interfere in the steps taken by local government to improve their communities.</p>

3 Management practice in local government bodies (Azerbaijan only)	1. Provide local governments with management training, including budgeting.	Local government officials and staff develop and implement reasonable strategic plans, in cooperation with citizens and community institutions. Local government is responsive to demands of citizens.
	2. Train LG about the importance of partnerships with citizens and community institutions.	
	3. Provide consulting-style assistance to LG to help them develop reasonable strategic plans and work plans, which include reasonable financial and staffing requirements.	
	4. Explain the role of local government (including CBED) to LG.	
	5. Share best practices from LG with LG.	
	6. Encourage LGs to exchange information with one another.	

Note: Only IFES program in Georgia will focus their work specifically with schools. Only in Azerbaijan, will IFES provide direct management training to local governments.

**Cities Matter:
Principles and Practices of Community-Based Economic Development**

VISION STATEMENT STRONG AND EFFECTIVE LOCAL GOVERNMENT FACILITATES ACTIVE CITIZEN AND PRIVATE SECTOR PARTICIPATION IN THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE COMMUNITY.		
Critical Factor Of Success	Actions To Be Taken	Expected Result
1. Community leadership and mutual trust.	1. Provide CBED and facilitation training to LG representatives.	Increased skills and CBED knowledge of LG
	2. LG leaders actively recruit community and private sector leaders to participate in upcoming strategic planning process.	
	3.	
	4.	
	5.	
2. Involvement of private sector, NGOs, and community leaders in a strategic planning process.	1. Convene working groups of business, NGO and other community leaders.	Increased skills and CBED knowledge Strategic plan
	2. Provide CBED training opportunities to the targeted working groups.	
	3. Strategic planning participants prioritize community needs.	
	4.	
	5.	
3. Local government, the private sector and community leaders work in partnership.	1. LG develops programs and delivers services that meet the demands of businesses and citizens.	Functioning programs Increased revenue Increased flow of useful information
	2. Businesses and citizens pay taxes and fees more regularly.	
	3. LG creates a mechanism (i.e. municipal information center) to facilitate the exchange of useful information between government, the private sector, and citizens.	
	4. LG improves the business environment (e.g. improved licensing procedures.)	
	5.	

TEAM NAME AND/ OR NUMBER: 4

4. Local government leverages resources to support strategic CBED plan.	1. LG provides training and incentives to improve financial management.	Concrete CBED projects implemented
	2. LG, working with business leaders, develops specific project plans to attract foreign investment.	
	3. LG invests in infrastructure to attract investment.	
	4.	
	5.	
5.	1.	
	2.	
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	4.	
	5.	

Appendix C

Case Studies

LOCAL SELF-GOVERNMENT IN BULGARIA - PREMISES AND TRENDS

A characteristic trend in the development of the modern prospering countries is the growing importance of local governments. Political and social processes in countries of a different structure or well-being bear witness to one and the same fact - that "big politics" on the national level is to a considerable degree conceived, supported and exercised by the "small politics" of the local government entities.

The growing importance of the local- and especially of the city government can be explained by the play of political and functional factors. As many developed countries have demonstrated, the progressive differentiation of the public processes calls for novel approaches to the way issues are handled and services provided, and indicates that centralized standards cannot manage it effectively. Traditional tools for addressing social and economic problems are proving inadequate in the environment of restricted resources and a market economy.

Legal Environment

The principles of local self-government and local administration in Bulgaria are provided by the Constitution. **The present Constitution of the Republic of Bulgaria**, adopted in 1991, devotes its Chapter Seven to local self-government and administration in line with both European (e.g., Spanish, Portuguese, Italian, Romanian) and North American practices, and in the spirit of the European Charter of Local Self-Government.

The relevant Constitutional principles reflect a modern local government philosophy ensuring self-governance at the low levels and the conduct of regional development policies by the State. The key feature of this framework is the stability of local self-government as

- (a) **an autonomous democratic institution and**
- (b) **a tier of the national government.** Already in Chapter One, *Fundamental Principles*, local self-government is proclaimed as such: "The Republic of Bulgaria is a unitary State on the basis of local self-government."

In 1995 the Republic of Bulgaria ratified the European Charter of Local self-government and amended its national laws accordingly. The Bulgarian Parliament has enacted the following laws:

- Local Self-Government and Local Administration Act;
- Administrative and Territorial Division Act;
- Territorial Division of the Capital Municipality and Big Cities Act;
- Local Elections Act;
- Municipal Property Act;
- Local Taxes and Fees Act;
- Municipal Budget Act;
- Regional Development Act;
- State Administration Act;
- Civil Servants Act.

The legislative framework established in recent years, including the above-mentioned new laws, appears sufficient to form the basis for an effective functioning of local governance according to European standards. The Central Government expresses a political will for decentralization of the rights, responsibilities and finances at the local government level. In spite of that there are still discrepancies between the rights and the responsibilities of the local government. These discrepancies do not allow the local authorities to respond adequately to citizens' problems and concerns. With the adoption of the Municipal Property Act, the Local Taxes and Fees Act and the Municipal Budgets Act during the last three years municipalities acquired better, but still insufficient opportunities for effective municipal property management and planning of municipal income. Municipalities cannot increase local revenues, because the law regulates the type and size of local taxes and fees. Following the last elections the central government imposed further restrictions on fiscal conditions at the local level. Municipalities face a very difficult financial situation, while at the same time citizens are demanding more in terms of services and economic development, and the central government pressures them to prepare for EU accession.

Institutional framework

In administrative terms Bulgaria is currently divided into 28 regions and subdivided into 262 municipalities.

Two entities within Central Government assume the responsibility for the development of local governance: the Council of Ministers and the Ministry of Regional Development and Public Works.

The *Council of Ministers* assumes mainly an administrative function. It maintains close relations with the 28 districts, monitoring their work and supervising the correct implementation of national policies at district level. In this respect, the primarily responsibility of the Council of Ministers consists in ensuring that the Government's priorities are followed and it is not directly involved in the development of local self-government.

The *Ministry for Regional Development and Public Works* (MRDPW) assumes main responsibility for drafting the legislation related to local governance and for maintaining the close operational relations with municipalities. The MRDPW is the main counterpart authority on behalf of Central Government to local governments and regional authorities providing them with technical assistance and guidance.

The *Region* is a unit created for administrative purposes where no elected bodies of local self-government are created. The Regional Governor is appointed by the Council of Ministers and is responsible for the implementation of the government policy. His responsibilities include, in particular, ensuring the legality of the municipalities' administrative acts, to supervise the local governments and to pursue an effective regional policy. The Municipalities participate in the Regional Councils for Development with two representatives - the Mayor and the Chairman of Municipal Council.

The *Municipality* is the basic administrative and territorial unit in Bulgaria wherein local self-governance is exercised. According to the Local Self-Government and Local

Administration Act each municipality is a legal entity and has the right to own property and to have an independent municipal budget. A dual system of power exists at municipal level:

The *Municipal Council* is the highest decision-making body that is directly elected for a period of four years. The only full-time post within the council is that of chairman of a municipal council. This post exists as a full-time position only in the councils of big cities.

The *Mayor* is the highest executive officer of a municipality also elected by direct popular vote for a 4-year mandate. He oversees municipal authority and appoints municipal staff.

Municipalities in Bulgaria have different decision-making power in the provision of public services. The services in the field of education, health care, social assistance, culture and arts, environment, urban planning, infrastructure and maintenance of roads have shared responsibility of central government and municipalities. Local governments assume full responsibility in the provision of some specific public services such as urban development and community facilities. Decisions related to the policies in the areas that are shared responsibility are, however, exclusively within the competence of the central government. Local authorities are not provided with mechanisms for influencing the State policies and their role is limited to a mere execution of decisions taken at central level.

A serious problem of local authorities especially in small municipalities is the inability for fast and effective application of the newly adopted laws. There is a lack of tradition for monitoring the actual effect of law enforcement and concrete steps on behalf of local government for its improvement. After the last local elections in October 1999 in one fifth of the municipalities the mayors were elected for the first time, creating an opportunity for new ideas and energy but also a need for training and technical assistance. A special training institution, which offers specific training and education, programs for local self-government does not exist. State institutes, universities and a number of NGOs, including FLGR, supply training and education for local public administration staff.

The idea for service-oriented local government in Bulgaria is still only a general idea, although some successful steps have been made by several cities. The majority of the local government officials and municipal councilors have become aware of the need for a new approach and new way of governance and for reaching public consensus when dealing with municipal problems. Providing information and involving citizens in solving significant local problems and issues is already done on a regular basis in some municipalities. Citizens' knowledge on the current legislation is still little and insufficient. The lack of broad public awareness and understanding of the nature, functions, rights and responsibilities of the local authorities and of the opportunities for information access and active citizens' involvement sometimes is the cause for negative attitudes towards the local self-government and passive waiting for local problems to be taken care from above.

In addition, there is a growing understanding of public-private partnership on the local and regional levels and for the new role of local government in the creation of a favorable environment for economic development. But still there is a lack of consistent regional

policy; little horizontal cooperation among the municipalities in the regions; lack of financial resources and local and regional leaders often lack experience in working together. Mutual confidence and willingness for partnership is increasing among the local authorities, private business, NGOs and the citizens. In a number of cities community development centers were created as well as agencies for economic development and business centers as partnership organizations. However, skills for effective dialogue and partnership are still limited and efforts for capacity building in this direction will be an investment in the institutionalization of municipalities.

Local governance and regional development

Until 1987 Bulgaria was divided into 28 districts (*okryzi*). In 1987 the Bulgarian authorities reduced the number of the districts and established 9 regions (*oblasti*). Those sub-national entities, however, constituted mostly deconcentrated structures of the central authorities and had never represented an intermediate level of self-governance. The Program of the Government of the Republic of Bulgaria for the period 1997-2001 provided an important turn of the national policy in the field of regional development. The main priorities of the Bulgarian authorities, as presented in the above-mentioned program, included the creation of prerequisites for "balanced and sustainable regional development", the reduction of the employment and income disparities between regions and the implementation of an effective regional and cross-border cooperation in support of the EU integration process.

In 1999 a Regional Development Act was enacted aimed at creating the institutional framework for an effective long-term strategic planning and cooperation at the regional level that would allow for meeting national priorities with local interests. The Law entrusted the Regional Governors of the 28 regions with coordination functions related to the functioning of the Councils for Regional Development and the preparation of Regional Development Plans. They were provided, however, with only limited capacities and competencies to influence the regional development policies. In this respect, decision-making is still the exclusive responsibility of central authorities and regional development is centrally planned and oriented. In addition, the Regional Development Act did not provide mechanisms for effective interaction between the municipalities and the regional governors and, so far, the Regional Plans for Development have been prepared following a top-down approach.

Networking – Municipal Associations

In most countries, the municipal associations have played a major role. From the view of local governments the municipal association enables them to develop policy positions based on their collective experience and to have a common voice, or representative, before central government. From central governments perspective, the association is a mechanism for efficiently maintaining contact with all/most local governments on policy issues: how are the laws working, what laws need to be enacted to improve the functions and performance of local government? At that moment we have the following organization working for local governments:

- Foundation for Local Government Reform;
- National Association of Municipalities in Republic of Bulgaria;

- Regional Associations of Municipalities: Danube River; Rhodope; Black Sea; Maritza; Tracia; Central Balkan, Struma, Hebar;
- Club Economica – 2000;
- Regional association for economic development.

Through the National Association of Municipalities in the Republic of Bulgaria (the National Association) and mainly with the granting of its rights, Bulgarian local governments have their legitimate representative to prepare, organize and conduct dialogue and cooperation with the central government on their behalf. Guided by the experience of other countries, right from the outset the National Association tried to identify the most appropriate forms in order to fulfill its mission of a bridge between central and local governments. The current model of partnership has evolved: **long-term cooperation and efficient interaction in some top-priority spheres of activity.**

The partnership between central and local governments can enrich its content on the basis of the local and international experience along the following lines:

- more efficient **involvement of local governments in the law-making process – from the stage of planning and drafting of legislative changes to the stage of assessment of their effect.**
- development of **partnership for regional development between the Regional Associations of municipalities and Regional Governors as representatives of the central government in the regions.**
- further development of **the institutional forms of partnership between the central and local governments in the elaboration of the decentralization strategy and further development of the local government reform.**
- development of **procedural rules for the consultations with the Ministry of Finance on the draft budget of the country in its part that relates to municipalities.**
- improved **information exchange** as a factor for the better understanding and bringing closer of the partners' positions.

Trends

The greatest challenge facing the mayors, the municipal councilors and the municipal officers, over last 5 years has been to make efforts and justify the role and place of local government in the new democratic society, alongside with the efforts to overcome all common problems of the transition process. In the course of our work, we have understood that there exist several serious problems that the national legislation has to solve in order to gradually eliminate the barriers to the development of local government.

- the first one relates to **the own sphere of activity of local government, i.e. what municipalities are entrusted to manage independently.** Municipalities do not

insist on greater powers - they insist on opportunities for managing the activities that they are responsible for and finance. Municipalities believe in the principle that responsibilities go hand in hand with rights, or as the Bulgarian proverb says: "You drink, so you pay". This means to break the Gordian knot in the sphere of the so-called "shared competence" of central and local governments. It is necessary to either transfer responsibilities where rights are, i.e. centralization, or to transfer rights where responsibilities are, i.e. decentralization.

- next comes the issue of **the financial independence of local governments**. The most substantial steps, however, are yet to be undertaken in order to implement the principles under Art. 9 of the European Local Government Charter. These principles stipulate that municipalities need sufficient, varied and flexible own resources that are commensurate to their powers. Local governments have to be free to manage these resources independently and to adjust their revenues to the changing expenditures for municipal operations. **A more thorough analysis of local taxes comes to reveal that no serious decentralization or, more precisely, autonomy of local taxes, can be expected in Bulgaria in the near future. The obstacle lies in the fundamental law of the country, the Constitution.** It contains an explicit provision that taxes in Bulgaria are established only by law. This means that it is only the Parliament that can pass special laws on local taxes. This is a big problem indeed because it would be extremely difficult to amend the Constitution of Bulgaria but this would not be impossible with the common will of all political forces.

Premises for changes:

- the will for changes and necessity of development of democratic processes;
- the requirements of the European Charter for Local Self-government and the need to harmonize Bulgarian with European legislation;
- the need to involve citizens and develop people's initiatives and entrepreneurship;
- globalization and needs for local economic development.

Further steps:

- to ensure equal dialog and partnership between central and local government;
- to promote fiscal decentralization;
- to guarantee municipal property rights and management;
- to introduce new system of state grants – neutral and simple;
- to transform the regions in the second level of self-government. That level must take the regional function as healthcare, education, social care;
- to adopt a special law for Sofia;
- to remove the limitations concerning local government investments;
- to develop local government creditworthiness and borrowing capacity.



SOFIA MUNICIPALITY

Access to Funds for Capital Investment and Municipal Funding Technology

The issue of access to capital investment is directly related to the legal framework that regulates these processes. A system of laws and legal provisions is currently under way that allows the utilization of a vast specter of funding sources. Most important among them are the following ones:

- The Local Budgets Act.
- The Privatization Act and other legal provisions supplementing it.
- The National Budget Act.
- The Local Taxes and Fees Act.

The Local Budgets Act

The amendments made in the above Act contributed to a considerable expansion of the alternative funding sources for local governments. Since 1997 it has become possible to include borrowed funds (loans) into the municipal budgets. Prior to this, the revenue part of the budget was formed only by own revenues and grants. This option has become an important prerequisite for the receipt of huge amounts of finance, allowing the municipalities to achieve full access to funding both in BGL and foreign exchange. All types of debt instruments can be used: direct bank loans, funding through syndicated loans, bonds, various types of grants and sponsorship. All funding sources can be in BGL and foreign exchange.

The major problem, however, is the general credit exposure of the Government in respect to both the internal and the external debt. The immediate difficulties are determined by the transfers made to the municipalities from the national budget. At the moment the municipal own sources account for 67 per cent of the revenue part of the municipal budgets, while the transfers are 33 per cent. For the town of Sofia this ratio is 81 to 19 per cent, respectively. The fact that one third of the municipal budget relies on transfers reveals the potential danger for the national budget to be submitted to additional constraints. A failure to pay or a delay of the payments on the principal or the interest rates on a certain debt instrument used by the municipality shall require the allocation of additional funds from the national budget to help cover the debt through a higher transfer. The other alternative for the municipalities would be to set aside bigger funds from the transfers for debt payment at the expense of the reduction of funds for social, educational and other purposes. Certainly, the municipalities can hardly be 100 per cent financially independent, but there is no doubt either that the improved compliance, the stronger

financial discipline and the speeding up of privatization shall lessen their financial dependence on the central government. At the same time, these initiatives are a good credit when applying to financial institutions.

The Privatization Act and other legal provisions supplementing it

The Privatization Act is the second important step that made it possible for the municipalities to regulate their financial condition. The extra-budgetary funds from privatization secure a greater flexibility and mobility in the development of the municipal projects. A system was set up in Sofia that allows optimization of the privatization procedures - the Sofia Municipal Privatization Agency (SMPA) and a specialized privatization fund. It is very encouraging that many local jurisdictions have already adopted the attitude that privatization is a method for attracting additional financial resources.

The National Budget Act

The National Budget Act (for the current year) defines the major conditions for municipal capital investments. The conditions for investment in long term tangible assets read as follows: *The municipalities have no right to make long term investments at a cost higher than 25% of their own revenues (local taxes and non-tax revenues)*. The purpose of this restriction is for the municipal administration to be prevented from undertaking an unlimited number of construction activities and repair at the expense of restricting other important expenditures - in the social sector, education, etc. The range of the limit is questioned by the legal community, and varies from 10 to 20 per cent. There is no doubt that this limitation is an obstacle to the development of infrastructure sites in the municipalities and this indicator should be subjected to a very careful monitoring in the future. Sofia is also faced with difficulties because of this constraint. Sofia City is greatly different from the other municipalities and has a high financial potential that can guarantee an easy and timely repayment of the debt.

The possibility for financing the municipalities with borrowed funding is a two poles process that has both positive and negative aspects. One of the most negative consequences is the arbitrary receipt of loans. Practice has proved that despite the relatively unstable situation in Bulgaria, there is a growing interest on the part of foreign financial institutions willing to provide a loan. There is a risk of excessive borrowing without taking into account the real possibilities for the repayment of the loans. The positive consequences for the municipalities from refinancing with debt instruments are as follows:

1. Securing funding for the completion of already started infrastructure sites.
2. The completion of the undertaken projects or the starting up of new projects will have a positive impact on the overall growth of the municipality and create new jobs.
3. It will bring to renovation of the municipality.
4. The improved infrastructure will be a prerequisite for the attraction of new foreign investors.
5. Borrowing from the international market, in a combination with rating acquisition, will create preconditions for attracting new foreign investment.

6. The rating is a peculiar positive symptom for national revival after a period of long recession.

Rating awarding

The issue of the rating is of particular importance because a breakthrough on the international markets implies the awarding of a comprehensive rating of the capacity of the municipality.

1. What is a credit rating?

The rating is an assessment of the credit capacity, which allows investors to evaluate the risk of not receiving repayment on borrowed funds, and enables them to step on the autonomous and objective assessment of the experts of the agency. The investors are carefully monitoring the changes in the rating over time.

The procedure for awarding a credit rating is not an audit, neither is it a recommendation for purchasing, retaining or selling of certain bonds. The credit rating is not an indicator of the performance or success of the emission.

2. Main definitions

Investment rating - AAA, AA, A, BBB

Speculative evaluation - BB, B, CCC, CC, C

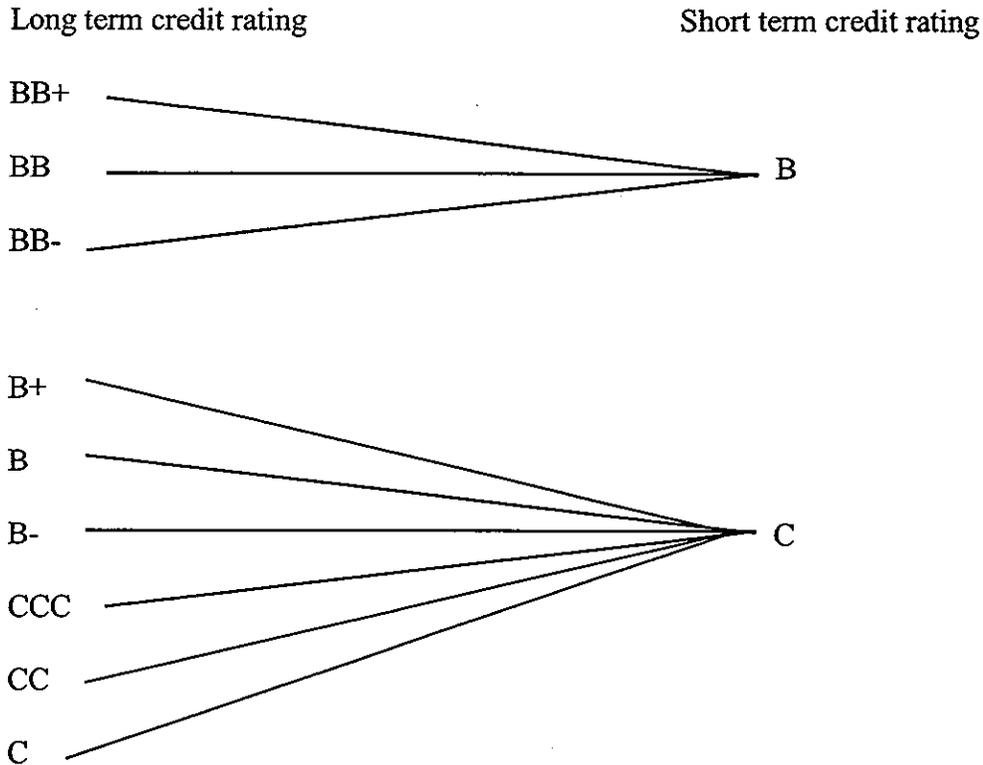
BB - Smaller probability for not fulfilling the obligations undertaken, as compared to the other speculative emissions. At the same time a BB rating implies a large insecurity with respect to the development of the business, the financial, and economic conditions that may lead to impossibility to cover in due time the payments on the interest rate and the principal.

B - A big possibility for not covering undertaken obligations, but also a capacity to meet the payment on the interest rates and the principal at the moment.

This is the rating of Bulgaria at present, and these are also the expectations for the rating to be awarded to Sofia.

* International rating agencies: Standard and Poors, Muddies, Fiche-IBKA.

SPECULATIVE RATING CHART



3. The advantages of the credit rating for the issuer

- Better access to capital

Many institutional investors do not purchase bonds without a credit rating. Therefore, the rating helps the issuer to get access to the debt markets, and the investors - to get access to the debt instruments of the different countries. The credit rating facilitates the diversification of the national and international investment portfolios. The rating symbols are understandable to the investors on international level and help the evaluation of the credit risk.

- Stable access to capital

The rating and the analysis of the independent credit agencies make it possible for the issuer to manage the credit risk perceptions of the investors. This maximizes the access to the markets, even in the case of insecurity and economic constraints. The adequate credit rating, backed by an analytical assessment of the credit agency maintains the confidence of the investors.

- The credit rating makes it possible for the issuer to choose the most appropriate financial instrument. Issuers, which have no credit rating have more limited access and enjoy smaller diversity.
- Efficacy of the new emissions.

The price structure of the emission, connected with the respective rating, facilitates the planning of new debt emissions and gives acceptable characteristics, used by dealers, investors and issuers.

- The assessment of the risk in the establishment of the credit rating makes it possible for the banks and the other financial institutions and intermediaries to establish more easily correspondent relations with foreign banks, and to make correct decisions in the area of commercial financing, SWAP transactions, transactions on the money market as well as other transactions related to risk on the part of the counterparts.

4. Nature of the rating process and methodology in establishing the municipal credit rating

The credit rating of the bond debt of the municipalities reflects their capacity and willingness to make due payments on the principal and the interest rates in the case of public debt emissions. This type of rating is based on the overall solvency of the issuer and shows its capacity for fair servicing of the debt. It is a requirement of the leading agencies to have a sovereign credit rating (of the government) before awarding a rating to the local governments.

Major dependencies in the awarding of the rating:

1. The government (sovereign) rating is the upper ceiling for the rating of debt emissions for all organizations and structures in the state, denominated in local or foreign exchange - i.e. no municipality can acquire a higher rating than the national government.
2. The rating for debt in local exchange may not supersede the rating in foreign exchange.
3. It is possible to have a higher short-term rating as compared to already awarded long term rating.

The process of credit rating awarding to municipal issuers can be subdivided into the following major areas:

Relations between the central government and the local governments

- Central government transfers to local authorities
- Authorization in tax collection
- Sharing of responsibilities
- Legal framework in borrowing

Administrative system

- Legal constraints
- Management systems and systems for control
- Legal labor relations

Economic structures and growth

- Demographic characteristics
- Infrastructure
- Natural resources
- Production structure/employment
- Prospects for growth

Fiscal policy implementation/flexibility

- Expenditure structure and trends
- Revenue structure and tax burden
- Operational accounting balance
- Capital expenditures and projects

Financial position and policy

- Accounting practice
- Liquidity management
- Financial requirements and forecasts
- Indebtedness
- State companies, other relative liabilities

There is a variety of forms of municipal budget funding. World practices are diverse and the share of instruments being used is typically different. Ordinary bank loans are most widespread as well as syndicated loans, national and foreign exchange bond issues etc. The proper choice of the source of funding is of substantial importance. The main factors for that are:

1. the amount of funds required
2. the collateral that may be offered;
3. the loan price
4. the time frame
5. the loan settlement costs
6. the use and repayment of the funding.

In the exposition that follows a comparison is made between a syndicated loan and a Eurobonds loan. The illustrations provide the basic guideline for a correct choice of a debt instrument.

Syndicated Credit

Essentially several financial institutions join together to accumulate a large amount of money and make it available to a credit applicant. This type of credit developed very

strongly in the last 20 years as a result of the growing needs of large transnational companies and banks for investments in costly projects over a long period of time. A process is observed of specialization of many banks involved in the overall preparation and organization of syndicated loans. Bulgaria is in the initial phase of application for this type of funding. That syndicated lending has good development prospects for two major reasons: 1) the relatively limited free resources of the Bulgarian banks; 2) the restrictions underlying the Act on Banks limiting lending by banks to 25% of their capital (except when the loan is under foreign exchange, BGL, gold or government warranty). The first real transaction made was the loan granted to the Capital City Municipality in the amount of 22.3 million BGL. Six Bulgarian banks syndicated to provide this amount for a period of 1 year at an interest rate of 9.75%. The loan security was a mortgage of municipal property (a hospital building and a kindergarten, metro train cars, a municipal company stock etc.).

Eurobonds

- The Eurobonds market is emerging as a counterpoint and alternative of the routine bank crediting. The purpose is to achieve a broader investment base and calculate huge monetary resources. The development of the different categories of funds, insurance companies and other corporations as well as the accumulation of high savings in the population of the developed industrial countries call for a change of the international financial markets. One of the forms is the Eurobonds market resting on strictly defined rules and specific legislation. In 1997 the issue of Eurobonds reached the record level of 450 billion USD. The issues from the countries in Central and Eastern Europe have a considerable share of this market. Each one of them has already implemented its issues program of at least 1 - 2 issues at the level of sovereign, municipal or corporation bonds.

Comparative Characteristics of a Syndicated Loan and a Eurobond Loan

Indicators	Eurobonds	Syndicated Loan
1. Interest Rate	Fixed or floating. Priority to fixed interest rate proposals that are more beneficial for the issuer in terms of the redemption cash flow estimates. Higher interest rate level as compared with bank loan funding.	Fixed or floating interest rate. On the whole the interest rate is lower as compared with Eurobond loans
2. Amount	At least 50-75 million US \$ or equivalent value in DEM i.e. objective obstacles arising in case of a smaller need of financial resources.	Practically any amount that can be granted under certain terms by one foreign bank only without any need for syndicate formation.

3. Maturity	At least 3 to 10 years but in first issues practically from 3 to 5 years	Normally up to 5 years
4. Rating	For public offerings - mandatory, for private offerings - to be recommended	Nor required
5. Additional Costs	Varying between 100-300 thousand USD (legal advice, pre-print preparation of leaflets and bonds etc)	Maximum 50 thousand USD
6. Repurchasing (debt reduction before the term)	For issues with maturity of up to 3 years - none; up to 5 years - negotiation possible upon expiration of the initial 3 year period	Preliminary repayment is possible at any time
7. Secondary Market Liquidity	High, yet this fact has next to no impact on the issuer apart from publicity for his name	Limited
8. Preparation period (Rating Included)	5-6 months	2-3 months without rating
9. Collateral	Not required	May be required, but this risk is more often set off by the higher price of the loan
10. Change Option in the Terms of Funding	Smaller opportunities combined with further consultations	Higher flexibility and facilitation
11. Funding Currency	Any	Any
12. Additional Regulation Requirements in the Process of Starting and Provision of Financing	Considerable costs are incurred especially in public issues which make the issue more costly (for listing on the Luxembourg Stock Exchange and in case of sales on the American market - in US Securities and Exchange Commission)	
13. Spending of the Loan	All at once (completely). This may provide problems for the issuer since the spending of accumulated capital is	Spending is in phases with an opportunity for a grace period - this makes the debt servicing cheaper

	normally done in phases	
14. Loan repayment	Complete repayment of the loan at the end of the period. That means current accrual of funds used to pay up the principal only at the end of the period	Opportunity for partial current repayment
Total Costs	Higher in view of rating and additional costs	Usually lowest among all other forms of financing

Types of Bonds

Bonds can be grouped in different categories depended on the assessment criteria adopted.

1. Depending on the site and currency of the issue: Yankee bonds, Samurai bonds and Eurobonds
2. Depending on the repayment source: general obligations - their repayment is made using all revenues in the municipal budget; revenue bonds - repaid by revenues obtained from the specific project in which the funds accumulated from bonds are invested. The Sofia City shall issue the first type of bonds.
3. Depending on the level of risk and degree of security: junk bonds with a high level of risk and high interest rate; debenture bonds with a lowest level of risk and low yield issued by the best first grade financial institutions.

Realization Phases of a Eurobond Issue on Municipal Level

1. The Municipal Council decides to issue debt bonds. It is recommended to seek different consultations and ask for the opinion of financial experts and representatives of BNB or the Ministry of Finance in support of the need to step on the international financial market.
2. Publicizing the intent to issue bonds through different sources. This information should reach a larger number of specialized investment banks.
3. Receiving offers and conducting initial talks with representatives of the most seriously committed financial institutions.
4. Selecting one applicant or in case of similar offers - several applicants to initiate specific discussions of the different elements of the offer: prices, type of offer, periods, currency etc.
5. Following the final choice of the partner, the decision is made by the Municipal Council. It is to be recommended to have each decision taken in the process of preparation of the issue approved by the Municipal Council.
6. Sending a letter of confirmation to the winner of the project and responses to all other applicants.

7. Conducting the first meetings between representatives of the issuer and the leading manager to determine the time frames, the participants and the rating agency. The participants in the sale of the Eurobond issue are on principle as follows: the issuer, the leading manager, the rating agent, the rating agency, the payment and fiscal agent and agent in charge of listing the issue on the Stock Exchange.
8. Selecting a rating agency and rating nomination.
9. Presentation of the issue. This is an exceptionally important process since it will extend the investor base, heighten the interest in the issuer and the issue and lead to price reductions for securities. The procedure includes preparation of leaflets, special circular letters, publications in economic dailies, interviews etc.
10. Start of the issue lasting between one month - one month and a half. In this period policies of different nominal value are sold and all funds that are object of the issue are accumulated.
11. End of the issue. That is the time when the whole amount under the project has been collected and the issuer issues a global bond covering the whole amount of the issue.
12. Transfer of the money to the account of the issuer in the servicing bank.

National Currency Bonds

The procedure is essentially the same as that in the issue of Eurobonds. Most importantly, according to the Bulgarian law (The Act of Public Offering of Securities) the issue of bonds in the country can take place as public offering (private offering is prohibited), i.e. what is needed is a publicity material for the issue, its approval by the Commission for Securities and Stock Exchange and its sale through the Stock Exchange.

SPECIALIZED MUNICIPAL PRIVATIZATION FUND

**when strategy is more important than survival,
where the creativity is more than routine
and the policy is in favor of the citizen**

Background

Municipal Privatization Fund of Sofia Municipality (the Fund) was established in 1994 to manage the money, received from privatization of municipal enterprises.

The main goal of the Fund is to invest its money in a manner that will provide the highest investment return and social effect. The Fund works according to the special act approved by the Municipal Council. The management of the Fund is realized by the Council (Management Council), which consists of nine municipal councilors and four deputy-mayors. The operative maintenance of the Fund is coordinated by the Executive Secretary and is accomplished by the relevant municipal departments.

Goals

The characteristic feature of the Fund is that the means, gained from the municipal privatization should be used for investments. According to the Privatization Act, the means, received as a result of the sale of assets should not be used as operative expenditures.

Another specific opportunity guaranteed by the Fund, is that the detailed budget regulations, which are practiced by the state, should be avoided. Even more, Sofia Municipality not only has the chance to promote its own independent policy, but almost every part of such a policy is a new practice, which is accepted by other Bulgarian municipalities.

The Fund's activities are based on Annual Programs (for the current fiscal year), and the operative functioning of the Fund is aided by special budgeting account.

The good work of the Fund in the period 1994-2001 was founded on the excellent coordination between the Management Council, Sofia City Council, Sofia Municipal Privatization Agency, Sofia Municipal Administration and municipal companies. The priorities of the Fund during the examined period were:

- to finance entire investment projects;
- to liquidate municipal companies' debts;
- to support the municipal budget in critical points.

Principles

The Fund not only surmounted the critical moments, connected with its eventual turning-to an adjunction to the municipal budget, but took in the basic principle: **the revenues from the privatization of the municipal property should be used for investment goals with maximum efficiency and for specific projects, while avoiding their**

attenuation into the budget. Apart from this principle, the foundations of a number of initiatives were set up, mainly united by the establishment of institutions that proved successful in the next few years – the Municipal Bank and the company “Sofia Real Estates” were created, both with one goal – to manage and administer in effective manner significant municipal assets.

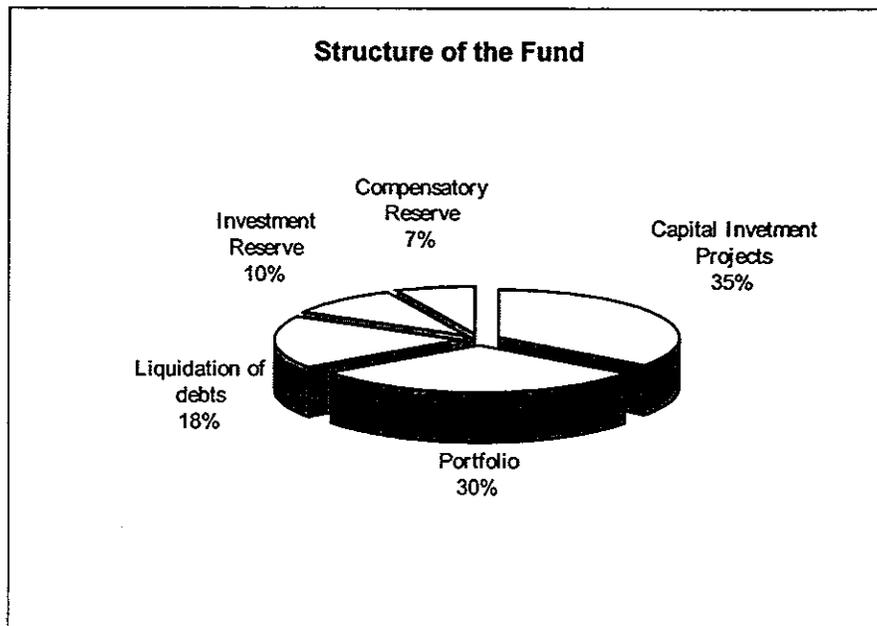
Later a few new companies were established: Municipal Insurance Company, Municipal Security Company, Municipal Energy Efficiency Agency.

At the beginning, the Fund started its activities based on:

- approved procedures for financing entire investment projects;
- established mechanism for supporting municipal budget in critical points;
- a system for liquidation of municipal companies’ debts and their reconstruction;
- institutional approach to deciding global municipal problems.

The Annual Programs of the Fund were based on the following internal structure of the expenditures for:

- **Participation in capital investment projects** and acquisition of fixed assets – 35 %. The Management Council had established principles in that sphere such as:
 - ⇒ projects should be entirely financed by the Fund;
 - ⇒ projects should be completed and put in use;
 - ⇒ projects must have good internal rate of return or direct social effect.
- **Portfolio** – 30 %. The expenditures in that direction allow the renovation of the Fund to be realized. This is possible through participation in profitable enterprises, formation of investment portfolio with securities etc.;
- **Liquidation of municipal companies’ debts** – 18%.
- **Investment reserve** – 10%. The means in this direction are used for unforeseen needs with investment character;
- **Compensatory reserve** – 7%. The means in this direction are used for unforeseen needs of municipal enterprises.



The average annual revenue in the Fund for the period is 10 million dollars, which means about 80 million dollars for the period as a whole.

Where does the money of the Fund go?

Almost 260 projects were financed, 200 of them gratuitous and 60 – as loans. Regardless of the established municipal companies in the various spheres, the Fund supported existing municipal companies in their development.

The most important projects, financed by the Fund are:

- reconstruction of the streets
- investment in the transport infrastructure
- modernization of school buildings
- completion of Sofia Metropolitan
- reconstruction of all Sofia underground passages for pedestrians
- supplementation of municipal healthcare institutions with modern equipment
- reconstruction of social activities infrastructure
- provide for access of disabled people in administrative buildings and public transport.

The new direction of the Fund activities is to support Public Private Partnership. The following mutual projects are financed (or supported):

- Hilton hotel
- International Exhibition Center
- Business Center
- Old City Indoor Market.

**Community-Based Economic Development in Kazakhstan:
Building Community Commitment for Future Growth**

**Presentation Made for USAID in Zagreb, Croatia
February 13-15, 2002**

Background

Kazakhstan is a unitary government with a strong presidential model. Sparsely populated with a little over 14 million people, Kazakhstan is roughly five times the size of France. Governors of oblasts, or akims, are appointed by the President and akims on the city and regional level (rayon) below oblast level are appointed by oblast akims. There are elected rayon, city and oblast councils (Maslikhats), which are directly elected every four years. Their authority is limited by the akims as well as loosely defined legislation; however since the last election in 1999 Maslikhats are beginning to demonstrate signs of consensus building and reaching out to constituents. Local self-government is a stated goal of the republican government, however a general lack of political will has stymied the movement towards more decentralization of functions and fiscal authority until just recently.

ICMA has had a pilot project in the Pavlodar Oblast in northeast Kazakhstan for over three years providing Technical Assistance (TA) on such issues as program budget development, organizational and functional analysis, citizen participation and regional training center development. ICMA has enjoyed a favorable working relationship with a reform minded oblast administration. Most of the activity up to a year ago had been focused on the oblast center, Pavlodar city. Thus, in conjunction with oblast counterparts and USAID, a decision was made to build more capacity outside of Pavlodar city through a community-centered economic development model whereby ICMA would combine many of the concepts already being taught through prior TA and training.

As agreed with Oblast officials, ICMA focused its attention on two municipal regions with economic growth potential: the city of Ekibastus and the rural community of Bayan Aul. Ekibastus, home of the world's largest open-pit coal mine is a strategic center for Kazakhstan's national security and energy policy with a population of about 130,000. By contrast, Bayan Aul is a farming community of about 25,000 inhabitants centered around an oasis of mountains and pristine lakes in the middle of the steppe which has traditionally been a summer resort for neighboring city dwellers. Therefore, it appeared that these two communities would not necessarily be competing for scarce resources but would in some ways be very complementary to each other in building an economic base.

ICMA's primary goals at the start of the Community-Based Economic Development (CBED) process were the following:

- To provide institution building for the fledgling elected councils (Maslikhats)
- To promote greater citizen participation through an accountable and transparent mechanism on the local level
- To feed into the program budget process by soliciting program input from the below oblast level
- To incubate local self government institutions at the local level, and
- To build an economic development plan that reflected the competitive resources of the community.

Strategic Planning And Economic Development: Moving Towards A Definition For Kazakhstan

ICMA's approach to economic development and strategic planning is inclusive of the definition, which has been provided by the conference organizers. However, for our purposes, we expanded the definition to include key decision-making elements which coincided with our goals and which have proven to make the CBED councils more accountable and self-sustainable.

One needs to understand that strategic planning has traditionally been a tool of the oblast level government to hand down to cities and especially to rayons and villages. Cities have had some latitude with regards to influencing this top down decision-making process but only within the limitations of republican/ oblast program constraints and a general lack of revenue enhancement autonomy. Rayons have been completely dependent on oblast strategic planning. So to begin a strategic planning process at the local level we needed to instill empowerment in the lower levels of local government administration, no less the community members.

Before initiating the goal setting process or identifying specific programs to address we held a workshop for both sets of newly created Economic Development Coordinating Councils to identify the *vision* they had for their communities. Knowing that a vision statement would be the guiding force for any activity and goal set by the CBED council, participants themselves set upon vetting the vision statement with citizens and community leaders. The Ekibastus council held focus groups with core groups of stakeholders including business people, youth groups and the elderly. This process issued a press conference whereby the vision statement was presented to the community at large. The Bayan Aul council realizing that they needed support from the local farming communities for any tourism-related activities reached out to cooperatives through a series of meetings in the rural communities soliciting their input towards a vision statement.

Secondly, we applied basic economic principles of land, labor and capital to any analysis the councils carried out with the communities. For most of the participants it was the first time they had thought of these market concepts as moving towards a more favorable investment environment for their municipalities. We then focused on these elements with regards to zones of investment; regional, country and international giving the strategic

planning process a three-dimensional and not linear orientation. The key was to address local issues with realistic, achievable results and not grandiose plans which were implausible.

Key Elements In The CBED Process In Kazakhstan: Locally And Nationally

Locally and nationally, we have found that the following elements are key in Kazakhstan to supporting a CBED process:

- Consensus building on the vision and goals of the CBED council and from the community
- As a unitary state as well as a traditionally hierarchical society, power is still top down in Kazakhstan, thus the leadership at the oblast level needs to support the process
- Empowering the local elected leadership as the leaders of the CBED councils; this helps not only to build the Maslikhat as an institution but empowers them to act as the true conduit between the local executive powers and their constituents
- Helping council participants understand that local governments are *facilitators* of economic development and not *implementers*
- Information collection process were structure to require Council participants to contact firms and institutions in their community. This increased the reliability of the data and gave them more ownership in the process
- A strong macroeconomic climate; stable currency, open environment for foreign investment, relative political stability and the high, global price of crude oil

Economic reforms have outpaced political reforms in Kazakhstan, thus creating pressures on local governments by local business in transparency and accountability of programs. This came to the forefront of the CBED process when the Oblast Administration was changed in late November, yet the CBED councils continued to work because the issues were being driven by the Maslikhat deputies, local business people, and community activists. Thus while receiving support from the oblast leadership is essential at the beginning, the process is not dependent on them once the councils have reached out to the community.

Process For CBED Council Building In Kazakhstan: Rural And Urban Experiences

Because the two communities were building towards complementary visions and not directly competing for scarce resources we were able to realize some economies of scale when providing technical assistance to the two CBED councils. While the outcomes have been different the process has remained essentially the same for both an urban and rural community. The model we've used for development of the CBED building process is as follows:

- Gather stakeholders from the communities under the auspices of the local councils
- Offer a set of workshops aimed at empowering the council members in strategic planning and improving the investment climate locally; put the onus of responsibility

on the council members: company data collection; citizen involvement plans; setting priorities

- We sent several of the participants on an Economic Development study tour to Bulgaria through the Academy for Educational Development (AED) which resulted in greater collaboration
- Intermittent visits by an international consultant interlaced with consistent “checkups” by ICMA local staff and oblast economics department staff
- Coupling the process of development into the creation of a training module for use in regional training centers; participants in the CBED councils and ICMA trainers are writing the new module for use throughout Kazakhstan with case studies from urban and rural experiences. The module is set up as a workbook. It describes the process of CBED and offers steps for a facilitator (independent or a member of the community) to conduct the working sessions. Kazakhstan trainers will also be able to deliver the trainings to Kazakhstan communities and regional training centers will act as community centers supporting the process
- Encourage the councils to advocate for budgetary change at the oblast level towards realizing public infrastructure projects, yet discouraging them from placing public funds in areas better served by private interests
- Collaborate with other USAID contractors and grantees to make local dialogue building more inclusive and to encourage business training and project finance projects through councils

Study tours and frequent visits by international consultants are not to be construed as essential elements to ensure success; however by offering these options at the beginning of the process it showed commitment by ICMA/ USAID and enabled a core group of participants to create the workbook and further the process to other communities. Additionally, utilizing two distinct yet complementary communities in creating CBED councils may be something to consider in states similar to Kazakhstan – a rural/ urban partnership.

Public Participation mechanisms utilized:

- Polling citizens and businesses
- Inviting specific experts to the council meetings
- Distributing data collection duties among members
- Creating sub-work groups on specific development scenarios, increasing the number of people involved in the process.
- Holding press conferences and using the media to collect opinions
- Developing a public opinion program to measure public opinion
- Holding farmers meetings with cooperatives
- Public hearings

Ekibastus: Vision For The City: Center For Small And Medium Natural Resource Enterprises

The CBED council is to work as an independent, advisory group to the local government and is comprised of a core group of business people, Maslikhat deputies and local

administration personnel. They invite community experts and activists to partake in their meetings depending on the specific nature of an issue. They have identified three pillars that the council would focus on to realize their vision

Develop Satellite Business Infrastructure For Existing Big Business And Investors

GOAL: Retain firms' expenditures within the city

Activities planned: databank for local businesses on big firms' projected purchases for products and services; support local business NGO through exhibition center; encourage easier registration process for new businesses.

Development Of City "Spirit" Through More Youth Programs

GOAL: Elevate opportunities for youth to keep from out migrating

Activities planned: partner with schools to highlight achievements of youth with support of IFES/ USAID; assist in training youth in small business development; create a youth center.

Development Of Agricultural Based Economy Of The Region

GOAL: Revitalize surrounding agricultural suburbs of Ekibastus city

Activities planned: remove middleman constraints for farmers through central collection and processing plant; provide business assistance for farmers in obtaining capital; determine food purchasing needs of large Ekibastus enterprises to create an urban market for farm goods

Bayan Aul: Vision For The Region: Ecological Tourism

Unlike the informal nature of the Ekibastus CBED council, Bayan Aul realized early there are limited ways to garner financing for projects and thus has decided to officially register as an NGO to attract grants for projects. The work in Bayan Aul is somewhat more time-consuming because they have never been in a self-determinant position – however they have successfully identified two key pillars for their new NGO:

Creation Of A Comprehensive Tourism Development Plan

GOAL: Integrate development of farming villages and the Bayan Aul National Park

Activities planned: develop market analysis for potential tourists to the park; prioritize list of projects to be funded by public sector and private sector.

Development Of A Small Business Assistance Center

GOAL: Provide training to local entrepreneurs in market based business plans

Activities planned: apply for grants through Eurasia Foundation for training and consultative service program; identify alternative financial resources to sustain activities; collaborate with European Bank for Reconstruction and Development (EBRD) banking training program to focus on Bayan Aul as target area.

Conclusions

Although still early in the process to measure impact, the original goals established by ICMA at the outset of this project are being met. Both CBED councils are actively involving the community in each step of the process. Maslikhat deputies are becoming a key link in the success of the councils. Bayan Aul, by virtue of being almost completely reliant on oblast budgetary assignments, is developing ways to advocate for local decisions and thus influence the program budgeting process. Likewise, the structural form of the CBED council that Ekibastus has chosen is a pre-cursor for a local self-government institution in Kazakhstan. Involving more stakeholders in the strategic planning process improves its chances of becoming self-sufficient and establishing the councils as long-term vehicles for self-determination.

The evidence of our conclusions have been documented in an evaluations conducted for USAID CAR:

"In roundtable discussions with both of the Economic Development Coordinating Councils, some recurring themes emerged. One was that both groups felt that the entire process and experience had been beneficial to the community as well as to them personally. The process helped communities focus on their strengths and comparative advantages. Both groups mentioned a noticeable change in the attitude of the participants and the community at large. One roundtable participant said that more and more people in her community are feeling that it is up to them to make positive changes in the community and not to wait for someone else to do it. Participants also mentioned that they learned a new way to arrive at decisions through consensus building. Such attitudinal changes appear to be among the most important results of ICMA's community-based economic development activities.

In a meeting with Mr. Ospanov, the Pavlodar Oblast Deputy Akim, he mentioned that he supported the community-based economic development program. He felt that the program helps residents focus on improving their own condition. As he described it, "People begin to view their roles differently. They begin to see how they can influence the process and the outcome."

CITIES MATTER:
PRINCIPLES AND PRACTICES OF COMMUNITY-BASED ECONOMIC
DEVELOPMENT

RETOOLING
LOCAL GOVERNMENT'S
ADMINISTRATION & ORGANIZATION

I. BRIEF PRESENTATION OF ROMANIA

1. Population: 22,430,000 inhabitants (2001) majority Romanians, the main minorities are Hungarians and Germans.
2. Underground Resources: crude oil, natural gas, coal (lignite, pit and brown coal), ferrous and non-ferrous ores (copper, lead, zinc), gold and silver ores and salt.
3. Political Frame:
 - Socialist - Communist Republic between 1947 -1989
 - Democratic Republic since December 1989

II. BRIEF PRESENTATION OF TIMISOARA

1. Geographic Location:

- Situated 571 km. from the capital city, Bucharest, in the Western part of Romania, near the Romanian border with Hungary and Yugoslavia, in an area that represents the main way of entrance into Romania from Central and Western Europe.
- The position in the Western part of Romania, close to the border with Yugoslavia and Hungary has always granted the city the role of cultural and economic bridge between the three neighboring states.

2. Infrastructure:

- Mainly served by two European Highways - one that ensures the links between Northern and Southern Europe and one that makes the connection between Western Europe, the Balkans, and the Middle Orient
- International Airport, the second largest in Romania. The airport is designed for goods and passenger traffic, having regular flights to New York, Chicago, London, Frankfurt, Dusseldorf, Vienna, Verona, Treviso.
- Important railway junction, converging 9 main rails, linking Bucharest, Arad, Budapest and Belgrade.

2. Population:

- More than 350.000 inhabitants, representing 1.46% of the total population of the country and 2.7% of the total city population of Romania. From a demographic point of view, Timisoara is a city with macro-territorial functions: the town is the administrative capital of Timis County, which is the largest county in Romania.
- Timisoara has always been a multicultural and multiethnic city, the majority being Romanians, 80%.

- The records show that the inhabitants of the city are part of 29 ethnic groups and 17 religions. A spirit of tolerance and understanding has always been a characteristic of the Timisoara City living area.
- Timisoara is the largest business, cultural and scientific center in the Western part of Romania. There are 24 research institutes, and 8 universities with 44 faculties preparing more than 42,000 students.

5. Political Frame:

- In Timisoara, the anticommunist revolution started in December 1989
- Today the opposition is in power at the local level

7. Economy:

- The economy of the City of Timisoara is diversified.
- The local industry provides 3% of the industrial production of the country, including the contribution of some traditional and new trades, dynamic and modern (food products, drinks and tobacco, shoe manufacturing, textile industry, woodwork, electrical, electronic and optical equipment, rubber and plastics industry, etc.) The high tech and software industry are developing now as well as the industrial production of auto components especially due to the foreign investments.

III. PRIOR CONDITIONS

The Breakdown of the Communist Regime

The breakdown obliged the East European countries to transform their economy in order to fulfill the free market conditions. After the communist block was broken, the artificial market relations were destroyed and the former communist countries were forced to enter into competition with western countries. The Romanian economy decreased 25% compared to the level from 1989, due to a difficult restructuring process.

Since 1989 the political and administrative structure of Romania has been passing through a profound and complex process of reform - on national, regional and local levels. This is the transition from the centralized communist system to a democratic society.

The Situation of Local Government Administration and Organization

The transition process from excessive centralization toward local autonomy is now in full development in Romania. In the local public administration field, the national legislation was improved and steered toward local autonomy in the local decision-making power as well as the local public finances. These are results of the new local administration law and local public finances law. However, local autonomy is still restricted, the Romanian

financial legislation and practice and the administrative framework are often changing, and it is very difficult to follow them. There are also many issues that must be improved concerning the efficiency, efficacy and quality of the administrative act.

The economic development of each city needs priority from the local public administration. After the anti-communist revolution, all of the Romanian local governments were confronted with the same problems:

- Multiple necessities to improve the quality of life of the inhabitants in all fields
- Limited financial resources
- Lack of a database of the real local economic situation due to the unreal reports that were presented during the communist times
- No cooperation between the public local administration and the companies.
- Lack of a clear vision of the general local future development
- Lack of transparency in governance
- Lack of an adequate organizational structure and skilled managerial human resources

The representatives of the local governments are confronted with many pressing economic developmental issues. These issues include: infrastructure, transportation and transit, environmental protection, water supply and wastewater treatment, solid waste management, economic development, land use and management, public health, housing, community safety, and social cohesion. Romanian municipal leaders are struggling to manage crumbling municipal infrastructure, a national crisis in affordable housing, air, water, and soil pollution, and climate change, all within the context of a rapidly developing and more competitive global economy.

On the other hand, in this transition period, the local public administrations work with limited financial resources, therefore they need to establish the priorities of their actions. A concerted effort is needed from all levels of government to implement long-term, integrated solutions. The way forward must be based on a unified commitment to sustainable community development.

In order to successfully develop its economy a community needs to have its own vision and plan-leading to the fulfillment of the vision. The strategic planning is a continuous process used by the local communities to have the certainty that the existing policy and programs correspond to the economic development needs of the community based on the limited funds available. The critical strategic planning process offers a frame made up of a series of smaller projects for achieving economic development in order to set feasible objectives in long term; it needs to be done at the local level, considering the existing situation of the community as well as its future possible development.

Although the strategic planning is based on local objectives, it does not mean that only vertical problems have to be treated. In the meantime, the strategic planning considers the vertical links with the higher levels of the government, and the horizontal links with other communities. This way the strategic planning is put under the influence of more environments, including the ones outside the local communities.

A common characteristic of the transition economies is the pass from hierarchical control to democratic participation. Given the fact that the strategic planning has, as a purpose, the maximization of local resources and development of a vision of the community's future, it needs the participation of the local community, of the civic society. This process has to answer the specific needs of the citizens who have to become parts of local partnerships.

Therefore, the strategic planning not only supports the local economic development but it is also an important means of consolidation of the local procedures and democratic values. In this way the communities need the tools to facilitate the access to this process and to ensure the culture of understanding and agreement - as essential element. For this reason the economic and social development planning of the cities needs to be based from the very beginning, on encouraging the participation to this process of the majority of institutions, organizations, companies and of the citizen.

IV. MEASURES -IMPLEMENTED PROJECTS

A Clear Vision for Future Development

Between July 1999 and May 2000 the Timisoara City Hall, in a broad partnership with the major institutions, trading companies, professional associations employers, trade unions, cults, political parties and experts working in Timisoara, and the entire civil society, elaborated the Strategic Concept of Economic and Social Development for Timisoara Zone, on a medium term (7-10 years). At that time, Timisoara was the only town in Romania having a feasible strategy for sustainable development.

The mission is the *"Sustainable Development of Timisoara Zone in order to promote it as a competitive strategic pole at a European level, aiming to enhance prosperity and living standards for the residents."*

The concept was elaborated under the framework of "Institutional and civic society partnership for planning the economic and social development of the Timisoara area" project, that was co-financed by the Foundation for an Open Society.

The purpose of elaborating the concept was to help all interested parties in the economic and social progress of Timisoara and suburbs to enable a unitary way of thinking regarding actions to be taken. This concept is designed to be a guide to correlate the actions, so far heterogeneous, of the decision factors, which can and must contribute, to the community's progress in the next 7-10 years.

Moving along the economic and social planning process of Timisoara, two main objectives were established:

- To stimulate the participation, under the form of a local partnership, of a larger number of representative companies, institutions, administration, organizations along the elaboration process.
- To apply modern techniques- respectively to specific stages of strategic planning and respecting the conceptual essence of them.

In order to achieve the first objective we organized diverse activities such as:

- Meetings to promote the needs of the project and the needs of initiating the local partnership (six meetings organized at the beginning of the project).
- Meetings of the specialists involved in the local partnership, organized in committees on activity fields, in order to collect and process the relevant data (twenty meetings) as well as for elaborating the development potential analysis (twenty meetings).
- Meetings of the committees on different fields of activities in order to define and analyze the objectives and the strategic measures of development to select the optimum strategic planning of the Timisoara area (fifteen measures) and to define the strategy and the implementation ways (seven meetings).
- Thematic workshops:
 - a) Four workshops during two days in order to define the local analysis and to prepare Conference I - "Timisoara Partnership".
 - b) Four workshops during two days in order to define the system of objectives in correlation with the development measures, strategic alternatives and to prepare Conference II - "Timisoara Partnership".
- Many public relations and mass media activities (interviews/articles).
- Three Conferences "Timisoara Partnership", each lasting one day.

The conferences were organized in order to actively involve the local actors in large numbers in debating the partial or total results of the project, and in offering them the possibility to express their position and their point of view regarding these results. During these conferences the debates led to different solutions supported by convincing arguments, the final results being obtained not by majority but by agreement. Due to the fact that active involvement of the partners was based on volunteering, we did not intend to level the different interests and positions but to debate them and to include the fully agreed-upon ones in the final work.

The purpose of the conference was to introduce the exercise of the democratic mechanism in the common topic of the strategic planning of the Timisoara area and to ensure the future support of the development strategy. The mechanism will continue to function also after the elaboration of the development concept - during the beginning and the implementation process of the strategy.

The Strategic Concept of Economical and Social Development of Timisoara Area, concluding at the end of May 2001, was developed by a large number of partnerships, volunteering local specialists, institutions and company representatives, NGOs, churches, civic organizations and unions. Over 200 local specialists, declared partners, contributed and over two thousand persons participated in the public meetings, organized throughout ten months. As a result, the concept expresses the interest of the local administration and also of the institutions from the economical and social area. It also includes the interest of the civic society that examined the present situation, selected the scenarios for the future, and agreed on the changing culture, without giving up its social and cultural inheritance. In conclusion, the concept represents the sum of present and future interests of a large number of local actors from the public and private sectors correlated with the civic society's interests with the local authorities looking over this concept.

The Strategic Concept of Economic and Social Development of Timisoara Area was validated during the third conference "Timisoara Partnership", was approved by the Local Council of Timisoara, and was accepted by the political forces active in Timis County, who signed a joint statement of support. It was also acknowledged by the European and national bodies.

The methodology used in the development process includes the following stages:

1. Evaluation of the economic - social environment and of the local potential
2. Elaboration of the Strategic Concept of Economic and Social Development of Timisoara Area
 - stating the purpose, objectives and realistic strategies;
 - identifying, evaluating, and ordering the measures and projects by priorities;
3. Implementing the development strategy
 - development of the action plans/programs;
 - implementing the plans/programs;
 - monitoring and evaluating the results

Evaluation of the economic - social environment and of the local potential

The project team initiated the evaluation of the economic and social environment and of the local potential to create and implement policies and programs based on local opportunities and addressed to local needs. We started from understanding that the most important forces of the local development are the economic basis and its development capacity, taking into consideration the tendencies and the events that might have impact on them.

Defining the Analysis Fields

This task was difficult because there is not a definition on what the most suitable fields are. We also paid attention to the closure of the city's areas by concentrating the analysis towards Timisoara and the small cities nearby, the area in general, and the sectors analysis, involving parts of the economic, social and urban planning. The fields of analysis were grouped into: economical situation, demographic characteristics, labor characteristics, geo-political position, infrastructure and urban transport, business environment, educational resources, social system, urban planning, patrimony, quality of life and environment. The mentioned fields were divided into sub-fields to sum up the most important aspects of the economical and social life of the Timisoara area.

Collecting Data

Collecting data, as key-factor of realizing the economical and social profile of the area, was a difficult process, considering the availability and the access to the statistical data useful to this purpose. The difficulty was greater in the case of nearby cities where the lack of data is sharper. The obstacles encountered in the process of data collecting were not only specific to the work for the strategic planning of Timisoara area. The same

situation is confronting all Eastern and Central European countries due to the lack of standardization of the data collecting and processing system.

Based on this, data collections were insufficient. We gathered data with the help of project's partners mostly by interviews. We have also paid attention to the fact that it is not important to gather a huge amount of data, the attention being concentrated on the simplicity of the data.

Afterwards we proceeded for the processing and presentation of the data and information, so that these data are relevant and easy to understand for the decision factors. These conditions were considered for the final evaluation - Local Analysis/Diagnose.

SWOT Analysis

After collecting and processing the data, the project team organized the potential analysis of the area, in order to use these for the SWOT analysis.

The SWOT analysis is an efficient method, used in the case of strategic planning, to identify the potentials and priorities and to create a common realistic vision of the development strategy (strong points, weak points, opportunities and threats). Actually the SWOT analysis should give the answer to the "Where are we?" question, this involving the analysis of the internal environment of the area and of the general and specific external environment.

The strong points of an area are those values or factors that give a certain competitive advantage and create a certain attraction; they represent the internal forces with characteristics linked to the area situation.

The weak points are those factors or tendencies that create obstacles in the economic and social development; they can take the form of social, physical, financial, operational or other factors. These can be divided into weak points that can be corrected in short term (3-5 years) and weak points that need longer time and are more difficult to correct.

The analytic response to the weak points was to formulate concrete measures that would overcome the obstacles and strengthen the strong points. Both strong and weak points were considered to be internal factors of the area. The opportunities and the threats were considered to be external factors. The opportunities are those external factors that facilitate the development of competitive advantage. The threats are the unwanted tendencies, external developments of the area that lead to weakening its competitive advantage. The modification of the external condition represents a threat or an opportunity - depending on the local terms of the area.

Evaluating the environment and the external factors is one of the distinct characteristics of the strategic planning referred to in this paper. It is well known that the changes in the sphere are beyond the area control, but their impact on this represent legitimate preoccupation.

Practically the analysis of development potentials (SWOT) was done under the control of the project team by a large number of specialists from the local partnership, using specific forms, in order to also identify the measures considered to be useful to overcome the weak points. Afterward, we elaborated specific criteria to select the strong/weak points. Following this, it was possible to elaborate the diagnose analysis of the Timisoara area. The results of these activities were debated during the Conference I - "Timisoara Partnership", meanwhile realizing also the " Catalogue of Identified Developmental Measures".

Elaboration of the Strategic Concept of Economical and Social Development of Timisoara Area

Statement of the Mission, the Strategic Directions, and Development Objectives

Based on the realistic diagnose analysis of the Timisoara area, the project team organized many public meetings and debates with the purpose of stating the future mission of the development strategy of the Timisoara area and to build up the hierarchical system of objectives by which it will be accomplished. It was established that the strategy refers to a seven - ten year period, answering the question " Where do we want to go?"

By building up the objectives system of the Timisoara area we succeeded in creating a general vision for the next 7-10 years and in setting the expected result of the strategic planning process. At the same time, the four strategic directions defined allow the division into groups of the identified developmental measures that will have to achieve the strategic development mission of the area. The objectives system allowed the measurement of the implementation results, due to the fact that the actions, objectives, and under-objectives are measurable by indicators. In order to achieve this result, the project team worked together with specialists from the local partnership. After that they re-analyzed the development measures. The result from this analysis was the "Catalogue of Objectives and Measures of Development" - the basis of the development strategy of Timisoara area.

In this context we also considered that the main purpose of the Strategic Concept of the Economical and Social Development of Timisoara Area is the one to represent an economical promotion tool of the area. By that we understood a large number of measures that are aimed at the economical development of the city and the improvement of its physical beauty. The economic promotion involves measures for improvement of the factors influencing:

- Choice of setting new companies;
- Stimulation of existing feasible companies;
- Realization of investments on local infrastructure (traffic network expansion, personnel qualification measures, and so on).

Statement of the Strategic Choices and of the Final Strategy

In order to choose the optimum, the specialists from the local partnership have analyzed four directions of strategic actions:

- SO type strategies - that use all the area's advantages to gain from external environments
- WO type strategies - that overcome the weak points of the area to use the external environments at their maximum;
- ST type strategies - that use all area's advantages to avoid/minimize the threats of the external environments;
- WT strategies - which minimize the weak points of the area and avoid/minimize the threats of the external environments.

Comparative analysis led to the decision of elaborating the development strategy of the Timisoara area as an SO type strategy, to answer the performance, efficiency, synergy, feasibility and impact criteria. The elaborated strategy answers the question "How do we get there? Meanwhile we have estimated the strategic budgets and defined the decision criteria that allow the realization of prioritization of the development measures.

Implementing the Development Strategy

To ensure the implementation of the development measures included in the final choice of the strategic development, it was necessary to create an Implementation Management Unit, as well as a definition of the procedures and stages to be followed. With this purpose the project team elaborated the principles of function and organization of a future IMU, a tool needed for the implementation of the development strategy.

The described model of the IMU shows that by a specific mechanism of cooperation and partnership – the future organization will ensure the prioritization of the development measures by applying specific criteria, elaboration, and application of the action plans, gradual implementation of the development measures, process monitoring and periodical evaluation of the results/objectives thus making possible the adaptation or reorientation of the strategy while implementing it.

Meanwhile, a model was conceived to attract financial resources needed for implementation. In this way, in the evaluation process, we will have to answer the question "*Did we get where we wanted?*"

This is the first stage of the strategic planning process of this area and wishes to be the first try to answer the requirements of integration in the European and world tendencies. The local administration of Timisoara presently has the conceptual support for long lasting development of the city.

Our present action aims to create a unit of management for implementing the concept, as an institutionalized form of local partnership. This will have, as main objectives, to put into practice, bring up-to-date, adapt, and promote the concept by continuously applying the participation and involvement methods.

Decreasing the Bureaucracy at the Local Level ("Five Star City Program")

In 2002, Iris Center Romania, together with USAID and the US Embassy in Romania elaborated a study regarding the Romanian business environment. The results of this study were presented to the government and the mass media. It was found that the biggest barriers in the start up company process are the bureaucracy and the legal framework. Each entrepreneur is confronted with many procedures and must act in a confusing and unpredictable legal environment. That produces an unfriendly business environment in which the small and medium enterprises do not develop but refuse to integrate into the real economy in Romania. The result is the increase of the 'underground' economy.

"Five Star City Program" was a deregulating program aimed at reducing bureaucracy at the local public administration level, simplifying regulations, and speeding up administrative processes in order to improve the local business environment.

- Initiated by Iris Center Romania together with USAID and the US Embassy in Romania
- Implemented by the City Hall of Timisoara before the limit term, due to other projects already implemented by Timisoara City Hall prior to the deregulation program
- Partners:
 - The Timisoara Chamber of Commerce
 - The Confederation of Entrepreneurs
- Objectives:
 1. Eliminating unnecessary permits
 2. Enhancing the transparency and encouraging the public participation of the citizens in the local decision making process.
 3. Accelerating the start up business process.
- Measures:
 1. Eliminating the Functioning Permit Issued by City Hall

It was found that in Romania for starting up a business, the companies needed to obtain various functioning approvals required by different institutions. While the permit tax was a small source of income for the local budget, it was clear the City Hall could obtain the needed information from other sources and free businesses from this extra requirement. Due to the Mayor Initiative, a local decision has been adopted by the City Council to eliminate the functioning permits issued by the City Hall for all types of activities, except for those specified and in force in the national legislation.

At the same time we observed that different departments from the City Hall required similar documents for different types of permits. Following the discussion, the possibility appeared to reduce the volume of documentation required for obtaining the necessary functioning permits. A decision has been made by the Mayor to take over all the necessary documents at one single time and to transfer them between different departments, in a maximum time limit of 30 days.

2. Reducing the Time of Obtaining the Local Approvals

In Romania, in order to begin an activity, a company needs several permits issued by different institutions - health, fire protection, environmental approvals - and needs to sign different utility contracts for water supply, sewerage, heating, and waste collecting. Each of these institutions issued the specific approval in a maximum limit time of 30 days. For obtaining all the necessary documents, the companies spent a lot of time and were obliged to travel all around the town. (Because the decentralization process is not completed yet, these responsibilities are still central governmental attributions, so that is the reason the City Hall cannot directly act to improve it).

Following several discussions, the representatives of the Timisoara City Hall, Chamber of Commerce and the Confederation of Private Entrepreneurs along with the representatives of the Timis County Fire Department, the Timis Health Monitoring Office and the Environmental Protection Agency, signed an agreement. The partners commonly agreed to set up a one-stop point for creating the possibility to simultaneously solicit and release the approvals issued by these institutions, saving businesses the time of going from place to place. The above-mentioned institutions agreed to cooperate in order to reduce the total permits' issuing term, in accordance with the legal provision in force - maximum 30 days.

Meanwhile, meetings have been organized between the representatives of the local public authorities, the Chamber of Commerce, and the Confederation of Private Entrepreneurs with the representatives of municipal companies providing public services of water supply and sewerage, district heating, and waste collecting. The purpose was to reduce the time of concluding the service providing contracts. It was commonly agreed to simultaneously request the necessary documents and provide contracts through a special desk organized inside the Client Service Center within the Timisoara City Hall in a maximum total time limit of 20 days.

3. Enhancing the Transparency in the Process of Obtaining the Local Permits.

During the meetings, the necessity of transforming the permits, issued by the Fire Department, Health Monitoring Office, and Environment Protection Agency, into inspections was discussed as a possible solution to reduce the bureaucracy in the start up process. There were different opinions regarding this subject and this activity was regulated by the national legislation in force. To better know as many substantial opinions as possible regarding this aspect, the City Hall decided to organize a public hearing on this theme. In this context, a press conference was organized in order to present the purpose of the public hearing, its operating rules, as well as the role of implied actors. A press release was sent. A preparatory meeting was also organized with the participation of different companies, NGOs, designers, consultants, local councilors, and the representatives of the three institutions involved.

The public meeting committee, the committee of experts, the media group, and the witnesses were invited to present their statements. The report elaborated by the committee of experts was sent to all the participants, including the local media, and was forwarded to the local council and to the national government.

Timisoara City Hall also used other public participatory methods in order to consult the population regarding different issues of major interest for the local community. Thus, public debates are usually organized regarding the location of buildings and the local budget, the mayor meets monthly with the citizens in various districts of the town, the General Urban Plan of Timisoara was displayed for public advice and corrections, the Economic and Social Strategic Concept was drawn up in large public-private partnership of over 200 people, other public-private partnerships were set up for works of major importance (the ecological waste dump, the high-tech park, the wholesale market, rehabilitation of Bega Channel, etc.).

Usually the local decisions having large local impact are the subject of public hearings or debates. The City Hall organizes TV or radio interactive discussions and surveys.

In addition, following the protocol signed between the Chamber of Commerce, the Confederation of Private Entrepreneurs, and the Timisoara City Hall, an office for registering the complains of the trading companies was established at the Information Desk within the headquarters of the Chamber of Commerce, with the purpose of increasing the communication between the public institutions and the local business community and thus improving the business environment. The representatives of these three institutions met monthly to analyze the complaints and the suggestions of business people and the resolutions were disseminated through the local media.

Moreover, at this office, weekly mayor's hearings are appointed. All the board members (mayor, deputy mayors, dark, directors) carry out weekly hearings. The list of hearings is public and displayed on the info-kiosks. The City Council meetings are public; the people's access during the debates is free and monitored by the local mass media.

3. Ensuring Correct Information and Accelerating the Building Permits Issuing Process

Ensuring correct information and accelerating the building permits issuing process were constant concerns of the Timisoara public administration over the last four years. The actions undertaken were aimed to reduce the necessary time to obtain the solicited documents in order to increase our town's attractiveness towards the Romanian and foreign investors through:

- a) Eliminating the citizens' useless circulation to the different departments within the City Hall, centralizing reception of documents/releasing of permits

and approvals through a single office specialized in registering and circulating requests by an electronic system;

- b) Organizing an efficient system for correctly informing the citizens;
- c) Reducing the documents' circulation time in City Hall, between various departments and offices, through electronic management;
- d) Reducing the corruption inside the institution by creating a computer network facilitating the electronic management and monitoring of documents, storage, consulting, partition and the creation of information flow, releasing of electronic forms mentioning the responsibilities and the maximum time limits for solving;
- e) Saving the citizens the trouble of going from one municipal company to another in order to get the information about the underground network, by implementing the Geographic Informational System (G.I.S.)
- f) Drawing up the general and regional urban plans and regulations for the zones of high dynamics and economic development;
- g) Drawing up a generally accepted and coherent strategy regarding the economic and social development of the town and suburbs, on medium and long term;

Presenting the Measures Undertaken

Since 1996, Client Service Center in Timisoara City Hall has been receiving complains notifications and documents and issuing different sorts of local permits. It is called the "Citizen Information Center." It is situated on the ground floor and comprises specialized desks on various subjects of requirements (social, agriculture, urban planning, technical-public utilities, patrimony, economics contracts). The official in charge of public relations offers the citizens all necessary information regarding the solicited documents and the order of getting them, necessary approvals, their legal base, the contact persons, the average time of waiting, etc.

Special forms are handled mentioning the necessary documents specified for each subject. The receiving/delivering of documents is registered by the computer and distributed the same day to internal departments that have to answer within the maximum 30 days. In case the subject of a complaint goes beyond their responsibilities or in case it refers to them, the complaints are directed to the Mayor's Control Body that has the responsibility of monitoring the manner of solving the citizens' notifications and reports regularly to the Mayor and annually to the City Council.

Moreover, the Timisoara City Hall has published an "Information Guide" for the citizens-requirements addressed to the local public administration and the documentation required for their solving. This guide was broadly disseminated through the press and is available to the citizens without charge. It can be found at the City Hall, at the local councilors' office, at several firms of consultancy and planning, and at Timisoara's Chamber of Commerce.

In order to increase the transparency of the local administrative act, and to improve communication between public authorities and citizens, as well as to reduce bureaucracy in its own structure and the term of solving various petitions, Timisoara City Hall implemented an intranet system (tasks and information management system) allowing it to take over, manage, and follow the documents in an electronic system. The lodging of documents/releasing of approvals and permits takes at most 10 minutes. The citizen gets a form confirming the lodging and specifying the maximum time of solving.

The information regarding the necessary documents for obtaining the different approvals/permits issued by the local authorities' departments may also be accessed through a computer-kiosk located on the ground floor hall of the building. Using the virtual keyboard displayed on the touch screen, the citizens can write complains and/or suggestions and the limited time for receiving answers from the city employees is 5 days. There are eight more kiosks located in different places in the town (airport, County Hall, Chamber of Commerce, Post, Local Bank, commercial centers, several desks of cashing utility taxes), as a result of the implementation of the project "Municipal System of Citizen's Information Centers," financed by the European Union.

Timisoara's City Hall implemented the G.I.S. - Geographic Informational System, a complex informatics database, in order to reduce the term of getting the information regarding the underground utility network as well as for ensuring the accuracy of data regarding the building location. Due to this G.I.S., it is no longer necessary to get the information on the underground network from the municipal companies or the companies providing public utility services. The City Hall issues a single permit comprising all utilities in ten days.

One of the most important parts of the community economic development is the Urban Plan Strategy. The General Urban Plan presents the vision of the local authorities regarding the future urban development of the city, allowing investors to have a real image about the community intentions. It also offers information regarding the function/destination of different areas, the urban regulations and restrictions, the legal property of the land, and the future development of utilities, etc. From this point of view, the urban regulations are meant to create the urban context and principles and rules for the general urban development.

The General Urban Plan of Timisoara was finished and approved in 1999. It was awarded the prize and medal of the Romanian Architects Union. There are also 35 Zoning Plans drawn up for all the zones of dynamic economic development. Due to this and to the good existing cooperation between the Timisoara City Hall and other institutions issuing different approvals and permits necessary for obtaining the Building Permit, the term of issuing the building permits is under 30 days.

The maximum term for issuing the building/demolition permit was reduced - by a local law adopted by the City Council - to a maximum of 15 days for the investments creating new jobs.

Simultaneous Obtaining of the Fiscal Code and the Registration Certificate

Following the national legislation for obtaining the formal registration, a company in Romania must apply to the local fiscal authority for the fiscal codes, and to the Commercial Registry (Chamber of Commerce) for the business code. This procedure took between 50 and 60 days.

Timisoara was the first town in Romania where the business codes and fiscal codes were issued simultaneously and expeditiously in a maximum period of 20 days due to cooperation between the Chamber of Commerce and the office of the local fiscal authority.

Attracting Foreign Investors

A constant preoccupation of the City Hall of Timisoara is attracting foreign investors. Thus, the project "Industrial Park of Timisoara" was drawn up, approved by the Local Council, and implemented. The intention was to build up an area for large and medium size industrial units.

The area has direct access to the main roads and to the railways and to Bega Canal (that once was a navigable canal and the municipality has already started the restoring process). On the north side of the area is the location of a future port, in connection with the future duty-free zone. All the technical utilities are provided.

The land (having a surface of 63 hectares) is private property of the Timisoara City Hall and it has been divided into parcels, with a surface of 0.50, 2.00 or 3.00 hectares. In order to attract investors, the starting price of the plot – that will be leased out through a bidding process – was set four times less than the market price. After one year, five factories are now functioning in the area and another three are expected to sign contracts.

Another project the City Hall is trying to implement now is the High Tech Park with the aim of encouraging the development of the high tech and software industry. The City Hall offers the requested information and consulting regarding the start up business process for foreign investors. The City Council publishes economic promotion materials and the Mayor participates at different European fairs to promote the city.

Developing Professional Skills of the Employees

In Romania, municipal government employees do not have the experience or skills to establish priorities for their organizations and to ensure goals, since these functions were traditionally undertaken by the Central Government. In order to accelerate the reforming process and to create a modern public institution capable of better responding to the needs of the citizens, the City Hall of Timisoara applied different programs designated to develop the skills of the employees.

Through the Resource Cities Program – initiated by the International City/County Management Association – the municipal government of Timisoara has entered into a partnership with the municipal Governments of Pancevo, Yugoslavia and Cincinnati, Ohio, USA. The objectives of the partnership are to assist the municipal government of Pancevo address some of the critical service delivery needs of its citizens and to support the city of Timisoara with technical and organizational assistance in order to increase the local economical development and to improve public service delivery. During a period of two years, the delegations periodically met and organized thematic workshops in Cincinnati, Timisoara or Pancevo. The members of the Romanian and Yugoslavian teams had the opportunity to benefit from the American experience in the local governance field. Two delegations visited the City Hall from Cincinnati, Ohio. The program allowed Romanian participants to:

- Gain knowledge of the American way to generate sustainable economic development.
- Share experience regarding policies and procedures for attracting business and foreign investments.
- Benefit from the American experience in the implementation and the management of a high-tech industrial park
- Transfer know-how regarding starting, funding and managing of a local equity fund.
- Identify opportunities for improving municipal management systems: automated systems, finance, budget, and privatization.
- Identify opportunities for business exchanges.
- Gain knowledge about the organization of the City Hall of Cincinnati and the City Council
- Transfer know-how regarding the American tax collecting system
- Share experience regarding the privatization of public facilities such as water treatment systems
- Exchange technical and organizational knowledge regarding the technical issues related to water treatment, distribution and water quality
- Assist Timisoara's water works company staff with the development of a comprehensive leak detection program that could further reduce the amount of leakage in the potable water distribution systems

The Romanian team also had the opportunity to receive precious documentation in all these fields.

At present it is in the process of implementing the project “**Capacity Building for Municipal Governments in Romania**,” co-financed by the Canadian Agency for International Development, the Timisoara City Hall and the consulting company PGF/GTA International. The project aims to encourage good governance and democratic development through the establishment of a professional, transparent, and client-oriented local public service, with capacity building of municipal employees being the key to achieving this objective. In this sense the following steps are considered:

- Training needs analysis to determine employees' needs.

- Training workshops delivered by Canadian experts, designated to meet the identified needs.
- Technical assistance in the preparation of the operational plans for each city department in order to implement the City's priorities identified in the Strategic Concept Plan.

Following the results of the training needs analysis, the competency areas considered most important for enhancing the skills of the municipal employees include:

1. Working with People
2. Dealing with Change
3. Communicating Information
4. Making Decisions
5. Delivering Service

The project implementation began in 2001 and it will be developed until 2003.

V. RESULTS

The municipal administration of Timisoara is considered progressive and contemporary. It has embraced the client-centered concept for delivering services - a modern philosophy for democratic government.

It was also the first town in Romania to complete a comprehensive Strategic Concept Plan for the city, which identifies a series of objectives and strategic direction for the future development of the community. The Plan was elaborated in large public- private partnerships involving over 200 specialists, representatives of local public administration, universities and other institutions, local businesses and business people, professional organizations, and non-government groups (NGO's). Timisoara City Hall usually consults the population regarding different issues of major interest for the local community using public participative methods.

The city is committed to integrating the new technologies into all facets of its operations including building a comprehensive database and modernizing many of the day-to-day activities.

Community leaders worked together to simplify regulations and speed administrative "recesses and improving the business environment in this city. These initiatives have resulted in Timisoara being the city in Romania to achieve the "Five Star City" award by the American Embassy in Bucharest, within the Simple and Fast Program, whose main objectives include an open and transparent decision making process, decreasing bureaucracy, and encouraging the development of small and medium enterprises.

In the last period, some measures implemented in Timisoara - in the context of the deregulating program – were transformed into national laws or governmental decisions (the "one step shop" office, the General Urban Plan, the national "info kiosk" program,

the simultaneous emitting of the fiscal and business codes). The business legislation was also partly modified.

Due to its constant actions meant to attract foreign investments, the foreign investment rate per capita is four times greater in Timisoara than the medium average on the national level. The total amount of foreign investments has increased more than five times in the last six years.

In spite of the still-existing national legislation's constraints, Timisoara was able to achieve these results due to a positive understanding and application of the state legislation in force, following the Mayor's principle: "Everything not forbidden by law is possible to improve by local decisions."

There are huge problems that the city, like all the other cities of Romania, face each day. Coping with decaying infrastructure, a large poor and transient population, inadequate housing, and a demanding public are but a few examples. Additionally, the lack of money to address these issues, complicated by a high inflation rate and the decentralization of several activities and responsibilities (assumed by the Central Government) without ensuring the necessary financial resources, have severely constrained the city's ability to resolve these pressing problems. However, it is still necessary to improve the city and its employees' activities.

VI. LESSONS LEARNED

- The elaboration process of the sustainable local development concept began in 1999. Since 1990, a lot of effort and money was wasted because of the lack of a real vision regarding the future development of the city.
- The general concept needs to be completed with punctual strategies on specific fields (finance, tax collecting, human resources, patrimony).
- The biggest mistake in implementing the strategic plan was ignoring the living conditions of the population. The people have no patience after waiting so long under communism. They want change now. Faster growth in the GDP has to be sacrificed in order to meet the urgent needs of the population. All systems, including heating, water, and sewers, are old and need to be rebuilt. Quality of life issues have gained in political importance.
- The action plans are still incomplete and because of the lack of experience, Timisoara needs help in ensuring effective implementation: the preparation, delegation, and evaluation of the action plans.
- The Implementation Management Unit could not be created because of the lack of necessary financial resources. A Development Department within the City Hall was set up with the task of implementing the concept as well as other tasks.

- In order to adapt to the new tasks and responsibilities we received during the administrative decentralization process, the city officials change the internal organizational structure each year. However, the city still needs to improve its policy and procedures.
- The employees within the City Hall do not have the necessary managerial skills to make their own vision agree with the main objectives of the Strategic Concept, and the new issues with which they are confronted. It would have been better to ensure their training long before.
- There is not yet a solution for retraining the Romanian high tech specialists. A public/private partnership to fund new ventures is the key to stimulating high tech start-ups in particular. The universities are a good source of a highly trained technical workforce. U.S., and especially Canadian high tech companies, are recruiting young Romanian computer science and software engineers. Venture capital is critical in retaining this resource and developing domestic high tech industries.

Arh. Aurelia Junie
Head of Development Program and Strategies Office
City Hall of Timisoara

Appendix D
Participant Roster

Georgia

Pavel Basiladze	USAID/Caucasus	Humanitarian Program Management Specialist
Khatuna Ioseliani	USAID/Caucasus	Program Office Management Specialist
Inga Karchava	USAID/Caucasus	Information Management Assistant
Inga Tsutskiridze	USAID/Caucasus	
Keti Bakradze	USAID/Caucasus	Civil Society Specialist
Lado Gorgadze	USAID/Caucasus	Local Government Project Management Specialist
Joe Taggart	USAID/Caucasus	Local Government Advisor
Earl Gast	USAID/Caucasus	Program Officer
Peter Argo	USAID/Caucasus	Director, Energy and Environment
Tamuna Barabadze	USAID/Caucasus	Energy/Env. Program Management Specialist
Irina Gabriadze	USAID/Caucasus	Land Reform Program Management Specialist
Cate Johnson	USAID/Caucasus	Director, Democracy and Governance
Ketty Makharashvili	USAID/Caucasus	ROL Project Management Specialist
Keti Jakeli	Urban Institute	Regional Coordinator
Marika Shioshvili	Urban Institute	Regional Coordinator
Barry Reed	Urban Institute	LG Advisor
Beka Mikautadze	Urban Institute	Regional Coordinator LGRI project
Maya Gogoladze	IFES	Civil Society Specialist
Koka Dzagania	NDI	Local Government Specialist
Zura Zoidze	Mercy Corps	Manager Isani-Samgori Region
Nutsi Odisharia	Mercy Corps	Community Mobilization Specialist
David Vezdeni	CARE	Sr. Community Mobilization Officer
Tamuna Barkalaya	CARE	Grant Officer
Nana Pruidze	CARE	Program Manager Cassin
Ruso Kharabadze	World Vision	MED Program Manager
	Euraisa Foundation	
Nikolos Oakley	Horizonti Foundation	Deputy Director
Nino Soakashvili	Horizonti Foundation	Director, Horizonti Foundation
Misha Kervalishvili	Open Society Georgia	OSGF Economic Development Program
Irakli Kherodainashvili	ACDI/VOCA	Chief Loan Officer
Sasha Kavtaradze	ACDI/VOCA	Office Director
Jaba Ebanoidze	APLR (Land Reform)	Director of APLR
Irakli Songulia	APLR (Land Reform)	Real Estate Specialist
Lela Shatirishvili	APLR (Land Reform)	Head of the Real Estate Market Support
Davit Giorgadze	APLR (Land Reform)	Project Leader for the Gori Land Cadastre
Nino Nadiradze	PA Consulting	Senior Environmental Specialist
Inga Pkhaladze	PA Consulting	Energy Policy and Privatization Specialist

Nino Javakhishvili	USAID Origo Consul.	Environmental Manager
Indira Amiranashvili	Save the Children	Program Coordinator
Temo Chelidze	Save the Children	EO Grants Officer
Lancelot R. Fletcher	American Chamber of Commerce	
Armenia		
Debbie Burns	USAID/Armenia	Program Management Specialist
Bella Markarian	USAID/Armenia	
Michael Wyzman	USAID/Armenia	
R. Jerome Anderson	KPMG Consulting	Real Estate Tax Advisor
Al Decie	IFES	Project Director
Anatoly Zabolotny	IFES	Chief Trainer
Arthur Drampyan	UI LGP	Advisor
Mais Vanoyan	UI LGP	Advisor
Anahit Karapetyan	UI LGP	Advisor
Dr. David Tumanyan	Yerevan State Univ.	Educator, School of Public Administration
Irina Rushanyan		
Azerbaijan		
Sara Feinstein	IFES	Deputy Director
Servet Maharramov	IFES	Civic Education Coordinator

Appendix E
Course Evaluation Summaries

Cities Matter: Course Evaluation Summary
Principles and Practices of Community Based Economic Development
Gudauro, Georgia (session 1)

Out of a scale of 1 to 10 for the course overall (10= excellent, 1= poor), the ratings are as follows:

Score: number of responses

10: 1

9: 6

Between 9 and 8: 1

8: 9

Between 8 and 7: 1

7: 0

6: 1

Please rank the topics from most useful to least useful (1=most useful, 2=second most useful, 3=third most useful, etc.) The following topics were ranked 1-4:

Introduction and Overview: 2, 2, 2, 2, 3, 3

Community Based Economic Development: What Makes it Different, How it Works, What Skills and Systems are Needed: 1:3 people, 2:3 people, 3: 2 people, 4: 1 person

Creating an Analytical Framework: 1:2 people, 2:4 people, 3: 3 people, 4:1 person

Re-Tooling Local Government's Administration and Organization: 1:3 people, 2:4 people, 3: 3 people, 4: 2 people

Managing the Financial Impact: 1:4 people, 2: 2 people, 3: 1 person, 4: 0 people

Public, Private, and Community Partnerships: 1:7 people, 2: 1 person, 3:3 people, 4: 1 person

Community Based Economic Development in Action: 1:4 people, 2:5 people, 3: 3 people, 4: 3 people

Participant CBED Project and Action Plan: 1:6 people, 2: 1 person, 3: 5 people, 4: 3 people

Presentation and Critique of Analytical Tools: 1:2 people, 2: 3 people, 3: 0 people, 4: 2 people

** Some people ranked more than one area as a 1, 2, etc. One person said they are all equal, but did not indicate a number. Most participants ranked everything 1,2, or 3 (Possibly unclear directions)

Which topic was the most important and why?

Municipal bonds- raised a lot of important issues that need to be addressed. Even if a municipality does not plan to issue bonds the systems necessary for it help to guide what needs to be done.

Sharing the international experiences of CBED (Romania, Bulgaria, Kazakhstan)

-Because the examples came from Soviet-block countries and showed how it is difficult to establish the process of identifying priorities and timelines that are critical for development.

-Because hearing about this helped to put it into practice

Public, Private and Community Partnerships

- Real experience was presented from Bulgarian practice

-Because only through cooperation of these 3 sectors it is possible to attain the best results in administration, management and development process.

-Because this is critical for LED

-Good examples, I feel like it is something I can use in my work given the current situation in country.

-Experience of the City of Sofia is similar to that of the Georgian LG system.

-Good to spend time thinking about adapting their plans to our countries

-Well presented

-Provides a sense of 'can do' to what appears at first overwhelming.

Managing the Financial Impact because this is important for economic development Framework, plus "How it Works"

-Alex is wonderful! Excellent approach with 2 Eastern European experts. Romania Example most helpful.

Identifying the Mission is of critical importance.

What topic would you recommend we add?

-More explicit discussion of financial resources

-Small advocacy component

-Sharing experience of NGOs in other countries

-Financial options for cities where bonds are not an option

-Media and LG/NG

-Pre-session workshop more in depth

-More case studies from different countries (3 people)

-Legal framework and legal explanation

- The proper creation of CDD and more detailed description and breaking up the term CBD
- More illustrative examples of CBED- both successful and failed, mistakes (2 people)
- More info on how to get stakeholders involved
- Negotiating Public-Private partnerships
- Basic well tested techniques of motivating citizens in CBED
- Involvement of different partners- more info
- Having the workshop groups investigate a case study
- Intergovernmental relations

Other Comments

- Group/team works are exceptionally productive
- Interesting to get a viewpoint from Armenia
- Several presentations were too long...need diversity
- More questions to audience from presenters
- Case studies may be better if some part was assigned as a reading and discussion was for critical factors only
- Location not convenient for Armenians
- Very useful and interactive
- I received a lot of useful materials and information
- Need copies of ALL overheads and complete participant contact info in binder
- If possible it would be good to send LG reps from Georgia to a similar course
- Course made us more optimistic about the situation and CBED in our country

**Cities Matter: Course Evaluation Summary
Principles and Practices of Community Based Economic Development
Gudauro, Georgia, March 22-24 (session 2)**

On a scale of 1 to 10, what grade do you give the course overall? (10=excellent, 1=poor)

Score : Number of responses

10:2
9:1
8:2
7:3
6:1

Of the topics and activities that we completed together, please rank them from most useful to least useful. (1=most useful)

Introduction and Course Overview: 1, 6, 4, 2, 8

Community Based Economic Development: What makes it different, how it works, what skills and systems are needed: 2, 8, 2, 1, 7

Creating an analytical framework: 6, 5, 7, 5, 9

Re-tooling local government's administration and organization: 3, 7, 1, 7, 9, 6, 6, 1

Managing the financial impact: 4, 1, 3, 4, 2, 1

Public, private, and community partnerships: 2, 7, 2, 8, 3, 1, 2

Community based economic development in action: 1, 5, 3, 6, 6, 4, 3

Participant CBED project and action plan: 3, 8, 4, 5, 8, 3

Presentation and critique of analytical tools: 9, 9, 5

Which topic was most important and why?

Retooling local governments organization and administration. The theory and task fully explained the specific actions required to retool local government structure and administration.

Managing the financial impact task. For me this was a newer area where I had weakest knowledge beforehand.

Learning about the specific examples. I can use these in discussion with local government officials.

Framework and Overview of Course and CBED. I got the basic principles of CBED.

CBED: What makes it different, how it works, what skills and systems are used.

Public, Private and Community Partnerships. All exercises were very important because they were practical and clear.

Issues of prioritizing based on real experiences, both positive and negative, from Sofia and Timisoara.

Managing the Financial Impact. Sofia case study was a story of good practice implemented in reality.

Retooling Local Government's Administrative and Organization.

Increasing revenues of Local Governments because that's what is critical in Georgia today.

If you were able to add another topic to the program, what topic do you recommend we add? Why?

-Concrete examples of local economic development of rural places. We are working in communities that are very much different from regional centers and of course from cities.

-It seems to me that all of the most important issues have been covered.

-Presentation about successes and failures from a small FSU municipality, like one from Kazakhstan.

-About the financial management of local government.

I would suggest you spend more time on basic principles and approaches as well as for steps. I just think that the final plans were not correlated with the CBED.

-National/Local government relations

-How can non-government sector encourage local government to start the CBED process and/or involve and invite local government officials to the CBED training in order to introduce the process to them.

Other Comments

Too much information in a short time. It would be good to have more time for this much information.

Kind of new stuff for me; exciting though.

For a 3-day course, I would suggest that some materials be sent ahead.

The training was oriented that participants would develop and then fulfill the plans, but some participants will use this knowledge in the future and won't fulfill the CBED projects.

The course was very useful for me, as the CBED is the key issue here.

I was surprised that two sessions were cut off.

The development of a country-specific plan perplexes me. I have a work plan already approved by USAID. TO change that and implement the plan developed here would require the pain and effort of an amendment. Why do that? If I just revised my existing work plan or country plan, how has that helped?

Need more time (4 days would be good)

The conference was very intense but very beneficial. Important and interesting information was provided and well blended with the tasks which explained the process better and got the participants to think

Would be interested to know more concrete examples of citizen involvement in the decision making process and how the local governments cooperate with citizens. Also, more about variants of economic development of rural areas.

Presentations shouldn't be rushed: Info about Kazakhstan was interesting but got lost. Presenters should have organized presentation and presentation skills: Romania presentation was VERY difficult to follow.

Concrete, small-scale examples would be better than details about big projects (eurobonds in Sofia).

I would suggest for this type of the group to cut the group work, mainly and spend more time on theoretical bases and discussions of concrete practices (Ekibastuz, Sofia, Etc) Despite this, I think this is an extremely important educational tool.

I gleaned a lot out of Aurelia's presentation and handouts that she didn't necessarily address in her presentation.

Thank you for providing such a high level workshop!

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