1. **Basic Information**
   1.1 Désirée Number: RO-2002/000-586.03.02
   1.2 Title: Decentralisation and development of the Romanian local public administration
   1.3 Sector: Public Administration
   1.4 Twinning component: RO/2002/IB/OT/01 Strengthening the institutional capacity of the Romanian public administration in order to achieve fiscal decentralization – 1,2 MEuro - 18 months.
   1.5 Location: Romania /Bucharest

2. **Objectives**

2.1 Overall Objective:

The overall objective is to achieve a wider modernisation process whereby the public administration adapts itself to the economic and social realities of the Romanian society, while further preparing the administrative structures for the accession to the European Union.

2.2 Project purpose:

- To accelerate the fiscal decentralization process from the central public administration to the local public authorities by transferring competencies in managing certain activities simultaneously with generating autonomous financial sources at the local level.

- Improving the capacity of the local public administration to elaborate and implement successful, quality projects in the domains that are considered of a real importance for promoting economic and social self-sustained development at local levels.

2.3 Accession Partnership and NPAA priority

a) In order to strengthen the institutional and administrative capacity, **the Accession Partnership** sets the following objectives (relevant excerpts):

- Provide adequate resources to the local levels of government to allow resources to match responsibilities.
- Strengthen the institutional and administrative capacity of the bodies in charge of programming and managing funds for economic and social cohesion, in line with the Structural Funds approach; in particular define the Managing and Paying Authorities;
establish a clear division of responsibilities at national and regional level and improve the administrative capacity in terms of recruitment, career profiles and training.

b) **The National Programme for Accession to the European Union** (PNAR) stipulates as objectives:

On short-term:
- Strengthening of the institutional capacity of the Ministry of Public Administration
- Defining and establishing the financial resources of local communities towards the state budget. Decisional decentralisation with reference to the financial and patrimony resources management
- Development of the local public services management

On medium term:
- Strengthening the institutional capacity for rural development and promotion of access to infrastructure services
- Correlation of the public authorities activity and the creation of an integrated informational system for central and local public administration.

c) Government general strategy regarding the acceleration of the public administration reform adopted by the Government decision No. 1006/30.09.2001, includes within the objective “profound reorganization of the central and local public administration” increasing the capacity of administration of central and local authorities and through ensuring the coherence of the administrative act, and perfecting the management in administration. Also the strategy includes a separate objective: “decentralization of the public services and reinforcement of the local administrative and financial autonomy”, by which the activities and resources from the budget of state for public services in local communities will be transferred to the local public authorities. These services are: health, culture, communitarian police, the fire department, the civil protection, and rearrangement on new basis of the local taxes.

2.4 Contribution to National Development Plan
N/A
2.5 Cross Border Impact
N/A

3. **Description**

3.1 Background and justification:

With the view to accomplishing both the Government Programme objectives for 2001-2004 and the ones resulting from the Romania’s process for accession to UE, it is necessary to accelerate the legislative and institutional reform process of the public administration. The following principles have been considered when elaborating the reform strategy within the public administration:
Legitimacy and a fair administration. A law-based administration must provide appropriate and fair procedures, the observance of social values, citizens’ rights and freedoms.

Adopting the decisions by the authorities closely-related to the citizens or to the respective issue.

Decisional autonomy

The transparency of the administrative act, allowing the participants to monitor them and to get information on citizens’ rights within the relationship with the public sector

Simplifying the administrative procedures

Orienting the interest to outcomes based on services’ efficiency, effectiveness and quality. The efficiency and effectiveness improve when the civil servants are more involved, when the responsibilities are transferred towards the inferior administrative levels, simultaneously designing the system of responsibilities at each level.

Taking into account the comment made in the 2001 Regular Report on Romania’s Progress towards Accession that a fundamental structural reform of the public administration should be one of the Government’s most urgent priorities, the Romanian Government intends to start a comprehensive reform process that includes structural reforms of central and local authorities, management reform of public administration, public services reform, reform of procedures used within administration, etc. Due to the huge dimension of the reform and despite the fact that a few steps have been made in this process, Romania needs the European Commission support to accelerate the process reform.

The Government considers that improving the management both on central and local levels leads to the acceleration of the public administration reform process

The Romanian Public administration is structured in communes, cities, municipalities and counties. The county is ruled by an elected county council ruled by the president of the county council. Each county have a ‘prefect’ which is the representative of the Government in the county and is appointed . The communes, cities and municipalities are ruled by an elected local council and an elected mayor.

A major problem that Romania is facing is that the local authorities have limited public management capacity and skills, both in their administrative apparatus and on a political level. Poor public management is caused by a complex mixture of features, such as the lack of financial resources, poor human resource policy on a local level, an ineffective training infrastructure for local authorities, poor public image of local authorities, and a lack of knowledge and experience in relation with the new tasks of the local authorities which derive from the decentralisation process. In order to enhance the managerial capacity of local authorities, it is also necessary to continue to develop their capabilities to design and manage local economic and social development related projects. The project will focus especially on county councils.

The decentralization process it is also a very important area of the reform to be covered, the most important issue being fiscal decentralization to allow local authorities to have sufficient resources for local development. Romanian local authorities are facing an increasing number of tasks and responsibilities, due to an ongoing process of decentralization in Romania. The main problem of the
reform of local public administration is that it is still only partially carried out. For some time, the reforms have been mainly restricted to administrative reorganization, i.e. to establishing the authorities and institutions needed for a decentralised administration. Adoption of key complementary reforms, especially those pertaining to financial and assets autonomy, lagged behind. As a result, the local administration system was situated somewhere between its constitutional provisions and the conditions or methods enforcing it. In fact, it continued to be run through the procedures of control and tutelage, which existed prior to the reform. This will change quite dramatically with the adoption of the Law on Local Public Finance no.189/1998, which has been modified through the Emergency Ordinance no.326/2001, following which the autonomy of the local government administrative bodies will increase remarkably. Some of the necessary changes are to match the rules in force, and to adopt new regulations that should conform with and apply the provisions of the Constitution and of the European Charter of Local Autonomy, especially as far as finance and local assets are concerned. That means the fiscal decentralisation process needs to be carefully analyzed and new amendments on this issue need to be adopted. Starting in 2003, a separate law of local budgets and local finances will be issued and will be approved by the Parliament to clarify responsibilities on this field among central government ministries, namely Ministry of Finance and Ministry of Public Administration. The MPA will be restructured in due course as to accommodate new functions concerning local budgets, local fiscal policies, and drafting a law on local budgets and finances. The Ministry of Public Finances will be closely involved in preparing and approving the specific normatives in this field. Also the Ministry of Public Finances will centralize the reception and analyze the quarterly and annual accountancy reports issued by local governments.

3.2 Linked activities:

Phare activities

As far as the local public administration reform is concerned, the EC Phare Project RO 9707.01 “Romanian Local Public Administration Development” aiming at decentralizing the administration by strengthening the local public authorities' capacities was completed in October 2001. Within the second component of this programme, entitled “Local public authorities associative forms”, two outputs have been achieved in order to improve the financial capacity of the local authorities: a manual of best practices in UE accession matters and one containing best practices in collecting local tax. Both can be used by the associations with the view to disseminating the information and to organizing training courses for local authorities. The last component of this programme was designed for establishing of a Local Government Modernisation Fund (LGMF) efficient and operational. Through this component 103 projects were successfully implemented, 96,1 % from the total amount of 1,5 Meuro allocated for this fund being used.

Another Project RO 9804.05 “Design and implement mechanisms for the full application of the Civil Servants Statute Law”, which is intended to be complete in May 2002, has the purpose of strengthening the capacity of the recently established National Agency for Civil Servants. The second component of this
The project is dealing with the elaboration of secondary legislation and regulations concerning the civil service reform, including the civil service recruitment and probation system, civil service management of vacant positions, civil service assessment and promotion system and unitary civil service ranking and remuneration system.

Through the Financial Memorandum 2001 signed between the Romanian Government and the EC were approved other programmes to support the public administration reform in Romania:

- **Project RO 0106.01** “Strengthening the institutional capacity of the Ministry of Public Administration. This project will reinforce the capacity of the Ministry of Public Administration in policy making and drafting regulations in the area of public administration. The project will be implemented through a twinning with France as the leading Member State.

- **Project RO-0106.02** “Develop an operational National Institute of Public Administration capable of educating competent civil servants”. The Government of Romania attaches a high priority to development of the National Institute for Public Administration, and associated regional training centres, as centres of excellence in provision of training to civil servants. Phare 2001 will provide immediate support to the Institute in setting up programmes of training in priority areas related to the accession process. The support will take the form of preparation and delivery of training programmes and training of trainers. Training programmes will deal primarily with in-service training requirements.

- **Project RO-0106.03** “Creating a Corps of Professional Public Managers within the Civil Service”. The objective of this project is to strengthen the Romanian public administration by attracting competent professional staff and ensuring possibilities for their career development. Creation of accelerated mechanisms for recruitment and career development will lead to the establishment of a competent, non-political corps of “Professional Public Managers” within the Romanian civil service, with specific training enabling them to deal with EU accession related matters and the adoption and implementation of the acquis communautaire.

- **Project RO-0106.04** “Design and implement mechanisms for the full application of the Civil Servants Statute Law”. The objective of this project is to underpin the development of the Romanian Civil Service system created by the Civil Servants Statute Law, in order to improve the professional performance of the public administration, through the elaboration of the legal framework and managerial instruments for career development and professionalisation of civil servants.

- **Project RO-0105.01** “Support for the Development of Improved Management of Municipal Services”. The objective of the project is to improve the standards of municipal services, focusing principally on water and wastewater services, and enhances the environment by promoting compliance with EU environmental directives. The achievement of this objective requires the development of policies, legislation and practical experience related to stimulating private sector participation in the provision of municipal services. Within this project there is no budget allocated for equipment procurement.

Other Donors’ activities:

At central government level the **British Know How Fund** has been operational with a resident advisor until end 1999 (SMART programs). The work has been directed towards (i) the machinery of government and (ii) the development of a central Human Resources Management capability. A new bridging contract was
agreed upon in 1999, for a limited period of time, to assist with the implementation of the new Civil Service Law – in particular, with the setting up of the new Civil Servants National Agency, a programme which is currently in process of implementation (SPAR Programme).

The mainly EU financed SIGMA programme of the OECD has continuously offered advice on the Civil Service law as well as giving advice, on request, to the Government and the Parliament on reforming the civil service and the central government. SIGMA has also provided continuous assistance in policy-making, financial control, external audit and public expenditure management and budgeting during the past years and plays a major role as a resource capacity for the Romanian reform of public administration.

The World Bank has provided some targeted technical assistance on the development of a civil service law and its passage through Parliament.

The subsequent proposed programme is designed by taking into consideration the foreseeable results of the previous programmes. The activities and the results of this programme will build upon the results of the previous ones in order to ensure continuity and sustainability of the results achieved.

3.3 Results:

1.) Increased policy and financial autonomy of local self-governments: Further decentralisation and modernisation of local finances to reflect better European standards by increasing policy autonomy and financial sufficiency of local self-governments.

2.). Local Development Fund created and disbursed: Grants scheme financed and implemented to strengthen the capacity of local public administration. The whole budget foreseen for the Fund is to be allocated up until the end of the programme.

3.4 Activities:

The programme consists of two components. The details of each component and the subsequent activities are set out in the remainder of this section.

Twinning component:

3.4.1 Component 1: Strengthening the institutional capacity of the Romanian public administration in order to achieve fiscal decentralization – twinning convention.

3.4.1.1 Making proposals regarding the delimitation and establishing the financial resources framework for local communities from the state budget by balancing out fund transfers from the centre to local authorities. A polynomial formula containing all relevant factors as to ensure a fair distribution of balancing out transfers among local budgets should be proposed. De-centralization of the decision-making concerning the management of the patrimonial and financial resources so making
local governments more autonomous and self-sufficient in policy and financial terms.

3.4.1.2 Proposing recommendations for improving the system for collecting local revenues. Implementation of a pilot project at county level (nu e in FM) for designing an integrated electronic system for tax collection and control.

3.4.1.3 Provide advice and technical support in drafting the new Law on Local Finances and Budgets. This legislation should reflect the above policy proposals.

3.4.1.4 Support and advice in preparing a template or model for local budgets based on programmes, activities and functions in order to ensure a better readability and transparency of local budgets, as a means to improve the local public expenditure management system and accountability mechanisms.

3.4.1.5 Training local public authorities, both on decisional and executive levels, on modern, transparent and participatory methods for preparing local budgets. Training local elected politicians and civil servants on methods for an efficient administration of financial and patrimonial resources as well as for generating new resources for the local budget.

3.4.1.6 Designing a framework and methodology for economic analyses and impact evaluation of local capital and infrastructure investments on economic and social development as well as deliver training for local elected politicians and civil servants on the implications of decentralization of budgetary responsibilities to local level.

The twinning partner will be selected and the convenant will be developed by the Ministry of Public Administration in close collaboration with the Ministry of Public Finances.

The Pre-Accession Adviser should be a senior civil servant or equivalent with strong experience in fiscal decentralisation, and with EU Accession requirements in the field of fiscal decentralization and institutional development. Confirmed communication capabilities and ability to work in a difficult environment are required. He/She should also have ability to manage a team of experts and co-ordinate highly complex and politically sensitive activities and to liaise with EU institutions and other donors. Good working knowledge of English and French is required. He/She will stay in Bucharest, Romania, for a period of 18 months.

The total duration of the twinning component will be 18 months.

The types of experts needed are the following:

- 1 long-term adviser (PAA) on local public administration reform, strategy and organisational development;
- 1 medium-term adviser on local finance and budgets;
- 1 medium term adviser on collection of public revenues;
- 1 medium-term adviser on decentralisation and relevant financial arrangements;
- 10 pool of short-term advisers as needed within the budgetary allocations available.

The twinning should also provide advice on the implementation of the Local Government Development and Modernisation Fund supported under the technical assistance component of the project, particularly as regards development of criteria for selection of projects to be supported by the fund.
and the priorities for possible future development of the Fund’s activities in a multi-annual framework.

**3.4.2 Component 2: Grants fund for financing local level projects for improving the management of local public administrations with a special focus on local budget management systems**

3.4.2.1. The project will provide financial support to the Local Government Development and Modernisation Fund as an instrument supporting the priorities for local government development in a multi-annual perspective. Criteria will be developed for selecting small projects to be implemented by local administrations, based on the need for improved budget management systems within local authorities in line with their increasing responsibilities in this area. The criteria, which will be agreed between the Ministry of Public Administration and the European Commission, will take account of experience gained under the Phare 1997 Local Government project. The Local Government Development and Modernisation Fund established with Phare 2002 support will permit the financing of small projects in the area of training, personnel management, specialised consultancy support, development of informatics systems etc. Grant contracts will be concluded between the CFCU and beneficiary local authorities, on the basis of competitive evaluation of proposals submitted by local authorities. Investments under the Fund will be co-financed according to Phare rules. Given satisfactory progress in implementation of the current programme it is envisaged that Phare could re-finance the Fund under future years’ programmes.

The project will focus especially on county councils.

3.4.2.2. Taking into account these priorities, the program will also propose appropriate eligibility entitlements, adequate implementation procedures and organisation of the Fund.

3.4.2.3. To establish methods of financial control, budgeting, accounting and reporting.

3.4.2.4. Projects financed, implemented and monitored according to the established criteria.

The priority area to be developed through the Fund is the local government budget management systems, and the Fund should allow local government to carry out a range of activities supporting development of these systems. These activities could be training, or consultancy support, or informatics systems, or other.

The Local Government Development and Modernisation Fund management will be in accordance with the standard procedures from Practical Guide for PHARE, ISPA and SAPARD.

**3.4.3 Component 3 Technical assistance**

The technical assistance component will support the operational design and
The technical assistance will prepare operational procedures for Fund management and detailed criteria for project selection. It will provide information to local authorities about the Fund, and assist in organising calls for proposals and evaluation of proposals. It will prepare grant agreements to be concluded between the CFCU and local authorities for financing by the Fund. It will also support the establishment of reporting, accounting and monitoring procedures for the Fund.

3.5 Lessons learned:

The last Phare project RO9707, which was implemented by the Ministry of Public Administration, raised the following issues that were taken into consideration when this project fiche has been elaborated: if the Project is too complex due to the large number of Components and the apparent lack of regard for interdependencies between tasks – the project is difficult to be implemented through only one contract. The same reason lead to the lack of clear leadership on the project. That is why for this new project we proposed four different contracts, one for each component.

4. Institutional Framework

The Governmental Decision no. 8/4.01.2001 provides the establishment and functioning of the Ministry of Public Administration. The Ministry of Public Administration, as a synthesis ministry, assures that the Governance Strategy and Program in the domain of the local public administration is applied and monitors, on behalf of the Government, the preparation and application of public administration reform programmes by ministries and other central authorities.

In September 2001, the Romanian Government responded by adopting a “General Strategy Regarding the Acceleration of Public Administration Reform”, and a strategy on e-government. Also the new Law no.215/2001 on local public administration was adopted to improve the legislative framework in this area.

An inter-ministerial council, directly subordinated to the Prime Minister, has been established through Government Decision no.951/2001 to monitor the implementation of the reform strategy. Considerable work will be necessary to further develop the strategy. Nevertheless, these developments are significant steps forward and should represent the foundations for future progress.

Since the twinning convention will touch on issues related on budget and local finances will be implemented in close cooperation with the Ministry of Finances. The cooperation will be done through a Steering Committee to be established before the starting of the project.

The legal framework for setting up adopting the Ordinance no.81/2001 created the National Institute for Administration. This is envisaged to be an institution specialized in civil servants and local elected people training. It will coordinate the regional training centers network and it will be linked to the international training institutes for civil servants in Europe.

The most important existing regulations, which define the legislative framework for future development in this area, are presented further on:

- The Law no.189/1998 on local public finance contains norms, mechanisms, procedures for clearly delimiting the establishment and use of financial
resources from the state budget by local communities. The local authorities’ autonomy has increased as far as the establishment, monitoring and cashing local budgets income sources are concerned, and also their allotting according to the priorities and specificities of every administrative and territorial unit. Local administrations have access to loan contracting on the capital market, without Government guarantees. Loans from the domestic or the international capital market can be guaranteed with the local communities own sources, as well as with their own patrimony, according to the Law on the public property and its legal status and with provisions of G.D. 978/2001.

- The Government Decision no.333/1999 stipulates the procedures whereby local and county councils establish their own financial services aimed at collecting and monitoring all kinds of local taxes.
- The Law 216/2001 on the State Budget succeeded in decentralising certain expenditures towards local budgets, as follows: expenditures related to pre-university education, to children in difficult situations, to disabled people and to agricultural consultancy centres.
- The Government Ordinance no. 36 concerning local taxes was issued on February 2nd, 2002.

All these regulations created a positive start for the development of local governments in Romania but it has to be followed by sustained efforts and further improvement of the general administrative framework in order to guarantee results that are sustainable.

5. Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Phare Investment Support</th>
<th>Support Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning Component 1</td>
<td></td>
<td></td>
<td>1.20</td>
<td></td>
<td></td>
<td>1.20</td>
</tr>
<tr>
<td>Grants Fund Component 2</td>
<td>2.20</td>
<td></td>
<td>2.20</td>
<td>0.73</td>
<td></td>
<td>2.93</td>
</tr>
<tr>
<td>Technical Assistance Component 3</td>
<td>0.60</td>
<td></td>
<td>0.60</td>
<td></td>
<td></td>
<td>0.60</td>
</tr>
<tr>
<td>Total</td>
<td>2.20</td>
<td>1.80</td>
<td>4.00</td>
<td>0.73</td>
<td></td>
<td>4.73</td>
</tr>
</tbody>
</table>
6. Implementation Arrangements

6.1 Implementing Agency

Technical assistance component

The Implementing Authority (IA) for the project is the Ministry of Public Administration, in close collaboration with the Ministry of Public Finance as regards the twinning component. The person appointed as Senior Programme Officer (SPO) who will also chair the Steering Committee will represent it. The SPO is in charge of the technical implementation of the component in accordance with Phare rules, regulations and procedures. A Programme Implementation Unit (PIU) will be established to assist the PO in the technical implementation in accordance with Phare rules, regulations and procedures. The Programme Implementation Unit will provide technical support and expertise for the implementation of the technical assistance component.

The Central Finance and Contracts Unit (CFCU) will be responsible for the tendering, contracting, administration, accounting, payments and financial reporting for the technical assistance component, acting as Implementing Agency.

Contact details for the IA:
Ministry of Public Administration,
Department for European Integration
Attn Marius Profiroiu, General Director
Piata Victoriei no. 1
Bucharest, Romania
Tel: (401) 312.36.87
Fax: (401) 311.36.41

Contracting Party:
Central Finance and Contracts Unit (CFCU)
Attn Jeana Buzduga
Director, CFCU
Ministry of Finance
36/38 Mendeleev Street
Sector 1, Bucharest, Romania
Tel: (401) 310.3772, 313.6628, 313.6630
Fax: (401) 315.3536, 3124208

6.2 Non-standard aspects
The provisions content in DIS Manual and Practical Guide for Phare, ISPA and Sapard programmes will strictly be followed for the technical assistance component.
**Twinning component**

The Ministry of Public Administration will be the beneficiary institution. The twinning convenant will be developed in close collaboration with the Ministry of Public Finances as regards the twinning component. The Ministry of Public Administration will nominate a project lider for the twinning component, which will be responsible for the activities mentioned under the 3.4.1 paragraph. He/she will have full authority over the human and material resources mobilised by the Ministry of Public Administration for the twinning component.

The Romanian partner will provide:
- adequate human resources to implement the twinning project together with the twinning partner.
- all the facilities which are necessary for the smooth implementation of the twinning (office, computer, printer, tel, access to internet)
- funds to cover any travel costs of the Romanian authorities in the context of training seminars, if any.

The Central Finance and Contracts Unit (CFCU) will be responsible for accounting, payments and financial reporting for the twinning contract.

**Contact details for the:**
Ministry of Public Administration,
Department for European Integration
Attn Marius Proîroiu, General Director
Piata Victoriei no. 1
Bucharest, Romania

Tel: (401) 312.36.87
Fax: (401) 311.36.41

6.3. Contracts
The project will be implemented through one classical technical assistance contract amounting 0.6 MEURO for supporting the grants fund, amounting 2.2 MEURO and one twinning contract amounting 1.2 MEURO.

7. **Implementation Schedule**

7.1. Under the assumption that the Financial Memorandum is signed until December 2002, the TORs for the contracts will be ready by March 2003.
7.2 Start of project activity
The actual implementation of the project is expected to start in September 2003.
7.3 Project Completion
The last payment for the project will be before December 31, 2004.
8 Equal Opportunity

The selection of the participants will be made on non-discriminatory criteria.

9 Environment
N/A

10 Rates of return
N/A

11 Investment criteria
N/A

12 Conditionality and sequencing

The criteria and procedures for the Fund should be established in the first three month from the beginning of the implementation period.
A Steering Committee will be established before the starting of the project.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
# PHARE LOG FRAME

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR Project</th>
<th>Programme name and number</th>
<th>Decentralisation and development of Romanian local public administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decentralisation and development of the Romanian local public administration</td>
<td>Contracting period expires 31.11.2004</td>
<td>Disbursement period expires 31.11.2005</td>
</tr>
<tr>
<td></td>
<td>Total budget: €4.73 million</td>
<td>Phare budget: €4 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| The overall objective is to achieve a wider modernisation process whereby the public administration adapts itself to the economic and social realities of the Romanian society, while further preparing the administrative structures for the accession to the European Union | • Better perception of the Romanian public administration at internal and international level.  
• Increased efficiency and effectiveness of the local public administration in managing funds.  
• Increased quality of the public administration services delivered to the citizens. | • Official Government reports  
• International Institutions reports, especially European Commission reports  
• National and local mass media  
• Population surveys |
### Project purpose

To accelerate the fiscal decentralization process from the central public administration to the local public authorities by transferring competencies in managing certain activities simultaneously with generating autonomous financial sources at the local level.

- Improving the capacity of the local public administration to elaborate and implement successful, quality projects in the domains.

### Results

1.) **Increased policy and financial autonomy of local self-governments:**

Further decentralization and modernisation of local finances to reflect better European standards by increasing policy autonomy and financial sufficiency of local self-governments.

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>fiscal system decentralised enabling local authorities to generate sufficient resources for local development</td>
<td>Government documents, European Commission reports, Project progress reports</td>
<td>Financial resources are dedicated to the reform of public administration</td>
</tr>
<tr>
<td></td>
<td>at least 100 projects implemented by the local authorities</td>
<td></td>
<td>Continuity and stability of the top managers in the public administration ensured</td>
</tr>
<tr>
<td></td>
<td>written proposals regarding fiscal decentralization</td>
<td></td>
<td>Availability of qualified experts and contractors</td>
</tr>
<tr>
<td></td>
<td>written recommendations for improving the collecting system of local incomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a pilot project for designed an integrated electronic system for tax collection and control implemented</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>local public authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5 series of training for local public authorities on preparing local budgets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.)</td>
<td>written proposals regarding fiscal decentralization</td>
<td></td>
<td>Good cooperation among the ministries involved in the decentralization process.</td>
</tr>
<tr>
<td></td>
<td>written recommendations for improving the collecting system of local incomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a pilot project for designed an integrated electronic system for tax collection and control implemented</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>local public authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5 series of training for local public authorities on preparing local budgets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.). **Local Development Fund created and disbursed**: Grants scheme financed and implemented to strengthen the capacity of local public administrations to design and manage local economic and social development related projects. The whole budget foreseen for the Fund is to be allocated up until the end of the programme.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4.1.1 Making proposals regarding the delimitation and establishing the financial resources framework for local communities from the state budget by balancing out fund transfers from the centre to local authorities. A polynomial formula containing all relevant factors as to ensure a fair distribution of balancing out transfers among local budgets should be proposed. De-centralization of the decision-making concerning the management of the patrimonial and financial resources so making local governments more autonomous and self-sufficient in policy and financial terms.</td>
<td>• framework system designed for economic analyses and impact evaluation of projects on local investments • at least 100 projects successfully implemented by the local authorities • best practices of LGMF elaborated</td>
<td>• Effective co-operation with other central and local public administration institutions</td>
</tr>
<tr>
<td>3.4.1.2 Proposing recommendations for improving the system for collecting loca</td>
<td>• Twinning covenant (one PAA, three medium-term experts, ten short term experts)</td>
<td></td>
</tr>
</tbody>
</table>

- Twinning covenant (one PAA, three medium-term experts, ten short term experts)
Implementation of a pilot project at county level for designing an integrated electronic system for tax collection and control.

3.4.1.3 Provide advice and technical support in drafting the new Law on Local Finances and Budgets. This legislation should reflect the above policy proposals.

3.4.1.4 Support and advice in preparing a template or model for local budgets based on programmes, activities and functions in order to ensure a better readability and transparency of local budgets, as a means to improve the local public expenditure management system and accountability mechanisms.

3.4.1.5 Training local public authorities, both on decisional and executive levels, on modern, transparent and participatory methods for preparing local budgets. Training local elected politicians and civil servants on methods for an efficient administration of financial and patrimonial resources as well as for generating new resources for the local budget.

3.4.1.6 Designing a framework and
methodology for economic analyses and impact evaluation of local capital and infrastructure investments on economic and social development as well as deliver training on implementing this framework at the local level.

3.4.1.7 Training local elected politicians and civil servants on managing intergovernmental relations in order to equippe them with abilities to attract public investments from central and regional governments to meet local infrastructure needs.

3.4.2.1 The programme will propose in the first phase the priorities for the local public administration as a result of the impact of the Local Government Modernisation Fund. The Local Government Modernization Fund has been especially designed to explore improvements and innovative approaches for public administration reform in Romania through a range of relatively small-scale local good governance projects. The LGMF was open for a range of applicant local public administration institutions in Romania: county councils (Judete), local councils (Municipii, Orase, Comune), associations of local government bodies, training Grants Fund
centres and non-governmental organisations, as well as consortia of these ones. Sub-contracting to third parties, including to the private business, has also been possible.

3.4.2.2 Taking into account these priorities, the program will also propose appropriate eligibility entitlements, adequate implementation procedures and organisation of the Fund.

3.4.2.3 To establish methods of financial control, budgeting, accounting and reporting.

3.4.2.4 Projects financed, implemented and monitored according to the established criteria.

**Technical assistance**
The technical assistance component will support the operational design and management of the Fund. The technical assistance will prepare operational procedures for Fund management and detailed criteria for project selection. It will provide information to local authorities about the Fund, and assist in organising calls for proposals and evaluation of proposals. It will prepare grant agreements to

- Technical assistance contract
be concluded between the CFCU and local authorities for financing by the Fund. It will also support the establishment of reporting, accounting and monitoring procedures for the Fund.

<table>
<thead>
<tr>
<th>Preconditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• the Romanian government to establish and mandate a body specifically responsible for the management of all aspects of this programme on a multi-annual basis.</td>
</tr>
</tbody>
</table>
DETAILED TIME IMPLEMENTATION CHART FOR PROJECT NUMBER RO-2002/000-586.03.02

Decentralisation and development of the Romanian local public administration

<table>
<thead>
<tr>
<th>Component</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>calendar months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 1</td>
<td></td>
<td></td>
<td>D D D</td>
<td>D D D</td>
</tr>
<tr>
<td>Component 2</td>
<td></td>
<td></td>
<td>D D D</td>
<td>D D D</td>
</tr>
<tr>
<td>Component 3</td>
<td></td>
<td></td>
<td>D D D</td>
<td>D D D</td>
</tr>
</tbody>
</table>

D = Design
C = Contracting
I = Implementation
## CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO 4)

**DATE:**

<table>
<thead>
<tr>
<th></th>
<th>31/03/02</th>
<th>30/06/02</th>
<th>30/09/02</th>
<th>31/12/02</th>
<th>31/03/03</th>
<th>30/06/03</th>
<th>31/12/03</th>
<th>31/03/04</th>
<th>30/06/04</th>
<th>31/12/04</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTRACTED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>DISBURSEMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.4</td>
<td>2.7</td>
<td>3</td>
<td>3.3</td>
<td>3.6</td>
<td>4</td>
</tr>
</tbody>
</table>

**NB:**
1. All contracting should normally be completed within 6-12 months and **must** be completed within 24 months of signature of the FM.
2. All disbursements **must** be completed within 36 months of signature of the FM.