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ROMANIA LOCAL GOVERNMENT REFORM PROJECT

FINAL REPORT

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ROMANIA LOCAL GOVERNMENT REFORM PROJECT

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FINAL REPORT

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Table of Contents

Table of Contents	i
Executive Summary	3
Overview of USAID/Romania Support to Local Governments.....	6
Component 1.....	8
Component 2.....	19
Component 3.....	29
Component 4.....	33

Acronym List

AOR	Association of Towns in Romania
ACoR	Association of Communes in Romania
AMR	Association of Municipalities in Romania
CSPD	Center for Studies and Programs for Development
CTO	Cognizant Technical Officer
CUPAR	Central Unit for Public Administration Reform (MAI)
FALR	Federation of Local Authorities in Romania
FDPL	Partners for Local Development Foundation Romania
GSU	Georgia State University
IPP	Institute for Public Policy
LGU	Local Government Unit
MAI	Ministry of Administration and Interior
MER	Ministry of Education
MOF	Ministry of Finance
MOT	Ministry of Transportation and Public Works
PD	Democratic Party
PNL	National Liberal Party
PSD	Social Democratic Party
TGCI	The Communities Group International, LLC
USAID	United States Agency for International Development

Executive Summary

The Romania Local Government Reform Program (LGRP) was conceived and designed to be the final local government program for USAID/Romania. By 2005, the year that LGRP was awarded, USAID/Romania's history of assistance to local government institutions and progress in advancing the transition from a centralized communist administration to decentralized local government was significant. As the last program of its kind, LGRP was tasked with building on that successful history while preparing Romania for European Union membership and providing an enabling environment in which Romanian local governments could perform without donor assistance. In other words, local governments would continue to develop and improve their ability to serve their citizens at a level comparable to other European Union member states.

To achieve these goals, PADCO began implementation of LGRP on September 15, 2005. Technical assistance was targeted to four primary programmatic objectives¹:

1. To complete the reform of the fiscal and administrative decentralization framework;
2. To improve the delivery of local government services in four municipalities; and
3. To strengthen the capacity of selected local government associations to lobby for legislative and policy reforms that improve local governance.
4. To strengthen the organizational structure and capabilities of governments at all levels to plan and respond to natural disasters and public health emergencies.

1 Objective 1: Reform the fiscal and administrative decentralization framework

This objective was driven by the Government of Romania's preparation for European Union accession, which included a proposed package of laws decentralizing financial responsibilities to local governments in accordance with EU standards. The Ministry of Administration and Interior (MAI), the proponent agency, supported by the Ministry of Justice (MOJ), identified implementing legislation for municipal financial distress and insolvency, and reform of the equalization formula as the two priority areas for LGRP assistance.

Implementing legislation for municipal distress and insolvency drafted. To address the implementing legislation, PADCO facilitated the establishment of an interministerial working group (IWG). The IWG included the Ministry of Administration and Interior, the Ministry of Finance (MOF) and the Ministry of Justice, and was chaired by the MAI. PADCO ensured that members selected to participate in the IWG had the authority to speak for and commit their ministers. Local governments were also represented in the IWG by the presidents of each of the general purpose associations: the Association of Municipalities in Romania (AMR), the Association of Towns (AOR) and the Association of Communes (ACoR).

The IWG's primary mandate was to revise, modify and refine the implementing legislation until it was satisfactory to all and met the requirements of Romanian legislation. The initial draft of the implementing legislation was prepared by LGRP consultant Michael DeAngelis and was based on the basic law that had been previously approved by the Parliament. Modifications suggested by PADCO were included in the basic law, but there were additional substantive modifications left for correction in the implementing legislation. After four roundtables and numerous IWG meetings, the implementing legislation was agreed to by the three ministries concerned, by the local government associations and by representatives of

¹ In November 2005, USAID informed PADCO that the budget of LGRP would be reduced from \$5.2 million to \$1.8 million, the length of program would change from 30 months to 15 months, and the scope of work would be changed accordingly. When the modification to the original contract was signed in May 2006, a fourth objective to address emergency management and avian influenza was added for \$150,000, bringing the LGRP contract total to \$1,950,000.

lending institutions. The legislation is now scheduled to be presented to the GOR for approval and considered by the Parliament in its next legislative session.

Reform of the equalization formula proposed. The formula used to calculate public funds to be distributed to Romanian cities, towns and communes has been historically controversial. It has been considered to be subject to political manipulation and unfair to one class of local government or another depending upon how it is altered from one budget year to another. To respond to requests for assistance with the formula, PADCO employed Dr. Jorge Martinez, a fiscal decentralization expert from Georgia State University, to analyze the existing formula and provide an alternative. The alternative formula was presented at a decentralization seminar jointly sponsored by the World Bank, the Open Society Institute (OSI) and USAID, and it is currently under consideration by the Ministry of Finance.

2 Objective 2: Improve the delivery of local government services in four select municipalities

To achieve this objective PADCO committed to improving service delivery in the cities of Baia Mare, Cluj-Napoca, Pitesti, and Targu Neamt by providing targeted technical assistance on issues identified by the municipal officials together with community's representatives. Assistance was tailored to each city's perceived need and also altered to fit the city's level of management capacity, which varied greatly in the four targeted municipalities. Assistance included financial management and budgeting, procurement improvements, performance measurement, enhancement of own source revenues, project management training, and solid waste management and recycling, among others.

As a result of LGRP assistance, each municipality made progress in improving service delivery:

- **Targu Neamt** reorganized its solid waste management, including a comprehensive recycling program.
- **Cluj-Napoca** developed and is in the process of implementing a ring-road project to reduce traffic in the downtown area.
- **Pitesti** improved its financial management and public procurement, developed capital improvements planning and management, instituted a performance measurement system and initiated a program of enhancing local sources of revenue.
- **Baia Mare** continued the refinement of its financial management system, reorganized and replaced key personnel, and began to better manage its own sources of revenue.

3 Objective 3: Strengthen the capacity of selected local government associations to lobby for legislative and policy reforms that improve local governance.

Nurturing local government associations has been a priority of USAID programs since the mid 1990's. Without that assistance some might have withered and gone out of existence. LGRP intended to complete the work of previous USAID supported programs to make the associations effective advocates for their members in the legislative process and to make them effective service providers. The reduction in the time and budget of LGRP restricted the ability to work with all three associations originally intended, but it did not change the objectives of effective lobbying and service providing organizations.

To achieve this objective, LGRP consultant, Alan Beals, a former executive director of the National League of Cities, exploited opportunities for associations to participate in LGRP activities. Thus, association representatives served on the IWG, advocating the legislative policies of their associations in terms of the legislation being developed to manage municipal financial distress and insolvency. Similarly, they participated in the discussions of the equalization fund. When USAID amended the contract to provide training in avian influenza prevention and control for local government officials, PADCO collaborated with the Association of Communes, (ACoR) which served as a subcontractor to provide the training to mayors of communes and towns. As a result, ACoR's status as a provider of valuable services was enhanced and its membership grew.

The own source revenue interest in Baia Mare and Pitesti resulted in presentations to AMR and ACoR general meetings. The leadership in each association carried the idea through their policy making processes producing approved legislative policy for each association.

As a result of years of continuous USAID support and the final efforts of the LGRP project, the general purpose associations of cities, towns and communes appear to be self supporting and likely to survive and develop. Associations are participating in the legislative process as representatives of their membership.

4 Objective 4: Strengthen the organizational structure and capabilities of governments at all levels to plan and respond to natural disasters and public health emergencies.

Emergency Preparedness Planning Strengthened. As a result of catastrophic flooding in Romania in 2006 (a repeat of flooding in 2005), USAID/Romania asked PADCO to add emergency preparedness planning to its program of work. PADCO therefore developed a program of assistance to the prefecture, county and city of Galati, based on its vulnerability to floods from the Prut, Siret and Danube rivers, to earthquakes, to industrial accidents in its steel and shipbuilding industries and its location in the midst of the area affected by avian influenza outbreaks. PADCO developed and presented a workshop on the state of emergency planning in the area, suggesting improvements and creating a collaborative relationship among the levels of government responsible for emergency planning and response. PADCO organized and conducted a study tour to Washington, DC including US federal, state and local emergency agencies. As a result, the Galati Prefect has recommended to the MAI that a continuous training program modeled after FEMA be instituted in Romania.

Avian Influenza Training Developed and Provided. USAID reacted to numerous outbreaks of avian influenza in Romania in the spring of 2006 with a request for training of local officials in avian influenza outbreak management and mitigation. PADCO jointly developed the training with the John Snow, Inc. (JSI) and determined which local officials would be trained. PADCO responded with a recommendation that mayors of communes be the training targets because bird flu outbreaks had occurred exclusively in rural areas among subsistence farmers. The Ministry of Agriculture agreed, stating that their most significant inability to coordinate was experienced with commune mayors. PADCO subcontracted with the Association of Communes to provide the training developed jointly with JSI. Over 500 commune mayors received formal training and the remaining 2,000 mayors received the printed training materials from ACoR.

Section A:

Overview of USAID/Romania Support to Local Governments

The Local Government Reform Project (LGRP) was the last in a series of seven local government assistance projects sponsored by USAID since the fall of the Nicolae Ceausescu communist regime in late 1989. LGRP was witness to the end of the transition period between the communist collapse and the entry of Romania into full European Union membership. In a significant way, LGRP built upon the successes, and some failures, of previous USAID programs to ready local government for the challenges of providing services to citizens and participating fully in a democratic system meeting European standards.

USAID assistance to Romania began in 1993 with a program to teach program budgeting to four Romanian cities. That effort was unusually forward thinking. Mayors of cities selected to participate were puzzled because local authorities at the time, from the capitol city to the smallest commune, had effectively no discretionary authority over their budgets. Allocations of public funds to counties were determined by the Ministry of Finance, and allocations to localities were largely made by county councils. The powers of mayors were strictly circumscribed and mayors who attempted to stretch their authority were subject to peremptory removal by county prefects who were appointed by and responsible to central government authority. Mayors wondered, with reason, why they should devote time, effort and staff to such an exercise. National officials believed that to provide the power that western budgeting models suggested would be irresponsible.

At that time because local officials were inclined to accept any help offered by foreigners who were assumed to know better, and because they thought that ultimately they might receive some help that could actually be of use, they cooperated and generally accepted whatever was offered by a succession of USAID contractors. There was a budgeting and financial management component in each of the USAID assistance programs from first to last. Of the four initial pilot cities, two produced credible program budgets and a third made substantial strides toward one.

The results of this effort were presented at a local government conference in 1995 to general curiosity and some genuine interest. One prominent mayor took a copy and as much supporting data home with him as he could gather and announced his intention create a program budget for his own city. He did so. He and his city became participants in the next and most of the following local government assistance programs.

In 1996, there were several significant events in local government development. The election of that year changed the presidency and the government to a reformist one. Under pressure from the European Union, the authority of prefects to preemptively remove local officials was ended. The new, reformist government also responded to EU suggestions to provide for a system of municipal finance, beginning the process which ultimately resulted in the Law on Local Public Finance of 1997, permitting cities to borrow to finance their own public improvements for the first time. The Law on Local Taxation provided local control over rates of local taxation and thus some discretionary authority to produce locally derived revenues for which they could plan and budget. Local authorities began to plan, finance and construct public improvements independent of national authority and subsidy. They refined their planning, budgeting and debt service management. They produced competent operating budgets coordinated with capital budgets.

Local officials have learned valuable lessons over the years. They no longer blindly accept offers of assistance, not knowing whether they need it or not. They are now sophisticated consumers of consulting services, able to choose what they need and pay for it from their own revenues. They are now, as they become more experienced, attracting financing proposals and analyzing the proposals to ensure the best

financial arrangements for their projects. They have participated in the legislative process that has produced a law regulating municipal financial distress and insolvency.

USAID's success in building capacity of municipal officials goes hand-in-hand with its success in working with local government associations. As USAID began working with its four cities on budgeting in 1993, the British *Know How Fund* nurtured the creation of and supported what is now the Association of Municipalities of Romania (AMR). When the British Embassy program ended, USAID took up the support of municipal associations, and each subsequent assistance program included an Associations component. Associations consistently failed to develop legislative programs and their ability to provide services to members was consistently poor in spite of regular efforts by successive consultants. They were consistently dominated by political factions and had difficulty developing the ability to favor the interests of cities over political loyalty. Nevertheless, professional organizations were created under the association for each of the local government specialties, some of them becoming quite effective. The Federation of Local Authorities of Romania (FALR) was created to serve as an umbrella organization for all. The Association of Communes in Romania (ACoR) was created within AMR with its help, and then split off as an independent entity.

As USAID assistance ends, municipal associations have become self supporting and are able to represent the interests of their members in advocating legislative changes to the government and participating in the development of beneficial legislation. ACoR has successfully performed as a subcontractor providing training in avian influenza prevention and response to over 500 of its members and provided training materials to the remaining 2,000 in the country.

In addition to working with local officials and associations, USAID assistance has also had much success involving citizens in local government. In fact, in 1995 assistance was conditioned upon a willingness to involve citizens in local governance. Several cities and counties were assisted in the creation of citizen information centers. These centers created an association under the AMR umbrella, an association which became successful enough to take over the task of assisting additional cities with creation of their own centers. The presence of citizen information centers in Romanian cities, towns, communes and counties has become common.

In 1993, when USAID assistance began in Romania, local authorities could not accurately be called local governments. They had little power and little discretionary authority. In almost 15 years that power and discretion has grown exponentially. In October of 2006, the President and Prime Minister hosted a meeting, attended by all ministers heading ministries affecting local governments as well as representatives of all the local government associations, to confirm the support of the national government for decentralization of power to local authorities in the areas of finance and management, education, transportation and agriculture. This meeting, among many other indicators, proves that local governments are true partners in governance of the national government and its ministries. USAID assistance has made much of that possible.

Section B:

Component 1—Policy and Legislative Reform Related to Decentralization and Governance at Local Level

Background

The status of decentralization reform in Romania presented a timely opportunity for LGRP to provide focused technical assistance to influence the elaboration and implementation of new key decentralization legislation that was adopted in June 2006. The legislative package included a number of priority items affecting local governments in the short and long term and contained the following five laws:

- Amendments to Law No. 215/2001 on Local Authorities
- Decentralization Law to replace Law 339/2004
- Amendments to Law No. 340/2004 on the Institution of the Prefect
- Law on Local Public Finance to replace Ordinance 45/2004
- Amendments to Law No. 188/1999 on Public Employees Functions

LGRP identified three primary tasks designed to improve implementation of the newly passed decentralization legislation:

- Task A:** Provide organizational assistance to MAI and MOF to establish a functional working group promoting decentralization.
- Task B:** Provide technical inputs, analysis and support to MAI and MOF to elaborate detailed legal provisions regarding local governments' financial distress and insolvency.
- Task C:** Provide technical inputs, simulate alternatives and propose, in consultation with key stakeholders (MAI, MOF, LGU associations), options to improve the intergovernmental transfer system, in linkage with the local fiscal effort.

The technical assistance efforts to achieve these tasks were enhanced through the successful combination of highly regarded U.S. and local short term technical advisors, together with the LGRP Component One team, led by Ms. Gabriela Matei. In addition to LGRP team members, the key actors included the Foundation Partners for Local Development (FDPL), which provided organizational assistance to the IWG. FDPL also provided Simona Pascariu who was the designated facilitator through the duration of the project, with experience in participatory planning and mediation processes. Michael de Angelis and Gabriela Caluseru joined forces for the fiscal distress and insolvency component, and Professor Jorge Martinez Vazquez from GSU jointly worked with Sorin Ionita for the equalization component.

To leverage available USAID resources, LGRP worked closely with other donor organizations such as Local Government and Public Service Reform Initiative of the Open Society Institute Budapest (LGI), the World Bank, the World Bank Institute, and the EU Phare twinning project. Two very important international events were co-organized and co-funded: a one-day decentralization workshop in Bucharest, in February 2006, and a five-day decentralization course in November 2006, in Antalya, Turkey. The table below details the conferences and workshops that were planned and held for each task.

	Number of events planned	Number of events organized	Duration
Task A	3 workshops	1 conference 3 workshops 1 training	1 day ½ day each 6 days
Task B	3 workshops	5 workshops	2 workshops of 2½ days each 3 workshops of 1 day each
Task C	1 workshop	3 workshops	½ day each

Task A: Provide organizational assistance to MAI and MOF to establish a functional working group promoting decentralization.

Task Objective: Establish Mechanisms for Efficient Communication and Consultation Between Key Stakeholders.

Approach

MAI, as the leading institution in the *Interministerial Council for Public Administration, Decentralization and Local Communities*, formally established an Interministerial Working Group (IWG) to draft the financial distress and insolvency implementing legislation. This IWG was composed of representatives from MAI, MOF, MOJ and all LGU associations. A secretariat was set up by MAI to support the IWG with logistics and other necessary activities. Based on LGRP team members' previous experience, we proposed a highly consultative model for the IWG, to which the MAI agreed. This approach allowed IWG members to have a better understanding of each member's capabilities, responsibilities and constraints. It also built a forum for open dialogue and combined top-down and bottom-up approaches, which ultimately resulted in a sustainable and reliable working group. The secretariat was charged with maintaining information regarding the organization and functioning of the IWG's consultative process so that it could be replicated in other policy drafting exercises.

A series of events was organized and documents produced to accomplish the IWG's objective of drafting the financial distress and insolvency legislation. Two roundtables were held to train the working group members on strategic planning, work planning, evaluation and monitoring legislative drafting, establish the communication mechanisms and tasks for IWG, resource group members and the secretariat. A third roundtable related to the special law for local governments' fiscal distress and insolvency, and a fourth for the intergovernmental transfers system were also organized. A work plan for drafting the special implementation law was created and expanded upon with all stakeholders at the first roundtable. The MAI agreed to the work plan and used it to guide the entire process.

A Decentralization Workshop was organized by the World Bank in mid-February, as a co-sponsored initiative of the Romania Government EU/SIGMA, OECD, LGI/OSI, county and local governments and associations. This workshop provided the opportunity to exchange knowledge on administrative, functional and fiscal decentralization experiences to facilitate Romania's reform process in preparation for EU accession. The workshop enhanced the credibility of the Romania LGRP program, providing it with an equivalent position to the programs of the World Bank and the European Union.

The Romanian Government showed an increased commitment to accelerating reform and pushing forward the decentralization agenda. On October 4, 2006, President Traian Basescu, Prime Minister Calin Popescu Tariceanu and Minister of Administration Vasile Blaga presided over the conference titled, "Decentralization of Public Services, European Principle of Prosperity in Local Communities." At the conference, they called upon line ministries to finalize the decentralization strategy for each public sector. A calendar for finalizing the sectoral strategies was established and the GOR expressed commitment to further detail the GOR's *Strategy for Public Administration Reform 2007-2009* by the end of 2006. In response to the GOR's request to support reform, LGRP and the Open Society Institute – Local Government Public Service Reform Initiative, together with the World Bank Institute, designed a 5 day customized workshop for key ministries' staff and local governments' representatives on concepts related to fiscal decentralization and inter-governmental fiscal relations. The course took place in mid-November 2006, in Antalya, Turkey. Best practices and lessons learned from other countries were provided for comparison and discussion. This workshop presented the first opportunity for senior-level stakeholders with key decision-making authority to exchange ideas, understand the differences in perspectives, agree on common issues and build bridges for further common actions on decentralizing education.

The table below summarizes the activities and outputs for Component 1, Task A. Results, challenges and constraints and recommendations follow the table.

Component 1, Task A Activities	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Outputs
A.1. Assist in establishment of working group: identify roles, responsibilities and procedures.	X	X	X	X		Working group established. In addition, a Secretariat was established to support IWG with logistic arrangements, and a resource group, to aid the IWG with specialized technical expertise as needed (LGUs, Court of Account, banks, ministries, other relevant associations).
A.2. Conduct 1 day training for the working group members on strategic planning, work planning, evaluation and monitoring legislative drafting.			X	X		Training completed.
A.3. Conduct negotiations with LGI Budapest, WB and WBI to co-organize a specialized training for key ministries' staff and local governments' representatives on concepts related to fiscal decentralization and inter governmental fiscal relations	X	X	X	X		Training structure designed, course syllabus and curricula defined. In addition, the course was organized, budget and co-funding was agreed upon with LGI and WB, logistic arrangements made, SOW for presenters, content and exercises, translations of all materials. Course took place November 21-26 2006, in Antalya, Turkey.
A.4. Assist working group to elaborate work plan for tasks B and C: define decision making mechanism within each ministry for future actions. Set up procedures for inputs and feed back.	X	X	X	X		Work plans drafted. In addition, work plan for task B was agreed upon by all stakeholders and followed in the implementation. All activities were carried on. Workplan for task C was sent out to beneficiaries for follow up.
A.5. Assist in hearings, working group meetings and formulation of proposals and briefings (including consultations with stakeholders).	X	X	X	X	X	Support provided throughout the process by LGRP team and consultants for each task.
A.6. Assist MoF and MAI with communication and consultation between Ministries, departments, donor projects and legislative Council for the two specific initiatives and legislative proposals (per tasks B and C).	X	X	X	X	X	Consultation system in place. In addition: efficiency proven in an additional public sector - education.

Results

The effectiveness of the overall approach to working with interministerial working groups was proven in working on the following three issues:

- **Fiscal Distress and Insolvency Law.** The special law was elaborated, together with the reporting format to be filled in by the LGUs in 2007.
- **Intergovernmental Transfer System.** The current intergovernmental transfer system was revised; improvements to link transfers to the local fiscal effort were proposed and discussed with key stakeholders.
- **Decentralization of the Education Sector.** LGU responsibilities in the decentralization process and in education were discussed and revised, further improvements were suggested. MER

strategy for reform, allocation formula, expected outputs and indicators for the pilot year 2007 were debated for the first time by key stakeholders.

Challenges and Constraints

- Romanian Government officials and key ministries may lack incentives to continue the process at the same pace maintained by LGRP; following and maintaining well-elaborated work plans agreed to by all stakeholders will be crucial to any continued efforts.
- Continuity of the process could be negatively affected if the same individuals are not involved.
- Dialogue and collaboration between the newly established working group will be affected if meetings do not keep the same good quality technical documentation as basis for debates.
- A lack of transparency and communication among the interested parties, and within each participant's institutional network exists.
- A lack of donor funds and government funds will make it difficult to obtain the highly specialized technical assistance to continue progress on targeted issues in 2007.
- The key challenge for decentralization of the education sector is the adoption of the formula to be used in the pilot schools in 2007.
- Other specific challenges for education pilot prior to expansion nation wide in 2008 include the following:
 - Lack of meaningful indicators to be observed during implementation of the pilot and allow for drawing conclusions.
 - Selecting the 50 disparate schools from various localities across the three counties for the pilot instead of an entire county will not allow for comparisons and meaningful conclusions.

Recommendations

- Continue the process of fiscal and administrative reform as agreed by key stakeholders.
- Obtain commitment to continue using the same procedures established by the IWG, including steps to be taken, tasks assigned, responsibilities assumed, deadlines respected. Work plans should be observed and, if necessary, adjusted to needs along the way within certain limits.
- Obtain donors financial support and high quality technical assistance for IWG on specialized issues.
- Formal appointment of working groups containing representatives of key stakeholders should be based on preliminary stakeholders' commitment to solving the issues at stake.
- Government decisions for working groups should be the guarantee for each institution to provide full support to their representative members in the IWG.
- Communication and consultation channels between IWG members and their institution, within different departments of each institution or LGU association should be clarified and defined.

Task B: Provide technical inputs, analysis and support to MAI and MOF to elaborate detailed legal provisions regarding local governments' financial distress and insolvency.

Task Objective: Draft provisions for Current LPFL Chapter VI on Local Governments Financial Distress and Insolvency and Implementation Legislation

Approach

PADCO reviewed the draft decentralization laws prior to their submission to the Parliament in the first months of LGRP implementation. In the first phase of reviews, PADCO provided an inventory of omissions, deficiencies, and weak legislative language in Chapter VI of the draft law on local public finance and other relevant legislation, and made suggestions for improvements. All comments made by

LGRP advisors were taken into account and, as a consequence, the two articles on local governments' financial distress and insolvency contained in the Local Public Finance law were revised and improved prior to the adoption of the law (nr. 273) in June 2006.

Upon the adoption of the local public finance law, bankruptcy specialist Michael De Angelis and local consultant Gabriela Caluseru completed two reports presenting a set of recommendations for the financial distress and insolvency implementation legislation. These reports were the basis for future work with the MAI, MOF and local governments in preparation of the implementing legislation. The first roundtable with all stakeholders was organized in mid-July to discuss findings and prepare a work plan for drafting the special implementation law.

LGRP provided the specialized technical assistance and participated in meetings of the IWG between July and November 2006 to discuss and improve the content of the fiscal distress and insolvency provisions, until a draft law was produced. Although it is known that summer months are not extremely productive, five roundtables were organized and a first draft law was presented in October. It was reviewed line by line by the IWG members, and items of disagreement were assigned, according to their areas of responsibility to members of the IWG and the resource group for analysis. During this fourth roundtable, responsibility for and ownership of the proposed legislation began to shift from the project and its consultants to the IWG, the government ministries and the local government representatives. After the roundtable, the draft was revised to accommodate stakeholders' suggestions and was prepared for discussions in a final IWG meeting held on November 16 in Bucharest. As in the first IWG meeting, the location was selected to accommodate AMR's request to hold the meeting together with the Municipalities Mayors' General Assembly.

The table below summarizes the activities and outputs for Component 1, Task B. Results, challenges and constraints and recommendations follow the table.

Component 1, Task B Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q 4 2006	Outputs
B.1. Review the current content of the draft law on municipal finances and other related laws.	X	X	X			Analysis of current provisions and identification of major areas for improvements.
B.2. Present options to MAI, MoF, other key stakeholders. Assist in discussions and debates and provide feed-back.	X	X	X			Formulate first set of policy recommendations that will guide the drafting process for future legislation.
B.3. Analyze data available within the Ministry of Finances and from the four LGRP LGUs. Elaborate study on impact of the Local Public Finance Law financial distress and insolvency provisions on LGUs.		X	X	X		Study of the impact of the provisions on financial distress and insolvency (from current Local Public Finance Law) produced based on available data, and conclusions discussed with stakeholders. In addition: Based on recommendations the Annex 30 was changed and will be used in 2007.
B.4. RT 1: Present policy options to a meeting of the MAI, MoF, local government association's representatives. Provide assistance to discussions and feed-back.			X	X		Refined first set of policy recommendations that will guide the drafting process for future legislation.
B.5. RT 2: Present results of the study to a meeting with technicians from MAI, MoF, LGUs finance officers. Provide assistance to discussions and feed-			X	X		Refined recommendations for MAI, MOF data requirements. Refined recommended criteria for financial distress and

Component 1, Task B Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q 4 2006	Outputs
back. Consultation on criteria.						insolvency.
B.6. Elaborate questionnaire for the banking community and hold consultations with banking community based on the answers to the questionnaire.			X	X		Summary of banks observations.
B.7. Elaborate questionnaire for MOJ and hold consultations based on the answers to the questionnaire.			X	X		Summary of MOJ observations.
B.8. Analyze surveys results and propose adjustments to policy options.				X	X	Refined policy options.
B.9. RT 3: Present policy options to a final meeting of the MAI, MoF, MoJ, representatives of LGUs, banks. Provide assistance to discussions and feed-back.				X	X	Draft law elaborated. In addition: The draft was submitted to MOF and MOJ for approval and will be discussed by GOR in 2007. Annex 30 was approved by MOF and will be distributed for 2007 financial reporting.

Results

A special law detailing local governments' financial distress and insolvency procedures was drafted, officially sent for approval to the key ministries in November 2006 and was slotted for discussion by the GOR in the first month of 2007. The final draft produced by the IWG is composed of two major parts: fiscal distress (to be dealt with at the administrative level) and municipal insolvency (to be dealt within inside the court system). While the draft law does not fully resolve all procedural issues, it is a law that meets the support of all stakeholders involved, and was fully produced by the IWG. Although the draft was based on LGRP technical assistance, it was seen as the initiative of the IWG, based on MAI ownership, but reflecting the expertise of other IWG members and institutions, and was adopted by the other participants. The municipal insolvency court procedure goes along (to the extent possible) with the procedure applicable to the private sector. This is a great accomplishment as many similar laws in Romania have internal contradictions. This one does not, and its similarity to the private sector procedure will simplify its operation.

IWG Participants commented that the clarity, logic and result-oriented structure of the participatory process were noteworthy. For most of them (despite substantial experiences within the Romanian central or local administration) this was the first time they had had success following proposed steps which ultimately led to the proposed goals and objectives. All participants stressed the excellent quality of the project management and expertise of the consultants. Despite the inherent difficulties, the process was relevant to all different levels of government (central, county, local and LGU's associations). The process was inclusive, not only for the key stakeholders, but for other actors relevant to the future implementation of the law, which were all represented in the last meeting: the Court of Accounts, the Banks Association, the Supreme Court of Magistracy. Even if they were involved at a later stage in the consultation process, it was just in time to offer the chance to comment and to create support within these institutions.

The special reporting format was approved by the MOF and was scheduled to be sent out to LGUs in December 2006, as part of the 2007 reporting package. *Annex 30*, the special annex reporting overdue payments, was changed to reflect the new law requirements. In this way, some reporting issues have been resolved, and will be tested in 2007, prior to the law enforcement in 2008.

Challenges and Constraints

- An analysis of the current financial situation of LGUs at different levels could not have been undertaken. The financial reporting system in Romania appears to be very weak, incomplete and inaccurate. This may lead to problems in implementing the insolvency law.
- The resource group and the initially planned consultations within the various LGU associations (including the professional ones) did not function. This may determine possible difficulties in the law implementation.
- Consultations with third parties that took place too late in the process (as is the case with the Court of Accounts) or that did not take place at all (as is the case with securities companies and parliamentary commissions) might cause delays in approving the law. Input from these groups may drastically alter the content of the law during the Parliamentary approval process and therefore cause possible difficulties in implementation.
- The Court of Accounts, which has an important role in implementing the law, was consulted at a very late stage (and rather informally).

Recommendations

- The MAI should start consultations with the Ministry of Justice to design the related forms. For example, the corporate insolvency law was followed by the issuance of several forms to ensure adequate reporting and adequate information flows.
- A study should be done on the potential impact of the law using data collected during the first six months of reporting by LGUs to determine whether adjustments should be made. This study will be facilitated by the existence of the new Annex 30, which should accurately measure the impact of the law, and therefore benefit MOF's data collection needs.
- Because this law involves critical decisions and political commitment, lobbying activities to Parliament commissions are necessary. Substantial political support will be critical to ensure passage.
- Also, lobbying activities are needed within the various LGU associations. To the extent possible the law should be seriously discussed within LGU associations to ensure proper understanding. It is a difficult law and LGU officials need first to understand it prior to facilitating implementation of it and also to be able to take required measures to avoid a situation of fiscal distress or insolvency.
- Dissemination of the law to the banking community may also be a good idea.

Task C: Provide technical inputs, simulate alternatives and propose, in consultation with key stakeholders: MAI, MOF, LGU associations, options to improve the intergovernmental transfer system, in linkage with the local fiscal effort.

Task Objective: Present MAI, MOF and LGU Associations with Improvements of the Intergovernmental Transfer System and a Work Plan for Implementation.

Approach

At the request of the Ministry of Administration and Interior, LGRP was asked to review the current equalization formula, to examine its impact on local government and to suggest improvements. To begin the review of the current formula, Sorin Ionita prepared a description of the current system of equalization grants and how it works according to the latest legislative changes, and provided an analysis of its shortcomings. As part of the review, LGRP, with MAI assistance, obtained a set of about 17 indicators from the National Statistics Institute on time and with no associated costs. The review and the data were sent to GSU for modeling.

A first consultation meeting with key stakeholders, including MOF, MAI, LGU associations, and Parliament commissions, was organized at the end of September 2006, to present the initiative and to consult with different actors on changes of the current system. The meeting was organized in conjunction with the Interministerial Council for Decentralization. A second presentation was held in mid-October, to present and discuss the equalization provisions of Law 273 and the expected impact of the provisions for 2007. In an effort to build common awareness and understanding regarding possible alternatives to improve the intergovernmental transfer system stakeholders were provided with an understanding of PADCO LGRP technical assistance to improve the system.

Georgia State University experts, together with Sorin Ionita, produced a study titled, “Equalization Transfers in Romania: Current System and Proposals for Reform.” The report analyses the current system of intergovernmental transfers and its shortcomings and develops four proposals for the reform of the Romanian system of equalization transfers. These proposals are based on the concept of the “fiscal gap ” or the difference between expenditure needs and fiscal capacity for each local government. In addition, the study presents a minimal level of reform that is based on the simplification and greater transparency of the current approach. Given the key role played by the measurement of expenditure needs and fiscal capacity, the study presents two methodologies for measuring expenditure needs and two methodologies for measuring fiscal capacity. The study carries a comparative analysis of the equalizing effects of the proposals and the current and forthcoming systems of equalization transfers.

The draft study, findings and recommendations were presented by Sorin Ionita in the Fiscal Decentralization course held in Antalya, Turkey and were very well received by all participants. Given the short time available and other constraints, a final meeting in Bucharest where Jorge Martinez-Vasquez would present options and agree on next steps, was not possible. The Executive Summary of the report and the section describing the critical path for reform by the Romanian authorities was scheduled to be translated into Romanian and disseminated to MAI, MOF and LGU representatives.

The table below summarizes the activities and outputs for Component 1, Task C. Results, challenges and constraints and recommendations follow the table.

Component 1, Task C Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q 4 2006	Outputs
C.1. Discuss initiative, consult on technical approach and key issues with MAI and MOF, elaborate work plan.	X	X	X	X		Work plan agreed by stakeholders.
C.2. Review current transfers and local taxation system.	X	X	X	X		Analysis of current provisions and identification of major areas for improvements.
C.3. Review current data used in equalization grants planning (MOF) and in reporting local taxes collection (LGUs).			X	X		Report on LGUs data availability for equalization grants, alternative options to measure LGUs capacity and needs.
C.4. Design, simulate alternatives and test the system of equalization grants linked with local fiscal effort.				X		Draft system of transfers designed.
C.5. RT 1: Present options to MAI, MOF and LGU Associations, assist in discussions and provide feedback.				X	X	Draft system of equalization grants refined.
C.6. Elaborate together with MAI, MOF and LGUs an action plan to implement the improved transfers system.					X	Action plan drafted and proposed to stakeholders.

Results

- The current intergovernmental transfer system was revised to address its various shortcomings, including the challenges it presented for implementation.
- Improvements to the current system were discussed and agreed upon with key stakeholders.
- The alternative for linking transfers to the local fiscal effort was proposed and discussed with key stakeholders, including MAI, MOF and LGUs.

Challenges and Constraints

- The current system of equalization grants emphasizes equalization inside or within each county and gives much less importance to equalizing across counties. The larger emphasis on within-county equalization may deprive some counties of the necessary funds for more effective equalization, especially for the case of those counties that have a higher presence of poor local governments. Therefore, the current practice of emphasizing equalization within counties has an impact on the actual level of equalization within and across counties. In particular, the current system can leave similar local governments (in terms of fiscal capacity and expenditure needs) at very different levels of expenditures per capita, or other similar benchmarks one may wish to apply.
- The current system is characterized by a high level of complexity, diminishes transparency and likely introduces distortions in the allocation of funds.
- The determination of the pool of funds for equalization through a mix of rules and discretion and a multi-tiered process is too fragmented. This again detracts from the transparency of the system and also is likely to negatively affect its stability.
- The current system lacks explicit standards for equalization. It is far from clear that the current formula measures adequately expenditure needs and fiscal capacity. The proposals contained in this report aim to provide explicit equalization standards for the system of equalization transfers.
- The current distribution formula falls short of adequately defining expenditure needs as well as fiscal capacities at the local level. In addition, the use (or abuse) of the undefined or discretionary factors with a relative weight of 15 percent has the potential of working against the very equalization objectives the system sets out to address.
- Despite the issues raised above, there has been significant progress made in structuring equalization grants and significant achievements have been made. For example, the current formula performs well in avoiding negative incentives to local revenue collection.

Challenges and Constraints on the new transfer system²

- The re-allocation of the responsibility over local transfers to the general directorates for public finance is likely to lead to more objectivity and transparency. These advantages would be enhanced by the creation of technical committees charged with the development of transparent technical criteria applied evenly across counties. On the basis of the approved law, the Local Public Finance Committee, to be created under Article 76 within 60 days of the implementation of the law, could probably perform such a role.
- Available alternatives to improve transparency and compliance in the implementation of the transfer system include the design of deterrence mechanisms for county governments in the form of a system of fines, such as a share of collections or even transfers to be received in the next period.
- Although progress is being made in the forthcoming system, in many important respects, the reforms applied to the formula for the distribution of equalization funds do not address the shortcomings identified above with the current system. Overall, the reforms would not seem to

² As in the LPFL 273/2006

bring the system closer to the ideal principles that should guide the definition of transfers systems.

- The current and largely cumbersome system used to define available equalization funds is not modified; the factors defined for distribution of grants are still used repeatedly in several stages of the process; in addition the system still retains, as one of its central features, an undesirable focus on within-county equalization, as opposed to across all local governments in the country.
- The distributional impact analysis of grants under the forthcoming 2007 system undertaken in this study shows that the population factor is negatively correlated with the transfer amounts assigned. This is an undesirable feature of transfer allocations, as higher population always yield higher expenditure needs and generally it should be associated with higher levels of transfers.
- On the basis of the simulations run in this study using actual fiscal data for 2005, the equalization potential of the reformed 2007 system does not seem to improve in any significant way for the country as a whole, although it varies very substantially across counties.
- The application of a fiscal capacity threshold for the initial distribution of equalization funds in the 2007 system leads to the over-equalization of certain localities over others. In particular, localities with similar per capita levels of own and shared revenues may end up with significantly different available fiscal resources once grants are distributed.

Recommendations

- A core element of the proposals put forth by LGRP is the use of a bifurcated system of transfers managed from the Ministry of Finance. The simulations focus on the transfers system from the central to the local level, and have retained unchanged the transfer amounts assigned to counties. The latter however can be distributed in a similar manner to the one proposed here for the localities of Romania.
- The study prepared by GSU develops four proposals for the reform of the Romanian system of equalization transfers. These proposals are based on the concept of the “fiscal gap” or the difference between expenditure needs and fiscal capacity for each local government. In addition the study presents a minimal level of reform that is based on the simplification and greater transparency of the current approach. Given the key role played by the measurement of expenditure needs and fiscal capacity in our proposals, the study presents two methodologies for measuring expenditure needs (the Weighted Index approach and the Per client Expenditure Norms approach) and two methodologies for measuring fiscal capacity (one based on Basic Proxies and the second based on Average Past Collection Ratios). The study carries a comparative analysis of the equalizing effects of the proposals and the current and forthcoming systems of equalization transfers.
- The above-mentioned study offers two alternative methodologies to apportioning the available equalization fund among local governments with an excess of expenditure needs over fiscal capacity. The first apportionment approach is a proportional allocation mechanism, which distributes the available funds in proportion to the relative (positive) fiscal disparities for each local government. The second apportionment approach is a minimax allocation mechanism, which allocates the available funds so as to progressively reduce the maximum fiscal disparity across all jurisdictions up to the point where the transfer fund is exhausted. In effect, this mechanism minimizes the maximum fiscal disparity across localities, therefore the minimax label it receives.
- The comparison of the effects associated with each proposal requires a metric or evaluation criterion. The criterion we use is based on what we judge to be the “second-best ideal parameters” for an equalization transfer system: expenditure needs estimated as per client expenditure norms, and fiscal capacities estimated on the basis of average past collection ratios.
- The proposed alternatives for reform are found to perform better in closing local government fiscal gaps than either the current or forthcoming transfer systems.

- Importantly, the distribution of grant amounts distributed under the current and forthcoming 2007 systems are practically uncorrelated with the best available estimate of fiscal disparities. These results are consistent for both the proportional and the minimax mechanisms for the apportionment of available funds.
- The minimax allocation mechanism has the possibly desirable advantage of concentrating available equalization funds in the more deprived jurisdictions. It also assists in providing a clear and unique threshold that could eventually serve either as a policy objective or as a conceptual device to lead the public debate when discussing the size of the transfer program at the national level.
- In sum, given that the proposals based on closing the existing “fiscal gaps” perform in a superior fashion to the current and forthcoming systems, the Government of Romania should give serious thought to a medium-term program of reform of its system of equalization grants.
- The summary analysis of what localities stand to benefit out of the new proposals shows that the new proposals seem to benefit clearly localities with lower revenue collection capacity. In addition, none of the proposals would seem to favor localities with larger populations.
- However, as it was to be expected from the methodologies followed for the definition of expenditure needs, localities with higher share of population below 18 years of age (a proxy for expenditure needs on education) and over 65 (a proxy for social security and health expenditure needs) are significantly favored under the fiscal gap-based proposals. Localities with larger geographical areas are also slightly favored by the new proposals.

Section C:

Component 2—Municipal Capacity Building

The program objectives of Component Two were to improve the delivery of local government services in four selected municipalities. To achieve this objective PADCO committed to improve democratic governance in Baia Mare, Cluj-Napoca, Pitesti and Targu Neamt by providing a technical assistance on issues identified by the local officials together with communities' representatives. To achieve this, the PADCO team interviewed each mayor and their staff as part of the process of developing work plans for the participants that were customized to their needs.

Specific Component Two objectives included the following:

- Increase the cities' capacity to borrow for local infrastructure projects;
- Increase the effectiveness of cities' financial management and enhance sources of local revenues;
- Improve local government service delivery;
- Provide technical assistance packages that will provide local officials with specific technical assistance in order to successfully complete two interrelated project packages in two of the four potential activity areas: municipal borrowing, local government service delivery, municipal financial management and city management;
- Encourage and assist the selected cities to learn from their peers

The section below describes activities and results undertaken in each of the four cities, as a means to accomplishing the objectives listed above.

Targu Neamt

Targu Neamt is a smallest city to which LGRP provided assistance, with a population of approximately 23,000 residents, located in the Moldova region of Romania. The city is a full service community and is surrounded by communes and rural settlement areas. It had received no attention from the previous USAID projects. The city has been politically stable and the mayor won his last election with a very large majority of the voting population supporting him.

The mayor and his staff chose to focus on three areas of assistance: public procurement improvement, project management and solid waste management.

Public Procurement. The first large scale event concerning public procurement was presented in Targu Neamt on March 28 and 29, 2006. The training program was attended by 20 specialists and the Vice Mayor. Handouts included the current Romanian public procurement laws, norms, guidelines and practices. The trainees included individuals from the departments of economy, legal, urbanism, and audit, as well as individuals from the local utility company, and the mayor's office. The attendees indicated their concerns about repeated changes made by the national government to the public procurement laws that required them to continuously change the everyday local practices and knowledge base. A second all-day training event was conducted in October 2006 and was attended by the same group of participants.

As a result of the training and technical assistance in public procurement, the Targu Neamt working group recommended to the mayor that a special procurement oversight office be created with a single person designated to oversee and coordinate the city's activity. The mayor chose the Vice Mayor as this person. The attendees were eager to participate in practical experiences and case studies on procurement so that they could better use both the theoretical and legal materials that they were presented with.

The second training session provided a final overview on the latest legal changes to the national public procurement law and practical exercises that allowed the group to further strengthen their skills.

Project Management. After a lengthy interactive assessment of the project management strengths and weaknesses of the existing situation in the Targu Neamt government, a customized training seminar was delivered from April 17 to 19, 2006. PADCO's specialists provided the twenty-one specialists from Targu Neamt with materials, manuals and handouts in both paper and electronic formats.

PADCO was able to segue the project management training into a practical activity for which the city was requesting assistance—solid waste management and recycling. Specific specialized technical assistance was provided for the implementation of this endeavor by the use of implementation of project management principles, techniques and practice. Specific support was given to the participants in how to analyze who the main stakeholders were; identification of potential partners; communication strategy development; use of SWOT analyses specific to the solid waste project management; establishment of the specific objectives of the city; and technical support for their project.

Solid Waste Management. After the introduction of project management, the PADCO/Targu Neamt team agreed that technical assistance would be provided to the city with the goal of instituting a recycling program via the project management training that was provided. A working group of 9 individuals was appointed by the mayor for this task. PADCO provided two reports for the city—one was an overall solid waste management collection and disposal plan and the second was a guide on how to create a recycling program.

There were two major outcomes in Targu Neamt. The first was the creation of the working groups to begin a recycling program. The group, with regular technical assistance from PADCO through the municipal coordinator, created a detailed workplan for recycling, and began implementation of the plan by the end of the project. The city made a formal commitment to finalize the implementation of the work plan in 2007. The second outcome achieved was an overall improvement to the solid waste collection and disposal system. After the project delivered the solid waste report, the city borrowed capital funds and spent over \$200,000 to purchase a new garbage collection vehicle and new style collection and container bins for citizen use in disposing their waste materials.

Conclusions. The PADCO – LGRP program in Targu Neamt was successful in that it was able to provide technical assistance and then assist the city to actually improve services. The city not only developed a work plan for its just first-ever recycling program, but it also spent its own funds to upgrade the solid waste disposal program. The following tables detail the completion of the overall workplan for Targu Neamt, as well as individual outputs by activity.

Task A.1: Solid Waste Management Plan in Tîrgu Neamt

Component 2, Task A.1 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.1.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> Assessment of current situation conducted. Guide for starting a program to collect and market recyclable materials delivered. Workplan for the implementation of the solid waste management and recycling program created. 15 meetings and site visits over the life of the program.
A.1.2 Assess the current situation	X					
A.1.3 Adapt existing manuals on Solid Waste Management to Romanian legal framework and EU standards		X	X	X		
A.1.4 Organize the workshop for introducing the manual to the municipality and discussing on principles of SWM				X		

Component 2, Task A.1 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.1.5 Identify short and medium term objectives with respect to solid waste management and prepare a work plan to achieve them			X	X		
A.1.6 Provide technical assistance for work plan implementation			X	X	X	
A.1.7 Follow up					X	

Task A.2: Public Procurement Improvement in Tîrgu Neamț

Component 2, Task A.2 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.2.1 Assess the current situation (internal procedures, ISO Procedures, IT system); Organize the activity and develop a Work Plan for task implementation	X	X		X		<ul style="list-style-type: none"> • 20 specialists trained • 20 folders and 20 CDs with materials regarding public procurement were provided to the participants (laws, norms, guides, etc)
A.2.2 Design of course materials for public procurement and tailor the course to the needs of the beneficiary, as well to the new Romanian law on public procurement		X	X			
A.2.3 Provide training on public procurement (first session – June 2006)			X			
A.2.4 Design of course materials for public procurement according to the needs of the beneficiary on norms of implementing the new public procurement law				X		<ul style="list-style-type: none"> • 15 specialists trained
A.2.5 Follow up			X	X	X	

Task A.3: Improvement in Project Management in Tîrgu Neamț

Component 2, Task A.3 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.3.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> • 9-person work-group formed • 21 specialists trained • 21 folders and 21 CDs with materials provided • 10 meetings took place for technical assistance
A.3.2 Assess the current situation	X	X				
A.3.3 Prepare the training; tailor the course to the needs of the beneficiary		X				
A.3.4 Provide training on project management		X	X			
A.3.5 Providing hands on technical assistance for implementing project management principles, techniques and instruments to one important capital investment project			X	X	X	
A.3.6 Follow up					X	

Pitesti

Pitesti is a large industrial city located two hours from Bucharest by car. Because of its location and political stability Pitesti has been the recipient of a great deal of USAID assistance. The mayor and his staff are very knowledgeable about how to use consultant assistance and were very specific in what they expected and wanted from PADCO. The city of Pitesti requested LGRP assistance to help improve public procurement, implement the Romanian Accrual Accounting Law for local governments, and undertake measurement for a selected city service. The city also asked PADCO to provide specific assistance in two other areas not contemplated in the original work plan: provision of a consultant to assist with a tender for a bank loan and a workshop on Market Value Appraisal System for Property Taxes.

Public Procurement Improvement. The first seminar on this topic took place in Pitesti on June 1 and 2, 2006. The training focused on ethics, code of conduct, public procurement planning and scheduling, the evaluation of tenders, and the appeal process for non-selected bidders. One of the major focuses of the training was the newly established public procurement institutions and their involvement in Contracting Authorities activity. There were twenty four participants that attended the seminar from city hall.

A second seminar was delivered on October 23, 2006, and focused on new regulations for public procurement that had become effective on June 30, 2006. This time the focus was on specific management issues, planning for procurement according to the new regulation, discussion about the role of the newly established Council of Appeals and the new oversight and control bodies in the area of public procurement. The seminar was attended by 17 city hall specialists and outside beneficiaries of the city budget staff.

It was evident that the staff was very interested in the procurement process and applying the new rules correctly. Pitesti also requested that LGRP develop a manual of procedures tailored to their needs for public procurement and for procurement planning. The requests were met and PADCO also aided in the development of a procurement calendar specific to the Pitesti local budget.

Project Management. A project management training package was developed and delivered to Pitesti staff. Nineteen individuals attended the seminar.

Accrual Accounting. PADCO designed a Pitesti-specific roundtable seminar for the Pitesti accounting and budgeting specialists. There were five such meetings and nineteen specialists were trained on how to use the new Ministry of Public Finance-created accrual accounting system.

Performance Measurement. The mayor of Pitesti specifically requested technical assistance on the development and implementation of a performance measurement program for the Pitesti Building Department. PADCO developed a manual on performance measurement using previous USAID funded documents customized to Pitesti's needs. The material was delivered to the working group appointed by the mayor. Technical assistance was delivered to the working group as was assistance on development of performance measures, building a database and development of actual performance measures for the City Building Department. PADCO introduced the idea of expanding the Pitesti Citizen Information Office so that it could assist citizens with the permitting process as a One Stop Shop.

A best practice workshop was developed and delivered by PADCO and the Pitesti working group to review the city performance measurement system and the measurement selected for its use. The working group presented its materials to the Pitesti team as well as participants from seven other stakeholders/recipients of public budget funds in Arges County.

Additional Technical Assistance. PADCO delivered a regional seminar on property taxation and the use of Market Value Appraisal for the calculation of *ad valorem* taxes. The seminar was done at the direct request of the mayor. The attendees included persons from Pitesti as well as the cities, towns, communes and agencies in the Pitesti area. It was attended by 28 persons in total.

PADCO also provided special technical assistance to Pitesti on the public procurement of a capital improvement bank credit. The loan was made to the city in late 2005. PADCO not only assisted in the writing of the tender request but also on the review and award of the bid commission as a non-voting technical assistance consultant. The outcome was a bid awarded to the lowest and best bidder with terms and conditions that were favorable to the city.

Task A.2: Public Procurement Improvement in Pitesti

Component 2, Task A.2 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.2.1 Assess the current situation (internal procedures, ISO Procedures, IT system); organize the activity and develop a Work Plan for task implementation	X	X		X		<ul style="list-style-type: none"> 24 specialists trained
A.2.2 Design of course materials for public procurement and tailor the course to the needs of the beneficiary, as well to the new Romanian law on public procurement		X	X			
A.2.3 Provide training on public procurement (first session – June 2006)			X			
A.2.4 Design of course materials for public procurement according to the needs of the beneficiary on norms of implementing the new public procurement law				X		<ul style="list-style-type: none"> 20 specialists trained
A.2.5 Provide training on application of norms for the public procurement (second session – 2006)				X	X	
A.2.6 Providing technical assistance on public procurement and planning the public procurement			X	X	X	<ul style="list-style-type: none"> Proposal for internal guide for planning the public procurement delivered to the beneficiary.
A.2.7 Follow up			X	X	X	<ul style="list-style-type: none"> 10 meetings took place, including 3 days for delivery of the two workshops.

Task A.3: Improvement in Project Management in Pitesti

Component 2, Task A.3 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.3.1 Assess the current situation, organize the activity and develop a Work Plan for task implementation	X	X				<ul style="list-style-type: none"> 19 specialists trained; 5 meetings took place, including the days of delivery of training
A.3.2 Prepare the training; tailor the course to the needs of the beneficiary			X			
A.3.3 Provide training on project management			X			
A.3.4 Follow up		X	X			

Task B.1: Improve city's accrual accounting practices in Pitesti

Component 2, Task B.1 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
B.1.1 Assess the current situation, organize the activity and develop a Work Plan for task implementation		X				<ul style="list-style-type: none"> 19 specialists trained
B.1.2 Deliver of on the job training			X	X		
B.1.3 Organizing roundtables for clarifying key issues identified during TA			X	X		
B.1.4 Follow up			X	X		<ul style="list-style-type: none"> 5 meetings were organized in total

Task C.2: Improve Own Source Revenues in Pitesti -

Component 2, Task C.1 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
C.2.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> Final manual on performance measurement delivered; Final set of indicators delivered on several topics of public interest; Performance measures developed for the department chosen in Pitesti; Dissemination of information to municipality of Pitesti and other seven stakeholders in Arges County 10 (ten) meetings and visits took place for ensuring the liaison with the City; Several meetings for the workgroup took place;
C.2.2 Assess the current situation	X	X				
C.2.3 Revise manual on performance measurement methods previously created by USAID funding		X	X	X		
C.2.4 Organize municipal working group			X	X	X	
C.2.5 Assist working group to develop performance measures, build data base, measure performance			X	X	X	
C.2.6 Delivery and dissemination of results					X	
C.2.7 Follow up		X	X	X	X	

Cluj Napoca

Cluj Napoca is located in northwestern Romania in Cluj county, approximately 440 kilometers to the northwest of Bucharest. The city boasts approximately 300,000 inhabitants and is considered an important academic, cultural and industrial center for Romania. LGRP capitalized on Cluj Napoca's proximity to Baia Mare, and employed one municipal coordinator to coordinate assistance activities in both locations. In particular, Cluj Napoca requested and received assistance in public procurement, project management and public budgeting.

Public Procurement. The work plan derived from the initial assessment was developed and the training designed accordingly. 18 specialists working with the City Hall of Cluj Napoca were trained in the new legislation in public procurement and also in the related legislative changes. As a result the specialists were able to more easily integrate the resulting changes from new legislation into their daily work. The specialists are also able to provide information regarding the new legislative changes and to support to other colleagues within city hall in improving methods of public procurement.

Project Management. The work plan derived from the initial assessment was developed and the training designed accordingly. The initial working group designed by the mayor changed within three months, according to specific needs of the Ring Road project, which was approved by the mayor in June 2006. The new team was comprised of specialists working in relevant departments including, technical, urban

planning, urban roads maintenance, public and private domain, local taxes, economic department, juridical department etc. Fifteen specialists were trained and certified in project management. PADCO provided a toolkit in project management, a training manual in project management and relevant case studies regarding ring-road projects as part of the training. Based on the training and resulting reports generated by the working group, a final action plan for the ring road was submitted to city hall for approval. This exercise provided participants with experience in multi-year capital investment planning, which ultimately spread beyond the working group to the county council, prefecture, environmental protection agency, local public transportation services, gas company, three surrounding communes and four cities, all of which participated in the final seminar in November 2006.

Multi-year Budgeting and Capital Improvement Planning. PADCO first undertook a needs assessment of budget and capital investments planning in Cluj Napoca. The mayor and his staff then worked to select and delegate a working group of specialists in order to improve their institutional and professional capacity. After the working group was selected, training sessions and technical assistance in budget forecasting, identification of investment needs, investment prioritization and capital investments planning were provided to the group. The specialists were trained to use software developed especially by LGRP consultant in budget forecasting and capital investments planning. The working groups also developed a draft of procedures needed throughout capital investments planning process.

The 18 specialists trained in the city of Cluj Napoca were able to perform better based on specific acquired skills in budget forecasting, identification of investment needs, investment prioritization and capital investments planning. The transfer of knowledge was based on a mix of training, working (developing a draft of methodology), and the use of a software addressing specifically the topics, in relation to the daily work of the specialists. The training handouts, the draft of procedures in capital improvement planning, and the software can be used by other specialists within city hall.

In addition to public procurement, project management and public budgeting assistance, PADCO helped the city government regarding the contracting of a loan for an infrastructure modernization project. At the specific request of the City Hall of Cluj Napoca, PADCO conducted an assessment of the bank's loan offer and support for City Hall to prepare the negotiations with the lender.

Task A.2: Public Procurement Improvement in Cluj-Napoca

Component 2, Task A.2 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.2.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> 18 specialists trained in public procurement
A.2.2 Assess the current situation	X					
A.2.3 Prepare the training; tailor the course to the needs of the beneficiary		X				
A.2.4 Provide training on public procurement		X	X			
A.2.5 Providing technical assistance on public procurement			X	X	X	
A.2.6 Follow up					X	

Task A.3: Improvement in Project Management in Cluj-Napoca

Component 2, Task A.3 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
A.3.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> 15 specialist trained The initial Work Group designed by the Mayor changed within three months, according to specific needs of the Ring Road project, and it was approved by
A.3.2 Assess the current situation	X	X				
A.3.3 Prepare the training; tailor the course to the needs of the		X				

Component 2, Task A.3 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
beneficiary						the Mayor in June, 2006.
A.3.4 Provide training on project management		X	X			
A.3.5 Providing hands on technical assistance for implementing project management principles, techniques and instruments to one important capital investment project			X	X	X	
A.3.6 Follow up					X	

Task B.2: Improve multi-year budgeting and capital improvement planning in Baia Mare and Cluj-Napoca

Component2, Task B.2 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
B.2.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> • Training and technical assistance in building multi-year budget and CIP developed and delivered to 18 specialists with City Hall of Cluj Napoca and 28 specialists in Baia Mare • The software developed especially by LGRP consultant in budget forecasting and capital investments planning.
B.2.2 Assess the current situation	X	X				
B.2.3 Organize a workshop for designing capital improvement project request forms and user's guide			X			
B.2.4 Prepare a training course on financial capacity and credit worthiness self assessment; tailor the course to the needs of the beneficiary		X				
B.2.5 Provide training on financial capacity and credit worthiness self assessment		X				
B.2.6 Prepare a training course on cost benefit analysis; tailor the course to the needs of the beneficiary		X				
B.2.7 Provide training on cost benefit analysis		X				
B.2.8 Organize a workshop for setting up the methodology for capital project prioritization			X			
B.2.9 Organize a workshop for setting up the methodology for multi year budget forecast			X	X		
B.2.10 Design/adjust an EXCEL model and toolkit for multi year operational and capital budget forecast, in accordance with the agreed methodology		X	X	X		
B.2.11 Organize a workshop for training employees in using the EXCEL toolkit				X		
B.2.12 Follow up					X	

Baia Mare

Baia Mare, a city of approximately 140,000, is located in northern Romania in the county of Maramures. In square kilometers, Baia Mare is one of the largest cities in Romania, and is in fact slightly larger than Bucharest. However, in terms of population, Baia Mare ranks 17th according to the 2002 census. Under

LGRP, the city officials of Baia Mare requested assistance in improving own-source revenues and public budgeting

The LGRP team delivered the requested assistance and built on both of those issues, by provided training on property taxation based on market value appraisals. The city hall of Baia Mare also requested that LGRP provide training in accrual accounting. Unfortunately, the request was made at the time when the Ministry of Public Finances had not yet finalized the specific methodology. When the methodology was finalized, the specialists from Baia Mare found that they were able to deal with the matter by themselves and were able to solve the issue through the use of internal resources.

Improving Own-Source Revenues. LGRP carried out an assessment and analysis the current situation of local revenue provision systems and tools, and identified a series of dysfunctions that required assistance. Based on the assessment, LGRP prepared a report with the following suggested measures to improve own-source revenues:

- reorganizing the structure of the Local Revenue Department within city hall;
- reorganizing the activities of the Local Revenue Department toward increasing efficiency and transparency;
- reorganizing the Department of Local Taxes to permit enforcement of compliance with the specific legislation;
- improving the fiscal zoning; and
- undertaking future possible taxes, such as a “car tax.”

As a result, the Mayor and the Economic Director with the city hall of Baia Mare analyzed the report and decided to use it for reorganizing the current structure and activities of the Local Revenues Department.

Multi-year Budgeting and Capital Improvement Planning. Similar to the work in Cluj Napoca, PADCO first undertook a needs assessment of budget and capital investments planning in Baia Mare, and then provided targeted training to working groups designated by the mayor and his staff. Baia Mare specialists were also trained to use the software developed by LGRP in budget forecasting and capital investment planning. The working groups also developed a draft of procedures needed throughout capital investments planning process.

Twenty-eight individuals were trained from Baia Mare, and like their colleagues in Cluj-Napoca, they were able to perform better based on specific acquired skills in budget forecasting, identification of investment needs, investment prioritization and capital investments planning. The transfer of knowledge in Baia Mare was also based on a mix of training, working (developing a draft of methodology), and the use of targeted software. The training handouts, the draft of procedures in capital improvement planning, and the software can be used by other specialists from the local government.

Property Taxation Based on Market Value Appraisal. Together, LGRP Romanian and expatriate advisors, the local government of Baia Mare, and the Millenium Center staffs prepared and implemented the workshop on October 17, 2006. A total of 44 participants attended the workshop (12 participants from Baia Mare, 32 from other cities, communes and the Ministry of Public Administration and Interior). The following workshop materials were provided: definitions of terms; details of the current situation in Romania; explanation of different systems of real estate assessment; description of market value basis in valuation; explanation of mass appraisal for property taxation; and experiences, best practices and lessons based on case studies from Central and Eastern Europe and United States.

As a result, participants gained a better view of the challenges faced by other countries in taxing properties based on the market value appraisal. They also had the opportunity to benefit from the comprehensive framework of improving the property tax system and related concrete examples, starting

from the definitions through the organization of the institutional structures. Participants discussed a list of the challenges the local governments are currently facing in developing the taxation system in the direction of considering the property market value, and became aware about ways of thinking of future steps for approaching taxation based properties' market value appraisal

Task C.1: Improve Own-Source Revenues in Baia Mare

Component 2, Task C.1 Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
C.1.1 Organize the activity; develop a Work Plan for task implementation	X					<ul style="list-style-type: none"> Recommendations on specific measures for increasing own source revenues.
C.1.2 Assess the current situation	X	X				
C.1.3 Identify solutions for own source revenue maximization		X	X	X		
C.1.4 Draft the work plan for the maximization of own source revenues			X	X		
C.1.5 Provide hands on technical assistance and coach the local specialists for implementing the work plan			X	X	X	
C.1.6 Follow up					X	

Task B.2: Improve multi year budgeting and capital improvement planning in Baia Mare and Cluj-Napoca

(see activity chart on Page 24)

Component Two Conclusions

LGRP left several legacies in Romania. The first is the interest created in the cities, towns and communes for reform of the current property tax system. The introduction of a market value appraisal system for use in the calculation and collection of ad valorem taxes is scheduled to be on the political agenda for the Association of the Communes and the Association of Municipalities in January 2007, during their conferences. Both groups are advocating that permissive legislation be adopted that would allow a pilot program be instituted in a yet to be determined number of cities, towns and communes.

The second legacy is the introduction of new ways for the city of Targu Neamt to collect and dispose of their solid waste. The program included a handbook on how to begin a recycling program. As of the close of the project the city has borrowed and spent slightly over \$200,000 to purchase a new garbage collection vehicle, new types of disposal containers for residents' use and the adoption of a workplan that calls for a pilot recycling program in the center zone of the city.

The third legacy was the establishment of a formal project management system in Pitesti, Targu Neamt and Cluj Napoca. Targu Neamt was the most successful of the three in this endeavor because they used the training and technical assistance to develop and implement their recycling endeavor and to improve their collection and disposal of solid waste. Cluj Napoca used their technical assistance to develop a preliminary plan for construction of a ring road that will reduce traffic in the downtown area.

The fourth was in the area of performance measurement. Pitesti was the only city to request assistance in development and implementation of a performance measurement program. The mayor requested assistance that would enable him to improve the city building department's process for issuing permits. The working group, using a LGRP-customized manual from a previous USAID funded project, developed a series of recommendations for performance measurement that will be used in 2007. Pitesti used the exercise to strengthen their already functional ISO 2000 program.

Section D: Component 3—Local Government Associations Effectively Lobby for Local Government Reform

LGRP initially intended to assist all the general purpose municipal associations and selected local government professional associations as well. The program also intended to complete the work of previous USAID supported programs to make the associations effective advocates for their members in the legislative process and to make them effective service providers. The reduction in the time and resources available restricted the ability to work with all the associations originally intended, but it did not change the objectives of effective lobbying and service-providing organizations.

The project was designed for the initial three components to complement one another. The policy and legislation component provided a legislative opportunity for the associations to support and thus for the project to assist the associations in that effort. The municipal capacity building component provided an opportunity to prepare cities for the responsibilities to be conferred by the legislation. The new responsibilities suggested additional policy priorities for associations.

USAID efforts to assist associations have been constant. Association assistance has been a part of every USAID/Romania local government project. Progress has been slight. Associations have not been effective at producing policy, nor have they been effective at advocating positive legislation or opposing negative legislation. They have rarely been effective providers of services. They have generally been dominated by strong politicians who have used them as personal political vehicles. Other members, particularly members from parties other than that of the association president have lost interest. Associations meet, members make presentations, but action on legislative policy, on active advocacy and on provision of services has been generally weak.

There is one exception. The Association of Communes in Romania, ACoR, representing the smallest and poorest of the local authorities, has, paradoxically, become the strongest. ACoR is an offshoot of the Association of Municipalities (AMR), the result of recognition that the organization of large cities could not well represent the interests of communes, which are collections of small villages. Because communes are poorly funded and poorly staffed, they are more dependent on an association. Because they cannot afford to travel often, the association has developed regional networks to be able to take information and assistance to the membership. As a result, the association is a better service provider, and because its members are more loyal and participate more fully, it is also better able to make policy and advocate.

Associations can be effective at influencing legislators and through them, legislation, when the legislators are truly representative. Effective local government associations approach legislators with elected officials from their constituencies. Unfortunately, in Romania, legislators are elected by proportional representation from party lists and therefore do not have the accountability to a constituency they would have if they represented single member districts. The result is that lobbying is accomplished through party structures.

Approach and Results

Past projects attempted to propose policy initiatives, encourage the associations to develop policy committees to take on these initiatives and to produce legislative programs that would then be the basis for advocacy with the government and the parliament. Training seminars were held, documents were produced, and consultants came and went with little effective action on the part of associations afterward.

The policy and legislation component created an interministerial working group (IWG) to write, revise, present, gain government approval and parliamentary action on portions of a financial decentralization

package necessary to meet European Union standards. That IWG was composed not only of representatives of the government ministries, but also the municipal associations representing the local governments affected by the legislation. As a result, the associations were forced by the process to produce association policy on the proposed legislation and actually participate in the creation of the laws which would govern their activities. Alan Beals worked with association leadership on effective participation in the IWG process.

The municipal capacity component included, in at least two of the cities involved, an attempt to identify and increase own-source revenues in order to reduce the cities' dependency on distributions from the national budget. From that effort would ultimately come the identification of an underutilized source of local revenue—underutilized because the existing law made it inequitable and therefore difficult to collect and more difficult to increase. The need for corrective legislation became an obvious association policy matter and did more for the policy process than years of persuasion and assistance by successive consultants. Mr. Beals attended presentations on this subject and assisted association leadership in crafting the policy statements supporting it, later used it as the basis for developing the ACoR policy at a meeting specifically designed for that purpose.

The project design originally assumed substantial effort with associations, both general purpose and professional associations. Budget and time reductions necessitated a reduction in the effort, but the intention to provide assistance to three general purpose associations remained. The project provided assistance to AMR, AOR and ACoR as they participated in the IWG process. Assistance was tailored to the needs the associations expressed. Technical assistance for the creation and operation of policy commissions was offered, and two workshops held. AMR and AOR showed little interest, and as a result, LGRP assistance was rearranged. The LGRP grant program was eliminated by budget cuts, yet AMR and AOR remained interested in the grant program offered by World Learning. Therefore, LGRP provided substantial technical assistance to both AMR and AOR in the preparation of grant proposals.

ACoR performed as a subcontractor for the avian influenza training activity. The opportunity allowed ACoR to be perceived as an effective service provider and to develop skills.

ACoR requested technical assistance with the establishment of policy commissions late in the program. As a result of effective leadership, seminar participation, and the emergence of a strong issue, ACoR was able to produce a system of working policy commissions and an approved policy position on market value based real estate taxation.

AMR also has produced a policy position on the same subject, but resulting mostly from the strong advocacy of one member of its leadership. The system of policy commissions which would allow AMR to continue to regularly produce policy positions is not yet strong.

An added requirement for the project to provide training to local authorities on avian influenza provided an opportunity to enhance the capacity of an association to provide services to its membership. Additional funds provided for avian influenza training allowed PADCO to subcontract with ACoR to conduct training for commune mayors (its own membership) and to serve as the agency for disseminating information to those mayors unable to attend training. The program strengthened the elected leadership and the professional staff of the organization, created a surge of membership as potential members learned the value of the organization.

As a direct result of the design of the project with its interdependent components, the association effort made progress despite its low level of funding. Associations were active and influential in the crafting and promulgation of legislation governing local governments in financial distress and insolvency. They

operated on an equal basis with representatives of government ministries and the financial services industry.

As a result of the municipal capacity effort, local governments were able to recognize policy issues in need of action by their associations. They were issues which arose through the Romanian political process, not issues fed to them by consultants. They were therefore motivated to act upon them in their own political interests, not to please the consultants. Therefore, in one association, AMR, the process produced a major policy statement forming the basis of a legislative action plan. In another, ACoR, in addition to a major policy statement and a legislative action plan, the process resulted in the establishment of a structure of policy commission actively defining association issues and developing policies on a range of issues.

The additional requirement to provide training to local government in avian influenza provided an opportunity to work with ACoR as a subcontractor and to enhance its abilities as a service provider. ACoR provided training to 519 of its members and supplied training materials to all 2,800 members. Its regional network is strengthened, its status as a repository of information and expertise is evident to its members, its membership is increased, and it serves as a model of effectiveness to the other associations of local authorities.

Recommendations

- Associations should continue active participation in the IWG process as decentralization continues in financial management, then proceeds to education, and then to health and then to transportation.
- Associations should pursue the reform of the local real estate tax to provide for a market value basis. Market value based real estate tax will allow localities to increase the revenue derived from this source by fairly taxing currently untaxed or undertaxed properties without adding to the burden on poor property owners. Increased local revenues will ease the burden on the national budget and reduce the conflict between local and national political leaders over funding.
- Associations should identify opportunities to provide services to members in imitation of ACoR.
- Established associations and the Federation of Local Authorities in Romania (FALR) should assist the newly established Association of Prefects in its efforts to improve emergency planning and response training.

Component 3, Tasks and Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
1.1 Assist associations to organize committees: select and mobilize members, define rules, information flow, etc.	X		X	X	X	ACoR Committees set up and functional
1.2 Conduct association assessment of technical assistance needs and work plans for policy development	X					Assessment completed
1.3 Assist associations in applying for grants on Institutional Development		X				ACoR successful in receiving policy development grant from World Learning
1.4 Assist associations in applying for grants on Advocacy			X			Coalition AMR, AOR, ACoR successful in receiving grant for advocacy.
1.5 Training committee(s) on roles, responsibilities and the policy development process			X		X	Training sessions conducted for all 3 associations.
1.6 Associations create system for monitoring Law on Consultation and its			X			Activity changed to research on initiating a law on Real Estate

Component 3, Tasks and Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q4 2006	Outputs
Implementation						Market Value Tax. ACoR process approved. Responsibility assigned
2.1 Hands on technical assistance for committees to define initial problem statement, set policy goals, identify programmatic research, etc.			X	X	X	Position paper topics identified Review initial policy drafts
2.2 Training association boards and/or committees and staff on implementing strategy				X		Training seminars conducted
3.1 Hands on technical assistance to the associations to prepare policy paper(s), adopt policy position statement(s)				X	X	Technical assistance provided. Policy paper prepared.
3.2 One day training seminar on lobbying strategy and implementation				X		One training session conducted for ACoR.
4.1 Initiate coalition building					X	Tentative coalition established AMR, ACoR with similar resolutions on Market Value Real Estate Tax.
4.2 Recommend media strategy for board of director action					X	ACoR media strategy developed
4.3 Assist in preparation of annual report(s) for governing body(s)					X	Activity dropped.
4.4 Preparation of association annual assessment report of Law on Consultation					X	Activity dropped.
4.5 Assist in consolidation of all adopted policy positions into a single policy framework					X	Policy framework on Real Estate Market Value Tax prepared.
4.6 Assist in preparing policy committee agenda and WP for each association in 2007					X	Agenda and work plan for ACoR prepared.

Section E: Component 4—Emergency Preparedness Planning is Improved in Terms of Process, Revision and Evaluation

Avian Influenza

In early 2006, Romania and surrounding countries experienced numerous avian influenza outbreaks. USAID proposed assistance to the Romanian government to help it control and eliminate the outbreaks in the hope of reducing the spread of the disease and avoiding human deaths. As an addition to the original scope of LGRP, USAID asked that local authorities be trained in the prevention and control of avian influenza. PADCO was asked to identify the appropriate target group and to collaborate with John Snow, Inc. (JSI) to develop the curriculum.

In Romania, the virus had been confined to birds. The Government of Romania responded rapidly and appropriately, but continuing outbreaks would have exhausted available resources. Assistance was needed to prepare for a potential human pandemic.

The outbreaks in Romania demonstrated that the greatest risk was among small farmers who raised poultry on their immediate premises. They often have limited understanding of medical conditions, restricted access to information, poor water quality and sanitation. These farmers typically live in villages, several of which constitute communes, the lowest level of Romanian local government. It is therefore the commune officials with their direct citizen contact who were perceived to be most in need of assistance. Further, contacts with the Romanian Ministry of Agriculture and the National Veterinary Authority revealed that communes were the only level of local government without a public health official. Government representatives indicated that their greatest communications gap was with commune mayors.

PADCO subcontracted with the Association of Communes in Romania, (ACoR) to provide training. ACoR participated in curriculum development to insure its suitability to its audience. ACoR had a developed and functioning network for the dissemination of information to its 1412 regionally disbursed members.

Approach and Results

The PADCO team began work in April of 2006. The non-medical portion of the curriculum was produced by PADCO, and included work by its team as well as the John Snow Institute (JSI). The PADCO team conducted in-depth research regarding the legislation that had been passed to manage outbreaks of influenza in the country. LGRP team members prepared both a concise and detailed outline of all pertinent legislation that mayors needed to be aware of should an outbreak occur. LGRP also spoke to mayors who had experienced bird flu outbreaks, and received from four of them written case studies about the outbreaks. These were used in the training curriculum to help mayors understand the complexities of an outbreak and how it should be managed.

The JSI team produced presentations on avian flu, avian flu as it relates to humans, and communications. These were formatted into power point presentations, accompanying text, and handouts of helpful tips on the subject matter.

While producing the curriculum, the PADCO team simultaneously worked with the National Institute of Administration (INA) to select eight trainers who would be trained in the curriculum and then in turn train the mayors. The trainers were selected based upon their training skills, prior experience in the subject matter, and availability to carry out future training workshops. PADCO also met with several trainers proposed by JSI for the “training of trainers” workshop to determine their appropriateness to carry out this work. In the end, PADCO selected its own trainer who conducted the entire session, based upon his extensive training experience and knowledge.

The training of trainers was conducted in July 2006. The PADCO team made some revisions to the curriculum as a result of the training workshop, based on comments received at this session. Since none of the trainers had local government experience, the comments they made about the curriculum were analyzed and research conducted to make sure that the information they presented to the mayors was appropriate.

The next two tables show the periods and locations of the regional and high-risk county trainings, number of individuals invited and the total number of participants for each session and for the entire period:

Regional Centers	Location of the training	Date (2006)	Number of people invited	Number of people who attended the training
Constanța	Venus	06 – 08 August	30	26
Timișoara	Timișoara	10 – 12 August	24	18
Sibiu	Bușteni	11 – 13 August	30	22
Craiova	Băile Govora	16 – 18 August	30	32
București	Sinaia	18 – 20 August	25	30
Iași	Vatra Dornei	20 – 22 August	36	35
Cluj	Stâna de Vale	20 – 22 September	46	42
Călărași	Bușteni	03 – 05 November	28	24
Total			249	229

High risk county	Location of the training	Date (2006)	Number of people invited	Number of people who attended the training
Galați	Slănic Moldova	02 – 03 October	50	34
Constanța	Constanța	05 – 06 October	50	44
Tulcea	Tulcea	13 – 14 October	35	29
Iași	Gura Humorului	19 – 20 October	35	35
Botoșani	Gura Humorului	19 – 20 October	50	50
Brăila+Ialomița	Brăila	23 – 24 October	50	45
Vaslui	Vaslui	27 – 28 October	30	25
Călărași	Călărași	30 – 31 October	30	25
Total			330	277

GRAND TOTAL			579	516
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The effort made by ACoR to organize the training sessions was immense and required all the resources and the local structure of the association. The total number of mayors invited to the training sessions was 579 and the total number of those present was 516 (89% attendance rate). The percentage is quite impressive if we take into account the fact that 6 of the 8 regional trainings took place in August, a month that regularly is a month of holidays.

Mayors whose communities had experienced outbreaks were outspoken about the value of the training. Many of them said that if this training had taken place before the outbreak they would have been better prepared to deal with it. They were also more aware of the fact that it is more effective to prevent than to combat the cases when they appeared.

The Ministry of Agriculture formally endorsed the training, addressing a letter to the mayors to that effect which was included with the training materials. The ministry asked permission to post the materials on its website, as did the Federation of Local Authorities (FALR).

All 2800 communes and towns received a shortened copy of the training materials.

Objective: Provide training to local officials at the commune level on a response to avian influenza outbreaks

Activities	Q 4 2005	Q 1 2006	Q 2 2006	Q 3 2006	Q 4 2006	Outputs
2.1 Determine status of training and information dissemination to local officials.			X			<ul style="list-style-type: none"> Report on status of training and information dissemination.
2.2 Obtain cooperation/endorsement of Ministry of Agriculture/Ministry of Health for use of previously prepared materials access to personnel and delivery of training.			X			
2.3 Obtain cooperation of INA, use of INA training centers and trainers.			X			<ul style="list-style-type: none"> MOU with INA concluded.
2.4 Coordinate preparation of training with JSI. Produce training that is specific to avian influenza in a format that is replicable and adaptable to future public health emergencies.			X			<ul style="list-style-type: none"> Training materials produced and agreed upon. Ministry of Agriculture endorsement obtained with congratulations.
2.5 raining of trainers (JSI and ACoR).			X			<ul style="list-style-type: none"> Eight trainers qualified.
2.6 Deliver training in July 06 and, following revision and improvement, in Sept 06.				X		<ul style="list-style-type: none"> 516 mayors attended training Sessions held in 16 counties.
2.7 Dissemination of training materials to local governments, associations, government agencies.					X	<ul style="list-style-type: none"> Information materials mailed to 2,800 communes and towns.

Emergency Preparedness Planning

Following severe flooding in 2005 and the spring of 2006, the US Government provided humanitarian assistance to Romania. In the aftermath, USAID determined to provide additional assistance in Emergency Preparedness Planning. USAID concluded that the LGRP program was the logical choice of a provider, considering its existing relationships with national and local governments, the entities responsible for emergency planning and response. The USAID mission wished to provide comprehensive assistance to all aspects of planning and response nationwide. Ultimately, however no additional funding was identified for the emergency preparedness planning activity. As such, the scope and breadth of the effort was reduced, but the objective of providing significant and meaningful assistance to emergency planning and response was retained.

Approach and Results

One representative locality was selected to receive assistance in emergency preparedness and planning. The locality chosen was the city, county and prefecture of Galati. In Romanian local government, the prefect is responsible for emergency planning and response in a local area, responsible at the county and city level as well.

Galati is located at the confluence of the Danube, Prut River and Siret rivers. Flooding is a constant threat. Galati is in an earthquake prone area, and is also surrounded by rural areas in which avian influenza was common in 2006. Galati is a heavily industrial city with significant steel and shipbuilding activity. Its emergency planning must therefore cope with all the potential calamities which could be experienced by Romanian cities and it was therefore considered a useful pilot city.

PADCO subcontracted with the Institute for Public Policy (IPP) and Constantin Dudu Ionescu, a former Interior Minister, to devise a program of assistance for Galati. That program consisted of a conference in Galati to bring together the national and local officials, industry and community leadership, to review the

response to recent emergencies, review the existing plan, discuss improvement and suggest revisions. Following the conference, selected officials were sent to the United States for training on emergency planning and response at the national, state and local levels.

At the conference, the national and local plans were compared, unfavorably, to the emergency plans of Mittal Steel and Damien Shipyards. Although the execution of these public plans, done most recently the previous spring, was effective considering the resources available, communications, training and evaluation and follow-up were considered seriously inadequate.

With this new knowledge, representatives of city, county and prefecture led by the Prefect, traveled to Washington, DC to visit the following agencies and organizations:

- Federal Emergency Management Agency
- Emergency Management Institute
- Maryland Emergency Management Agency
- Arlington County Fire Department
- Washington, DC Emergency Management Agency
- Washington, DC Water and Sewer Authority
- International City/County Management Association
- American Red Cross

They returned convinced of the need to overhaul their own planning and response. Specifically, the Galati Prefect resolved to approach the Romanian Minister of Administration and Interior about the establishment of an institution and continuing education process modeled on the Federal Emergency Management Institute. As President of the recently established Association of Prefects, he resolved to establish emergency training as the first policy priority of the association.

Revision and improvement of the emergency preparedness process in Galati will serve as a model for other Romanian localities. Establishment of regular training for all emergency management officials will benefit the entire country. As an additional benefit, the effort to create such a system will strengthen the Association of Prefects. Significant contributions were made with no increase in project funding.

Recommendations

- The efforts of the Galati Prefect and the Association of Prefects to influence the establishment of an educational program for emergency management personnel should be supported.
- The US Government should identify funding to assist the national and local governments in improving emergency management.