

DELIVERABLE FOR SUBMISSION TO CDIE/DEC

TITLE	FINAL PROJECT REPORT
PROGRAM	GOVERNANCE REFORM AND SUSTAINABLE PARTNERSHIPS
COOPERATIVE AGREEMENT	186-A-00-02-00107-00
STRATEGIC OBJECTIVE	2.3 IMPROVED DEMOCRATIC GOVERNANCE AT THE LOCAL LEVEL
USAID OFFICE	ROMANIA
CONTRATOR	DEVELOPMENT ALTERNATIVES, INC.
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1.OVERVIEW

1.1 The Goals of the GRASP Program

When the United States Agency for International Development (USAID) in Romania designed the “Governance Reform and Sustainable Partnerships (GRASP)” program it was intended to be “an innovative approach to strengthen local governance and civil society capacity, and enhance the administrative, financial and political dimensions of the national governance environment impacting on local government.” USAID/Romania wanted GRASP to “build on previous programs to improve local government performance and strengthen the capacity of civil society organizations to influence democratic change.”

The RFA specified that: “The main objectives of the Governance Reform and Sustainable Partnerships (GRASP) Activity are to: 1) build participatory policy-making processes at the local level; 2) improve quality and cost-effectiveness of local service delivery; 3) strengthen local government capacity to address citizens needs; 4) build citizens’ capacity to oversee local governmental actions; and, 5) reinforce rule of law at the local level. Proposals should build on previous local government and civil society programs and strengthen local capacity through creative and realistic approaches.”

The implementation of the GRASP activity was intended to lead to the achievement of SO 2.3, “Improved democratic governance at the local level”, as stated in USAID’s Assistance Strategy for Romania 2002-2006. Two intermediate results contribute to improving democratic governance at the local level: (1) adequately funded service-oriented local government units; and (2) improved interaction between citizens and local public institutions. By 2006, USAID expects that significant changes will take place at the local level, leading to an improved quality of life for Romanians.

1.2 Brief History of GRASP Implementation

In its response to the RFA, DAI proposed an integrated program strategy with three components: (1) Local Initiatives, (2) Knowledge Sharing, and (3) Sustainability. The Local Initiatives component centered on identifying local priorities and articulating a community agenda. Local initiatives included building skills within Clusters of local government units (LGUs) and Civil Society Organizations (CSOs) throughout Romania using highly customized and demand-driven assistance focusing on solving concrete problems. The Knowledge Sharing component was designed to identify promising innovations in local governance, replicate success nationwide, and link people, ideas and constituencies for policy reform from across Romania. The Sustainability component ensured that public-private partnerships and positive reform in local governance continue beyond the life of GRASP. GRASP provided Grants on a competitive basis to local organizations that formed partnerships with local government to improve services. GRASP also relied on market driven approaches to spur local demand for technical assistance services provided by Romanian providers.

GRASP initially conducted an application process and, together with USAID, formed 14 Clusters including a total of 79 LGUs. Detailed Cluster Improvement Plans were developed and submitted as part of GRASP’s first workplan, initially covering the first 20-months of program implementation. Throughout 2003, GRASP provided highly tailored technical assistance to the 14 Clusters and the constituent LGUs to achieve ambitious objectives under the Cluster Improvement Plans.

In November 2003, USAID initiated an assessment of GRASP one year into its implementation. The intention was to review progress and to make recommendations on possible amendments to the overall results framework and scope of work for the program. At the same time, GRASP also conducted a self assessment and submitted to USAID and its assessment team, an “Issues and Options Paper” intended to identify key areas where the program management and implementation could be improved. Based on this paper and at USAID’s request, GRASP began making adjustments to its management and overall staff structure. The most significant management change included replacing the Chief of Party, which took place in January 2004.

With USAID's encouragement, GRASP also implemented many of its own recommendations relating to technical and program implementation refinements, the most significant of which was to provide more direct technical assistance and training to individual local governments and not limit activity to the defined Cluster Improvement Plan.

The new approach outlined in GRASP's second workplan submitted to USAID in March 2004 included the selection of 19 new LGUs to benefit from the program through:

1. Receiving a minimum core package of technical assistance in financial management and budgeting, and citizen participation and transparency;
2. Implementation of pilot projects with more tailored training and technical assistance that would serve as an example for others to follow and inform the national decentralization policy debate;
3. Receiving technical assistance from permanent Romanian entities – education institutes such as the Institute for Public Administration, Resource Partners, other qualified NGOs, and private consulting firms to provide high quality services for LGUs – that are trained by GRASP to roll out and model successful local interventions.

Even while a program transition was underway, GRASP continued working with the 14 Clusters to achieve many of the Cluster Improvement Plan objectives. As technical assistance and training continued in the participating LGUs, GRASP and USAID selected the 19 cities to participate in a "Phase 2" of the program to begin September 2004. GRASP conducted assessment missions, drafted and signed Memoranda of Understanding with the mayors from the cities, and began outlining the priorities for program assistance. As the transition to Phase 2 was complete, USAID informed DAI in October that the program was to be phased out no later than December 31, 2004.

1.3 GRASP Monitoring and Evaluation

1.3.1 Methodology

The program achieved a number of positive results during its two-year lifetime. The GRASP Monitoring and Evaluation (M&E) Plan was originally submitted to USAID in March 2003 and was approved in April. As agreed with USAID, GRASP provided a comprehensive baseline data collection report in September 2003 along with an updated PMP. In March 2004, USAID requested an update of the PMP indicators and targets, which were provided and approved tentatively on March 15. A variety of tools and methods were used to obtain accurate and reliable performance data, including

- *Local Government Capacity Index (LGCI)* - DAI initially developed the Municipal Capacity Index (MCI) for a USAID local government program in neighboring Serbia. GRASP tailored the MCI to the specific needs of the program and development environment in Romania to help establish a baseline and describe the current capacity of Romanian local governments in key technical areas.
- *NGO Institutional Capacity Measurement Tools* (GRASP developed two types of tools):
 - *CSO Institutional Capacity Assessment (FEDI)* – Initially developed by GRASP subcontractor AED, this tool provided baseline performance data to GRASP on the institutional capacity of its grantees and other CSOs related to the program.
 - *Local Government Association Capacity Scorecard* – This tool was designed to gauge the capacity of local government and professional associations participating in GRASP.
- *Policy Reform Scorecard*- designed by GRASP in order to track and report progress on specific policy reform initiatives.
- *Citizen Surveys*- This included broader questionnaires, as well as focus groups based on certain demographics around a specific topic.

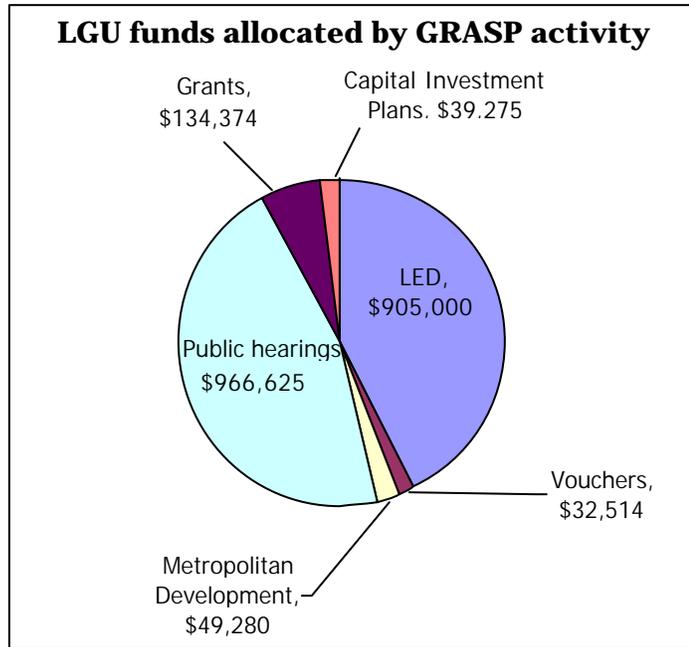
- *File and document review*- reviewing data that was previously collected and is present in local government records, organizational or program files, or other program documentation.

1.3.2 Program Results

GRASP's performance against established USAID indicators was impressive, including:

USAID Indicators achievement - December 2004

Performance Management Criteria	Targets				Actuals	Project target achievement (%)
	year 1 & 2	year 3	year 4	year 5	year 1 & 2	year 1 & 2
SO 2.3						
Number of USAID-assisted LGUs that have increased the percent of their program budget spent on services identified by citizens	20	40	60	80	41	205%
IR 2.3.1.1						
Number of GRASP-assisted Local Government Units that increase their locally available revenues	25	55	80	125	83	332%
IR 2.3.1.2						
Number of public services in which cost is aligned with fees charged for delivering the service, while incorporating customer feedback about efficiency and quality	15	35	65	105	4	27%
IR 2.3.2.1						
Number of GRASP-assisted Civil Society Organizations (CSOs) participating in strategic planning, implementation or oversight activities	50	100	150	200	105	210%
IR 2.3.2.2						
Number of new community services created through a defined participatory approach	50	100	150	200	109	218%



\$2,127,000 spent on services identified by citizens

GRASP INDICATORS ACHIEVEMENT - DECEMBER 2004

Indicator Code	GRASP Performance Indicator	Target 2004	Actual	Target Achievement
CP1	Number and percentage of GRASP- assisted LGUs that increased LGCI score on providing citizen outreach mechanisms	25	50	200%
CP2	Number and percentage of GRASP- assisted LGUs that increased LGCI score on conducting public meetings, hearings or other events to inform and involve citizens in developing the budget and other public decisions	25	26	104%
CP3	Number and percentage of GRASP- assisted LGUs that increased score on LGCI measuring compliance with the Transparency and FOIA Laws	25	51	204%
DCB1	Number and percentage of GRASP- assisted Associations that are operational according to defined set of capacity criteria (i.e., trained staff; revenue from dues, fees and/or donors; infrastructure; strategy; business plan; services offered)*	10	NA	NA
DCB2	Number of best practices disseminated to LGUs (disaggregated by type)	20	18	90%
FB 1	Number and percentage of GRASP- assisted LGUs that increased LGCI score on establishing open, competitive and transparent procurement systems	35	65	186%
FB 2.1	Number and percentage of GRASP- assisted LGUs that increased LGCI score on developing Capital Investment Plans	13	14	108%
FB 2.2	Number and percentage of GRASP- assisted LGUs that increased score on LGCI adding financial management tools	15	15	100%

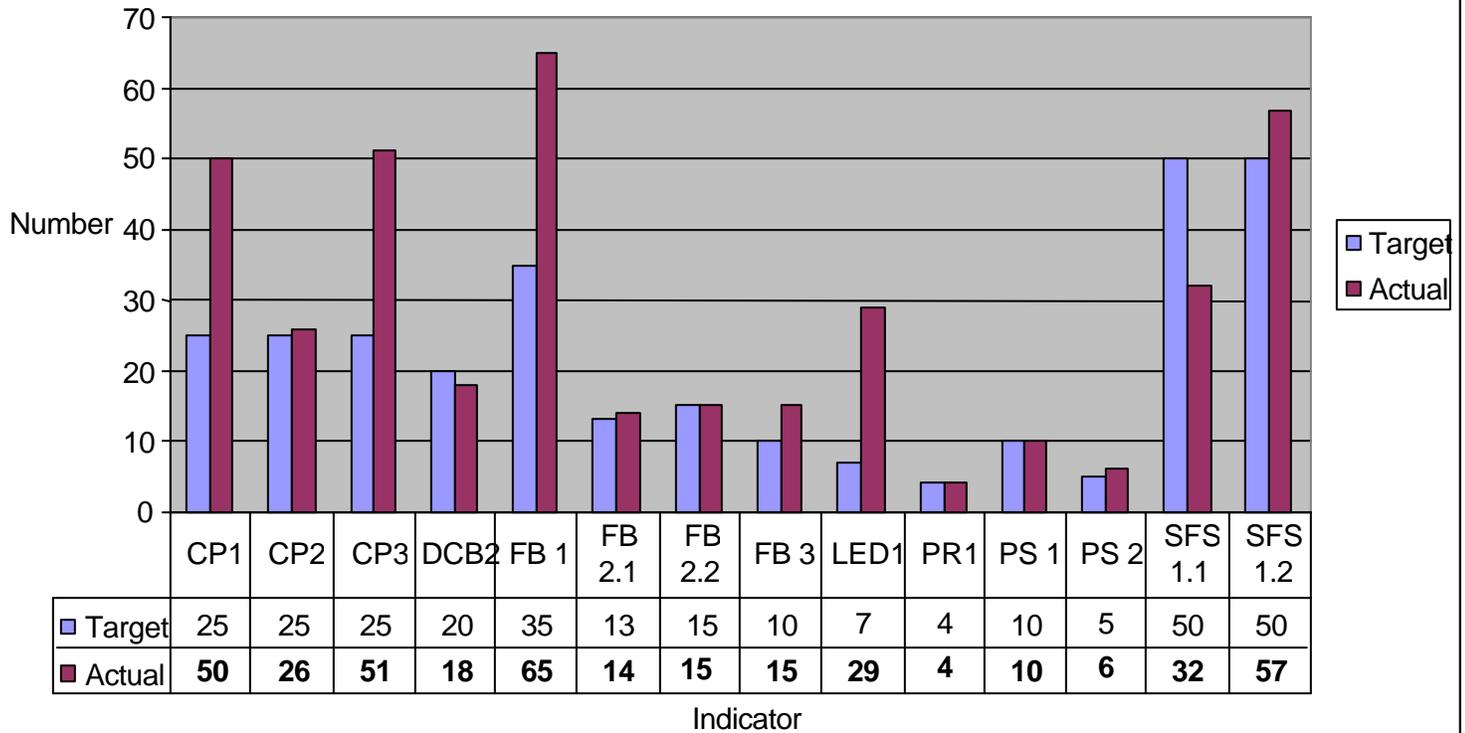
FB 3	Number and percentage of GRASP- assisted LGUs that increased LGCI score on ability to borrow funds (bank loans, bonds, grants)	10	15	150%
LED1	Number and percentage of GRASP- assisted LGUs that increased LGCI score on initiating or participating in public-private initiatives to improve local economic conditions	7	29	414%
PR1	Total number of points earned on the policy reform score card**	4	4	100%
PS 1	Number and percentage of GRASP- assisted LGUs that increased score on LGCI monitoring the quality of public services based on performance criteria and citizen input	10	10	100%
PS 2	Number and percentage of GRASP- assisted LGUs that increased score on LGCI aligning cost with service fees	5	6	120%
SFS 1.1	Number and percentage of GRASP- assisted CSOs that improved their management capacity (using Institutional Capacity Assessment Score Card -- FEDI)***	50	32	64%
SFS 1.2	Number and percentage of GRASP- assisted LGUs that increased LGCI score on measuring cooperation with CSOs	50	57	114%
SFS 2	Number of LGUs that increased the percent of their cost share contributions in successive offers of the voucher program for technical services***	5	NA	NA

* First measurement has been done in Aug/Sept 2004, no time for follow up

** Initial target was 5 but one of the activities (FALR contract) was stopped

*** Grants and Vouchers ended during 2004

GRASP Indicators



GRASP Highlights

Local Government Accountability and Outreach to Citizens

- GRASP launched the citizen monitoring system for sanitation services in eight LGUs. Local newspapers published results.
- GRASP and Resource Partner, Transparency International Romania, developed and published and distributed 1,000 copies of the *FOIA Guide for Citizens and Public Servants*.
- Five business attitude surveys were conducted in Craiova, Arad, Sibiu, Salaj, and Bihor, and three community profiles were developed in Harghita, Arad, and Bihor.
- GRASP expanded the successful Citizen Information Center (CIC) model to 52 communes throughout Romania to contribute to greater transparency and accountability of village local governments.
- GRASP Created 9 Citizen Consulting Committees (CCCs) involving 70 citizen volunteers for LGUs in the Iasi Metropolitan Area
- GRASP supported 32 local governments to hold public hearings on the budget, including the creation and distribution of the Budget Transparency Toolkit.

- The Suceava County Local Governments web portal was established to enable 36 local governments to share information related to budgets, strategies and programs, organizational structures, procurement documents, investment opportunities, and local council decisions. The portal will ultimately host information about all 100 LGUs in Suceava.

Local Budget and Financial Management Systems

- GRASP drafted methodology for estimating cost-per-case for social welfare services and adjusted it with input from three NGOs.
- Thirty-five local governments received GRASP direct assistance in conducting open and transparent public procurements according to Romanian law and international standards.
- GRASP completed and distributed 500 copies of a *Procurement Guidebook* for local government officials, endorsed by the newly created Association of Romanian Public Procurement Professionals – many of whose members are GRASP-trained trainers.
- GRASP supported the Iasi County Council to present a round table on “Metropolitan Development in a Cross Border Context.”
- GRASP subcontractor, EMI Systems, completed the full customization of its decision support software (Map Decision) for use by the Iasi Metropolitan Council in its decision-making process. This may be found at <http://emi.grasp.ro/iasi>.
- The Neamt County Council adopted a long-term tourism marketing plan, developed by the Neamt Tourism Task Force – which includes representatives of both the public sector and private enterprise.
- GRASP selected a qualified Romanian IT subcontractor to develop a fully integrated financial management database for Pitesti.
- GRASP completed the Capital Improvement Planning (CIP) and Budgeting Manual used as basis for training nine trainers in Capital Improvement Planning and Budgeting in order to better deliver training and technical assistance through their local association or other local sustainable institutions.
- Caracal officials received one billion ROL (\$30,300) from the Olt County Council to finance a feasibility study for the capital investment project – “Integrated system for waste management” -- part of the GRASP-assisted (CIP)
- The GRASP-assisted CIP in Bals led to the investment of one billion ROL (\$30,300) in “Extension of the water supply network in the Corbeni-Roman neighborhood”, 150 million ROL, quarterly, in the “Rehabilitation of public lighting network” and council approval of a waste management project.
- GRASP sponsored the County Economic Directors Association (ADECJR) to organize a round table in Suceava where three best practices on financial management and attracting new funds for infrastructure projects were featured -- resulting in six counties replicating the best practices.

Local Government Transparency

- Ministry of Public Finance requested continued GRASP assistance to train officials in public procurement training and to prepare amendments to the public procurement law.
- In Zalău, GRASP experts helped local government representatives develop the tender documentation and evaluation criteria for a feasibility of the rehabilitation of a social services center.
- In Braila, GRASP assisted in the development of bidding documentation to procure services for assessing and reorganizing the public transportation system.

- Sixty-three media organizations and 59 local governments participated in a workshop to examine the contents of the FOIA law, its advantages and the issues of accessing information, and learned how to use this resource to enhance their research and reporting.

Citizen Oversight and Public Service Delivery

- Following GRASP-supported monitoring of sanitation services in 10 LGUs, four improved their contracting policies based on citizen input, and one enacted a local regulation with service performance standards.
- To broaden the impact of the sanitation monitoring activity, GRASP created a Public Services Monitoring Toolkit and distributed it throughout the country.
- Forty-two social workers, finance managers and secretaries from 16 local governments participated in needs assessments supported by GRASP. Iasi County designed and funded 21 new services with more than 500 beneficiaries. Suceava proposed twenty-one new services capable of addressing the needs of 850 disadvantaged citizens.
- The County Council of Arges received a GRASP voucher to provide training in proposal writing, project management, and accessing international donor funding. Within months of completing the training the County Council applied for, and was awarded, two different grants totaling \$75,000 for establishing a counseling office to support families and children facing financial difficulties.

Local Economic Development

- Craiova Local Council approved GRASP-sponsored Public-Private Partnership for Local Economic Development between the local administration and the Local Council of SMEs.
- The Caracal local economic strategy developed under GRASP lead to the: 1) creation of the Caracal Entrepreneurs Association; 2) attraction of 22 billion ROL (\$666,000) for a gas improvement project; 3) commissioning a feasibility study for waste management; 4) completion of planning for a water distribution network (1,800 m. of pipeline were rehabilitated for a total value of 2.5 billion ROL); 5) investment of about \$70,000 from Zonatex, an Italian company that bought 600 sq.m. of land and established a new textile manufacturing company; 6) expected investment of 2.8 million ROL of the German REWE company which has indicated an interest in building a “Penny Market” in Caracal; 7) start of a real estate project with a total value of \$1.1 million by the Hungarian EGE Consulting Group to modernize 19 apartment buildings; and 8) launched its LED webpage at www.pmc.romanati.ro/dde/index.htm.
- Bihor County Council decision no. 19 on April 27, 2004 approved the tourism development strategy, its action plan, and established a new executive body – the County Tourism Office.
- Business Improvement Districts (BIDs) in Iasi and Braila matched the \$50,000 provided by GRASP and completed capital improvements to the locations.

Building Sustainable Partnerships

- GRASP and the National Association of Citizen Information Centers (ANCIC) published the *National Catalog of Citizen Information Centers – edition 2004*, *CIC Operator’s Guide*, and the *User Requirements for CIC-dedicated software*.
- As a result of GRASP Learning Networks, The Association of County Economic Directors (ACEDJR) increased its dues paying membership by 18%.
- GRASP grantee the Association for Civil Society Development in Rural Areas received funding totaling over \$200,000 from the European Union, Romtelecom, and Orange for three projects to address citizen-identified infrastructure needs such as telephone connections and road repairs.

- GRASP grantee PAEM Arad Association organized a job market for young graduates in Arad. Sixty-five private companies presented their companies and job offers amounting to a total of 1,000 jobs. PAEM launched the book “Career Perspectives: Guide to Vocational Counseling”, based on 12 months of experience working with 450 young job seekers.
- Through a GRASP-supported job training project developed in April 2004, Integra Association in Oradea helped 10 women find jobs and three others started their own small businesses. Integra has since received a grant of \$150,000 from the Shell Foundation.
- GRASP grantee Ecologic Club BIOS finalized the Water Resources Management Plan for Sibiu County.
- GRASP grantee “Femina 2000” Association expanded consulting services to citizens, including 111 first-time participants -- a 236% increase. The grantee also finished the feasibility study, “Social Housing for Rroma,” part of a 170,487 euro project funded through PHARE and the local budget, and at the request of the Tîrgu Neamt City Hall, the Association conducted a feasibility study on improving road infrastructure in the Rroma community -- part of a joint PHARE-Tîrgu Neamt City project totaling 195,820 euros.
- GRASP grantee REC Association organized a public meeting to disseminate the Olt Environmental Action Plan that helped secure \$3 million from the central government to rehabilitate and extend the water collection and supply systems -- serving 14,306 residents 24 hours a day.
- To maintain and enhance the activities associated with the “Creanga Land” project, the Tîrgu Neamt local council approved a decision to provide continued funding totaling \$2,700 per year.

Credit Access

- GRASP provided technical support to local governments to finalize the drafting of 13 multi-annual investment programs and budgets initiated in previous months. The CIP process involves extensive citizen participation. In addition, GRASP designed a capital investment planning toolkit that will broaden the impact of its activities in this area.
- GRASP drafted the *Framework for Local Government Credit Analysis: an Approach for Self Analysis to Improve Financial Performance*, as a first step in assisting municipalities to access credit. The framework provides a user-friendly checklist and excel spreadsheet for economic directors to assess their jurisdiction’s strengths and weaknesses in terms of creditworthiness.
- At the request of the World Bank, GRASP experts completed a draft law on municipal insolvency with support from the GoR Interministerial Working Group and a paper on policy options for raising the municipal credit limits

Reforming the Policy Environment

- Under a GRASP grant, the Equal Opportunities for Women Foundation (SEF) supported the GoR in drafting amendments to national legislation to target aid to single parent families including comprehensive services regarding child care, legal counseling, housing, and employment. These have been adopted by the GoR.
- GRASP supported the Ministry of Administration and Interior (MAI) in drafting the Government of Romania’s decentralization strategy that was accepted and endorsed by the EU in Brussels and launched, with GRASP support, by the GoR.
- On April 7, the Ministry of Administration and Interior, Ministry of Health, Romanian Federation of Local Authorities, Romanian Society for Emergency Medicine (SMUCR), and GRASP signed a landmark Memorandum of Understanding (MOU) to roll out an emergency medical services system nationwide involving firefighters trained in first response. GRASP grant funds matched other financial and in-kind commitments from the central government and numerous local governments.

- GRASP supported the MAI in drafting the Decentralization Frame Law which was passed by the Parliament in June 2004.

GRASP Results Framework

USAID Strategic Objective (SO) 2.3: Improved Democratic Governance at the Local Level

USAID Key Indicator:

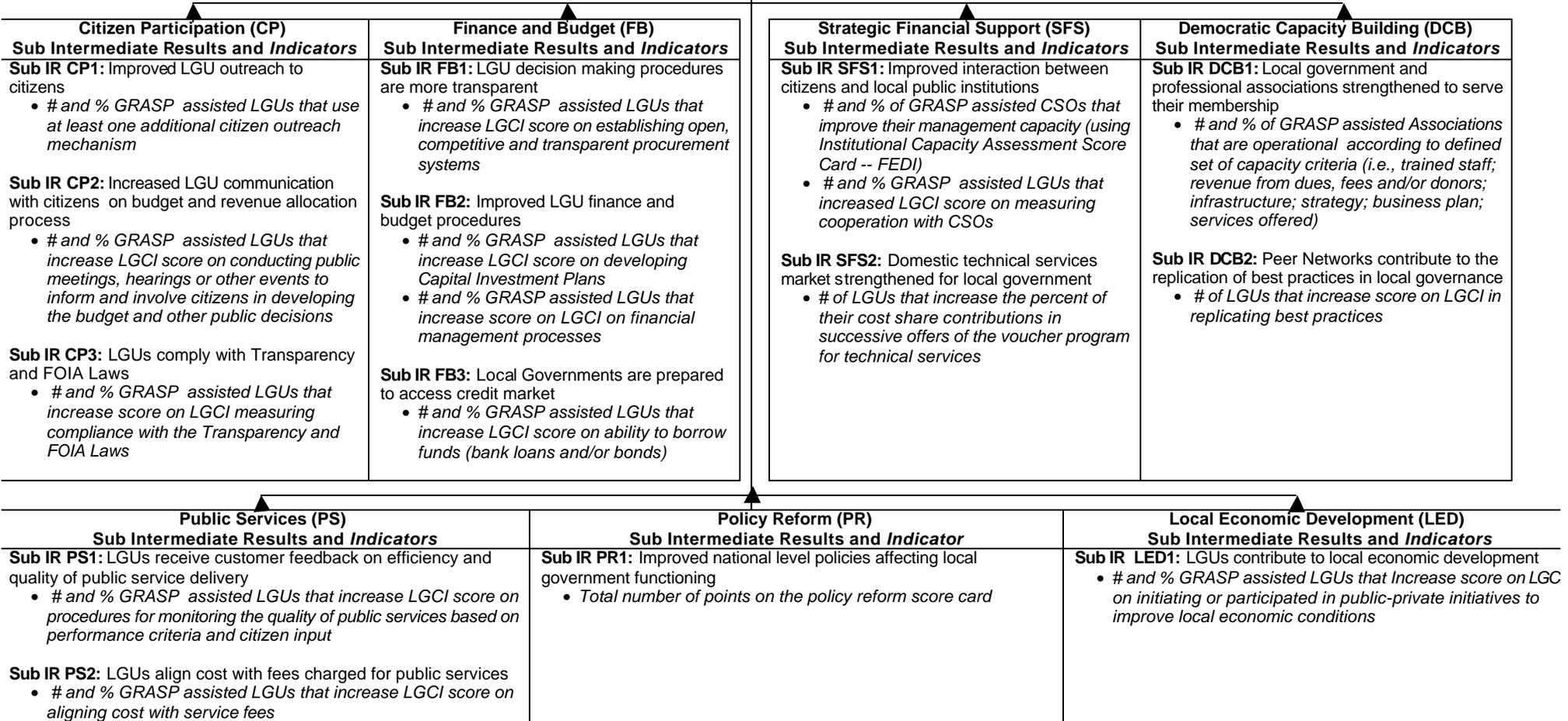
- # of USAID assisted LGUs that have increased the percent of their program budget spent on services identified by citizens

USAID Intermediate Result (IR) 2.3.1: Adequately Funded, Service Oriented LGUs

- Indicators:**
- # of USAID assisted Local Government Units that increase their locally available revenues
 - # of USAID-assisted LGUs that align cost with fees charged for delivering a public service, while incorporating customer feedback about efficiency and quality

USAID Intermediate Result (IR) 2.3.2: Improved Interaction between Citizens and Local Public Institutions

- Indicators:**
- # of USAID assisted Civil Society Organizations (CSOs) participating in strategic planning, implementation or oversight activities
 - # of new community services created through a defined participatory approach



1: INVOLVING CITIZENS IN LOCAL GOVERNANCE

Citizen involvement and feedback is a key principle of more open and democratic local government. GRASP's philosophy is that establishing concrete mechanisms for more active citizen participation in public life is as critical to improving local governance as building the capacity of local government itself.

How local governments provide information and reach out to the public is of critical importance not only to increasing public confidence in democratic governance, but also to improved policy making, financing of operations and capital improvements, urban planning, and awarding contracts. The *Law on Free Access to Public Information*, the *Transparency Act*, and the *Conflict of Interest and Incompatibilities Law* were all passed in Romania during recent years. GRASP provided direct assistance and worked with local organizations to train policy makers, civil servants, and CSO leaders, as well as the news media, in the understanding and complying with these key laws.

An early indication of real needs in the area of citizen participation came from the initial assessments completed in GRASP's original 14 clusters (counties). Ten cluster work-plan objectives out of a total of 36 focused exclusively on citizen participation techniques and all of the plans required some form of GRASP's Citizen Participation team involvement. Following USAID's intermediate result 2.3.2 "Improved interaction between citizens and local public institutions" and taking into account that all three aggregated GRASP Local Government Capacity Index (LGCI) scores in the three key areas of concentration were lower than the average aggregated LGCI score, GRASP developed three distinctive citizen participation technical activities:

- Supporting the creation or strengthening of Citizen Information Centers
- Conducting budget hearings
- Conducting training on the use and implementation of transparency and Freedom of Information laws

1.1 Citizen Information Centers

All local governments are required to have Citizen Information Centers but many have not implemented this requirement. GRASP strengthens CICs:

- Direct technical assistance and training to support
- Building the capacity of the national association of
- Development and distribution of standards for CIC

TA and Training

In Vatra Dornei, for example, GRASP provided training and representatives, including 18 mayors from Suceava, Braila, discussions about the role and responsibilities of CICs, the steps to follow for setting up a CIC, the relationship with citizens/clients, the standard services



A Citizen Information Center providing hands-on assistance to citizens

Information Centers or a public outreach office, engaged in three types of activity to create or

CICs.

CICs.

operation

technical assistance for 52 commune Iasi and Bistrita counties. The training included

that a CIC should offer and the presentation of GRASP-sponsored software requirements for CIC operation. As a result of this activity the participating local governments have created new CICs and upgraded the range and the quality of services provided by the existing CICs, thus contributing to greater transparency and accountability of local governments. In conjunction with a GRASP grant, IT equipment was procured and provided to these communes and, in many instances for the first time ever, citizens in these communes were able to receive information and services from a center created to address their needs.

GRASP conducted sessions of Training of Trainers programs to prepare trainers and consultants for CIC development throughout the country. As a result, 19 trainers and consultants are now providing direct technical assistance to other cities creating new CICs or improving existing CICs. Seventy local governments submitted requests for support to GRASP and ANCIC – 55 for upgrades, 31 for new CICs and 63 LGUs requested training for their staff. “*Iasi will definitely be opening a CIC in the near future*”, stated Mayor Nichita at the ANCIC conference in Iasi.

Developing and Distributing Standards

In order to provide standards of CIC operation, disseminate information regarding all CICs that operate in Romania, and determine standards for software requirements, GRASP developed a number of products for mass distribution throughout the country. Wherever possible, all GRASP products are developed in collaboration with local government and professional associations. For example, in cooperation with the National Association of Citizen Information Centers (ANCIC), GRASP published the *National Catalog of Citizen Information Centers – edition 2004*, containing data on 69 local governments operating CICs or public relations departments. ANCIC will update the catalog regularly. 500 copies have been printed and were distributed to local governments. GRASP and ANCIC also completed a *CIC Operators Guide*. This important GRASP product includes the range of standard and optional services to be delivered by a CIC, as well as clearly defining the process of setting up and operating a CIC. The Guide was printed and distributed through ANCIC and sent to all GRASP LGUs which participated in CIC activities.

Concurrently, GRASP and ANCIC finalized the *User Requirements for CIC-dedicated software* which is included in the *CIC Operators Guide*. The user requirements will be used by local governments procuring or updating existing CIC software. The *CIC Operators Guide* was provided to interested LGUs through ANCIC.

Building ANCIC Capacity

Another goal of GRASP was to assist ANCIC on improving its organizational capacity. On May 20-21, 2004 with GRASP financial and technical assistance, ANCIC members met for their Annual General Assembly Meeting to discuss the 2004-2006 development strategy, work plan and budget. The Assembly included 29 individual members and 14 legal entities.

The result of collaboration with ANCIC and the training ANCIC trainers occurred when three trained CIC experts from training sessions and discussions. As a result of this effort and 18 LGUs established Citizens Information Centers providing plans for CIC creation and operation, 4 of them adopted Bacau, Câmpulung Moldovenesc and Miercurea Ciuc), 3 are Botosani and Iasi) and 2 (Giurgiu and Ploiesti) have not yet intensions. Necessary funds were allocated by eight local



A regional training in Iasi provides ANCIC members the opportunity to share information

programs designed to improve the expertise of Cristuru Secuiesc, Arad and Brasov led previous work conducted by GRASP experts, better services to citizens, 9 LGUs developed necessary local councils decision (Arad, about to adopt the respective decisions (Aiud, made any serious steps to formalize their governments and promotion campaigns were

designed or started in 6 of them.

GRASP and ANCIC implemented a “CIC-Expert Program” with a training of trainers and CIC consultants to create a core team of CIC/PR experts and consultants capable of assisting local governments in creating new CICs or upgrading existing ones. Twenty-four civil servants working in CICs or Public Relations Departments from 23 local governments and three counties participated in the program. Participants will serve on a new core consultant team within ANCIC to assist members and potential new client LGUs in the future.

Through creating new CICs and improving the services offered by existing centers, GRASP was able to increase the direct involvement of citizens in the local government decision-making process resulting in 41 LGUs who have spent over \$2,000,000 on services identified by citizens, and establishing 52 new community services.

Barriers and Constraints

Barriers to effective citizen participation in local communities are mainly related to the lack of adequate institutional bodies. This includes the lack of CICs or the lack of expertise among CIC or PR staff, as well as the lack of well organized community-based CSOs. Most importantly, ANCIC proved to be unprepared to take the lead in this process for the near future.

In addition, some local elected officials and mayors are reluctant to consult citizens on local matters either because of their belief that those matters are too complicated to get reliable or informed feed-back or simply because they are not used to communicating openly with citizens. A few are even directly opposed to public consultations (although they proved to be a declining minority).

Next Steps

GRASP recommends that any follow-up activity should focus primarily on upgrading CICs, replicating the transparent budgeting process techniques, and scaling down any significant activity to implement the Transparency and FOIA laws. To achieve this we would recommend a twofold approach: (1) work directly with relevant local governments, their CICs or PR departments and community-based NGOs with the help of the 13 GRASP-trained consultants; and (2) work through the National Association of Citizen Information Centers (ANCIC), therefore coaching the association and upgrading its performance.

To help implement these proposed steps and achieve better results, GRASP has developed and highly recommends using its materials and toolkits, namely: **“Budget Transparency Toolkit”**, **“Citizens Information Centers: An Operator’s Guide”** and **“Citizens Information Centers Catalog”**. GRASP produced 550 hard copies and CDs of each of these toolkits and manuals and widely distributed them to CICs listed in its catalog as well as to ANCIC itself.

Electronic copies are available on the GRASP website.



1.2 Budget Hearings

The process of soliciting citizen input on local budgeting achieves four goals: targeting and prioritizing resources; improving the quality of public services; increasing the efficiency of the local government; and holding local government representatives and agencies accountable for the quality of their performance.

GRASP supported the conduct of budget hearings by training local officials on assistance in actually organizing the hearing, and preparing leaflets government's proposed budget.

Thirty-eight local public budget hearings with over 1,000 citizens in November and December of 2003 and 2004. In addition eight on Capital Improvement Plans with over 240 citizens communicated to citizens how the input will be included in next budgets based on citizen suggestions. The outcome of these opportunities to share in the strategic vision of the community and budgetary spending going towards 19 services identified by hearing GRASP provided technical assistance and training on how budget, an in-depth power point presentation describing the process of allocating resources to specific programs and activities- customized for each unique local government, a Budget in Brief document that described the previous year's revenues and expenditures, and posters and pamphlets advertising the event to ensure citizen involvement. By increasing the communication with citizens on the budget and revenue allocation process, 41 local governments were able to increase the percent of their program budget spent on services identified by citizens to over \$2,000,000. The direct impact of these funds that were committed during public hearings is noted in the chart.

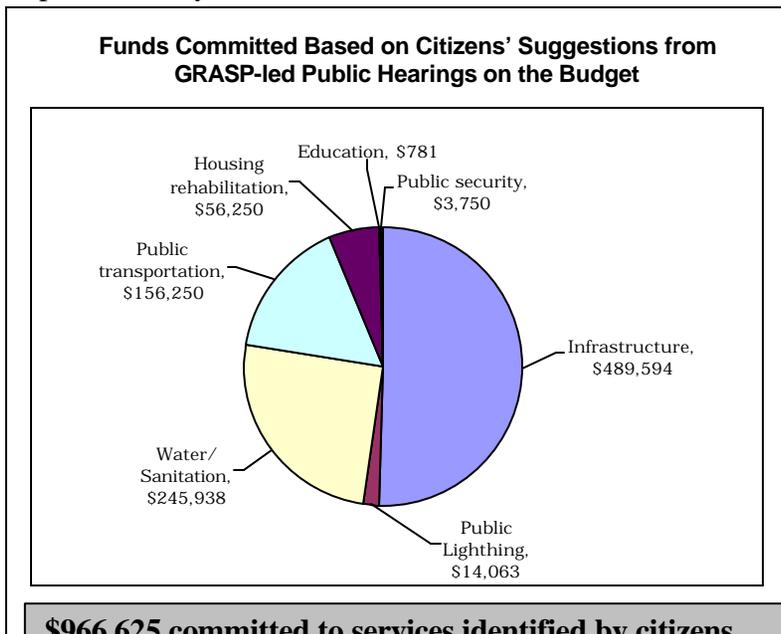
During April and May of 2004, GRASP assisted the counties of Iasi, Olt and Sibiu to organize and conduct eight public hearings on Capital Improvement Plans. 549 citizens participated in the hearings, and 9,000 citizens received information on the capital investment projects for their communities. *"I salute this democratic initiative that allows citizens to come and express their opinions,"* stated a resident of Medias, during a public hearing on the Medias 2004 approved budget and capital investment program for 2005-2009. Local governments learned how to consult with citizens in major decisions involving public money and learned how to produce information materials to make capital improvement plans easier to understand.



Citizens in Bals participating in a public hearing on the budget

officials in holding the hearings, providing hands-and other materials describing the local

participating occurred in 32 LGUs in local governments completed public hearings participating. From these meetings, 14 LGUs year's budget, and five LGUs modified their democratic initiatives to provide citizens the allocate their taxes was \$966,625 of local citizens. In conjunction with every public to conduct an efficient public hearing on the



For replication purposes, GRASP developed a *Budget Transparency Toolkit* for use by Mayors, economic directors and other local government officials and citizens' groups. The toolkit describes the methodology of organizing public hearings on the draft budgets. It also includes a model questionnaire for gauging citizens' opinions and templates for Budget-in-Brief leaflets and presentations. The Budget Transparency Toolkit, in both Romanian and English, was distributed to local

governments throughout Romania. With the assistance of the toolkit, willing Romanian local governments will be able to communicate more effectively with their citizens on matters of public spending without GRASP involvement.

The city of Macin is one prime example of impact of budget hearings. Sorin “*You managed to change our mentalities. needs and present to the citizens our budget government spending.*” After completing a December of 2003, Macin held a public without GRASP assistance and is ensure citizens are well informed and have Mayor of Alesd, articulated the impact in good start for a new client-oriented attitude

Public Pressure Leads to Roll Out of Budget Hearings

On November 23, 2003, GRASP assisted the local authorities in Vârsag in organizing a public hearing on the 2004 draft budget. It was the first time when city hall representatives met with the citizens in order to inform them about the budget. One hundred and seventeen inhabitants of Vârsag commune attended the event, and the main issue under discussion was the rehabilitation of some of the commune streets.

The success of the budget transparency public campaign among citizens was resounding, consequently the Mayor committed to ensuring it would become an annual event. Additionally, the citizens of Vârsag were so impressed with the commitment of the local government that they mentioned the event in their daily interaction with citizens from surrounding villages, “*After a while I started receiving phone calls from my colleagues, mayors of localities neighboring Vârsag, asking about the public hearings: how, when, why, with what resources?*”, says Mayor Ernő. “*Citizens went to their City Halls and asked their elected officials: why isn't our local government so transparent, why doesn't our City Hall organize these kind of events, informing and involving us in the decision making process?*” Citizens in the neighboring communities put pressure on their representatives to learn about public hearings- ultimately securing promises that such campaigns would be organized in their communities- and that the elected officials would be more transparent in their daily activities. “*I am very interested in organizing this kind of event for my citizens this year and in the following years, but I need to know more about the process,*” says Balint Eremir, Mayor of the Dealu commune. As a result of the local governments in the Vârsag area expressing interest in holding public hearings on budget-related issues, Mayor Ernő replicated the ‘transparent budget’ concept, tools developed by GRASP, the process, benefits for the community, and lessons learned at a meeting of the Association of the Eleven Communes, including: Zetea, Capâlnita, Satu Mare, Predesti, Vârsag, Dealu, Feliceni, Lupeni, Corund, Praid, and Mugeni. All eleven communes held public hearings on the budget in 2004.

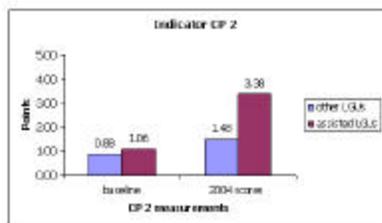
a local government that has experienced the Mureseanu, former Mayor of Macin, stated, “*The way we think now is to respond to citizens' in order to gain their support in local successful public hearing on the budget in hearing on the budget in December 2004 committed to holding future public meetings to their priorities heard. In addition, Tepter Zeno, his city: “This public hearing is a success and a of our local administration.”*”

The results of receiving technical assistance from GRASP are reflected in increases in scores on the Local Government Capacity Index (LGCI), as noted at left. LGUs receiving technical assistance on holding public hearings increased their LGCI scores by 218% over the baseline score – with 30 public hearings conducted on budgets and capital improvement plans and 19 new services introduced. Other LGUs increased their scores by only 68%.

GRASP also worked toward ensuring sustainability of citizen initiatives in Iasi by establishing nine citizen consulting committees involving 70 citizens. These advisory boards will continually provide feedback to elected officials in order to increase the number of community services created through a defined participatory approach. In addition, 20 LGUs organized periodic meetings with citizens, nine LGUs organized standing meetings to discuss Local Council decisions, and two of these LGUs included citizens’ suggestions into the decisions.

Indicator CP2 – measured by LGCI Question # 15

Local government has conducted public meetings, hearings or other events to inform and involve citizens in developing the budget and other public decisions



- 0 - no meetings
- 1 - citizens have been informed about the draft
- 2 - meetings prepared based on a public campaign
- 3 - LGU and citizens conferred on the budget
- 4 - budget modified, as per the requests of the citizens
- 5 - hearings after the budget adoption

• LGUs receiving direct technical assistance in holding public hearings increased scores 218% from the baseline- with 38 public hearings held on the budget and capital plans creating 19 new services, while other LGUs increased only 68%



Local government representatives and the media discuss ways to improve

1.3 Training in Compliance with Transparency and FOIA Laws

It is three and a half years since the FOIA law was enacted. Many local governments which have operational CICs and PR departments in their organizational structure implement the law properly and provide free access

to public information in their communities. However, there are still communities which, although aware of the legal provisions and having formally appointed a person charged with applying the FOIA, have failed to delegate appropriate responsibilities; therefore the law is not actually enforced. There are local governments that are not aware of, or simply ignore, the law and the guaranteed access to public information.

Through its Resource Partner Transparency International-Romania, GRASP developed and published the *FOIA Guide for Citizens and Public Servants*. 1,000 copies were printed and distributed to the local governments. Using the guide as a training resource, GRASP organized five training workshops for 73 city halls and journalists on implementing Transparency and FOIA laws, in cooperation with Transparency International-Romania and the Center for Independent Journalism. The workshops did not aim to “teach” the law to civil servants and journalists; rather, to help the two groups overcome the obstacles in its implementation by promoting a mutual exchange of experience and by sharing best practices and procedures. As a result of these workshops, media representatives became more familiar with the law’s contents, advantages and subtleties, and learned how to use it in their current activity. They also drafted a number of recommendations regarding FOIA implementation.

An assessment was conducted to measure the success of GRASP’s technical assistance on FOIA implementation. The assessment was based on a questionnaire addressed to all participants, civil servants and journalists. 106 people were interviewed (56 civil servants and 50 media representatives). The survey revealed that 100% of the respondents felt more confident in dealing with all or some aspects of information management, 87% on average used the information they learned at the previous session in their daily work, and 73% on average used the FOIA manual provided by GRASP.

After GRASP engaged LGUs in improving access to public information for citizens, 11 LGUs now have an internal system in place to enable citizens to request public information. Eight LGUs organized a public information campaign to promote their compliance with the FOIA law, while two have a system in place through the CIC to answer information requests on site.

Another initiative completed by GRASP was the delivery of server hardware and software to the County Council of Suceava to host the Suceava County Local Governments Web Portal. GRASP initiated this effort to improve the transparency of local government operations by enabling information-sharing mechanisms. As a result of this effort 36 local governments now share information related to budgets, strategies and programs, organizational structures, procurement documents, investment opportunities, and local council decisions. Citizens and businesses will be able to view this information directly, post questions, and participate in discussion forums and opinion surveys. The Portal hosts information about all 100 Suceava LGUs. The first 36 LGUs are direct beneficiaries of two GRASP IT grants and therefore have the capacity to contribute with relevant data more effectively.

2. TECHNICAL ASSISTANCE ON FINANCE AND BUDGETING

2.1 Introduction

The budget is central to local democratic governance. Local government budgets must have a clear and logical plan to allocate public resources in order to meet legal requirements and satisfy citizen needs. When developed properly, the budget becomes an official way to document financial policies and implement the local council's programs. Capital budgeting and planning helps local governments analyze and prioritize investments in infrastructure and then allocate resources to ensure completion. A long-term outlook is critical for capital planning purposes. A rolling five-year time horizon in conjunction with strategic planning and budgeting provides a thorough analysis of future requirements. Finally, the ability of local governments to borrow through the capital markets can produce tremendous benefits including providing citizens with additional services they could not normally afford, as current community needs often far exceed available revenues. By performing careful financial analysis and estimating future costs, LGUs can use debt as one option to fund infrastructure improvements to receive immediate benefits, while spreading the cost of the project over a longer term. It is important for LGUs considering debt financing to understand and calculate the long-term costs involved with borrowing, and to conserve sufficient revenues to pay off future interest and principle payments.

Romanian citizens have frequently stated their frustration with local government activity due to the lack of transparency or perceived inefficiency and corruption at all levels. The issue of corruption was mentioned by the recently elected president as a matter of national security. It is also true that in a transition county like Romania the efficient use of very limited resources are of great concern to all levels of government. Only those projects that have the greatest economic return and support from citizens should be implemented.

Based on these assumptions, and taking into account the USAID intermediate result 2.3.1 "Adequately funded, service-oriented LGUs", GRASP developed and effectively implemented two finance and budget assistance activities:

- Training and Technical Assistance in Public Procurement
- Capital Investment Planning and Budgeting

Two other related activities -- municipal credit self-assessment and proposal writing and project management -- were developed at a later stage and successfully piloted in local governments (see chapter four).

2.2 Public Procurement

A total of 21 procurement training sessions were completed and followed up by direct technical assistance. Working with all 79 city halls on public procurement, GRASP assisted in the development of 138 annual procurement plans in addition to training for local government association members and direct technical assistance to voucher beneficiaries. GRASP received an official letter from the Ministry of Public Finance requesting continued assistance in public procurement training and technical assistance and in the preparation of amendments to the public procurement law. To help reduce corruption and more efficiently provide needed services to the public, GRASP helped 60 local governments prepare a bidding process that



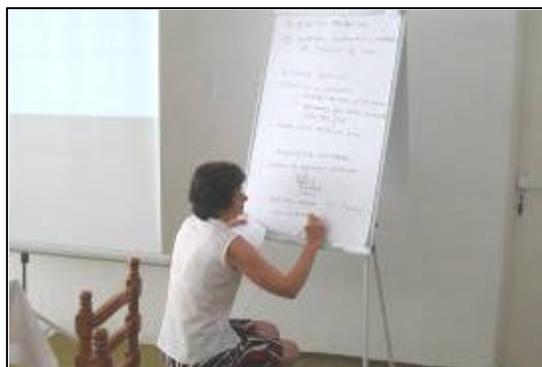
Training LGU officials on procurement techniques

includes advertising, publicity and a database to distribute information to all eligible bidders in order to have a transparent public procurement process. Fifty-three of these LGUs now have an evaluation committee for each bid that is authorized to make recommendations, including public notification of the winner, and 34 of them have internal controls to guarantee independent verification of a timely procurement process.

A significant DAI innovation was the linking of vouchers to the procurement training that GRASP was providing to local governments. To be eligible for vouchers, local governments were required to complete comprehensive procurement training. GRASP specialists and Romanian legal counsel determined how the Romanian procurement law would be applied to purchase services with vouchers. GRASP also assisted local governments to conduct transparent tenders and established procurement standards for the voucher program which in some aspects were more rigorous – but consistent with the Romanian law. These standards were clearly detailed in the GRASP voucher manual. It became clear, however, that many of the local governments, particularly communes, did not have experience applying the Romanian procurement law. Even where local governments did have such experience, they often did not have the capacity to draw up comprehensive Terms of References and monitor whether the work was completed adequately.

Specific activities relating to GRASP technical assistance on public procurement, included:

- A request of the Filiasi City Hall, Dolj County, which launched a tender procedure to build a Rehabilitation Center for Elderly People. The decision of its Evaluation Committee was formally protested by one of the unsuccessful bidders. GRASP's procurement unit assessed the entire process and interviewed the mayor, the secretary of the Evaluation Committee and the legal advisor. Recommendations were made to reject the appeal as groundless and send answers to all interested parties, including an information notice to the Ministry of Public Finance and the Ministry of Public Works. Several improvements were also suggested for future tenders, related to the quality of technical specifications, eligibility and evaluation criteria.
- Technical assistance to Giurgiu City Hall, one of the voucher beneficiaries, requesting recommendations for the design of Management Information Systems' services. This kind of tender procedure was applied for the first time by the Giurgiu City Hall and the procedure provided more flexibility and accountability to the contracting authority because, according to Romanian regulations, the bids were anonymously submitted (without logos and/or identification data) for the Evaluation Committee to assess them. The decision to award the contract was made in June, when the evaluation was completed.
- In Braila County, GRASP assessed feasibility studies prepared by a local service provider and helped the local administration formulate its requirements for improving the final product.
- In Zaku, GRASP experts helped local government representatives develop the terms of reference for the tender documentation and the list of objective evaluation criteria for a feasibility study and technical project on the rehabilitation of a social services center. Subsequently GRASP provided technical assistance and monitored the bidding process. After the procurement committee analyzed and scored the proposals, using GRASP-developed templates, it made the final decision and sent an official notification to the winning company.
- In Caracal, GRASP provided guidance on drafting the bidding documentation, offered different options for the structure of the expected training on proposal writing and project management, and suggested models for the financial proposal.
- In Braila, GRASP assisted in the documentation for the procurement of transportation system. As a result of this will be able to apply properly the most capable providers of services in an



As an important output of the cooperation between

development of terms of reference and bidding services for assessing and reorganizing Braila's public activity the local governments of Zaku, Braila and Caracal provisions of the Romanian procurement law and select the open and transparent manner.

GRASP and the local government associations, a series of seminars

organized by the Association of Economic Directors of County Councils of Romania (ADECJR) and GRASP was conducted in Constanta. The first three-day seminar of the series was focused on the difficulties and successes met in the complex area of public procurement in Romania. Mr. Victor Marculetiu, the President of the newly established Association of Romanian Specialists in Public Procurement, mentioned the importance of a good planning process using the Annual Procurement Plan. GRASP found that very few participating local governments were using this instrument, although it is compulsory according to the Law. Mrs. Carmen Apostol, Deputy Director of Public Procurement Department from the Ministry of Public Finance, noted, “*This workshop is the first step in creating a network between the local public administration associations and the Ministry of Public Finance. We are happy that GRASP facilitated this event. All parties involved in the process thought it was a real success and a promising beginning in creating a network and opening up new opportunities for team work.*”

GRASP produced a *Procurement Manual and Software Model* describing Romanian law and regional best practice. The manual includes case studies from Romania and the region illustrating how officials have dealt with difficult procurement problems. The Manual also includes all the procurement scenarios envisaged by the legislation, and template forms and processes, and a software tool for local public officials allowing better management of the procurement process.

At the request of the Ministry of Finance, GRASP had begun to develop amendments to the procurement law. The early close out of the program prevented the completion of this task. GRASP recommends that this activity continue.

Addressing the final round of voucher winners, GRASP short-term procurement specialists offered hands-on technical assistance to Zatau, Caracal and Braila.

Barriers and Constraints

While most LGUs are aware of the broad requirements of the Public Procurement Law, they are not aware of the details of its implementation.

2.3 Capital Improvement Planning (CIP)

According to Western practice, infrastructure improvements kinds of planning and financing than operating expenses. investment plans (CIPs), also known as public investment for up to six years. The typical CIP includes (1) a list of all which funds will be spent, and (2) a detailed justification of ranking and geographic and sectorial distribution.

The CIP uses a definition of capital improvements that repairs and renovations of buildings and facilities to prevent furnishings; (3) remodeling; and (4) construction of new or limited to construction; capital repair projects can be

economic development.

The necessity to focus on capital improvement zero. Not one of the 82 local governments surveyed had even begun preparing a full-fledged CIP. The lack of plans – and the lack of understanding of the capital planning process – meant that Romanian local governments were unable to absorb the billions of Euros in loans and grants that were being offered by EU agencies.

The initial cluster work plans illustrated that CIPs were a priority for many local governments throughout the country. Although Public Procurement scored relatively high on the LGCI index (2.08 out of 5 – above the LGCI-aggregated average), its development and implementation was dictated by its position as the most sensitive area for potential fraud or mismanagement of public funds.



GRASP provides Iasi Metropolitan Area economic directors training in capital improvement planning

and other capital investments require different Municipalities in the West prepare capital programs (PIPs), that span capital facility needs projects currently under construction and for the planned capital program, such as project

meets one or more of the following criteria: (1) further deterioration; (2) equipment and replacement buildings. The CIP is not simply justified on the basis of job creation and

planning was reflected by the average baseline LGCI score:

During project implementation a combination of training and direct technical assistance techniques were used to achieve the maximum return. GRASP helped local governments complete 13 multi-annual capital investment plans, marking a critical milestone in a long process of analysis, training and citizen consultation. All 13 local councils approved their multi-annual investment programs through council decisions. Local officials implemented new planning methods to analyze multi-annual investment programs in two counties (Sibiu and Giurgiu), four municipalities (Craiova, Giurgiu, Caracal and Medias), two towns (Cisnadia and Bals), and five communes (Rediu, Holboca, Tomesti, Gostavatu and Stoenesti). These LGUs serve more than 1,177,000 citizens. A total of 98 local elected officials, mayors, vice-mayors, local councilors, as well as public servants were directly involved in the investment planning process.

The Human Impacts if Capital Improvement Plans

1) Power supply network in Holboca commune

? *Project value* – 267.5 mn ROL (6,800 Euro)

? *Problem* – to address the 600 inhabitants (184 houses, 200 families) having no electricity

? *Impact* – Within one year, 64 households will receive electricity service. Power supply network to be expanded to 120 additional households based on master plan

2) Integrated system for water network supply in Tomesti Commune

? *Project value* – 40 bn ROL (1mn Euro) of which 4.6 bn ROL (115,000 Euro) is financed from local budget

? *Problem* – 5,000 inhabitants within the commune have no water supply, and use poor quality water sources from their yards, resulting in high risk for illness

? *Impact* – Over three years, the project will extend the water network 37,000 meters, modernize the equipment, build pump stations for water, and build a reservoir to store water

3) Sewerage network in Valea Lupului village, Rediu Commune

? *Project Value* -- 43 bn ROL (of which 100,000 Euro from local budget)

? *Problem* -- 3,300 inhabitants currently live in the village that has no sewer system in place, leading to unsatisfactory health and life conditions for inhabitants

? *Impact* -- 8,000 meters of sewerage network will be built, including two pump stations for waste water

Under GRASP’s guidance, local working groups identified 412 investment projects that answered the most important and urgent needs of their respective communities, totaling about \$750,000,000. After thorough analysis, scoring, prioritizing and – by applying the budget forecasting tool developed by GRASP that matches projects with available financial resources -- 293 projects with a total value of about \$120,000,000 were selected and included in the approved plans. Fifty-two of the plans are transportation infrastructure (\$26,000,000); 43 are water distribution and sewerage infrastructure (\$35,000,000); 26 heating and methane gas supply (\$5,000,000), 21 housing (\$11,000,000), and another 147 projects relate to a wide range of local government activities such as education, LGU operations, social assistance, health, environmental protection, agriculture, tourism, etc. (\$42,000,000).

The whole transparent planning process involved extensive public participation. Seven of the 13 LGUs organized public hearings in which 621

citizens participated and expressed their opinions about the proposed programs. *“Over the past four years I saw investments which failed because they lacked funding. I saw instances when priorities were not set correctly – funds spent on things which were not really important while others of greater importance were ignored,”* said Constantin Toma, Vice-Mayor of Giurgiu, on the completion of Giurgiu’s capital investment plan. It has a potential investment over the five years between € - 8 million for the city with a population of 72,000. The first-ever public hearings on multi-year CIPs took place in the municipality of Craiova. Seventy-two citizens attended the meeting. The citizens prioritized the proposed projects based on their importance and necessity. Mayor Vasile Bulucea noted, *“I will request that City Hall promote investment projects based on practices learned from GRASP. This will become a daily practice in our of planning and budgeting capital investments.”* The success of this event prompted local officials to commit to this practice and periodically organize public hearings on issues of general community interest to help ensure citizens’ priorities are reflected in capital improvement priorities and budget allocation. For transparency reasons supported and encouraged those local governments that completed CIPs to post them on their websites.

Following the approval of the CIP, Bals local government invested one billion ROL (\$30,300) to extend the water network in the Corbeni-Roman neighborhood, 150 million ROL, quarterly, to rehabilitate public lighting network



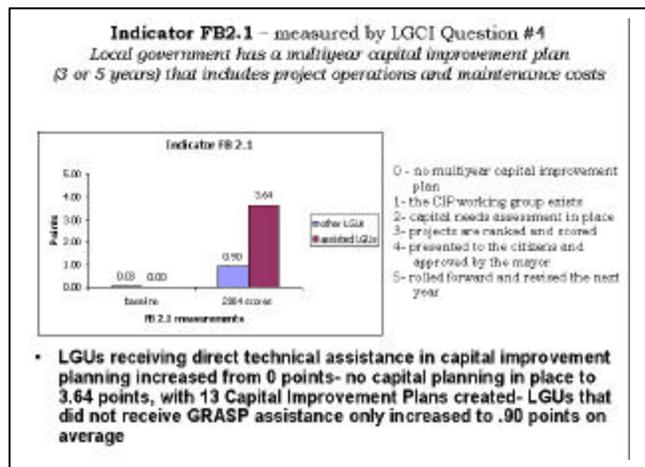
Children in Holboca will be able to read in the evenings after the electrical wiring is completed

investment specialists activities themselves that GRASP

supply and

prepared the necessary documentation for the local council approval of a waste management project. Both of these projects were citizen initiatives that were discussed during public hearings. Gostavatu and Stoenesti communes, as a result of technical assistance on developing CIPs, made a firm commitment to allocate no less than 6% of their total revenues for capital investments in each of the next four years.

Apart from being important management and communication tools, GRASP-assisted multi-annual investment plans are, at the moment, the first municipal fiscal databases in Romania. In the annual reviewing and adjusting process, the Plan will represent a vital resource, to be used by citizens, business communities and local administrations for their mutual benefit. The level of satisfaction with the assistance provided by GRASP and its relevance are best expressed by Ioan Moldovan, the Sibiu County Council President, who stated that, *“I have to admit that I was rather skeptical at first about what GRASP was proposing. Yet the experts of this USAID-funded program made it possible, by means of determination and high-quality assistance provided to the local working group. We have today in just one single document a multi-annual plan for the next 5 years, which includes annual improvement plans, plus financial planning, budget forecasts, municipal debt scenarios, investment regulations and procedures, working calendars and standard forms, a methodology for the planning process and an investment portfolio that meets everybody’s wishes.”*



Those local governments receiving GRASP TA increased their LGCI score from 0 (no plans) to 3.64. LGUs without GRASP TA only increased their scores to 0.90, as illustrated in the graph at left.

As a result of follow-up discussions with newly elected officials and local councilors from those communities that benefited from GRASP Capital Investment Plans to the Sibiu County Council and the local councils and mayors of Gostavatu, Stoenesti, and Caracal, impressive long-term results were recorded. The mayor of Caracal stated that the town had

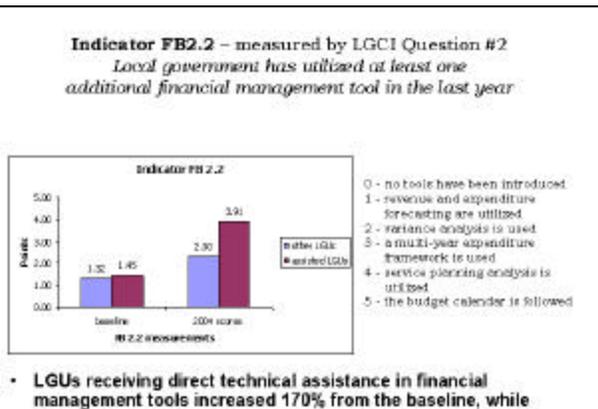


Capital improvements in Caracal envisioned in the CIP



received one billion ROL from the Olt County Council to finance a feasibility study for one of its capital investment projects – an integrated system for waste management. In Craiova, the Mayor is actively using the GRASP-sponsored CIP for lobbying purposes. *“We all worked very hard and everyone is proud of the results”*, stated Mrs. Sabina Dumitru from Craiova City Hall. *“The mayor*

likes this capital improvement plan and he likes going to the ministry to present the results.” The Bals CIP will be included in the Mayor’s Guide to be published by SC Millenium Management SRL. Following the approval of the plan, the Bals local government invested 1 billion ROL in “Extension of the water supply network in the Corbeni-Roman neighborhood”, 150 million ROL, quarterly, in the “Rehabilitation of the public lighting network” and prepared the necessary documentation for local council approval of the waste management project.



In an effort to foster long-term sustainability, GRASP selected and trained nine specialists in Capital Investment Planning and Budgeting in order to deliver continued training and technical assistance to participating local governments. In addition, GRASP designed a Capital Investment Planning Toolkit in order to broaden the impact of GRASP activities. The Toolkit, along with GRASP-designed software that calculates the long-term costs of capital projects and helps prioritize projects, was printed and distributed through ADECJR. The result of the TA provided using this Toolkit was an increase in the number of LGUs utilizing at least one additional financial management tool

during 2004. The average LGCI score on this question increased by 170% among LGUs receiving GRASP TA – while other LGUs sampled increased their score by only 70%.

GRASP provided technical assistance in proposal writing to more than 65 Romanian civil society organizations, and completed institutional capacity assessments in key areas of organizational development to tailor support to specific needs. During one of these sessions GRASP revealed that a proposed cargo terminal, that would have been funded by the Iasi City government, was a bad investment. The analysis showed that there was no real market for the terminal and the airport runway needed substantial improvement before cargo planes could land. Local officials accepted GRASP's findings.

ADECJR and GRASP delivered two training of trainers workshops and one course in Capital Investment Planning and Budgeting, in addition to two more training courses on Financial Management and Proposal Writing, in collaboration with ADECJR. Fifty Romanian consultants trained by GRASP will assist FALR, ANCIC, and CDE-AMR in leveraging international donor government, and adhering to international

GRASP efforts in Pitesti, Zalau, and Vatra Dornei although through different mechanisms. GRASP financial management system for Pitesti. The project Mayor's office. GRASP created the first such local governments to replicate through the

In Zalau and Vatra Dornei, GRASP carried out a the necessary information on the general financial control and accounting systems, a local decision-service management and financial activities. As a apply properly internal audit requirements and carry out self-assessments.

As a result of this and other GRASP assistance, 41 local governments increased the percent of their program budget spent on services identified by citizens and 83 local governments increased their locally available revenues. With GRASP assistance, many of these LGUs have improved their finance and budgeting procedures by creating CIPs and using additional financial management tools to manage public funds more efficiently. By combining appropriate financial planning with citizen participation, Romanian LGUs have created sound investments with local support.

Next steps

Many beneficiaries stated that the GRASP approach has been the most appropriate for Romanian LGUs' actual needs and technical possibilities. In this regard we would highly recommend carrying on the two activities as designed by GRASP. We would also recommend grouping the LGUs by their administrative level (city, town and commune) and the structure of technical assistance funds from international programs so that the provided assistance reflects the accumulated knowledge at the local administration level and structural fund emphasis.

The major area of interest for all local government officials is in obtaining grants, however they need support in managing grants and responding to community needs. For this reason it is important to develop local capacities and abilities tailored at the LGU level.

GRASP recommends bundling these products to achieve better results: Capital Investment Planning should be provided to one particular LGU together with Local Government Credit Self-Analysis, Proposal Writing and Project Management and Public Procurement.

Local government finance consultants are available to implement these recommendations and we would strongly suggest using them. They include former GRASP staff members, six GRASP- trained experts, the Association of County Councils, the Association of County Economic Directors, and the Romanian Association of Public Procurement Experts.



GRASP provides case studies for ADECJR members to analyze

funding, helping institutionalize citizen participation in local accounting standards.

focus on the same objective of improving local government efficiency, selected a qualified IT subcontractor to develop a fully integrated integrated four data applications and their respective databases in the integrated approach in Romania and a best practice in the field for other Association of IT Professionals (ANIAP).

system of audit on tax collection and public lighting and gathered system of Romanian local governments, focusing on preventive making framework and the liaison between decision makers, public result of their work GRASP helped Romanian local governments to

Legacy Products

To further support the replication of GRASP-initiated practices, 550 copies in Romanian and English of ***Capital Investment Planning and Budgeting*** toolkit were printed together with 550 CDs and distributed to Romanian LGUs that GRASP worked with in the initial phase and to local government associations including FALR (Federation of Local and Regional Authorities), the Association of County Economic Directors and Corp of Economic Directors of the Association of Romanian Municipalities. GRASP has also produced and distributed to the same beneficiaries 550 copies of each of the following toolkits and materials: ***“Public Procurement: A Practical Guide”***, ***“Public Procurement Software”*** and ***“Manual for Local Government Credit Analysis: An Approach for LGU Self Analysis to Improve Financial Performance”***.

3. IMPROVING PUBLIC SERVICES

3.1 Overview

Efficient provision of public services was a high priority for phase of GRASP. Approximately one third of all the aimed at a wide range of public services -- from operation and social service delivery. This area of demand of readily available data (such as unit cost calculation) or autonomous entities and were reluctant to cooperate). The calculation of public services and citizens' involvement in LGCI average, public-private partnerships delivering Based on the assessment findings, LGCI data, and the 2.3.1 "Adequately funded, service-oriented LGUs," GRASP activities to improve social service delivery, assist citizens delivery of public services, and an innovative program to Metropolitan Area.

With a combination of training and direct technical systems in 10 local governments, completed social services Suceava), and successfully established the innovative and in Iasi. These activities are described in this chapter.



A newly placed receptacle in a public park as a result of GRASP's public service monitoring activity.

3.2

GRASP

citizens

Participating local governments were: Slatina, Craiova, Alesd, Tulcea, Macin, Iasi, Ciurea, Tomesti, Curtea de Arges and Topoloveni. Many community groups regard trash collection as one of the most important local government services – and many are not satisfied with the quality of waste collection. Although the service is provided more regularly and efficiently than in the past, piles of garbage and waste often gather uncollected for weeks. Residents are also unaware of the sites designated for trash pick up and the days when trash is scheduled for collection.

In Slatina, for example, 200 monitors drawn from 130 condominium associations fill out report cards each month and send them to city hall. The city publishes the results for the private company that the city has contracted with to pick up garbage. They will also report on the results to the local press. GRASP developed the innovative monitoring system in response to requests from the two cities for help in enforcing good quality services from private contractors. GRASP also helped negotiate with the private contractors, city hall and community representatives to define practical indicators of service quality, such as:

- Street cleaning: daily for the central area and every two days for the residential areas

Improving the sanitation regulations in Alesd

On July 7, condominium association representatives from Alesd met with the Mayor and the local sanitation company managers to discuss the monitoring results and the local quality standards for sanitation and trash collection. In addition, a survey regarding the sanitation service was included in the sanitation leaflet and more than 100 citizens responded. As a result of citizen input the representatives of the Alesd sanitation company, SALUBRI S.A., submitted on September 20, for public debate, the draft of the new local sanitation regulation. The document included many citizen suggestions, including provisions to:

1. Ensure that local businesses and condominium associations have distinct waste collection contracts and separate bins for rubbish;
2. Adjust the garbage collection frequency to meet the specific requirements for each condominium association, rather than providing a general schedule; and
3. Guarantee that construction debris collection has a separate fee and collection point.

As a result of this meeting the Alesd sanitation regulation will reflect input provided by citizens and be in accordance with the latest government regulations

local government during the initial assessment objectives developed in the cluster work plans were metropolitan planning of services to utilities was the most difficult to address because of the lack structural flaws (many utilities are either private or LGCI baseline findings were mixed. While unit cost monitoring service quality scored lower than the services scored higher than the LGCI average. requirements of the USAID intermediate result developed and implemented distinct technical and local governments to better monitor quality and promote the further development of the Iasi

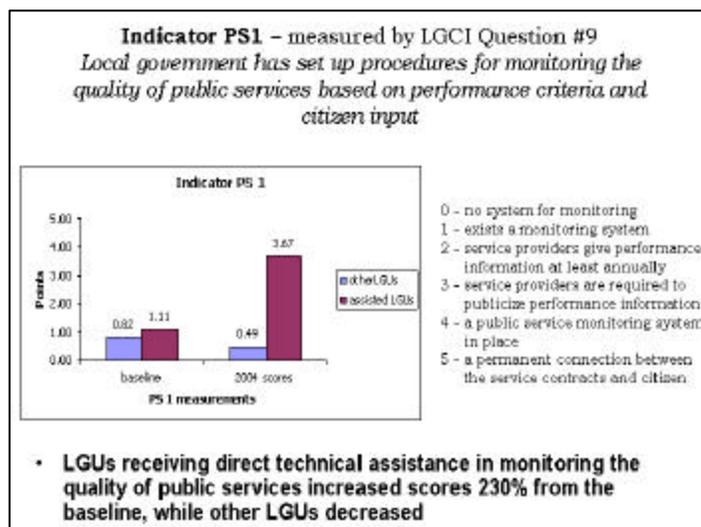
assistance, GRASP organized effective monitoring needs assessments in three counties (Salaj, Iasi and multi-dimensional metropolitan development area

Monitoring Public Services

provided technical assistance to 10 selected local governments to create a system with volunteer monitoring the quality of sanitation services.

- Street washing: daily for the central area and every two days for the residential areas
- Solid waste collection: every two days during the warm seasons and every three days during the winter
- Snow removal interventions and street cleaning in less than 3 hours
- Waste containers cleaning monthly or when to the customer requests
- Waste collection trucks cleaning daily during the warm seasons and every three days during the winter

Performance indicators are written into the service contract so that the local government may have some recourse in the event the provider does not perform to the standards. Slatina's streets and parks have become cleaner, as scored by citizen monitors. Local newspapers published the aggregated results of the first monitoring month for all LGUs, accompanied by a press release from the respective administration pledging to incorporate citizen feedback to improve trash collection services.



All local governments involved in monitoring waste collection with GRASP received extensive training for local government officials, citizen monitors were trained in scoring and analyzing results, monitoring cards were created, and the process was completed by collecting, analyzing, and publishing the monitoring card reports in local media and in the city halls. Concurrently, GRASP and respective local governments carried out awareness campaigns by distributing service leaflets and posters as well as organizing special classes in local schools. Four LGUs improved their contracting policies based on citizens' inputs and one of them has enacted a local regulation with performance-based service standards. As a result of the GRASP activity, 10 LGUs now have a proven monitoring system in place and their civil servants know how to manage and maintain the system. LGUs receiving GRASP assistance increased their LGCI scores on the question related to public service monitoring by 230%, as illustrated at left. Scores in control LGUs (those not assisted by GRASP) actually decreased.

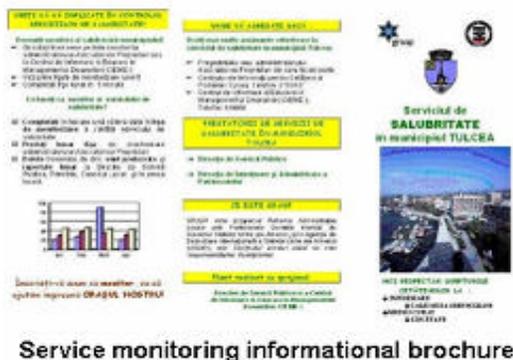
Going beyond the numbers, the Mayor of Topoloveni issued a decision explaining the responsibilities of local public servants in charge of monitoring sanitation services. In Tulcea, Macin and Topoloveni, the local public administrations decided to change the contracting procedures and the service provider following citizen input. In Craiova, the monitoring system results will serve as the basis for changing one of the local sanitation providers to improve the service in line with citizen expectations.

To supplement the technical assistance to monitor waste collection and treatment, GRASP prepared a feasibility study for the solid waste management system in Dolj county to evaluate 20 alternative sites for a solid waste transfer station. Only Craiova and Filiasi have regular waste collection systems. As a result of this effort, the necessary sites were identified and technical foundations prepared. Five local governments issued decisions allocating the site for sanitation purposes. The implementation of the integrated solid waste management system will help the respective local governments meet the requirements of the current Romanian environmental legislation, will create a new service for four of them and improve substantially the environmental conditions.

In all cities where the public service monitoring activity took place, GRASP worked with local governments to organize public hearings to get citizen input on the service. In Craiova, GRASP and *Fundatia Asociatia Ecologica Româna* developed a draft proposal for a new Local Regulation on Sanitation -- based on the service monitoring activity and public hearing deliberations. Other LGUs that held GRASP-sponsored public hearings on waste collection are in the process of changing their regulations based on written reports that include citizen input. In Tulcea, Iasi and Alesd, the local work groups, in cooperation with the Education Boards, conducted a separate survey among 1,500 school students about their sanitation services and the most interesting findings were published in the local newspapers and fed back into the service monitoring system.

While there is strong support among mayors around Romania for the concept of citizen monitoring of public services, cities will need technical assistance to initiate and complete the process. To assist other LGUs in developing citizen monitoring systems, GRASP produced the **“Monitoring Public Services with Input from Citizens: Toolkit for Public Servants.”** This Toolkit explains effective monitoring in an easy-to-use guide. The toolkit was distributed through local government associations and to willing local governments. It can be easily applied by any local government wishing to replicate this successful project activity for the benefit of citizens and service providers.

Service Monitoring Analysis



Service monitoring informational brochure



3.3 Budgeting Social Services

To achieve USAID’s objective of increasing the GRASP worked with four local governments to these services to cover 100% of costs. Twenty process.

State and private-sponsored social services for are frequently provided but difficult to sustain subcontractor INCD, pilot-tested an approach to communities throughout Iasi, Suceava and Salaj.



number of public services in which cost is aligned with fees charged, analyze unit costs of social services and to adjust fees charged for other local governments are in the final stages of completing this

the elderly, handicapped, orphans and other underserved populations and make cost efficient. GRASP, in cooperation with its accurately measure unit cost of critical social services in The design of the unit cost measurement toolkit was finalized after

thorough consultations with four practicing NGOs – the Charitable Association Christiana from Vatra Dornei (GRASP grantee providing home care for the elderly), Motivation Foundation, Trebuie and Center Aurora (all three being USAID ChildNet grantees and providing care for people with disabilities) as well as one institutional public service provider for the elderly - the Center Pojorita from Suceava county.

GRASP provided trainings for local government officials in Iasi, Suceava, and Salaj and as a result of these events, public servants have a better understanding of how to assess local needs and how to use GRASP-sponsored tools, such as the cost measurement toolkit in order to provide more efficient and extensive services to underprivileged groups. The *Social Services Unit Cost Measurement Toolkit* enabled LGUs to calculate cost of services. In addition, GRASP secured the help of local subcontractor Metro Media Transylvania in drafting a toolkit for assessing social assistance needs. About 1,000 questionnaires per county were completed in Iasi, Salaj, and Suceava counties. *“This assessment is very important for us, as it can be the basis for a sound budgeting of our social assistance services according to the real needs,”* stated Claudia Stoica, Councilor to the President of Iasi County Council. The Romanian and English versions of this Toolkit, as well as the Needs Assessment Methodology Toolkit, were printed and disseminated to interested local governments. As a result of this activity local governments and social service providers will have a useful tool to estimate the required resources to properly meet the social assistance needs of their communities and plan accordingly.

As a result of GRASP efforts, nine LGUs designed action plans containing cost analysis, funds to improve social service delivery, while two of them started action plan implementation in services and to create new services. In addition, six LGUs have a long term plan for substantially services’ costs and five of them organized meetings with stakeholders before any price. Local governments of Iasi County designed and funded 21 new services meant to improve the life

Social service improvement in Iasi and Suceava

On July 21-30, 2004 GRASP organized follow-up training and planning sessions on social services for Iasi, and Suceava County local governments. Twenty-one new services meant to improve the life of more than 500 beneficiaries from Iasi County were designed and budgeted during the training sessions. The interdisciplinary teams, consisting of LGU social workers, accountants and secretaries, developed their plans in consultation with their respective communities and potential beneficiaries. Four mayors and the County Council Secretary General, Mr. Gherghina, attended the session. The next step in this process is to have the local councils approve the new services.

In Suceava, 51 representatives of eight local government teams, their decision makers (six mayors and vice-mayors from five localities), county council, deconcentrated units, academics and NGO representatives, participated in the seminar. Twenty new services capable of addressing the needs of about 850 needy people from Suceava were proposed. Ecaterina Croitor, a social worker in the Suceava municipality Directorate for Social Assistance, stated that, *“We have included the follow-up funding for the work undertaken by GRASP grantee, Doamnele Bucovinene. We think we have solid grounds for local councilors’ approval, as they seemed pleased when, during the preparation phase, we approached them with questionnaires asking for their opinions on future plans.”*

Preliminary results of the GRASP-funded comparative analysis of costs-per-beneficiary were launched by INCD consultants during the training, fueling debates over more cost effective service alternatives. As a result, the mayor of Todiresti decided to rethink his town’s options for the provision of social services, while the mayor of Câmpulung Moldovenesc, Gabriel Constantin Serban stated that, *“Our being here speaks for our commitment to follow up on the implementation of these social service plans. To begin with, we will take the example of Vatra Dornei and start a home care program for the elderly.”*

encouraged to apply and refine them. We would encourage the involvement of GRASP’s local partners in the follow-up process, including the Universities of Iasi, Suceava and Cluj, as well as the National Institute for Health Research and Development.



including the required order to improve actual recovering public adjustments were made. of more than 500 beneficiaries. The proposed new services ranged from educational centers for poor children (both for children of pre-school age and for children already in

school to prevent their dropping out), to weekly school shelters for children living far from their school, to home and institutional care for the elderly, to shelter for victims of domestic violence, to employment counseling, and to prevention of child abandonment in maternity wards. The inter-disciplinary teams, consisting of LGU social workers, accountants and secretaries, developed their plans, in consultation with their respective communities and potential beneficiaries, and presented them to local government decision-makers.

An important legacy of the GRASP project was the development of methodologies on needs assessments and unit cost calculations – described in *“Social Services Cost Measurement Guide”*, *“Assessment of Social Care Needs: A Methodological Toolkit.”* These should be widely disseminated and local governments

3.4 Information Technology Activities

GRASP selected a qualified Romanian IT subcontractor to develop a fully integrated financial management database for Pitesti. In addition, GRASP completed the design and product selection for the Virtual Private Networks (VPNs) in Harghita, Olt, Suceava and Sibiu counties, and assisted in selecting an implementing subcontractor. VPNs will help the county and participating LGUs communicate and share budget and other information in a secure environment. Finally, GRASP concluded the solution designs for communication networks in Harghita and Suceava counties to help fourteen local governments improve the exchange of information and services to citizens.

To improve the efficiency of a number of Pitesti local government services, GRASP and its subcontractor ATS S.R.L, a local private software company from Tirgoviste, finalized the implementation of an integrated software application. The new application provides a unique interface to four critical databases maintained by different departments within the city hall: Taxes and Fees, Authorizations/Building Permits, Budgetary Execution and the Civil Registrar.

As a result of this activity, the City of Pitesti improved:

- The efficiency of the tax collection process, resulting in increased revenues through the synchronization of the Civil Registrar with the Taxes and Fees;
- The effectiveness of its services to citizens by expediting the building permit release process;
- The transparency of administrative acts by allowing expenditures to be reflected in real time;
- The efficiency of administrative acts by eliminating duplication of data and effort and improving communication between organizational units within the LGU; and
- The availability and accuracy of population data (at the City level), which in turn will provide more qualitative information for other local initiatives.

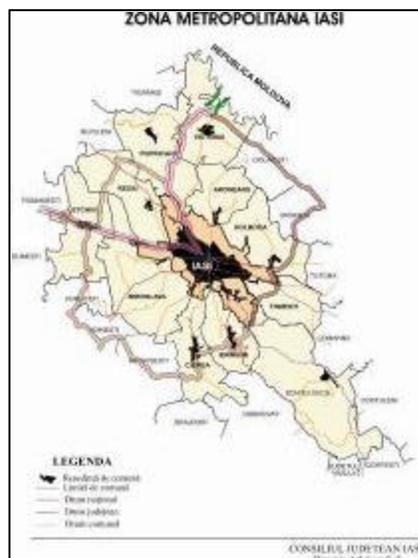
The Pitesti project is an example of a best practice of software redesign/integration that can be applied by other local governments looking to integrate legacy platforms under a unique interface. Both the technical solution and the project implementation methodology can be replicated in virtually any Romanian local government.

3.5 Metropolitan Area Development

GRASP supported local governments in Iasi to create GRASP support was more than matched by commitments commune.

A metropolitan development area is a way to improve the assistance from GRASP, fourteen local governments in the create a common development strategy and cohesive central government for financing.

The first major milestone was achieved in Iasi on October City of Iasi, and the Iasi Judet agreed to design the Iasi budget specialists, and engineers, data, and financing of participate – including investors, builders and contractors, Tureanu from the Ministry of Public Works, *assist in the development of the Iasi Metropolitan Area,*



Romania’s first “operational” Metropolitan Development Area. from many levels of government – from the state, county, city, and

cost efficiency of public services to local governments. With technical Iasi Metropolitan Area demonstrated that they can work together to capital improvement program, and then submit a joint proposal to the

7, 2003, when representatives of the eleven suburban communes, the Metropolitan Development Plan – committing planners, financial and several commune master plans. Private companies also agreed to eco-businesses and privatized public utilities. State Secretary Ileana Transportation, and Housing stated, “*The Ministry is prepared to providing GRASP continues providing technical assistance.*” The

official agreement was signed on November 27, 2003, with a request that the central government finance their prioritized 38 capital investment projects. This was the first time that LGUs identified common interests through an open and transparent process with citizen participation and communication with the media. Initially, the Romanian central and local governments of the Iasi Metropolitan area jointly committed over \$575,000.

GRASP also helped draft a legal structure for the Iasi Association of Metropolitan Area LGUs which was signed by all 14 LGUs on April 8, 2004. The metropolitan area is governed by a Metropolitan Council with representatives from each LGU -- with equal voting rights. For daily executive purposes, the Council established a Metropolitan Area Development Office or Agency, registered as a non-governmental organization under Romanian Law. The Agency's draft by-laws were developed by the Iasi County Council with GRASP support and actively negotiated with all metropolitan area stakeholders.

Funds Leveraged for the Iasi Metropolitan Development Area

Government investments for 2004, based on CIP Matrix developed with metropolitan LGUs:

- Roads: 30 billion ROL
- Water provision: 84 billion ROL
- Gas: 46 billion ROL
- Electricity: 915 households

Ministry of Transportation, Constructions and Tourism allocated for master plan development:

- 300 million ROL to Iasi County Council and City Hall
- 50 million ROL to each metropolitan commune

Metropolitan LGUs allocated for master plan development:

- 50 million ROL (from each commune)
- 250 million ROL (from the Iasi County Council and the City Hall)

The County Council took the lead in harmonizing the metropolitan area master plans to match the strategic objectives with future urban development and capital investments in infrastructure improvements. Each LGU contributed 200 million Lei for this purpose. The Metropolitan Area Master Plan was completed with a package of coordination procedures for local and metropolitan strategies, spatial plans and capital investments and is also the first of its kind in Romania. Iasi County Prefect, Spiridon Cratu noted, *“Development is not about training or money, it is about changing mentalities, and this is exactly what GRASP has helped us do here in the Iasi Metropolitan Area.”*

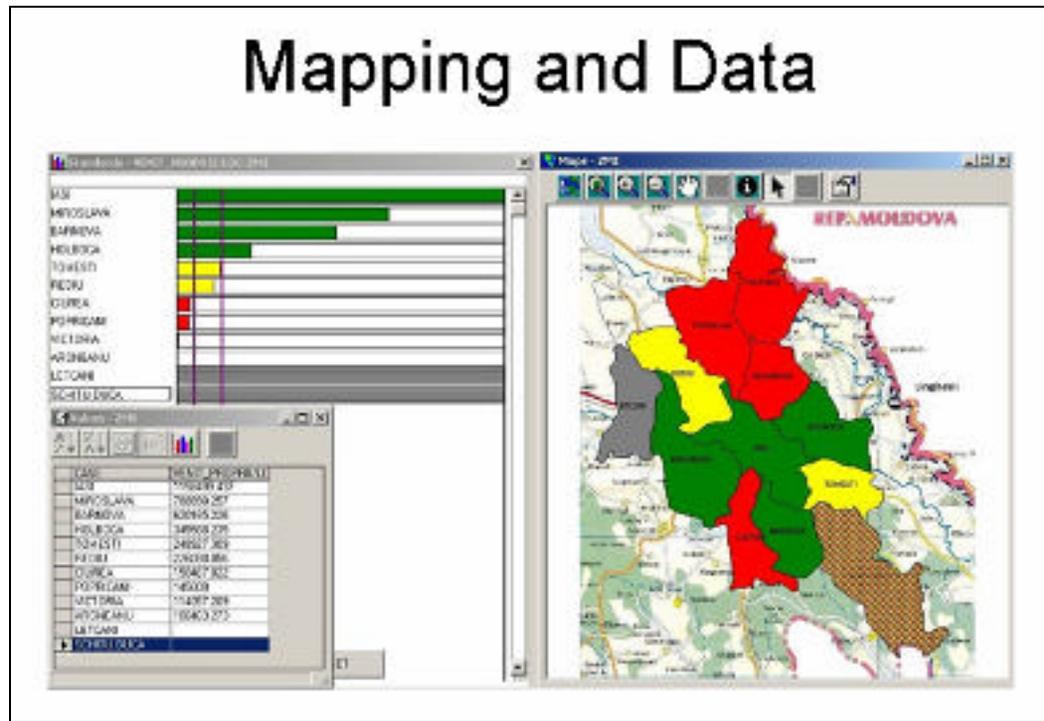
On September 9, the Iasi County Court approved the establishment of the Iasi Metropolitan Association and the Metropolitan Council launched a tender to hire staff. To support the operations of the newly established Agency, GRASP provided IT equipment, furniture and an automobile and provided direct technical assistance for the development of the Association's Intranet system and land use program.

In order to link the Metro Area local governments and provide decision makers with data and information on which to base priority setting and funding allocation, GRASP customized an executive decision support tool, MapDecision, with the assistance of subcontractor EMI Systems. During the first phase of this effort (July 2003 to January 2004) GRASP and EMI analyzed and aggregated demographic, social, employment, housing, municipal services, financial, land resources, and other data for Iasi Municipality and its surrounding communes. Then training sessions were conducted for mayors, vice-mayors, chief architects and other local government

officials on how to operate MapDecision software, as well as on analyzing the data. Working with local officials and other stakeholders, GRASP and EMI developed and published analysis scenarios (maps and charts) to serve as base references in decision making and monitoring. These maps can be found at (<http://emi.grasp.ro>).

Phase two, which began July 2004, was designed to help institutionalize the system. As part of this process, GRASP and EMI developed and implemented a permanent online data collection mechanism. They fully deployed the software tools for data analysis, archiving the presentation to all stakeholders and helped integrate the MapDecision software with existing applications of use in Iasi. Final training of operators, administrators and users was provided in the software tools to allow for generation of “what-if” scenarios without GRASP assistance. More than 120 development indicators were established and aggregated for each of the 14 LGUs. As a result of this final phase, the software is still being used by Iasi Metropolitan Area and each LGU is now developing a profile of their community based on commonly agreed upon development indicators.

Mapping and Data



To demonstrate the benefits of collaboration, GRASP and its Metropolitan partners held the Iasi Projects Fair in June 2004. Fifty private companies including 10 businesses from Bucharest participated, and 25 exhibited promotional materials and commercial offers. Sixty investment projects were presented in workshops. At least four private companies (Real 4 You, Acvaris, Impact, and Stef) are currently negotiating their involvement in the proposed investment projects with the local administrations from the Iasi Metropolitan Area.

The metropolitan website, prepared with capital investments plans, presentations of section. Other important technical assistance the drafting of an incentive package for development of a website and the design and



Lucian Flaiser, President of Iasi County Council, opening the MDA Projects Fair

GRASP support, was launched in July 2004, displaying strategies, LGUs and of the entire Metropolitan Area, and the Projects Fair activities carried out by GRASP for the Iasi Metropolitan Area include businesses in accordance with the Romanian legislation, the publication of the first Metropolitan Newsletter.

Many other large cities – including Bucharest, Timosoara, Cluj-Napoca, Ploesti, Targu Mues, and Brazov -- have expressed interest in following Iasi’s example. They will all need intensive technical assistance if they are to succeed.

Apart from expanding the model to other cities as appropriate, the Iasi Metropolitan Area will need continued assistance in order to succeed in the long term. The Metropolitan Council and its Executive Agency still need financial and institutional training support. There should be continued communication and cooperative efforts among the Metro Area LGUs for medium and long term project implementation. It is also important to examine possible opportunities and dangers; the risks that may appear at various stages of the project may be caused by loss of funds, legislative changes, loss of certain partners, and changes in the political framework. The metropolitan area development is an on-going process and should be constantly monitored and nurtured to ensure that area-wide issues and problems are addressed. To assist in replication of the Iasi Model, GRASP developed “*Iasi Metropolitan Area Development: A Case Study*” which has been distributed to interested municipalities and membership associations.

4. POLICY REFORM

GRASP engaged in three primary areas of activity for policy reform:

- Support for the National Government in the design and implementation of the Government’s decentralization and public administration reform strategy
- Support for the National Government in drafting laws, ordinances, and regulations
- Support for the creation of a sound legal framework for municipal credit, including development of a creditworthiness self assessment model.

These activities are described in the following Chapter.

National Government Strategy Support

Overview

The Decentralization Strategy was required to be submitted to the EU in early 2004 as part of the accession negotiations. Building upon the policy paper published in August that served as the basis of the national policy debate on decentralization, the MAI asked GRASP to organize public forums for discussing the decentralization strategy with stakeholders. These public discussions reflected an important step in democratizing the policy process in Romania. The debate at all regional forums was structured similarly to the GRASP document, including: problem statements, alternative proposals, and arguments concerning the alternatives. As a consequence, stakeholders were not obliged to discuss draft arguments and explanations that helped them

GRASP was specifically commissioned to Public Administration Reform was discussed: the Monitoring the Process" in Oradea, and "Local Development" in Tulcea. GRASP also co-Public Policy Process Improvement”, in Brasov in Services and Financial Means” and “Cooperation

Support from Minister of Administration and Interior for GRASP Policy Reform Initiatives

GRASP’s support for the development of the decentralization strategy was recognized by Ioan Rus, Minister of Public Administration and Internal Affairs at the Launch of the Strategy, on May 11, 2004: “We could not have drafted this strategy without the support of the European Union and of the United States Government through USAID.”

laws, but rather to explore alternative solutions to problems and discuss understand the costs and benefits involved in choosing particular proposals.

organize two of the forums where the decentralization component of the Conference for “Local Administration Reform: Decentralization and Administration Reform: Decentralization and Local Economic sponsored the Regional Conference on “Public Administration Reform and November 2003, and the “National Workshop on “Decentralization -- Within the Decentralization Serving the Local Democracy Development”

in Sinaia in December 2003.

The support GRASP gave to staff members of the Coordination Unit of Public Administration Reform and to the decision makers in the MAI contributed to developing more effective and inclusive policy work within MAI. More than 90 local government representatives, including representatives of local government associations, 90 central government and deconcentrated service representatives, 20 civil society representatives, and 15 donor organization representatives participated in the policy dialogue on decentralization. The reports prepared by GRASP to summarize stakeholder opinions, revealed during the national forums organized by GRASP, greatly contributed to improving the Decentralization Component of the Public Administration Reform Strategy of Romania. As Marius Profiroiu Secretary of State from the Ministry of Administration and Interior noted, *"The advantage of collaborating with GRASP is that your team is with us, here and now. You are our advisers, you are basically part of our team, just that you are located somewhere else."*

Important suggestions were made at the forums to improve the government's decentralization strategy and some of them also triggered changes in the strategy. Most elements of the initial Draft Policy Paper on Decentralization and Performance Monitoring -- elaborated in August 2003 by GRASP, were included in the final, updated version of the Public Administration Reform Strategy of Romania. This intense effort culminated in the approval of the strategy by the EU in March. The strategy includes three components: decentralization; civil service reform; and policy formulation.

Public Administration Reform Strategy

As an acknowledgment of GRASP's policy capacity, support was requested by the MAI in developing the final form of the Public Administration Reform Strategy (PARS) of Romania.



GRASP facilitates a session during the PARS meeting

and 400 other participants. The event, held in the Parliament building, was extensively media.

GRASP helped forge consensus among central and local governments on necessary changes related to the decentralization process, e.g. the status and timing of the and inclusion of issues related to the decoupling of state and local budgets. GRASP's and rules for decentralization is included in the final document which confirms the commitment to autonomy, subsidiarity, equity, and efficiency of service provision. assistance, the strategy identifies opportunities for the use of pilot testing of major such as formula funding of education and emergency medical services, as well as

GRASP supported the drafting and the launch – in May 2004 – of the GoR Public Administration Reform Strategy (PARS). The objective of public administration reform is to improve the life of Romanian citizens by bringing government services closer to the people, and to increase efficiency by creating a skilled civil service oriented toward serving the community. The Strategy envisions specific actions to increase the efficiency, quality, and equity of important public services such as education, health, welfare, and provides increased administrative and fiscal autonomy to local governments. During the process, GRASP assisted in revising the PARS. GRASP provided technical assistance to GoR officials in restructuring and developing the content for the Decentralization Chapter, and created a flow chart of events that is included in the final document. Finally, GRASP assisted in developing desired outcomes, milestones and performance indicators for the entire public administration reform process.

The launch was attended by President of Prime Minister Adrian Nastase, Minister

Interior Ioan Rus, Chief of the EU Jonathan Scheele, UK Ambassador to Quayle, Michel Rocard, Member of



Former President Iliescu endorsing the Government's new Strategy to Accelerate the Reform of Public Administration in Romania

Romania, Ion Iliescu, of Administration and Delegation in Romania, Romania, Quinton European Parliament, covered in the national

conceptual and content Decentralization Law, original list of principles government's With GRASP legislative changes acknowledges

weaknesses of the current legislative framework, such as unclear definition of competencies of each level of government, the principles of formula funding, and clarification of ownership of publicly owned facilities. Finally, and perhaps most importantly, the PARS now acknowledges the settlement level of local government (i.e. communes, towns and municipalities), whereas, before, the document treated only the counties as local government partners, and now refers to the Federation of Local Authorities (FALR) as a contributing partner, providing an unprecedented role and representation of local government in decentralization policy reform.

GRASP Support for the Central Unit for Public Administration Reform

As the key unit in the Ministry of Administration and Interior for monitoring the decentralization process, CUPAR needs support and resources to strategize and implement the decentralization process. Because of the critical role played by the Unit in the decentralization process, CUPAR has increased its staff – adding several young experts hired over the last few months, all of who require training in different areas. GRASP conducted a thorough needs assessment for CUPAR in June, and subsequently provided a tailored training program. Internal and external reporting, organizing and presenting information, barriers to team work, decision making processes, consensus and compromise, basic knowledge in planning using specialized software (e.g., Microsoft Project) were the topics of two series of training, in July and August, 2004. *“I now know how to define objectives, set priorities, and allocate resources, and transform a big mess into coherent stuff. I would like to use this program in my life as well,”* stated one of the participants in the session.

Additionally a two-day basic training in public policy and decentralization was delivered in November to the staff of CUPAR and Working Groups in charge with sectoral decentralization.

decentralization and deconcentration. GRASP prepared a detailed critique of the preliminary draft law drawing upon regional experiences and lessons learned in decentralization framework law development. GRASP also provided a brief comparative analysis of the decentralization process in Central Europe. As a result, MAI has substantially amended the draft law. The new elements of the law were the goals of the decentralization process, the principles, and the mechanisms of implementation.

The draft law was signed by Minister Ioan Rus, who expressed his appreciation for GRASP assistance. The law was submitted to Parliament in June 2004, passed and signed by the President in July 2004.

Donor Coordination

Along with the acceleration and broadening of its support the GoR’s priority areas, to share information special stakeholders with more than ten donors active in coordination, MAI asked GRASP to create a donor

Following the success of the decentralization law and the drafting of the strategy, Secretary of State Marius Profireoiu requested assistance from GRASP for the overall design and implementation of the decentralization strategy. In June 2004, GRASP prepared an outline of the steps for decentralization -- listing over 30 recommendations in administrative, sectoral, and fiscal decentralization. Changes in the laws regulating fiscal intergovernmental arrangements, as well as service delivery in health, education, emergency services, and utilities are needed for a smooth implementation of the strategy.

As a result of GRASP assistance, the Ministry of Administration (MAI) made the first step in the effective implementation of the Strategy, by establishing the Inter-ministerial Technical Committee (ITC) on Decentralization. Supported by the Chancellery, Finance, Health, Education, Transportation, Environment and Labor ministries, ITC also became the main channel to solicit the input of local government on decentralization.

On September 10, 2004, MAI convened – with GRASP support -- the first meeting of the ITC – which included participation of the ministries of health, administration, education, transportation, environment, finance, labor and social assistance, as well as FALR and several donors. Finance Secretary of State Gherghina joined Secretary of State Profireoiu in highlighting that ministries need to stop working in isolation when distributing responsibilities. The mission of the Inter-ministerial Technical Committee includes the immediate enhancement of communication between the Chancellery and ministries in order to issue ministry orders that establish specific ministerial working groups for their work in developing sectoral decentralization strategies.

The Government decision establishing the working groups occurred in mid-October. GRASP supported CUPAR in drafting a plan that sets out the responsibilities and procedures of the ITC, as well as in organizing the meeting. In addition, the policy team assisted CUPAR in writing the governmental decision that has formally established the ITC.

Frame Law on Decentralization

Following the successful acceptance of the decentralization strategy in Brussels, and under pressure from Brussels to accelerate the reform process, Secretary of State Marius Profireoiu of MAI requested GRASP assistance in drafting a legislative framework on decentralization – legislation that states the principles and major approaches to

“This is the first time I see the government receiving face-to-face feedback on its strategy from all the donors. In so many countries donor coordination is actually not working, because the government is absent.”

Bill Fraser, Task Leader for the U.K. Department for International Development projects

decentralization strategy, MAI has also coordinated donor programs to about donor activities and to avoid duplication. International donors are areas related to decentralization. Since there was no mechanism for coordination mechanism. Minister Ioan Rus, the Head of the EU

Delegation Jonathan Scheele, the Director of USAID Rodger Garner, Secretary of State Marius Proftiroiu, and representatives of FALR all endorsed the need for such a mechanism at the first Donor Coordination Meeting, on January 20.

The number of partners (donors, central and local governments) grew from 10 to 19 in only two months. Notably, donors with no previous involvement in decentralization-related activities (Japan, Italy, and Greece) joined the project, considering the opportunity to allocate new resources to public administration reform-related activities. The participation of the government also expanded to include the Ministry of Education, the Ministry of Labor, as well as the Ministry of Health at the second Donor Coordination Meeting in March 2004.

GRASP also created a secure information website that provides an exhaustive map of gaps and overlaps in assistance programs in decentralization. The map shows that, with few exceptions, donors have concentrated their resources in low-risk projects like capacity building, while critical reform areas – such as fiscal decentralization – are heavily under-funded.

A Third Donor Coordination Meeting was held on June 18, including 30 participants from the Ministry of Administration, Ministry of Education, Ministry of Finance and FALR. Multilateral and bilateral donors agreed that new donor support is needed if decentralization of education is to take place as planned. As Secretary of State Proftiroiu commented, *"This is the kind of meeting we hope to organize with the help of GRASP in other sectors too, such as social assistance, or health, later this year. It is extremely important to have the donors involved now, when we start implementing the decentralization strategy."*

Barriers and Constraints

Decentralization is a broad and deep program that will affect policies and procedures of a large number of ministries. While significant progress has taken place, there are a few challenging issues that will need to be addressed by the Government this year:

- GOR needs to improve the inter-ministerial coordination for sectoral decentralization and take leadership on the decentralization agenda. While the establishment of the Inter-ministerial Technical Committee and the Working Groups is salutary, leadership at the Cabinet level is needed for these new institutions to succeed.
- GOR needs to make a concerted effort to put decentralization high on its agenda and secure financing and technical assistance for the activities planned for 2005. At the moment GOR does not have resources (expertise and TA) to complete important activities planned in the Strategy for Public Administration Reform, e.g. revising the competency distribution among the various levels of the government or piloting the decentralization of education.

Next Steps

GRASP provided the GoR with several important products:

- Decentralization Frame Law;
- The Government Decision that establishes the Inter-Ministerial Committees and Working Groups;
- A Legal Implementation Plan with over 30 recommendations in administrative, sectoral, and fiscal decentralization;
- An in-depth summarization of all current decentralization legislation; and
- The software and database for running the donor coordination system has been transferred to CUPAR to allow them to take over the function of sharing information among donors related to decentralization.

4.2 Support to the Government on Legal Drafting

In addition to supporting the GoR in drafting the decentralization and public administration reform strategy and Frame Law, as described above, GRASP provided support to various ministries and agencies for other legal documents. These were:

- Drafting the Government Decision no. 2201 establishing the Interministerial Technical Committee and defining how it will operate.
- Government Ordinance #45 on public finance and establishing the financial management procedures to be used for all types of public funds, including: central government transfers, taxes and own revenues, bank loans, and grants obtained through international donors.
- As a result of the debates organized by GRASP and SEF, the Government of Romania approved Government Ordinance number 86/2004 during its August 19th 2004 assembly, which has improved Government Ordinance 68/2003 on social services. The new regulations target assistance more tightly toward particularly needy families.
- At the invitation of the Ministry of Labor, Social Solidarity and Family, GRASP specialists offered technical assistance in designing the contract templates for social services delivery. The work focused on the two main contracts provided for in Governmental Ordinance 68/2003: one between local authorities and social services providers and the other between the social services providers and the beneficiary. One of the most important ideas included in these contracts was the concept of "cost per beneficiary" which will contribute towards increasing efficiency of the public expenditure on social services. Previously, GRASP produced a toolkit for the evaluation of these costs.
- At the request of some local governments, GRASP provided assistance in establishing the new position of City Manager for municipalities where the day-to-day administrative burden became a barrier to the mayor in the performance of other important functions, such as attracting investment and lobbying for the interests of their localities. GRASP began working on this project with Ploiesti and Cluj in defining the scope of work for the position and identifying necessary changes in laws. Although the premature close-out of GRASP made it impossible to implement any pilot projects, as a result of GRASP's efforts to promote this new concept, the new government program includes the creation of the City Manager position among the proposed measures for reforming the Romanian public administration.

4.3 Legal Framework to Support Municipal Credit Markets

Overview

The municipal credit market in Romania has developed modestly and prudently in the past two years. Bank lending and the issuance of municipal bonds compete as financing mechanisms. The institutional and regulatory structures are in place and functioning. A focus of GRASP's policy initiatives has been to engage in policy issues that would assist the further development of the municipal credit market. Based on an assessment of the market several policy issues were identified for GRASP engagement. These were:

- Drafting a law on procedures to deal with municipal fiscal distress and insolvency;
- Evaluating the options for raising debt limitations for creditworthy municipalities; and
- Assessing the costs and benefits of allowing municipalities to open commercial bank accounts.

Inter-ministerial Working Group on Municipal Insolvency

The Romanian Government committed, under a World Bank adjustment lending operation, to undertake adequate research and analysis to identify what is needed to create a legal framework that will support the further development of the municipal credit market. Following on this commitment, an Interministerial Working Group was established to review the legal framework governing municipal credit. One portion of the Working Group's terms of reference is to develop a legal framework for dealing with municipal insolvency. In connection with this activity, under an informal agreement with the World Bank, GRASP was appointed to provide technical assistance to the Working Group.

Romania lacks any legal framework to address what would happen "if" a municipality were not to pay its debt or otherwise become insolvent. The fundamental policy goals underlying municipal bankruptcy procedures is to provide a legal context for financially distressed municipalities to address their financial problems in a manner that:

- enables municipalities to continue to provide essential public services;
- protects municipalities from extended litigation injurious to the municipality and unproductive to furnish funds to pay off creditors;
- provides an insolvent municipality with sufficient protection from creditors and tools to be able to develop a "workout" plan;
- adjusts debt in a manner that is binding on creditors; and
- provides a municipality access to credit markets.

The procedures should include the establishment of a set of policies to assist a municipality to regain a stable financial position that treats creditors equitably and fairly, and that is accessible and feasible but discourages its use except in exceptional circumstances.

Municipal insolvency is substantially different from corporate bankruptcy and therefore requires specially designed features. Unlike corporate bankruptcy, municipal fundamental assets are not available for liquidation because essential functions and services must continue to be provided. Also, additional borrowing during the period of financial distress or insolvency may be essential. Finally, municipalities are governed by elected officials and any interference with the authority of elected officials to conduct the affairs of a municipality must be carefully considered.

A legal framework for financially distressed municipalities can be designed to provide intervention procedures either upon determination of insolvency, or at various levels of increased financial distress with progressive powers of intervention. The draft of the law included recommendations on how to develop

GRASP initially organized a seminar on municipal credit in Ploiesti in March 2004. Four Working Group sessions were held with GRASP support during the remainder of 2004. For each of the working group meetings GRASP prepared background material and a series of questions to assist the group in shaping the draft law. As a result of this work, a draft municipal insolvency law was delivered to the Working Group, the World Bank, and the Ministry of Finance in mid-December 2004.

Municipal Debt Limitations

The municipal credit market has a perception of safety, due in part to the relatively conservative debt limitation. However, several creditworthy municipalities are approaching their debt limitation capacity with remaining financeable infrastructure projects. Based on a meeting with the State Secretary Gheorghe Gherghina, MOF, GRASP prepared a draft memorandum defining various options with regard for changing the local debt limitation.

The Romanian limitation not only includes guaranteed debt service within the limitation, but also applies the 20% limitation to the defined “revenues” which is a smaller part of the overall budget revenues. The result of this limitation is that the amount of debt service permitted for local governments is a small percentage of the overall budget revenues. This fact, combined with the legal provisions that guarantee debt service, as well as the absence of any reported defaults or delays in payments on debt by local governments, have been in great part responsible for the current market perception of municipal debt as a relatively safe investment. This perception of safety among investors and lenders is important in a new developing market and should not be undervalued. A default or “problem financing” in an emerging market can have a substantial negative impact on further market development, even for creditworthy borrowers. However, some creditworthy local governments have or will soon reach their debt limitation and be unable to incur any additional debt. The time may be right to consider various approaches to liberalizing the debt limitation without jeopardizing the prudent development of the municipal credit market. The options considered in the policy memorandum are:



Bankers, consultants, and government officials attend GRASP's Municipal Credit Conference

- Consider changing the denominator of the debt limitation to include “all budget revenues,” as is done in Poland;
- Consider decreasing the amount of guaranteed debt service that should be included;
- Consider excluding from the limitation debt service on debt that is secured solely from the revenues of a project and for the payment of which there is not any recourse to the local government’s budget funds;
- Consider establishing a sliding scale of percentages based on the credit rating of the local government issued by an “approved” rating agency; and
- Consider an administrative procedure for granting exceptions for specific borrowings in excess of the legal debt limit.

Municipal Accounts with Commercial Banks

The single factor that would have the greatest impact on further municipal credit market development is to permit LGUs to maintain commercial bank accounts. The present restriction requiring LGUs to deposit their funds in non-interest bearing accounts at the Treasury:

- inhibits perception by banks of LGUs as potential customers;

- limits banks' familiarity with municipal operations and financial affairs;
- impairs the utilization of cash and other budget incomes as collateral; and
- substantially adds to the cost of financing infrastructure improvements due to the inability to earn investment income on reserve funds and debt service payments.

GRASP began an analysis of the costs and benefits to both municipalities and the Ministry of Finance of this policy and to recommend changes. The analysis remains incomplete due to the early termination of the GRASP project.

Barriers and Constraints

GRASP believes there are several constraints that should be overcome to strengthen the development of a municipal credit market. These are:

- The absence of an appropriate legal framework. This can be largely overcome by continuing the development of new policies begun in collaboration with GRASP and by addressing the other legislative areas in which there has not been comparable progress that are listed in the following subsection.
- Lack of local government capacity. With a few notable exceptions, local governments in Romania do not fully understand how municipal credit markets operate. Nor do they understand the importance of sound fiscal management and timely, transparent, and accurate fiscal reporting in securing the confidence of investors. The application of the Creditworthiness Self Assessment Toolkit – described in the following section, together with training of economic directors and other municipal officials will be needed to overcome this lack of understanding.
- Lack of national government capacity to monitor municipal fiscal practices. Although the interministerial working group endorsed the concept of monitoring local government fiscal conditions as part of the early warning system, the national government does not have the capacity to do so.

Next Steps

GRASP is transferring to Romanian counterparts three documents to support the continued evolution of municipal credit markets in Romania:

- The first draft of the Municipal Insolvency Law;
- A paper on options for raising municipal credit debt limitations; and
- A draft report on the costs and benefits of allowing municipalities to open commercial bank accounts.

Due to time constraints imposed by the GRASP close out, review of the details of the insolvency law by the Interministerial Working Group has not been completed. GRASP recommends two more meetings of the working group – under the auspices of the World Bank. The process of reviewing the draft law would benefit from continued assistance and involvement of expert consultants. GRASP estimates that two or three additional working group sessions would prove to be very productive in the development of the final form of the legislation.

One of the working group meetings should be devoted to engaging various stakeholders, i.e. banks, brokers and financial advisors, as well as municipalities and judicial bankruptcy representatives. Copies of the draft law should be distributed to stakeholders in advance of the meeting.

Due to time constraints imposed by the GRASP close out, the options paper on ways to raise municipal debt limitations requires more detailed analyses. GRASP recommends that the Ministry of Finance convene a working group to review the options. This review would benefit from continued assistance and involvement of expert consultants.

The analysis of the costs and benefits – to LGUs and to the Ministry of Finance – begun by GRASP should be completed and a policy debate opened with municipalities and other stakeholders on the advantages and disadvantages of allowing municipalities to open bank accounts. Romania is almost unique in Europe in preventing municipal bank accounts.

While the Court of Accounts provides a limited audit function on municipal fiscal reports, stronger and more independent auditing is required if more local governments are to gain the confidence of potential investors in municipal bonds.

GRASP recommends that, as part of the EU accession process, Romania review current auditing systems with a view to strengthening auditing to provide potential investors with greater confidence in the accuracy of municipal financial reports.

Private pension funds should play a large role in a healthy municipal credit market – purchasing and holding new issues. Such funds are expected to be operable within two years and could represent a substantial source of capital for investment in municipal debt. Prudential investment guidelines for private pension funds are in the process of being developed.

The development of such investment guidelines should be monitored to assure that this source of capital will be available for municipal investment.

4.4. Creditworthiness Self-Assessment Manual

Many LGUs in transition economies are taking on a greater degree of service responsibilities in health, education, and other public activities as central governments implement their decentralization strategies. The shift of expenditure assignments from central government to LGUs during the decentralization process often lacks a concurrent shift in revenue assignment creating fiscal stress at the local level and an inability of LGUs to access local and international credit markets to finance much needed infrastructure improvements.

To support creditworthy LGUs in their search for credit, GRASP fielded a Municipal Credit Team in November 2003, which developed a strategy for delivering technical assistance to LGUs in accessing the burgeoning municipal credit market. A selection methodology was developed based on quantitative financial indicators and qualitative criteria used in other countries to select the LGUs that would receive technical assistance. Ninety-six municipalities were assessed based on their overall financial capacity. In a follow-up report, GRASP prepared an in-depth creditworthiness analysis for Panaci and Tasca, two GRASP-assisted communes, with SAPARD-financed projects.

As part of its overall program to support access to credit, GRASP also prepared a *Manual for Local Government Credit Analysis*. The Manual has a written component and an accompanying Excel spreadsheet model on a CD-ROM. The written part provides the framework for the LGU self credit analysis, a description of the structure and operation of the model, and a case study that uses the model to apply the framework.

The model allows an economic director to assess his/her LGU's historical (2000 through 2004) and near term (2005 through 2008) general credit condition based on the credit analysis framework. The framework uses international credit rating agency criteria to create a series of quantitative indicators that measure the willingness and ability of an LGU to service its debt obligations (bonds or loans). The model calculates the indicators from the LGU's budget data base. The model contains all of the revenue and expenditure chapters of the LGU Budget required by law for the city council's (*consiliul local/judetean*) budget approval.

The model also calculates the city's legal debt capacity, but more importantly the economic director can calculate the debt capacity and operating expenditures to maintain a balanced budget. Although LGU's have a conservative debt limit (20% of their own source revenues), most LGUs, especially the smaller *orases* (towns) and *communes* (villages), have significant structural operating budget deficits that are only balanced by annual transfers from the central government.

The economic director can also use the model to assess the LGU's co-funding capacity to match EU, IFI, and other donor grants/loans for urban infrastructure. He/she has to match the LGU's funding capacity for donor or central government grants with the LGU's engineering and construction absorption capacity. The Model shows the LGU's potential funding capacity for urban infrastructure, but this funding level should be coordinated with investment planning undertaken by the LGU and LGU-owned public utilities (water, sewer, heating, etc.). This is the start of a capital budgeting process that is driven more by creditworthiness and debt capacity analysis, assuming that the economic director uses prudent assumptions to project budget revenues and expenditures.

Next Steps

With a few exceptions, Romanian local governments have little experience with capital markets and little idea about what to expect from a rating agency, a financial advisor, or a bond underwriter. The self assessment tool could help prepare willing LGUs for entry into municipal credit markets; however they will need intensive technical assistance if they are to understand how to use the tool. It will also require a considerable investment in data entry and analysis. GRASP recommends that the Association of County Economic Directors take the lead in providing TA and seminars using the GRASP material.

5. LOCAL ECONOMIC DEVELOPMENT

5.1 Overview

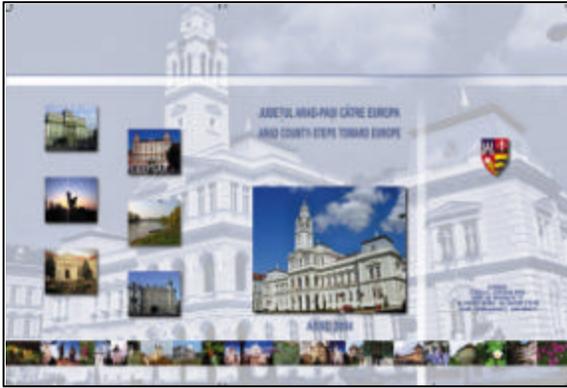
The capacity to deliver economic support to businesses and entrepreneurs who make the investments that create jobs is a basic responsibility of local government. Successful local economic development depends upon the creation and maintenance of a viable partnership between city hall and the business community. GRASP's support for local economic development moved beyond the planning stage and into implementation of activities that stimulated investment, increased partnerships, improved the business climate, and involved the business community in local development.

The local economic development component of GRASP addressed the intermediate results of USAID's Strategic Objectives 2.3.1 that called for, "Adequately funded, service-oriented LGUs" and 2.3.2 "Improved interaction between citizens and local public institutions". After the initial assessment in the 14 Romanian counties, the approach was validated by the local demand – nine out of a total of 36 objectives of cluster work plans were aimed towards local economic development. Moreover, the aggregated GRASP local government capacity index (LGCI) on public-private partnerships for economic development of 1.25 was lower than the LGCI average. Only 6.4% of interviewed LGUs scored the maximum 5 points compared with 52.5% that scored 0. The data implied that while there was an acknowledgement of the need to stimulate economic growth at the local level, there was also a lack of technical knowledge about the ways to do so in conjunction with local government policies and resources.

After evaluating available resources and regional partners' expertise, several different technical assistance activities were developed to address local needs, specifically: Business Improvement Districts (BIDs), Tourism Development, Strategies to Attract Foreign Direct Investment, and Strategic Partnerships for Jobs Creation.

GRASP completed efforts on: tourism development in Tulcea and Bihor; small and medium enterprise support in Craiova; local economic development action plan implementation in Caracal, Iasi County, and Mioveni; two strategies on foreign direct investment attraction for Arad and Giurgiu; nine business attitude surveys; five community profiles; and business improvement district development in Iasi and Braila. A total of 49 different organizations were involved in LED project implementation; 15 of them were Non-Governmental Organizations and 34 were companies. Five LGUs committed \$905,000 for implementation of LED projects or for implementing projects included in a development strategy that had citizen input and was prepared with GRASP assistance

5.2 Business Attitude Surveys



Cover page of Arad Community Profile

In an effort to provide an additional boost to local economic development, GRASP conducted a Business Attitude Survey among the main local employers in Iasi, Arad, Harghita, Salaj, and Bihor Counties and provided direct technical assistance and financial support to the County Councils for developing the local Community Profile. Six hundred brochures and 600 CDs were produced for each County. Representatives of the public sector, business sector and non-governmental organizations contributed to this effort. It includes information about the county history, natural environment, population and labor force, economy, investment opportunities, health, education, culture, and useful contacts. The President of Arad County, Mr. Gheorghe Seculici stated: *“We are pleased to have such a Community Profile with the latest information on the economy of Arad County. We have to congratulate GRASP for its professionalism. I am confident that potential investors will find everything they need about Arad business opportunities”*. While the Bihor County Council Vice-President, Gavrilă Ghilea, noted, *“We thank GRASP for excellent collaboration and all the efforts in creating this updated, powerful informational tool. The Community Profile will support us in promoting the region and attracting investments to Bihor.”* Both tools are important elements for sustainable local economic development at the local level and have already been successfully utilized at international conferences to promote Romanian industry and trade.

5.3 Business Improvement Districts

GRASP created the foundations for successful Business Improvement District (BID) implementation in Iasi and Braila. The BID association in Braila has been legally established and has a new president (who was one of the participants of the GRASP-sponsored study tour to Serbia). Capital improvement projects were completed and promotion of the BID association and area development was conducted through a series of events, brochures, and other marketing materials. The local government support for this project was strongly confirmed by the new Mayor of Braila, Constantin Sever Cibu, who reiterated the need for partnerships and the importance of the matching \$50,000 commitment from the local government.



The Braila BID zone before...



Construction begins



Mayor Constantin Sever Cibu speaks with the media during construction



Applying the finishing touches



Construction is completed



The plaque is placed in the new Zone during the grand opening

In Iasi, the BID manager was hired in August 2004, providing the necessary oversight and management of this important economic development initiative. All of the required capital improvements were procured through an open tender process and coordinated with BID members and the chief architect of Iasi. As a

result of these activities, both BID projects have completed their institutional framework, the infrastructure and capital works. In addition, media events have promoted the BIDs and marketing plans have been implemented to attract local and foreign shoppers and visitors.



Romanian local government representatives in the Czech Republic during a study tour

Business Improvement Districts (BIDs) actively promoted by GRASP and its subcontractor, Berman Group SRO, have found fertile soil for development to prepare a roll-out campaign. In 2004, GRASP sponsored a study tour of the Association of Municipal Architects, on April 25-30, to visit BIDs established with the assistance of the DAI-implemented projects in various cities of local public administrations and business communities. They met with local officials, BID managers, business owners – including Iasi, Krusevac and Niš – and toured the new business centers and other such projects. The Romanian officials also developed action plans for their communities.



The Iasi BID zone

GRASP and the Berman Group are currently working during the development of the Iasi BID. The Iasi Business Association and Braila Business Association are officially registered and have received commitments made by both local councils (\$50,000 each for the capital improvement program). The creation of business associations, will ensure the sustainability of these projects that are widely recognized as important economic development and urban area revitalization tools.

enthusiasm, improve the knowledge of local stakeholders and the Association of Municipal Architects, on April 25-30, BIDs established with the assistance of the DAI-implemented projects of local public administrations and business communities. They met with local officials, BID managers, business owners – including Iasi, Krusevac and Niš – and toured the new business centers and other such projects. The Romanian officials also developed action plans for their communities.

visitors' surveys to support the decision-making process in Iasi. Both the Iasi Business Association and Braila Business Association are officially registered and have received commitments made by both local councils (\$50,000 each for the capital improvement program). The creation of business associations, will ensure the sustainability of these projects that are widely recognized as important economic development and urban area revitalization tools.

5.4 Foreign Direct Investment

In Arad, GRASP and the Berman Group delivered a foreign investment focused on three elements: business climate, business property, skilled labor force, availability of industrial sites and a number of other elements of Arad City, whereas bad roads, lack of international public transportation, and bureaucracy are among its drawbacks. Weaknesses were included in the final report. Although Arad is not a top direct foreign investment destinations in Romania, it also has potential for the development of a new industrial zone for green field investments. GRASP assigned professional full-time staff to FDI activity.

5.5 Local Economic Development Planning

GRASP assisted Craiova, Caracal and Moiveni develop Local Economic Development Plans to coordinate activities by the LGU and the business community.

The Craiova Local Council approved the GRASP-sponsored Local Economic Development Plan. The local administration and Local Council of SMEs (CLIMM). Craiova stated: "We thank GRASP for connecting the business community and local administration in 14 years that we are really starting to cooperate and work together."

The partnership led to the opening of an information center within Craiova City Hall, and priorities set forth by the Strategy. The Strategy defined the principles of public-private partnership for local economic development between business and local administration. On this occasion Mr. Antonie Solomon, the Mayor of Craiova, stated: "It is the first time in 14 years that we are really starting to cooperate and work together in the best interest of our citizens."



Berman Group consultants explain business attitude survey findings

direct investment (FDI) Performance Assessment and services. Geographic position, logistics, cheap and supporting local government, are the main positive factors. Recommendations to enhance strengths and address weaknesses. GRASP's assessment places Arad on top of the list for recommended that the local government support the investments, look more aggressively for investors, and

Economic Development Plans to prioritize and

partnership for local economic development between business and local administration. On this occasion Mr. Antonie Solomon, the Mayor of Craiova, stated: "It is the first time in 14 years that we are really starting to cooperate and work together in the best interest of our citizens."

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also called for joint city promotional efforts to attract foreign investors and listed a number of facilities for companies that would be interested in investing in Craiova. The official approval of this partnership was the first of this kind for Craiova and created an excellent basis for cooperation between local companies and public authorities.

In Caracal, GRASP supported the design of a local economic development strategic plan which led to the creation of a website – including detailed information regarding the LED Strategic Plan, Caracal Community Profile, local companies, and the Capital Investment Plan. The website has improved the communication between public authorities and the business sector. The latter will be able to access useful information on local opportunities and the major projects initiated by local authorities. It will also serve as a reference source and promotional tool for attracting foreign investors, fostering an increase in available jobs and income for local residents.

To stimulate job growth and train students for better jobs, Mioveni established a partnership in Arges County between a high school and the Nuclear Institute. The Institute provides employees who train high school students on issues related to nuclear energy during the school year, as well as additional follow-up practical training of the students at the Institute. As a result, the future graduates of Mioveni schools will have extensive practical training for jobs in this growing market.

Impact of implementation of the Caracal Local Economic Development Strategic Plan

- The attraction of 22 billion ROL for the gas project. During this quarter the construction works on the heating plant and the distribution network moved close to completion;
- The commissioning of a feasibility study for waste management;
- The completion of works for a water distribution network. 1,800 m of pipeline were rehabilitated for a total value of 2.5 billion ROL. There are also indications that the Commercial Bank of London will finance the renewal of the old water and sewage systems;
- The proposal writing and project management training for its own staff co-financed by GRASP through its voucher program;
- The investment of about \$70,000 from Zonatex, an Italian company that bought 600 sq.m. of land and established a new textile manufacturing company. Another Italian company, Chimcomplex, has expressed interest in modernizing an old plastic company;
- The expected investment of \$100,000 of the German REWE company has expressed interest in building a “Penny Market” in Caracal. The company bought 5,000 sq.m. of land and is looking for additional property from the local council. The construction works started on October 10, 2004
- The start of a real estate project with a total value of \$1.1 million by the Hungarian EGE Consulting Group. The project includes the modernization of 19 apartment buildings.

As a result of these achievements the citizens of Caracal will enjoy modern and improved public services and a higher quality of life

After completing and approving their local development strategies and action plans, both Caracal and Mioveni local governments started working on their implementation. The Caracal local government and local economic development task force have sponsored the creation of the 2004 Caracal Entrepreneurs Business Association, which will serve as a liaison between the local government and business community and provide services and support to local small and medium enterprises in their effort to attract investments. Other important efforts include the publication of two books on agricultural management and techniques, targeting Caracal farmers, and the on-going negotiations with two potential investors who could bring up to 1,800 new jobs to the area.

In May 2004 GRASP, in cooperation with the Iasi County Council, organized a round table on “Metropolitan Development in a Cross Border Context”. Over 50 experts representing the metropolitan LGUs, North East Development Region, Ministry of Transportation, Construction and Tourism, and invitees from the neighboring Republic of Moldova participated. As a result of this round table, a letter of intent was signed by all the participants that outlined a series of common priorities and called for the joint lobbying of the linkage of European corridors nos. 4 and 9 which cross Romania, for the benefit of the Iasi Metropolitan Area and its neighboring counties and cities.

On May 21, the Business Association of Iasi, a GRASP partner, organized a seminar with the participation of Jonathan Scheele, the Head of the European Commission in Romania, regarding the metropolitan area and the business opportunities available for the private sector. *“Strengthening the links between Moldova and Transylvania is very important for the current and future development of Romania and the Metropolitan Area of Iasi will play a major and integral role in this process,”* Mr. Scheele emphasized.

5.6 Tourism Promotion

In an effort to spur economic development and increase locally available revenues through the better use of local resources and available natural assets, GRASP provided direct technical assistance to Neamt County to promote tourism attractions and support the local tourism industry. An important milestone of this technical assistance effort was reached when the Neamt County Council adopted an ambitious long term marketing plan, sponsored by the Neamt Tourism Task Force, including representatives of both the public sector and private enterprise. The goal of the plan is to determine the necessary actions to attract visitors, to lengthen their stay in the county, and to generate short- and long-term economic impact.

Two other counties requested assistance in tourism development from GRASP and have also achieved important results. Tulcea is aggressively implementing its short-term action plan – approving and printing the Tulcea Tourism Logo, the content of the *Calendar of Events* and the *Accommodation and General Information Guide* on

the county. In Bihor County, the Task Force produced materials about the Bihor tourism assets and potential for visitors, conducted a SWOT analysis and has begun implementing a short-term marketing plan. This local government initiative received strong private sector support among county-based tourism organizations that include travel agencies, hotels, restaurants, Chamber of Commerce and Industry, and National Association for Rural Ecological and Cultural Tourism (ANTREC). The institutionalization of GRASP's work in this area comes from the County Council decision no. 19 from April 27, 2004, approving the tourism development strategy, its action plan, and setting up a new executive body – the County Tourism Office.

As a result of these efforts, the tourism communities of Neamt, Tulcea and Bihor, and their respective local administrations, will be able to turn these counties into highly competitive and attractive tourism destinations for domestic and international visitors. Implementation of the GRASP-sponsored plans have already produced new jobs in the area, increased the revenue stream to the local budget through a larger tax base, created public-private partnerships, and increased locally available revenues.

Creanga Land Park Opens in Style

During GRASP's initial assessment meeting in Tirgu Neamt, tourism promotion was viewed as a top priority by the city's NGO community, citizens, and public administration. Working together, local government and GRASP grantee, Neamteanca Craftsmen Association, took a major step towards fostering the tourism industry in Tirgu Neamt on Tuesday, September 7th with the opening of Creanga Land Park. The event took in the center of Tirgu Neamt, in front of the city's history museum. Creanga Land Park celebrates the life and works of Romania's great storyteller, Ion Creanga, and event participants spanned generations, including school children, local government officials, NGO representatives, media, citizens, and tourists.

Through a GRASP grant of \$27,739 and in-kind contributions amounting to 46% of the total cost of the project-including time and space from the city hall- the Neamteanca Craftsmen Association transformed the area in front of the museum from an empty, desolate yard to a first-rate park for citizens and tourists to learn about the works of Ion Creanga through statues, theatre productions, concerts, readings. Moreover, the park offers a perfect setting for the association and other local vendors to sell arts and crafts, promoting the sustainability of the association and bringing resources to the region. The well-organized details of the event--such as all in attendance receiving a "bag with two coins" from one of Mr. Creanga's infamous stories, regional deserts and beverages, and an emotionally charged concert from children of disadvantaged families--left a strong impression on all event participants and set a standard for future such events. The Mayor of Tirgu Neamt, Decebal Arnautu, the Neamt County Council Vice President, Fratila Valarica, and the Neamt sub-prefect, Latu Lazar spoke of the cooperation fostered between the Association and local government. Ms. Tincuta Ciubotariu, President of the Neamteanca Craftsmen Association noted, *"This is just the beginning of what we--NGOs, local administration, and local economic actors--can and will do together for our community."*



Creanga Land before



. . . and after

Lastly, in cooperation with its regional subcontractor, Berman Group SRO, GRASP organized two 3-day regional workshops in Oradea and Bucharest. 65 representatives from Bihor, Salaj, Arad, Harghita, Sibiu, Tulcea, Braila, Iasi, Dolj, focused on lessons learned and case studies from the last two years development through strategic planning, business improvement development techniques. An important component of the proposal writing skills focused on European Union Special Olt County SME Council noted, “GRASP has helped us in many the door for a future partnership between the local authorities and



Children from disadvantaged families provide a concert for the 200 attendees

Arges, Giurgiu and Olt attended. The workshops of GRASP experience in fostering local economic districts, foreign direct investments and tourism workshop’s agenda included the development of Structural Funds. Valentin Cristea, President of the ways, *but the most important thing is that it opened the business community in Olt.*”

5.7 Barriers and Constraints

GRASP encountered two types of constraints to its LED program. technical assistance and to implement programs. The second was USAID Romania Mission.

During the initial phase of the program, GRASP found that, despite had a poor understanding of the need for and ways to implement 79 had mature partnerships for local economic development.

together local governments and their business communities and in bringing representatives of the local business community to the same table to convince them of the usefulness of cooperating and exchanging ideas. In addition, in many communities, even large cities and counties, there is a lack of institutional structure capable of mobilizing local resources for a coherent development and, therefore, a lack of expertise.

The first was the limited capacity to use effectively the conflicting program guidance on LED from the

a favorable legal environment, Romanian LGUs public-private partnerships. Only five LGUs out of GRASP staff had significant difficulty in bringing

5.8 Next steps

GRASP recommends continued support for LED, focusing on business improvement districts, tourism development, business attitude surveys, community profiles, foreign direct investment attraction and SME development. We would recommend working with the Association of Economic Directors of the County Councils for replication and sustainability purposes. However, it would be advisable to avoid directing LED efforts through the Association of Chief Architects of Cities given that it showed little interest during the GRASP implementation process.

For greater impact at the local level, GRASP has developed and highly recommends its LED toolkits that include “**Business Improvement Districts: A Guide to Establishing and Operating a BID in Romania**”, “**Tourism Development Guide**”, “**Local Economic Development and Supporting Tools: A Guide for Local Economic Development Specialists**” and “**Winning Cities: Jobs and Economic Development- A Guide to Strategic Economic Development Planning**”. Five hundred and fifty copies in Romanian and English of each toolkit or manual were printed and distributed to local governments where GRASP worked and to local government associations including the Association of Economic Directors of County Councils and the Association of City Chief Architects. Electronic copies are also available on GRASP’s website for any interested Romanian local government.

6. BUILDING RELATIONSHIPS BETWEEN CSOs, LOCAL GOVERNMENTS, AND LOCAL GOVERNMENT ASSOCIATIONS

6.1 Overview

GRASP managed a comprehensive grants program designed to strengthen partnerships between local governments and Civil Society Organizations (CSOs) and also to strengthen the institutional capacity of the CSOs. To date GRASP has provided \$1.7 million to support projects that have succeeded, and continue to provide measurable impact, in order to improve the lives of citizens through the creation of partnerships between civil society and local governments. 105 GRASP-assisted Civil Society Organizations (CSOs) are participating in strategic planning, implementation and oversight activities (210% of the end of Year 2 target).

Basics of the Award Process

- Local grants were awarded through open and competitive public bids, with proposals judged against established evaluation criteria.
- Grantees were required to commit a significant cost share for projects funded under GRASP.
- Grant proposals responded directly to a local action plan developed with the community and local government.
- Grantees had to demonstrate a real partnership with local governments in implementing the projects.
- Grants were accompanied by mandatory institutional and financial capacity building support for the grantee.

GRASP activities aimed at improving the lives of Romanian citizens by creating stronger, better, and more sustainable local governments. As a support function of GRASP, the GRASP grants program strengthened Romanian local government and civil society, promoting public-private partnerships to better deliver services and enhancing the administrative, financial and political dimension of the national governance environment that impacts local government. GRASP provided in-depth technical assistance to all grantees—from proposal writing training to capacity building. Moreover, to promote the sustainability and success of grant-funded projects, the GRASP team did not give grants to CSOs in isolation; instead, GRASP consultants worked with grantees before and during implementation to create community partnerships that included CSOs, representatives from public administration, and others. The grants program achieved its objectives by promoting such partnerships and awarding a wide range of grants to qualified local organizations through competitive RFAs, direct solicitations, unsolicited applications, and sole source decisions. The program contributed to a unified “window” of GRASP financing to the public at large, and had flexible features to allow GRASP to award grants even when unforeseen opportunities arose.

In its first year, GRASP’s grant portfolio included three types of grants (Cluster Grants and Bright Ideas Grants required a significant cost share on the part of CSOs).

Cluster Grants

These were local grants supporting projects that assisted communities in implementing cluster improvement plans, including projects fostering partnerships and cooperation between Romanian organizations and local governments, as well as projects helping to improve specific attributes of LGUs related to GRASP-initiated cluster improvement plans. Cluster Grants were awarded for 6-12 month projects.

GRASP awarded 31 cluster grants totaling \$939,157 to local organizations working in partnership with local governments across Romania to address community-identified needs. Through partnerships created and opportunities obtained through their own resource mobilization efforts, the following organizations are continuing their activities without GRASP/USAID funding support:

1. “Youth for Terra Arges” Association, Pitesti
2. “For Bucovina” Foundation, Campulung Moldevenesc
3. “Femina 2000” Association, Piatra Neamt
4. Bucovina Ladies Society, Suceava
5. Center for Mediation and Community Safety, Iasi
6. PAEM Arad Association, Arad

7. Disabled People Society, Zalau
8. "Integra" Association, Oradea
9. Romanian Foundation for Children, Community and Family, Oradea
10. Albin Foundation, Oradea
11. "Care for Human Sufferings" Association, Zalau
12. The Red Cross, Sibiu Branch
13. Center for SME Development, Braila
14. "Terra Nostra" Academic Foundation, Iasi
15. "Nemteanca" Craftsmen Association, Tirgu Neamt
16. Center for Regional Studies, Miercurea Ciuc
17. Olt Chamber of Commerce, Industry and Agriculture, Slatina
18. "Civil Society Development in Rural Areas" Association, Mahmudia, Tulcea County
19. "Vox Deltae" Association, Crisan, Tulcea County
20. Private Investors Foundation, Bucharest
21. REC Foundation, Bucharest
22. European Youth Foundation, Bucharest
23. Bios Ecological Club, Sibiu.

Bright Ideas Grants

These were national grants providing support to CSOs to develop, replicate, and scale-up models and best practices that had been tested or piloted through ongoing local initiatives. These grants were meant to fund the implementation of programs that have been proven to work. This mechanism provided a means for Romanian civil society and the private sector to become the engine for disseminating innovative local practices that improve local government efficiency, effectiveness, and accountability. Bright Ideas grants were intended for projects lasting up to two years.

GRASP awarded one Bright Ideas grant in 2003 of \$58,323. Three social services grants awarded in 2004 were also categorized as Bright Ideas grants and amounted to \$273,066. All four of these grants were terminated due to early program phase-out.

Rapid Response Grants

These were flexible short-term grants of up to \$10,000 lasting up to six to eight months, which responded to emerging program opportunities at the national level. They were awarded on a rolling (continuous) basis. The main selection criteria included the extent to which the projects addressed national policy issues relevant to the GRASP program and the existence of tangible results produced by the projects. The organization's (general and financial) management capabilities, as well as its ability to partner with relevant stakeholders and other donors, were also important factors in deciding the grant award.

GRASP awarded five Rapid Response grants amounting to \$46,683. Publications from Rapid Response grants include:

1. Best Practices in Implementing Freedom of Information Act -- FOIA (produced by the Romanian Academic Society)
2. Public-Private Partnerships, A Solution for Better Management of Local Communities: A Practical Guide for County Councils (produced by the Institute for Public Policy)
3. Financial Transfers for Investment to Local Governments (produced by the Romanian Academic Society)
4. User's Guide to Implementing Government Ordinance 45/2003 - Local Public Finance (produced by the Federation of Local Authorities – FALR).

Examples of Grants Impact

- 282 people registered their businesses and thus became taxpayers in Tulcea County, Vox Deltae (Crisan, Tulcea County)
- 20 new businesses created and 31 people obtained jobs as a direct result of the project in Braila County, Center for SME Development (Braila)
- Three out of eight proposals produced under the grant were funded in Tulcea County, totalling 266,213 EUR, "Civil Society Development in Rural Areas" Association (Mahmudia, Tulcea County)
- Local Council decision increased local budget by 1.72% for tourism activities for grant-funded project, Creanga Land, a community-identified priority, "Neamtanca" Craftsmen Association (Targu Neamt)
- All 39 of the center's trainees were reintegrated into the public educational system, and the school started to use the curricula developed by the grant-funded center in its classes, "For Bucovina" Foundation (Campulung Moldovenesc)
- As a result of a feasibility study conducted through the grant-funded project, Filiasi Local Council adopted a decision determining the location of the local land fill. The feasibility study will serve as the basis for a funding request to implement an integrated waste management system in Craiova, "New Eurogeneration" National Association, (Craiova)
- A Local Council decision in Aroneanu secured funding for the continuation of a local economic development (LED) center established through grant support and through funding from Aroneanu City Hall. In addition, the LED strategy created under the grant is a programmatic document that will guide local government in allocating the budget, incorporating priority projects included in the strategy, "Terra Nostra" Academic Foundation (Iasi)
- The Romanian Government approved funding for the Bucovina Ladies Association amounting to approximately \$6000 for 2005 to continue existing home-care services, under Law 34. Moreover, at its January meeting the Suceava Local Council approved the portion of its 2005 budget that includes subcontracting services of 10 home care providers to be trained by the Bucovina Ladies Association and totaling nearly \$13,000 for 2005. Finally, the Ministry of Health authorized the organization as a home care/social services provider, representing the organization's first step in officially becoming a certified home care training provider and resource center. Bucovina Ladies Association (Suceava).

As GRASP evolved, so did the grants program. To reflect the overall changes in the GRASP program, the following changes had been planned, although, because of the early phase-out of GRASP, several changes were never implemented.

1. Local Service Delivery Grants: These were aimed at supporting activities laid out in the workplans of GRASP local initiative technical areas, and were meant to complement (bring a sustainability component) and augment GRASP-induced change (broaden the impact). These grants would have been aimed at improving social and public services, policy, and local government management, as well as increasing economic growth. GRASP did not award any local service delivery grants because of early program phase-out.
2. Institutional Support Grants: GRASP supported the continued development of local government and professional associations and other strategic partners through institutional support grants so that they continued the technical assistance and service delivery GRASP provided directly

to local government beneficiaries. These grants focused on providing salaries, overhead and other operational expenses for organizations to conduct a set of concrete activities that were in line with GRASP program objectives. GRASP tied these grants to required technical assistance and training offered by GRASP and/or its Resource Partners in financial management and institutional capacity building. It was planned that the amounts of support would be decreased over time to counter overdependence.

GRASP awarded institutional support grants to local government associations totaling \$213,493 in 2004. These grants were terminated early due to premature program phase-out at the end of 2004.

3. Rollout and Policy Grants: GRASP's efforts to assist the decentralization/de-concentration process and the nationwide rollout of reforms hinged on building an accurate common understanding of fiscal and service decentralization at the local level and on supporting emulation of successful initiatives. To this end, GRASP had planned to provide grants to scale-up and expand local initiative projects already developed with GRASP funding, best practices identified, and policy grants.

Due to early phase-out, GRASP only supported one roll-out activity: a follow-on project amounting to \$238,974 and implemented by the Romanian Society for Emergency Medicine (SMUCR) to roll out emergency services across Romania, an initiative that began under a cluster grant. As a result of early phase-out, this project was terminated before completion.

6.3 NGO Capacity Building

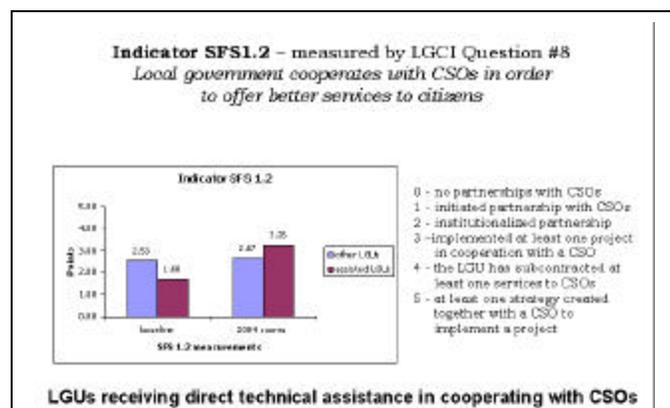
To build permanent and sustainable capacity in Romania for the continued strengthening of local government, GRASP developed and implemented technical assistance and training programs using strategic local partners, including local government and professional associations, Romanian NGOs, think tanks and other institutions. To improve interaction between citizens and local public institutions by assisting CSOs in participating in strategic planning, implementation and oversight activities, as well as in the creation of new community services through participatory approaches, GRASP improved CSOs' management capacity, specifically of its grantees and their partners.

Two of GRASP's Resource Partners -- Opportunity Associates Romania (OAR) and Partners for Local Development Foundation (FPDL) -- delivered training between July and December, 2004. The 40 CSOs that expressed their intention to be recipients of GRASP's organizational development services were split into two groups of approximately 20 organizations each. One group included younger and less experienced CSOs, and the other group consisted of more mature organizations, as revealed by the scores from AED's Institutional Development Assessment Form.

GRASP measured the success of the program through progress of the CSOs in areas of organizational development, as assessed through the administration of AED's Institutional Development Assessment Form at the beginning and end of the intervention. The scores of 34-36 organizations that were assessed show improvements in all four organizational areas, with a 38% increase in the total average score. The results are summarized in the following table.

Assistance Topic	Score Increase (%)
Management	36.44
Financial	30.18
External relations	41.84
Programs/Services	43.49
Total Score	37.98

The majority of the NGOs involved in the project actively participated in the training programs and other technical assistance provided by the OAR and FPDL consultants. Knowledge, skills and attitudes shared amongst them will be useful for organizational as well as personal development. Some NGOs now excel in operating their organizations and in implementing organizational development activities, while others now provide better services for their beneficiaries. After participating in the training and technical assistance, and having had the opportunity to exchange ideas and experiences, most NGO representatives discovered common interests, and are especially interested in creating and cooperating in a network.



In addition, the LGCI illustrated dramatic improvement for LGUs which participated in the GRASP program in terms of cooperating with local CSOs in order to provide additional services to citizens. GRASP-assisted LGUs that started significantly lower, initially increased their scores 94% while other LGUs increased only 6%.

GRASP's \$1.7 million grants program leveraged a total of \$964,380 in matching contributions from grantees.

Total Grants Funds Leveraged Since Inception	
Local Government	\$134,374
Central Government	\$62,893
Private sector	\$482,964
International donors	\$186,552
Own Contribution	\$97,597
Total Funds Leveraged	\$964,380

6.4 Barriers and Constraints

- Many CSOs lacked the institutional capacity to manage grant activities. This had been anticipated in the program design which is why it included a significant capacity building element. But the relatively low level of institutional development of the majority of grantees meant that intensive support was needed by the GRASP grants team to ensure that grantees were able to complete the activities and submit the necessary financial and activity reports.
- The Bright Ideas grants program was launched prematurely. This program should have followed on the first round of cluster grants, but GRASP issued the RFA before there was adequate feedback on which local initiatives had been successful and had the potential for further success. If implemented later, GRASP would have been able to fund more Bright Ideas projects based on previous experience with innovative projects.
- In the Bright Ideas grants application process, GRASP should have specified a minimum number of grants to be awarded. Even if the proposals did not meet expectations, the standards should have been lowered to award more grants.
- Changes in the overall structure of the GRASP program delayed award of grants. Without clear approval from USAID on GRASP's 2004 workplan, it was difficult to confidently move forward with local services delivery grants.
- Shifting USAID priorities resulted in less funding for roll-out grants in 2004. In addition, making social service delivery grants (to Ovidiu Rom, Sfantul Stelian, and the Foundation for Community Support at the request of USAID) meant that GRASP could not pursue roll-out opportunities resulting from successful local grants (cluster grants). Concrete examples of other areas that GRASP would have considered for funding based on work begun under cluster grants include: regional elderly home care initiatives, expanding and increasing vocational training efforts, and the proliferation of environmental action plans in communities around Romania.

6.5 Lessons and Next Steps

Through GRASP grants, GRASP promoted local efforts to improve Romanian communities. The grants program featured the involvement of CSOs, local governments and other interested parties in the process of creating projects to address local priorities. This collaboration from key stakeholders ensured project success and sustainability.

Lessons learned from the local grants program

- Any grants program of this sort must be accompanied by intensive support by the grant-giving program. This support should come from the grant-making team and also from technical specialists with expertise in areas related to the grant activities. For grants of a technical nature, such as specific social services, IT projects, utilities, etc., it works best to have three people working in conjunction during implementation: a grant manager (trained as such), finance officer, and technical liaison.
- Eligibility criteria should include applicant partnership with local government—the more specific the better. It pays to spend time defining the partnership and incorporating it into the RFA. The criteria should also include cost-share, which is best to specify up-front if some of this comes from local government.
- Communities – including citizens and representatives of the local government -- should develop priorities and have the grants incorporated into these ideas. To be eligible, GRASP required grant proposals to address documented community objectives.
- A two-stage process – an initial concept paper with a limited number of proposals, followed by an invitation to move forward to the full proposal stage -- works well if time allows. The first stage should eliminate all but most likely grant recipients so that technical assistance provided between the first and second stages can be very tailored to needs of the program.

Lessons learned from nation-wide grants

- Eligibility criteria should be restrictive to experienced CSOs so as not to be overwhelmed with proposals and raise expectations. Both eligibility and selection criteria need to be specific and objective (there may be some more subjective selection criteria as well, but not without objective criteria). For example, it was useful for us to detail that Rapid Response grant eligibility criteria included only projects that were national in scope; selection criteria specified that projects produce a product and/or affect policy in a concrete way.
- When issuing RFAs, the grant-making organization should specify the approximate amount and number of grants to be awarded under the RFA. These limits should be strictly adhered to.
- It may not be necessary to solicit proposals if USAID or the program wishes to obtain specific objectives. It is possible to use the direct solicitation mechanisms allowed by USAID, as well as non-competed awards based on predominant capability as long as the rationale is well documented and the award concurred by USAID.

Next Steps with GRASP Grantees

- Since GRASP grantees established numerous successful partnerships with local governments, these organizations and their corresponding partners in public administration are models for CSO-local government collaboration. Especially successful cases include: “For Bucovina” Foundation (Campulung Moldovenesc), “Femina 2000” Association (Piatra Neamt), Bucovina Ladies Society (Suceava), PAEM Arad Association (Arad), Disabled People Society (Zalau), “Integra” Association (Oradea), Romanian Foundation for Children, Community and Family, Albin Foundation (Oradea), “Care for Human Sufferings” Association (Zalau), “Terra Nostra” Academic Foundation (Iasi), “Nemteanca” Craftsmen Association (Tirgu Neamt), Center for Regional Studies (Miercurea Ciuc), “Vox Deltae” Association (Crisan, Tulcea County), REC Foundation (Bucharest), European Youth Foundation (Bucharest), and Bios Ecological Club (Sibiu).
- GRASP recommends continued support of most of its local grantees, but especially the Romanian Society for Emergency Medicine (SMUCR) in both the implementation of its roll-out activities (training fire fighters nation-wide) and with continued assistance in institutional strengthening. Other particularly promising grantees include: “Femina 2000” Association (Piatra Neamt), Bucovina Ladies Society (Suceava), Disabled People Society (Zalau), Romanian

Foundation for Children, Community and Family, Albin Foundation (Oradea), “Terra Nostra” Academic Foundation (Iasi), REC Foundation (Bucharest), European Youth Foundation (Bucharest), “Vox Deltae” Association (Crisan, Tulcea County), “Civil Society Development in Rural Areas” Association (Mahmudia, Tulcea County), “Youth for Terra Arges” Association (Pitesti), and Bios Ecological Club (Sibiu).

- Organizations participating in the GRASP institutional capacity building program found common interests; therefore, a network could be established to further promote collaboration between them.
- Concrete examples of other areas that USAID could consider supporting based on work begun under GRASP cluster grants include: regional elderly home care initiatives (Suceava and Zalau counties); expanding and increasing vocational training efforts (Arad, Oradea, and Pitesti); and the proliferation of environmental action plans in communities around Romania through REC Romania.

Legacy Products

GRASP has prepared several manuals and products that should be of use to future grant programs in Romania. These are:

- GRASP Grants Manual
- GRASP Institutional Development Assessment Scorecard
- GRASP Grantee Deliverables, among which include:
 - Sibiu County Water Resources Management Plan
 - PAEM Vocational Survey
 - Housing Guide
 - House Models Catalogue, Community Safety Strategy (movie)
 - Feasibility Study on Craiova’s waste collection and integrated management system
 - Local Environmental Action Plan (Olt County)
 - Aroneanu Local Economic Development Strategy
 - Vox Deltae Citizen’s Guide
 - Best Practices in Implementing FOIA (Freedom of Information Act)
 - Public-Private Partnerships, A Solution for Better Management of Local Communities: A Practical Guide for County Councils
 - Financial Transfers for Investment to Local Governments
 - User's Guide to Implementing Government Ordinance 45/2003 - Local Public Finance.

6.6 Local Government and Professional Associations

Overview

The grant program supported eleven local government and professional associations. The goal was to strengthen the capacity of these organizations to create sustainable organizations that provide services to members and to disseminate best practices that could be rolled-out nation- wide. The table below lists the organizations and the grants each received.

As a result of the grant program, functioning with executive staff, place. Two associations and Association of County Chief time staff. The executive staff of all participated in a two-day training conducted by the GRASP team and development of local government executive directors in day-to-day

Each of the local government and conducted an event received GRASP provided ADECJR with helped in organizing and identifying provided ACOR with assistance in organizations worked closely with and data collection after each event. to their membership as successes of funded under the grant program activities:

1. Certification of association members;
2. Development of regional for disseminating information attracting membership;
3. Organization of workshops and
4. Provision of direct technical
5. Coordination of exchanges of

Achievements

- ADECJR conducted a round resulted in six counties practices and attracting new projects.
- ANIAP set certification criteria for IT experts and identified 15 best practices that have been replicated.
- Association of Communes (ACoR) exceeded their goal of increasing membership by more than 15%.

Legal Entity	Learning Network	12 Month Budget (Activities)	12 Month Budget (Institutional Support)	Total
Association of Communes (ACoR)		4,000	7,900	11,900
Association of IT experts (ANIAP)	E-Government	65,300	9,700	75,000
Assoc. of County Economic Directors (ADECJR)	Financial Management and Fiscal Decentralization	30,400	6,600	37,000
Association of Citizen Information Centers (ANCIC)	Citizen Participation and Citizen Information Centers	15,000	7,200	22,200
Association of County Architects (ASGJR)	Social Services and Public Private Partnerships	10,000		10,000
Association of Municipal Secretaries MSA	Social Services and Public Private Partnerships	10,000	4,200	14,200
Association of Municipalities AMR	Financial Management and Fiscal Decentralization	16,000	4,201	20,201
Association of Municipal Architects AMR	Local Economic Development, City and Environmental Planning	14,000	4,202	18,202
Association of County Secretaries (AACJR)	Regional Development, City and Environmental	10,000		10,000
AoR	Financial Management and Fiscal Decentralization	5,000		5,000
Association of Municipal Architects(AMR)			2,400	2,400
TOTAL		197,700	46,403	226,103

eight associations are currently headquarters and operations in (Association of County Secretaries Architects) are operating with part-11 associations, as well as FALR, workshop in Valenii de Munte, GRASP STTA, on institutional associations and the role of functioning.

professional associations that technical assistance from GRASP. trainers, training materials, and members' training needs. GRASP preparing membership drives. The GRASP on message development Data was later packaged to present the organization. The activities include the following categories of

consultants/trainers from the learning networks, as vehicles and best practices, as well as round tables; assistance; and experience.

table in Suceava that replicating three best funds for infrastructure

- GRASP created manuals and guides to be distributed by the associations to enable members to replicate successes.
- GRASP and the National Association of Citizen Information Centers (ANCIC), published the *National Catalog of Citizen Information Centers – edition 2004* and finalized the *User Requirements for CIC- dedicated software*.
- GRASP and ANCIC conducted the second stage of the Training of Trainers (TOT) program to prepare Romanian trainers and consultants for the creation and upgrading of CICs around the country.
- As a result of GRASP Learning Networks, the Association of County Economic Directors (ADECJR) increased its membership by 18% as nine new members signed on, increasing the membership from 41 to 50 dues paying members.
- GRASP designed an assessment mechanism for local government associations that measured their organizational capacity and ability to serve members and to represent members' interests.
- ANIAP conducted training on virtual private networks (VPN) in Bucharest from July 12–15, 2004, for ten of their members. The association also conducted training in project management from July 26–30, 2004, held in Bucharest for ten members.
- ADECJR held a TOT on public procurement from August 24 - 25 in Mamaia for ten members. The association also held a TOT on capital improvement planning and budgeting in Predeal from September 7-8, for 19 of its members.

In the process of certification of consultants, ADECJR organized a Training of Trainers session conducted by GRASP Resource Partner, Foundation Partners for Local Development (FPDL). Sixteen ADECJR members were trained as trainers in project management. The members had been previously certified by INA in financial management.

As a result of assistance provided on institution building, ACEDJR opened membership to deputy directors and nine new members signed on, increasing the membership from 41 to 50 dues paying members.

ACOR held two learning networks, both designed to attract new members as well as to inform members of changes made in dues collection and challenges with legislative changes. The networks were held in Constanta County on August 28, 2004, and Prahova County on September 30, 2004. The Constanta Learning Network resulted in 40 new members while the Prahova Network resulted in ten new members.

ANCIC held three Learning Networks. In July 2004, the National Association of Citizens' Information Centers (ANCIC) organized a seminar on "The Role and Importance of Citizen Information Centers in Implementing Law nr. 544 Regarding Free Access to Public Information." The new Bucharest Sector 1 Mayor, Andrei Chiliman, opened the meeting, chaired by ANCIC President Adrian Bucura. Members and potential members attended. On September 9, ANCIC held a Learning Network in Arad to discuss service options for CICs with 30 participants (and ANCIC gained 13 new members). On September 29, ANCIC held a Learning Network in Iasi, attracting 44 participants, to discuss the role and importance of Citizen Information Centers in implementing Law 544 regarding access to public information.

From August 25 -27, the ADECJR held a Public Procurement workshop aimed at disseminating case studies and best practices. Twenty-one members discussed difficulties with applying the procurement legislation and lessons learned. The event resulted in 13 new members for the association.

In Oradea, the Association of Municipal Chief Architects organized the first network and disseminated four best practices on urban planning/land use by using GIS systems. The municipalities of Oradea, Timisoara, Ploiesti and Galati presented their best practices. The network includes 52 members.

6.7 Constraints

Despite prolonged support from USAID (and other donors), few of the associations are self-sustaining. Only ANIAP has managed to build sufficient membership to continue without grants. ADECJR is also a relatively strong organization.

The problems identified by GRASP with most of the organizations include:

- Lack of professional management. The position of executive director is often filled by a part-time official. The Association Presidents dominate the organizations – and since they are full-time elected or appointed officials, they are unable to devote sufficient time to the organizations.
- Poor financial reporting. Some associations lack full-time bookkeepers and financial records are absent or incomplete. Membership dues are rarely collected. GRASP attempted to work with some organizations to rectify this problem, but the organizations' Presidents did not implement many of the proposed reforms.
- Too many organizations. It is not possible for the Romanian market to sustain so many organizations. Further, each needs a great deal of TA before standing on their own and none of the eleven organizations have a pool of managerial talent from which to draw.

6.8 Next Steps

GRASP recommends that:

- The number of organizations supported by an implementer should not exceed five.
- The implementer should make financial accountability and the collection of full membership dues a pre-requisite of receiving USAID assistance.
- Associations must be trained to provide valuable services to their members.

7. VOUCHERS

7.1 Overview

The GRASP Voucher Program was an innovative mechanism to involve Romanian consulting firms and organizations in achieving GRASP objectives. The Voucher Program offered 10 local governments involved in the GRASP program the opportunity to identify and procure consulting services – including feasibility studies for infrastructure projects, training for proposal writing and project management, and MIS systems for financial management. The GRASP Voucher program was based on DAI experience implementing voucher programs in Ukraine, Moldova, Zimbabwe and Brazil; however, the GRASP Voucher Program was the first time that vouchers were offered to local governments for them to procure consulting services. Some of the important features of the program were:

- **Market-driven assistance** – local governments were able to identify the specific product or service they required, within general parameters provided by GRASP. Local governments drafted the terms of reference and selected the service provider to deliver the product or service. This approach provided local governments an introduction and access to the local consulting market; in some cases this was the first time they had the opportunity to procure consulting services. By requiring competitive bidding, the pricing for different products and services was determined by the market.

- **Cost share with local governments** – local governments were required to contribute a percentage of the cost of the product or service. Local governments were provided with a sliding scale and could determine for themselves what level of funding they could afford.
- **Links to procurement training** – local governments were required to procure the product or service using Romanian procurement law. GRASP was able to link procurement training to eligibility for vouchers providing a “procurement practical” for local governments. Each participating local government received procurement training.
- **Local Government Transparency** – GRASP required local governments to publicize expenditures on products and services procured through the voucher program. Local governments had to ensure local council approval for the product or service, issue a press release notifying the public about how local funds were being used and, after a transparent procurement process, publicly announce which firm or organization won the tender.

Implementation of the GRASP Voucher Program began with a pilot program involving 22 local governments in the Bucharest region. While the DAI proposal initially envisioned launching the voucher program in Year 2 of the project, GRASP staff followed USAID direction and initiated the program in Year 1. The pilot program, launched in 2003, funded seven vouchers. In total, local governments contributed \$25,900, or on average \$3,712 per voucher. The products and services funded through the pilot phase included feasibility studies for water system improvements and a management information system for municipal financial management.

Following the pilot phase, GRASP conducted an assessment of the voucher program. The assessment resulted in some modifications to both the design and implementation for the wider roll-out of the voucher program. One important modification was the linkage between the first round of vouchers and GRASP procurement training. Only those local governments that sent representatives to comprehensive procurement training were eligible to apply for vouchers. Vouchers were also narrowed to offer products or services in two general areas: Improvements to Public Services (both infrastructure and social services) and Feasibility Studies. Given the complexity of the feasibility study process, vouchers for feasibility studies were limited to those local governments that could prove they were likely to leverage funding for projects. In total, GRASP awarded vouchers to 10 local governments. Due to the early phase-out of GRASP, only three of these local governments could complete the voucher process in time. Participating local governments contributed \$13,775, or 52 % of the total cost for the products and services.

Illustrative Highlights

GRASP awarded 10 vouchers to Romanian local governments. The following table summarizes which local governments received vouchers and the type of product or service they procured:

Local Government	Services Procured
Braila County Council	County Economic Development Strategy 2004 – 2008
Arges County Council	Proposal and Project Management Training
Maxineni Commune	Rural Development Strategy and Training
Caracal Municipality	Proposal and Project Management Training
Sibiu County Council	Proposal and Project Management Training
Baraganul Commune	Feasibility Study for Water System Improvements
Vadeni Commune	Feasibility Study for Water System Improvements
Insuratei Municipality	Feasibility Study for Waste Management System Improvements

Giurgiu Municipality	Management Information System for Municipal Management
Zalau Municipality	Feasibility Study for Social Services Center

To ensure local governments would not default on payment to service providers, the voucher program required all local governments to pay service providers in full before GRASP made the required payments. This arrangement made it necessary for GRASP to register each service provider to confirm they understood and accepted the terms and conditions of the project. In total, over 80 service providers from around the country, including consulting firms and professional associations, registered with GRASP, either by mail or over the Internet. Through the voucher program, these organizations received notifications of tenders and became aware of the demand for services from local governments.

After launching the first round of vouchers in the first quarter of 2004, which included the publication and distribution of the *Voucher Policies and Procedures Manual for the First Round of the Voucher Program* to 79 local governments, GRASP received 17 eligible applications by the May deadline. In June, the 17 local government registration forms were reviewed and 10 local governments were selected to receive a voucher. With the early closure of the program only three vouchers were actually issued.

Subsidy levels for these three vouchers were 34% -- considerably below the 80% subsidy level provided by GRASP for the seven pilot vouchers. The fact that local governments were willing to pay an increasing percentage of the total cost of the service indicates a growing domestic market for technical services to local governments, which the voucher program was designed to spur.

Beneficiaries of GRASP vouchers in proposal writing and project cycle management receive international funding for infrastructure projects

"We can consider ourselves lucky to have benefited from GRASP assistance in proposal writing and project cycle management, as we did learn how to write successful proposals," noted Florian Despan, from the Department for Strategy and Regional Development of the Arges County Council. In December 2003, the Arges County Council received one of the seven vouchers provided to local governments during GRASP's pilot voucher program. The voucher totaled \$29,379, with \$22,035 contributed by GRASP, and \$7,344 contributed by the County Council. Twenty five civil servants from the Arges County Council and 62 local councilors representing towns and communes from Arges County received training in proposal writing and project management under the voucher on accessing international funds for developing priority projects.

Within months of completing the training, civil servants from the County Council wrote and submitted nine proposals, out of which two have already been financed through different grants totaling \$75,000. Sponsored by the Romanian Ministry of Labor with World Bank financing, the first grant will help the Arges General Office for the Protection of Children Rights establish a counseling office to support 25 families and 200 disadvantaged children facing financial difficulties. Financed by Phare, the second grant will provide the Malureni Local Council with the tools to improve the health condition of 700 Roma families, through equipping a medical center and employing personnel to sustain the families with 24 hour medical assistance and counseling. In addition to writing proposals, the beneficiaries of the training program are engaged in replicating the skills achieved, through knowledge sharing to peers. Not only have they made training materials available to their colleagues, they have also delivered trainings on proposal writing and project management. "For me, the training represented an open eye experience. It changed my present, and I believe my future as well," stated Florentina Calinescu, Environment Councilor of the Arges County Council. After the training, Florentina was motivated to take additional courses on project management. She now studies to become a certified project manager and trainer by the end of 2004.

Barriers and Constraints

Timing. The original plan outlined in DAI's GRASP proposal called for the voucher program to be launched in Year 2, to provide follow-on support to local governments after GRASP completed technical assistance. Early in the project, USAID requested that the voucher program start immediately. Starting the project earlier than planned created a number of challenges. First, GRASP was required to integrate the voucher program into ongoing, and in the pilot, recently initiated, technical assistance efforts. Integrating products or services to augment ongoing activities, even if the results are not yet known, proved to be more complex than determining whether voucher projects complemented GRASP standard technical assistance. While local governments were offered broad categories of products and services to choose from, resulting in tangentially related projects, if the voucher program had been presented as follow-on assistance, the projects may have been more focused.

Also, the pilot voucher program was launched prior to the full implementation of GRASP's technical assistance activities, while GRASP was still working with clusters of local governments and citizen organizations. But by the second round, technical assistance packages were the organizing structure for GRASP. The pilot assessment resulted in changes necessary for this adjustment.

Finally, one objective of starting the voucher program in Year 2 was to allow service providers the opportunity to learn, through mentoring, job sharing, or subcontracts, specific skills local governments could then use in the follow-on assistance. By starting the program earlier, there were concerns about quality control and service providers' understanding of specific needs for local governments.

Monitor and Control Mechanisms. The voucher program was designed to avoid corruption. Manipulation of the public procurement process, project selection without citizen involvement, and non-payment by local governments were identified as potential problems. GRASP staff and legal advisors assisted in developing mechanisms to both monitor and control the program. GRASP produced a comprehensive Voucher Manual that clearly outlined the terms and conditions for participation in the voucher program. Mechanisms established included:

- Requiring proof of city council approval ;
- Involving GRASP in the procurement process;
- Requiring the city provide justification for the winning bid;
- Using criteria that triggered an automatic investigation of any possible wrongdoing;
- Issuing a public press release when the voucher was issued;
- Requiring that the local government pay its contribution before GRASP made its payment to the service provider; and
- Issuing a press release when the work was completed.

The steps GRASP took to address the potential for corruption proved effective and were well received by participating local governments and service providers. Local governments worked in partnership with GRASP staff to clear up any potential irregularities.

Public Procurement. A significant innovation was linking the vouchers to the procurement training that GRASP was providing to local governments. To be eligible for vouchers, local governments were required to complete comprehensive procurement training. GRASP specialists and Romanian legal counsel determined how the Romanian procurement law would be applied to purchase services with vouchers. GRASP also assisted local governments to conduct transparent tenders and established procurement standards for the voucher program which in some aspects were more rigorous – but consistent with the Romanian law. These standards were clearly detailed in the Voucher Manual. It became clear, however, that many of the local governments, particularly communes, did not have experience applying the Romanian procurement law. Even where local governments did have such experience, they often did not have the capacity to draw up comprehensive Terms of References and monitor whether the work was completed adequately. As a result, GRASP was required to become far more involved in supporting local governments in their conduct of a transparent procurement process.

Technical Focus. The GRASP voucher program was originally conceived of as a method for delivering training. USAID encouraged GRASP to emphasize technical assistance over training, requiring a shift in the focus of the voucher program. This shift presented a number of challenges. Training tends to be cheaper to deliver than technical assistance; training sessions are easily comparable, while technical assistance services are not; and training providers can be more readily certified (objective measures include previous experience providing similar training, curricula for training courses, CVs of trainers) than firms providing technical assistance.

To address these challenges, GRASP developed a subsidy table that offered local governments different levels of support depending on the cost of the product or service. Local governments could estimate the cost of the product and service and determine how much cost share they would be expected to contribute. GRASP decided not to pre-qualify service providers, but rather to open the public procurement process to as many service providers as possible. GRASP managed quality control by providing assistance in the drafting of Terms of References and in the assessment of the finished product.

Program Administration – Administration of the voucher program required a significant level of effort. The administrative responsibilities included: managing the paperwork for each stage of the proposal process; updating the Voucher Administration System (which was developed to keep track of each application as it was processed); using STTA to guide program design; and using input from GRASP technical staff on the relevance of voucher applications and quality control.

8. LESSONS LEARNED FROM THE GRASP PROGRAM

Pick Winners as LGU Counterparts

The original concept of the GRASP program was that it would work with all counties, municipalities and towns, and with many communes, throughout Romania. This was to be accomplished in three phases. The experience of GRASP, however, suggests that while there are many local governments that are ready to commit resources to improving their efficiency, improving services and conducting business in a more transparent way, not all LGUs have either the same level of commitment or the same capacity to manage change. Therefore, picking winners as counterparts – LGUs that are both willing and able to undertake reform – would be a better way of pushing forward reforms. Willing and able counterparts will create successful and visible pilot programs that may be emulated over time by the less entrepreneurial LGUs.

Before the program was terminated, GRASP had identified 19 LGUs as its primary counterparts for the rest of the program and had developed workplans for the type of technical assistance to provide them.

Limit the Breadth of Technical Assistance

GRASP learned to develop more broadly applicable project activities that addressed common governance problems that existed in local governments throughout the country. In this way, GRASP was able to limit its “product-line” of technical assistance by developing discrete technical assistance packages that were customized as necessary depending upon the specific needs and capacity of the individual LGU. This process freed up senior resources from continuous planning to concentrate further on training, product development and professional capacity building.

Over time, this meant dropping the concept of “Clustering” except in the few circumstances where this was clearly warranted (i.e., Iasi Metro Area LGUs), significantly decreasing the overall number of LGUs participating in the program, and providing more direct training and technical assistance opportunities for local government officials.

To support this redesign of technical assistance delivery, GRASP restructured its staffing to strengthen the Bucharest-based technical units and teams to ensure clearer authority and accountability to staff managers for achieving program results. Field offices roles were changed to avoid them from becoming separate entities and more geared toward assisting technical teams and units achieve results under the approved PMP.

TA for the National Government on Decentralization Must Include Resources to Support Implementation as well as Design

The fact that decentralization and public administration reform were necessary steps for Romania’s accession to the European Union ensured that these issues remained on the government’s agenda.

The national government was poorly prepared to design and implement a national public administration reform strategy. In part, this reflected the natural unwillingness of the state government to surrender power to local governments. In part, it reflected the ambiguous role of country governments as arms of state agencies and also, under the constitution, as a part of local government. In part, too, it reflects the low quality of the assistance the national government received from its European counterparts.

The state government never organized effectively to implement decentralization. There was little leadership from the Office of the Prime Minister and responsibility was given to the Ministry of Administration and Interior. Since decentralization is a government-wide strategy, it proved difficult for a single Ministry to coordinate the activities of other ministries.

Poor Coordination of Donor Resources by GoR

As an EU pre-accession state, Romania benefited from the extensive presence of many multi-national and bilateral donors. Most donors were willing to meet, share information, and participate in the GRASP-organized donor coordination meetings.

However, the GoR never organized itself to make the most efficient use of donor resources. Competition among ministries, the lack of an overall strategy for the implementation of public administration reforms, and the lack of a clear vision of decentralization in the Ministry for European Integration all contributed to the continued confusion of the roles and responsibilities of different donor organizations.

Too Many LGU Membership and Professional Organizations

GRASP was involved in supporting 11 membership and professional organizations. The Federation of Local Authorities (FALR) had been receiving support from a succession of USAID local government programs for several years yet, in June 2004, still required GRASP grant support in order to be able to make its basic payroll. As this final report is being prepared, the counties have left FALR and the future of the organization is in doubt.

Of the remaining organizations, only two are sustainable (ANIAP and ACEDJR).

Excessive Expectations from Resource Partners

Many of the eleven resource partner organizations did not share the same vision of the GRASP program. Some felt that the program should be basically run by the organizations rather than by GRASP staff and had anticipated receiving large grants to implement GRASP activities. GRASP failed to act rapidly to deflate expectations.

By January 2004, GRASP put in place a more effective mechanism to involve local stakeholders and strategic partners in the delivery of technical assistance. GRASP's activities moved from "retail to wholesale" so that technical staff less frequently delivered TA and training directly to LGUs and CSOs, and instead managed the delivery of these services through Romanian strategic partners, particularly the 11 Resource Partners.