



Local Economic Development Options Paper



LOCAL ECONOMIC DEVELOPMENT IN ROMANIA

**Strategic Options Paper
to USAID for
Development of an Economic
Development Program
in the Next Contract**

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OPTIONS PAPER IN APPROACHING LOCAL ECONOMIC DEVELOPMENT IN ROMANIA IN THE USAID PROGRAM FOR 2002-2007

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This report is based in large part on the contribution from Romanian and Regional experts from different institutions and fields who participated in a two day LGA seminar on *USAID Options for Local Economic Development in Romania* in Sinaia, Romania, in January 2002. Subsequently, working sessions were held in March, 2002 in Cluj with representatives of the Chamber of Commerce Industry and Agriculture, the Court of Accounts, the Professional Training Center for Adults, and the County Cadastre Office to identify the legislative/ regulatory issues that need to be addressed between local governments and the private sector. Another working session was held in Bucharest, during the same month, with the Director of World Economy Institute in Bucharest, and LGA program team members and consultants to highlight key-issues relative to Local Government responsibilities in Economic Development.

It was a challenging and interesting project that brought together different professional interests, approaches and perspectives on a common element: local economic development. The contributions gathered in this process have resulted in this paper. The LGA Romania Program Team expresses its appreciation to local consultants who contributed to this document. Their commitment and contribution to the LGA Program are reflected in the document.

References to the background papers prepared by these consultants are noted in Annex B.

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1. Introduction

As part of the LGA program's third year work plan, USAID requested that RTI "analyze the LED component, including methodology, obstacles to achieving results, prerequisites for success, and other factors deemed important, and propose options to USAID for development of a LED program in the next contract". This paper addresses this task.

Assistance to local governments to facilitate local economic development has been an important part of the USAID Romania program since 1996. The USAID Romania Country Strategy for 2002-2006 makes several references to the goals of USAID programming in the area of local economic development. Mainly, the strategy envisions support for private sector efforts to spur economic growth. However, it recognizes that government plays a vital role in encouraging private sector investment and employment by "...creating a supportive business environment... reducing red tape...(increasing) transparency and accountability...".¹

This paper aims to inform USAID decision-making by briefly summarizing the experience of recent USAID local government assistance in the field of local economic development in Romania, as well as the experience of USAID and other donors in neighboring CEE countries. Examined are: the various methodologies used, the obstacles encountered, and the lessons learned. Finally, options for future USAID programming and activities are laid out. These options may be incorporated into the scope of work for the new GRASP program that will continue USAID support to Romanian local government reform through 2007.

2. Key Recommendations for USAID Programming

Continued USAID programming should take into account the need for action in each of the following areas:

Policy development and advocacy

The legal and regulatory framework for local economic development is far from complete. Major reforms are still needed in such areas as land use control, taxing powers, and disposal of patrimony properties. The task is complicated by the fact that many Ministries have authority over various parts of the legislative agenda. Among the LGU associations, FALR and AMR are the logical institutions to take the lead in lobbying efforts to advance the legislative regulatory agenda. USAID can support the policy development process that underlies the lobbying effort, much as LGA did in the areas of fiscal decentralization and municipal credit.

¹ USAID Romania Country Strategy 2002-2006, p.12

Practices and approaches at the local level

There still exists a fundamental need to build understanding among decision-makers regarding what constitutes appropriate and effective local economic development practice. LGU officials, both elected and appointed, are still in the process of redefining their role from allocating and directing economic resources to creating and maintaining a nurturing business environment. An important element is the need to clarify roles and relationships among local actors (both public and private) in planning and implementing projects, and build successful partnerships. There is a definite need to build the capacity of local officials who wish to change their approach to economic development in order to foster market-oriented planning.

Institutionalizing the process of facilitating economic development at the county and locality level

One of the major lessons of the UPLED project was that “Institutionalizing the process of developing, implementing and monitoring a city development strategy and capital investment program is key to developing a sustainable process.”² Through the UPLED project, LGA demonstrated how to link the key practices of local government which have an impact on economic development.

Fostering the creation/ strengthening of structures at the county and city levels

Institutionalization also means creation of the necessary structures at the county and locality level to support local economic development, and training local officials to make effective use of these structures. The process itself must be led by the LGU chief executive (the Mayor or County Council President) but it needs to be maintained with a structure designed for this purpose. An appropriate structure is also vital for active management of relations with the private sector.

Today there are only a few effective county-level economic development agencies in Romania. Timis and Sibiu Counties, have been effective vehicles for promoting economic growth. Guiding these agencies to the point of sustainability is a long-term project, although with a five year horizon USAID can support the growth of such agencies to adulthood.

At the city level the UPLED project showed that different cities may take different but equally effective routes to institutionalizing economic development functions. Any training program /TA designed for city-level governments should include this element. The pilot work done under LGA needs to be rolled out to more Romanian city and county governments. City level offices would take responsibility for the development and monitoring of local development strategies – a time-consuming, complex process that needs a champion within the local administration.

² The Urban Planning and Local Economic Development Project in Romania, Harvard University Graduate School of Design in collaboration with RTI and the USAID Local Government Assistance Program in Romania,, February 2002, p. 11

Mechanisms for ensuring “vertical and horizontal” cooperation

LGUs cannot only rely on the central government to present a coherent, integrated approach to local economic development. They must take a pro-active stance to ensuring that policy and resources are focused effectively within their jurisdictions. The LGU associations have a critical role to play in this effort. A first step must be to find a home for local economic development in the structure of LGU associations.

Building professional capacity to support local economic development

This issue has several components: (1) the skills of practitioners at the local level; (2) expertise within professional associations and networks; and (3) continued development of a pool of local consultants who can intervene effectively to promote local economic development. An important element of this capacity building effort is technical assistance in accessing external funds, through improved project planning, proposal writing, and project management.

Peer-to-peer learning and networking in local economic development is hampered by the lack of an obvious home among the professional associations. One possible solution would be to organize an economic development caucus within FALR, including officials from both the county and local levels, led by LGU officials from “vanguard” cities and assisted by LGA who have been trained as consultants on economic development topics.

Continue integrated training/TA to counties and cities to access donor-supplied economic development funds from the regional and national levels

This type of support was initiated under the LGA. Donors that provide major project financing, such as World Bank and EBRD, usually offer some training and technical assistance to prospective clients, although insufficient. USAID-sponsored assistance can fill this gap.

Also, as Romania moves toward EU membership, it is likely that the regional development agencies will be used increasingly as conduit for economic development funding. USAID can play a valuable role by readying local governments to make use of funds transferred from the regional level through the above-mentioned county- and city-level economic development organizations.

Building local NGO capacity to participate effectively in project implementation

Local NGOs representing citizen interests are on the margins of local economic development in Romania today. Community interest groups could be influential and dynamic supporters of larger projects, and in the process provide an added degree of transparency to the implementation process.

One particular type of local NGO that should not be neglected is the business association. The experience in many CEE countries has shown that business associations can become an effective partner in promoting a city's business retention and expansion strategy. It is widely recognized that most local economic growth is generated by small- and medium-sized businesses that are already established in the community.³ USAID private sector programs in Romania proved the usefulness of business associations as platforms for such diverse activities as lending and lobbying.

Pilot projects suitable for adaptation and replication on a broad scale

LGUs have many common issues to deal with that relate to economic development, and are often quick to copy successful projects implemented by their peers. Types of projects might include housing renewal and development, center city revitalization, public services improvement, specialized economic development zones (e.g. industrial and technological parks), and metropolitan area development.

Continue support to program models that work

USAID Romania has contributed to the creation of several good program models. Three that stand out are LGA's UPLED, CHF's association-based lending programs, and the RASP twinning grants (such as the previously cited Sibiu EDC example). The next program should offer strong support for the replication and dissemination of these models.

³ World Bank (citation)

3. Romanian Public Sector and NGO Partners in Local Economic Development

An estimated 41% of the population in Romania is classified as living in poverty. As part of its development policy, the Romanian Government is placing a strong emphasis on economic development and the creation of jobs. Areas of intervention include: raising the quality of the labor market; developing policies on social security and welfare; improving the business environment; privatization and encouragement of small and medium-sized enterprises; attracting foreign investments and increasing exports. Other priorities include the reform of central and local administration, the decentralization of public services and the harmonization of legislative frameworks with EU regulations. Taken together, these policies and related programs can have significant impacts on economic development.

The extensive administrative and financial decentralization from the central government to local governments, combined with the lack of funding from the central government has definitely tipped the balance of responsibility for generating local economic development to local governments. Local governments are facing the challenge of creatively utilizing their local assets and looking for the convergence of opportunities to maximize local private and public resources in their efforts to create jobs.

The following description of potential players in local economic development demonstrates the horizontal and vertical distribution of activities and responsibilities among different sectors and levels of government.

Local Partners

- Local authorities (counties and cities) With decentralization, municipalities in Romania have considerable responsibilities that support economic development, either directly or indirectly. They provide, as well as fund, local services and hold considerable power in the urban planning process, the issuance of building permits, and the use of land and public assets under their control. Fiscal decentralization and the distribution of a high percentage of the wage tax to local governments have given local officials a strong incentive to maintain and create jobs within their jurisdictions.

County Development agencies are emerging independently, in cooperation with other agencies, or as part of the Regional Development Agencies. The agencies operate under the authority and with the support of the County Councils. Their mission is oriented towards promotion, marketing and publicity for the county.

- Regional Economic Development Agencies are operating on a partnership principle with institutions at local level on the issues of economic growth and social cohesion. The RDA's are promoting different strategies in accordance with the specific characteristics of the counties within each of the eight regional agencies. Major

investments have focused on roads as part of a strategy to create stronger links to regional markets.

- Chambers of Commerce, Industry and Agriculture are interested in cooperating with local authorities to increase the transparency, make regulations more flexible and facilitate the process of approvals and issuing permits.
- Utility companies have a strong role to play in economic development especially in regard to coordinating service improvements with availability of land for economic development activities and improving the quality of life. Utility companies in Romania operate as commercial companies and are technically no longer eligible for subsidy.
- Regional Training Centers, Universities are interested in developing training courses in local economic development (planning, financing, PPPs, negotiation, land use, community participation etc.)

Support Partners

- FALR and the LGUs associations Professional associations such as the Federation of Local Authorities have indicated an interest in strengthening their capability to provide input on legislation of various fields related to the LED.
- Romanian Chamber of Commerce, Industry in its position as representative of the private sector is interested in increasing the efficiency and the effectiveness of activities promoting, attracting and registering businesses.
- Professional associations of Chief Architects, Economic Directors and Technical Directors are interested in offering their expertise to develop and advocate cross-sectoral legislative proposals in local economic development
- Professional Association of Romanian Urban Planners could act as a provider of professional expertise and advocate of a legislative agenda for LED.
- Local NGOs are increasingly involved in economic development. Activities range from training and providing information to acting as adjunct agencies for local councils in order to provide more operational flexibility and access regional funds.

National Ministries and Agencies

With the fiscal and administrative decentralization legislation enacted by the Parliament, the role of central government agencies such as the Ministry of Public Works, Transport and Housing, the Ministry of Finance, the Ministry of Development and Prognosis and the Ministry of Local Public Administration are shifting from directly financing and implementing projects to setting policies and developing the legal and regulatory framework for urban development in Romania. Additionally, ministries such as the Ministry of Agriculture and Food, the Ministry of Water Resources, Forestry and

Environmental Protection, the Ministry of Labor and Social Protection and national agencies such as the Romanian Chamber of Commerce are also involved in the review and approval process of programs and projects that impact local economic development.

- Ministry of Public Works, Transportation and Housing is interested in improving and making operational legislation on local and territorial planning, metropolitan planning and introducing strategic planning approaches.
- Ministry of Public Finance, through the fiscal decentralization process, supports the funding of local development planning.
- Ministry of Public Administration supports the process of reforming the administrative system and decentralization; it is involved in legislative aspects of planning, funding and implementing local economic development through local governments; it is also interested in redefining and developing the roles of local governments, and their institutional and professional capacity.
- Ministry of Development and Prognosis is working in closer cooperation with the Ministry of Public Works given their shared interest, responsibilities, projects and funds, in territorial planning and development.
- Ministry of Agriculture, Alimentation and Forests and Ministry of Waters and Environment Protection have responsibilities in approving the local development plans and works with local authorities in this respect; the Ministry is interested in specific development projects.
- Ministry of Education and Research is interested in developing the education and research system and in guiding activities to reflect market demands; also, it is interested in developing programs that target needs of local government.
- Ministry of Labor and Social Solidarity develops training and professional conversion programs; it is interested in cooperating with central and local institutions in order to increase the efficiency of training programs.
- Ministry of Small and Medium-Sized and Cooperation Enterprises is interested in continuing the collaboration on increasing flexibility of approvals and permits issuing procedures concerning localization and initiation of businesses.
- Ministry of Culture and the Denominations needs support in managing and preserving the local historic built heritage; in many cases this patrimony can have a significant contribution preserving cultural heritage and supporting economic development.
- Ministry for European Integration develops, monitors and evaluates the legislative frame general development process, in agreement with the accession partnership.

4. METHODOLOGIES USED IN CURRENT USAID PROGRAMS

Since 1996 USAID has supported an economic development component within its Romania local government assistance programs (CEEPAA and LGA). The various tools employed by these components can be grouped under the headings of training, technical assistance, pilot projects, and information dissemination.

Training

Training has been used to introduce basic concepts and techniques of local economic development, such as the 8 Step strategic planning method. This type of training began in 1996 and continued through 2000. The audience was primarily officials at the municipality level⁴, with some inclusion of county level personnel.

Training has also been used to supplement and reinforce the lessons of direct technical assistance. For instance, in 1997 the CEEPAA program conducted training for 4 cities (Pitesti, Baia Mare, Sibiu, Oradea) on the subject of “Main Street and Downtown Development”. Later, the UPLED (Urban Planning and Local Economic Development) project of 2000-01 used a combination of seminars and consultant interventions to build the capacity of officials in 3 municipalities (Oradea, Focsani, and Iasi) on how to link strategic planning, urban planning, land use regulations, and capital investment planning to achieve economic development results.

In 2000 the LGA conducted training for “economic development promoters” to create local teams of LGU officials and business-oriented NGO leaders that could initiate and carry out local economic development projects independently.

In 2001 the LGA Program conducted a U.S. study tour for local economic development that included mayors and vice mayors from 8 cities. These officials were trained by RTI staff and consultants, and met with a wide variety of elected and appointed officials in North Carolina, Virginia and Maryland. Participants developed action plans for implementing an economic development project upon their return.

In 2002 LGA initiated an Urban Marketing training activity, targeting 4 cities, as part of the Integrated Assistance demonstration project. Envisioned as a less intensive version of the UPLED training, this activity shows city officials how to realize strategic planning objectives through concrete efforts to promote the city to potential investors. Time permitting, the training will be followed by direct technical assistance to support a promotional project in each city.

⁴ In Romania, the 93 municipalities are generally cities with populations in the 100,000 – 300,000 range. These LGUs enjoy a higher degree of autonomy than other units, and raise 30-70% of their budgetary income from own sources.

In early 2002 LGA conducted a training of trainers (TOT), focusing on economic development issues, for Chief Architects at all 4 levels of local government (municipalities, towns, counties, communes).

Technical Assistance

Direct technical assistance has been provided mainly by U.S. consultants, and in a few instances by Central & Eastern European (CEE) consultants who had been trained in previous USAID programs in the region. In the LGA's final year local consultants trained in the first two years are also providing technical assistance. Some of this assistance can be considered peer-to-peer, since the provider and recipient are officials with the same functional responsibility and members of the same professional association. Technical assistance is continuing to the 3 UPLED target cities and to Pitesti on specific projects that grew out of previous training activities. These projects include a heavy investment of resources in enabling citizen participation in project development and implementation.

In addition, through the RASP grant program USAID established twinning relationships between U.S. and private organizations and LGU-sponsored entities to carry out specific projects, notably the project in Sibiu County to develop an industrial park.

USAID has also been supporting economic development through the IRIS program. IRIS has been responsible for the development of technical assistance projects and studies aimed at improving Romania's business environment by focusing on:

- Transparency and Freedom of Information Act
- Deregulation
- Legal Resource Centers
- Business Law for SMEs
- 'Rapid and Simple' Local Approvals
- Legal, Regulatory and Administrative Institutions Supporting Business Contracts
- Legal, Regulatory and Administrative Institutions Supporting the Credit Market

Pilot Projects/Grant Program

The LGA 1999-2000 work plan included a \$500,000 grant program to fund economic development pilot projects based on the INED (Integrated Neighborhood Economic Development) methodology successfully developed in 1994-97 by the Cooperative Housing Foundation (CHF) in Timisoara.⁵ The U.S. ambassador to Romania asked USAID to freeze this part of the program, and subsequently the activity was cancelled and the funds de-obligated. However, CHF's success in replicating the Timisoara project in 7 additional western Romanian cities has proven the efficacy of this approach.

⁵ The INED approach uses a modified credit union model to make small loans through business and housing associations to encourage economic development.

Information Dissemination

Both CEEPAA and LGA developed self-study guides for local economic development. The CEEPAA guide presented a simple version of the 8 step strategic planning process. The LGA guide is more sophisticated, presenting a comprehensive approach to economic development at the municipal level in the current Romanian context.

The LGA program produced several training materials for local economic development:

- Local Economic Development Primer
- Local Economic Development Promoters' Manual
- Local Economic Development Planning in Eight Steps Manual
- Public/Private Partnerships Manual

In addition, the three UPLED seminars produced some important training materials, including a financial forecasting model for strategic planning, and case studies.

Finally, LGA publicizes best practices in local economic development through the publication of articles on its web site and in the newsletters of the various LGU associations.

Analysis

The experience of USAID local government programs in Romania points to several key lessons as to how to employ various methodologies in the area of local economic development:

- **Technical assistance needs to be interwoven with training**

Training without technical assistance follow-up led to modest or ephemeral results. The most successful project, UPLED, pursued a capacity building strategy of interspersing training sessions with technical assistance visits to the targeted cities. A demand-led approach based on the cities needs and priorities for assistance, created the strongest "buy-in" by participants, and showed the most sustainable results.

- **Projects need follow-up over a long period**

Projects that ran for only one year generally had a modest impact. Longer projects that pushed participants through several stages of skills acquisition are showing significant results.

- **Combine skills acquisition with appropriate structural changes**

Again, the UPLED project stands out because in it, participating cities were encouraged to make and subsequently institutionalize changes to their organizational structure that reflected the linkages established among economic development-related tools and functions. Efforts that depended solely on the support of the Mayor, such as the Main Street/Downtown Development project, collapsed when the Mayor lost interest or lost the next election.

Skills transfer in economic development poses a difficulty not encountered in other specialty areas of the local government program, because there is no one department responsible for all economic development-related activities. LGA assisted the UPLED cities to rectify this problem by creating appropriate support structures.

- **Integrate economic development training/TA with other forms of assistance to LGUs**

Economic development assistance is most effective when coordinated with other local government reform efforts (e.g. program budgeting, capital investment planning). Projects should also incorporate citizen participation techniques as an integral part of project development and implementation, and sufficient resources should be budgeted for this activity. Effective programming integrates ED work with other types of training/TA for maximum effectiveness, as LGA is now doing through the integrated assistance program.

5. OTHER INTERNATIONAL DONOR PROGRAMS

Listed below are selected programs related to economic development. A more comprehensive and detailed listing of programs are listed in Annex A. The listing is divided into two time frames, short-term and long-term programs.

Short term programs (2003-2004)

- **USAID/ USAID/CIPE Romanian business association development project** addresses the business associations in Romania, and their members.

CIPE is responsible for a number of activities that will strengthen Romanian business associations and their members. Areas of activity include Public Policy Advocacy, Institutional Development, Information, Investment Opportunities, Grants, Volunteer Experts and Strengthening of Women's Associations.

- **USAID/ Romania Government Transition Support**

The program aims to strengthen the government's organizational, management, media and public relations capabilities, linking senior Romanian policy makers with counterparts in the CEE. The program provides direct support to the offices of the President, Prime Minister, targeted line ministries, and to the leadership of the Senate and Chamber of Deputies.

- **EU/PHARE/ Economic and Social Cohesion (2000) (RO0007)** supports Regional Development Agencies.

The overall goal of the program is to strengthen the institutional capacity of the Regional Development Agencies to implement an integrated regional development policy in line with the provisions of the National Development Plan.

National Development Plan

- *Develop the 8 Regional Development Agencies into professional and sustainable organizations*
- *Development of partnership amongst regional communities to strengthen the legitimacy of the regional planning process*
- *Prepare development programs, projects and feasibility studies*
- *Strengthen the capacity of NARD to co-ordinate and support the regional planning process managed by RDAs*

Regional Development

- *Human Resources Development in the context of industrial restructuring*
- *Assistance to small and medium sized enterprises*
- *Development of local and regional infrastructure*
- *Awareness campaign, selection, monitoring and evaluation*

- **EU/PHARE/ Large Scale Infrastructure Program V (1999) (RO9909)** supports the Ministry of Environment, Water Company of Brasov, Water Regia of Constanta, Valea Jiului Area.

The main goals of the program are:

- *To facilitate priority investments in transport and environment with a significant accession and trans-boundary impact*
 - *To facilitate loans from the participating International Financial Institutions (IFIs) and co-financing from the local and central government*
 - *To familiarize candidate counties with competitive application and selection process, which will be used in the implementation of the ISPA, program operational from 2000 onwards*
- **EU/PHARE/ Meeting the obligations of the Acquis (2000) (RO0006)** supports local and central administrations and includes eighteen projects including and industrial policy, quality infrastructure, mutual recognition of qualifications for professional services, public procurement, internal audit and financial control regional statistics, road-worthiness, and other support activities that strengthen the European integration process
- **UNDP/ Building Local Capacities to Implement the Local Agenda 21 in Romania** The program is working with DFID and CIDA to support the Capacity 21 program for local and central government

The main goals of the program are:

- *To strengthen the capacity and raise the awareness of the Government and the public to adopt and to incorporate the SD principles into national and local development strategies and action plans*
- *To promote local participatory development planning and Local Agenda 21 processes*
- *To ensure communication and interaction at local, national and regional levels, in order to share results, lessons learnt and best practices with a view to improve and broaden the scope of SD strategies and action plans as appropriate.*

Important Comment:

After the National Forum in Sustainable Development in Miercurea-Ciuc (April 10-12, 2002), the RTI-LGAP-ED team meet the representatives of UNDP for the purpose of exploring future cooperation that would be required in relation to local economic strategy development with the Local Agenda 21 cities.

- **CIDA/ Capacity Building of Municipal Governments** addresses Municipal Governments.

This project provides technical assistance and expert advice to the Romanian municipalities of Timisoara, Arad, and Satu Mare in the design, formulation, implementation, and monitoring of development strategies and business plans for their cities. It places emphasis on a participatory consultative process with civil society representatives from both private and non-governmental sectors

- **CIDA/ Northern Balkans Governance Support Program** addresses central and local governments.

This decentralized program supports small and intermediate-scale local initiatives that focus on capacity development, institutional sustainability and reform in the energy, environment, public administration and social development sectors. Projects involve a wide range of partners, including international organizations, multilateral and non-governmental, national ministries and agencies, national institutions and associations as well as community groups.

- **DFID/ strengthened capacity to plan and manage sustainable environmental improvements at the regional/local levels** addresses government, civil society and the private sector

The goals of the program are to:

- *Strengthen the capacity for environmental project design; Increasing capacity of government, civil society and the private sector to achieve and sustain transition, whilst ensuring that the social dimensions are addressed; and*
- *Encourage partnerships for sustainable development in pilot municipalities.*

Long-term programs (2005-2006)

- **ISPA (EU)** programs are providing essential infrastructure that has a significant impact on economic development activities and help Romanian local governments meet EU environmental standards.

These programs are also upgrading the domestic transport systems and linking them with trans-European transport networks. Working through the Ministry of Public Works, Transportation and Housing and other Ministries, these programs are also helping central, regional and local agencies become familiar with policies and procedures of the EU's Structural and Cohesion Funds.

- **EU-ISPA/ EBRD/ Municipal Environmental Loan Facility** is run through the Municipal Environmental Loan Facility and supports water and waste-water utilities and solid waste management companies in Romania benefiting from EU-ISPA (Instrument for Structural Policies for Pre-Accession Facility- grant).

The project is designed to provide co-financing to EU-ISPA funded investments in the water, wastewater and solid waste management sectors, in municipalities to be identified during the next phase of project development. The project addresses investments in water supply, waste-water and solid waste management facilities to comply with EU-accession requirements on environmental standards.

- **USAID/ Romania WUAs (Water Users Associations) Development**

The program provides technical, management and program assistance to support water user associations (WUAs) to facilitate the development of a market driven rehabilitation of the irrigation system in Romania.

- **USAID/ RAEF/ Integrated Non-governmental Organizations (NGOs) and Economic Development (INED)** is carried out by CHFRO for the benefit of local business and NGOs.

The program focuses on enriching existing resources through a micro-finance program. The goal of this project is to increase local organizational capacity, serve business and neighborhood development needs, inject needed capital into the local economy to generate growth, create/sustain jobs and build a local entity to conduct economic development activity on a sustainable basis.

- **World Bank/ Rural Development Project** runs through the Ministry of Public Administration and addresses Local administration, community/user groups, and private service providers

The program's overall goal is to strengthen the institutional capacity of local administration, community/user groups, and private service providers to:

- *Plan, implement, operate, and maintain small infrastructure investments in a participatory and accountable manner; and*
- *Increase the access of rural inhabitants in pilot areas to markets and social services, and improved water and sanitation*

The program components are:

- *Financing technical assistance and training activities to build the capacity of local stakeholders*
- *Providing funding for demand-driven investments prepared for communes and community-based organizations.*

- **World Bank/ Social Development Fund (02) Project for poverty alleviation through community driven development and enhancing social capital** is carried out by RSDF (Romanian Government Decision 46/2002) for the poor rural communities and disadvantaged groups.

The project has three main components that:

- *Fund grants to sub-projects prepared by recipients in poor rural communities and disadvantaged groups, from the following categories: small rural infrastructure; community-based social services for disadvantaged; income generating activities; follow-up activities; build community capacity.*
- *Focus on knowledge sharing and partnership building, comprising three sets of activities: 1) information, education, and communication activities; 2) building "bridging" social capital by creating networks of "graduating" community-based organizations and facilitating continued partnership between local authorities and CBOs, especially in the area of sustainability; and 3) building linkages with other national poverty reduction agencies and with projects with similar set-up in the Region*

- *Finance institutional strengthening activities under two sub-components: institutional support and monitoring and evaluation.*

- **EBRD district heating rehabilitation projects.**

Upgrading of assets (including the metering program) to demonstrate the benefit of energy efficiency investments and the role of accurate metering in ensuring that customer billing reflects true consumption levels

- **UNDP/ Advisory Services for Foreign Direct Investment Promotion** addresses the Ministry of Development and Prognosis

UNDP intends to help improve foreign direct investment (FDI) promotion capability in Romania by strengthening institutions. The program aims to:

- *Help the Ministry of Development and Prognosis to reform the existing FDI promotion unit, strengthening the capacity of the staff to deal with the new, highly challenging role of project referral, project coordination and sustained outward promotion.*
- *Deal with the design and delivery of effective and customized training programs for the staff of all Government bodies dealing with FDI promotion both at the central and regional level (institutional capacity building).*

6. OBSTACLES TO ACHIEVING RESULTS

The participants in the Sinaia workshop on economic development outlined key six categories of obstacles to successful local economic development:

- Inadequate legal/regulatory framework
- Practices and approaches by LGU officials
- Lack of appropriate structures within LGU administrations
- Lack of requisite skills/experience among LGU staff
- Lack of coordination/cooperation among the principal actors
- Lack of citizen/media understanding of, and support for, the LGU's role in local economic development

Legal/regulatory framework

In spite of recent efforts, the legal and regulatory framework for local economic development is far from complete. Major reforms are still needed in several areas. Local governments' ability to manage and facilitate local economic development is still limited by overly restrictive national laws and Ministry regulations. These legal and regulatory impediments are limiting the ability of LGUs to make productive use of the assets nominally under their control, and to encourage economic growth through cutting-edge, market-oriented planning measures.

Decentralization measures critically affecting local economic development need to be adopted in the following areas:

- Land use control
- Tax incentive and tax abatement authority
- Power of eminent domain
- Ability to acquire, develop, resell properties

Practices and Approaches by LGU Officials

LGU officials, both elected and appointed are still in the process of redefining their proper role in local economic development. They tend to see their role as allocating and directing economic resources and managing enterprises, much as was done before the economic and political transition. The fact that the resources are no longer available for state-dictated economic development has yet to convince many local officials to change their approach. Officials need to shown the efficacy of market-oriented planning, in which the local government's role is to create a hospitable business environment, promote the local image, publicize investment opportunities, facilitate investment by bringing stakeholders together, inform citizens and the media and generate public support.

Lack of appropriate structures within LGU administrations

Encouragement of local economic development is not a "line" function in the Romanian local government structure. There is no one local official who has a clear primary responsibility for this activity. Nor is there a professional association devoted to the

development of human resources in this field. In U.S. cities support for economic development efforts is often a staff function reporting directly to the Mayor. In Romania, tight budgets and hiring caps have generally prevented the Mayor from staffing a similar position. By default, the Chief Architect as the principal planning officer has often stepped into this role, but this skews the approach too far in the direction of urban planning, and does not represent a permanent solution. However, this obstacle has been overcome in a few instances with outside help. For instance, in the UPLED Project consultants worked with city counterparts to establish a department and or a interdepartmental team that was better able to link economic development initiatives within the local government.

Lack of requisite skills/experience among LGU staff

The modest level of general professional knowledge and skills in spatial, social and economic planning at the executive level and the legislative level needs to be expanded and reinforced.

Although institutional and legislative changes as well as the economic context are moving in the direction of supporting initiatives in local economic development, training programs for local officials are still not at a scale that can generate significant changes in the professional capacities and institutional support.

With the exception of certain pilot projects (LGAP-UPLED) there have been few systematic approaches to planning, funding and implementing local economic development programs and establishing monitoring tools to assess impacts, both short-term and long-term.

Pilot projects on local economic development have not been sufficiently disseminated by those who have implemented them or by the authorities that hold the relevant documentation;

The need for improving the transparency of the economic development planning process as well as communications among key stakeholders and potential partners is becoming better understood by local officials. To reinforce this understanding they require good practices--international, regional and local--and adapting them to their local circumstances. The approach of 'importing' knowledge and practices because they have worked elsewhere has often had limited results. While concepts and techniques can be adopted to the Romanian context, these practices should assume that the institutional and economic context is in constant transition.

Lack of effective “vertical” and “horizontal” coordination/cooperation:

The various levels of government in Romania have not established effective forms of coordination and cooperation in the regulation and promotion of local economic development. Central government ministries tend to act without consulting local authorities, and locally adopted initiatives often cannot find national government support.

Similarly, local governments with common interests – county governments and the municipalities within them, municipalities and their surrounding communes – have not institutionalized cooperation.

Even within municipal and county administrations, officials with responsibilities affecting local economic development do not always work together to prioritize, plan, finance and implement ED projects.

In some cases, legislation mandating consultation is needed. In other cases, informal cooperation can lead to major improvements in economic development practice.

Pilot projects, such as the LGA-IHS- Ministry of Public Works collaboration to assist the Oradea area local authorities to institute regional planning and project realization, can point the way to systemic change.

Lack of citizen/media understanding of LGU's role in local economic development

In the course of assisting cities with economic development projects, LGA consultants have frequently observed that the media have a poor understanding of local government's role in the economic development process, and this is reflected in public perceptions. The media display an ambivalent and contradictory attitude toward local government's efforts to spur economic development. On the one hand, local government is expected to intervene directly to create jobs and improve living standards; on the other, the media are deeply suspicious of corrupt motivation whenever local officials offer incentives to investors or propose public-private partnerships. This suspicion is transmitted to citizens. "Better communication" is only half the answer. Much like public officials themselves, the media need training to understand how local government can improve the business climate without usurping the role of the private sector. Concurrently, citizens must be actively involved, as in the LGA integrated assistance program, through participation in planning committees, advisory boards, and voluntary support groups.

7. BEST PRACTICES AND LESSONS LEARNED FROM OTHER PROGRAMS

In addition to USAID, other international agencies have supported local government efforts in the area of economic development in Central and Eastern Europe. The following “lessons learned” are extracted from documents relating to these experiences.

Cities of Change Program and World Bank LED Support

The World Bank, in cooperation with the Bertelsmann Foundation has been developing local economic development training and reference materials for the Cities of Change Program in Central and Eastern Europe⁶. The materials are available on their website (www.worldbank.org/urban/led/).

Encouraging Local Business Growth

Most local economic growth is generated by small- and medium-sized businesses that are already established in the community. Encouraging local business growth involves providing advice, support and resources to enable these *existing* local businesses to grow. These strategies are sometimes called business retention and expansion strategies. The range of initiatives to support local businesses is vast. Some can be expensive, but others are not.

Programs and projects include: Business retention visits and surveys, Technical assistance to business, Financial advice and assistance, Public procurement policies and "buy local" campaigns, Bureaucracy reduction programs, Provision of sites and premises

Case studies: Bosnia-Herzegovina, Cebeda - example of comprehensive LEDA overview and encouraging local business growth; Slovenia, Sezena - example of encouraging local business growth and new enterprise

⁶ In addition to encouraging successful strategies noted below, reference materials also note approaches that have not been effective, they include:

- Expensive untargeted foreign direct investment marketing campaigns;
- Supply-led training programs;
- Excessive reliance on grant-led investments;
- Over-generous financial inducements for inward investors (not only can this be an inefficient use of taxpayers money, it can breed considerable resentment amongst local businesses that may not be entitled to the same benefit);
- Business retention subsidies (where firms are paid to stay in the area despite the fact that financial viability of the plant is at risk);
- Reliance on "low-road" techniques, e.g., cheap labor and subsidized capital
- Government-conceived, -controlled, and -directed strategies

Area Targeting

Area targeting means that strategies are developed to address *specific site or small area* LED issues. While most LED initiatives can be targeted at specific locations, *area targeting* examines a specific area within a municipality to address a specific area-based problem such as a redundant factory, a declining shopping area, a slum and so on.

Although many LED initiatives are aimed at ensuring that the entire city becomes more competitive, there are normally areas that need special attention for one reason or another. An example could be a run-down town center, abandoned factory complexes, a redundant port complex or similar. For these situations, special measures are called for.

Programs and projects include: Town center enhancement schemes, Upgrading out-of-date or abandoned industrial premises, Developing industrial estates, business parks or science parks, Encouraging investment into growth nodes, Encouraging investment into corridors, Informal markets

Cluster and/or Sector Development

Cluster development means that LED initiatives are concentrated on encouraging and supporting inter-firm collaboration, institutional development and support in targeted industrial sectors. Cluster developments undertaken within a broader LED strategy that would normally include the standard approaches.

Programs and projects include: Developing broker and network agencies, Supporting joint research, Developing cluster-focused public procurement and local purchasing agreements, Providing cluster specific information, Developing cluster related marketing efforts, Developing demand-led skills and education training programs.

Case Studies: England, Humberside, Cluster Development Strategies

Encouraging New Enterprises

Encouraging new enterprises involves providing advice, technical support, information and resources to help *individuals* to set up their own businesses in the form of sole traders, partnerships, cooperatives, or community enterprises.

Programs and projects include: Provision of finance for new businesses, Provision of micro and managed workspace, Providing technical advice on business management, Supporting the establishment and implementation of formal and informal business networks, Conducting business mentoring programs

Case Studies: Slovenia, Sezena - example of encouraging local business growth and new enterprises

Promoting Foreign Direct and Domestic Inward Investment

Promoting foreign direct and inward investment attracts businesses to an area from elsewhere in the country and from other countries. Attracting large manufacturing and service sector employers into communities is one of the most difficult, frustrating and riskiest of all LED strategies. This is partly because there are far fewer investors than there are communities seeking to attract them and many communities are prepared to offer massive incentives to inward investors. Foreign direct investors often prefer

greenfield, edge-of-town sites. To accommodate these wishes, communities often override their planning policies in order to attract the investment. This brings with it considerable problems, contributes to urban sprawl and transportation problems, for example. Careful consideration should be given to the costs and benefits of attracting inward investors.

Case Studies: Poland, Szczecin; Hungary, Budapest - example of competitive assessment; Russia, St. Petersburg - example of competitive assessment; Bulgaria, Sofia - example of competitive assessment; Croatia, Split - example of competitive assessment

Investment in Hard Infrastructure

Investment in hard infrastructure involves investing in improving the built environment for businesses thereby making it more attractive for business retention, expansion and recruitment.

Programs and projects include: Building or improving key access roads, Improving the railway for passenger and goods services, Developing, improving and/or expanding the local airport, Developing, improving and/or expanding the local port, Developing, improving and/or expanding industrial sites and buildings; this could include anything from planting a few trees to comprehensive landscaping or building entire new science parks, Developing, improving and/or expanding commercial sites and buildings (for shops and offices), Increasing the availability of industrial and potable water, Improving and/or expanding the sewerage disposal system, Improving and expanding the telecommunications systems, Improving and expanding the energy systems, Environmental enhancements, Crime prevention equipment installation.

Case Studies; Ukraine - example of investment in hard and soft infrastructure

Investment in Soft Infrastructure

Investment in soft infrastructure involves investing in improving the *commercial environment* for businesses. Programs and projects include: Enabling or providing skills training, Providing increased business focused education and access to education, Supporting research and development, Providing business advisory services, The provision of access to capital and finance, Supporting the development of business and trade associations, Improving delivery of local government services to businesses, Social inclusion strategies, Crime prevention measures.

Case Studies: Ukraine - example of investment in hard and soft infrastructure; EURADA: Portugal, Croatia, Eastern Europe and Balkans - examples of local economic development agencies

Regeneration Strategies

The implementation of effective regeneration programs is a major challenge facing contemporary policy makers. The most successful regeneration programs use community focused highly targeted programs.

Programs and projects include: Derelict site reclamation programs, Adaptation of disused buildings, Industrial and commercial site preparation, Retraining of redundant workers, Job search and employment outreach, Street scene enhancement programs, Entrepreneurship training and SME support programs, Community confidence building, Crime and safety measures

Case Studies: England, Huddersfield; France, Lyon; Greece, Thessaliniki; Italy, Brindisi; United Kingdom

Economic Restructuring in Eastern Europe

A document from I H S Romania highlights some interesting lessons on economic restructuring and city regeneration for Central and Eastern Europe ⁷

Management of Public and Private Relations

The establishment of an economic or commercial department with a number of officials who are the direct link between public and private sector is indispensable. In this way the private sector will be informed on the plans of the local government and public regulation. The officials should register the demands and needs of the private sector. These needs and demands should fuel the planning and decision making process in other departments. The rationale behind this initiative is that local governments are better aware of what sectors suffer or are likely to suffer most from economic restructuring. Local government should also establish regular contact with local chambers of commerce.

Business Organization

For effective partnerships, local business associations are needed which can act as counterparts for local government. Governments may stimulate the establishment of such organizations by accepting representatives of such (perhaps still weak) associations as their official counterparts.

Human resources development and training

Professionals from the private sector may be hired to work for the local government. This induces a process of a more enterprising local government. Training needs of local government should be assessed and training should be prepared accordingly.

Stability

The organizational structure of the local government benefits from a certain degree of stability so that networks can develop. Stability pertains to rules and regulations in administrative structures.

⁷ Maas B., Niented P., 1996 Economic Restructuring and City Regeneration: Lessons for Central and Eastern Europe?, in H. Sander & All, *Economic and Corporate Restructuring, Experiences and Challenges of The Decade*, pg.205-227, Leinderdorp; Lansa

Business center

The development for business centers in old buildings should receive systematic attention since it is an achievable way to promote local economic development initiatives, and to improve public private relations. Several examples show that business centers can serve multiple goals. In municipal propriety not suitable for office development (because of architectural quality or location) business centers of a lower standard should be developed. Most important aspects are a proper selection of tenants and private management of the business center. The local government can support management training or use the European Union's PHARE Small Enterprises Development Program.

Property management

The single most largest asset of the local government is property played an important role in all four case studies. The most prominent case in this respect is Bratislava, but all the other cases involved land, infrastructure or real estate as a local government share in the rehabilitation of the urban economy. A proper analysis of its assets and an efficient management of the municipal asset portfolio seems currently to be one of the most effective ways of actively changing and improving the urban economic environment.

Urban Planning and Local Economic Development (UPLED)

The USAID LGA UPLED program targeted three Romanian cities for comprehensive assistance to integrate economic development efforts with improvements in urban planning and management, financial planning and capital investment programming. The UPLED program promoted a cross-component, demand-driven approach to defining the technical assistance based on the capacity and needs of each local government. Selected observations from the program are noted below.

Capacity building. When linked to targeted technical assistance, capacity building and learning by doing are effective methods of empowering local authorities and professionals to restructure their approaches to local economic development. This approach also builds a cadre of trained professionals who can offer assistance to other cities. Cities will typically have different strengths and capabilities that will shape the technical assistance needs.

Institutionalizing the Process. Institutionalizing the process of developing, implementing and monitoring a city development strategy and capital investment program is key to developing a sustainable process. City Council and Mayor's decisions are key to institutionalizing the approach and linkages with key partners, including the public.

Coordinating national and local activities. The Romanian government is expending substantial funds to improve the national infrastructure, particularly the road network, and more projects are in the planning stage. There is a need for a formal proactive consultation process to the municipalities affected by these projects to ensure that they not only reflect local needs but that the municipalities can incorporate them in their strategic plan and take full advantage of their economic and spatial development

potential. For example, Oradea's economy will be strengthened by the construction of the Pan-European Eastern Corridor that will link it to Budapest and Krakow. Improving the national highway between Oradea and Moldavia would extend the benefits of this project to Iasi.

Municipal Finance. Local governments cannot become totally financially independent and, in Romania, the devolution of responsibilities to the local level has placed a substantial and growing burden on local finances. Municipalities are still largely dependent on the reallocation of a variable percentage of the national wage tax whose unpredictable yearly yield complicates the budgetary process; they are burdened by the growing operating cost of municipal infrastructure, including the district heating systems; and they have limited powers to modulate the rents on their social housing stock to reflect real operating and maintenance costs. The uncertain financial climate in which the municipalities operate not only hinders their effort to formulate longer-term development strategies but does not allow them to make informed decisions on the utilization of their assets in land and buildings. For example, the decision to lease or sell public lands to a private developer should be based on an evaluation of its long-term consequences rather than as an expedient way to get around a cash shortage. The whole issue of the modulation of local rates and fees to encourage private investment is only starting to be addressed by the municipalities and cannot be easily explored without a committed basic level of financial support from the central government.

City marketing and reporting. Given the competitive environment facing each city, effectively communicating the city's development strategy and a particular economic development focus is important to retaining and attracting new investors. The UPLED program helped the participating cities to develop effective power point presentations that can be used in the future. The groundwork has been laid for the cities to develop a more systematic method of bringing together key data and information for applications for project funding including public grants, and private capital.

Dissemination. The regional training centers and universities working in areas of urban development can play a stronger role in training and dissemination of good practices and economic development materials. The Professional Associations within FALR together with Association of Romanian Urban Planners could also play significant roles in dissemination of urban development institutional and professional approaches.

8. PREREQUISITES TO SUCCESS

The participants in the Sinaia workshop outlined key areas that need to be considered to foster a sustainable approach to local economic development in Romania.

Develop a better understanding of LED among key stakeholders

Local government officials need to better understand their role in the local economic development process and how to develop and promote market-oriented planning. This understanding needs to occur among:

- Elected officials (mayors, county council presidents); and
- Appointed officials (esp. chief architects, finance officers)

Furthermore, strengthening ethics within public institutions, the private sector and community interest groups will lead to more effective LED planning and implementation especially in regards to decision-making, effective use of local resources and guidelines for sharing risks and benefits.

Increased awareness among citizens and civic society organizations regarding role of LED:

- Increase the public's awareness on LED activities and benefits, especially for lower-income residents.
- Integrate the protection of local environmental resources and cultural values in LED activities.
- Greater understanding among civil society organizations, special interest NGOs, and the media regarding their respective roles in LED and proactive role of local governments should undertake in promoting local economic development.

Completion of the enabling legal/regulatory framework

- Active linkages, flexible guidelines and a spatial perspective when linking the national development strategy and the regional and local strategies.
- Continue to strengthen the legal and regulatory framework of LGUs to undertake activities that lead to coherent LED activities, these include:
 - Local development strategies linked to general urban plans.
 - More flexible tax incentive and tax abatement practices and authority
 - Financial planning tools (e.g. multi-year capital investments plan)
 - Diversification of revenue sources
 - Independent LED organizations
 - Supportive environment for LED professions

Strengthen the capacity of local governments to plan, implement and monitor LED Programs

- ED officials at county and city levels need to establish effective **vertical and horizontal cooperation** to develop strategies and plan joint projects.
- ED officials at county and city levels need to develop effective **cooperation with local business** interests.
- For LED implementation, the **community must be involved** both through increased transparency of information and the decision-making process which can promote greater accountability when implementing projects. Citizen advisory groups and boards can be a useful instrument in this regard.
- LGUs officials and relevant key-actors need assistance in **strengthening their skills** in planning and implementing LED.

Appropriate organization and defined roles

At the local level and in relation to local government's roles, the ED process has to be organized and implemented by two main categories of organizations:

1. Local Government (county or urban/ rural LG), through:
 - County Economic Development Department (with County Council)
 - LED Department/ Office, LED & Marketing or Local Development Strategy Department/ Office (with the City Hall);
2. Specific LED organizations such as County/ Local Economic Development Agency.

The LED agency/ department/ office should define their tasks and roles and have their mandate and functions approved by Council as well as the professionals and expertise they need to plan and implement projects. These agencies should function in an entrepreneurial fashion to:

- Coordinate the priorities of local actor, local resources and city's clients;
- Facilitate access to resources and information;
- Develop economic profiles of their areas;
- Identify partners and financing sources;
- Stimulate vertical and horizontal cooperation among relevant actors;
- Create an enabling environment for local economic development;
- Monitor and evaluate the LED process implementation

Availability of the adequate resources

Local Government can play a key role in ensuring that the needed resources are available to facilitate the implementation of LED projects. This includes the identification of financial partners and local resources as better asset management. The effective development and identification of knowledge networks and local human resources are important assets for LED projects.

Projects are clearly defined in terms of sectors & physical zone

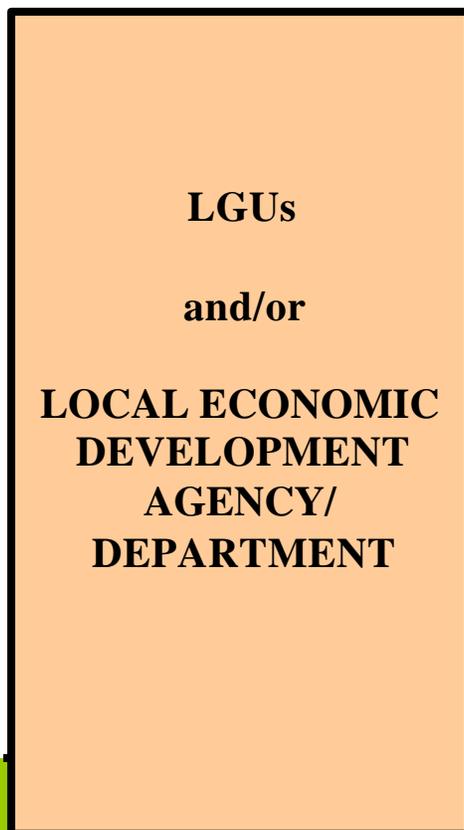
The economic development activities can be undertaken in different functional areas or physical zones, these can include for example: business development, human resource development and community-based economic development. LED projects can also be implemented through: land use development, housing, public services, areas local revitalization, and economic development zones.

PREREQUISITES TO LED SUCCESS

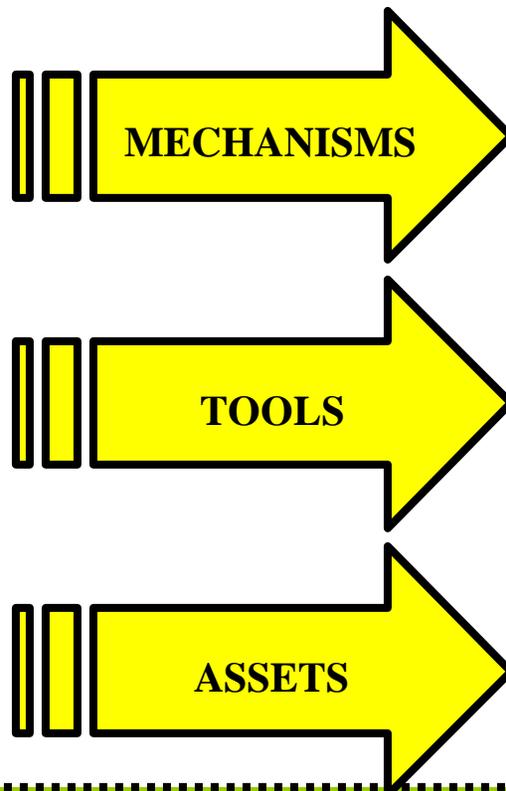
WHAT	ORGANIZATION	INSTRUMENTS & MECHANISMS & TOOLS	ASSETS	PROJECT AREA & ZONE
WHO	LGUs Executive & Legislative Staffs	Local development Strategy Local Development Policies Budget on programs Capital investments plan Flexible regulations Fiscal incentives Priority projects Local/other alliances and partnerships Citizens advisory board Strategy M&E Framework Enabling local environment	Physical assets Human resources Management Markets Money	Locality development Business development Human resource development Community-based economic and employment development Through: Land use development Housing development Public services development Local Revitalization Development zones Local Environment Development
	ECONOMIC DEVELOPMENT AGENCY/ DEPARTMENT (Independent/ in partnership)	Feasibility studies & business plans Urban Plans Action plans Regulations Partnerships Project M&E indicators		
PUBLIC CONSCIOUSNESS	PUBLIC AWARENESS			
LEGISLATION	COHERENT LEGISLATIVE FRAMEWORK			
MORAL	ETHICS			
CAPACITY BUILDING	LED CONCEPTUAL FRAME & INSTITUTIONAL AND PROFESSIONAL CAPACITY DEVELOPMENT			

PREREQUISITES TO LOCAL ECONOMIC DEVELOPMENT SUCCESS

ORGANIZATION



INSTRUMENTS



PROJECT AREA & ZONE



BASIS/ BACKGROUND

- CONCEPTUAL FRAMEWORK
- COHERENT LEGISLATIVE FRAMEWORK
 - ETHICS
- INSTITUTIONAL AND PROFESSIONAL CAPACITY DEVELOPMENT
 - PUBLIC AWARENESS

9. USAID LED ACTIVITIES IN THE NEXT FIVE YEARS

Guidelines for USAID Involvement in Local Economic Development

Building upon the prerequisites for success, the following are suggested guidelines for USAID involvement in local economic development during the next five years. The main **principles** for these action guidelines are:

- Advocating for an integrated approach (vertical and horizontal) among decision makers, implementers and supporters of local economic development;
- Working with local communities on concrete LED issues and projects based on local needs and priorities;
- Providing support to designated target groups to initiate, accomplish and institutionalize approaches and projects;
- Differentiating among LED approaches in cities and in rural settlements;
- Encouraging synergy among technical assistance programs through cooperation, funding and support to local partners.

Adding and Adjusting the existing legal framework with the focus on achieving tangible results in local economic development

- Strategic Planning and the Development of Local Development Strategies;
- Proactive urban and territorial planning;
- Land use Management;
- Use of Patrimony;
- Increasing the quality of local public services;
- Fiscal decentralization (program budgeting, multi annual investment planning, fiscal incentives, tax and tax abatement etc); and
- Local Government legislation related to enabling and institutionalizing LED

USAID Programs can continue to support local governments (cities and counties) in developing more strategic and integrated approaches to planning, funding and implementing local economic development and linking these LED strategies to spatial development plans, streamlined development regulations and a supportive regulatory environment for economic development. Assistance could focus on assisting local governments to:

- Develop local economic development strategies;
- Ensure linkages between a local LED strategies and the Urban Development Master Plan and other land use and development plans;
- Develop financial planning capabilities to activate the development strategy and identify priority projects within in three-year time frames;
- Develop institutional structures to organize / implement/ monitor the economic development process;
- Encourage transparency and participation among local actors in the LED process;

- Provide high quality local environment (natural, social, cultural);
- Support continuous LED institutional / professional capacity building.
- Demonstrate the linkages among a LED strategy, community development and social inclusion and environmental quality.
- Develop relevant databases for planning and monitoring community development.

Strengthening institutional and professional capacity of local governments and of local stakeholders in planning, funding and implementing local economic development, and in creating an enabling environment for economic development. Technical assistance could focus on:

- Establishing the local economic development conceptual frame, the roles and tasks of local governments in LED;
- Identifying and using local resources, instruments and mechanisms that can lead to economic development;
- Strengthening the existing general legislative framework and modalities to inform legislative reform;
- Encouraging collaboration and partnerships among local stakeholders to implement LED projects;
- Developing and diversifying the involvement and cooperation among different interest groups within the community

Initiating pilot projects that have a significant impact on local economic development and can also demonstrate concrete results and successful approaches for adoption and dissemination by other local governments. Technical assistance could focus on:

- ♦ Identifying, developing projects and encouraging measures with an impact on job diversification (local economic base);
- ♦ Improving community attractiveness by improving and diversifying consumer services (infrastructure, equipment, culture, health, education, research & development, housing, quality of the environment etc.);
- ♦ Identifying sets of measures to facilitate and develop the competitive environment, in order to create markets;
- ♦ Identifying ways to stimulate property rehabilitation;
- ♦ Providing transparency and communication in order to enable the emergence in the community of leaders and LED stakeholders.

USAID Activities Options Matrix

The matrix below joins major categories of requested local economic development activities and the potential the assistance that USAID could provide to local administrations,

The summary of donor's activities (Annex A) indicates that a range of international funding institutions and programs will also support many of these activities. The matrix shows that USAID projects could cooperate in synergy within many local economic development projects.

The matrix contains the following information:

- The first column shows the needed actions to be taken by public authorities in order to prepare the local environment for ED, to plan and implement LED activities
- The second column lists the related directions for technical assistance;
- The third column notes Romanian Partners that should be involved.

MATRIX OF POTENTIAL USAID ACTIVITIES		
ACTIONS	USAID OPTIONS	ROMANIAN ACTORS
1. Develop/complete adequate legislative framework to LED	Supply continuous consulting and TA to central and local government and relevant institutions in order to develop LED legislative and programmatic framework	CG, LGU, FALR
2. Strengthen county government and related institutions in support of a comprehensive approach to LED	Support county level administration to redefine its roles in as related to: - Improving cooperation with central level and neighboring counties, particularly in regards to regional development issues - Partnering with regional development agencies - Providing consulting and TA in LED to small cities and rural localities	LGU, FALR, LGPA
3. Build the capacity of relevant institutions and professionals in LED	Develop and implement adequate LED training for institutions, organizations and community groups, through appropriate educational and training institutions and organizations (RTCs, universities, faculties etc.)	LGU, FALR, LGPA, CBO
4. Facilitate local environment for ED	Supply adequate consulting, TA and training to selected cities	LGU, LGPA, CBO
5. Select LED priority projects (value added)	Supply TA to selected cities in order to identify, develop and implement specific LED projects that can be adopted and disseminated in other cities	LGU, LGPA, CBO
6. Raise awareness of the importance of LED for local actors	Raise LED awareness by disseminating: - Good practices in LED, [from Romania, CEE countries and US] - LED concepts and related issues - Local development strategies and ED pilot-projects	LGU, LGPA, CBO
7. Strengthen the LGUs alliances with other local actors in LED planning and implementation	Increase and diversify the skills of LGUs by fostering the involvement and cooperation of local actors in LED planning and implementation	LGU, LGPA, CBO

MATRIX OF POTENTIAL USAID ACTIVITIES		
ACTIONS	USAID OPTIONS	ROMANIAN ACTORS
8. Enhance community participation in LED process	Expand and strengthen community participation, involving community groups and leaders in the decision-making process and implementation of LED process/ projects	LGU, LGPA, CBO
9. Develop partnerships with international programs that foster LED	Leverage international resources from donors programs that foster LED	CG, LGU, FALR, LGPA, CBO
10. Develop partnerships with professional organizations	Cooperate closely with Local Governments Associations and related professional associations	LGU, LGPA, CBO
11. Build on previous program experiences and lessons learned	Develop projects in partnership with cities that have successfully established LED programs that can be adapted in other localities	LGU, FALR, LGPA, CBO
12. Make use of existing human resources	Work with local specialists and consultants in ED, particularly those previously involved in successful LED programs and initiatives	LGU, FALR, LGPA, CBO, CCNs

LEGEND:

- Central Government (CG)
- Local Governments (LGUs)
- FALR - Federation of Romanian Local Authorities
- LGPA - Local Government Professional Associations
- Community Groups and Organizations (CBO)

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11. ANNEX A INTERNATIONAL FUNDING INSTITUTIONS AND PROGRAMS FOR 2002 – 2007

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
1	EU/ISPA		MLPTL	<p>Aid Romania in the process of meeting EU environmental standards:</p> <ul style="list-style-type: none"> • Extend and link transport system to the trans-European transport networks • Familiarize officials with policies and procedures of the EU's Structural and Cohesion Funds <ul style="list-style-type: none"> ○ Potable water supply ○ Waste water treatment ○ Solid waste management ○ Air pollution ○ Extension of trans-european transport networks ○ Funding studies and technical assistance 	2000-2008	Local public institutions, Central public institutions, National companies, Regies, Autonomes	€208-270 millions euro/year	http://www.infoeuropa.ro/insidePage.php?webPageId=78&id=9038
2	EU/ISPA EBRD	Municipal Environmental Loan Facility		Address investments related to water supply, waste-water and solid waste management facilities designed to comply with EU-accession requirements related to environmental standards	2000-2006	Water, waste-water utilities and solid waste management companies in Romania	Co-financing to EU-ISPA grant funds: €80 million	http://www.ebrd.com/english/trans/index.htm EBRD project: Tel: +44 207 338 6282; Fax: +44 207 338 6102
3	USAID	USAID/CIPE Romanian Business Assoc. Development Project	CIPE	<p>Foster activities that will strengthen Romanian business associations and benefit its members focusing on:</p> <ul style="list-style-type: none"> • Public Policy Advocacy • Institutional Development • Information • Grants • Investment Opportunities • Volunteer Experts • Strengthening of Women's Associations 	2000-2003	Business associations in Romania		http://www.ciperomania.org/
4	USAID		IRIS	<p>Develop technical assistance projects and studies aimed at improving Romania's business environment by focusing on:</p> <ul style="list-style-type: none"> • Transparency and Freedom of Information Act • Deregulation • Legal Resource Centers • Business Law for SMEs • 'Rapid and Simple' Local Approvals • Legal, Regulatory and Administrative Institutions Supporting Business Contracts • Legal, Regulatory and Administrative Institutions Supporting the Credit Market <p>Projects/Activities:</p> <ul style="list-style-type: none"> • Special Fund for Tourism Promotion and Development • The How To Guide for business registration and authorization 		Local governments, Businesses		www.iriscenter.ro D-na. Alberta Ashbrook, Director de Proiect sau pe D-ra. Adelina Vestemean, Director Asociat, la 01 230-1113, 230-1120, 231-3293

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
5	USAID	Romania Government Transition Support	Freedom House	<ul style="list-style-type: none"> Strengthen the government's organizational, management, media and public relations capabilities Link senior Romanian policy makers with counterparts in the CEE Provide direct support to the offices of the President, Prime Minister, targeted line ministries, and the leadership of the Senate and Chamber of Deputies. Assistance will include: <ul style="list-style-type: none"> Professional internship training with American counterparts Study tours in the U.S. and Central Europe focusing on policy orientation, management training, and networking Short-term on-site consultancy in organizational management and public affairs for the Presidency, Ministry of Finance, Ministry of Foreign Affairs and Department for Minority Rights Protection On-site technical assistance and training for members of Parliament and their office staff in office management and public relations 	1997-March 2003	Romanian Government		http://www.freedomhouse.org/programs/index.htm#Transition Cristina Guseth, Director, Bucharest fhguseth@dnt.ro
6	USAID	Romania Water Users Associations (WUAs) Development	PA Consulting Group	<ul style="list-style-type: none"> Provide technical, management and program assistance to facilitate the development of a market driven rehabilitation of the irrigation system in Romania. <p>WUA development activities include:</p> <ul style="list-style-type: none"> Marshaling business support services to help WUAs improve their practices and operations. <i>As subsidies to irrigation gradually disappear, WUAs will have to sustain themselves from their members' irrigated production and product marketing.</i> Develop a Program Plan to strengthen WUAs and coordinate this work with other donors Undertake feasibility studies relative to WUAs issues Work with individual WUAs to help them become sustainable Assist WUAs to commercialize their production Help the development of an Irrigation Advisory Service Monitor and evaluate progress 	2002-March 2005	Water Users Associations		http://www.paconsulting.com/about.html

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
7	RAEF; USAID	Integrated NGOs and Economic Development (INED)	CHFRO	<ul style="list-style-type: none"> Enrich existing resources through a microfinance program. The project will increase local organizational capacity to serve business and neighborhood development needs, inject needed capital into the local economy to generate growth, create/sustain jobs and build a local entity to conduct economic development activity on a sustainable basis. Areas of involvement include: <ul style="list-style-type: none"> Civil Society/NGO Economic Development Project Sustainability Small Business Loan Program Housing Loan Program Casa de Ajutor Reciproc a Asociatiilor 		Local Business and NGOs		CHF Romania Str. Arges, nr. 7 1900 Timisoara, Jud. Timis, Romania Tel: 056-204 550, 056-204 651, 056-293 469 Fax: 056-190 219 Email: office@chf.dnttm.ro
8	USAID	Agribusiness Development Project (RAD)	ACD/VPCA	Increase the potential of Romania's private agricultural enterprises and focus attention on association development	1999-unknown	Private agricultural enterprises		Jim Herne/tel 210 8629/ fax 210 8645 jim@ACDI-VOCA.org
9	USAID	Microfinance & Development	WOCCU	Transition 26 CARs (Casa Ajutor Reciproc = credit union) from stagnant share-driven institutions of the Communist era to market-oriented and savings-driven financial institutions	9/99-9/03	Financial Institutions: Credit unions	\$2.0 Million	Georgeta Rus, Project Director, woccuroman@aol.com.
10	RASP	Development of an Industrial Park; Sibiu County	Sibiu Development Ag. And Traverse Bay ED Corp.	Foster private sector development, job creation and partnerships between local governments and private sector.		Private sector: Agribusiness	RASP Funding: \$73,350 Partners Cost Share: \$31,421	http://www.worldlearning.org/pidt/romania/grants/funded.html
11	RASP	Quality Seal Project for Romanian Meat Products	Romanian Meat Association; Bucharest, Ro and US Association of Meat Processors; Elizabethtown, PA	Foster private sector development, job creation and partnerships between local governments and private sector.		Private Sector: Agribusiness	RASP Funding: \$76,375 Partners Cost Share: \$49,000	http://www.worldlearning.org/pidt/romania/grants/funded.html

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
12	World Bank	Rural Development Project	Ministry of Public Administration	<ul style="list-style-type: none"> Strengthen the institutional capacity of local administration, community/user groups, and private service providers: a) to plan, implement, operate, and maintain small infrastructure investments in a participatory and accountable manner; and b) to increase the access of rural inhabitants in pilot areas to markets and social services, and improved water and sanitation. The project's major components are : <ul style="list-style-type: none"> ⇒ Financing technical assistance and training activities to build the capacity of local stakeholders, primarily communes and their constituents (including project beneficiaries), private service providers, county council technical staff, and other stakeholders. ⇒ Funding for demand-driven investments prepared for communes and community-based organizations. ⇒ Financing for a public environmental health promotion campaign and a rural water/sanitation strategy study. ⇒ Funding for studies aimed at improving the legal, institutional, and regulatory framework of rural transport and roads. 	03/19/2002 – 12/31/2006	Local administration, Community groups; Private service providers	Adaptable Program Loan: US \$20 million	Bank Team Lead: Gordon, Henry F. http://www4.worldbank.org/sprojects/Project.asp?pid=P057960
13	World Bank	Social Development Fund (02) Project	RSDF (Romanian Government Decision 46/2002)	<p>Poverty alleviation through community driven development and growth in social capital.</p> <p>The project has three main components:</p> <ul style="list-style-type: none"> Providing grants for sub-projects prepared by recipients in poor rural communities and disadvantaged groups, from the following categories: small rural infrastructure (rehabilitate, upgrade, build or equip rural roads, water supply, small bridges, community centers, small-scale flood defenses, etc.); community-based social services for disadvantaged children, shelters for the homeless, home care for the disadvantaged, etc.); income generating activities; follow-up activities; and builds community capacity. Developing activities focused on knowledge sharing and partnership building: 1) information, education, and communication activities; 2) "bridging" social capital by creating networks of "graduating" community-based organizations and facilitating continued partnership between local authorities and CBOs; and 3) building linkages with other national poverty reduction agencies and with similar projects Financing institutional strengthening activities under two sub-components: institutional support and monitoring and evaluation. 	12/20/2001 – 8/31/2006	Poor rural communities and disadvantaged groups	Adaptable Program Loan US \$20 million	Bank Team Lead: Sandi, Ana Maria http://www4.worldbank.org/sprojects/Project.asp?pid=P068808

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
14	World Bank	Mine Closure and Social Mitigation Project (Decision 46/2002)	Ministry of Industries and Commerce	Support Romania's efforts to reduce the burden on the national budget by permanently closing unproductive mines in a socially and environmentally sustainable manner as well as, provide support for the modernization of the sector's administrative framework	8/31/1999 – 6/30/2005	Redundant labor	Specific Investment Loan US\$44.5 million	Bank Team Lead: Strongman, John E. http://www4.worldbank.org/sprojects/Project.asp?pid=P056337
15	World Bank	Trade and Transport Facilitation in Southeast Europe Project	Customs directorate	Modernize and strengthen customs administration and border control agencies in the area to reduce non-tariff costs on trade and transport, and to reduce smuggling and corruption at border crossings. 1) Assist in monitoring customs administration through institutional reforms, and streamlining operations at two border posts on a pilot basis. 2) Provide equipment and technical assistance to trade and international participants, through the Chamber of Commerce and Industry, in support of a virtual forum designed to facilitate trade and partnerships between public and private parties. 3) Provide hardware, software, assistance to improve information systems through regional knowledge-sharing programs and inter-agency cooperation. 4) Provide equipment and assistance in public works to expand the Siret border crossing and modernize the Constanta customs station. 5) Support activities related to regional and national project implementation, such as auditing, financial management, and training.	6/13/2000 – 12/31/2003	Customs administration; Chamber of Commerce and Industry	Specific Investment Loan	Bank Team Lead: Dumitrescu, Anca Cristina http://www4.worldbank.org/sprojects/Project.asp?pid=P065041
16	World Bank	Private Sector Institution Building Project	National Agency for Privatization	Enhance the role of the private sector in the economy through the transfer of state-owned assets. 1) Under the privatization services component, technical assistance will be provided to support large state-owned enterprise divestiture through case-by-case privatizations, work-outs and liquidations, and privatizations through pools. 2) Under the financial sector services component, technical assistance to the financial sector will be provided for bank restructuring and the establishment and operation of the Asset Resolution Agency. 3) Under the business environment component, technical assistance will be provided to support the implementation of new accounting and audit laws; long term institutional capacity-building in the bankruptcy courts; advisory services for tax reform, and various studies on business environment.		Financial sector; National Bank of Romania; Government	Technical Assistance Loan	Bank Team Lead: Herat, Hiran http://www4.worldbank.org/sprojects/Project.asp?pid=P039251

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
17	Roads (02) Project	Roads (02) Project	NAR; RAR; MOT/SICRS; MINISTRY OF EDUCATION; TRAFFIC POLICE	<ul style="list-style-type: none"> Improve traffic safety and vehicle fleet fitness Continue helping Romania to meet the changing demands of land transport infrastructure Improve the management and performance of road administration (NAR) Assist the civil works construction industry in its transition to a market economy Promote lead reduction in petrol Assist in the process of upgrading road network, vehicular safety, and NAR institutional practice standards to those held by the European Union. 	6/03/1997 – 9/30/2003	Civil Works and Construction Industry, NAR	Specific Investment Loan	Bank Team Lead: Talvitie, Antti P. http://www4.worldbank.org/sprojects/Project.asp?pid=P039250
18	World Bank	Railway Rehabilitation Project	Romania National Railway (SNCFR)	<p>Support and deepen the restructuring process which Societatea Nationala a Cailor Ferate Romane (SNCFR), the Romanian national railways, and the government have initiated by:</p> <ol style="list-style-type: none"> Tracking renewal and maintenance on priority routes Supporting an integrated railway information system (IRIS) Providing telecommunications and signaling Promoting environmental improvements Improving traction and depots Rehabilitating passenger coaches and freight wagons Providing technical services 	1/18/1996 – 9/30/2003	Romanian National Railway Company (SNCFR)	Specific Investment Loan	Bank Team Lead: Talvitie, Antti P. http://www4.worldbank.org/sprojects/Project.asp?pid=P036013
19	EBRD	Oradea district heating rehabilitation project	Municipality of Oradea and Apatern	<ul style="list-style-type: none"> Rehabilitation of the secondary district heating network, including sub-stations Implement a metering program <p><i>Upgrading of assets (including the metering program) will support investments in energy efficiency and ensure accurate customer billing reflecting true consumption levels.</i></p>	12/11/2001 - Unknown	Municipality of Oradea and Apatern	€12 million	http://www.ebrd.com/english/trans/index.htm Email: projectenquiries@ebrd.com
20	EU /PHARE	Economic Criteria - Strengthen the Capacity to withstand Competitive Pressures (2000) (RO0005)	Ministry of Industry and Resources National Bank of Romania	<ul style="list-style-type: none"> Realize a fundamental market based restructuring and reform of the energy sector; Address the problems of under-investment, poor financial health and poor financial discipline in the energy sector; Increase the security and efficiency of the inter-bank payment system; Determine the shift to a predominant cashless society; Strengthen supervision in the securities market and establish a regulatory framework 	Until 11/30/2004	Electricity and heat regulatory authority; Gas regulatory authority; Gas and electricity distribution companies	EU Budget: €40,900,000	http://www.infoeuropa.ro/insidePage.php?webPageId=78&id=538

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
21	EU /PHARE	Meeting the obligations of the Acquis (2000) (RO0006)		<p>The program includes eighteen projects with the following objectives:</p> <ul style="list-style-type: none"> • <i>Industrial Policy:</i> Assist the Ministry of Industry and Trade to develop and implement the industrial policy; • <i>Quality Infrastructure:</i> Improve the quality of infrastructure (a prerequisite for the implementation and transposition of the acquis on free movement of goods) • <i>Mutual recognition of qualifications for professional services:</i> Establish a coordinated system for the mutual recognition of qualifications for professional services (a basic condition promoting free movement of persons) • <i>Improving the Revenue Collection System</i> • <i>Public Procurement:</i> Improve the effective allocation of public funds • <i>Strengthen Internal Audit and Financial Control:</i> Improve the efficiency and effectiveness of the audit and control systems of public funds, including EU transfers • <i>Strengthen the Institutional Capacities of the Romanian Court of Audit</i> • <i>Support Agricultural policy and Co-ordination:</i> Assist the Ministry of Agriculture and Food to develop and implement co-ordinated policies in the agricultural sector • <i>Reinforcement of the agri-food quality control systems</i> • <i>Phytosanitary Acquis</i> • <i>Strengthen the capacity to manage the veterinary acquis</i> • <i>Harmonization of legislation and strengthen the capacity to manage the acquis of wine</i> • <i>Agricultural and Regional Statistics</i> • <i>Implementation of the Environmental Acquis</i> • <i>Road-worthiness enforcement</i> • <i>Strengthening Border Management</i> • <i>Fight against drugs</i> • <i>Support activities that strengthen the European integration process</i> 	Until 11/30/2003	<p>The component related to road-worthiness enforcement will be implemented in cooperation with EBRD and Trust Fund</p> <p>Local and central administration</p>	EU Budget: €73,120,000	http://www.infoeurop.a.ro/insidePage.php?webPageId=78&id=515

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
22	EU / PHARE	Economic and Social Cohesion (2000) (RO0007)		<p>Strengthen the institutional capacity for the implementation of an integrated regional development policy in line with the provisions of the National Development Plan</p> <p>RO0007.01: National Development Plan -Implementation IB</p> <ul style="list-style-type: none"> Strengthen the institutional capacity of the 8 Regional Development Agencies enabling them to function as professional and sustainable organizations Support the development of partnerships between regional communities strengthening the legitimacy of the regional planning process Prepare development programs, projects and feasibility studies Strengthen the capacity of NARD to co-ordinate and support the regional planning process managed by RDAs <p>RO0007.02: Regional Development</p> <ul style="list-style-type: none"> Develop human resources within the context of industrial restructuring Assist to small and medium sized enterprises Fund local and regional infrastructure Develop awareness campaign, selection, monitoring and evaluation 	Until 1/30/2004	Regional Development Agencies; NARD	EU Budget: €13 Million	http://www.infoeurop.a.ro/insidePage.php?webPageId=78&id=488
23	EU / PHARE	Enterprise Restructuring and Employment Conversion – RICOP (RO9904)	Ministry of Public Finance	<ul style="list-style-type: none"> Support the government in its effort to alleviate the social impact caused by the on-going industrial restructuring process. Assist the government in the restructuring, privatization and closure of enterprises generating losses Diminish the social impact of restructuring by encouraging economic activity, creating sustainable employment, and providing social safety nets Encourage economic activity and sustainable employment creation through the provision of financial assistance to SMEs and micro-businesses <p><i>The program is based on the Government's Restructuring Plan covering five of the country's needy regions (17 counties) and comprising 69 enterprises generating losses.</i></p>	Until 12/31/2002	Romanian Government	EU Budget: €100 Million	http://www.infoeurop.a.ro/insidePage.php?webPageId=78&id=548

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
24	EU / PHARE	Large Scale Infrastructure Program V (1999) (RO9909)	Ministry of Environment/ Compania Apa Brasov Regie Autonome Water Constanta	<ul style="list-style-type: none"> Facilitate priority investments in transport and environment that have significant accession and trans-boundary impacts Facilitate loans from the participating International Financial Institutions (IFIs) and co-financing from the local and central government Familiarize candidate LGUs with competitive application and selection process which will be used in the implementation of the ISPA programme operational from 2000 onwards <p>I. Extension and modernization of the Mangalia wastewater treatment plant.</p> <p>II. Implement Jiu Valley Waste Water project, upgrading the existing municipal sewerage services in Uricani and Lupeni, thereby improving the quality of life and environmental conditions in both towns.</p> <p>III. Implement Regional Water and Environmental project in the municipality of Brasov, extending the wastewater collector system to connect two additional districts (Sanpetru and Harman) thereby extending waste water treatment.</p> <p>IV. Implement Thermal Energy Conservation project in Oltenita, rehabilitating the heating system in through the conversion of a boiler from heavy to light and less polluting fuels. <i>The existing boiler is by far the largest source of air pollution in Oltenita region.</i></p>	Until 12/31/2002	Ministry of Environment/ Compania Apa Brasov Regie Autonome Water Constanta	EU Budget: €14.3 Million	http://www.infoeurop.a.ro/insidePage.php?webPageId=78&id=511
25	EU / PHARE	Large Scale Infrastructure Program V (RO9808)	National Administration for Roads	Support the construction and upgrading of the Pan-European transport corridor IX and its future integration in the Trans-European Networks of the EU, as well as the implementation of EU standards concerning weights and dimensions and more economic and reliable transportation of people and goods.	Until 12/31/2003	National Administration for Roads	EU Budget: €25 Million	http://www.infoeurop.a.ro/insidePage.php?webPageId=78&id=540
26	UNDP	Building Local Capacities to Implement Local Agenda 21	Executing Agency: Romanian Academy	<ul style="list-style-type: none"> Strengthen the capacity of the Government and the public to adopt and incorporate SHD principles into national and local development strategies and action plans. Promote participatory planning and Local Agenda 21 processes to ensure communication and interaction at local, national and regional levels. <ul style="list-style-type: none"> Share results, lessons learnt and best practices to improve and broaden the scope of SD strategies and action plans as appropriate. 	2/2000 – 1/2003	Partners: DFID, CIDA, Capacity 21 Local and Central Government	Budget (US\$): 377,500(UNDP; CIDA/IISD (Canada), DFID (UK), Capacity 21)	UNDP Romania Email: sustainable.livelihoods@undp.ro

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
27	UNDP	Capacity Building for GHG Emission Reduction through Energy Efficiency Improvement in Romania	UNOPS	<ol style="list-style-type: none"> 1. Provide Project Management and Mobilization Team, to assist investment beneficiaries in obtaining financing for their projects; 2. Develop a pilot program to determine the technical and financial feasibility of selected energy efficient measures and to leverage financial resources for energy efficient investments; and 3. Develop a technical assistance and capacity building program to improve the local capacity and leverage available financing. 	9/2000 – 12/2004	Ministry of Industry and Resources Romanian Agency for Energy Conservation (ARCE)	Budget GRAND TOTAL US\$ 3,963,000 UNDP/GEF; Government; RENEL; PHARE	UNDP Romania 16, Strada Aurel Vlaicu Sector 2 – Bucharest Romania Tel: 40 1 211 88 55 Fax: 40 1 211 34 94 Email: environment@undp.ro
28	UNDP	Aid Coordination	Ministry of Finance	Develop the Government's capacity to manage its external resources more effectively and efficiently. <ul style="list-style-type: none"> • Establish a Technical Cooperation Coordination Unit (TCCU) to plan, manage and evaluate technical assistance provided to the Government by international organizations. • Make the TCCU operational with the necessary capabilities to plan, manage and evaluate a Technical Cooperation Programme. • Analyze External Resource Data to be used in decision-making. <i>UNDP and the World Bank will work closely with governmental institutions in order to create operational technical units dealing with the analysis and management of external resources.</i> 	Upcoming <i>Status:</i> Pipeline – 2yrs	Ministry of Finance World Bank (Partners)	UNDP; World Bank US\$700,000	UNDP Romania 16, Aurel Vlaicu street Bucharest, sector 2 Romania Tel: 40 1 211 88 55 Fax: 40 1 211 34 94 Email: sustainable.livelihoods@undp.ro
29	UNDP	Advisory Services for Foreign Direct Investment Promotion	To be determined	<i>UNDP intends to help improve foreign direct investment (FDI) promotion capability in Romania by strengthening institutions. The project will help the Ministry of Development and Prognosis to reform the existing FDI promotion unit, strengthening the capacity of the staff to deal with the new, highly challenging role of project referral, project coordination and sustained outward promotion. This newly restructured unit will become the basis for the present capacity building project, which will address the specific training and systems needs of all the key players in the field of FDI promotion. Another facet of the present project will deal with the design and delivery of effective and customized training programs for the staff of all Government bodies dealing with FDI promotion both at the central and regional level.</i>	Upcoming <i>Status</i> Planned duration: 3 years	Ministry of Development and Prognosis	\$360,000 UNDP; Government of Sweden, CIDA	UNDP Romania 16, Aurel Vlaicu street Bucharest, sector 2 Romania Tel: 40 1 211 88 55 Fax: 40 1 211 34 94 Email: sustainable.livelihoods@undp.ro

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
31	CIDA	Occupational Standards, Assessment, Certification		<p>Assist Romania in developing an adult vocational training program to provide skilled labor for private and public institutions.</p> <p><i>The project provides technical assistance and expert advice to the Government of Romania and the Council for Occupational Standards and Assessment (COSA). It is building the capacity of COSA to establish and run a national system of occupational certification and accreditation, and develop the capacity of the Regional Adult Training Centers in becoming formal occupational assessment centers certified by the Government of Romania</i></p>	2001-2004		CIDA Contribution: \$1,035,998	<p>Canadian Partner Contact: Association of Canadian Community Colleges Telephone: 746-2222 http://www.accc.ca</p>
32	CIDA	Local Agenda 21 (See Project #27 – UNDP)		<p>Provide ownership of the sustainable development and funding processes to Romanian officials and stakeholders.</p> <p><i>The project, administered by the Institute for Sustainable Development in Winnipeg, provides technical assistance and expert advice to the Romanian municipalities of Iasi, Oradea, and Ramnicu Valcea in the formulation, implementation, and monitoring of local sustainable development and funding strategies (Local Agenda 21). It emphasizes a participatory consultative process with civil society representatives from both private and non-governmental sectors.</i></p>	2001-2004	Municipalities of Iasi, Oradea and Ramnicu Valcea	CIDA Contribution: \$417,602	<p>Canadian Partner contact: International Institute for Sustainable Development Telephone: 1-204-958-7700 http://www.iisd.org</p>
33	CIDA	Capacity Building of Municipal Governments		<p>Provide technical assistance and expert advice to the Romanian municipalities of Timisoara, Arad, and Satu Mare in the design, formulation, implementation, and monitoring of development strategies and business plans for their cities.</p> <p><i>The project places emphasis on a participatory consultative process with civil society representatives from both private and non-governmental sectors.</i></p>	2001-2004	Municipal Governments	CIDA Contribution: \$1,297,291	<p>Canadian Partner contact: PGF GTA INTERNATIONAL Telephone- (613) 241-2251 http://www.pgf.ca</p>
34	CIDA	Northern Balkans Governance Support Program		<p>Support small and intermediate-scale local initiatives that focus on capacity development, institutional sustainability and reform in the energy, environment, public administration and social development sectors.</p> <p><i>Projects involve a wide range of partners, including international organizations, multilateral and non-governmental, national ministries and agencies, national institutions and associations as well as community groups.</i></p>	2001-2004	Central and Local Governments	CIDA Contribution: \$2 Million	<p>Canadian Partner contact: CIDA Technical Cooperation Section Canadian Embassy Telephone-011-401-307-5000</p>

	DONOR	Program	Implementor	Strategies/Goals/Activities	Time Frame	Beneficiaries	Amount	Contacts
35	DFID	Strengthened Capacity to Plan and Manage Sustainable Environmental Improvements at the Regional / Local Levels		Increase the capacity of government, civil society and the private sector to achieve and sustain transition, whilst ensuring that the social dimensions are addressed.		Government, Civil society, Private Sector		Central and South Eastern Europe Department, email enquiry@dfid.gov.uk or contact: Development Section British Embassy Romania
				<ul style="list-style-type: none"> Strengthening capacity for environmental project design 	9/2000 – 9/2003		£688,000	
				<ul style="list-style-type: none"> Strengthening partnerships for sustainable development in pilot municipalities 	7/2000 – 7/2003		£485,000	
				<ul style="list-style-type: none"> Supporting Municipal Decision Making on Private Sector Involvement in the Provision of Water and Waste Water Services 	3/2001-1/2002		£145,000	

12. ANNEX B

BACKGROUND PAPERS PREPARED BY LOCAL CONSULTANTS

- 12.1. ED-OP Seminar – Options for a strategic approach of local economic development in Romania
- 12.2. Measures in Improving the Business Environment
- 12.3. Incentives granted to investors by local authorities
- 12.4. Main aspects Concerning County Chamber of Commerce Industry and Agriculture of Cluj within the strategic approach of local development
- 12.5. Financing Local Economic Development (I)
- 12.6. Financing Local Economic Development (II)
- 12.7. Elements for proposal paper
- 12.8. Land Development Policies
- 12.9. Legislation on the Professional Training of Adults
- 12.10. Legislation Concerning Labor Force Conversion

Annex 12.1.

ED-OP SEMINAR – OPTIONS FOR A STRATEGIC APPROACH OF LOCAL ECONOMIC DEVELOPMENT IN ROMANIA

Sinaia , January, 17-19, 2002

INTRODUCTION

The meeting began with two presentations:

“Local economic development – proposal for general frame”, by Mihaela Vrabeto and “Local economic development”, by Liviu Ianasi, both on planning and implementing local development in the actual institutional and market environment.

The purpose of these presentations was to generate opinions on defining local economic development in Romania.

The discussions in the first part of the day structured into the following relevant domains for local economic development in Romania:

- The relation between local, regional and national government in Romania
- Big cities issues in local economic development
- Approaches to local economic development
- Financing local economic development
- Planning local economic development
- Human resources
- The professional level in public administration in Romania
- Legislative frame

The above issues were structured by the participants into three local economic development main areas:

- ♦ Human resources for local economic development
- ♦ Financing local economic development
- ♦ Urban planning and local economic development

In the second part of the day the participants worked in three groups, each focused on one of the main domains, in order to define and identify the major issues and objectives. Each group produced an independently structured document presented below.

1. HUMAN RESOURCES DEVELOPMENT

1.1. Target groups

- Graduates with no specific professional qualifications
- University graduates that have no prospects of employment in their field of expertise
- Discharged people – from restructuring sectors
- Unemployed
- Underprivileged groups (women, Romany, persons released from prison)
- Persons that want a carrier change
- Persons that want/ have the obligation to participate in continuous training programs

1.2. Identifying needs

1.2.1. Public sector

- Civil servants
- Elected local authorities
- People working in the public sector on contract basis

1.2.2. Private sector

- Professions according to needs of the market and of companies
- Consultant services for gaining managerial and entrepreneurial abilities

1.2.3. The craftsmen cooperative sectors

1.3. Training methods

1.3.1. Courses

- Qualification
- Specialization
- Conversion of employees
- Training at the work place
- 1.3.2. Educational categories
 - Post – high school
 - University
 - Post – graduate
- 1.4. Actors and institutions**
 - Trainees
 - Employers
 - Services providers (NGOs, public institutions, private sector)
 - Universities and other education and training institutions
- 1.5. Sources for funds**
 - 1.5.1. Internal
 - 1% of the salaries in the local government system
 - unemployment funds
 - own expenses (trainees, employers)
 - special funds of the Ministry for Labor and Social Solidarity
 - 1.5.2. External
 - UE financed programs (grants)
 - Scholarships
 - Borrowed funds
- 1.6. Strategy (levels)**
 - 1.6.1. National level (extract from NDP – National Development Plan)
 - It is required a national human resources policy
 - Restructuring the educational system
 - 1.6.2. Regional/ county level
 - Promoting request and offer of employment on the labor market
 - Data base on discharged people
 - The human resource component should be seen as capital of the small and medium enterprises.
 - 1.6.3. Local level
 - Analyze of local short and medium term needs with a vision based on regional needs
 - Information and advertising of professional training programs
 - Elaboration and diversification of facilities for local/regional/foreign investors :
 - Providing access for the business sector to:
 - Master plan of the locality and other urban planning documents
 - Social – economic analysis
 - Medium and long term development strategy
 - Providing support for local business leaders
 - Public public and public private partnerships
 - Specialized services for the business sector: advertising, transportation, waste collection
 - Financial facilities for sectors that have good potential for local/regional development
 - Creating and supporting business environments (business centers, development agencies, consultant services)
 - Technological parks
 - Developing modern communication infrastructure
 - Organizing meetings between business people and local government / new local investors.
- Promoting the community marketing concept

- Advertising materials on the advantages of competition.
- Developing export markets;
- Inventory of industrial and commercial locations that can attract new investors;
- Promoting certain areas or locations;
- Special events (i.e. the day of the city);
- Hosting fairs and exhibitions;
- Establishing free trade areas;
- Opening business representative offices abroad.
- Updating the legislation (local council decisions)
- Applying for external funds for developing projects to put together the information in this field (i.e. web site)
- Initiating a data base on the level of employment and the existing qualifications (i.e. starting with the data from the periodic census)
- Training of trainers programs
- Public information offices – area centers providing access to various training possibilities.
- Facilities for local activities development (present and future) and for related service providers;
- Proposals for elaboration of an appropriated legislative frame concerning local budget investments for professional and managerial training programs.

2. FINANCING LOCAL ECONOMIC DEVELOPMENT

2.1. Objectives and principles

- Including local economic development in national development strategy, thought as an integrated and systemic concept;
- The partial transfer of fiscal income from central to local budget (increase of the local budgets share when redistributing funds at higher levels)
- Increase the contribution of alternative sources for funding local economic development (in comparison with sources from the fiscal budget);
- Orienting financial sources by destination; differentiated approach of financing projects by the local economic development influencing factor.

2.2. Categories of factors that influence local economic development

2.2.1. Human capital

- Educated and open local community (increase the quality of local population);
- High rate of social inclusion;
- High rate of participation;
- Labor market balance to be structured according the desired local labor force structure;

2.2.2. Fixed and financial capital (increasing the attractiveness of the area for investments and localization of businesses);

- Strengthening local business environment;
- Improving local infrastructure
 - Transportation and infrastructure;
 - Telecommunications;
 - Educational system;
 - Public health system;
 - Financial system and banks;
- Clear patrimonial status

2.2.3. Local managerial system and transparency of local government actions.

2.3. Specific issues in debate

2.3.1. Local business environment – improving the image of the area for increasing the area rating in order to better the creditworthiness

- Attracting investors
- Attracting financial resources
- Attracting qualified work force from other areas

- 2.3.2. Clear separation between public / private patrimony at national, regional and local levels
- 2.3.3. Training process of local government personal has to be planned at national level and supported at regional level
- 2.3.4. Behavior, management etc guides in public services:
 - Territorial Chambers of Commerce, Industry and Agriculture should act as catalyst (relations) and information distributor;
 - Local economic development externally financed projects should be canalized in this direction;
- 2.3.5. National level projects, pilot projects and externally financed projects should be promoted both in Romania and abroad
 - Same with the local economic development opportunities
 - Who does that? The National Investment Agency, Chambers of Commerce, Industry and Agriculture (that should act with no discrimination towards the neighboring area or an international region)
- 2.3.6. "Marked money"
- 2.3.7. The local government should:
 - **generator** of local public services programs
 - **provider** of local public services
 - **facilitator** of local public services
- 2.3.8. Finding sources for few funds for advisory councils in local economic development consisting in motivated professionals (at both local and central levels of government)

2.4. Legislative issues (modifications of legislative frames)

- 2.4.1. Include in the multi annual budget the elaboration, updating and monitoring of national local economic development strategy
- 2.4.2. Establishing by law the local, regional and national levels in public services and utilities
- 2.4.3. Establishing by law the patrimonial limitations
- 2.4.4. Decentralization of fees and taxes
 - Complete transfer in some cases to local level
 - Partial transfer in some cases to local level
- 2.4.5. Reversing the financing principle from local to central level
- 2.4.6. Establishing limitations in fiscal facilitation for local economic development
 - Disfavored areas;
 - Industrial parks;
 - Free tax areas (i.e. airports, international ports);
 - Facilitation for the small and medium enterprises;
- 2.4.7. Legislation concerning the financial system (credits) should stimulate the capitalization at local level:
 - Limitation of state guarantees;
 - Subsidizing the interest;
 - Local investment funds with definite purpose;
 - The company should pay the fees and taxes in the region where it actually performs.
- 2.4.8. Modification of:
 - The accounting system
 - Elaborating and monitoring local budgets

3. LOCALITY DEVELOPMENT

3.1. Lack of legislation and institutions in local economic development

- It lacks consistent legislation and correlation in planning the development of local, regional and national levels; consequently, it lacks the frame for the local government to approach economic development;
- There is no frame that defines and limits the responsibilities and the competence of existing institutions of all levels in local economic development;

- The current legislation doesn't set a frame for either planning and implementing strategies in local economic development, or methodologies, mechanisms and instruments.

3.2. Lack of institutional frame for relating urban planning with local economic development

- There is no frame within which local economic development to be defined. Planning, implementing and making operational the local economic development are not defined;
- There are no institutions (attributions, responsibilities and competence clearly specified for the existing institutions) that plan and implement local economic development. There is also no motivation of such institutions;
- There is no correlation between the existing relevant institutions;
- There are no established training programs for institutions and professionals in planning and implementing local economic development;
- There is no structured information and no educational entities that could provide training and certify the professionals in local economic development (urban planners, urban managers, managers of local resources);
- There is no clear institutional / legal frame for setting partnerships (public-public, public-private, involvement of the communities);
- There is no institutional correlation in the flow of existent information and studies, in the elaboration of the development strategies
 - Effective communication;
 - Standardization of inter institutional and interdisciplinary language;
 - Data collection programs, establishing an "urban data base";
 - Regulating data exchange;
 - Initiating and correlating data bases; generalizing the "one stop office" system;
 - Integrated informational system.

3.3. Lack of frame for operating in local economic development

- There are no specialists and no training programs in urban planning and local economic development;
- There is no complete information on institutions and professionals that provide training in this field;
- There is no corroboration between various technical assistance and training programs (financed and developed by international organizations) and the real needs of Romanian institutions;
- It is necessary to identify the categories and the methods for sharing experience – through partnerships, training, experience transfer;
- The local governments don't have functional policies for enhancing institutional/professional capacities in local economic development;

3.4. Pilot projects (case studies serving as model/methodology)

An effective manner to develop the local economic development practices and institutions is approaching pilot projects that would have a high dissemination value and a good potential adaptability. In this respect the following categories of projects are expected to be significant in local economic development:

- Revitalizing collective housing areas
- Developing economic activities parks (industrial parks, technological parks, theme parks etc.)
- Revitalizing poor periphery neighborhood
- Revitalizing (central) historic urban areas
- Functional conversions
- Small localities development
- Rural localities development, implementing rational development and modernization techniques
- Building public – private partnerships, facilitating the private investment process
- Immigration management

- Local marketing
- Involving local community and local actors in local economic development
- Revitalizing localities/regions with restructuring economic activities problems considering:
 - Diminishing existent local/regional imbalances
 - Stimulating balanced development
 - Revitalizing less-favored areas
 - Preventing new imbalances
 - Correlation between regional and local policies
 - Stimulating cooperation between regions
- Urban and regional development control (metropolitan areas, export of urbanization); enhancing the capacity of regions to support their own development process (institutional, financial, decisional).
- Elaborating planning methodologies of development areas by promoting specific particularities of the area.

Finalized in Bucharest, January 23, 2002

Annex 12.2.

MEASURES IN IMPROVING THE BUSINESS ENVIRONMENT

Source: Albu Remus, Vice President of Chamber of Commerce, Cluj, regarding the IRIS Report conclusions

The working group discussed a set of additional measures in improving the business environment proposed by the PHARE assistance group, to do with the following issues:

- **Streamline company registration process and improve Sole Office operation.** It was proposed to separate the private consulting activity conducted by the Sole Office on behalf of the Chamber of Commerce, and at the same time to provide a simplification of the permits required for business registration and training for the permitting personnel. The Chamber of Commerce and Industry should organize its registration and permitting assistance activity for commercial traders outside the Sole Office; assistance should be provided to the entrepreneurs upon request, prior to the submittal of the application for registration and permitting to the Sole Office.
- **Encourage investment (especially from foreign sources).** The Government will shortly create the Romanian Investment Agency as a sole institution for information on and promotion of foreign direct investment in Romania and for support of Romanian investment abroad.
- **Provide access of the various public authorities to a shared database of firms in Romania.** Streamlining of the permitting and approval procedures. It is proposed to inventory all the duplicate documentation currently required from the entrepreneurs for various operations in relation to fiscal control, registration, development, land use planning, foreign trade; the creation of a new INTRANET system for the use of central authorities – each authority to input all the public data they collect from companies; observe a 30 day deadline in issuing permits.
- **Encourage the development of micro-enterprises** It was proposed that, in the first three years of operation, micro-enterprises should have the option to choose between paying profit tax or turnover tax; micro-enterprises should formulate their option once every year, at the beginning of the fiscal year.
- **Improve economic control procedures.** It was proposed that control authorities should announce the date of their inspection and period they mean to inspect, as well as what documents they will need to see. Moreover, a single theme inspection should be conducted, during a well-defined period of time. No future inspection should be possible on a theme or period already verified. A database should be developed, containing information on: the inspected companies, themes and [periods investigated, inspection findings. Access to it should be provided to all the control authorities.
- **Adopt a set of corporation governance rules for state owned and public companies.** State owned and public companies should inform, in annual reports, on their financial situation. High ranking officials of the state (ministers, state secretaries, general managers of ministries, parliament members, managers of government agencies, prefects, sub-prefects) may not be members of the Board of Directors in any state owned or public company.
- **Encourage public hearings of Governmental legislative initiatives.** A system of public hearings should be created. The Government should present, with at least 45 days notice, any legislative initiative under consideration, and encourage public hearing thereof with the stakeholder associations and groups, before developing the final proposals; a real time response system should be established and implemented, with the help of information technology
- **Harmonize accounting and audit procedures.** All the companies included in the PSAL II agreement shall prepare financial reports in accordance with the new accounting regulations (IAS).
- **Streamline commercial litigation procedures.** It was proposed that the judicial power should develop and assume an Ethics Code, enforce legislation in a rigorous

manner and severely treat the judges who deviate from standards of impartiality and integrity. Judges currently operating in commercial litigations should attend intensive training courses.

- **Reduce/eliminate output barriers.** Bankruptcy legislation should be simplified and updated.
- **Improve import/export procedures.** A full inventory of all non-tariff barriers should be regularly made public; transparency should be enhanced by publication of the norms procedures, and internal regulations used by the customs authorities. E-mail documents and copies of such documents, should be accepted and considered by the customs authorities. Upon receipt of the necessary documents, the customs authorities should be obliged to respond within a limited and well-defined period of time.
- **Eliminate delays in VAT returns.** It was suggested that the fiscal authorities comply with the 30 day deadline in returning the VAT. As a general rule, fiscal authorities should pay penalties to the companies who applied for VAT return and did not receive it within the 30-day deadline. By way of exception, when the fiscal authorities have grounds for suspicion, the 30 day deadline may be exceeded, but the fiscal authorities should notify the companies on the exceedance of the 30-day deadline in advance, for a pre-determined period and without the enforcement of penalties.
- **Solve post-privatization problems; facilitate post-privatization investment and improve the social impacts of privatization.** A Committee should be created, including investors, lawyers, expert accountants and representatives of APAPS, chaired by APAPS, to develop an Interpretation Agenda that may be applied to any privatization contract. This should include a set of norms/guidelines for the amendment of privatization contracts and should support the Arbitration function of the Committee.

Annex 12.3.
INCENTIVES GRANTED TO INVESTORS BY LOCAL AUTHORITIES

Source: Albu REMUS, Vice President of Chamber of Commerce, Cluj, regarding the IRIS Report conclusions

County	Incentive							
	Reductions of / exemptions from local taxes and fees/ period of time (1)	Identify lands for investments (low price, no taxes/ fees, for a negotiable period of time)	Access to utilities (executed at the expense of local authorities)	Selection of the work force required by the investor (qualifications required by investors)	Reduction by 50% of property taxes for new investments (2)	Concession on granting for/ sale of lands/ buildings owned by Local Council (3)	Under developed area	Other (4)
CLUJ	X	X		X		X		X
ALBA		X	X	X			X	
ARAD			X	X		X		X
ARGES	X	X	X	X				X
BACAU							X	
BIHOR		X					X	X
BISTRITA – NASAUD						X		X
BOTOSANI	X							X
BRASOV	X	X	X	X				X
BRAILA			X			X		X
BUZAU	X	X	X	X		X		
CARAS-SEVERIN	X	X	X	X	X	X	X	X
CALARASI	X	X	X	X				
COVASNA	X		X	X				X
DAMBOVITA	X	X	X					
GALATI			X					
GIURGIU	X	X	X	X				X
GORJ	X	X		X			X	X
HARGHITA	X	X	X	X				X
HUNEDOARA		X	X	X		X	X	X
IALOMITA	X	X	X	X		X		X
IASI	X	X	X			X		X
MARAMURES	X							
MEHEDINTI	X	X	X	X				X
MURES		X	X	X		X		
NEAMT	X	X	X	X				X
OLT		X	X	X				
PRAHOVA							X	X
SALAJ	X	X	X	X	X	X	X	X
SIBIU	X	X	X	X				X
SUCEAVA	X		X			X		X
TELEORMAN	X	X	X	X				X
TIMIS	X	X	X	X		X		X
VASLUI	X	X	X	X		X		X
VRANCEA	X	X	X	X				X

Source: Remus ALBU, Vice President of Chamber of Commerce Cluj, regarding IRIS report

LEGEND

1. Reductions of, or exemptions from, local taxes and fees for a limited period of time (1-3 years; 5 years; 8 years; 10 years; 50% reduction of certain local fees; reductions of / exemptions from taxes until commencement of production; tax exemption for the conversion of the agricultural use of lands).
2. 50% reduction of taxes on lands / buildings for new investments (10 years).
3. Concession granting / sale of lands / buildings owned by Local Councils (50% reduction of concession fees for lands / buildings – first 5 years of operation for investments in manufacturing and service provision activities; free land concession granting for the first 10 years; land concession granting up to 49 years; exemption from concession fee for a fixed period of 5 years).
4. LOCAL NEGOTIABLE INCENTIVES, BY COUNTY:
 - services that may be determined in agreement with the potential investor;
 - the Braila free zone – incentives in accordance with Law 4 / 21.07.1992;
 - creation of industrial parks by Local Councils in: Ploiesti, Iasi, Timisoara, Galati.
free logistic support in identifying lands and properties;
 - additional incentives, based on negotiation;
 - construction materials: sand, ballast, stone, etc.;
 - advantageous land insurance for constructions;
 - available spaces and lands for investors, taken over from the closed mining operation at Ruschita;
 - reduction by 50% of the selling price of lands from market price;
 - works for the preparation of the land before commencement of investment;
 - business incubators and professional capacity building center;
 - incentives for the obtaining of building approvals and permits;
 - free assignment of lands to investors in manufacturing or service provision activities;
 - free assistance and consultancy for investors in the procedures of setting up and registering a business;
 - reduction of the term for the issuing of urban certificates or construction permits;
 - provision of plans concerning urban utilities accessing the GIS system in Timis County.

Annex 12.4.

THE MAIN ASPECTS CONCERNING CCIA CLUJ WITHIN THE STRATEGIC APPROACH OF LOCAL DEVELOPMENT

Source: Remus ALBU, Vice President of Chamber of Commerce Cluj, regarding IRIS report

INTRODUCTION

Two or three decades ago the world economy could have been considered a hierarchy including a core of developed nations and a periphery of “underdeveloped” or “developing” countries.

This image no longer reflects the reality. It is closer to the truth to think in terms of a ‘mosaic’ of regions. Even within so-called developed nations there are regions bearing the typical characteristics of underdevelopment, while in former ‘peripheral nations’ there are regions showing intense economic development.

Economic development is now noticed in the territories that represent a group of social and economic relations and where territorial institutions exercise their influence by controlling local regulations.

The competitive advantages for small and medium sized enterprises in economically advanced territories (or regions) require assistance in new technologies, skilled labor and support in creating networks among local stakeholders. A good infrastructure is necessary as well as a policy framework that lead to an effective realization of non-material resources.

It would be wrong to say that under the circumstances, any region may aspire to become a “Silicon Valley”; supremacy still depends on the use of regional abilities. Approach and method are more important than physical resources. In order to best develop resources, coherent strategies and support strategies are necessary: local “capacity” of making new discoveries in order to increase the quality of local reactions; best use of what is available.

In order for a regional authority to be effective, it must be capable to build trust, to stimulate involvement and to understand individual objectives. The sum total of these objectives could serve as leverage for public policy programs aiming at mutual welfare and benefit: a regional strategy based on regional consensus.

The activity of CCIA Cluj is oriented on three main directions:

- ✓ To supply professional services to its members;
- ✓ To represent the interests of the local business community in dealing with local authorities and national and foreign bodies;
- ✓ To cooperate with other institutions in preparing and implementing local strategies concerning zonal development and harmonizing economic structures to facilitate European integration.

It supports its vocation of active factor in promoting local economic development and international cooperation.

Through the specialized structures of the Cluj Chamber of Commerce, Industry and Agriculture support elements are offered to the local community to promote local economic development

BUSINESS CONTACTS

- ◆ to organize Romanian businessmen missions abroad,
- ◆ to organize business meetings for foreign commercial missions in Cluj,
- ◆ to organize business partnerships for various commercial events.

INTERNATIONAL COOPERATION

- ◆ achieved through a system of connections and a joint action program with other chambers of commerce, commercial associations and public and private institutions abroad.

BUSINESS INFORMATION

- ◆ provision of information and specialized for start-ups,
- ◆ provision of information and lists of potential domestic and international,
- ◆ provision of information on manufacturers and traders located within and outside the county,
- ◆ provision of information on business opportunities in Cluj County,
- ◆ provision of updated information on business opportunities abroad
- ◆ provision of information on spaces (commercial, manufacturing or office spaces) available,
- ◆ provision of updated information on the European Community through **Euro-Info**,
- ◆ provision of information on marketing for the local and international markets,
- ◆ provision of information on programs and funding sources.

PROMOTION

Fairs and Exhibitions

- ◆ to organize the participation of businesses to an interesting program of domestic and international fairs and exhibitions in a wide range of fields,
- ◆ to provide assistance and support to companies to participate in the fairs organized at EXPO-TRANSILVANIA.

Exports

- ◆ assistance in promotion on international markets,
- ◆ access to programs promoting exports.

Investments

- ◆ to provide assistance in identifying funding sources for the projects promoted by companies in the county,
- ◆ to provide information on the legislation in force in relevant areas and actual investment opportunities.
- ◆ To organize promotional events

CONSULTANCY AND ASSISTANCE

- ◆ in the following fields: commercial, marketing, customs, fiscal, importing - exporting, foreign exchange, legal,
- ◆ to prepare the necessary documents and assist in obtaining approvals, and operating licenses/ authorizations,
- ◆ to provide information and consultancy for the obtaining of approvals, certificates authorizations and licenses.

PROFESSIONAL TRAINING

- ◆ to organize a comprehensive program of seminars and workshops on management, marketing, international trade, finance, etc.

The above-enumerated activities respond mainly to the first two directions of activity of the Chamber. The third direction focuses on:

The cooperation with other institutions and bodies in preparing and implementing local strategies concerning zonal development and harmonizing economic structures to facilitate European integration.

This is probably the most important but less tangible part of the efforts of the Chamber in promoting local development and refers to a systemic approach together with the local authorities and the other partners of the main issues in the region.

Annex 12.5.

FINANCING LOCAL ECONOMIC DEVELOPMENT (I)

Source: Constantin Ciupagea, Director – World Economy Institute

PRINCIPLES AND OBJECTIVES

Local Economic Development (LED) is a complex concept, and one should approach it depending on the meaning one assigns to the word “local”. There are different issues involved in the economic development of a region or county than in the ED of one community or of one urban agglomeration.

Beyond any desegregation in approaching DEL, the most important problem in Romania is trying to establish a link between the national economic development of the country (consisting of Economic National Strategies), the Regional Development Plan and the LED Strategy. Actually, **LED should be included within a National Strategy of Territorial Planning and Regional Development**, which will be a pre-requisite during the process of Romania’s pre-accession in the European Union. It is the only way in which policy makers, central administration and local administration will understand the role and place of LED, and will try to find resources and measures for implementing positive and necessary changes in this area.

There are several steps implied by the change in the way LED should be approached in the near future:

1. The elaboration of a long-term strategy for regional development, in order to create the overall framework for LED.
2. The switch towards multi-annual development plans and budgets.
3. Thinking financial and fiscal policies able to support LED.
4. Including LED among the problems needing financing from the budget and allowing alternative sources of financing for LED explicitly.

Financing LED is an issue that needs a strategic approach in order to make functional the system of institutions, legislation, methodologies, instruments and actors. The main principles of financing the LED, pointed out by the Romanian interest groups, are:

- ? The increase in the share of local budgets within the redistribution process (partial transfer of revenues from the central budget to the local budgets);
- ? The increase in co-financing activities (apart from the fiscal revenues) and in alternative financing of LED (municipal bonds, partnerships, loans-credits, etc.);
- ? The switch toward program or project financing in LED, which means distribution of financial resources according to the factor influencing LED and the value assigned locally to the various demands.

FACTORS INFLUENCING LED

These are several factors of primary importance in influencing the potential in LED, and they should be taken into account by the administration when thinking objectives within strategies or finding possible local solutions for financing LED:

1. Human Capital Endowment
 - The openness and educational level of the community (quality of the human capital);
 - The rate of social inclusion (or exclusion, respectively);
 - The rate of participation (the share of labor force in total active population);

- The matching of desirable (sustainable and competitive) economic structure of the local area (region) with the given supply of labor force in the same region (supply-demand equilibrium on the labor market).
2. The Fixed and Financial Capital Endowment (aiming at increasing the attractiveness of the area and becoming a potential location for business, investment, etc.)
- Permanent improvement of the business environment;
 - The increase in volume and improvement in quality of (regional, local) infrastructure networks;
 - Transportation infrastructure and regional transportation network (services included);
 - Telecommunications;
 - Educational system (kindergarten, school, high-schools; professional training);
 - Population (public) health protection and promotion system;
 - Financial-banking system.
 - The legal and undoubted establishment of patrimonial (generally, property) rights;
3. Improvement in the status of local administration management, implying assurance of transparency of public administration actions and plans.

LEGAL ASPECTS – CHANGES LEADING TO IMPROVEMENT IN THE LED FINANCING

- Elaboration, up-dating and monitoring the LED strategy (as part of the territorial development strategy) should be included within the multi-annual public budget (at all levels);
- National, regional and local level should be desegregated from the point of view of public services and public utilities, within the legislative framework;
- Patrimonial rights should be treated separately within the law, depending on national, regional and local level;
- Taxes and fiscal revenues should be decentralized further, in both collection and distribution aspects;
 - Some taxation categories could be entirely transferred into the responsibility of the local financial authorities;
 - Other taxation categories could see the share of local authorities increasing (partial transfer from central to local budgets).
- The financing system of LED should reverse its mechanism from central-to-local (the resources should be established locally, matching the local demand and the overall given limited resources; destination should be the decision of the local authority);
- Marking clear limits for the fiscal support to LED (provisions by law)
 - Unflavored zones (areas);
 - Industrial parks;
 - Free trade areas (international airports, international sea ports);
 - Facilities and exemptions given to SMEs.
- Legislation concerning financial credits should stimulate and support local concentration of capital;
 - State guarantee limits should be clearly stated;

- Mechanisms for high interest (differential) subsidization (if inflation remains high during the next period);
 - Local Investment Funds could be created (pre-established field and regulations);
 - For branches of larger firms, the payment of taxes should be transferred to the fiscal recipient within the region of the respective branch.
- The accounting system should be modified and stabilized according to EU standards;
 - The law concerning local budgets should be modified in order to allow higher flexibility and increase the speed of implementing actions (design and monitoring of local budgets).

OTHER FINANCING RELATED ASPECTS

1. The local administration should become simultaneously:
 - Generator (creator) of programs for local public services;
 - Provider of public local services;
 - Facilitator of local public services.
2. The national projects, the pilot programs and the external financed projects aimed at improving LED should be marketed within the national and local media. The same idea is valid for all other opportunities for LED. There is a problem in choosing an Agency or Organization who could be responsible for the PR exercise (such as the National Agency for Investment?), keeping the numerous local communities and regions out of the discriminatory stance.
3. The local business environment has to search for proper own ways of improving its image, and national rating score, in order to be able to attract more investment or credits for LED (attracting investors, financial resources and skilled labor force from other regions).
4. The local public administration, together with the private sector, should find (small) financial resources for covering fees of Consultative Councils (professionals) offering consultancy services to the local and central administration in dealing with the LED issue.
5. Training the local administration staff for being able to deal with LED in a transparent, proactive and flexible way is a matter to be decided at the local level, but supported and financed at the regional and central level. Also, some already established local professional organizations (e.g., Commerce Chambers) could act as promoter of Led and distributor of information concerning LED opportunities (including financing). There is a need of designing Behavior Guidelines or Management Guides for local administration staff in providing local public services.

Annex 12.6.

FINANCING LOCAL ECONOMIC DEVELOPMENT (II)

Source: Ioan Gherasim, Director, Audit Court Cluj

Local government reform revealed the workings of economic mechanisms, trends, and phenomena that often have contradictory outcomes.

In this context, in the European political and financial circles there is an increased interest in fiscal decentralization and the strengthening of the role of public authorities in promoting certain local economic development activities.

The following priorities have stood at the center of the debates and institutional reforms achieved in the past 20 years:

- 1) most services in the public sector should be offered by local governments because benefits are thus local in character and the costs are lower;
- 2) the central government should offer only exclusively national services (defense, foreign policy), where local preferences cannot be made operational;
- 3) local governments should limit the provision of services to those that the market is not able to provide in each local community and which are paid by local governments through low taxes;
- 4) there is a close connection between decentralization and economic development;
- 5) economy of scale opposed to decentralization;
- 6) the possibility for local governments to develop partnerships in providing services to customers;
- 7) benefits in a better political representation.

The main trends and preoccupations concerning the funding of local economic development in Europe refers to:

1. the clarification of the reports between the central government and local/ regional governments;
2. the reform of the manner of in which local public services are provided – their privatization;
3. the facilitation of the access of local/regional governments to financial markets and a shift to the funding of investments on a project basis. An increased number of local intermediaries specialized in such operations is noted;
4. clarity in the bankruptcy procedures of local/ regional governments;
5. local and regional governments are faced at present with poor management which should involve: quality internal audit, clearer and more transparent accounting procedures;
6. local and regional authorities in the European Union are subject to considerable pressure and difficult budget constraints to reduce the level of debt service in order to meet the Maastricht Treaty criteria.

It is undeniable that the main role in local economic development is played by local public authorities. This is the reason why a false impression has been created that local governments are solely responsible for the funding of local economic development programs.

The truth is that local budgets do not have enough financial resources to provide funding for local economic development.

There is however a strong interdependence between local economic development and the increase of the capacity of localities to generate revenues as sources to local budgets.

Fiscal decentralization contributes to the maximization of social welfare by providing public services at the government levels that are closest to the citizen.

Fiscal decentralization aims in principal to transfer some competencies and responsibilities from the level of central government to the local governments.

Exercise of local autonomy means:

- The right and the effective capacity of local government authorities to solve and manage, public affairs on behalf and in the interest of local communities, within the law
- The right to dispose of financial resources, proportionate to the competencies and responsibilities granted by the law

The steps so far taken in fiscal decentralization have been translated into the following:

- Decentralization of competencies and responsibilities of assessing and collecting local taxes and fees
- Transfer of a part of state budget revenues to the local budgets, by administrative methods (shares and allocations, transfers, earmarked funds)

In the three years that have elapsed since the initiation of reform in the local governments, the following conclusions have been derived:

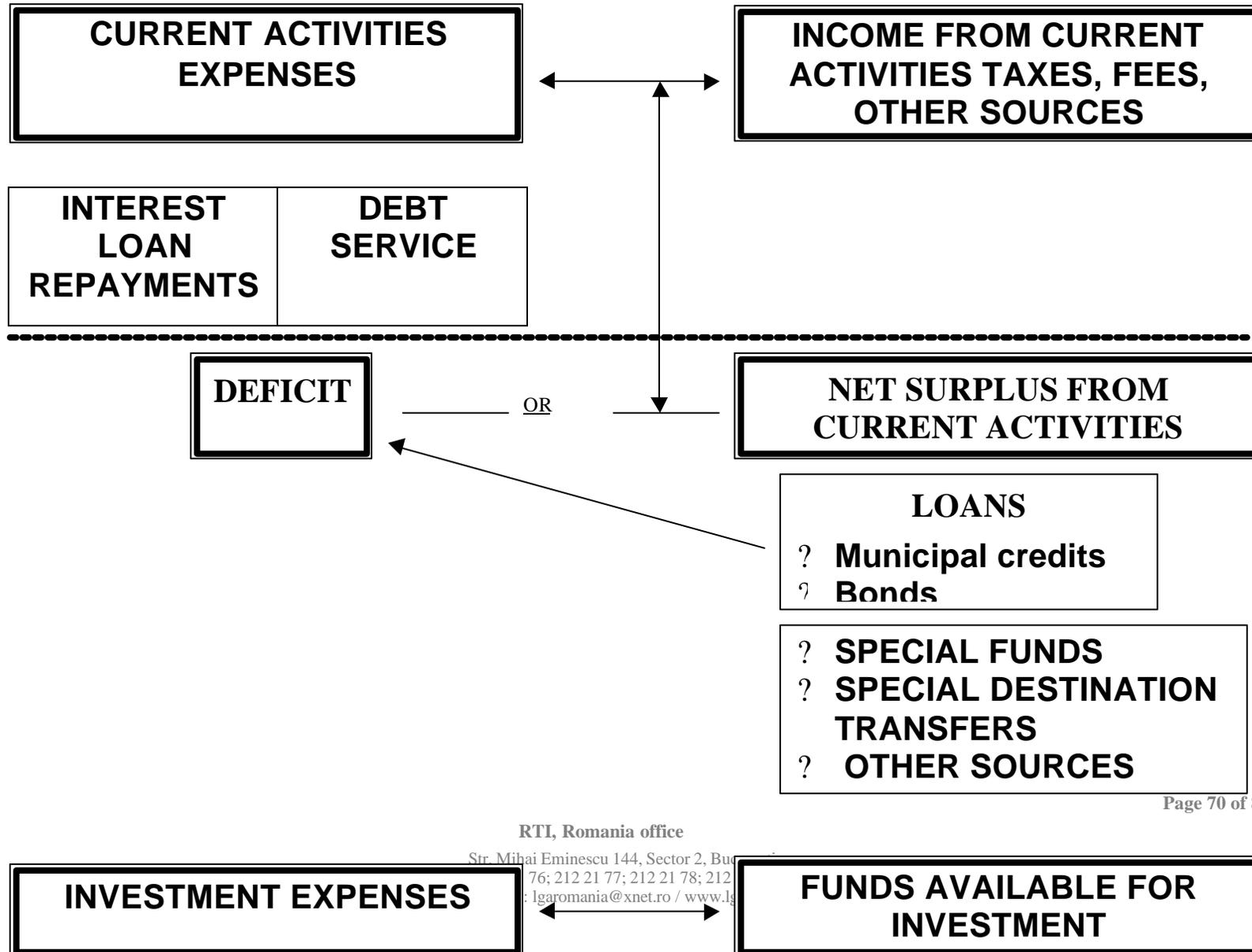
- a significant but insufficient increase of the decision making and financial autonomy of local governments especially in county seats;
- a higher level of per capita revenue, substantial in some cities and a reduction of balancing sums;
- financial autonomy revealed not only some regional or inter-county discrepancies, but also internal gaps, between the county seat, which concentrates the viable part of local economy and has a decidedly higher financial capacity and the other communities in the county, with an obvious discrepancy between the local budget of the county seat and the other community local budgets.
- Instability of the functions that need to be fulfilled by the local governments (and implicitly of the necessary expenses), as the local governments have taken over a number of additional obligations, translated into expenses, without a proportionate transfer of financial resources. Such functions, and implicitly the associated financial expenses should be finally established, so as to enable financial planning in the medium and even long term.
- The need to reconsider the criteria used in distributing sums out of the state budget and to eliminate arbitrariness and political clientele

The fact that local governments are responsible for the drafting and implementation of local economic development strategies, may create the false impression that they are the only ones responsible to ensure the financing of development programs.

On the other hand, the specialists in economic development theory and practice and in local public finance consider opine that local economic development should not be financed primarily from budget funds, and local government authorities should act as facilitators in attracting alternative funding sources. This idea has continued to gain ground among experts in our country, who noticed the need to separate the financing of current (operational) expenses from the funding of capital expenses.

The scheme below shows that the funding of capital expenses should be provided from the surplus resources obtaining from operational budgets, with the differential to be covered from loans and other financial source.

FINANCIAL SCHEME OF CURRENT AND CAPITAL EXPENSES



A recent study conducted on the impact of fiscal decentralization on the strengthening of local autonomy focusing on the self-financing capacity of local governments located in two counties of very different economic potential, has had the following findings:

With regard to **decentralization of the income tax**, i.e. direct and integral transfer of this source to the local budgets, **Cluj County** obtained a degree of self-financing of 101%, with communities exceeding 100% being Cluj 131% and Floresti 106%, and a number of communities ranging between 80% (Dej 89%, Apahida 94%, Gilau 92%, Campia Turzii 96%) and still most of the localities left without the capacity to cover all their expenses.

In such circumstances, a potential solution would be to set up **a balancing account at county level**, by transferring 20% of the income tax from each local council. This measure adopted at the level of Cluj County Council would determine the collection of 288,153,252 thousand lei, where the contribution of the county seat of Cluj Napoca would be 80% (232,214,010 thousand lei). The distribution of such a fund in the form of balance, in proportion to the actual expenses of 2001, might cover more than 87% of the deficit recorded by each local council.

The remaining 13% differential might be covered by measures adopted in each local government, such as:

- Promoting local economic development programs,
- Providing facilities in attracting capital
- Developing public private partnerships in the development of local infrastructure and public services

Such measures would result in an increase of the tax base both in regard to property tax and income tax.

VAT share transfers: In relating such revenues to the total expenses incurred, it is found that they represent an important share, i.e. 39% for the whole county. Therefore 39% of the local budget revenues may not be controlled either in relation to assessment, nor to their use, as they are earmarked. In conclusion, local governments do not have autonomy over an important part of the revenues included in the local budgets.

So, while income tax is being decentralized (see above proposal) the distribution of VAT share amounts to the local budgets are not justified, as local governments would cover the expenses out of their own revenues.

The study reveals the following **conclusions regarding Cluj County**:

- as a country with good economic potential, with the proposals described above, Cluj may become financially independent;
- with decentralization of income tax in the County of Cluj very high self-financing capacities could be ensured, without recourse to other sources from the state budget;
- by establishing the necessary balancing accounts at the local (county) level each local government in the county may participate in re-distributing the necessary amounts to communities of lesser economic potential. Nor would state budget resources be resorted to in the case of county balancing;
- an additional source of revenue to the local budget, that might incite local government interest in local economic development would be tax on the income of micro-enterprises. This source could be used for both capital improvement and as a financial source for local economic development.

With **decentralization of income tax**, i.e. direct and integral transfer of this source to the local budgets, **Salaj County** would afford a degree of self-financing of 55%, with only two communities, Zalau and Criseni exceeding 55%. Most localities will stay below 55%. In order to improve self-financing capacity, in the

assumption of total decentralization of income tax, self-financing countywide would be within 55%, which is a rather modest percentage. This is due to the very low potential for development directly affecting the tax base and to the low payment capacity of the taxpayers. Annex 4 presents the results of alternative financial capacity increase scenarios.

For this type of counties we consider it necessary to adopt a two-pronged **special strategy**:

1. 50% of the resource deficit (total revenues –own revenues) should be fully covered by transfers from the state budget (shares of VAT, or other sources); and
2. **50% of the amount to be provided for the financing of local economic development strategies, based on special programs, in order to increase community capacity to generate their own fiscal revenues (broaden the tax base for property and income taxation).** This solution would provide the required minimum financial resources to fund stringent expenditure and would create, in a relatively short term, a higher development potential for all the localities in the county.

This manner of distributing the balancing amounts received from the state budget would provide the minimum required resources to ensure operation of local government authorities, while the financing of local economic development in conjunction with other locally promoted measures in order to attract investment, would increase the community capacity to generate their own revenues in the medium and long term.

This state budget source might be enhanced by **taxation of micro-enterprise revenues**, which might create an incentive for local economic development on the part of local government authorities and local communities.

For counties with a low economic potential, financial autonomy cannot be very strong, and substantial assistance by the state should still be necessary, but conditioned by the meeting of certain local indicators.

4. Comparison the potential of self-financing capacities in the counties of Cluj and Salaj

The input data are summarized in the following table:

Nr.	Element for comparison	Cluj	Salaj
1	Total revenue per county	2.475.600.411	689.592.269
2	Total own revenue per county	590.483.721	97.151.878
2	Total county seat revenues	1.125.782.973	244.529.092
3	County population	736.301	256.177
4	Self financing capacity per county	24%	14%
5	Number of communities with self-financing capacity >24%	19 of which 4 cities 15 communes	2 communes
6	Share of county expenses represented by local govts. of SFC >24%	70%	1%
7	County SFC if own revenues were increased by 10% and all income tax were available	101%	55%

The gap between the data for the two counties is evident for each comparison element considered.

No matter how strong the wish to obtain fiscal decentralization and strengthen local autonomy, this will not work for localities of low economic potential, due to their inability to generate own revenues. In this case, development and financing of local economic development strategies is not so much an alternative as a need, which might, in the medium and long term, improve the self-financing capacity of low economic potential local governments.

The provision of good and proper infrastructure is one of the most important contributions of the public sector to the betterment of the investment environment. Eastern European communities striving to obtain sufficient revenues for public works are faced with many challenges:

- < Local governments still rely on State budget transfers for infrastructure projects; these transfers are often unpredictable and insufficient.
- < Many public services such as roads and education institutions do not generate revenues.
- < The capacity of local governments to levy fees and collect property taxes for capital improvements is limited.

Revenue sources for public infrastructure are generally taxes, fees, charges and State budget transfers — ultimately from the citizens or businesses based in the locality (either by a local revenue collection system or by the transfer of a share of the taxes paid to the State budget). As more and more of these revenues are to be generated locally as a result of fiscal decentralization, local governments will have to carefully analyze what revenue source combination to apply so as a group of users does not pay excessive amounts for certain services and the price (cost of services) to businesses remains competitive compared to other communities. Local governments are encouraged to institute the necessary practices for self-funding of public systems from local sources.

Local economic development strategies consider the factors affecting revenue generation for public infrastructure in the public and private sector. Special attention is given to project management and financial practices, to the connection between revenue sustainability and the confidence of investors and the added value of an appropriate planning of capital investments against revenue sustainability.

Annex 12.7.

ELEMENTS FOR PROPOSAL PAPER

Needed Changes

Source: Liviu Ianasi, HGSD Research Affiliate

The needed changes might be ordered along several domains/directions of action:

- a) Internal re-organizing of public administration institutions
- b) New relevant knowledge, better explained and situationally adequate
- c) Skill development for people in public administration
- d) Education and professional training
- e) Partnership between public administration organizations/levels
- f) Partnership “within the city”
- g) Community involvement
- h) Anti-corruption
- i) Legislation

[*concerning a*] The restructuring process in the government institutions (central and local) is far away of meeting the real needs; particularly at local and county level, the lack of both political will and decision makers' understanding are often freezing the changes. If in many cases the private (group or individual) interests are almost openly influencing the direction and speed of change, one cannot ignore the “passive resistance” to changes, coming from the interior of organizations. Facing the differences in the degree of “local reform”, in a kind of bizarre attitude, the central government acts to a small extent for supporting and encouraging best-practice sharing, activity badly needed and which does not seem appealing for the FAPL also. If the above statements are generally true, a particularly dangerous situation is registered concerning the subject of “economic development” : the “assisted child” attitude towards the central government is doubled by a largely met lack of understanding concerning even the relevance of an active role of the city hall in economic development, for the well being of the community (this type of attitude persisted in large cities like Iasi, at the mayor level, until the 2000 elections).

[*concerning b*] Concerning the “import of knowledge”, three things have to be pointed out: (1) the “saturation attitude” of some over-assisted cities (see Timisoara, Brasov, others) is not characteristic for most of the cities – exactly because the bad dissemination, a lot of knowledge is certainly needed; (2) in many cases, the effect of exposing the cities to foreign practice was severely limited by the reduced relevance of the presented cases for the Romanian cities' specific situation (see further, the elaboration of that); (3) the “passive exposure” to slide-shows and synthetic language (in large and repeated doses) generate opacity and favors the “it's not our case” or “this will not work for us” attitude – the methods count a lot, and sometime the cultural barrier is stronger than thought. To note that the above remarks are not intended to lead to conclusion that the American experience is less relevant, but differences in specificities should be taken into account. A cautious word about the “learning by doing” approaches, but tuned in accordance with “american speed”, compromising thus the achievements in exchange for “appealing” strict deadline – forgetting that achieving the “things started” is the strategic goal.

[*concerning c, d*] Apart of “best practices” and essential for introducing them “on the market”, the public servants skill development (and also those of decision makers) are critical for a change in attitude and behavior. Things like team-working, leadership, conflict mediation and successful communication are never trained enough – the approach of “group (or mass) exposure” might prove more effective for an

institutional-level change. Tuning the skills development with organizational structure change will foster the benefits. Missing parts of professional education and up-dating training are not only needed, but necessary for correct introduction and understanding of new problems (a sad example – the confusion too often made between the role of City Hall Economic Director (chief accountant, as called here) and the City Economic Development Director’s role (relevant, the latter job position does not even exist, in most of the cases).

[concerning e), f), g)] From all the “partnership directions”, the regional-county-local relationship is seen as most needed and less achieved (unanimously referred by reflection group participants – at all levels: central, regional, county or local – as “very critical”, in both senses of the term). The explanation is not related merely to legislation, but to attitude and practices (when not grounded in political rivalry and thus irresponsibility). On the other hand, the community involvement, is seen mostly skeptical, references to habits and thinking patterns being able to explain only in part the shyness of consistent steps of actions. From the ED perspective, there is a strong need of support for articulating and maintaining “effective and working” ties with the business sector – its own strengthening being very important.

[concerning h)] If the dimensions of corruption are well known, the actions to change even bits of the local government behavior and attitude are by far not enough – from rules and code of ethics (including their design), up to how the “watch dogs” might be established and kept alive – are clearly needed; but the real need is not for short workshops, but for enduring and persistent campaigns, followed by results dissemination (and it is not about fancy media campaign). The role of institutionalized transparency is definitely essential for achieving good ED goals.

[concerning i)] The legal frame develops very quickly – if it might be registered some consistency in “one field”, there is tremendous lack of inter-sectoral coordination, and the attitude towards legislation previous to actual legislature is (in the best case) of indifference, if not open contradiction. Due to thinking patterns, one might consider the three types of legal provisions which are needed to be related (for ED, for instance): (1) the legislation that “allows” (the principle “what’s not forbidden is allowed” is approached with prudence) – the “allowed” local autonomy, for example; (2) the legislation that “specifically enable/ support” – if specific provisions are not mentioning steps and procedures, no local authority (or very few, Oradea or Timisoara are exceptions) will dare to “innovate”; (3) the legislation that “push/determine”, often used, but mostly to de-centralize responsibilities, without the respective instruments/means. The need for “coherent and comprehensive audit” concerning the legal frame is very often expressed, but with declared preference for (and more consistent trust in) audit made by experts in cooperation and based on the feedback from the local/county level. The “foreign expertise” is also appreciated, but the recommendations are often (and in many cases correctly) appreciated as unrealistic (un-attainable) either within the “macro-legal-frame”, or in the tight time-frame within which are proposed.

Annex 12.8.

LAND DEVELOPMENT POLICIES

Source: Leontina KOVACS, Director, Cluj County Land and Building Register Office

Each organized form of human society should be preoccupied with the issue of lands in order to ensure sustainable development. A general cadastre system must be made available, developed based on technical, economic and legal data having in view the most important roles a cadastre system should provide:

- to guarantee property and security of possession over land;
- to ensure credit security;
- to develop and monitor issues concerning lands;
- to ensure a tax base in respect of real estate;
- to protect State owned lands;
- to reduce the number of occurrences involving disputes on real estate;
- to improve the legislation on real estate and relating implementing methodologies;
- to simplify administrative procedures relating to real estate;
- to plan for land use;
- to align environmental policies to international regulations;
- to provide statistical data.

The Constitution of Romania guarantees the right to property of all individuals. For this purpose, a series of important acts to guarantee such right were passed after 1990. Thus, the following were passed and published: Law no. 18/1991 on land records, Law no. 7/1996 on cadastre and real estate publicity, Law no. 169/1997, Law no. 54/1998 on the legal circulation of lands, Law no. 213/1998 on concessions, Law no. 1/2000, Emergency Ordinance no.70/2001 modifying and completing Law no. 7/1996 on cadastre and real estate publicity, Emergency Ordinance no. 102/2001 modifying and completing Law no. 1/2000, and modifying and completing Law no. 18/1991, as republished, all of these meant to certify and consequently result in beneficial ownership of property rights.

The cadastre is not just a branch of survey activities but it is also part of the code of civil law through the role it plays in establishing the rule of law in real estate ownership.

The Romanian cadastre reform is based on Law no. 7/1996 on cadastre and real estate publicity, as amended.

This law defines the general framework as a unitary and compulsory system of technical, economic and legal records which serves to identify, record and represent on maps and cadastre plans all lands and other real estate properties in Romania, irrespective of their use and owner. The basic elements of this system are the parcel, the construction and the owner.

Types of lands. Types of property.

Law no. 18/1991, as republished, defines the categories of lands and property. Depending on use lands are:

- **agricultural lands:** productive agricultural lands – arable lands, vineyards, orchards, vine and tree nurseries, hops and mulberry plantations, grazing lands, hayfields, green houses, solaria, hotbeds and other similar lands – lands covered in forestry vegetation, unless included in forestry facilities, forested grazing lands, those occupied with agricultural and animal farming constructions and installation, fish farms and land reclamation, technological and agricultural exploitation roads, platforms and storage spaces catering for the needs of agricultural production, and non-productive lands which maybe organized and used for agricultural production;

- **forestry lands:** forested lands or lands used for forestry plantation, production or administration, lands used for reforestation and non-productive lands – rocky areas, slopes, blocks, ravines , torrents – if included in forestry facilities;

- **lands permanently under water:** minor riverbeds, lake basins at maximum retention levels, interior and territorial sea beds;

- **lands within locality limits,** belonging to urban and rural localities, where constructions are located, other locality facilities, including agricultural and forestry lands;

- **special use lands,** such as those used for road, rail, naval and air transportation, including relating constructions and hydro and thermal installations, electric power and natural gas transportation installation, telecommunication installation, mining and petroleum exploitation installation, installation for quarries and slug heap of any kind, defense installation, beaches, reservations, protected areas, archaeological and historical and other similar lands.

Property ownership is characterized by two fundamental elements: the object of property and the owner. The ownership deed connects these two elements.

Lands may be the object of private property ownership or of other real rights, held by individuals or legal entities, or may belong to the public or the private domain.

The public domain may be of national interest, in which case ownership over it, under public law, belongs to the State, or of local interest, in which case, under public law, it belongs to communes, towns, municipalities or counties.

The management of lands falling under public domain of national interest shall be provided by the bodies stipulated by law, and the management of lands falling under public domain of local interest shall be provided by local governments or prefect's offices, as the case may be.

Lands included in the public domain are those relating to public use. Lands belonging to the public domain are lands on which are located constructions of public interest, markets, ways of communication, street networks and public parks, harbors and airports, lands used for forestry activities, riverbeds, basins of lakes of national interest, interior and territorial seabed, the coastal area of the Black Sea, including beaches, natural reservation lands and national parks, archaeological and historical monuments, ensembles and sites, protected areas, lands for defensive activities or for other uses which, under the law, are within the public domain, or which, by their nature are of public use or interest.

All lands that are included in the public domain are inalienable, cannot be seized and not subject to any statutes of limitations. They may not be included in the civil circuit unless, under the law, they have been excluded from the public domain.

The private domain of the State and, respectively, of communes, towns, municipalities and counties includes lands acquired by the same in one of the ways stipulated by law, as well as lands excluded, under the law, from the public domain. The private domain shall be subject to the provisions of the common law unless otherwise stipulated by law.

The data bank. Utilities. Concessions.

The limits of localities are determined under Law no. 2/1968, and the limits of lands within localities are determined in accordance with the Master Plans prepared and approved under Law no. 50/1991, as amended.

Within the limits thus determined, specialized cadastre activities are organized, the real estate and utility cadastre, respectively, which is recorded in the general cadastre register.

Specialized cadastre registers are subsystems for the recording and systematic inventory of real estate for technical and economic purposes.

The purpose of real estate and utility cadastre is to set up a data bank for the management of the locality as well as to provide detailed data and information on the following:

- *characteristics relating to the type of construction of buildings;*
- *functional characteristics of buildings;*
- *availability of utilities at parcel level;*
- *availability of utilities and type of utilities inside buildings;*
- *geo-technical characteristics of lands.*

Each real estate property is identified, located and described. Based on this data, lands and buildings are given a technical and economic assessment and information is provided necessary in order to determine the minimum price for the concession of lands under the law (Law no. 213/1998).

The data bank is the information system developed from the data in the general cadastre register, the specialized cadastre registers and other sectors of activity which work on the formulation of global strategies of localities, in accordance with the development programs of governments, at all levels.

The creation of the information system involves, on the one hand, the creation of system architecture, a functional analysis and the technical solution, and on the other hand, its implementation, as well as personnel training on how to use it. The data bank is structured in a graphic part and an alphanumerical part. In a GIS system in which the two modules containing graphic and text information are integrated, the possibility of fast access and search depend on the manner in which each section is structured.

The data bank, in its present form, involves the finding of solutions to important problems, such as:

- *the storage of graphic and alphanumerical information;*
- *the development of a system capable to respond to the issues relating to the copying and printing of plans, data storage operations, etc.*
- *confidentiality;*
- *accessibility;*
- *the preparation of a commercial policy to define the needs required, production costs and prices, and budget means.*

Land value. Land taxes. Land market

In a modern state, a functional cadastre system is a basic instrument in assessing the available capital and resources, as well as an instrument for governments, businesses and individuals.

The development of a cadastre register and real estate publicity in the context of the urban development policy with an impact on economic development was imposed by the economic reform and the transition process to a market economy, as well as by the need for a more effective use of financial resources, the need to create a unitary recording system for properties, precise delineation and information on the legal status of all real estate, at local government level and at national level, and the need to substantiate a coherent system of property taxes and fees.

The processes necessary to gradually achieve a market economy are:

- *equitable property taxation;*
- *the development of the land market.*

The **economic function** of the cadastre involves elements such as the use of parcels of land as well as the elements required to determine the economic value of real estate, achieved at the time the general cadastre works are performed, and ensures the provision of data required by the system of taxes and fees in order to correctly determine the fiscal obligations of taxpayers in accordance with the value of the property.

In the context of a market economy, the assessment of lands must be made according to certain criteria (the case of lands outside localities):

- *the quality class and category of use;*
- *utilities at the site or vicinity (ways of communication);*
- *location of land in relation to the locality;*
- *the position of the land in relation to access to transportation networks;*
- *the shape of the land;*
- *the slope;*
- *pollution, restriction areas;*
- *economic functions and social characteristics of the locality;*
- *special rejection coefficient due to complex causes;*
- *means of access.*

The value of a property is represented by the most likely sale price, freely determined in a certain period, between parties free to act and when they are said to be reasonably informed on market trends.

The economic cadastre – a source for a readjustment to make local taxes and fees more equitable, offers the opportunity to revise funding policies of the central government and of local governments and to levy the taxes and fees necessary in order to meet the two objectives stipulated in the Constitution of Romania, which are local justice and autonomy.

The users of any kind of cadastre data are: the central government and local governments, the fiscal authority, banks, notary public offices, owners of real estate, the National Statistics Commission, the Environmental Protection Agency, individuals, holders of specialized cadastre registers, etc.

It may be stated that the data included in the cadastre register is useful to many activity sectors helping to formulate global strategies in accordance with the development programs of governments at all levels.

The cadastre system once in place is capable to guarantee ownership titles and ensure credit security, to support the system of land taxes and fees, to provide data on the real estate market and land performance, and to monitor land use and its influence on the environment, to support the agricultural reform and to ensure the recovery of costs, **even if at an initial stage this cadastre system requires State subsidies to be achieved.**

The ownership right over lands has been a powerful social and political argument used by individuals and communities. Economic decisions are based on the manner in which the society solves the issues relating to ownership rights. This may be seen in transition countries in which foreign companies and individuals hesitate to invest as long as the lands necessary for the conducting of activities may not be owned. A strong legal and political basis is necessary to provide guarantees in this respect.

The importance of developing land policy

- to create the legal framework for the implementation of a simplified, unitary, fair and operational system of taxes and fees based on accurate data on property;
- to speed up the process of the restitution of agricultural lands and to provide technical cadastre support for the development of agricultural exploitations, as well as for the amalgamation of lands;
- to participate in the preparation of documents necessary in the privatization process of agricultural commercial companies in which the State holds the major interest (former IAS (State Agricultural Enterprises));
- to provide information necessary in the process of making certain decisions by the authorities of the central government of local governments concerning the social and economic development of localities;
- to develop an information system on lands which provides the information necessary for global analyses and to the decision making structures in the central government and local governments, which facilitate:
 - the election of the best solution and eliminates errors in the organization and use of lands;
 - the making of inventories of data on existing or created natural resources as well as their management;
 - the effective access to natural resources, as well as the election of the best methods to open and exploit them;
 - the optimum organization of works and construction sites for the purpose of reducing the use of financial and human resources and increased effectiveness;
 - parcel amalgamation, crop rotation, performance of agricultural works and the treatment of plants and forests, optimum access in the cultivated fields for crop transportation, order and integrity of agricultural and forestry exploitations;
 - the adoption of certain European procedures in determining the economic value of lands and constructions;
 - the generalization of solutions adopted in zonal and regional cooperation programs;

March 2002

Leontina KOVACS

Annex 12.9.

LEGISLATION ON THE PROFESSIONAL TRAINING OF ADULTS

Source: Adrian Tinis, Director - Regional Adult Training Center Cluj

I. EXISTING

1. Law o 76/16.01.2002 on the system of unemployment insurance and employment incentives.
 - a. Provide high number of jobs and adjust response to the requirements of the labor market;
 - b. Support personnel belonging to underprivileged categories of population;
 - c. Provide equal opportunity on the job market;
 - d. Improve job structure by economic sector and regional conditions;
 - e. Use the Romanian Standard Profession Inventory (COR)
 - f. Stop unemployment at the time of unjustified refusal to attend professional training services;
 - g. Professional information and consulting;
 - h. Financing professional training programs for the unemployed out of the unemployment fund;
 - i. Coordinate training and retraining activities of the National Employment Agency targeting job seeking people;
 - j. Undertake professional training based on the use of national occupational standards;
 - k. Consulting, technical and financial assistance for start up entrepreneurial activities or businesses;
 - l. Additional revenues to the salaried employees;
 - m. Incentives for labor mobility;
 - n. Subsidizing of jobs;
 - o. Creation of the National Commission fore Employment Promotion

2. RGD no. 174/20.02.2002 on approving the Methodological Norms for the Implementation of Law no. 76/2002 on the system of unemployment insurance and employment incentives
 - a. professional training programs may be for the initiation, training, retraining, qualification or specialization of job-seeking individuals, and are organized based on the professional profiles, occupational profile and standards, as follows:
 - at the express request of employers who want to hire job-seeking individuals;
 - at the request of individuals willing to perform an authorized activity under the law;
 - based on expert analyses and studies of the current and expected job needs;
 - b. professional training schemes organized under the law may be attended by any able individual, with the required level of training, that has received career information and consulting, through the professional information and consulting centers in the county/Bucharest employment agencies (AJOFM);
 - c. in establishing the form of the group and the type of professional training schedule, consideration should be given to the general level of training, as documented by graduation certificates;
 - d. professional training programs for crafts or simple activities, may be attended by individuals who have not graduated regular training, but have the necessary skills for such jobs; the list of simple crafts and activities is approved by order of the minister of labor;
 - e. AJOFMs may organize special professional training programs for disabled and partly disabled persons
 - f. if professional training is provided by AJOFM through professional training service providers, selection thereof shall be based on public bidding, under the law; the bidding is usually organized once for each professional training program, for the occupations, crafts, and professions included in the National Professional Training Plan.

3. Order no. 111 of the minister of labor and social solidarity
Procedures on how to approach the rights of job-seeking individuals for the duration of their attending a professional training scheme. Costs are supported out of the unemployment insurance budget for: office supplies, training materials, manuals, protection equipment, free tickets for a maximum of 3 transport lines, medical consultations, free medical tests
4. Procedures on access to employment incentives. Financing schemes and instruction for the implementation thereof
 - a. access to free professional training services is granted to any person included in professional information and consulting services or mediation services, who have obtained a recommendation for the course they want to attend
 - b. professional training of job-seeking individuals is organized by the (county; or City of Bucharest) employment agencies through their subordinated professional training centers, regional professional adult training centers or through certified professional training service providers in the public or private sector, contracting with AJOFM based on public bidding
 - c. maximum duration of training=9 months; by way of exception 24 months with the approval of ANOFM; theoretical/practical ratio=1/3 / 2/3 hours
 - d. number of hours of theoretical training=6 hours/day; number of hours of practical training=8 hours/ day
 - e. graduation examination: theoretical + practical or theory or practice
 - f. issuance of graduation certificates under the legislation in force

II. PROPOSED

1. Alternative financing of adult professional training by reducing the contribution at the central level and increasing local contribution (regional, county, municipal, town, commune) or recourse to other sources.
 - a. create local fee representing community contribution to adult professional training in the amount of 0.5% of the personnel salary fund; this should not be an additional fee, but be provided by percentage redistribution in the existing fees; not to be transferred to the central budget, but established and used at the local (county) level; the fund so created should provide up to 30% for the development of Regional Adult Professional Training Centers based on programs developed by them and approved by the local community;
 - b. attract foreign financial resources from the European Union, USAID, and others.
2. Draft the "Law of continuous adult education " based on:
 - education based on competence
 - modular training and issuance of graduation certificates (training, retraining, specialization) based on the graduated module and the acquired skills
 - harmonize the examination and certification process with the system applied in the European Union so that the certificates received should be recognized, including according to ISO 9000, 9001, 9002
 - use the tri-party system of leadership and administration of a National Fund created with the mandatory
3. Contribution of all the employees
 - create accreditation, evaluation, standardization system
 - encourage employees to develop their professional training continuously, by providing fiscal incentives.

Annex 12.10.

LEGISLATION CONCERNING LABOR FORCE CONVERSION

Source: Adrian Tinis, Director - Regional Adult Training Center Cluj

Law / Gov. decision	Contents	Objectives
0	1	2
<p>1. Law 76/2002 on unemployment insurance system and on encouraging employment.</p> <p>2. Gov. Decision 174/2002 on approving the regulations for the enforcement of the Law 76/2002</p> <p>3. Gov. Decision 1318/2001 on amending the National Agency for Training and Employment Support statute previously approved by Gov. Decision</p>	<p>Insuring a high level of employment and flexibility of the labor force in order to meet the market demands;</p> <p>Insuring equal employment opportunities in the labor market</p> <p>Using the Romanian Standard Professions Inventory (COR) in training and employment support operations</p> <p>Developing training programs based on the national profession standards</p> <p>National Agency for Training and Employment Support (ANOFM) should coordinate the training activities for people in search for employment opportunities</p> <p>Supporting disfavored social categories</p> <p>Consultancy services, methodology and financial support for self-employment or new business initiatives</p> <p>Complement income for employed persons</p> <p>i. Encouraging labor force mobility</p> <p>j. Subsidizing working places</p> <p>Establishing the Regional Adult Training Centers as public institutions and legal persons under the coordination of ANOFM – the National Agency for Training and Employment Support</p>	<p>A. Improvement proposals for achieving objectives within 2 to 5 years.</p> <p>B. Creating the legislative frame for achieving objectives within the next 2 to 5 years.</p> <p>A. Improvement proposals for achieving objectives within 2 to 5 years</p> <p>1. increasing the collaboration of the three parties in developing and using the unemployment fund</p> <p>2. the existence of a law concerning a specific percentage of the unemployment fund to remain at the local level (County/Region) and to be administrated by an organization of the three parts</p> <p>3. diversifying the incentives offered to employers to create new employment opportunities</p> <p>B. Creating the legislative frame for achieving objectives within the next 2 to 5 years.</p> <p>Elaborating the statute of Regional Adult Training Centers (CRFPA)</p> <p>1. establishing the Three Parties Administrative Board for each CRFPA</p> <p>2. financing the operations and development of CRFPA</p>

4/1999		<p>as well from local sources by imposing a local professional training of the adults charge as a percentage of the total wage fund</p> <ol style="list-style-type: none"> 3. establishing a recognition system according to an education system relying on competence 4. elaborating a curriculum for local government professions and CRFPA providing training modules at City Halls and other local government related institutions 5. elaborating the documents for obtaining the ISO 9002 certificate in order to comply with EU standards for recognizing the qualifications and training 6. developing training modules and attesting the completion of the studies based on competence and the modules attended 7. applying to EU or other external funding opportunities based on CRFPA elaborated programs
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