



GOVERNMENT OF THE REPUBLIC OF MOLDOVA

NATIONAL DECENTRALIZATION STRATEGY

(project under discussion)



CHISINĂU, 2011

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PREAMBLE

The National Decentralization Strategy (further – Strategy) is the main document of policies in the domain of local public administration, which determines the national mechanisms in the domain of decentralization and assurance of an authentic local autonomy for the local public administration authorities.

This Strategy establishes the objectives and tasks on an immediate and average term aiming at implementing the priority of decentralizing the power and assuring the local self-government, in line with the principles of the European Charter of Local Self-Government, which was ratified by the Republic of Moldova on July 16, 1997 and that came for our country into force on February 1, 1998.

The concept and policies of the decentralization policy meet the experiences of the European countries and comply with the aspiration for European integration and the bilateral agreements between the Republic of Moldova and the European Union.

The elaboration of this Strategy has derived from the need of a strategic planning of the decentralization process aiming at consolidating the capacities of the local public administration authorities and at improving the management and the quality of public services provided to the citizens.

While elaborating the Strategy, the existing normative and political frameworks, the achievements and gaps of the previously implemented strategic policies, the exigencies imposed during the process of European integration, the good practice principles connected to the criteria of pre-adherence to the European community and, at the same time, the specific peculiarities of development for the local public administration in the Republic of Moldova were taken into account.

Aiming at the integrated coordination of the process of strategic and sector planning in the domains subject to decentralization, the provisions of the Strategy have been correlated with the relevant policies documents, the Reform of the Central Public Administration, and other reforms representing an operational continuity of the actions of the National Development Strategy.

In terms of this Strategy, the notions defined under Law nr. 435-XVI of December 28, 2006 regarding the administrative decentralization, the application of which was conditioned by the existence of documents of policies that establish the distinct stages of implementing the administrative decentralization process in the Republic of Moldova, are used and developed.

The commitment undertaken by the Government to assure transparency, participate and discuss with all interested parties and the development partners in the elaboration of the Strategy was also performed by the revitalization of the Parity Decentralization Commission, which is the consulting monitoring and coordinating body of the decentralization process and which comprises an equal number of representatives of the governmental and non-governmental sector.

The Parity Commission, aiming at accomplishing the above-mentioned objectives, has created decentralization working groups formed of representatives of the central and local administration authorities, the civil society, the scientific and academic environment and the development partners.

The approach from the perspective of human rights and gender equality has been a fundamental and integral principle within the elaboration of this Strategy. For this purpose, special attention was paid to the principles of participation, non-discrimination, transparency, accountability and equality between men and women.

The elaboration of the Strategy was preceded by the fulfilment of complex studies and analyses in the domain of administrative and financial decentralization, the elaboration of reports regarding the assessment of the capacities of local public administration authorities, the expert reviews of the existing legal frameworks in the domain of organization and activity of the local public administration, which constitutes a wide informational support, available as appendices to this document.

During the activity of elaborating this Strategy, the decentralization working groups benefit by specialized methodological assistance granted by the team of international and local experts within the Joint Integrated Local Development Programme, financially supported by the Swedish International Development Cooperation Agency (SIDA), the United Nations Development Programme (UNDP), the United Nations Organization dedicated to Gender Equality and the Empowerment of Women (UN Women) and the Council of Europe (CoE).

I. Local Public Administration – current situation, defining general problems and tendencies

The European Charter of Local Self-Government, ratified by the Republic of Moldova on July 16, 1997 (further – European Charter), guarantees the right of local public authorities to have the effective capacity to solve and manage, within the law, under their own responsibility and for the population's benefit, an important share of the public affairs. This right is provided for in the Constitution of the Republic of Moldova as well, the Law of Local Public Administration, saying that the local public administration authorities benefit by decision-making, organizational, financial managing autonomy, they are entitled to show initiative in all respects connected to the management of local public affairs, exercising, according to the law, their authority within the limits of the managed territory.

The economic, social and political evolutions of the last years in the Republic of Moldova have put light to the need for a serious and real reform in the domain of public administration, especially the local one. The Government's Programme clearly ascertains that *„The approaching of the Republic of Moldova to the European Union may take place only in a state where the strongly hierarchic structures are replaced with decentralized, transparent and dynamic structures, grounded on the supremacy of the law, rights and civil freedoms. The Government will assure the correlation of the central administration reform with the local administration one and the transfer of competencies towards the local public authorities, including those in the domain of public finance. The decentralization of the power and the delegation of the public authorities with real powers will have a major contribution to the genuine development of the regions as well, decentralizing the economic activity throughout the whole territory of the Republic of Moldova, too”*.

Lately, in this direction, important steps, both at the request of the Government of the Republic of Moldova, and through different local initiatives of the elected authorities have been made. Thus, the Government has undertaken important actions aiming at improving certain aspects connected to the legal framework in the domain of local finance; it intends to support the decentralization in the key-domains and those with social impact, such as the education, social assistance etc., so that the state's assistance is granted through the agency of local authorities; it launched a wide consulting process and created corresponding institutional mechanisms of cooperation with the local public administration (further – LPA) and other social actors, aiming at a systematic approaching of the decentralization process, one of the results being this Strategy as well. On the other side, many first and second level LPA's have had successful initiatives for the promotion of certain development projects, have taken upon themselves difficult measure for the restructuring of the social subventions' systems and have shown openness and competence during the dialogue with the central public administration (further– CPA).

All these constitute a promising beginning for the reconstruction of the local public administration's frameworks on European principles, based on self-government and responsibility, by an efficient partnership between the Government and the local public

authorities. But the recent studies and analyses have highlighted several major problems of the LPA activity in proportion to the CPA, problems that hinder the LPA to provide adequate public services to all residents of the Republic of Moldova, regardless of the fact if they live in the capital or a small village. ***These problems underline the inequality amongst the population, within the specific vulnerable groups, such as those subject to social isolation, poverty, discrimination, limited or inexistent access to the basic services, to the benefits of local development, to the participation in the local development and decision-making process: the poor, old, disabled, HIV infected persons, households without any parents, with one parent or managed by children, as well as the abandoned children, lone parents, ethnic, linguistic and religious minorities, especially those belonging to the Roma ethnos, etc, as well as other persons and groups undergoing special risk of discrimination or social isolation***¹.

First of all, *de jure*, the LPA authorities in the Republic of Moldova have an autonomy declaratively full, but, *de facto*, this is limited, in part because of the CPA's interference in their daily activity, in part due to the fact that their own financial resources that do not reach the limit of needs, the lack of which is accompanied by an excessively fragmented territorial-administrative organization, and in part because of the insufficient administrative and institutional capacity. These conditions make the LPA present a low degree of responsabilization in front of the public – the public consisting of the main beneficiary and decision-taking body, when it handles with the use of the resources and the adaptation of public service to the local needs.

The reports in this domain identify general problems while assuring local services, such as health connected services, water and drainage infrastructure, high quality school training for everybody. According to the important indices (for example, in the educational domain, etc.) the vulnerable groups continue being disadvantaged, socially excluded and discriminated regarding the access to the high-quality services. Multiple key-elements of the health reform, social protection, education and even the implementation of the conventions regarding the human rights, ratified by the Republic of Moldova, depend significantly on the existence of effective LPAs that have an adequate institutional capacity with sufficient autonomy while acting in solving problems with social impact at the local level.

The second Report on the Millennium Development Goals highlight such problems as the permanent difficulties during the assurance of medical services, the infrastructure of water supply and the sanitary one, effective and high-quality universal pre-university training for everybody. Certain vulnerable groups, especially the Roma minority, lag behind the key-indices of social inclusion, especially in the educational domain.² At the same, the economic crisis affecting the central and local public budgets of the public administration authorities in whole Europe has had an impact on the Republic of Moldova as well. The difficulty to maintain the level of financing for the main public services affected the budgets of the years 2009 and 2010. Under such difficult conditions,

¹ See Appendix 4: Vulnerability Concept

² Government of the Republic of Moldova with the help of the UNO's agencies in Moldova, "Report on the Millennium Development Goals: Republic of Moldova", September 2010

the Government sets the goal to protect the LPA budgets, undertaking the main burden caused by the decline of the incomes to the public budget.

The presentation of the current situation, with its existing challenges, drawn goals and concrete measures by which these goals will be achieved, is being structured as follows:

1. Decentralization of services and competences
2. Financial decentralization
3. Patrimonial decentralization and local development
4. LPA's administrative capacity
5. Democracy, ethics, human rights and gender equality

The actions that have been undertaken in the process of elaboration of this Strategy, were oriented towards the analysis of main problems appearing in each of the mentioned domains and the generation of feasible solutions, with clear plans of their accomplishment, aiming at increasing the efficiency and responsibility of the public administration towards the population, by a better application of the principles in the *European Charter of Local Self-Government*. At the same time, the Strategy is based on an approach consistent with the human rights and gender equality, being grounded on principles of participation, non-discrimination, transparency and accountability. These principles, including the principle of impact assessment from the perspective of human rights and gender equality, are applied to diminish the eventual negative impact of this reform on certain groups amongst the population that are especially vulnerable.

1. Decentralization of services and competences

The political and administrative decentralization is a complex and difficult process, which needs longer periods of coordinated actions, involving the will and determination of decision-making body. This process is characteristic for many of the countries undergoing transition from the central, Eastern and South-Eastern Europe. This Strategy proposes the adjustment of the internal institutional and legal framework to the European legislation and the EU recommendations, to the provisions of the European Charter of Local Self-Government, the elimination of the dysfunctions highlighted in several studies performed in the LPA domain, the consolidation of the Local self-government and democracy.

The current situation is characterised by a set of complicated evolutions, partial progresses that have not been consolidated in the everyday practice, legislative ambiguities, and confusions regarding the method of exercise of certain competences. Both the mentioned studies and the representatives of the associations of local authorities highlight a range of lacks, which must be placed immediately in the agenda of the executive and legislative bodies of the Republic of Moldova.

Doubtful, unclear, incomplete delimitation of competences between the public administration authorities of different levels. The delimitation of the competences amongst the first and second level LPAs is unclear, contradictory, and in some cases even lacking. Some of the activities mentioned as in-house competences haven't been clearly defined, in some cases these being attributed to the tasks of the immediately upper level. This situation allows the double, equivocal interpretation of the responsibilities/competences of different levels of administrative-territorial units (further – ATU). There're no clear and functional technical criteria which would be enacted and used expressly for the competences' definition, delimitation, assurance and financing. The responsibilities/competences' doubling phenomenon is present in the activity of deconcentrated specialized public authorities as well. Accordingly, the lack of a clear competences' delimitation tends to put pressure, destabilize the whole system of inter-administrative relationships.

Transfer of responsibilities/competences without the assurance of the relevant financial means for their performance. In the Republic of Moldova, just like in many other transition countries, the decentralization of certain public services and the transfer of some of the responsibilities/competences, has not been fulfilled in line with the transfer of the resources that are necessary for their fulfilment, which lead to the emergence of some deep vertical disequilibrium in the financing. As a result, the exercise of these attributions is difficult and sometimes even impossible for the small ATUs or those having a poor budget. At the same time, a mechanism that would guarantee the AUTs' necessary medium and long-term financial resources for the fulfilment of the responsibilities/competences transferred by the state.

Transfer of responsibilities/competences to the LPAs levels mindless of their real economic resources and their capacity to generate significant personal incomes, so that to cover an important part of the needs of public expenditures. The most of the taxes with an increased collecting rate flow into the state budget, and for the LPAs taxes and fees with low tax flows are established. There're no mechanisms for real stimulation of the LPA, those encouraging the development of the local economy and, implicitly, the development of the tax base of the ATU.

Excessive intervention of the second-level CPAs and the LPAs in the process of financial resources' management by the first-level LPAs, including the arbitrary allocation of transfers, which leads to the unjustified involvement into the local self-government and the impact on the capacities of such first-level LPAs while providing qualified public services to the TAU's residents. As a result, the first-level LPA is mostly depending on the CPA's and second-level LPA's decisions.

Doubtful status of the services in second-level LPAs' responsibility and the confusion between those and the deconcentrated services. The administrative legislation and practice of the Republic of Moldova does not establish clearly, which are the fundamental differences between the decentralized services, the deconcentrated and delegated ones. There is a tendency amongst several CPA's institutions to consider, in practice, the district decentralized services/institutions as being deconcentrated

services/institutions, in respect of which they can influence and exercise directly and voluntarily their managing authority.

Moreover, different reports analyzing the general condition in the public sector of the Republic of Moldova³ underline the exaggerated growth of such, especially regarding the public expenditures in the gross national product (further – GNP) in comparison with the level of development measured by the GNP/resident index, and suggest the restriction of its expansion. This factor has a special influence on the decentralization process, because of the extreme restriction of the fiscal space necessary for a better financing of the LPA.

The vulnerable groups of the population encounter difficulties while accessing the local public services. Though the population as a whole has difficulties regarding the accessibility and quality of local public services, the persons from the vulnerable groups find themselves in even harder circumstances. Because of the poverty, discrimination, stigmatization, lack of an enabling institutional and normative framework, the public services are locally inaccessible or of a lower quality for vulnerable persons. In this respect, the affirmative measures (special measures addressed to the vulnerable groups, as a part of the enabling and non-discriminative policies) become key-factors for the improvement of the access to and the quality of public services for everybody.

2. Financial Decentralization

The ratification of the European Charter in 1997 signified an important step towards the assurance of an efficient, real budgetary autonomy for the republic's communities, on this occasion a series of good practice rules with an important positive impact on the local public finances being adopted.

The Republic of Moldova has undertaken through this document a certain stability of the main mechanisms of local self-government, including of a financial kind, by stipulating these in the Constitution and the organic laws. Thus, during the period following the ratification of the European Charter, laws defining the system of local incomes and the transfer system were adopted; a reasonable space of allocating autonomy at a sub-national level, where each of the two levels has, theoretically, the necessary resources and the possibility to decide upon their use; a mechanism assuring the territorial cohesion was instituted, by means of transfers from the central budget, which virtually must assure a certain degree of equilibration of the available resources per capita between the administrative-territorial units of the same kind.

By the application of these principles deriving from the European Charter, the LPA in the Republic of Moldova has become stronger and gained experience in this domain by the end of the past decade. The tendency was noticeable through the increased importance which these gained in the management of public budgets: from the middle through the end of the 90' the total of the expenditures fulfilled locally was increased from 7% of the

³ *Improving Public Expenditure Efficiency for Growth and Poverty Reduction. A Public Expenditure Review for the Republic of Moldova.* February 12, 2007 - Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, World Bank.

GNP up to 9% of the GNP, reaching a share of 10,7% of the GNP by 2002. A period followed in which the LPAs' base of resources was continuously eroded by different central decisions.

Only in 2009 the level of 10% of the GNP was reached again, this being caused by the economic crisis, which, as we mentioned, affected especially the central budget. The Government's effort to protect as much as possible the local budgets from the severest effects of the crisis confirms the fact that the Executive body admits the importance of local institutions in providing the essential service for the population.

A recent important progress consists in the fact that a series of fundamental options in the local authorities' financing policy are debated explicitly, outlining the possibility that a decision meeting the social consensus will be reached. These fundamental options provide for objectives that cannot be reached simultaneously, but need a reasonable and negotiated compromise, such as:

- Enlarged fiscal autonomy of the ATUs, versus the horizontal equilibration; stable and predictable rules of allocation, versus the flexibility necessary for the adaptation to changing economic realities;
- Strict subsidization versus the allotment of local attributions by levels according to efficiency criteria.

Only the gradual evolution to a social consensus on these dimensions can guarantee the long-term stability of local finances.

During the last years it has been ascertained that the transposition into practice of the norms included in the European Charter is not a simple process at all. Many times the administrative tradition does not correspond with the spirit of the new European practices; other times the institutional changes emerged whether too soon for a practice to take roots, or contrariwise, did not get far enough. Thus, a series of shortfalls in the local financing system, which at present affect seriously the local autonomy have been perpetuated.

Limited fiscal autonomy regarding the local taxes and fees, insufficient fiscal potential, the lack of stimuli of extension for the fiscal base. ATUs in the Republic of Moldova have an insufficient fiscal base, where the local economies get confronted with the incapacity to generate incomes in the necessary quantity. These are limited and do not allow the responsabilization of the LPA's authorities in front of the local collectivity of contributors. The LPA has no in-house important income sources, and thus cannot decide and solve independently many of the emerging problems. The current local taxes and fees bring small amounts, constituting a reduced percentage from the local budgets – less than 15% from the local budget. Moreover, the LPA authorities have a limited capacity of: (i) modifying the levels or the base of local taxes and fees provided for in the Tax Code; (ii) reassessing periodically the immovable property; (iii) establishing in-house fiscal facilities for the local taxes and fees. The tendencies from the beginning of the economic crisis have not inspired optimism: the incomes from the income taxes and its own sources have diminished as for percentage in 2009 in comparison with the previous year for the benefit of the transfers for the current expenditures, which represents an undermining of

the local self-government. At the same time, the share of the expenditures meant for education have increased from 57% to 62%; and if the City of Chisinau is excluded from this calculation, then the percentage is even bigger.

Budgetary dependence of each level of the public administration towards the immediately upper one, a dependence coming from: (i) the insufficiency of its own local incomes; (ii) the vertical disequilibrium caused by the discrepancy between the distribution of responsibilities and income sources amongst administration's levels (section 1 –*Decentralization of services and competences*); and (iii) some inherited practices of including the first-level LPAs' budgets into the second-level LPAs' ones. This results in the excessive intervention of the central authorities and, more often, of the district level, in the management of the in-house local financial resources. As a result, between the LPAs' levels unofficial subordination relations are created, which are stipulated in the legislation in force, but persists in practice.

Erosion of the fiscal base by legislative granting of numerous facilities and easements. These lead to the restraint of the fiscal base, the diminishment of the in-house local incomes and the reduction of the fiscal equity by favouring some economic agents or social categories. The local authorities have no real rights and leverages to influence the taxpayers aiming at assuring the opportunity and plenitude while paying local taxes and fees.

Inefficiency of the existing transfers system between the CPA and the LPA of different levels results in discouraging the in-house fiscal effort of municipalities. According to the current practices, the LPA's budgets are completed through transfers according to the equity principle. Thus, the LPAs that increase the budgetary incomes by their own local initiatives may find themselves in the situation of being indirectly fined by the reduction of transfer amounts to the local budget. Another deficiency of the system consists in the unjustified fulfilment of the transfer in two steps – first towards the district budgets and then to the first-level LPAs' budgets. This refers to different national policy goals having a different logic and, accordingly, should be accomplished through different instruments: for example, on one hand, the equilibration of the local budgets through general use transfers, which are made based on the principle “the poor receive more”, and on the other hand, the financing of some crucial social services, such as the education, which should be done according to the equitable per capita principle. This mixture of mechanisms and goals makes the transfer system more complicated, lacking transparency and more unpredictable than it should be, without guaranteeing in a way or another its objectivity.

Volatility of the whole system of local finances (incomes, expenditures, budgetary procedures) every year. This doesn't only mean that it has modified during the past decades, but that these modifications have been rather unpredictable, which affected the low capacity of the local authorities to plan its resources. As a whole, the parameters of the financial policies locally (income sources, expenditures, procedures), though provided for by the law, may change to easy every year through the Law of the State Budget. This

makes the multiannual budgetary planning as well as the whole financial management at the level of LPAs difficult.

Low transparency of the budgetary executions at all LPAs levels and a low capacity of the relevant central institutions of analyzing in a complex manner the results of the local budgetary executions. The current budgetary analysis does not include: comparative assessments of unit costs per services; forecasts and simulations on different types of local incomes; high level indicators of local fiscal capacity etc. The increase of the capacity at Government level to forecast with a higher precision the financial and cost tendencies locally will result in the grounding of national policy decisions on more precise data and the possibility to actually pass to Budgets on programmes.

3. Patrimonial decentralization and local development

Based on the European experience, a real decision-making, managing and financial autonomy of the LPA cannot exist when a patrimonial support lacks. Because of this, by virtue of the principles in the European Charter of Local Self-Government, the local collectivities must have, in its property or administration, material goods, which they can manage according to their interests. Otherwise, the lack of a material foundation and the freedom to manage it, on the one hand, hinders the sustainable economic development of the local collectivities, and on the other hand, transforms the principle of local self-government into a simply formal principle and without any relevance in the practical actions. The patrimony, as a foundation for the local economic development and as an important income source, constitutes an important element in the process of decentralization.

During the period of transition to the market economy, several stages of the reform of patrimony and patrimonial decentralization have been implemented. The Law nr.459-XII of January 22, 1991 regarding the property and the Land Code nr.828-XII of December 25, 1991 have introduced for the first time into the national law system the institution of private property, upon the lands as well. The Law nr.627-XII of July 4, 1991 of Privatization stipulated for the first time the possibility of privatization, including the land fund. According to the Government's Decision nr.561 of September 1, 1992, under the LPAs authorities services for the state regulation of the property regime have been instituted. The adoption of a new legislative framework regarding the regime of property, the imperative stipulation in the Constitution of the Republic of Moldova of the private land property right served as grounds for the reformation of patrimonial relationships, the redistribution of the patrimony, its transmission into private property to the local ATUs as well.

With the adoption of the Law of the normative price and the method of land's purchase-sale, the land was effectively placed into the civil circuit. The old system of immovable goods' registration, including their separate registration (the land – by the local public administration authorities; constructions – by the technical inventory offices), turned out to be inefficient under the conditions of market economy. That is why the Law of Immovable Goods' Cadastre was elaborated and approved, which provided for a system

of immovable goods' registration and the rights to these that is in line with the international requirements.

Thus, during the period following the independence gaining, radical reforms have been accomplished by which the patrimony that is in the exclusive property of the state managed to be mostly privatized, redistributed to the citizens' and the ATUs' private property. These reforms have continued to the present, without having been finalized. The recent studies fulfilled in the domain of ATU's patrimonial relations with different (public or private) subject have attested the existence of multiple problems compromising the LPA's activity. Amongst these problems, the most important ones are further summarized.

Partial delimitation and the legal regime's uncertainty of the state's property and ATU's property, including that of the goods in the public and private domain, both of the state and the AUT. The uncertain situation of the AUT's and state property is determined by: (i) the lack of criteria and methods of property's delimitation; (ii) lack of methodological norms and instructions for the fulfilment of the delimitation; (iii) the indistinctness of LPAs' authorities' competences in the process of delimitation; (iv) the abusive character of the delimitations effected by the central authorities (these are confused and do not keep in mind the patrimonial interests of the local collectivities, the principles of local self-government). The problem of state property's delimitation from the AUT's property influences directly the situation regarding the delimitation of public domain goods from the in the AUT's private domain. Up to the present no final delimitation of the goods in the AUT's property has been made. The lack of a delimitation of goods by domains, as well as of an adequate record of such causes uncertainty, confusions and contradictions within the process of state's and ATU's patrimony's management. As a result of these contradictions and uncertainties, most of LPAs make serious mistakes from the legal point of view when adopting decisions regarding the alienation of certain goods. The elaboration of the legal framework with the establishment of clear criteria referring to the delimitation of ATU's public and private property will constitute the recognition of their right of property to certain goods, the current legal status of which is uncertain.

Insufficient regulation of the patrimonial relations between the ATUs, the state and the subjects of law. The efficient and autonomous use of the local patrimony is connected directly to the existence of an adequate legal framework, by which the patrimonial relationships of the ATU are settled clear enough with other subjects of law. The legal framework must assure the clear delimitation of the property, differentiate the judicial public law or private law regimes applicable to different goods' categories, as well as to guarantee to the LPAs the exercise of the property right. In case this right is breached, the LPAs must have the real capacity to attack directly into court any abusive act. In spite of all new legislative deeds, main type dysfunctionalities of the legal framework are perpetuated, which hinder the development of patrimonial relationships of local collectivities according to the local self-government and decentralization principles. The provisions regarding the receipt by the LPAs' of the right of property, its cessation, the assurance of patrimonial rights remain uncertain. The procedures regarding property's

inventory, assessment, registration and recording lack clearness and transparency. The norms referring to the ATU's right to request for the transmission into its own public property of the immovables that are situated on its territory and that are used for the interest of the relevant local collectivity. The LPAs do not participate in the adoption of the decisions regarding the management and repartition of the material benefits resulting from the evaluation of the forest and water resources. The patrimonial rights and interests of the local collectivities are limited and disregarded in the process subsoil's exploitation.

Inefficient management of the patrimony, conditioned by the uncertainty of the right of property on the infrastructure, including the municipal enterprises. Current problems which the LPAs encounter while managing the local patrimony that runs deep into the centralized system, where the LPA's authority and responsibilities were inexistent or limited. While transmitting the patrimony of the ATU, including that of the municipal enterprises, the need of granting adequate management instruments was not taken into consideration. Moreover, some aspects regarding the management of the patrimony must be further coordinated with the CPA. The main drawbacks while managing the local patrimony consist in:(i) the uncertain status of the infrastructure of the utilities built from LPA's funds or those belonging to private investors; (ii) the complicated, confusing and expensive patrimony and services' leasing mechanism; (iii) the uncertain status of the infrastructure of utilities build from funds belonging to the citizens and to private investors; (iv) the lack of mechanisms for the accomplishment of public-public, public-private, public-public-private partnerships, which results in the assets degradation, the low quality of the services and high costs for their provision.

The problems mentioned above condition the maintenance of an uncertain situation regarding the legal status of the ATU's patrimony, the perpetuation of confusions and contradictions between the owners, the limitation of local authorities' competence while managing the patrimony. Accordingly, the local collectivities have no motivation to maintain the local patrimony and lack any secure and important income sources, which can contribute to the assurance of a sustainable process of local development, as one can see in the following section.

As a result of all evolutions and mechanisms analyzed in the previous sections, the shortfalls in the LPAs' activity find their effects integrated into the weak quality of elaboration and implementation of the strategies of development and planning of the concrete actions. As a whole, the municipal and district authorities have known legal and practical steps, which must be taken for a sustainable strategy, and some of these are even in the process of elaborating some strategies. At the same time, the plans' hierarchy has a clear legal status and the inter-correlation between the documents of different levels – republican, district, local – is comprehended.

But if the decision-making system, the financial one and the level at which the local services are provided do not support the local investment programs, and the authorities have no capacity to operate efficiently, the population will not undergo any progresses in the community's development, even then when the documents pertaining to the strategies

exist. Moreover, the detail problems in this activity domain must be corrected by specific measures.

Incomplete national databases, general urbanistic plans and strategies of local development that are not brought up-to-date. According to the legislation in force, the LPA has the duty to draw up, update every 5-10 years and approve the General Urbanistic Plan (further – GUP) of the town-village, a working tool that constitutes the legal base for the accomplishment of development programs and actions during its validity term. The studies show that 90% of the republic's towns/villages have no GUP, or the document is out-of-date. GUPs should overtake the provisions of the landscape gardening documentation (National Plan of Landscape Gardening, Regional Plans of Landscape Gardening), other urbanism documentation which is also lacking. That is why the activities connected to the territory's zonation, lands' establishment and delimitation, determination of the conditions of building and delimitation of the restricted and protected areas, the organization of communication lines, the correlation with regional plans, the promotion of the economic-social development potential is fulfilled in an unorganized way and in default of a unitary development view. Moreover, there're no credible statistics and systems of data collection and analysis through the decomposition by sex, age, ethnical origin.

Insufficient resource and capacities for the implementation of external financial resources attraction and development strategies. The process of local development faces a major insufficiency of (material, human, financial) resources and capacities for the implementation of the existing development strategies. According to the recent studies, only 5% of the actions planned in the development strategies have financial coverage. The implementation of the strategic documents is thus strongly connected to the attraction of external financial resources. Under these conditions, the LPA needs adequate financial resources for the co-financing of the projects and the specialized staff. In the type-organigrams there're no such positions of investments attracting specialists, and if there're some, their capacities are minimal.

4. LPA's administrative capacity

After gaining its independence, the Republic of Moldova maintained the soviet administrative-territorial organization system, in which the national territory was divided into 38 districts (5 of them in the transnistrian area). In 1994 an autonomous territorial unit called Gagauzia, consisted of 3 districts was created. An important reform was tried in 1998, when 9 counties, by the administrative-territorial reorganization of 30 districts on the Right Bank of Nistru River were created. The creation of counties was accompanied by a reallocation of the competences and resources between the levels of administration.

A new change in the territorial organization was operated in 2003, together with the annulment of the counties and the re-emergence of districts as second-level entities, the

local autonomy being reduced at the same time. Simultaneously, the number of town/village halls has increased so that in 2008 902 first-level LPAs existed.

In many developed European countries the administrative-territorial organization is adapted periodically to the changing social and economic conditions, so that these become optimal from the point of view of the service assurance efficiency and from the democratic perspective as well. The reasons for the changes that Republic of Moldova has been undergoing have been of political nature, their consequences having a negative impact on the LPAs' autonomy and activity.

Excessive fragmentation of the administrative-territorial system in the Republic of Moldova. While analyzing the distribution of localities depending on the number of inhabitants, we ascertain that **86% of them have less than 5000 residents.** Though the law provides for a minimal number of 1500 residents necessary for the creation of independent administrative-territorial units, over 25 % of these, by exception, do not comply with the mentioned legislative norm. Though the European experience shows that there is no optimal size of an administrative-territorial unit, some studies⁴ show an adequate bar of 5000 residents, starting from which better perspectives for economic growth and economies of scale in the production of local public services are assured.

The great majority of rural LPAs do not assure communal public services. The result of the processes described above, especially that of LPAs' excessive fragmentation, especially in villages, consisted in the reduction of their capacity to provide public services. **Thus most of rural LPAs (which represent 94% of the total number) have, in the main, a representation role, and not one of assuring the proper communal services.** The functions and liabilities/competences attributed to these authorities are actually limited to the issue of documents (certificates, authorization etc.). These LPAs have neither staff nor necessary financial resources for the assurance of complex functions.

The excessive territorial fragmentation has other consequences upon the LPA authorities and their activity as well. Thus, **the fiscal base and the incomes collected on the territory of a town/village are insufficient** to maintain an administrative apparatus which could assure the public services. **The impossibility to obtain economies of scale while providing local public services,** because of the reduced number of population per ATU, lays unaccountably on second level authorities liabilities, which should be accomplished at first level and increases the price for the public services provided. The reduces territorial size, the small number of inhabitants and the inexistent fiscal base **make the accomplishment of some effective plans of local economic and social development impossible.**

The optimal size of second-level LPAs depends on the administrative-territorial organization of second-level LPAs. This means that, with a consolidated territorial structure, the second-level LPA may comprise bigger territories and a greater number of people, which facilitates the economic planning and development, encourages economies

⁴Pawel Swianiewicz, *Consolidation or Fragmentation? The Size of Local Governments in Central and Eastern Europe*, Budapest, 2002.

of scale for a series of services, and with no less importance the access to the European development funds.

The administrative-territorial fragmentation conditions fundamentally the functional decentralization, being in actual fact an obstacle in the way of reforms. The maintenance of a strongly fragmented structure, in case a fiscal base lacks, will make the attribution of significant functions to the first-level LPA authorities and the consolidation of the local autonomy impossible.

The eventual changes proposed in the administrative-territorial organization shall undergo an impact analysis from the perspective of human rights and gender equality, aiming at elaborating measures of diminishing any negative impact related to the access of women and vulnerable groups to the local public services.

Reduced capacity of strategic and management planning of different resources at the level of town/village halls. This means that, on the one hand, the LPA authorities, due to a lack of competent human resources, cannot elaborate qualitative strategic plans or cannot organize and control the process of their elaboration; and on the other hand, the staff of town halls has difficulties in the management of financial, patrimonial etc. resources., so that the whole range of responsibilities/competences is fulfilled under satisfying conditions. Moreover, the process of plans' elaboration isn't always a consulting one and doesn't take into consideration people's wishes and needs, putting the vulnerable groups and minorities aside.

Lack of functional performance caused by staff limitations and deficient practices in the management of human resources. The lack of LPA's functional performance is determined, first of all, by the deficient application of the public sector engagement practices and policies.

According to the studies elaborated in the context of decentralization priority, 14 in-house competence domains and 99 attributions going to LPA authorities have been identified. Over 40 normative documents establish attributions and norms for the LPAs. The LPAs' activity in the staff domain is regulated by the Government's Decision nr.688 of June 10, 2003, which established LPAs' staff limits depending on the number of residents in each ATU. The provisions of this document has a recommendation character, but the administrative practice and culture in the Republic of Moldova imposes the incumbency of these provisions, a fact argued by the non-allotment of additional financial means, which would allow the remuneration of new positions.

Though the need to control the general level of public expenditures in administration, especially during the economic and budgetary crisis, is understandable, the result of the chosen methods is arguable: the staff with attributions outside the specialty domain is overburdened, the in-house attributions of public authorities remain uncovered, and the capacity of town/village halls to solve the residents' problems is getting more reduced.

A practical consequence of the above-mentioned limitation consists in the fact that the LPA structures do not comply with the domains of activity and do not correspond to the multiple attributions provided for by the normative framework in force. The LPA

authorities have no capacity to fulfil the tasks and competences established by the legislation and have no capacity to undertake new responsibilities and face them from the organizational, institutional, financial and management point of view.

Besides the **functional disaccord determined by the staff limitations**, the LPA's activity is affected by the **deficient practice in the domain of human resources' management**, relating to the employment, motivation and promotion of local civil servants. This leads to a degree of reduced attractiveness of LPA jobs and as a result, to an inadequate staff quality and qualification. The mayors state the need of improving the professional training and competences of civil servants in several very important domains: public and project management, financial management, information technology, foreign languages⁵ etc.

Frequent use of non-transparent and illegal instruments of staff recruitment within the LPAs, favouring clients, nepotism and politicizing public offices at local level, though the access to the public office is conditioned by the principle of transparency and the public officer enjoys stability in the public office, legal status, and must be protected by non-legitimate pressures. Thus, according to the studies elaborated in the context of the priority of decentralization the existence of inappropriate practices of staff recruitment/promotion at the level of LPAs is attested: the recruitment without previous public advertisements, based on informal procedures (personal, political or family relationships)⁶.

5. Democracy, ethics, human rights and gender equality

At present, the Constitution and the organic laws of this domain guarantee the LPAs' autonomy, and the local elections running in the last years haven't highlighted problems connected to the organization or results' legitimacy. From this point of view, the local democracy is formally consolidated. At the same time, during these years, legal instruments for the assurance of the political decisional and administrative document's integrity at the local level have been implemented, starting with the clarification of the regime of office incompatibility for the elected persons or officers, up to property declarations submitted annually by these.

At the same time, there's still much to be done for the implementation in administration and society of modern governing principles. Several recent studies highlight the important number of problems the LPAs face, in spite of all progress accomplished during the past years, and the results of these are confirmed through the consultations with the system representing actors.

Relatively passive participation of the population in the electing and decision-making process, in the conditions when the presence to the polls isn't very high. The residents are poorly informed about the activity of the local council or the town/village hall, whether because of the lack of technical means, or because of lack of interest, and the local council is not much involved in the community's problems. The participation of

⁵Report of assessment of local public authorities' administrative capacity IDIS Viitorul, IDU, AVENSA, p. 37-38.

⁶Report of assessment of local public authorities' administrative capacity IDIS Viitorul, IDU, AVENSA, p. 38-39, tab. 18-19.

the population and the civil society (through NGOs) in the monitoring and influence of the local decision-making process is in practice limited, being influenced by the inadequate behaviour of the local elects, even if at legislative level there're mechanisms for the assurance of the transparency in decision-making, as well as the public consulting procedures, the free access principle during local councillors' meetings etc.

Non-discrimination, participation, transparency and responsibility. The local decision-making processes are often non-transparent and non-participative. There is interdependence between the low public participation, low transparency, reduced responsibility and the spread of discrimination within the society. The lack of transparency, coupled with the low public participation, crimps the public when exercising the influence upon the relevant public matters. The lack of transparency (that is the access to information) and the reduced participation do not allow the public authorities' responsabilization by the public. In comparison to other segments of the society, women and vulnerable persons have less access to information and channels of influence and responsabilization. The discrimination is amplified by the lack of influence on the decision-making local process. For the resolution of such problems the use of special affirmative measures, such as the shares, as a component part of competence and non-discrimination policies is recommended.

Implementation of the relevant legislation referring to the conflict of interests and incompatibility system. On the one hand, the lack of mechanisms of legal provisions' implementation in the mentioned domain, the irresponsibility of decisional factors favours the maintenance and extension of certain forms of corruption at LPA's level. On the other hand, the extended mechanisms of systematic checking and penalization of the divergence from the integrity rules are poorly developed.

Excessive tutelage from the central authorities, of the state's specialized institutions. The cases of direct immixture in the daily activity of local officers from the CPA institutions' representatives.

Reduced degree of representativeness of local elects. The method of electing members in the local and district councils causes a **lack of representativeness of local elects**. More often, the guilt is placed on the party-based electing system, nevertheless the insufficient training in the specific domains of the candidates' activity, including those in the mayor's office, is put under discussion. To the same impression of non-representativeness the fact that amongst the elects there is a reduced number of young people and women (in 2008 women represented only 3.1% of the district chairmen, 17.4% of mayors, 16.9% of the district councillors and 28.7% of the local councillors). The representation of vulnerable groups, ethnic and linguistic minorities, disabled persons and others is much less in comparison with their number within the local communities.

Gender equality and women rights

The Government of the Republic of Moldova made efforts aiming at improving the country's performance regarding the gender equality and women enabling. Recently, the average duration National Program of Gender Equality and Action Plan for 2010-2012 was approved. In 2006 the Gender Equality Law was approved. In spite of this fact, no tangible progresses in this domain have been noticed. The situation of women is affected by a multitude of factors, such as: a poor institutional mechanism for the assurance of gender equality, a discriminating or improperly implemented normative framework, and even the persistence of patriarchal attitudes and some stereotypes regarding the role of women and men in the society. The women take less part in the public life, have a limited access to the local public services, and are very much affected by poverty, etc. Aiming at ameliorating these problems for the achievement of gender equality and the promotion of women rights, the Government's Action Plan 2011-2014 establishes a set of proprietary measures, relevant for the Decentralization Strategy, such as the alignment of the national legislation to the Law of Equal Opportunities for Men and Women and the standards and mechanisms for the assurance of equal opportunities for men and women; the promotion of the participation of women in taking decisions of public interest, the consolidation of the institutional mechanism for the assurance of gender equality at central and local level, etc.⁷

⁷ Social Policies, section d "Gender Policies", Republic of Moldova Government's Actions Plan „European Integration: Freedom, Democracy, Welfare” 2011-2014

II. Principles, outlook, objectives and targets as fields of intervention

Principles

Decentralization is a process of continuous self-evaluation and reform of a state aiming optimal distribution of responsibilities and resources between CPA and LPA. Decisions are taken by the authority closest to the citizen (subsidiarity), so that the provided service will meet the requirements and needs of beneficiaries in terms of economic efficiency.

Decentralization gives LPA powers and responsibilities in three spheres: political, administrative-organizational and financial. These powers must be exercised in conditions of autonomy, which implies unrestricted freedom of decision making and exercise in terms of respecting the legality, national policies alignment and accountability towards the citizen.

Public and social accountability mechanisms must create a framework that can give people the opportunity to make local government accountable to the voters and the general public. At the same time, local governments should have the means and incentives to meet the needs of people, both in terms of provided services, as well as the transparency of decision-making process and act.

In addition to this socio-political accountability framework, administrative accountability mechanisms must be upgraded as well. As the current situation analysis reveals, one of the main obstacles to more effective local management is the overlap of duties between the various components of the administration or the double subordination tendency which still locally persist. This strategy proposes a review of the existing relations between the institutions with central subordination located throughout the country, on the one hand, and elected governments at local and district level, on the other hand. Procedures for reporting and control of legality in relation to higher administrative levels must ensure expanded local autonomy, along with legal and professional decisions and local actions. This requires a comprehensive reform in all 14 fields of own competence and in 99 of other duties specified in section 1. 5. The strategy will have to define these new forms of administrative accountability through amendment of around 40 normative acts governing local authorities.

⁷Social Policy Section section of " Gender Policy", Programme of Action of the Government of the Republic of Moldova: Freedom, Democracy, Welfare" 2011-2014

The Government of the Republic of Moldova firmly decided in favor of an approach based on human rights and gender equality in developing and implementing the decentralization strategy. These principles (participation, nondiscrimination, transparency and accountability) must improve the living conditions of the population through increased and equitable access to all public services, strengthen local democracy through increased public participation, through transparency and accountability of local administrative policies and act. Thus the strategy will stimulate a development which is prior to people and all strata of society will benefit from changes. Sometimes it will be necessary to introduce positive measures to protect the most vulnerable strata.

We must take into account the fact that decentralization is not an end in itself, but rather a means by which improving the political, administrative and fiscal functions, the services and benefits are provided in a more equitable manner to the entire population. Analysis based on human rights and the impact on gender equality is important means to achieve these goals. Literature, the experiences of other processes of decentralization and the actual situation of the Republic of Moldova require defining a coherent set of principles to underpin the process of decentralization. In particular, we need rules and standards of good practice, based on international experience that would define and align the transfer / assignment of powers and resources to LPA at both levels. These principles can act as foundation criteria for developing the entire system of decentralized power, together with the mechanisms of exercising and funding schemes.

The principles at the basis of this Strategy are the following:

- a) *Fundamental principles of European and international law*, particularly in addressing and consistently promoting human rights and freedoms, gender equality, the principles of nondiscrimination, transparency and accountability;
- b) The legal and regulatory framework and its implementation must ensure *accountability of the LPA towards the population* and higher administrative levels, while guaranteeing the freedom of local decision making and management;
- c) *Assignment/transfer of powers to LPA* - development and implementation of management and financing system and final determination of ownership of property must be prior and determined by the manner the powers are established at levels of public administration;

¹ These principles are, inter alia: 1) the principle established in Article 1 of the European Convention on Human Rights, by which the state guarantees the fundamental rights of all persons on its territory; 2) prohibition of discrimination; 3) guaranteeing the right of all people to have legal personality before the law, under Article 16 of International Covenant on Civil and Political Rights.

- d) *The money follows the function* - the financial system will be adapted according to the granting of powers and revenue generated by providing a service will go to the administrative level responsible for that performance;
- e) *Property follows the function* - the subject responsible for exercising the power receives the necessary fixed assets owned (assets). Achievement of efficient and effective management of local assets can only occur if the LPA is empowered with full decision making, as required by the European Charter, without interference of other authorities or institutions;
- f) *The investment follows the power* - the administrative level responsible for the exercise of power must be responsible for the entire investment process;
- g) The assignment/ transfer of powers should combine harmoniously *subsidiarity and efficiency*, the latter being defined by three main criteria: (i) the geographical area of the recipients of power to largely correspond to the administrative unit area which will exercise; (ii) The exercise of the respective powers to allow achievement of economies of scale, including through by inter-municipal associations; (iii) TAU to which the power is assigned must have sufficient fiscal and management capacity to exercise it;
- h) To enhance equity and democratic accountability towards the people, there must be **correspondence** between: (i) the territory where the provision of a service is performed by the local authority and the one where local taxes are collected; (ii) the beneficiary and the payer ("user pays"); (iii) decision-making power and accountability (the one who decides must respond to the consequences of his decision);
- i) It should be ensured a certain degree of **territorial cohesion** by reducing disparities in resources available to both levels of LPA;
- j) **The financial system should stimulate its own fiscal effort;**
- k) **Monitoring, auditing and controlling the asset management by LPA** - must be strictly regulated, punctual, predictable and efficient, aiming to ensure the legality, good governance and the general public interest in land and real estate resources and, where appropriate, the natural and subsoil ones;
- l) Assignment/ transfer of competences, sources of income and property between the CPA and LPA and between different levels of the latter must be **formal (established in law)**, clear and constant, defining all the roles and specific functions, the mechanisms through which these will be performed and ownership of assets involved;

m) **The financial system should ensure predictability, stability, continuity and autonomy** for both levels of LPA, by: (i) guaranteeing the possibility to provide a minimum level of services, taking into account the objective differences between various TAU; (ii) avoid sharing with LPA the revenue sources volatile during the time or which cause territorial imbalances in collection; (iii) the use of objective criteria within the system of transfers as possible ; and iv) reducing as possible both the possibility of modifying the system by annual budget law or other laws ad-hoc ;

These principles form a coherent frame of assignment/ transfer of powers, sources of income and assets in an effective, clear and constant manner, so that the provision of public services - preferential manner by which the exercise of power is expressed- to correspond to the needs and requirements of beneficiaries.

Special attention should be paid to the principles set forth in subparagraphs d), e) and f), both for the assignment of powers and for the later phases of the allocation of sources of income and assets: subsidiarity tends to push the assignment of a power to the lowest level of local government, while the efficiency tends to move it toward the intermediate or higher levels of LPA. From this contrary double movement follows a point of intersection (optimal balance) to which any effective distribution of powers must tend. Obviously, the implementation of this principle is difficult and specific to each type of jurisdiction, but it is also essential for creating a truly effective system where both the needs and requirements of the beneficiaries, as well as economic and financial efficiency regarding public service delivery are taken into account.

The perspective of the decentralization strategy

A democratic and autonomous local public administration that would equitably ensure, including from the perspective of the respect for rights of vulnerable groups, quality public services delivery and effective management of local powers.

The goal of the strategy

Ensuring LPA which would function democratically and independently, have the capacity and necessary resources to provide public services according to needs and requirements of the beneficiaries in terms of efficiency, effectiveness, equity, including in terms of rights of vulnerable groups, and financial discipline.

Based on this perspective, specific objectives set out below are closely linked to the achievement of two very important requirements as the following: (i) increase of LPA autonomy in providing services specific to their own powers that have already been legally decentralized, but still having problems in practice, and (ii) decentralization of

powers related to major national public services (education, social or health services, etc.) that must be rethought, defined by sectoral strategies, upon new bases, principles and criteria that could allow their efficient delivery, on the other hand.

1. The specific objective for *Decentralization of services and competences*

The reform process will end with the existence of a system of assignment/ transfer of powers between the CPA and LPA of both levels characterized by functionality, clarity (defined specific roles and functions, including mechanisms for the exercise), stability, correlation with available resources and administrative capacities of TAU, so that public services can be provided in an unbundled manner (improved access), efficient (as low as possible costs), effective (according to the needs and requirements of beneficiaries, including vulnerable groups), providing a minimum level of quality of delivery.

Priority actions

1. 1. Elaboration of own powers classification of LPA at first and second levels.

1. 2. Assessment of necessary/ available financial resources allotted for efficient and effective provision of competences transferred to the LPA - assessment of the total expenditure volume of LPA depending on the transferred competences.

1. 3. Review of the current institutional / legal system of delegation of powers to local governments according to the stated principles, to the set of criteria established by this Strategy.

1. 4. Creating institutional, legal and financial instruments that would stimulate the efficient delivery of services specific to decentralized powers (association concession, contract).

1. 5. Government's guarantee to develop the sectoral strategies for decentralization based on the principles and criteria outlined in this Strategy.

1. 6. Strengthening the institutional and professional capacity of CPA- particularly at the State Chancellery level - in terms of implementing the principles and criteria specific for effective and efficient decentralization, gender-sensitive.

1. 7. Improving institutional mechanisms at local level to ensure implementation of the principle of gender equality in local development policies.

One of the basic principles of the Strategy provides the fact that the clear separation of powers is the first step towards real decentralization, other components following it logically. This first field of action requires a more detailed discussion in order to define and explain the strategic options and fundamental concepts for understanding the process. Concepts and principles mentioned in the Appendix No.1 attached to this Strategy, covering the fields of fiscal decentralization and economic decentralization of the Strategy, which are inseparable from the first field.

As for **action 1.1.** it is necessary to achieve a complete classification of its own powers at both levels of local government in the Republic of Moldova, based on the described criteria and principles listed in Appendix 1. It will underpin the financial needs assessment for their exercise, it will order and structure the legislative provisions.

Developing own powers classification requires detailed analysis of existing legislation, the practices specific to the countries the size of the Republic of Moldova of Central and Eastern European region, as well as relevant international practices in this field - the specific requirements of the European Charter.

In principle, the classification should cover the following main types of own powers, but which will be detailed according to current practice in Moldova:

- a) public utility services
- b) services of national importance that can be provided efficiently and effectively in decentralized conditions, such as: preschool, primary and secondary education, social assistance services, possible primary health care services
- c) urban and regional planning
- d) local economic development
- e) public utilities - central heating system
- f) other public services that are provided to decentralization in the conditions specific to Moldova.

Action 1. 3. is highly complex and requires the analysis and review of a significant amount of normative acts. It would be optimal if all the own competencies of local public administration (contained in the classification) were be included in a single law, thus being removed the confusing and contradictory legal provisions in this field.

2. Objective specific for *financial Decentralization*

Improving the current system of local public finances, so as to ensure the financial autonomy of LPA, while maintaining financial discipline, maximizing efficiency and ensuring equity in resource allocation.

Priority actions:

2. 1. Strengthening own local revenue basis and decision autonomy on them:

2.1.1. Review of the existing system of taxes so that the amounts collected to follow the function, at levels (CPA, LPA at first and second levels).

2. 1. 2. Review of existing system of local revenue to reduce the CPA overregulation of administration.

2. 1. 3. Studying the possibility of introducing new sources of local income through taxes fixed within the national law.

2. 1. 4. Analyzing the possibility to give local governments at first and second levels the freedom to introduce new local taxes or additional shares to existing ones.

2. 1. 5. Review of tax incentives that affect the amount of local taxes collection, to remit or reduce them; the facilities will be provided by income beneficiary.

2. 2. Reforming the system of transfers and shared taxes, its statutory thereof on objective and expected bases, with LPA budgets separated from the first and second levels to ensure a minimum level of services provided that the system does not discourage own fiscal effort and efficient use of resources:

2.2.1. Review the current system of tax collection and allocation of shared tax.

2. 2. 2. Review the tax revenue sharing system from the income tax for the establishment in the legislation of fixed quotas for the CPA, LPA of the first and second level.

2. 2. 3. *Designing and implementing a constant balance system (volume, formula), with general purpose, separate from conditional transfers, which would encourage their own fiscal effort.*

2. 2. 4. *Separation of balance transfers for LPA of first and second levels (direct allocation on levels).*

2. 2. 5. *Designing and implementing a system of conditional transfers to the main social functions delegated and shared (education, social assistance, etc.) which would ensure a minimum and equitable level of services.*

2. 2. 6. *Designing and implementing a system of grants for investment on competitive basis, including a mechanism that would encourage local co-financing.*

2. 2. 7 *Creating financial mechanisms to stimulate inter-regional cooperation and territorial consolidation.*

2. 2. 8 *Improving the mechanism of loan commitment by the LPA.*

2. 3. *Strengthening the financial management at local government level, ensuring financial discipline, increasing transparency and public participation:*

2. 3. 1. *Increasing the local autonomy(LPA of first and second level) in the drafting and implementation of budgets by reviewing budgetary procedures.*

2. 3. 2. *Providing a permanent platform for communication and negotiation between the CPA, LPA of first and second levels in strategic planning and solving the ongoing financial problems, including gender sensitive issues.*

2. 3. 3. *Strengthening financial management in local public administration authorities, including the introduction of program budgeting and multi-year budgeting, increasing transparency and public participation.*

All eight actions listed in paragraph 2. 2. are directly related to an action 1.2 - Assessment of financial needs for efficient delivery of services to LPA - the assessment of the volume of general transfers. Based on the classification of competencies developed in Objective 1 will make an overall assessment of the needs and opportunities of

financing own competencies of LPA, including balance payments. There are several possibilities to ensure funding for these services newly decentralized. The main sources of funds are: (i) own revenues; (ii) shared taxes; (iii) intergovernmental transfers and grants. Local budgets must feed on three main sources in a balanced manner to ensure their long-term stability and elected LPA authorities should be allowed to manage these budgets without significant restrictions. Types of income that will be available to LPA depend largely on decentralized functions features: exclusive competences will be financed mainly from taxes and local rates, while shared competences will be financed through a combination of taxes and transfers. Calculation of the exact level of funding for a new decentralized service must be based on actual total cost, including direct and indirect costs of the respective service.

Transfers from the center aim : (i) to ensure a minimum standard of quality in decentralized service delivery; (ii) create incentives to rationalize expenditures and increase own income; (iii) to provide balance and territorial cohesion in terms of performance and income generation capacity. These general goals can be achieved through various methods of financial allocation: over-taxes; shared taxes (the source of collection or subsequently by a formula); special purpose revenue; general transfers; grant-in-aids, etc..

General transfer usually can be used independently of the LPA that has full autonomy in setting priorities and allocating resources to different own competences. This general transfer will include both current breakdown of the income tax (salaries) - generally shared transfer - and balancing payments ment to reduce horizontal disparities in terms of income provided by different capacities of generation and own revenue and share split collection.

Own revenues will be estimated starting from the current situation of the LPA and taking into account other measures of the current tax base expansion strategies specific to LPA: the transfer of new taxes to LPA, broadening the tax base of existing local taxes (by eliminating or reducing tax incentives), increasing flexibility in setting tax rates, improving tax collection.

Calculated costs of own competences will be estimated starting from the two criteria:

- a) actual expenditure in recent years for services specific to such competences;
- b) a minimum level of services specific to such competences that must be provided for each local authority (TAU). The difference between these values will represent the general transfer from the state budget, necessary to exercise own competences by the LPA. It will be composed of both the tax rate deduced from salary tax(income) - tax shared between CPA and LPA - as well as balancing payments. Subsequently the actual

level of rates will be determined by type of local public administration (first and second level authority) and the formula for allocating the equalization payments.

This assessment will be materialized in a normative act approved by the Government, which will be published according to existing principles. In particular, action 2.2.5 seeks to establish a funding model specific to other competences (intermediate / shared / limited and delegated), thus it is closely related to the manner of solving the sharing / delegation of functions. Based on the principles and criteria stipulated in the Strategy, it is obvious that those powers are not their own, the intermediate / shared / limited and delegated must be funded in another way, and not from general revenues (on which the LPA has full autonomy as regarding priorities and allocations for a destination or another). Public Interest (national) calls, in the case of these competences, the CPA to ensure the implementation of significant benefits to be derived from exercise, even with limited autonomy, of such competences. Therefore, the financing of these powers will be particularly through conditional transfers, which must meet the following characteristics:

a) a lump sum with specified purpose (e.g. education) shall be transferred to the LPA, but can be allocated independently by the LPA on the components that have been transferred under their competence: a specific amount of money for salary payment, one for maintenance, another for teaching materials, one for current repair / overhaul - obviously respecting the standards of this field (wages will be paid according to law; training teaching staff expenses will be sized according to standards of continuous training);

b) conditioned transfer will be allocated to LPA based solely on formula, which must be as simple as possible and have as central element the number of beneficiaries of specific decentralized competences. Only in this way funding can be correlated with the principle of customer focus in delivering public services. Establishment of the formula will be made in consultation with associations representing LPA;

c) intermediate / shared / delegated and limited competences will be funded based on the tariffs charged to beneficiaries as well, if deemed appropriate (e.g. civil status services or certain highly specialized social services), either uniformly or according to income; d) investment expenditure will be covered also by conditional transfers for this purpose, which will be allocated either by formula or based on a competitive basis (on projects).

3. Specific target for *Decentralization of patrimony*

Complete the delimitation process of state property from the TAU, the property from public and private sector (including municipal / district enterprises) and providing full, efficient, effective and responsible management mechanisms of property.

Priority actions:

3. 1. Developing legal instruments for the delimitation of state property and TAU:

3. 1. 1. Preparation and approval of legal instruments for the delimitation of state property and the TAU.

3. 1. 2. Preparation and approval of legal instruments for the delimitation of public domain assets from state private domain assets and TAU.

3. 2. Inventory and public property records public of TAU.

3. 2. 1. Identification and delimitation of state public property and TAU:

3. 2. 2. Assessment of state public property and TAU.

3. 2. 3. Establishment of cadastral documentation.

3. 2. 4. Establishment of standards of evidence for public property of TAU.

3. 3. Completing the delimitation process of the state property and TAU:

3. 3. 1. Registration of state public assets and TAU.

3. 3. 2. Filling the database of real estate registry.

3. 4. The regulation of the legal system and delimitation of state property and TAU, public and private:

3. 4. 1. Establishing the legal system of public domain assets.

3. 4. 2 Establishing the legal system of private property. 3. 4. 3 Establishing clear criteria for determining public and private property

3. 5. LPA capacity building of property management, by developing and conducting training courses on effective management of assets:

3. 5. 1 Developing and conducting training courses for LPA officials and elected representatives on effective management of public assets.

3. 6. Developing and implementing a monitoring and assessment system of efficient use of assets:

3. 6. 1. Preparation and approval of monitoring and evaluation mechanism.

3. 6. 2. Application of monitoring and evaluation mechanisms developed.

3. 7. Developing mechanisms for cooperation (public-private, public-public, public - public-private) for effective management of property

In the process of decentralization and improvement of property management, it is important to distinguish two important aspects:

- a) providing a clear and predictable mechanism for the actual transfer of ownership to local and district authorities;
- b) regulating the use and management of properties, both public law and private law as well, once transferred.

In many former socialist countries existed the tendency to treat these issues separately, as the tendency to create separate legislation for various types of public property, according to the status of the owner. They are poor practices that were corrected in the process, and Moldova has the opportunity to apply from the start the best practices of integrated treatment of the issue of ownership in public institutions.

Administrative tradition of West European countries presents some basic principles that should govern the process of decentralization of property. First, property rights at the local level should not be treated differently compared with other public institutions such as the central ones. There should be no unreasonable restrictions on the local property management, other than those imposed to institutions under district subordinate.

Secondly, the property at municipal and district levels must be judiciously distributed to public and private categories. Also, property rights must be linked, wherever possible, with local service delivery structure and capacity of local authorities to effectively manage property. The idea is that the institution responsible for delivery should have the ownership upon necessary facilities of this delivery. It should be noted that, while decentralization can be gradual, developed in parallel with strengthening the management capacity of the assets, any transfer of property, once made, is very difficult to reverse.

Actions proposed in 3.1. - 3. 7. are designed based on these principles of good practice and will lead to:

- a) Right of property decentralization of those movable or immovable assets which, in practice, are managed by local authorities. With ownership, means currently used to manage these assets will be transferred towards the TAU;
- b) providing a framework to whenever ensure, in future, local that authorities will get new competences, they will come together with the right of property upon the means used to exercise such powers and sufficient resources for effective management of assets;
- c) providing, by general legislation (concessions, public-private partnership) or sectoral (regarding various public services or types of municipal enterprises) the minimum quality standards regarding the administration of local property.

4. Objective specific for *Local Development*

Creating and implementing mechanisms to ensure sustainable local development; modernizing the organization and management of local public services, so they have the capacity to support integrated investment programs and to improve conditions for local economic development.

Priority Actions:

4. 1. Improving the legal framework on granting to LPA capacities and tools to boost local economic development process:

4.1.1. Changing legal and regulatory framework.

4.1.2. Preparation and approval of mechanisms for the application of the legal framework provisions.

4.2. Creating and developing institutional capacity to attract financial resources for implementing, monitoring and evaluating their GUPs and strategies :

4.2.1. Developing and conducting training courses on implementation, monitoring and evaluation GUPs and local development strategies, including through the prism of human rights and gender equality.

4.2.2. Identifying and implementing mechanisms for consulting in the field of design, implementation, monitoring and evaluation GUPs and development strategies.

4.3. Developing / updating GUPs and strategies for regional / local development, including human rights and gender equality based approach:

4. 3. 1. Drafting and approving a single methodology for the designing, updating, implementing, monitoring and evaluating GUPs and development strategies.

4. 3. 2. Completion and approval of the national land management planning.

4. 3. 3. Developing, updating regional land management planning.

4. 3. 4. Developing, updating local land management planning.

4. 3. 5. Creating a single national database.

Action 4. 1. regards improving and completing the regulatory framework in order to increase the role of LPA in managing and boosting local economic development process. LPA must have sufficient autonomy, including financial one, to be able to use a variety of economic and financial instruments such as: (i) tax initiatives - the ability to impose and use freely the local taxes for community development; (ii) financial initiatives - freedom to formulate financial strategies and to receive loans on clearly defined terms, associated with the freedom to use all financial resources for quality improvement of living conditions and boost economic development; (iii) initiatives based on the use of local property, of land and buildings to stimulate local economic development. Also, LPA shall have legal leverage to encourage the launching of new businesses, creating jobs and providing training and employment extension services.

In this context, the strategy suggests *improving the legal framework and empower LPA with capacity and tools to enhance local economic development process* through: (i) achieving a comprehensive analysis of legislative and regulatory framework that regulates the competences of LPA in local economic development and (ii) proposing amendments to the legislative framework, accompanied by effective enforcement mechanisms.

Local economic development is based on the ongoing process of strategic planning and implementation of development programs through the effective use of local resources. Action 4. 2. regards the creation and development activities of institutional capacities to attract financial resources for implementation, monitoring and assessment of GUPs and local development strategies. Recent studies show that over 95% of TAU have local development strategies, usually developed with the support of various donor organizations. As for GUPs, only about 10% of municipalities have updated urban planning, others have no such planning or they are outdated.

The small number of localities that have GUPs can be explained by: (i) lack of local financial and central resources to the achievement and implementation of these strategic documents, and (ii) lack of professional skills to achieve strategic planning, and especially a human rights and gender equality based approach. To solve this situation, together with the specialized institutions, training courses on developing projects and attracting resources for implementation, monitoring and assessment of GUPs and local development strategies will be developed and conducted, including through the prism of human rights and gender equality.

Also at regional level there will be identified opportunities to ensure continuous advice in attracting external financial resources for development, implementation, monitoring and assessment of GUPs and development strategies.

Action 4.3. is intended to assist LPA in developing / updating GUPs and strategies for regional / local development, including human rights and gender equality based approach. To this end it is proposed the development and approval of a modern and unified methodology for designing, updating, implementation, monitoring and assessing GUPs and development strategies. Today, Moldova's GUP is drafted according to a methodology approved in 1992 (Government Decision No. 626 of September 18, 1992 "On approval of Regulation on elaboration, endorsement and approval of the general urban planning of localities in Moldova"). This methodology is outdated, and the indicators and standards used are from the Soviet times. In preparing local development strategies a variety of methods and approaches, different rules are used, making them devoid of intercorrelation with regional and national strategies.

To enhance the performance of urban and regional planning is necessary: (i) completing the national urban planning (NUP) and regional urban planning (RUP) and (ii) creating unique cadastral database. All these documents will guide the development and updating of local land planning or local GUPs must take a good part of the provisions of the national and regional plan.

5. Objective specific for the *administrative capacity*

Increase of TAU administrative capacity, reduce of fragmentation and rationing of the administrative-territorial structure will favor local autonomy, effective delivery of public services to LPA observing the requirements and needs of beneficiaries under democratic and autonomous functioning of elected local public administration authorities.

Priority Actions:

5. 1. *Drafting a study on most efficient ways of substantial increasing of TAU administrative capacity in accordance with the criteria and principles contained in this Strategy, to provide alternative models of rationality and reducing administrative-territorial fragmentation (administrative-territorial administrative consolidation or stimulating the inter-municipal cooperation).*

5. 2. *Development of public policy proposals based on previously conducted study, which specify a limited number of alternatives to reform the increase of administrative capacity and be subject to Government decision.*

5. 3. *Wide consultation with stakeholders (LPA representatives, civil society and population, including vulnerable groups).*

5. 4. *Action Plan Implementation - the development and adoption of specific legislation.*

Action 5. 1. -5. 4. refers to the administrative fragmentation resulting in a lack of efficiency (concerning delivery) and suggests exploration of solutions based on two models of actions:

a) regulatory model - the amalgamation of territorial-administrative units or administrative consolidation;

b) cooperative model - development of instruments specific for intermunicipal cooperation. The current fragmentation of TAU in Moldova, and the need to apply the principles and criteria of this strategy requires the identification of institutional and legal financial instruments which allow efficient delivery of specific decentralized competences. This can be achieved in two ways:

a) using legal instruments, binding. The main tool is the administrative strengthening of TAU, so that the principles and criteria of efficiency to be observed, to increase beneficiaries' access to public services and, consequently, their quality;

b) using tools of cooperation and stimulus (especially financial) so that public services are provided jointly by several TAU, thus respecting the principles and criteria of efficiency, improving beneficiaries' access to public services and their quality.

Each of the two models has advantages and disadvantages and they are not completely mutually exclusive. Thus, the first model has the advantage of producing rapid economic effects, to further reduce costs (especially regarding the operation of LPA), to faster bring

to the financial and institutional strengthening of new TAU - has thus an increase of efficiency and effectiveness. But the great disadvantage is that it is very difficult to obtain a consensus on the manner of achievement, especially in political terms - is a more "brutal" tool, which may divide the various interested parties and make difficult the process of adoption and implementation. The effectiveness of this model has been proven by implementing two reforms in 1999 and 2003, which were conducted in an ordered manner and without significant opposition. At the same time, the lack of prior consultation has not convinced either LPA or the public on utility of reforms.

The second model is more user friendly, does not cause so much opposition from the interested parties, but it is less effective. The system of incentives must be very carefully drafted so as to effectively stimulate the joint provision of public services by ATU. The model has another defect: to be effective, it requires the existence of a certain culture of cooperation, quick identification and respect for compromise / agreement between the various public authorities of different political colors and levels. This is quite difficult in many countries in transition, and not only.

6. Objective specific for *institutional Capacity*

Developing an institutional and legal system of human resource management at LPA level, so as to ensure full authority of elected LPA authorities over their executive body, nondiscriminatory and transparent recruitment of officials, real motivation, stability of function, reducing political influence over these which would contribute directly to improving personal and professional skills of LPA employees.

Priority Actions:

6. 1. Improving education system to ensure the growth of professional human resources, both for civil servants, and for local officials, particularly in the fields of; participatory strategic planning; project management; modern budgetary and financial management; organizing and providing public and sector service utilities, IT, foreign languages, analysis of the impact of gender and human rights perspective, planning, implementation, monitoring and assessment based on human rights and gender equality.

6. 2. Ensuring local autonomy both in terms of institutional structure, as well as personnel policy, preventing the interference of central authorities in local or district executive structure.

6. 3. Developing the framework and human resource management practices to ensure non-discriminatory open access by transparent competition, motivation, stimulation,

stability of function and career advancement opportunities for public officials, including the gender perspective.

6. 4. Developing mechanisms within LPA to ensure human resource management based on performance, including the gender perspective

Institutional capacity development of LPA may be performed only within a coherent system and a reform process to include the entire civil service, both local and central level. Thus, it is necessary to establish a unified strategy for development and improvement of public officials across the entire administration, based on a detailed analysis of the human resource needs.

Accordingly, the requirements imposed by the decentralization process involve institutional capacity building and specialized professional CPA, directly involved and responsible for carrying out the decentralization process (as the State Chancellery, Ministry of Finance, etc..). In this context, the relevant actions for strengthening the decentralization policy of the Division of the State Chancellery, including by increasing the number of staff and by their professional training applying programs for strengthening professional and technical assistance. A professional development program and necessary technical assistance is necessary as well within specialized CPA with activity in fields liable to decentralization (such as Ministry of Finance, Ministry of Labour, Social Protection and Family, Ministry of Education, Ministry of Economy, Ministry of Health, Ministry of Internal Affairs, Ministry of Information Technology and Communications, Ministry of Transport and Road Infrastructure, etc.).

It is important to change the operational view of these ministries, which with the decentralization of some competences will no longer provide many services, they will have no more many routine operational tasks, as before, but will focus on the policy planning functions, operation monitoring and advanced sectoral analysis in real time (e.g. by comparative assessment of unit costs per service; forecasts and simulations on physical and financial indicators over time; impact analysis on new policies, etc.). This change will result in the substantiation of national policy decisions on more accurate data and the possibility to switch to the actual application of program budgeting. Also, the change will make central and local public administration more transparent towards the citizen in the use of resources and achievement of set policy objectives.

Technical assistance and training program should ensure a wide field of public administration reform as a whole, and thus it will be correlated with public policy in this field.

All these actions underline once more the need for coordinating the development of public administration institutional capacity as a whole, at both central and local level.

This action is the more necessary as it is obvious that human resource development needs are relatively similar in terms of competences and abilities that are missing, even if the local situation is more dramatic. In this context the institutional strengthening of LPA must be part of this process, essential component of public administration reform in Moldova. The measures listed above concern the key aspects of institutional strengthening of public administration as a whole and will be implemented in the CPA reform.

Action 6.1. highlights the urgent need for training and upgrade courses of human resources at LPA level - they have resulted from discussions in working groups for decentralization of the Parity Committee, as well as specialized studies developed in the context of decentralization priority.

Action 6.2. integrates into the process of strengthening LPA autonomy, reducing excessive central administrative control. Overall control of the LPA personnel costs can be achieved through indirect mechanisms of financial assistance (implementation of hard budget constraints), as effective and which allow autonomous decision of local authorities in terms of staff number, its structure or effective management of human resources.

Action 6.3. and 6.4. refer to substantial improvements in human resources management at local level in several directions: assessing the staff needs, both as a structure as well as in terms of qualifications and skills needed; management of recruitment and promotion; development of civil servants career and meeting their training and professional development needs; evaluating the performance of civil servants. On this last point it should be underlined that it is of utmost importance for the development of effective LPA, while being a complex, difficult process, whose period of performance exceeds that of the Strategy. Therefore Action 4. 4. C refers to the gradual and limited introduction to the basic elements of human resource performance management and assessment of results of public officials in a manner that is not formal, but to support the efficient activity of LPA.

7. Objective specific for *Democracy, ethics, human rights and gender equality*

Creating a legal and institutional system that will provide full operational autonomy to LPA and will provide effective instruments of LPA accountability to the population, facilitate their participation, the fight against corruption, ensuring fairness and combating discrimination.

Priority Actions:

7.1. Improving the system of LPA elections so as to significantly increase its representativeness, accountability and competence of the local elected. Possible alternatives:

Improvement of the electoral system that would allow individuals to elect the councillor represented not only by the party, ensuring the election on the nominal lists, not only on party lists.

Identifying the ways of accountability of elected representatives to strengthen the link with voters / citizens, efficiency of local councils and decreasing their operating costs.

• Identifying ways to improve the representation of minorities and vulnerable groups in selected local functions.

7. 2. Clarifying the legality of administrative control, audit system, with strict adherence to local autonomy.

7. 3. Expanding public participation in decision-making process at local level, including by the gender balance and extension / generalization of universal methods of consultation to strengthen democracy at LPA level.

Action 7. 1. considers increasing the accountability of local elected officials and participation stimulation of citizens in local public life. The first may be performed through the nominal election of local candidates, decreasing the electoral threshold for independent candidates, optimizing the number of local councilors. A proven problem in Moldova is the low representation of vulnerable groups, minorities, etc. within the authorities of LPA and their participation in decision making. There is international practice of establishing, under the local council, consultative structures consisting of representatives of those groups, a practice that can be analyzed and reproduced and adapted to local conditions.

Action 7. 2. Clear separation of central-local and district-local responsibilities requires, first, changing competences of central authority by strengthening the functions of policy making, assessment and monitoring, and on the other hand, the creation of instruments and automatic control mechanisms of legality enabling local authorities the decision-making and autonomous operation with legal compliance. The introduction of independent audits as a method of independent checking of the internal procedures of local authorities is a formula practiced in all European countries.

⁹Evaluation Report on the administrative capacity of local authorities. IDIS future, HDI AVENSA, p. 37-38.

Taking into account the fact that in Moldova there are conditions of multi-ethnicity, multi-culturally, there are vulnerable groups, pursuing the principle of human rights, principles of participation, nondiscrimination, transparency and accountability, and personnel policies must meet certain requirements. In this sense, the problem of groups mentioned regarding representation in the civil service and raising awareness of public officials to their specific needs, including special affirmative measures, and representation quota as part of broader policies of empowerment and discrimination.

III. Implementation Stages and Activities for Objectives Achievement, Expected Results, Risks, and Progress Indicators

Stages of implementation and activities for objectives achievement

According to the stages of progress of the decentralization reform (institutionalization, conceptualization, areal implementation) for the successful development of this process should be adopted, in a relatively short period of time, a vast Plan of Action in order to avoid eventual impediments in implementation. Actions are planned to be accomplished in the following way:

- a) stage I – first 12 months, during which is planned the elaboration and adoption of practical actions that will ensure efficient course of the decentralization process for objectives achievement proposed in the present Strategy;
- b) stage II- years 2012-2016, implementation of assessed actions will lead to objectives achievement outlined by the working Groups of decentralization.

At the first stage, will be taken measures to strengthen the potential and administrative capacity of coordinated management in submitted competences and also integration and coordination of development programs of TAU that are focused on problems for improving the quality of provided services.

Thus, actions will be undertaken on creating specialists in areas of development, training and advancement of specialists from administrative, research and innovation field. Will be studied in detail international experience in domain and will be initiated exchange of information. Also, besides already done studies, will be made other scientific and statistical studies, depending on the needs of the implementation processes, assessment

and monitoring of the Strategy and argument requirements in improving of the legislation.

At the second stage, efforts will be directed mainly towards achievement of proposed objectives, for connection of existing local standards to standards established by central specialized authorities, in accordance with the requirements imposed by actual situation in LPA and services that lies in their attributions. At this stage, will also be carried out the transition of competences that were established to be liable for decentralization from CPA to LPA, main actions being directed towards the implementation of strategies, aimed to increase the quality of provided services, to increase the number of services provided by first and second level LPA, once with improvement of the quality of human resources.

This stage will be divided in periods, in order to carry out planned measures according to the stages of financial funds allotment, being in connection with objectives of the in force medium-term budgetary Framework. This will allow monitoring of tasks accomplishment in accordance with allotment of financial funds and, in case of necessity, initiate adjustments. Transfer of financial funds will be made related to the transfer of competences.

Taking into account the fact that decentralization is not a simple process that can be definitively implemented within a strictly defined period, but a phenomenon that, once initiated can last for a long period of time, being directly influenced by the multitude of existing competences specific for CPA, and by their reforming trends. The strategy provides for the period following to the stage II, monitoring and evaluation of the competences, decentralization services, to submit, in case of disparity, their adjustment proposal to the standards of a set quality. In this respect, decentralization will move forward with the expansion of LPA areas of competences.

Expected results, risks and progress indicators

Through the use of coordinating mechanisms for monitoring and management processes and by allocating adequate financial resources after the implementation of this Strategy the following results will be obtained:

- a) will be created a assignation/transfer system of competences between LPA and CPA of first and second level characterized by functionality, transparency (specific defined roles and functions, including mechanisms of exercise), stability;

- b) resources will be correlated with the administrative capacity of TAU, so that public services should be provided in a free, efficient (lower costs) and effective manner, ensuring at least a minimum level of the provided quality, established by the CPA;
- c) will be set up a system of local public finance in order to ensure financial autonomy of LPA on both levels, with maintaining of the financial discipline, maximizing efficiency and ensuring equity in resource allotment.
- d) public property of TAU will be clearly bounded from state property, thus being established the legal status of each separate movable/immovable property within the territory of TAU;
- e) TAU property will be clearly separated in domains (private or public domain). The method of transfer of public property from one domain to other will be completed and established the mechanism for passing property from first level LPA to second level LPA, and from both levels LPA to state property and vice versa (including the property of municipal companies);
- f) will be provided mechanisms of complex, efficient, effective and responsible management of the patrimony;
- g) the territorial-administrative structure will consist of TAU with administrative capacity that favors local autonomy;
- h) provision of public services by LPA will be performed in conformation to the needs and requirements of the beneficiaries, in terms of democratic and autonomous functioning of elected LPA, including taking into account gender dimension;
- i) will be instituted a legal and institutional system which will ensure full functional autonomy of LPA and that will provide effective tools for the accountability of LPA towards inhabitants, to facilitate the participation of citizens in the decision-making process, to diminish and subsequently to block corruption phenomenon, to guarantee equity, to fight against discrimination;
- j) will be developed a legal and institutional system of first level LPA human resources management, ensuring full authority of LPA over the executive branch. Depoliticizing of LPA, transparent and non-discriminatory recruitment

of public officer at local level, real motivation, assurance of stability will guarantee the improvement of officer's competences by the end of stage II;

- k) will be created and implemented mechanisms to ensure local sustainable development;
- l) will be upgraded the organization and management of local public services, by supporting of integrated investment programs and improvement of conditions for local economic development.

A primary factor in the process of decentralization is reform management and the process of its implementation.

Decentralization aims to change some complex structures and processes, and mainly the way of thinking.

Therefore, for the success of decentralization reform, it is necessary that a large number of target groups to express their support and commitment in admission of the need for changes and their implementation.

The quality of a change strategy is based largely on the quality of prior analysis. However, often happens that in the public sector, the phases of diagnostic are done very quickly, and the solution is sometimes chosen before the identification and analysis of the problem. This approach often causes focusing on the solving of symptoms, but not on removal of causes and of the problem itself. Thus, to remedy the detected phenomenon, the Strategy proposes accomplishment of the studies and promotion of pilot projects before implementing decision.

IV. Assessment of Financial and Non-financial Impact

The overall impact of the measures anticipated by the Strategy will be evaluated by analysis of main economic effects upon the national and local budget, by estimation of financial resources necessary to be used from their account and other legal sources.

Moreover, the major impact of the proposed decentralization policies will be much broader surpassing the field of financial impact, because we will not only have economic costs, but also must include all benefits emerged for the society from the process of decentralization, inclusive by providing services of good quality to people and their accessibility for vulnerable groups.

The overall objective of impact assessment based on a rigorous monitoring consists of *periodic assessment of the measures that will lead to achievement of the proposed*

objectives of this Strategy and accomplishment of the expected results, by realization of activities and usage of established means/resources.

Assessments will be used as initial sources for improving of implementation performance, as examples in elaboration and planning of activities or at proceeding of scheduled actions.

Each assessment should determine exact the level of objectives achievement and of primary declared purposes. Assessment of the implementation progress of strategic planning will offer to decisional factors reliable information at each stage of intervention, indicating upon development directions of undertaken activities, which can reveal positive and negative parts. In addition, analyses of the impact will be made in terms of equality and human rights, aimed to an early identification and prevention of a potential negative impact upon social groups.

The assessment has following **major objectives**:

- a) systematization of the experience in order to improve both planning and results;
- b) measuring of the changes conditioned by implementation of planned and initiated actions during determined periods, positive or negative;
- c) to hold out the possibility to acquaintanceship with the undertaken activities in a transparent manner.

Final assessment of the actions implementation will be aimed at *determining the degree of objectives achievement and of the purposes for the efficiency of the expected results*. *Synthesis and analysis* of information regarding the implementation process for increasing of the impact degree of the obtained results will serve as a basis for future strategic approach.

Analyses and assessments will be based on the principle of encouraging of all the factors interested in providing accurate and transparent information.

Thus, assessment of the impact will be performed by each specialized central administrative authority with responsibilities in areas of competence proposed for decentralization.

Periodic and final assessment will presented for synthesis to the State Chancellery, responsible for assessment of the overall impact on the actual situation, depending on the trends of decentralization process and monitoring of relevant indicators.

By performing specific and assessment analysis regarding the degree of alignment to the macroeconomic framework and other public policies, State Chancellery will have the task to present reports to the Parity Committee and Government.

Financial Costs

Financial costs in terms of the impact assessment, related to the implementation of decisions and planned actions, will be estimated and provided in plans of action for the implementation of the present Strategy in period 2011-2015, and in the coming years.

Financing sources and amount of the funds of the planned actions are determined in correlation with policy documents of the proper field on an expected period and includes financing from the State budget, budgets of local public authorities, external assistance and other legal sources.

Determination of priority actions and their financing by including them in the strategic plan of expenditure will be carried out according to the amount of institutional financing and restrictions of the expenditure foreseen in a in force medium term Budgetary Framework, and annual measures financing will be carried out within the limits of approved allotment in the national public budget for fields in question and/or from additional sources.

For certain actions it is possible to estimate correctly the amount of financial means at the stage of proposals submission. In other cases, financial costs are approximate estimated, being developed on the stage of activities planning, when the correct assessment of the financing volume was not possible for justified reasons.

Depending on the case, when the implementation of measures that do not have financial coverage is imposed as an imperative one, it is necessary to initiate the identification of additional financing sources, inclusively to call on outside partner support.

V. Institutional Framework for Implementation, Monitoring and Assessment

Institutional Framework for implementation, monitoring and assessment includes institutions responsible for implementing of the present Strategy, procedures and mechanisms for monitoring, evaluation and periodicity of reporting.

Institutions involved in implementation, monitoring and assessment process are:

- a) The Parliament of Republic of Moldova;
- b) The Government of Republic of Moldova through the medium of Parity Committee for decentralization and State Chancellery;
- c) authorities of CPA;
- d) authorities of LPA;
- e) representatives of civil society, scientific and academic environment, partners for development.

The Parliament will examine the legislative framework in force and will approve legislative acts necessary to implement the process of decentralization and to strengthen

local autonomy; will exert parliamentary control over accomplishment of the present Strategy, observance and fulfillment of in force legislative provisions concerning the process of decentralization and strengthening of local autonomy.

The Government has established, under the Chair of the Prime Minister, Parity Committee for decentralization, consisting of the representatives of first and second level CPA and LPA, representative of the Autonomous Territorial Unit of Gagauzia, representative of civil society, designated by National Participation Council.

Parity Committee for decentralization has the mission to monitor and promote the decentralization process, according to the Law in force. To ensure a long term institutional framework for dialogue between CPA and LPA, civil society, scientific and academic environment, development partners, and grounding into a participatory and consensual manner of strategically decisions regarding the proceeding of decentralization process, Parity Committee created Working Groups on Decentralization.

The process of implementation, monitoring, and assessment of the present Strategy will be coordinated by Parity Committee, with technical support of the State Chancellery – Division for decentralization policies. The role of the Parity Committee is a strategic one, of general coordination of the implementation process according to the law in force regarding implementation, monitoring and assessment of policy documents.

The State Chancellery, through Division for decentralization policies, will monitor the implementation of the Strategy and Plan of action, according to the objectives, priorities and stages of decentralization process.

Division for decentralization policies under the State Chancellery will work in close cooperation with the authorities of CPA, which manages liable domains of decentralization, especially with the Ministry of Finance, authorities of LPA and with their representative associations, with representatives of civil society, of scientific and academic environment, private sector, partners for development etc.

The Institutional Framework used for the implementation and monitoring process of the Strategy consists of Working Groups of decentralization, which activates under Parity Committee and has advantage of its democratic and participative structure.

To achieve its mission, the Division for decentralization policies under State Chancellery will layout within a reasonable time after the approval of the present Strategy, the following documents:

- a) methodology and the data necessary to calculate the indicators of results and progress of the Strategy, working report format (for informing, monitoring and assessment);
- b) working procedures with the Ministry of Finance, ministries and authorities of CPA with responsibilities in the implementation of the Strategy;
- c) annual work programme on the process of implementation, monitoring and assessment of the present Strategy;

The tasks of the Division for decentralization policies under the State Chancellery in the implementation and monitoring process are the following:

- a) supervision, according to the established responsibilities, of actions accomplishment contained in the Plan of Action regarding the implementation of the Strategy, through the development of a prior notice system of the involved central authorities, taking into account the expected actions and the deadlines.
- b) verification and notification of regional Strategy for decentralization and of the legislation necessary for its implementation, in order to ensure their consistency with the provisions of the present Strategy;
- c) drafting of progress reports on actions implementation included in the Plan of Action. Progress reports will be drafted on the basis of the information (reports) collected systematically by the State Chancellery, through its subdivisions, and from institutions responsible for implementation. Progress reports will be presented to the Parity Committee and Government;
- d) annual drafting, by the Division for decentralization policies, of the consolidated report on development of the LPA system and evolution of the decentralization process, to be submitted to Parity Committee, Government and Parliament;
- e) annual review of Plan of Action on implementation of Strategy, for its adjustment depending on the progress of actions accomplishment, achieved results and changes of context. The process of updating of the Plan of Action will be done in correlation with the stages of Strategy implementation and of budget law provisions, with Government approval for the updated version for next year.

The Division for decentralization policies will work in close collaboration with the subdivisions of the State Chancellery which have responsibilities in the LPA domain and with territorial offices of the State Chancellery that provides administrative control of the issued/adopted acts by the LPA authorities.

In case of decentralization, Government share, to a certain extent, the task of public affair administration with local collectivity, decentralized system foresee the replacement of

hierarchical power, specific for the centralization, with the administrative control of legality and opportunity, relevant in this respect being the activity of the territorial offices of the State Chancellery.

Within the central public administration authorities and ministries, in particular, implementation, monitoring and assessment of the Strategy accomplishment will be coordinated by divisions of analysis, monitoring and assessment of policies or by other subdivisions, designated responsible through the order of the head of respective authorities.

LPA authorities, representing the main authorities of the Strategy, will be involved in actions accomplishment and of the specified measures and will be consulted at all the stages of the drafting process, modification and approval of policy documents and normative acts.

Participation of the representatives of *civil society, scientific and academic environment, private sector and partners for development* in the monitoring and assessment process of the Strategy will be ensured through the Working Groups for decentralization, of National Participation Council, of representative associations formed in condition of Law, of other existing structures. For a more transparent and participative monitoring and assessment of the present Strategy implementation, will be organized regular public debates, in a balanced manner, with the participation of diverse groups of population, including vulnerable groups.

Interim and final assessments of the implementation mode are important elements for the effective application of public policies, particularly in case of very complex document as the present Strategy. Thus, to ensure a complete objectiveness of the assessment process, its accomplishment may be entrusted, as appropriate, and to certain institutions and independent experts.

In this context, the State Chancellery, with eventual support of the partners for development, may contract independent institutions for drafting of interim assessment reports and final assessment within 6 months after the completion of the present Strategy implementation period.

Implementation of the Strategy – Pilot Projects

After the approval of the present Strategy and Plan of Action regarding its implementation, the State Chancellery, in common with CPA authorities that manage

liable decentralization domains will be able to institute vast decentralization processes, as well to initiate in certain domains, implementation of the pilot projects.

Parity Committee for decentralization will examine the initiatives of the State Chancellery on pilot-projects implementation, in fields that are subject to decentralization and after prior information and consultation of LPA authorities, will approve both levels TAU list where these projects may lay out.

Parity Committee will select from the list proposed by first and second level TAU where these pilot projects may be carried out, forwarding the final list to the State Chancellery.

The State Chancellery, in collaboration with CPA authorities that manage domains that are subject to the decentralization process, will draft a pilot project in order to be submitted to the LPA authorities.

LPA authorities will submit to the authorities of central public administration, including the Working Groups for decentralization, proposals concerning the transfer of competences and related resources from CPA authorities to LPA authorities or to the private sector.

Monitoring and Assessment of the Strategy

Monitoring of the accomplishment of the present Strategy will start with its launching, in order to identify in due time eventual incorrectness and gaps in unfolding of the planned actions.

The monitoring activity will be performed in three ways: *annual* monitoring, involves detailed reporting for a period of a year, to estimate the impact that was determined by medium-term tasks; *periodic* reporting of the results on separate stages; *final* monitoring and reporting on objectives achievement for a full period.

Annual, periodic and final monitoring reports of Strategy implementation, regarding the development of public administration system and evolution of the decentralization process will be presented for examination and approval to the Parity Committee for decentralization, the Government and to the Parliament.

Full coordination of the monitoring process and results assessment of the Strategy implementation, recommendation of rigor adjustments will be made by the parity Committee for decentralization.

The State Chancellery will fulfill the role of intersectoral coordinator of the implementation process and monitoring of the Strategy. Monitoring will be based on a set of relevant indicators that will reflect both direct achievement and its achievement/impact. The set of indicators will be proposed by the Division for decentralization policies, discussed with all interested factors and adopted by Parity Committee. The data collection will be made by the Division for decentralization policies in cooperation with Division of local public administration.

As monitoring and assessment provides information in order to achieve objectives and obtain results in domains liable to decentralization, according to the in force regulations, as data providers will appear the following institutions and organizations: National Bureau of Statistics, Ministry of Economy, Ministry of Labour, Social Protection and Family, Ministry of Technologies and Communications, Ministry of Health, Ministry of Education, Ministry of Internal Affairs, Ministry of Environment, Ministry of Regional Development and Constructions, Ministry of Agriculture and Food Industry, Ministry of Transport and road Infrastructure, Ministry of Culture, Ministry of Youth and Sports, LPA authorities etc.

During the monitoring process of the stated results will be used a set of indicators (provided in the annexes) for assessing the degree of progress in fulfillment of the basic tasks on decentralization, consolidation of capacities of LPA authorities, the assurance degree of the public provided quality services, application of the principles of human rights and gender equality, the concept of vulnerability.

The Plan of Action regarding implementation Strategy will constitute one of the most important aspects of the reforming process of LPA, being included all components, with specific objectives, envisaged actions, terms and responsible for the implementation.

The proposed plan includes realization of actions for a period of 4-5 years and is flexible, allowing operating with modifications depending on the changing circumstances and occurrence of eventual problems in the process of reform implementation.

The general monitoring and assessment system will be developed in a consistent manner, being aligned with the process of reporting on accomplishment of national development Strategy and Program of the Government. In proportion of evolution of the national monitoring and assessment system, will be also developed elements of reference for the present Strategy.

VI. Action Plan for implementation of National Decentralization Strategy

No.	Actions	Period of development	Responsible Institution	Result	Progress Indicators	Costs, sources, impact on consolidated budget
<p>Specific Objective 1. The reform process will be complete with the existence of an assignment/transfer system of the competences between LPA and CPA on both levels characterized by functionality , clarity (specific defined roles and functions, including mechanisms of exercise), stability, correlation with the available resources and with administrative capacity of TAU, so that public services can be provided in a unconfined manner (improved access), efficiency (low costs), effectiveness (according to the needs and requirements of the beneficiaries), ensuring a minimum level of quality of service.</p>						
1.1.	Elaboration of nomenclator of first and second level LPA own competences	Stage I	The State Chancellery	Nomenclator adopted by GR	Existence of GR regarding nomenclator adoption	
1.2.	Assessment of necessary/available financial resources allocated for efficient and effective provision of the transferred competences to LPA – assessment of the total volume of LPA expenditure depending on the transferred competences	Stage I	Ministry of Finance The State Chancellery	Assessment document of necessary/available financial resources allocated for provision of the transferred competences to LPA discussed and adopted by the Government.	Adopting the document by one of the specific legislation forms of Republic of Moldova	
1.3.	Review of the present system of institutional/legal allotment of competences to the local public administration according to the stated principles, of the set of criteria laid out by the strategy and of the proper competence nomenclature	Stage I – elaboration, study. Plan of Action adopting Stage II – completion implementation Plan of Action	The State Chancellery	Study, Plan of action adopted by the Government the State Chancellery	Adoption of the analysis and plan of action by Government through one of the specific forms of Republic of Moldova legislation	
1.4.	Creation of institutional, legal and financial instruments to stimulate a efficient provision of services specific to the decentralized competences (adjunction, granting, contraction)	Stage I – adoption of policy proposals Stage II – law enactment of	The State Chancellery	Public policy proposal on the model of efficient provision of public services, discussed and adopted by the	Adoption of public policy proposals by one of the specific forms for legislation of Republic of Moldova	

1.5.	Assurance by the Government to work out areal strategies for decentralization, on the basis of principles and criteria stated in the present Strategy	Stage II	Ministry of Education Ministry of Labour, Social Protection and Family Ministry of Health Ministry of Internal Affairs The State Chancellery	Government Public policy proposal on public utilities law, discussed and adopted by the Government	Adoption of areal decentralization strategy by one of the specific forms for legislation of Republic of Moldova				
1.6.	Consolidation of institutional and professional capacities at the level of central public administration – in particular of the State Chancellery – regarding the use of principles and criteria specific to a efficient and effective decentralization, and sensitive	Stage I - adoption Stage II – implementation	The State Chancellery	Plan of Action adopted by the State Chancellery the State Chancellery	Adoption of the Plan of Action by the State Chancellery The number of public officers from specialized departments of the State Chancellery who have completed specific training programs External assessments				
1.7	Reinforcement of the institutional mechanism at local level, in order to ensure the implementation of the principle of gender equality in local development policies	Stage II	MLSPF, Ministry of Finance, the State Chancellery	Plan of Action adopted by MLSPF	Adoption of public policy proposals by one of the specific forms of Republic of Moldova legislation				
Specific objective II. Improving of the current system of local public finance, thus to ensure financial autonomy to LPA, maintaining financial discipline, maximizing efficiency and ensuring equity in resources allotment.									
2.1. Consolidation of own local revenue base and their decisional autonomy									
2.1.1.	Review of the existing system of local taxes and duties so that received sums should correspond to the function, on levels (first level CPA and LPA, second level LPA)	Stage I	Ministry of Finance/ the State Chancellery, representatives of local public authority	Amendment of the Tax Code and relevant legislation so as budget cycle to be developed according to the new	Increase the proportion of own income in total local budget	Assessment, simulation, analysis of economic, social impact, etc.			

				rules				30.000 USD, technical support Neutral
2.1.2.	Review of the existent system of local revenue, to reduce the over-regulation from the center of their administration	Stage I	Ministry of Finance/ representatives of local public authority	Normative acts acc. to LPA requirements	Identification of the over-regulated income sources and proposals to amend legislative framework	Common assessment with 2.1.1. Neutral		
2.1.3.	Exploitation of the possibility to introduce new sources of local income, via taxes and duties decided by the national legislation	Stage I	Ministry of Finance/ representatives of local public authority	Report drafting and of the feasibility study (simulations)	At least 2-3 new significant income identified sources	Reports and feasibility study, simulation, analysis of social impact: 50.000 USD, technical support Growth with minimum 5% of local budgets; increase budgetary autonomy		
2.1.4.	Examining the possibility to give first level LPA and First and second level LPA the freedom to introduce new local taxes and duties, or additional shares	Stage II	Ministry of Finance/ representatives of local public authority	Report drafting and of the feasibility analysis (simulations)	At least 2-3 sources of income that increases local decision-making	Reports and common study with 2.1.1. Growth with minimum 3-4% of local budgets; increase budgetary autonomy		
2.1.5.	Review of tax facilities that has an impact over the receipts amount from local taxes and duties, in order to reduce or cancel them;	Stage II	Ministry of Finance/ Ministry of Labour, Social Protection and Family, representatives	Laying out of impacts studies and proposals to amend normative acts	Number of reduced facilities by normative acts; amount of increased receipts to	Impact studies, simulations, proposals: 30.000USD,		

	Examining the possibility of investment income beneficiary with the right to grand facilities directly.		of the local public authority			local budgets	technical support Growth with minimum 3-4% of local budgets
2.2.	Reforming of the system of transfers and shared taxes, on an objective and predictable basis, with the separation of budgets of first level LPA and second level LPA and ensure a minimum level of services; the system should not discourage own tax effort and rational use of resources						
2.2.1.	Review the current system of collection and allocation of shared taxes.	Stage II	Ministry of Finance	Reduction of horizontal imbalances at first level LPA and second level LPA at the stage of collecting taxes	Min/max rate of the indicator (Vp+ rate IS) /place is reduced on the same administrative level	Feasibility study, impact, simulations, proposals: 50.000USD, technical support Neutral	
2.2.2.	Review the sharing system of fiscal income from tax income in order to establish in legislation some fixed quota for first and second level LPA and CPA	Stage II	Ministry of Finance/ representatives of local public authority	Reduction of vertical imbalances at first level LPA and second level LPA at the stage of collecting taxes	Index of local autonomy (Vp+ rate IS) / increases total budget	Impact study common with 2.2.1, technical support Neutral	
2.2.3.	Projection and implementation of a system of stable balancing (volume, formula), with general destination, separate from conditional transfers, to encourage own fiscal effort	Stage II	Ministry of Finance/ representatives of local public authority	Increasing objectivity and predictability of the balancing transfers	Formula adopted and applied systematically, inclusive in relation with first level LPA	Simulations, reports, proposals: 80.000 USD, technical support Neutral for a short period; Growth with minimum 5% of local budgets for a long term; increase budgetary autonomy	
2.2.4.	Separation of balancing transfers for first level LPA and second level LPA	Stage II	Ministry of Finance/ representatives of local	Increasing objectivity and predictability of the	Direct allocation of balanced transfers to	Simulations, report, common	

	(direct allocation on levels)		public authority	balancing transfers	first level APL	proposals with 2.2.3, technical support
2.2.5.	Projection and implementation of a system of conditional transfers for main delegated and shared social functions (education, social assistance, etc.) to ensure a minimum and equitable level of service	Stage II	Ministry of Finance/ Ministry of Education, Ministry of Labour, Social Protection and Family, representatives of local public authority	Increasing objectivity and predictability of financing delegated/shared functions; incentive for rationalization of the systems	Direct allocation of conditional transfers through mechanism per capita	Simulations, report, proposals: 80.000 USD, technical support
2.2.6.	Projection and implementation of a system of grants for investments, on a competitive basis, inclusive of a mechanism to encourage local co-financing	Stage II	Ministry of Finance, areal ministries, representatives of local public authority	Increasing objectivity and predictability for investment grants; increase of own invested local resources	Functional mechanism of competition of projects, with independent council of judging; increased degree of co-financing of own investment sources	Simulations, report, common proposals with 2.2.3, technical support
2.2.7.	Creating of financial mechanism to encourage inter-municipal cooperation and territorial consolidation	Stage II	Ministry of Finance, the State Chancellery, representatives of local public authority	Increasing the efficiency of local service provision	Number of newly concluded cooperation agreements; (possible: number of merging municipalities taking into account the principle of local autonomy)	Simulations, report, common proposals with 2.2.3, technical support
2.2.8	Improvement of the mechanism of loans by LPA	Stage II	Ministry of Finance	Proposals for change (improvement) of legal framework, improved Mechanism	Facilitating LPA access to capital market	Study
2.3.	Consolidation of the financial management at LPA level, with the guarantee of financial discipline, increase of the transparency and public participation					
2.3.1	Enhancement of local autonomy of both levels in planning and execution of budget, by reviewing budgetary	Stage I	Ministry of Finance/ representatives of local public authority	Identification of procedures (in normative acts) that reduces	Completed assessment, proposed amendments	Analysis, report, proposals: 25.000 USD,

	procedures, within the law				unreasonably local autonomy of budgetary management	technical support
2.3.2.	Ensuring of a permanent background for communication and negotiation between CPA, first level LPA, second level LPA in strategic planning and current financial problems, including sensitive problems	Stage I +Stage II	the State Chancellery, representatives of local public authority	The continuance of Parity Committee as an instrument of dialogue Government-LPA, or creating of a permanent Group on local finance (Intergovernmental Tax Committee)	Main laws with local impact consultatively discussed in Parity Committee, all around the calendar year	Neutral Neutral
2.3.3.	Consolidation of financial management in LPA, including performance budget and multiannual budgeting, to increase transparency and public participation	Stage I + Stage II	Ministry of Finance, the State Chancellery, representatives of local public authority	Detailed and transparent reporting of budgetary execution; Increasing the capacity of advanced analysis on local budgets in Government institutions; Introduction of performance-pilot budgets	Online publishing format of budgetary execution Set of references on implemented local income and expenditure Laying out and publishing of model performance budget; training for implementation with a pilot group of LPA	Study, impact, report, proposals: 50.000 USD, technical support Neutral
Specific Objective 3. The end of the delimitation process of the state property from territorial-administrative unit, of goods from public and private domain (including of municipal/district enterprises) and ensuring the mechanism of full, effective and responsible management of patrimony						
3.1. Elaboration of legal instruments for delimitation of the state property and of TAU						
3.1.1.	Elaboration and approval of legal instruments for delimitation of the state property and of TAU	Stage I.	the State Chancellery, representatives of local public authority	Legal instruments for delimitation of elaborated and approved property	Balance in % of state property and bounded TAU	
3.1.2.	Elaboration and approval of legal instruments for delimitation of assets from public and private domain of the state and TAU	Stage I. 2011	the State Chancellery, representatives of central public authority	Legal instruments for delimitation of elaborated and approved assets in public/private domain	Balance in % of assets in public/private domain of the state and bounded TAU	
3.2. Inventory and record of TAU public property						
3.2.1.	Identification and delimitation of public property assets status and of the	Stage I and Stage II.	Agency for Land Relation and Cadastre,	No. of identified assets;	No. of acts of ascertainment and fixing	

TAU			both levels LPA, Ministry of Economy			of boarders; No. of decisions of local Councils to establish affiliation of assets in domains	
3.2.2.	Assessment of state and TAU public property	Stage I and Stage II.	Agency for Land Relation and Cadastre, both levels LPA, Ministry of Economy, Ministry of Finance	No. of valued assets; No. of assessment reports	Balance %, of valued assets	Study of assessment costs, 50,000 USD, technical support. Neutral	
3.2.3.	Elaboration of cadastral documents	Stage I and Stage II.	TAU, Agency for Land Relation and Cadastre, subordinate institutions, private structures	No. of issued cadastral documents	Balance% of the property with prepared cadastral documents	Results of assessment studies that will estimate the costs. Major	
3.2.4.	Elaboration of record standards of TAU public property	Stage I. 2011	Ministry of Economy, Ministry of Finance, Agency for Land Relation and Cadastre, both levels LPA, other specialized structures	Prepared and approved standards of evidence;	Balance % of recorded real estate	20000 USD. Neutral	
3.3.	The end of delimitation process of the state and TAU property						
3.3.1.	Registration of the state and TAU public property assets	Stage I and Stage II.	Both levels LPA, Agency for Land Relation and Cadastre, Public Property Agency, Ministries and responsible institutions	No. of registration acts of issued property	Balance % of recorded real estate		
3.3.2.	Completing of the database of real estate register	Stage I and Stage II.	Public Property Agency	Complete database	Database available for interested deciders		
3.4.	Regulation of legal regime and delimitation of the state and TAU patrimony (public/private)						
3.4.1.	Establishment of legal regime of assets in the public domain	Stage I and Stage II.	Responsible sector Ministries and institutions, LPA	No. issued of establishing acts of legal regime	Balance % of real estate in private sector with established legal regime	Estimated costs in accordance with the results of the existing	

3.4.2.	Establishment of legal regime of assets in the private domain	Stage I and Stage II.	Responsible sector Ministries and institutions, LPA	No. of issued establishing acts of legal regime	Balance % of real estate in public sector with established legal regime	patrimony
3.5.	Development of LPA management capacity of the patrimony					
3.5.1.	Elaboration and development of training courses regarding efficient management of patrimony	Stage I and Stage II.	Responsible sector Ministries and institutions, LPA	Elaborated course, inclusive of distance learning	No. of beneficiaries of the courses	
3.6.	Elaboration and implementation of the monitoring system and assessment of the efficient use of patrimony					
3.6.1.	Elaboration and approval of monitoring mechanism and assessment	Stage I and Stage II.	Responsible sector Ministries and institutions, LPA	Elaborated monitoring and assessment mechanism	The degree of applicability of elaborated monitoring and assessment mechanisms	
3.6.2.	Application of monitoring and assessment mechanism	Stage I and Stage II.	Responsible sector Ministries and institutions, LPA	No. of monitoring reports	Increase of the efficiency of local patrimony use	
3.7.	Development of cooperation mechanisms (public-private, public-public, public-public-private) for efficient management of the patrimony					
3.7.1.	Elaboration and approval of cooperation mechanism PP, PPP	Stage I. 2011	Responsible sector Ministries and institutions, LPA	Approved cooperation mechanisms No. of formed partnership projects	Volume of financing within the PPP, PPPP projects	
Specific Objective 4. The creation and implementation of mechanisms for ensuring sustainable local economic development; modernization of the organization and management of local public services, for this to dispose power to support integrated programmes of investment and to improve the conditions of local economic investment						
4.1.	Improving of the legal framework for LPA empowerment with abilities and boosting instruments over the local economic development					
4.1.1.	Changing of the legal and normative framework	Stage I.	the State Chancellery, Ministry of Economy, Ministry of Finance, Ministry of Regional Development and Constructions, Agency for Land Relation and Cadastre	No. of provisions of modified legislative and normative acts	No. of available and applicable instruments for boosting of the development process	
4.1.2.	Elaboration and approval of mechanisms for implementation of the legal framework provisions	Stage II.	the State Chancellery, Ministry of Economy, Ministry of Finance,	No. of normative acts with approved implementing	Positive dynamics of indicators of local economic development	

				Agency for Land Relation and Cadastre	mechanisms; No. of involved institutions in elaboration of mechanisms for implementation		
4.2.	Creation and development of institutional capacities for attraction of financial resources for implementation, monitoring and assessment of GUPs and strategies						
4.2.1.	Elaboration and development of training courses regarding implementation, monitoring and assessment of GUPs and local development strategies	Stage I and Stage II.	the State Chancellery, Independent Group of Experts, Academy of Public Administration, Office of the President of the Republic of Moldova	Elaborated course, inclusive of distance learning	No. of beneficiaries of the courses		
4.2.2.	Identification and implementation of mechanisms for consultancy in the drafting, implementation, monitoring and assessment field of GUPs and development strategies	Stage I and Stage II.	the State Chancellery, Independent Group of Experts, Academy of Public Administration, Office of the President of the Republic of Moldova	Mechanism for granting services of consultancy No. of the consultancy beneficiaries No. of examined documents	Amount of investments attracted for the implementation of GUPs and development strategies		
4.3.	Elaborations/updating of general urban plans and local/regional development strategies						
4.3.1.	Elaboration and approval of a single Methodology regarding projection, updating, implementation, monitoring and assessment of GUPs and development strategies	Stage I.	Ministry of Regional Development and Constructions, Independent Group of Experts	Elaborated and approved methodology	Balance% of communities that have GUP elaborated according to the new methodology	50000 external assistance Neutral	
4.3.2.	Completion and approval of the National Spatial Plan	Stage I.	Ministry of Regional Development and Constructions, Academy of Science of Moldova	National Spatial Plan completed	National Spatial Plan completed and approved		
4.3.3.	Elaboration, updating of regional spatial plans	Stage I and Stage II.	Ministry of Regional Development and Constructions, RDA, RDC	No. of Regional Spatial Plans developed/updated	5 Regional Spatial Plans developed/updated		

4.3.4.	Elaboration, updating of local spatial plans	Stage I and Stage II.	Both levels LPA	No. of Local Spatial Plans developed/updated	100% UAT cu PLAT elaborate	
4.3.5.	Create unique national database (GIS)	Stage I and Stage II.	Agency for Land Relation and Cadastre, Ministry of Technologies and Communications, CPA, LPA	GIS national developed	No. of database users	
Specific Objective 5. Increase of TAU administrative capacity, reduce of fragmentation and rationing of the administrative-territorial structure will favor local autonomy, effective delivery of public services to LPA observing the requirements and needs of beneficiaries under democratic and autonomous functioning of elected local public administration authorities.						
5.1.	Drafting a study on most efficient ways of substantial increase of TAU administrative capacity in accordance with the criteria and principles contained in this Strategy, to provide alternative models of rationality and redusing administrative-territorial fragmentation (administrative-territorial administrative consolidation or stimulating the inter-municipal cooperation).	Stage I	The State Chancellery in partnership with UNDP/IILDP and representative organizations of local public administration (CALM etc.)	The study that will present alternatives and models of territorial-administrative organization	Approves/assumed study by the State Chancellery	Study, inclusive of financial impact. 100.000 USD, international granter (PNUD)
5.2.	Development of public policy proposals based on previously conducted study, which specify a limited number of alternatives to reform the increase of administrative capacity and be subject to Government decision	Stage I	The State Chancellery in partnership with representative organizations of local public administration (CALM etc.)	Public policy proposal that will present effective alternative for territorial-administrative reform	Adopting PPP and Plan of Action by the Government	
5.3.	Wide consultation with stakeholder (representatives of local public authorities and civil society)	Stage I/II	The State Chancellery in partnership with representative organizations of local public administration (CALM etc.), political party, NGOs	Improvement of the Plan of Action	Adopting the final Plan of Action	

5.4.	Implementation of the Plan of Action – elaboration and adoption of specific legislation	Stage I/II	The State Chancellery	Drafting of legislative proposals on the basis of PPP and Plan of Action	Adopting legislative proposals in the Government and Parliament	Depending on the option chosen. Will be determined after the study
Specific Objective 6. Development of a institutional and legal system of human resources management at the level of LPA, as to ensure full authority to chosen LPA authorities on their executive, non-discriminatory and transparent recruitment of the employees, real motivation, stability in office, decrease of political influence on them, which will contribute directly to the improving of personal and professional competences of LPA employees.						
6.1.	Improvement of the training system to ensure increase of professional capacity of human resource, for both local and local public employees, especially in domains of: participatory strategic planning.; project management.; modern financial and budgetary management; organization and provision of public and areal utilities; IT, foreign languages.	Stage I and Stage II.	The State Chancellery with Academy of Public Administration, in cooperation with Associations of Local Authorities (CALM, etc.)	Strategy for improvement of the training system; New training programmes		
6.2.	Ensuring local autonomy both in regard of institutional structure and staff policy, not allowing the intervention of the central authorities in local or district executive structure	Stage I	The State Chancellery, Ministers	The Study Normative and modified instructions	Adoption of the proposals to amend the legislative and normative framework by the Government/the Parliament	Study, impact assessment 50.000 USD
6.3.	Development of the framework and practices on human resources management that will ensure free and non-discriminatory access through transparent competition, stability in office and career advancement opportunities for public employees, including the gender perspective	Stage I	The State Chancellery in partnership and representative organizations of local administration (CALM etc.)	The study will present alternatives Drafting of legislative proposals based on the study recommendations	Adoption of legislative proposals by the Government/the Parliament	Study, impact assessment 50.000 USD
6.4.	Development in LPA of mechanisms to ensure human resources management on the basis of performance, including the gender perspective	Stage I	The State Chancellery in partnership representative organizations of local administration (CALM	The study will present alternatives Drafting of a amendment proposal of the legislative framework	Adoption of the proposals to amend the legislative framework by the Government/the Parliament	

				etc.) and Academy of Public Administration			
Specific Objective 7. Creating of an institutional and legal system that will ensure full functional autonomy to LPA and that will provide efficient instruments of LPA empowerment in front of the population, to facilitate their participation, fight against corruption, guarantee of equity and combating discrimination.							
7.1.	Improvement of the election system at public local administration level, as to increase its representativeness, responsibility and competence of elected officials. Lowering the barriers of any kind of independent candidates; Cut the number of local counselors, both of first and second level local public administration; Identification of accountability ways of local officials to strengthen the relation with voters/citizens, making local councils efficient and decrease their operating costs Identification of ways to improve the representation of minorities and vulnerable groups in selected local functions	Stage I	The State Chancellery in partnership with UNDP/IILDP, political parties and representative organizations of local administration (CALM, etc.)	The study will present alternatives, taking into account international experience Drafting of legislative proposals based on the study recommendations	Adopting of legislative proposals by the Government/the Parliament		
7.2.	Clarifying the legal control regime and audit system, with strict observance of local autonomy						
7.3.	Expanding of citizen's participation, through the gender perspective and extension/generalization of the methods of consultation in order to strengthen the democracy at the level of local public administration	Stage I /II	The State Chancellery in partnership representative organizations of local administration (CALM etc.) and political parties, NGOs	Elaboration of the study Drafting of legislative proposals	Adopting of legislative proposals by the Government/the Parliament		

Glossary

In this policy document are used the following notions and abbreviations, as follows:

local collectivity – totality of inhabitants of a territorial-administrative unit.

local public administration (LPA) – totality of local public administration established, according to the law, to promote general interests of the inhabitants of an territorial-administrative unit.

first level authorities of LPA (municipalities) – public authorities, taken as a whole, which are established and operate in the territory of a village (commune), town (municipality) in order to promote the interests and solve the problems of local collectivity.

second level authorities of LPA – public authorities, taken as a whole, which are established and operate in the territory of a district, ChiȘinău municipality, autonomous territorial unit with special legal status, in order to promote the interests and solve the problems of people from a proper territorial-administrative unit.

central public administration (CPA)– central specialized body of public administration.

decisional autonomy – the right of local public authorities to take decisions in a free manner, according to the law, without any interference from other public authorities, in order to achieve its interests.

organizational autonomy – the right of local public authorities to approve, according to the law, the status, the domestic administrative structures, their mode of operation, state and their organizational chart, and to appoint public legal persons of local interest.

budgetary and financial autonomy – the right of local public authorities to dispose of own sufficient financial resources and to use them freely, according to the law, by adopting their own local budgets.

competences – ensemble of rights and duties of local public authorities in the established fields of activity.

exclusive competence – competence, for which LPA are responsible according to the law and for which LPA hold the freedom in decision-making on condition to respect rules and regulations established by law.

shared competence – competence carried out in common with another level of LPA or CPA, when the responsibilities (including financial) of the parts are clearly established by law.

delegated competence – competence, performed by LPA in name of CPA, on law or contract basis, in conformation to conditions submitted by CPA.

public partner – legal person of public law or association of such person that sets up a relation of public-private partnership.

private partner – legal person of private law or natural person and/or a association of these, that became, according to the law, a part of public-private partnership.

public-private partnership– long-term contract signed between public partner and private partner for progress of public interest activities, based on the capacity of each partner to allocate appropriate resources, risks and benefits.

public interest – any benefit whose form and value is determined by public partner's decision, obtained for good of public partner, persons that live and/or work in Republic of Moldova.

public property – totality of public domain assets and state private domain assets, of territorial-administrative units, including of autonomous territorial unit Găgăuzia.

management of public property – activity related to prosecution and alteration of state ownership and/or of territorial-administrative units

disparity/disparities –

decentralization – final transfer of authority on decision-making, financial and general management matter to autonomous elected LPA. The state may interfere only on the basis of general regulations in the domain where the competences were transferred.

deconcentration – the process of transferring responsibilities from the central office of Government to territorial services, deconcentrated on the second level of LPA, led by their representatives, who are subject of CPA.

delegation – empowerment of local public authorities to manage certain functions that officially belong to the state. Thus LPA shall be subject to the administrative control of CPA that shall also provide financial resources.

Set of criteria to differentiate the own responsibilities from other type of responsibilities

The set of criteria to differentiate the own responsibilities from other kind of responsibilities should answer three essential questions:

- a) How to differentiate the competences that can be decentralized (able to be decentralized) from those that cannot be decentralized (not able to be decentralized);
- b) Which are the functional differences between the decentralized and deconcentrated competences;
- c) Which are the functional differences and how can the decentralized competences be classified, so that their exercise would be efficient and in accordance with the needs and preferences of beneficiaries.

With regard to the first problem, it is necessary to know that only those (but not all) competences of the public administration can be decentralized that refer to the public service provision, and not the competences referring to income redistribution (various forms of social assistance materialized in monetary payments) or those referring to the economic and financial stability of the state.

The category of competences able to be decentralized includes a series of heterogeneous responsibilities with various characteristics. In order to be able to approximately separate those that can be decentralized from the others, we can use the following set of criteria:

- 1) Are there local needs and/or preferences concerning the amount, quality and access to a certain public service, specific to a certain community? (YES – the service can be decentralized/NO – the service cannot be decentralized);
- 2) Is the existence of the national and uniform quality standards essential for the public service provision? (NO – the service can be decentralized/YES – the service cannot be decentralized);
- 3) Is the public service simple/homogenous, without significant differences in its provision in various zones/communities? (NO – the service can be decentralized/YES – the service cannot be decentralized);
- 4) Does the public service provision produce positive effects on national or local level? (Positive local effects – the service can be decentralized/Positive national effects – the service cannot be decentralized);
- 5) Which is the geographical area of beneficiaries of the public services (or in relation to its provision unit, for instance a kindergarten or a primary/secondary

school or high-school)? (Local/regional – the public service can be decentralized/Exclusively national – the service cannot be decentralized).

- 6) Can the forms of political accountability and citizen participation at local level improve the provision of the respective public services? (YES – the service can be decentralized/NO – the service cannot be decentralized);
- 7) May there exist the capacity to efficiently manage the respective public services at the local level? (YES – the service can be decentralized/NO – the service cannot be decentralized / or gradual transfer).

With regard to the second problem, the basic aspect lies in the differentiation between the decentralized, delegated and deconcentrated competences.

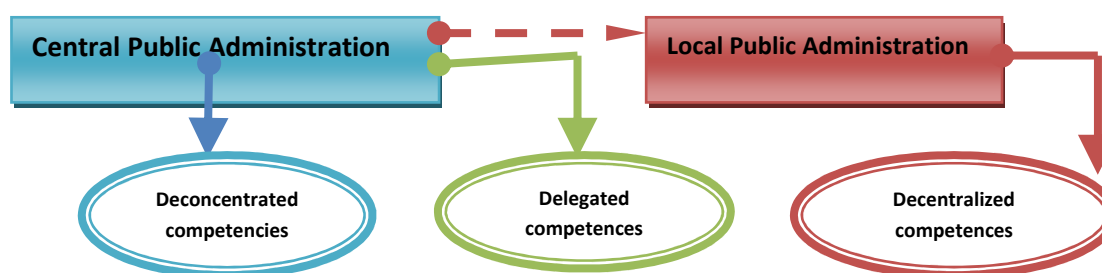
Decentralized competences are responsibilities transferred to the local public administration, to authorities that are elected and autonomous and possess democratic legitimacy in order to provide public services in accordance with the specific/local needs and preferences of the beneficiaries in a framework regulated by the central public administration. In this case, the local public authorities enjoy autonomy in managing and delivering these competences – the central public authorities cannot longer use the direct management and decision-making tools, but they can only use the *indirect tools*: development of specific public policies, mandatory quality standards, provision of incentives and penalties (in particular financial), monitoring, control, law enforcement and assessment.

Deconcentrated competences are services provided by the administrative structures of the central public authorities (ministries) located in the territory. From the functional and hierarchical point of view, they are under the authority and direct control of the central public administration – basically they are territorial branches of the central public administration. The deconcentrated institutions of the central public administration can either provide public services to beneficiaries, or exercise a monitoring, control and law enforcement role for certain decentralized services or other activities (for example, environment protection). In this case, the central public administration uses the *direct tools* for management and control.

Delegated competences are similar to the deconcentrated ones, having 2 significant distinctions:

- They cannot refer to the monitoring, control or law enforcement activities, thus they provide only services to beneficiaries;
- Due to objective reasons, they cannot be provided by the territorial structures of the central public administration and the local public administration acts then as *agent* (without autonomy).

Main differences between the three types of competences



One element is highly important in the decision to provide a competence (and the related public services) in one way or another: the beneficiary, with his needs and preferences, has to be in the centre of the system – client-orientation. From the perspective of the beneficiary, the administrative level that provides the public services is less important, the most important thing being that the services to be accessible, of good quality and to cost less. The new technologies dramatically changed the way of public service provision, so that the new combinations and arrangements between the deconcentration, delegation and decentralization may be imagined. Nevertheless, all these shall be subordinated exclusively to the needs and preferences of the beneficiary.

The third problem is extremely important: how can we classify the decentralized/delegated competences (the ones provided by the local public administration) so that to highlight the functional differences between them – the various roles and functions performed by the central and local public administration. Basically, we can start with a number of criteria that fully cover the modalities of exercising the competences and that also provide a description of various specific functions within it:

- Who develops the competence-specific public policies
- How are the public policies implemented
- Who is directly responsible for exercising a competence
- Who is responsible for the management of competence-specific service provision
- Who produces the competence-specific services
- Who funds the competence and how: operational expenditures/capital expenditures
- Who owns the patrimony necessary to exercise a competence
- Who guarantees the monitoring/control/law enforcement and how

Given the above mentioned criteria, from the local public administration perspective, we have the following types of competences:

- A) The local public administration enjoys a high level of autonomy – own competences – which means:

- 1) It plays a main role in the development/substantiation of public policies (strategic decisions) specific to the respective competence;
 - 2) It is responsible for exercising the competence;
 - 3) It is responsible for managing the competence provision;
 - 4) It may produce competence-specific services or may delegate (outsource) this function to an external provider (public, private entity or NGO);
 - 5) The funding of the competence is made from the general incomes (unconditioned, for which the LPA has full decisional autonomy concerning the way of using them), so that the local authority (mayor and local council or president and rayon council) may establish its own financial allocations in accordance with its priorities;
 - 6) It plays a main role in the monitoring and control of the service provision specific to the respective competence.
- B) The local public administration enjoys a limited level of autonomy – intermediary/shared/limited competences – which supposes the following:
- 1) It plays a secondary role in the development/substantiation of public policies (strategic decisions) specific for the respective competence;
 - 2) It is responsible for exercising a clearly defined part (component) within the competence;
 - 3) It is responsible only for managing the provision of some parts (components) of the competence that were transferred to it;
 - 4) It may produce services specific to the parts of the competence the were transferred to it or may delegate (outsource) them to an external provider (public, private entity or NGO);
 - 5) The funding of the competence is usually made from the conditioned incomes (for which the LPA has limited decisional autonomy concerning the way of using them), so that the local authority (mayor and local council or president and rayon council) may establish its own financial allocations in accordance with its priorities only within the respective competence between the various parts (components) for which it is responsible;
 - 6) It plays a secondary role in the monitoring and control of the service provision specific to the respective competence.
- C) The local public administration does not enjoy any kind of autonomy – delegated competences – which supposes:
- 1) It does not play any role in the development/substantiation of public policies (strategic decisions) specific to the respective competence;
 - 2) It is not responsible for exercising the competence;

- 3) It is strictly responsible for managing the competence-specific service provision;
- 4) It cannot delegate the production of competence-specific services;
- 5) The funding of the competence is made from the conditioned incomes (for which the LPA has limited decisional autonomy concerning the way of using them), so that the local authority (mayor and local council or president and rayon council) cannot establish its own financial allocations in accordance with its priorities;
- 6) It plays no role in the monitoring and control of the service provision specific to the respective competence.

A few clarifications should be made: the competences that usually belong to the local public administration authority, generally refer to the services related to property/dwelling (including the quality of dwelling) of beneficiaries, such as utility services (water and sanitation, public transportation, waste collection, heat and hot water supply, parks and green areas, street maintenance, public lighting and others) or related to these (urban and territorial development and planning, local economic development).

The competences in the B category are the most difficult to characterize and analyze - they have certain very important particularities regarding the way in which they can be decentralized:

- They can be easily divided in distinct components/parts depending on how they are exercised, so that they can be allocated to different administrative levels, managed autonomously and funded separately;
- They are competences of national significance - they produce positive effects for all inhabitants of a country/entire society;
- There are specific local preferences and needs in providing services specific to these competences and these are clearly stated by the beneficiaries;
- The components of the competences are decentralized on levels of central and local administration as mandatory functions.

Also, these criteria provide a general classification that shall be thoroughly analyzed in case of decentralization of each separate competence; thus it offers a fundamental classification that needs to be detailed and particularized at each use depending on the current situation in the Republic of Moldova and on the context within which the decentralization can be carried out. It is recommended to the State Chancellery to materialize this set of criteria in a document or as a part of a legislative act (for example, a decentralization framework law) that would include also other principles and criteria covered by this strategy and that would represent a guide on how this process should run from a technical point of view.

Supporting the idea of creating a nomenclature of own competences of local public authorities of first and second levels based on the criteria described and principles

listed in chapter 2, it is necessary to develop a complete nomenclature of own competences in the Republic of Moldova. This will form the basis of assessing the financial needs for their exercise and will order and structure the current legislation.

In order to develop a nomenclature of own competences, it will be necessary to make a detailed analysis of the current legislation, of the practices specific to some countries of the same size as Republic of Moldova in the Central and Eastern European region, as well as of the relevant international practices in the field - specific provisions of the European Charter of Local Self-Government.

Basically, the nomenclature should include the following major types of own competences, which would be detailed according to the current practice of the Republic of Moldova:

- a) Public utility services;
- b) Urban and territorial planning;
- c) Local economic development;
- d) Public facilities – central heating;
- e) Other public services those are liable to decentralization under the specific conditions of the Republic of Moldova.

In order to ensure the execution of the mentioned nomenclature, there is needed to revise the current institutional/legal system of allocation of competences to the local public administration according to the listed principles, the set of criteria and the nomenclature of own competences. This action is particularly complex and supposes the analysis and revision of a significant amount of regulatory acts. Firstly, there is proposed to establish in a single law the own competences of the local public administration (included in the nomenclature) and to remove all the confusing and contradictory provisions in this area from the current legislation. Secondly, there will be necessary to analyze those competences of intermediary/shared/limited type or delegated type – according to the listed criteria – that are already decentralized to the local public administration, if the current situation and the transfer correspond to the principles and criteria of the National Decentralization Strategy. In consequence, the legislation will have to be amended. It is preferable to have a single law that would include all own, intermediary/shared/limited and delegated competences transferred to the local administration, even if it will be amended over time. It is necessary to avoid the transfer of competences through laws with other object of regulation, as an auxiliary provision.

CONCEPT

on Human Rights Based Approach within the Decentralization Policies

Decentralization in the Republic of Moldova shall be carried out on the basis of the best international practices, as well as based on UN/UNDP documents to contribute to improving public participation, particularly that of vulnerable groups, eradication of discrimination in practice, improving involvement of women in political, social and economic life – all those elements coming together under the methodology called Human Rights Based Approach (HRBA).⁸ HRBA is a method of mainstreaming the content of the international human rights treaties in development work, with a view to securing positive human rights outcomes in practice. The concept has been developed by practitioners on the basis of global development experience.⁹

At the heart of the Decentralization Strategy are four human rights-based principles: Participation, Non-discrimination, Transparency and Accountability. As outcomes, decentralization in the Republic of Moldova seeks human rights empowerment for people and communities, social inclusion for vulnerable or marginalized groups, and aims to ensure that, in development processes, equality of opportunities and dignity for all are core results.

Human Rights Empowerment

Decentralization in the Republic of Moldova seeks to assist in ensuring that people have the power, capacity, capability and access needed to change their own lives, improve their own communities and influence their own destinies. In all processes, as the decentralization reform takes shape, efforts will focus on the inclusion of vulnerable and marginalized persons or groups, with a view to their empowerment vis-à-vis local, regional and national authorities, and inclusion in policymaking and implementation.

Participation

Participation is both a means and a goal in itself and is key when implementing human rights in a country, ensuring that people are able to have an impact on their own situation and that a democratic values are guaranteed. The decentralization reform in the Republic of Moldova is carried out using various means of securing public

⁸ Gender mainstreaming and women's empowerment are the subject of a separate Annex.

⁹ "The Human Rights Based Approach to Development Cooperation Towards a Common Understanding Among UN Agencies": http://www.undg.org/archive_docs/6959-the_Human_Rights_Based_Approach_to_Development_Cooperation_Towards_a_Common_Understanding_among_UN.pdf

participation, including surveys, consultation with civil society or focus groups, and engagement with and regular communication with the public-at-large.

Non-discrimination

Non-discrimination is among the core principles of the human rights system. It is the only right found in all of the major human rights treaties. Non-discrimination requires both formal equality – that no person is treated differently than any other person on arbitrary grounds – as well as actions to ensure that there is no indirect or unintentional discrimination. The decentralization reform embodies these legal requirements by ensuring that it is done on an equitable basis, as well as by creating a series of opportunities to examine various policy frameworks to ensure that they deliver equitably to and for all persons and groups in Moldova.

Support for the Vulnerable and Marginalized

As a related matter, under the guiding principle of equality and non-discrimination, the decentralization reform takes, where relevant, temporary special measures to ensure the inclusion of vulnerable and marginalized persons and groups. The decentralization reform is an opportunity for the Republic of Moldova to address inequalities and to tackle long-term issues of social exclusion of vulnerable groups.

Transparency

Transparency is a legal requirement under Moldovan law, and is key for democratic governance. The decentralization reform aims to strengthen processes for informing about political decisions, making budgets allocations and actual expenditure public, informing the public as to how and where to get assistance (particularly in the areas of social inclusion), where to access information, or how to lodge formal complaints, where relevant.

Accountability

The decentralization reform acts to strengthen accountability, both at the level of elected public authorities, at the level public servants, and at individual level. The reform strengthens to decision-making capacities of local government, heightening democratic and individual accountability. The reform also aims to advance legal accountability by heightening the ability of the public to challenge decisions, seek remedy, and claim fundamental rights at all levels.

Monitoring and Evaluation

The Government will monitor developments under the principles set out above, and will regularly make public information as to developments within the decentralization reform, as they impact the lives of the people in the Republic of Moldova

Expected results from applying a HRBA in decentralization and local governance

The purpose of applying a HRBA is to achieve a more efficient, democratized governmental structure in line with European values and European Union integration as stated in the National Development Strategy 2008-2011,¹⁰ as well as to secure human rights outcomes in the public interest. There are a number of concrete results to expect as a result when applying HRBA in decentralization and local governance:

- Strengthened Rule of law in the Republic of Moldova at the central and local levels;
- Increased efficiency and improved targeting of service delivery to all citizens, and particularly to the most needed in society;
- A decreased level of corruption;
- The state, the local governments and authorities in its all and every activity will become strengthened in their capacities in being more transparent and accountable, as well as becoming better able to ensure non-discrimination and public participation;
- Development processes will contribute to equality; local authorities will have and will implement active and efficient policies on reduction of social exclusion;
- Empowerment of the poor and marginalized in the society, via stronger voice of and increased access to public services by these categories of population;
- Increased public activeness of vulnerable groups;
- Strengthened knowledge of the democratic system and its mechanisms by the population at large, especially by vulnerable groups;
- Media and civil society will become stronger in demanding information and passing it through to the citizens, as well as becoming stronger in monitoring and following the implementation of political decisions;
- The public will better be able to secure information in the public interest and to hold decision-makers accountable when needed.

¹⁰ National Development Strategy for 2008-2011, National law implemented December 2001.

CONCEPT

on promotion of Gender Equality within the Decentralization Policies

The Millennium Declaration, and the corresponding Millennium Development goals (MDG's), put forth by the international community, commits member countries to "promote gender equality and the empowerment of women, as effective ways to combat poverty, hunger and disease, and to stimulate development that is truly sustainable" (*United Nations, 2000*).

The legal and regulatory framework, which forms the basis of policies and actions in the field of gender equality of the Republic of Moldova, is based on the international frameworks, such as: the Universal Declaration of Human Rights (1948), the Convention on the Political Rights of Women (1952), the International Covenant on Economic, Social and Cultural Rights (1966), the Convention on the Elimination of All Forms of Discrimination against Women (1979), the Beijing Platform and Action Plan (1995), the Millennium Declaration (2000), etc.

Orientation of the Republic of Moldova towards integration into the European Union conditions adherence to the corresponding instruments in the field: the EU Roadmap for Equality between Women and Men (2006-2010), the Convention for the Protection of Human Rights and Fundamental Freedoms, the revised European Social Charter (1996), the Declaration on Equality between Women and Men as a Fundamental Criterion of Democracy adopted at the IV European Ministerial Conference on Equality between Women and Men (Istanbul, 13-14 November 1997), the Declaration and Action Plan adopted at the III Summit of the Heads of State and Government of the Council of Europe (Warsaw, 16-17 May 2005). At the same time, there are often direct and indirect violations of women's human rights inhibited in laws, policy making and budget decisions etc. The decentralization reform of the Republic of Moldova can be an effective means to close these gaps as through enhancing democratic citizenship and making service delivery more responsive and efficient taking into account the specific needs of men and women as well as those who are most disadvantaged.

There are often direct and indirect violations of women's rights, which could be found in laws, public policies and budgetary decisions, etc. Decentralization in the Republic of Moldova may become an efficient tool to redress those issues through consolidation of democracy and improvement of access and quality of public services provided by local authorities, which shall become more efficient and adapted to specific needs of beneficiaries (women and men), as well as of those from vulnerable and disadvantaged groups.

Given the recognition of equality between women and men as a pre-requisite of democracy and development, as well as promotion of decentralization as a development objective, the Government of Moldova put a special emphasis on promotion of the gender equality in decentralization reform by acknowledging that

democracy, good governance, equality between men and women and respect to human rights are primary outcomes of the decentralization agenda.

In these efforts the two complementary approaches, namely gender mainstreaming and promotion of women's empowerment are considered for increasing effectiveness of the decentralization reform. These two approaches are briefly referenced below.

Gender Mainstreaming

Gender mainstreaming is globally accepted strategy “for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetuated”¹¹.

In the context of Decentralization Reform, mainstreaming involves ensuring that gender perspectives and attention to the goal of equality between women and men are central to all decentralization activities - strategy development, capacity development of the Government, LPAs and communities, research, dialogue, legislation, resource allocation, as well as planning, implementation and monitoring.

An important tool for gender mainstreaming in the process of Decentralization, which can ensure gender responsive policy planning and resource allocation as well as service access and delivery is **gender analysis**. Different communities and groups of men and women in Moldova have diverse needs (based on their different roles and responsibilities in society) and unequal access to opportunities and resources, including capacities and means by which they can they support various local services financially. The gender analysis helps to examine the differences in women's and men's lives, including those which lead to social and economic inequity for women, to apply this understanding to national, sectoral and local policy development and service delivery and to achieve positive change for women subject to various forms of discrimination.

Thus, applying gender analysis at the very early stage and throughout the whole process of decentralization reform removes the possibility of policy planning and resource management being based on incorrect assumptions and stereotypes.

Another crucial instrument for engendering decentralization process is **gender-responsive budgeting** (GRB), which is government planning, programming and budgeting that contributes to the advancement of gender equality and the fulfillment of women's rights. It entails identifying and reflecting needed interventions to address gender gaps in sectoral and local government policies, plans and budgets¹². In the context of Decentralization in Republic of Moldova, applying GRB refers to the analysis of the impact of actual government expenditure and revenue on women and girls as compared to men and boys. It neither requires separate budgets for women, nor does it aim to solely increase spending on women-specific programmes. Instead, it helps the government decide how policies need to be adjusted, and where resources

¹¹ Agreed Conclusions of the UN Economic and Social Council for 1997

¹² UNIFEM Gender Responsive Budgeting web-site: <http://www.gender-budgets.org/> 2010

need to be reallocated to gender inequalities. The gender disaggregated statistics is key for the GRB and needs improved data collection and analysis at the local level.

Women's empowerment

Women's empowerment “concerns women gaining power and control over their own lives. It involves awareness-raising, building self-confidence, expansion of choices, increased access to and control over resources and actions to transform the structures and institutions which reinforce and perpetuate gender discrimination and inequality”¹³.

Applying this approach in the context of decentralization implies targeted actions aimed at increased representation of women in the local public governments, including thought but not limited to affirmative actions like quotas¹⁴, and their increased impact on local decision making, enabling women’s local residents to engage in participatory planning and budgeting, encouragement of elected officials to respond to the concerns of disadvantaged groups of women.

Expected results from applying gender mainstreaming and women’s empowerment in decentralization and local public governance

The purpose of applying gender mainstreaming and women’s empowerment in the decentralization reform is to ensure democratic development equally responsive to the needs of men and women in line with the UN commitments and European values. The expected results of this are:

- Institutionalized transparent and accountable participation of women’s groups, representatives of those groups, NGOs and women subject to discrimination in policy planning, budgeting and monitoring of sectoral and local strategies;
- Increased responsiveness of the local strategies and budgets to the needs of women in general and of the disadvantaged women experiencing multiple forms of discrimination in particular;
- Increased effectiveness of the local policies and local governance based on improved statistics about local residents disaggregated by sex, age, disability, ethnic and other identities;
- Empowerment of the women in general and women subject to discrimination at the local level, in particular enabled women’s voice and increased access to public services by these women at the local level;
- Increased commitment and capacities of the central government and LPAs to conduct gender responsive policy planning and budgeting process to eliminate indirect sex-based discrimination as well as other forms of discrimination;

¹³ Office of the Special Adviser on Gender Issues and the Advancement of Women, United Nations (CH rev. August 2001).

¹⁴ Article 4, paragraph 1, of the Convention on the Elimination of All Forms of Discrimination against Women, on temporary special measures ratified by the Republic of Moldova 1 July 1994.

- Alignment and cross-fertilization of the National Decentralization Strategy and the sectoral strategies with the National Programme on Gender Equality for 2010 – 2015 and national legislation on gender equality;
- Increased capacities of the women's groups and representatives of those groups to participate in realization of the decentralization reform and hold decision-makers accountable.

Concept on Vulnerable Groups in Moldova

Various approaches use different approaches to characterize and name vulnerable groups, excluded groups, and discriminated groups. Vulnerability is not commonly accepted concept. The concept interlinks with the notion of social exclusion, poverty, discrimination, and marginalization. The social exclusion is the result of interplay of some determining factors. The social exclusion represents the effect of series of the interrelated problems that are, in sequence, determined by some root causes, or interplay of factors. The interplay of the determining factors are associated and manifested along some specific lines and characteristics that make up the vulnerability characteristics. We argue that the approach should be made on the basis of the pragmatic approach when recognizing the situations of the real groups facing exclusion, discrimination, and marginalization.

Who are vulnerable groups?

In Moldova, the vulnerability of groups has been identified along the lines of: 1) Income, 2) age, 3) disability, 4) language/ethnicity, 5) Religion, 6) rural regions 7) gender, 8) occupation. Empirical data and research show the availability of hard and soft data and multiple sources of information, including non-governmental sources of information.

Classification of the vulnerable groups by evidence generated on the basis of the fault lines, include: 1. Poverty: a) elderly, b) large households, c) children; 2. Age (subject of exclusion from participation, stigma, unemployment): a) elderly, b) young people; 3. Disability (subject of exclusion, stigma, inadequate participation): a) persons with mental disability, b) Children with disability, c) Elderly with disability; 4. Language/ethnicity (inadequate access to education, stigma,): a) Roma, b) Bulgarians, c) Ukrainians, d) Gagauz, e) Moldovans in Transnistria. 5. Religion (registration difficulties, religious services, stigma): a) Muslims, b) Non-orthodox Christian, c) Jews. 6. Rural regions (inadequate access to infrastructure, high unemployment): a) children of educational age, b) active part of population. 7. Gender (stigma, employment, level of pay): a) women, b) LGBTI, c) trafficking, domestic violence. 8. Occupation (inadequate access to markets): a) agricultural entrepreneurs.

Conclusions and recommendations of the specialized UN, CoE and ODIHR/OSCE bodies on causes.

- *Weak mechanisms of the institutional support.* Inadequate, poor functioning, low quality and incapacity to respond and thus unable to create opportunities for those who are at risk to fall into social exclusion.
- *Discriminatory legal framework or its inappropriate implementation.* Imperfect legislation can boost the exclusion of social groups. Sometimes, legislation can be appropriate, it can provide measures of protection for disadvantaged groups, but the reduced capacities for its enforcement make it useless. *Discriminatory practices resulting from the act of favoring certain people.* Preconceptions and discrimination resulted from social and political privileges can also lead to social exclusion. For example, giving preference to certain groups and the discrimination based on ethnicity and gender can produce social exclusion of certain categories of people from the labor market, etc. In extreme cases, direct hostility and violence against certain groups can generate social exclusion.
- *Political and institutional barriers.* The public institutions can contribute to social exclusion through the lack of understanding of the dynamics of vulnerability, poverty and exclusion or through a formal monitoring. The decision-making process can be inefficient for the protection of the excluded groups mostly due to the lack of involvement and shortage of resources.
- *Discriminatory social values and cultural practices.* Social exclusion can persist also at cultural and traditional levels. In this respect, cultural exclusion as the differentiated access of social groups to the benefits of material and social welfare, when causes are not structural.

Generic recommendations for vulnerable groups in the context of the decentralization

- 1) Increased accountability/transparency: governmental policies elaboration process and regional/local authorities decisions concerning local communities shall encompass the component of the Human Rights / Vulnerable Groups impact analysis;
- 2) Increased accountability/transparency: decisions of local authorities subject to publication and availability for review by the interested parties and vulnerable groups, including use and exploitation of assets and resources, designing and redesigning of territorial borders;
- 3) Implemented decentralization of certain percent of the educational (and linguistic) curricula contents (up to 30%), towards rayon and local public authorities within the framework of single and integrated funding of pre-University school system;
- 4) Central government grants and subsidies accessible to local authorities for creation of the local community centers to serve the needs of the vulnerable groups;
- 5) Local authorities empowered with establishment of centers for family doctors and medical points with matching funds from National Health Insurance Company (NHIC);

6) Improved data disaggregated by multiple vulnerability parameters/dimensions: territory, ethnicity, age, sex, disabilities and others applied for decentralization policy formulation, implementation, monitoring and evaluation. Data on various vulnerable groups collected through official statistics, different types of administrative sources including Household Registry (National Bureau of Statistics), socio-economic indicators on living conditions of communities and SADI (Ministry of Economy), social assistance and disability databases (Ministry of Labor, Social Protection and Family) as well as through qualitative research and selected in-community quantitative research, particularly through the use of Household Budget Survey, Labor Force Market Review etc. Capacity of the National Bureau of Statistics, line ministries and LPAs developed accordingly.