



Empowered lives.
Resilient nations.

Fiscal decentralization and territorial-administrative reorganization in Moldova

Brief Note

After two years of public debates and consultations, the National Decentralization Strategy was adopted by the Parliament of the Republic of Moldova on April 5, 2012. The Strategy contains an elaborated Action Plan, where most important measures are to be taken and implemented in the period 2012-2015 in the following areas: 1) allocation of responsibilities; 2) fiscal decentralization; 3) decentralization of property; 4) local economic development, urban and regional planning; 5) administrative capacity (territorial-administrative organization); 6) institutional capacity; 7) democracy, participation and ethics. **Clarification of competences, fiscal decentralization and territorial-administrative consolidation are the determining factors in the reform process.** While activities on the clarification of competences and fiscal decentralization have started, the territorial-administrative reorganization issue remains open.

Fiscal Decentralization

Current circumstances: Local authorities have limited fiscal autonomy and limited fiscal potential. Budgets of lower levels depend on higher levels of government (matryoshka). The transfer system is inefficient, unpredictable, not transparent and provides little incentive for fiscal responsibility (e.g. the transfer is reduced if the municipality collects more local revenues). LPAs depend a lot on transfers from the state budget (70% excluding Chisinau and Balti municipalities), making them financially weak in performing their responsibilities. Most of local government expenditures have been made in education – about 60% of total local budgets expenditures. A typical rural, annual local government budget, excluding education, is of 50,000-70,000 EUR. Administration costs and social protection are the next the large items in the local budgets.

Main objective (as per Decentralization strategy): The current system of local finances will be improved to insure the fiscal and budgetary autonomy of local authorities, maximizing efficiency and equity in allocation of resources while maintaining fiscal discipline.

Main activities and priorities: The process will start with a revision of the current system of taxes and fees with the aim of correlating the allocation of functions with the revenues, and increase the local own revenues. At the same time the transfer system will be revised to become transparent and predictable, stimulating local revenue raising and allowing local authorities to provide standard local services. An equitable equalization transfer system is envisaged. While the budgetary autonomy will be achieved, a system to improve the financial management will be put in place.

General

- Central Administration will allocate the transfers (shared taxes and equalization transfers) directly to both tiers of the Local Government: primarias and raions.
- The current financial envelope (total amount of funds transferred by Central government to local governments) will be practically preserved.
- Delegated functions (secondary education transferred to LG II) will be financed through conditional transfers, allocated based on formula – earmarked transfers.
- Own functions will be financed by local taxes and fees, revenues from shared taxes (PIT) and equalization transfers – all these will be general revenues and local authorities will have total autonomy in allocating them according to local priorities.
- A transition fund will be established to cover the difference in total individual local revenues between the new system and a reference year (Temporary Compensation Transfer). The fund will function for two years and will be limited to 1% of the state budget.

Shared taxes

- The Personal Income Tax (PIT) will be transferred to local authorities, allocated partly as a shared tax and the remainder included in the pool for equalization transfers.
- The sharing ratio of the PIT will be enshrined in law for both tiers of the LG:
 - Chisinau - 50% & Balti - 45%
 - Raion – 25%
 - Towns headquarters of raion – 20%
 - All other local governments – 75%
- In the future, PIT may be collected by place of residence of the taxpayer (the individual tax payer).

Equalization transfer

- A pool of funds to be distributed as a formula based equalization transfer will be constituted. This pool of funds will be comprised of the remaining part of PIT which is not shared with the local governments. The current allocation envisages 55% of the fund for distribution to the raions, and the rest to first level local authorities.
- There will be separate transfers to the first level of LG (equalization transfer for primaria) and second level of LG (general transfer for raion), calculated by the Ministry of Finance and distributed directly to each local authority.
- The equalization transfer to first level LG will be based on the local fiscal capacity (60% of the transfer) - measured by the amount corresponding to the per capita share of the PIT for that LG, population (30%), and area (10%).
- The general transfer to the second level LG (raion) will be based on a factor weighing the population (60%) and area (40%) of that raion.

All the above changes are included in an amended Law on local public finances which is in the process of approval by the Parliament.

Future steps

Own revenues

- Increase autonomy in collecting as well as defining the base and the rate of the current local taxes, plus: property taxes, vehicle tax and administrative taxes;
- The local taxes will be excluded when determining the equalization transfers;
- Local governments will be able to set special taxes or fees for capital investment in the infrastructure of communal services/own functions;
- Local governments will be able to set user charges for public utilities: drinking water, sewerage, public transportation, waste management, district heating systems.

Provided that the Ministry of Finance starts the process, the following activities shall be undertaken, and the MF will need further support in carrying out the reform:

- Awareness raising activities and extensive capacity building efforts for LPAs to implement the changes.
- periodic review of the impact of the new revenue and transfer system including equalization as well conditional transfers for delegated functions; tax administration; grants and borrowing; internal and external audit; public acquisition; improvement of local budget and financial management frameworks.
- a number of other essential fiscal decentralization issues have to be addressed through analysis, elaboration of policy options and finally legal and regulatory changes. The sectoral decentralization strategies will provide clarification and guidance for the nature and system of conditional transfers, the subsidies, the regulation of tariffs and user charges, etc.
- The Ministry of Finance, as the leader of the fiscal decentralization efforts, needs to have a strong Intergovernmental policy unit to continuously monitor the impact of the changes and fine-tune their implementation.

LAW Nr. 68
from 05.04.2012

for the approval of the National Decentralization Strategy and Action Plan for the National Decentralization Strategy for 2012-2015

Published: 13.07.2012 in Monitorul Oficial Nr. 143-148, art. Nr 465

Annex 1

National Decentralisation Strategy

PREAMBLE

The National Decentralization Strategy (hereinafter – the Strategy) is the main policy document in the area of local public administration that establishes the national mechanisms for decentralization and ensuring genuine local autonomy for local governments.

The Strategy establishes the medium term goals and tasks (3-5 years) for implementing the strategic priorities on decentralizing governance and ensuring local autonomy in accordance with the principles of the European Charter of Local Self-Government that was ratified by the Republic of Moldova on July 16, 1997.

The concept and the **goals** of the decentralization policy are in line with the experience of the European countries in this field, as well as with Moldova's aspiration to European integration and the bilateral agreements signed by Republic of Moldova and the European Union.

This Strategy was developed deriving from the need for strategic planning of the decentralization process aiming at consolidating the capacity of local public authorities **and improving public services management and quality.**

The following aspects have been taken into account while developing the Strategy: the current legal and institutional framework, the achievements and failures of the previously implemented strategic policies, the requirements of the European integration process, good practice principles linked with the European Union pre-accession criteria, as well as the specific features of the local governments in the Republic of Moldova.

Aiming at ensuring a complex coordination of the strategic planning process including in the sectors susceptible to decentralisation, the provisions of the Strategy have been correlated

with other relevant national policy documents such as the Central Public Administration Reform and other reforms deriving from the National Development Strategy.

This Strategy uses and develops the concepts defined in the Law on Administrative Decentralization (number 435-XVI as of December 28, 2006), whose implementation is conditioned by the existence of policy documents that establish the implementation stages of the administrative decentralization process in the Republic of Moldova.

In line with its commitments to ensure the transparency, inclusiveness and the dialog of all parties involved in the **Strategy development process**, the Moldovan Government has re-established the Parity Commission for Decentralization (hereinafter PC). The commission is the main consultative body that monitors and oversees the decentralization process and brings together on parity basis an equal number of governmental and non-governmental stakeholders.

In order to achieve the above-mentioned goals, the PC created working groups on decentralization issues. The working groups are comprised of the representatives of the central and local public administration, the civil society, the academia and the development partners.

The human rights based approach and gender equality were the fundamental and constituent principles of this Strategy. Hence, a special attention was paid to the principles of participation, non-discrimination, transparency, accountability and equality between men and women.

Prior to developing this Strategy several complex studies and analyses in the field of administrative and fiscal decentralisation were carried out, reports assessing the administrative capacity of the local public administration were developed, as well as professional reviews of the legal framework in force with regard to the structure and functionality of local public administration were elaborated. All these provide a wide informative support to the Strategy and are available as annexes to the Strategy.

The working groups engaged in the Strategy development process benefited from assistance and methodological support from the team of international and local experts of the Joint Integrated Development Programme (JILD), financed by the Government of Sweden, the United Nations Development Programme (UNDP), the UN Women and Council of Europe.

The policy options put forward in this Strategy represent the result of ample public consultations with the first and second level local public administration representatives, conducted **by the Congress of Local Authorities in Moldova (CALM), and with the civil society representatives organized by the National Council for Participation, and other interested actors.**

Part 1.

Local Public Administration: the Current Situation and Problem Identification

The European Charter of Local Self-Government, ratified by the Republic of Moldova on July 16, 1997 (hereinafter – European Charter), guarantees the right of local public authorities to have effective capacity to solve and manage an important share of the public affairs according to the law, under their own responsibility and for **the public benefit**. This right is provided by the Constitution of the Republic of Moldova, as well as by the Law on Administrative Decentralisation number 435-XVI of 28 December 2006 and the Law on Local Public Administration number 436-XVI of 28 December 2006, stipulating that the local public authorities have decision-making, organizational, and financial autonomy are entitled to show initiative in any issue concerning local public affairs management, and to exercise their authority according to the law within the limits of their jurisdiction.

Over the last years the social, economic, and political trends in the Republic of Moldova have emphasized the need for a comprehensive and genuine reform of public administration, and particularly in the local public administration area. The 2011-2014 Government Programme clearly stipulates that

“The Republic of Moldova will come closer to the European Union only if it substitutes the highly hierarchical entities with decentralized, transparent and dynamic entities governed by the rule of law, civil rights and freedoms. The Government will make sure the central administration reform is correlated with the local administration reform and competences are transferred to local public authorities, including competences related to public finances. Power decentralization and real empowerment of local public authorities will also have a major impact on the true development of the regions, moreover leading to the deconcentration of economic activity throughout the country.”

Lately, important steps have been made in this direction, both at the request of the Government of the Republic of Moldova, and through different local initiatives of the elected official. Thus, the Government undertook important actions in improving some aspects related to the legal framework on local public finances; as well as it committed to support the decentralisation reform in key domains with social impact, like education, social protection, etc., so that the state support is provided through the local authorities. At the same time, it launched a wide consultation process and created the necessary institutional mechanisms for cooperation with the local public administration (hereinafter – LPA) and other social actors, aiming at ensuring a systematic approach to the decentralization process. One of the results of this process is also this Strategy. On the other hand, many first and second LPAs have successfully promoted development projects, have taken upon the difficult tasks of restructuring social subvention systems and have proven to be open and competent in their dialog with the central public administration (hereinafter– CPA).

All these constitute a promising beginning for rebuilding the local public administration framework based on the European principles, self-government and accountability, through an efficient partnership between the Government and the local public authorities. Nevertheless,

the recent studies and analyses highlighted several major problems that hinder the LPA from providing adequate public services to the citizens regardless of where they live, in the capital or in a small village. ***These problems generate inequalities among the population and specific vulnerable groups, such as those subject to social exclusion, poverty, discrimination, with limited or inexistent access to basic services and to benefits of local development, to participation in the local development and the decision-making process, and namely: the poor, the old, the disabled, HIV-infected persons, households without parents, single-parent families or households managed by children, the abandoned children, lonely parents, ethnic, linguistic and religious minorities, particularly the Roma ethnicity, etc., as well as other persons and groups under the risk of discrimination or social exclusion***¹.

De jure, the LPAs in the Republic of Moldova enjoy complete and declared autonomy. However, *de facto*, the autonomy is limited partly because of the CPA's interference in their daily activity, partly as a result of deficient own financial resources accompanied by an excessively fragmented territorial-administrative organization, and partly due to their insufficient administrative and institutional capacity. These conditions cause the LPAs have a low degree of accountability to the public, who should be the main beneficiary and decision-maker when it comes to the use of resources and adjustment of public services to the local needs.

The second Report on the Millennium Development Goals highlights problems such as constant/ lasting difficulties in providing medical services, the water supply and sewerage infrastructure and effective and high-quality pre-university education for all. Certain vulnerable groups, especially the Roma ethnics, lag behind according to some the key-indicators of social inclusion, particularly in the area of education. (Government of the Republic of Moldova with the help of the UN agencies in Moldova, "Report on the Millennium Development Goals: Republic of Moldova", September 2010). At the same time, the economic crisis that affected the central and local public budgets in the entire Europe has affected the Republic of Moldova as well. The difficulty to maintain the level of financing for the main public services affected the budgets of 2009, 2010 and 2011. Given the difficult conditions, the Government set the goal to protect the LPA budgets, placing the main burden caused by the decline in the collected revenue on the public budget.

The following presentation of the current situation is structured as follows:

1. Services and competences decentralisation
2. Fiscal decentralization
3. Property decentralization and local economic development
4. LPA administrative capacity
5. Democracy, ethics, human rights and gender equality

¹ See Appendix 4: Vulnerability Concept

With the view to increasing efficiency and accountability of the local governments to the population through a better application of the principles of the *European Charter of Local Self-Government*, the actions that were undertaken during the process of elaborating this Strategy were oriented towards identifying and analysing the main problems in each area, and generating feasible solutions and clear action plans for their accomplishment. The problem caused by the lack of correlation between the reforms on local and the central public administration, as the one of the causes that negatively impacted the previous public sector reforms, was also taken into consideration.

At the same time, the Strategy applies human rights based approach 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 potential negative impact of this reform on some particularly vulnerable groups of the population.

I. Decentralization of Services and Competences

The political and administrative decentralization is a complex and difficult process involving long periods of coordinated actions that require political will and determination of the decision-makers. This process is characteristic for many transition countries from Central, Eastern and South-Eastern Europe. This Strategy proposes to adjust the national institutional and legal framework to the European legislation, the EU recommendations and the provisions of the European Charter of Local Self-Government, eliminate the malfunctions highlighted in several studies developed in the field of LPA, as well as to consolidate local self-governance and democracy.

The current situation is depicted by a set of complicated developments, partial progresses that have not been translated into everyday practice, legislative ambiguities, and confusions regarding the way of performing certain competences. Both, the above-mentioned studies and the representatives of the associations of local authorities highlight a range of drawbacks that must be placed immediately on the agenda of the executive and legislative bodies of the Republic of Moldova.

The uncertain, unclear, incomplete separation of competences among public administration authorities of different tiers. The separation of competences among the first and second levels of LPAs is unclear and contradictory, and in some cases it is even absent. Some of the activities mentioned as own competences have not been clearly defined and in some cases they are attributed to the immediately upper level as well. This situation allows for the ambiguous and equivocal interpretation of the competences of different levels of territorial-administrative units (hereinafter – TAU). There are no clear and functional criteria which would be legalised and used specifically for defining, delimiting, separating and financing competences.

The transfer of responsibilities/competences without adequate financial means to exercise them. In the Republic of Moldova, like in many other transition countries, the decentralization of certain public services and the transfer of some responsibilities/competences was not synchronised with the transfer of the resources necessary for their fulfilment, which lead to the emergence of some profound vertical financial imbalances. As a result, performing those attributions is difficult and sometimes even impossible for the small TAUs or those having small budgets. At the same time, a mechanism that would guarantee the necessary medium and long-term financial resources for the TAU to perform the competences transferred to them by the state is missing.

The transfer of competences to the LPAs does not consider their real economic resources and their capacity to generate significant own revenues to cover an important part of public expenditure needs. Most of the taxes with an increased collection rate go to the state budget, while the taxes and fees with lower fiscal returns are assigned to the LPAs. There are no real incentives for the LPAs, to stimulate local economic development, and implicitly, to expand the fiscal base of the TAUs.

The excessive intervention of the CPA and the II tier LPAs in the management process of financial resources by the I tier LPAs, including the arbitrary allocation of transfers, which leads to the unjustified interference in the local self-governance and negatively affect the capacities of the I level LPAs to provide public services of quality to the residents of the TAU.

The unclear status of the services under the responsibility of the II level LPAs and the confusion between these and the deconcentrated services. The legislation and practice of the Republic of Moldova does not clearly establish which are the fundamental differences between the decentralized, the deconcentrated and the delegated services. There is, however a tendency among some CPA institutions to consider, in practice, the decentralized services/institutions to the district (raion) level as being deconcentrated services/institutions which they can influence and over which they can exercise directly and voluntary managing authority, a fact that is confirmed by various analytical reports regarding the general situation in the public sector in the Republic of Moldova.

The vulnerable groups encounter difficulties in accessing local public services. Although generally the population has difficulties regarding the accessibility and quality of local public services, the persons from the vulnerable groups find themselves in even more difficult circumstances. Due to poverty, discrimination, stigmatization, lack of an appropriate institutional and normative framework, the local public services are less accessible, or of lower quality, for vulnerable persons. In this respect, the measures in support of the vulnerable groups, as part of the enabling and non-discrimination policies, become key-factors for improving access and quality of public services for all.

II. Fiscal Decentralization

The ratification of the European Charter was an important step toward guaranteeing an efficient and real fiscal autonomy for the communities, and also occasioned the adoption of a series of good practice rules with an important positive impact on the local public finances.

In this document, the Republic of Moldova committed to ensure a certain degree of stability of the main mechanisms of local self-government, including financial mechanisms, by stipulating them in the Constitution and organic laws. Thus, during the period following the ratification of the European Charter, laws that define the local revenues and the transfer systems were adopted; a reasonable degree of resources allocation autonomy at a sub-national level was granted, where each of the two local government tiers theoretically has the necessary resources and the possibility to decide upon their use; a mechanism for ensuring the territorial cohesion was instituted, by means of transfers from the central budget, which virtually should ensure a certain degree of equalization of the available per capita resources among the administrative-territorial units of the same level.

By applying the principles deriving from the European Charter, by the end of the past decade the LPAs from the Republic of Moldova became stronger and gained experience. The trend was noticeable due to the increased importance of LPAs in administering local budgets: from the mid to end '90s the total local expenditures increased from 7% of the GDP up to 10,8% of the GDP by 2010.

A recent important progress represents the undergoing public debates on a series of core options for the local public administration financing policy, hence shaping the possibility for reaching to a decision based on social consensus. These fundamental options envision objectives that cannot be reached simultaneously but require a reasonable and negotiated compromise, and namely:

- Enlarged financial autonomy of the TAUs versus horizontal equalization; stable and predictable allocation rules versus flexibility necessary for adapting to changing economic realities;
- Strict subsidiarity versus the allocation of local governments' competences by levels according to efficiency criteria.

It is only the gradual evolution toward a social consensus on these issues that can guarantee the long-term stability of the system of local public finances.

During the last years it has been ascertained that the implementation of the norms included in the European Charter is not a simple process. Oftentimes the administrative tradition does not correspond to the spirit of the new European practices; other times the institutional changes emerged either too fast for the practices to become entrenched, or contrariwise, were not far-reaching enough. Hence, a series of shortfalls in the local financing system that currently affect significantly the local autonomy have been perpetuated.

Limited fiscal autonomy regarding local taxes and fees, insufficient fiscal potential, lack of stimuli for expanding the fiscal base. TAUs in the Republic of Moldova have an insufficient fiscal base, thus the local economies are facing the incapacity to generate sufficient revenues.

The scarce revenues limit the accountability of LPAs toward the local community of taxpayers. The LPAs do not have significant own revenue sources and hence cannot decide and solve independently many of the emerging problems. The current local taxes and fees generate small amounts of revenue that constitute a meagre percentage of the local budgets – less than 15% of the local budget. Moreover, the LPA have a limited capacity to: (i) modify the level or the base of local taxes and fees stipulated in the Fiscal Code; (ii) periodically reassess the real-estate; (iii) establish local fiscal facilities for the local taxes and fees.

The dependence/subordination of the budgets of each level of public administration to the upper ones, a dependence coming from: (i) the insufficiency of local governments' own revenues; (ii) the vertical imbalance caused by the discrepancy between the distribution of responsibilities and revenue sources among public administration tiers (section 1 – *Decentralization of services and competences*); and (iii) some inherited practices of including the budgets of the first-level LPAs' into the budgets of the second-level LPAs'. This results in the excessive intervention of the central authorities and, more often, of the district (raion) level authorities in the local own financial resource management. Hence, unofficial subordination relations between the local governments of different levels emerge, which are not stipulated in the legislation in force but persist in practice.

The erosion of the fiscal base through numerous fiscal exemptions granted by law. This leads to the diminishing of the fiscal base and of the local governments' own revenues, as well as reducing the fiscal equity by favouring some economic agents or social categories. The local authorities do not have real rights and levers to influence the taxpayers to fully pay their taxes and fees.

The inefficiency of the current transfer system between the CPA and the LPAs of different levels discourages local governments' own fiscal effort. According to the current practices, the LPAs budgets are filled in through transfers based on the principle of equity. Thus the LPAs that increase their budgetary revenues through their own local initiatives may find themselves in the situation of being indirectly fined through the reduction of transfers to the local budget. Another deficiency of the system consists in the unjustified transfers in two steps – first towards the district (raion) budgets and then to the first-level LPAs' budgets.

The volatility of the entire system of local public finances (revenues, expenditures, and budgetary procedures) from one year to another. This does not solely refer to the fact that it (the system) was modified many times during the past two decades but also that those modifications have been rather unpredictable, which affected the already weak capacity of the local authorities to plan their resources. Generally, the parameters of the local fiscal policies (revenues sources, expenditures, procedures), although provided by the law, may change easily every year through the Law on the State Budget, making the multiannual budgetary planning, as well as the local financial management cumbersome.

The low transparency of the budgetary executions at all LPAs levels and the low capacity of the relevant central institutions to analyse, in a complex manner, the results of the local budgetary executions. The current budgetary analysis does not include: comparative

assessments of the unit costs of public services; more advanced indicators of local fiscal capacity, etc. Increasing the Government's capacity to forecast the financial and cost trends at the local level with a higher precision will result in grounding the national policy decisions on more accurate data, as well as the possibility to actually implement the performance based budgeting.

III. Property Decentralization and Local Development

During the period of transition to a market economy, the property reform in the Republic of Moldova was implemented in several stages. The Law on Property number 459-XII from January 22, 1991 and the Land Code number 828-XII from December 25, 1991 introduced for the first time the institution of private property, including with regard to land, into the national legal system. The Law on Privatisation number 627-XII from July 4, 1991, provided for the first time the possibility to privatize (assets), including the land. According to the Government's Decision number 561 from September 1, 1992, under the authority of LPA, offices were created to provide services of state regulation of the property. The newly approved legal framework regarding the property regime, as well as the imperative provision of the Constitution of the Republic of Moldova regarding the private property rights served as grounds for reforming the property relations, the redistribution and privatization of property, including to the TAUs.

Once the Law number 1308-XIII of 25 July 1997 on the normative land price and its purchase-sale procedures, was adopted, the land was effectively put on the market. The old system of real estate registration, including its distinct registration (the land – by the local public authorities; buildings – by the technical registration offices), turned out to be inefficient in a market economy. Hence, the Law on Real Estate Cadastre number 1543-XIII of 25 February 1998 was developed and approved. It provides a system to register the real estate and the associated rights, which is in line with the international requirements.

Thus, during the period following the independence of the Republic of Moldova, radical reforms were implemented according to which most of the property that previously belonged exclusively to the state was privatized, redistributed as private property to the citizens, as well as to the TAUs. These reforms have continued until present and have not yet been finalized. The recent studies concerning the local governments' property relations with different entities (public or private) attest the existence of multiple problems in the LPAs' activity. The most important problems are further presented.

The partial separation and unclear legal status of the state's and local governments' property, including the assets belonging to the public and private domains of the state and the TAUs. The uncertain status of the property of TAUs and state is determined by: (i) the lack of criteria and methods for property separation; (ii) the lack of methodological norms and instructions for carrying out the property separation; (iii) the unclear competences of local governments related to the process of property separation; (iv) the abusive character of the separations performed by the central authorities (these are confusing and do not take into account the interests of the local communities, and the principles of local self-government); (v)

the uncertain legal status of many categories of assets situated on the local communities' territories, particularly the service infrastructure and facilities, the water supply facilities, the gas pipes, and the energy distribution system, etc. The problem of separating the state and TAU property influences directly the separation of TAU assets into public and private domain. Up to now the separation of assets belonging to the TAUs has not been finalised. The lack of a clear separation of assets according to the domains, as well as of an adequate registration of those assets, causes uncertainty, confusions and contradictions in the process of state and TAU property management.

The insufficient regulation of the property relations between the TAUs, the state and other legal entities. In spite of all new legal amendments, the main shortcomings of the legal framework are being preserved, which, according to the local self-government and decentralization principles hinder the development of property relations of local communities. The legal provisions regarding the LPAs' right to acquire property rights, as well as the termination and guarantee of these rights remain uncertain. The procedures regarding registration, recording and assessment of property lack clarity and transparency. The norms referring to the TAU's right to request the transfer into their own public property of the real estate situated on its territory and used for the interest of the respective local community remain inapplicable. The LPAs do not participate in the decision-making process regarding the management and distribution of the material benefits resulting from the use of the forest and water resources. The property rights and interests of the local governments with regard to the underground exploitation are limited and neglected.

The inefficient management of the public property conditioned by the uncertainty of the property rights to the infrastructure, including the municipal enterprises. The main drawbacks in the local property management are: (i) the uncertain status of the utilities infrastructure built with the local governments' funds or private investments; (ii) the complex, confusing and expensive mechanism for concession of property and public services; (iii) the uncertain status of the utilities infrastructure built with citizens' contributions and private investments; (iv) the limited competences of local governments to administer the local assets, to tax the local companies, or the state companies, which use the assets located on TAUs' territory without contributing to the local budget; (v) the lack of mechanisms for implementing public-public, public-private, public-public-private partnerships, which results in the deterioration of assets, low quality of public services and high costs for their provision.

The problems mentioned above maintain the uncertainties regarding the legal status of the TAUs' property, preserve the confusions and contradictions between the owners and limit LPA's property management competences. As a consequence, the local communities have no incentive to ensure the maintenance of the local property and lack any secure and important revenue sources that can ensure a sustainable local development process.

As a result of the dynamics and mechanisms analysed in the previous sections, the shortfalls in the LPAs' activity are reflected in their weak capacity to elaborate and implement development strategies and action plans. This occurs in spite of the fact that the municipal and district (raion) authorities know the legal and practical steps that must be taken for developing

sustainable strategies, and some of them are even in the process of elaborating strategies. At the same time, the hierarchy of plans has a clear legal status, and the inter-correlation between the documents of different levels – republican, district (raion), and local – is understood.

The incomplete national databases, outdated general urban plans and local development strategies. According to the legislation in force, the LPAs have the duty to develop, update and approve the General Urban Plan (further – GUP) of the locality, which is a tool that constitutes the legal basis for implementing development programs and activities during its validity term. The studies show that 90% of the localities from Moldova do not have a GUP, or the document is outdated. The GUPs should include the provisions of the territorial planning documentation (National Territorial Development Plan, Regional Territorial Development Plans), and other such documents that are also lacking. Hence, the activities related to zoning, identifying and separating the land, establishing the conditions for building and identifying the restricted and protected areas, setting up the road and communications network, ensuring the compliance with the regional plans, and promoting the social-economic development potential, are implemented in a disorganized manner and without a common view regarding development. Moreover, there are no credible statistical data and systems of collecting and analysing data disaggregated by sex, age and ethnic origin.

The lack of incentives and willingness to use new forms of territorial cooperation (growth poles, metropolitan areas, micro-regions, etc.) that could contribute to stimulate the local development process. Given the excessively fragmented territorial-administrative structure of the country, the need to develop and apply efficient and optimal forms and methods for strengthening the territorial-administrative units and thus directly contribute to spurring local development is compelling. In this regard, there are several options: voluntary territorial consolidation, inter-municipal cooperation, growth poles, metropolitan areas, micro-regions, etc. These forms of territorial cooperation could stimulate territorial consolidation and thus, could generate revenues that have a direct impact on the quality of life of the inhabitants.

The insufficient resources and capacity to implement development strategies and raise funds. The process of local development faces major resource deficiency (material, human and financial resources) and insufficient capacity to implement the existing development strategies. According to recent studies, only 5% of the actions planned in the development strategies have financial coverage. The implementation of the strategic documents is thus strongly dependant on external fundraising. Hence, the LPA needs adequate financial resources for co-funding the projects, as well as professional human resources. In the recommended organisational structure there are no such positions as fundraising expert; and where there are such experts, their capacity is weak.

IV. LPA Administrative Capacity

After gaining its independence, the Republic of Moldova preserved the soviet territorial-administrative system according to which the national territory was divided into 38 districts (raions) (5 of them in the Transnistrian area). In 1994 an autonomous territorial unit called Gagauzia consisting of 3 districts was created, while in 1995 the organic Law on the Special Statute of the Chisinau Municipality was adopted. An important reform was launched by the Moldovan authorities with the support of the Congress of Local and Regional Authorities in 1998, when 9 counties (judet) were created by re-organizing 30 former districts (raions) on the Right Bank of Nistru River. The creation of counties (judet) was accompanied by a reallocation of competences and resources between different levels of governments.

A new change in the territorial-administrative structure was performed in 2003, namely the abolishment of the counties (judet) and the re-establishment of districts (raion) as second-level entities while simultaneously reducing local autonomy. At the same time, the number of local public administrations (primaria) has started to increase, so that in 2011 there were 898 first-level LPAs.

In many developed European countries the administrative-territorial organization is regularly adapted to the changing social and economic conditions, to ensure efficient service provision and local democracy. However, the rationale of the reforms implemented in the Republic of Moldova had a political character, while their consequences had a negative impact on the LPAs' autonomy and functionality.

The excessive fragmentation of the territorial-administrative system in the Republic of Moldova. Analysing the distribution of localities based on the number of inhabitants one can ascertain that 86% of them have less than 5000 residents. Despite the fact that the law provides for a minimum number of 1500 residents necessary for creating an independent territorial-administrative unit, over 25 % of them, by exception, do not comply with this legislative norm. Although the European experience shows that there is no optimal size of an territorial-administrative unit, some studies² point to an adequate threshold of 5000 inhabitants starting from which there are better perspectives for economic growth and economies of scale in local public service provision.

The great majority of rural LPAs do not provide public communal services. The result of the processes described above, particularly the LPAs' excessive fragmentation, mostly in the rural areas, was the reduction of their capacity to provide public services. **Thus most of the rural LPAs (which represent 94% of the total number) have mainly a representation role, not of public communal services provision.** The functions and responsibilities/competences attributed to these authorities are actually limited to the issuance of documents (certificates, authorizations etc.). These LPAs have neither the staff nor the necessary financial resources for performing more complex functions.

The excessive territorial fragmentation has other consequences on the LPAs and their activity as well. Thus, **the fiscal base and the revenues collected on the territory of a locality**

²Pawel Swianiewicz, *Consolidation or Fragmentation? The Size of Local Governments in Central and Eastern Europe*, Budapest, 2002.

are insufficient to maintain an administrative apparatus capable to provide public services. **The impossibility to obtain economies of scale while providing local public services** due to the reduced population per TAU, unjustifiably assigns the second level LPAs responsibilities that should be performed by the first level local governments and increases the price for the public services provided. The reduced territory size, the small number of inhabitants and the insignificant fiscal base **make the implementation of effective local social and economic development plans impossible.**

Despite the fact that in 1999 the Republic of Moldova ratified ***the European Convention of 21 May 1980 on cross-border cooperation between territorial authorities*** (which came into force on 1 February 2001), the lack of legal regulations regarding the cross-border cooperation mechanisms has an equally negative impact on LPAs' development.

The optimal size of the second-level TAUs depends on the territorial-administrative structure of the first-level TAUs. This means that, with a consolidated territorial structure, the second-level local governments can cover broader territories and a larger number of people, thus facilitating the economic planning and development, as well as favouring economies of scale for a series of services, and not less importantly, access to the European development funds.

The territorial-administrative fragmentation fundamentally determines the decentralization of competences, being, in fact, an obstacle for the reform. Given the limited fiscal base, keeping the territorial-administrative structure strongly fragmented will make the transfer of significant functions to the first-level LPAs and the consolidation of local autonomy impossible.

The proposed potential changes of the territorial-administrative structure shall undergo an impact analysis from a human rights and gender equality perspective, aiming at developing mechanisms to diminish any negative impact related to the access of women and vulnerable groups to local public services.

The limited strategic planning and resource management capacity at the level of local public administrations (primaria). This means that, on the one hand, the local authorities cannot develop quality strategic plans or cannot organize and control the process of their elaboration due to a lack of competent human resources. On the other hand, the staff of local administrations (primaria) has difficulties in managing the financial resources, and the property, etc. for fulfilling satisfactorily a wide range of responsibilities/competences. Moreover, the process of development of plans is not always consultative and does not take into consideration people's wishes and needs, leaving the vulnerable groups and minorities aside.

The lack of functional performance caused by limited human resources and deficient practices in human resources management. According to the studies elaborated in the context of decentralization, 14 competence domains and 99 responsibilities of LPAs were identified. Over 40 normative documents stipulate the responsibilities and norms for the LPAs. The LPA' activity concerning human resource policies is regulated by the central government which

establishes the staff levels according to the number of inhabitants in each TAU. The administrative practice and culture in the Republic of Moldova preserve these harmful practices, a fact proved by the non-allocation of additional financial means which would allow the remuneration of new positions other than those created by the Government's decisions.

A practical consequence of the above-mentioned limitation is that the LPA structures do not comply with their activity domains and do not correspond to their multiple competences provided by the normative framework in force. The LPAs do not have the capacity to fulfil their tasks and competences stipulated by the legislation, nor the capacity to assume new responsibilities given the organizational, institutional, financial, and management concerns.

Besides **the functional inadequacy**, the activity of LPAs is impacted by the **poor practices in human resources management** related to employment, motivation and promotion of local civil servants. This makes the LPA positions less attractive, and leads to inadequate quality and qualification of the staff. The mayors state the need of improving the professional training and competences of civil servants in several important domains: public and financial management, project management, information technology, and foreign languages.

The frequent use of non-transparent and illegal instruments for staff recruitment at the LPAs favours cronyism, nepotism and politicization of the public service at local level. This occurs despite the fact that access to public office functions under the principle of transparency, while the public servant enjoys job security and is protected from illegitimate pressures. Thus, according to the studies developed in the context of decentralization reform, the following inappropriate practices of staff recruitment/promotion at the local level have been identified: recruitment without preliminary public advertisements, based on informal procedures (kinship, personal or political relations).

V. Democracy, ethics, human rights and gender equality

At present, the Constitution and the organic laws guarantee the autonomy of the LPAs', and the local elections organized during the last years have not revealed problems related to the process or the legitimacy of the results. From this point of view, the local democracy is formally consolidated. At the same time, during these years, the legal instruments for the ensuring the integrity of the political decisions and management at the local level have been implemented, despite progress there is still much to be done, as follows:

The relatively passive participation of the population in the elections and the decision-making process. The residents are poorly informed about the activity of the local council or the local administration (primaria), either because of the lack of technical means, or because of lack of interest; neither is the local council much involved in the community's problems. The participation of the population and civil society (through NGOs) in monitoring and influencing of the local decision-making process is in practice limited, being shaped by the inadequate behaviour of the local elected officials, despite the fact that there are legal mechanisms for

ensuring the transparency in decision-making, such as the public consultation procedures, the principle of free access to the local council's meetings, etc.

The non-discrimination, participation, transparency and accountability. The local decision-making processes are often non-transparent and non-participatory. There is interdependence between the low public participation, low transparency, reduced accountability and the spread of discrimination in the society, which, coupled with the low public participation, hinders the public in exercising influence on relevant public matters. In comparison to other segments of the society, women and vulnerable persons have less access to information and channels of influence and accountability. Discrimination is amplified by the lack of influence on the local decision-making process. To resolve such problems the use of special affirmative measures, such as representation quotas, as part of empowerment and non-discrimination policies are recommended.

The implementation of the relevant legislation referring to the conflict of interests and incompatibility system. On the one hand, the recklessness of the decision makers favours the maintenance and extension of certain forms of corruption at LPAs level. On the other hand, the extended mechanisms of systematic examination of and punishment for the infringement of the integrity rules are poorly developed.

Reduced degree of representativity of local elected officials. The method of electing members in the local and district (raion) councils, together with the problems raised above, generates a **lack of representativity of local elected officials**. More often, the cause is attributed to the party-based electoral system, while often times the insufficient training of the candidates for their future duties,, including those running for the mayor's office, is invoked. To impression of non-representativity is also induced by the fact that there is a reduced number of young people and women among the elected officials.

Gender equality and women's rights. The Government made efforts to improve the country's performance regarding the gender equality and women's empowerment. In 2006 the Law on ensuring Equal Opportunities for Women and Men was approved. The National Program of Gender Equality for 2011-2015 and the Action Plan for its implementation for 2010-2012 were approved. In spite of this fact, no tangible progress in this field has been noted. The condition of women is affected by a multitude of factors, such as: a poor institutional mechanism for ensuring gender equality, a normative framework inadequately implemented, and even the persistence of patriarchal attitudes and some stereotypes regarding the role of women and men in the society. The women take part less in the public life, have limited access to the local public services, and are affected by poverty to a larger extent, etc. To improve these conditions and achieve of gender equality and promote women's rights, the Government's Action Plan for 2011-2014 establishes a set of priority measures, relevant for the National Decentralization Strategy, such as: the alignment of the national legislation to the Law on Ensuring Equal Opportunities for Women and Men and to the standards and mechanisms to ensure equal opportunities for women and men; the encouragement of women's participation in public decision making; and the consolidation of the institutional mechanisms for ensuring equality between women and men at central and local level, etc.

Part 2

THE PRINCIPLES, VISION, GENERAL AND SPECIFIC OBJECTIVES ACCORDING TO THE AREAS OF INTERVENTION

Principles

Decentralization is a process of constant self-assessment and reform of a state which aims to achieve an optimal distribution of responsibilities and resources between CPA and LPA. Decisions are taken by the level of authority closest to the citizen (subsidiarity), such that the services provided meet the needs and demands of their beneficiaries, while ensuring economic efficiency.

Decentralization gives LPAs powers and responsibilities in three spheres: political, administrative-organizational and financial. These powers must be exercised in conditions of autonomy, which implies unrestricted freedom to make decisions and implement them, within the limits of the law and national policies, and being accountable to citizens.

Public and social accountability mechanisms must build a framework that provides people the opportunity and means to keep local government accountable to the voters and the general public. At the same time, local governments should have the means and incentives to respond to the demands of the inhabitants, regarding both the services provided, as well as the transparency of the decision-making process and its implementation.

In addition to this socio-political accountability framework, administrative accountability mechanisms must be improved as well.

This strategy proposes a review of the current relations existing 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. The reporting procedures to and control of legality by higher administrative levels must ensure a wider local autonomy, along with legality and professionalism of local decisions and actions. This requires a comprehensive reform in all fields of own responsibility and competence of LPAs. The strategy will have to define these new forms of administrative accountability through amendment of around 40 normative acts regulating local competencies.

The Government of the Republic of Moldova committed firmly to applying a human rights and gender equality approach in developing and implementing this decentralization strategy. These principles (participation, nondiscrimination, transparency and accountability) should improve the living conditions of the population through increased and equitable access to all public services; strengthen local democracy through increased public participation, transparency and accountability of local policies and actions. Thus the Strategy will stimulate a human centered development, and all strata of society will benefit from the changes.

Decentralization represents a means for improving the political, administrative and fiscal functions, to provide in a more equitable manner services and benefits for the entire population. The analysis based on human rights and gender sensitivity is an important tool to reach these goals.

The specialized literature, the experience of other decentralization processes, and the actual conditions in 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 LPAs at both levels. These principles can act as founding criteria for developing the entire system of decentralized powers, together with the mechanisms of exercising them and the funding systems.

The basic principles of the Strategy are:

- a) ***Fundamental principles of European and international law***, particularly in addressing and consistently promoting human rights and freedoms (these principles are, inter alia: 1) the principle laid out 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 standing before the law, under Article 16 of International Covenant on Civil and Political Rights), 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 people*** and towards higher administrative levels, while guaranteeing the freedom of local decision making and management;
- c) ***Allocation of responsibilities to LPAs*** – the development and implementation of the management and financing systems as well as the final ascertainment of ownership of property must be done after the allocation of responsibilities and determined by the way in which powers are allocated to each level of government;

- d) **Principle of correlation** (of reforms) – the reforms or actions proposed for implementation pertaining to LPA will be correlated with other ongoing reforms;
- e) **Money follows the function** - the financial system will be adapted according to the allocation of responsibilities, and the revenues generated through provision of a service will go to the administrative level responsible for that service's provision;
- f) **(Real) Assets follow the function** - the (government level) responsible for exercising the power receives in ownership the necessary real assets (patrimony). The 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;
- g) **The investment follows the competence** - the administrative level responsible for the exercise of competence must be responsible for the entire investment process;
- h) 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 beneficiaries of services to largely correspond to the area of the administrative unit which will provide it; (ii) The exercise of the respective powers to allow achievement of economies of scale, including through inter-municipal associations; (iii) TAU to which the power is assigned must have sufficient managerial and fiscal capacity to exercise it;
- i) To enhance equity and democratic accountability towards the people, there must be **congruence** between: (i) the territory where a service is provided by the local authority and the one where local taxes are collected; (ii) the beneficiary and the payer ("the user pays"); (iii) decision-making power and responsibility (the one who decides must be accountable for the consequences of his decision);
- j) A certain degree of **territorial cohesion** should be ensured by reducing disparities generated by resources available to both levels of LPA;
- k) **The financial system should stimulate the (LPAs) own fiscal effort;**
- l) **Monitoring, auditing and controlling the LPA's management of assets** 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 underground ones;
- m) Assignment/ transfer of competences, sources of income and property between the CPA and LPA and between different levels of the LPA must be **formal (established in law)**, clear and stable, defining all the roles and specific functions, the mechanisms through which these will be performed and ownership of assets involved;

n) **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, while taking into account the unavoidable differences between various TAUs; (ii) avoid sharing with LPAs the revenue sources volatile in time or whose collection displays territorial inequities; (iii) the use, as much as possible, of objective criteria for the system of (fiscal) transfers; and iv) reducing as much as possible the likelihood of modifying the system either by the annual budget law or by other ad-hoc laws;

These principles form a coherent framework for the assignment/ transfer of powers, income sources and assets in an effective, clear and stable manner, so that the provision of public services - the main way by which the exercise of power is expressed - corresponds to the needs and demands of beneficiaries.

The vision of the Strategy

To build an autonomous and democratic local public administration, which provides equitably – including with respect to the rights of vulnerable groups - quality local services and manage efficiently its responsibilities.

The goal of the Strategy

To ensure a local public administration which operates democratically and autonomously, has the necessary resources and capacity to provide local services according to the needs and demands of the beneficiaries -including with respect to the rights of the vulnerable groups- and functions effectively, efficiently, equitably –and following fiscal discipline.

Based on this goal, the specific objectives set out below are closely connected with the achievement of two very important requirements.(i) Increase of LPA autonomy to provide services specific to their own competencies that have already been decentralized according to the law, but where there are still problems in practice, and (ii) decentralization of powers related to major national public services (education, culture, social or health services, etc.) that must be defined by sectoral policy documents, based on the principles and criteria defined by the present Strategy, and which would allow their efficient delivery.

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

The reform process will create a system to allocate/transfer responsibilities between the central and local public administration which will be clear (clearly defined roles and functions, including mechanisms for implementation), functional and stable. It will correlate

responsibilities with the available fiscal resources as well as the administrative capacity of the territorial administrative units. As a consequence public services will be provided effectively (according to the needs and demands of the beneficiaries, including vulnerable groups) efficiently (with reduced costs), and with unrestricted (improved) access, while ensuring minimum standards of service.

Activities:

1. 1. Develop the chart of competences of the first and second level LPAs.

1. 2. Assessment of necessary/available financial resources necessary for efficient and effective exercise of the allocated competences to LPA – assessment of the total LPA expenditures based on the allocated competences.

1. 3. Revision of the present institutional/legal system of delegating competences to LPAs according to the principles and criteria stipulated in the National Decentralization Strategy.

1. 4. Create institutional, legal and financial instruments to stimulate an efficient provision of public services related to the decentralized competences (association, concession, contracting out).

1. 5. Ensuring by the Government the development sectoral decentralization policy documents based on the principles and criteria stipulated in the present Strategy, and taking into account the types and the special autonomy status, as per the conditions of an organic law (special legal status of Gagauzia).

1. 6. Institutional and professional capacity building at the central public administration level, in particular the State Chancellery, regarding implementation of the principles and criteria for a decentralization reform that is effective, efficient and gender responsive.

1.7. Improve the institutional mechanism at the local level in order to ensure the implementation of the gender equality principles in local development policies.

1.8. Revision and improvement of the legislation related to the Chisinau municipality.

The clear delimitation of competencies is the first step towards true decentralization. The concepts and principles mentioned in Appendix 1, cover the domains of fiscal decentralization and decentralization of property (real assets), and are inseparable from the first domain.

Action 1.1. prescribes the development of a comprehensive chart of own competences of LPAs of both levels, based on the criteria and principles listed in Appendix 1. This Chart will underpin the evaluation of the financial resources necessary to exercise the competencies, and will organize and structure the legal provisions.

To develop the Chart of competencies of the LPAs requires the detailed analysis of current legislation, of the relevant international practices in this field as well as the specific requirements of the European Charter (of Local self-government).

Action 1. 3. is highly complex and requires the analysis and review of a significant amount of normative acts. Activity 1.5. has to be carried out by considering special legal acts regulating the current legal and normative framework.

Activity 1.8. requires the review and improvement of the normative framework regulating the status of the capital city, especially the Law regarding the Status of Chisinau Municipium.

II. Specific objective for *Fiscal (Financial) Decentralization*

The current system of local finances will be improved to insure the financial autonomy of local public authorities, maximizing the efficiency and equity in allocation of resources while maintaining fiscal discipline.

Activities:

2. 1. Strengthening the local own revenue base and the related decision making autonomy.

2. 2. Reforming the system of transfers and shared taxes, establishing it on a basis of objectivity and predictability, separating the budgets of the first and second levels of LPA, to ensure a minimum level of services, provided that the system does not discourage the own fiscal effort and the rational use of resources.

2. 3. Strengthening the autonomy and financial management of LPAs, ensuring financial discipline, increasing transparency and public participation.

Activity 2.1. requires the revision of the current legal and normative framework to bring about the increase of the own revenues of the LPAs, to incentivize local collection and to strengthen the local autonomy. The current system of taxes and tariffs should be revised so that the amounts collected match the competencies, and the over-regulation by the central government of the management of local revenues is diminished. Activity 2.1. envisages also the identification and adoption of new sources for local revenues, or increased tax rates for existing taxes, or even the authority to grant tax exemptions.

The main criteria to identify new local taxes are: the revenue to be significant and visible, to cover a large tax base, to be stable and little affected by economic cycles (buoyant), to be predictable, to be paid by the inhabitants and difficult to export (to shift payment to inhabitants of other localities), the administrative costs to be low and taxes to be accepted by the population. The local revenues should increase the accountability of local authorities; therefore at least the tax rate should be decided at the local level. The new local taxes have to be defined by the national legislation. The decision to introduce new local taxes or tax exemptions should be left to the local council, but the determination of the equalization transfer should be done according to the fiscal capacity of the locality and not according to the amounts of revenues actually collected.

Activity 2.2. requires the revision of the actual tax sharing system and transfer allocation (general, equalization, conditional) as well as the improvement of the capital investment financing system (grants or borrowing). For this purpose financial mechanisms to encourage inter-municipal cooperation and the consolidation of the administrative capacity are proposed.

Based on the chart of responsibilities developed under Objective 1, a global assessment of needs and possibilities to finance own competences of the LPAs, including the equalization transfers, needs to be done.

There are several options to fund recently decentralized services. The main sources are: (i) own revenues; (ii) shared taxes; (iii) intergovernmental grants and transfers. The local budgets should be funded by these three sources in a balanced way to ensure their long term stability, while the local authorities should be permitted to administer these budgets without significant restrictions. The types of revenues available to local authorities depend, to a great extent, on the characteristics of the decentralized functions: exclusive competences will be financed by local taxes and tariffs, and where these are not enough, from general transfers, while the shared competences will be financed through a combination of taxes and conditional transfers. The determination of the exact level of funding needs for a newly decentralized competence has to be based on the real total cost of provision, including direct and indirect costs.

Central transfers aim: (i) to ensure a minimum standard of quality in performance of decentralized responsibilities; (ii) to create incentives to rationalize expenditures and increase own revenues; (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: shared taxes (either at the source or, subsequently, through a formula); general transfers; conditional transfers, etc.

General transfers can be used independently by the LPAs, as they should have full autonomy in setting priorities and allocating resources for the various own competences. These general transfers will include both the share of the personal income tax (shared, general purpose transfer) as well as the amounts provided by the equalization transfer, which have as purpose to diminish the horizontal disparities generated by the differences in fiscal capacities of the LPAs.

The own revenues will be estimated starting from the current situation of the LPA and taking into account other measures envisaged by the current strategy, to expand the tax base of the LPA: the allocation of new taxes to LPA, expanding the base of the existing local taxes (by eliminating or reducing tax exemptions), increasing flexibility in rate setting, improving tax collection.

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

- a) actual expenditures in recent years for services specific to such competences;
- b) a minimum level of services specific to such competences which must be provided for each local authority (TAU). The general purpose transfer from the state budget aims to supplement the own revenues and provide the local authorities with the necessary revenues to exercise their own competencies under budgetary autonomy. This transfer will comprise both the share of the personal income tax (salaries) - a tax shared by CPA and LPA – as well as the equalization transfer. Subsequently the actual shares for the different levels (first or second) of LPA, as well as the equalization formula, will be determined. The equalization formula will be defined taking into account the fiscal capacity of each LPA and the calculated costs of the own competencies.

This formula will be enshrined in a normative act. In particular, action 2. 2. 5. seeks to establish a funding model specific for the shared and delegated competences. Based on the principles and criteria stipulated in the Strategy, it is obvious that those responsibilities which are not covered by own competencies (therefore are shared or delegated), must be funded in another way, and not from general revenues (for which the LPA enjoys full autonomy with regard to setting priorities and allocations for one purpose or another). The (National) Public Interest requires, in the case of these competences, that CPA ensures significant benefits to be derived from the exercise of such competences, even under conditions of limited autonomy. Therefore,

the funding of these competences will be achieved primarily through conditional transfers, which will have the following features:

- a) a lump sum for a specific purpose (e.g. education) shall be transferred to the LPA, while the LPA will be free to allocate independently the amount to the components which have been transferred under their competence: a certain amount of money for the payment of salaries, another for maintenance, one for educational materials, another for current capital repairs - obviously following the standards in the field (wages will be paid according to the legal requirements; the expenses for training of the teaching staff will be according to the standards for professional development);
- b) the conditional transfer will be usually allocated to the LPA based on a formula, which must be as simple as possible and have as a fundamental element the number of beneficiaries of the services corresponding to the decentralized competences. Only in this way funding can be correlated with the principle of customer focus in the delivery of public services. The formula will be elaborated in consultation with the representative associations of LPAs;
- c) the shared or delegated competences can also be funded with tariffs paid by the beneficiaries, if deemed appropriate (e.g. civil registration services or certain highly specialized social services), charged either uniformly or according to income;
- d) the capital investment expenditures will be covered also through conditional transfers, which will be allocated either by formula or on a competitive basis (by projects).

The increasing complexity of fiscal relations requires strengthening the capacity of the Ministry of Finance to monitor, evaluate and elaborate public policies for intergovernmental fiscal (inter-budgetary) relations and for the local financial systems.

Activity 2.3 foresees measures to reach a true and viable budget autonomy, by reviewing and simplifying the budgetary procedures, maintaining the budgetary discipline, increasing the accountability and the transparency to the public, through a more efficient financial management (multi-annual and performance based budgeting), by improving the verification instruments (internal and external audit) as well as the local procurement system.

The new system foresees an institutionalized dialogue between the Government and the representatives of the LPA, by creating a permanent communication and negotiation platform between the CPA and LPA of both levels, to plan strategically and to solve all existing financial challenges, including gender sensitive issues.

III. Specific objective for *Decentralization of property (real assets)*

To finalize the process of separating TAU property from central government property, as well as identifying public property of public and private use (including property of municipal enterprises), and to put in place mechanisms for accountable, independent, effective and efficient property management.

Activities:

- 3. 1. Develop legal tools to separate state property from TAU property.*
- 3. 2. Identification and registration of state and TAU property.*
- 3. 3. Complete the separation process of the state and TAU property.*
- 3. 4. Clarify the legal status and separate state and TAU property, of public and private use.*
- 3. 5. Build LPA capacity for asset management, by developing and conducting training courses on effective management of (real) assets.*
- 3. 6. Develop mechanisms for cooperation (public-private, public-public, public -public-private partnership) for efficient management of (real) assets.*

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

- a) To provide a clear and predictable mechanism for the actual transfer of ownership to local and district authorities;
- b) To regulate the use and management of the real assets already transferred, be they in the public or private domain.

The administrative tradition of Western European countries offers some basic principles that should govern the process of decentralization of property. First, property rights of the local level should not be treated differently when compared with the ones of other public institutions, such as the central level. There should be no other unreasonable restrictions regarding local property management, in addition to those imposed to institutions under direct central government subordination.

The property at municipal and district levels must be thoroughly classified as belonging to the public or private domains. Also, property rights must be linked, wherever possible, with the local service delivery structure and the capacity of local authorities to manage the property effectively. The essence of it is that the institution responsible for (service) delivery should also

retain the ownership over the facilities needed for delivery. It should be noted that, while decentralization can be gradual, developed in line with strengthening the capacity to manage the assets, any transfer of property, once made, is very difficult to reverse.

The actions proposed in the Action plan for activities 3.1. - 3.6. are designed based on these principles of good practice and will lead to:

- a) Decentralization of the property rights over those movable or immovable assets which, in practice, are managed by local authorities. With ownership, the means currently used to manage these assets will be transferred towards the TAU;
- b) Existence of a framework which will ensure that, in future, whenever local authorities are assigned new competences, those competencies will be transferred together with the ownership over the assets used to exercise those competencies as well as sufficient resources to effectively manage those assets;
- c) Provision, by general legislation (regarding concessions, public-private partnerships) or sectoral legislation (regarding various public services or types of municipal enterprises) of minimum quality standards regarding the local management of assets.

IV. Specific objective for *Local development*

To create and implement means to ensure sustainable local development; and the modernization of the structure and management of local public services, so that capacities are available to support integrated capital investment programs and improvement of local economic development conditions.

Activities:

4. 1. Improving the legal framework to grant the LPA tools and capacity in order to boost the local development process, through various means including modern types and methods of territorial cooperation.

4.2. Creating and developing institutional capacity to bring in financial resources for the development, implementation, monitoring and evaluation of the general urban plans and local development strategies.

4.3. Develop/update general urban plans and strategies for local development, including gender equality and human rights based approach.

4.4. Develop LPA capacity to sustain cross-border cooperation.

Activity 4.1. targets actions which will improve and complete the regulatory and normative framework in order to increase the role of LPA in managing and boosting local economic development process, *through various means including modern types and methods of territorial cooperation*. The LPA must have sufficient autonomy, including financial autonomy, to be able to use various economic and financial instruments such as: (i) tax incentives - the ability to impose and use freely the local taxes and fees 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 to improve the quality of the living conditions and boost economic development; (iii) initiatives based on the use of local assets, land and buildings, to stimulate local economic development. Also, the LPA shall have legal levers to encourage new business start-ups, new job creation and provision of training services and increase of employment.

In this context, the strategy requires *improving the legal framework and empowering the LPA with trained personnel, capacity and tools for territorial cooperation and improvement of the local economic development process* through: (i) a comprehensive analysis of the legal and normative framework that regulates the competences of the LPA in local economic development; (ii) proposals for amendments to the legal framework, accompanied by effective enforcement mechanisms; (iii) clarification of opportunities to use modern types and forms of territorial cooperation (growth poles, metropolitan area, inter-municipal cooperation, micro-regions); (iv) legal adoption of the concepts: growth poles, metropolitan area, inter-municipal cooperation, micro-regions; (v) clarification of the need to grant the status of growth pole or municipium to the main towns in the Republic of Moldova.

Local economic development is based on the ongoing process of planning and implementation of strategic development programs through optimal use of local resources. Activity 4. 2. targets the creation and development of institutional capacity to bring in financial resources for the development, implementation, monitoring and evaluation of general urban plans and development strategies. The small number of localities which have general urban plans can be explained by: (i) the lack of local and central financial resources for the development and implementation of these strategic documents, as well as by (ii) the lack of professional skills to carry out strategic planning, especially by using a gender equality and human rights based

approach. To remedy these deficiencies, specialized institutions will develop and deliver training courses for LPA officials on project development, finding resources for implementation, monitoring and evaluation of general urban plans and local development strategies, including using a human rights based approach and gender equality principles.

Also, at regional level, opportunities will be sought to ensure permanent technical assistance for securing external financial resources for the development, implementation, monitoring and evaluation of general urban plans and development strategies.

Activity 4.3. is intended to assist LPAs in developing/updating general urban plans and strategies for regional/local development, which use a human rights based approach and gender equality principles. To this end it is proposed to develop and approve a modern and unified methodology for the design, update, implementation, monitoring and evaluation of the general urban plans and development strategies. Presently, in Moldova, general urban plans are elaborated in line with a methodology approved in 1992 (Government Decision No. 626 of September 18, 1992 "Regarding the approval of Rules for the development, endorsement and approval of the general urban plans of the localities from the Republic of Moldova"). This methodology is outdated, and the indicators and standards used are from the Soviet times. Local development strategies are elaborated using a variety of, usually different, methods and approaches, which renders the strategies uncorrelated with the regional and national strategies.

To enhance the performance of urban and regional plans, it is necessary: (i) to finalize the national spatial development plan (PATN) and the regional spatial plans; (ii) to develop general urban plans, which have as a purpose to correlate the local programs with the national and regional level programs, interconnect the local programs, correlate urban plans and regulations for localities from the same territory, determine the design requirements for urban and non-urban areas of localities, as well as (iii) create an unified national database (GIS). All these documents will guide the development and updating of local spatial development plans, while the local GUPs must incorporate a significant part of the provisions of the national and regional spatial development plans.

Activity 4.4 refers to the development of the tools and legal frameworks to enable LPAs develop cross border cooperation.

At present, cross-border cooperation represents an efficient mean to solve the social-economic development problems of the border regions of the neighboring countries. The Republic of Moldova is part of three Euro-regions. Thus, over 95% of the territory and 90% of the population of the Republic of Moldova belong to the euro-regional cross-border cooperation framework.

In this regard, to develop the above mentioned mechanism several activities are envisioned: (i) development of the tools and legal framework to enable LPAs develop cross border cooperation; (ii) provision of assistance to LPAs to promote cooperation in the framework of the euro-regions and international regional structures.

V. Specific objective for the *LPA administrative capacity*

Enhance the administrative capacity of the TAUs, diminish fragmentation and rationalize territorial administrative structures, which will improve local autonomy, efficient provision of public services, responding to the needs of the beneficiaries, while the elected local authorities will work democratically and autonomously.

Activities:

5.1. Examine the opportunities to rationalize the territorial administrative structures, based on studies regarding the consolidation of the capacity of TAUs, according to the criteria and principles laid out in this Strategy.

5.2. Consult the members of local communities, including the vulnerable groups, regarding the options for consolidation of capacity of TAUs and inter-municipal cooperation.

5.3. Create the enabling conditions to implement the options for consolidation of capacity of TAU and inter-municipal cooperation.

Activities 5.1. -5.3. address the excessive administrative fragmentation which leads to a lack of efficiency (in service delivery) and propose activities which will investigate solutions based on two models:

a) The normative model - the amalgamation of territorial-administrative units or administrative consolidation, such as to comply with the efficiency criteria and principles, to increase access of beneficiaries to public services and, implicitly, the quality of those services;

b) The cooperation model – the development of specific instruments for inter-municipal cooperation, and of incentives (especially financial) for this purpose, so that public services are jointly provided by several TAUs, increasing access and quality of those services.

Each of the two models has advantages and disadvantages and they are not entirely mutually exclusive. Thus, the first model has the advantage of generating fast economic effects, by reducing more the costs (especially regarding the operation of LPA), leading to a faster financial

and institutional consolidation of TAUs, and displaying a gain in efficiency and effectiveness. Its great disadvantage is that it is very difficult to obtain a consensus on the manner of implementation, especially from a political point of view – it is a more "aggressive" tool, which may divide the various interested parties and make more difficult the process of adoption and implementation. The effectiveness of this model has been proven by the two reforms from 1999 and 2003, which were conducted in an orderly manner and without significant opposition. At the same time, the lack of prior consultation has convinced neither the LPA, nor the public regarding the usefulness of the reforms.

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

The activities 5.2. and 5.3. are required in order to organize public consultations regarding this issue which is sensitive for all interested parties – representatives of the LAP, civil society, population, including the vulnerable groups and to make a clear political decision. Additionally, more actions will be undertaken to achieve an adequate normative framework.

VI. Specific objective for *Institutional Capacity*

To develop an institutional and legal system of human resource management at the local level which will guarantee transparent and non-discriminatory recruitment, effective motivation, career stability, minimization of political influence, and will contribute directly to the improvement of personal and professional skills of local authorities' staff.

Activities:

6.1. Improve the education system to ensure strengthening of professional competency of the human resources, for both civil servants and local elected officials, particularly in the fields of: participatory strategic planning; project management; modern budgetary and financial management; establishment and provision of communal and sectoral services, information technology, foreign languages, impact analysis from a gender and human rights standpoint, planning, implementation, monitoring and evaluation based on human rights and gender equality.

6.2. Ensure organizational autonomy both in terms of institutional structure, as well as personnel policy, preventing the interference of central authorities in local or district (raion) executive structure.

6.3. Develop the normative framework and human resource management practices to ensure open and non-discriminatory access through transparent competitive selection to public service, as well as the motivation, incentives, career stability, and promotion opportunities for public officials, including gender equality.

The development of the institutional capacity of LPA can be achieved only within the framework of a coherent system and if the reform targets the entire civil service, at both local and central levels. Thus, it is necessary to correlate the activities envisaged by this Strategy with the provisions of a unitary strategy for the development and improvement of civil service across the entire administration, based on a detailed analysis of the human resource needs.

Accordingly, the requirements imposed by the decentralization process demand strengthening of the professional and institutional capacities of those specialized CPA bodies which are directly involved and in charge of carrying out the decentralization process (as the State Chancellery, Ministry of Finance, etc.). In this context, it is important to highlight the actions aimed to strengthen the Decentralization Policy Division of the State Chancellery, by increasing the staff, training them, using skills development programs and technical assistance. A professional development and technical assistance program is necessary also for the specialized CPA bodies belonging to domains targeted by decentralization (such as the Ministry of Finance; Ministry of Labor, 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 Transportation and Roads Infrastructure, etc.).

It is important to change the operational view of these ministries, which, with the decentralization of some competences, will no longer provide various services, and will have less routine operational tasks, focusing instead on the policy and planning functions, performance monitoring and advanced sectoral analysis. This change will result in the substantiating national policy decisions on more accurate data and the possibility to switch to the real usage of program budgeting. Also, this change will increase the transparency of central and local public administration for the citizen regarding the usage of resources and the attainment of planned policy objectives. The technical assistance and training program should cover a wide range of public administration reform issues, and thus should be correlated with all public policies in the field.

Activity 6.1. highlights the vital professional development and training needs at the LPA level - they were identified during the discussions in the working groups of the Parity Committee for decentralization, as well as in the special studies elaborated for this purpose.

Activity 6.2. is part of the process of strengthening LPA autonomy, and of reducing excessive central administrative control. The overall control of the LPA personnel costs can be achieved through indirect financial or budgetary means (implementation of hard budget constraints), which are as effective (as the means currently used - translators note) and which allow autonomous decision making by the local authorities regarding the personnel structure, its size or effective management.

Activity 6.3. targets the substantial improvement in human resources management at local level in several fields: assessing staffing needs, both in terms of organizational chart as well as in terms of qualifications and skills needed; management of recruitment and promotion; development of civil servants' careers and meeting their training and professional development needs; evaluating the performance of civil servants. Regarding this last issue, it should be underlined that it is of utmost importance for the development of an effective LPA, as it is a complex and difficult process, whose implementation period exceeds that of the Strategy. Therefore Action 6.3. refers to the gradual and limited introduction to the basic elements of the management of human resource performance and evaluation of results of public officials in a manner that is not formal, but actually provides support for an efficient performance of the LPA.

VII. Specific objective for *Democracy, ethics, human rights and gender equality*

To develop an institutional and legal system ensuring full functional and decision making autonomy of LPA and which will provide effective means for local accountability, participation of local population in decision making, fighting corruption and guaranteeing equity and non-discrimination.

Activities:

7.1. Improve the local electoral system to significantly increase its representativity, accountability and competency of the local elected officials.

7.2. Clarify the limits of the central system for administrative and legal verification, as well as for the coordination of the de-concentrated services, while strictly protecting local autonomy.

7.3. Increase public participation in decision-making processes at the local level, including gender equality, and broaden the use of methods of universal consultation in order to strengthen democracy.

7.4. Develop the Communication Strategy and its Action Plan, which will ensure maximum transparency of the implementation of this Strategy.

Activity 7.1. aims to increase the accountability of local elected officials and to stimulate the participation of citizens in the local public life. The former may be achieved through the nominal election of local candidates, the decrease of the electoral threshold for independent candidates, and through the optimization of the number of local councilors. A proven problem in Moldova is the limited representation of vulnerable groups, minorities, etc. in the LPAs and their limited participation in decision making. There are international practices of establishing, under the local council, consultative structures consisting of representatives of those groups, a practice that can be analyzed, replicated and adapted to local conditions.

Possible alternatives:

Improving the electoral system to allow citizens to elect their representative councilor nominally, not only on (political) party lists.

Identifying ways to increase the accountability of local elected officials, to strengthen links with the electorate/citizens, make local councils more efficient and to decrease operational costs.

Identifying ways to improve representation of minorities and vulnerable groups in local elected positions.

Activity 7.2. targets the clear separation of central-local and district-local responsibilities which assumes, first, changing the responsibilities of the central authority by strengthening the policy making, evaluation and monitoring functions, and then, building instruments and mechanisms to check the legality (of local acts) to enable local authorities the make decisions and function autonomously while complying with the law.

Taking into account the fact that in Moldova there are multi-ethnic, multi-cultural, and vulnerable groups, and considering the human rights principle, of participation, nondiscrimination, transparency and accountability, the personnel policies must meet certain requirements as well. In this regard, the representation of the above groups in the civil service will be addressed, as well as the issue of raising awareness of public officials to their specific needs, including through special affirmative measures, as representation quotas, as part of broader policies of empowerment and non-discrimination.

Activity 7.3. aims to increase the participation of citizens public in decision making. An important principle of democratic governance is the opportunity given by public authorities to citizens to influence all decisions concerning them. It is essential that the society participates effectively and positively in this public decision making process. There are examples of

international practices to increase public participation – these practices can be analyzed and adapted to the local realities and context.

Activity 7.4. refers to the Communication Strategy and its Action Plan, to undertake efficient information and communication activities in the short, medium and long term, to elaborate profiles of the target groups, formulate adequate messages and identify the most efficient communication methods for these groups.

PART 3.

IMPLEMENTATION STAGES AND ACTIVITIES TO REACH THE OBJECTIVES, THE DESIRED RESULTS, RISKS AND PROGRESS INDICATORS

Implementation stages and activities to reach the objectives

According to the stages of the decentralization reform (institutionalization, conceptualization, sectoral implementation) an Action Plan should be adopted in a relatively short time frame, for the successful development of this process and to avoid eventual impediments in implementation. Actions are planned to be accomplished in a staged way:

- a) stage I – first 12 months, during which it is planned to elaborate and adopt tangible actions that will ensure the efficient progress of the decentralization process to attain the objectives outlined in the present Strategy;
- b) stage II- years 2012-2015, when the implementation of the agreed actions will lead to the achievement of the objectives outlined by the Working Groups for decentralization.

During the first stage, measures will be undertaken to strengthen the potential and administrative capacity of LPAs to manage in a coordinated way the competencies received, as well as to integrate and coordinate development programs of TAU which are focused on (resolving the) problems faced in improving the quality of the services provided.

To this end, measures will be undertaken to train specialists in various development fields, as well as to train and develop experts in administration, research and innovation. The international experience in the field will be studied and exchanges will be initiated. Also, besides studies already undertaken, other scientific and statistical studies will be conducted, according to the needs arising in the process of implementation, assessment and monitoring of the Strategy, as well as according to the requirements to justify legislative changes.

During the second stage, the efforts will be directed mainly towards the achievement of the proposed objectives, to adjust the current local standards to those established by the specific central authorities, according to the local conditions and according to the requirements of the services which are assigned to the local authorities. At this stage, the transfer of competences (to be decentralized) from CPA to LPA will take place, as the main actions will be directed towards the implementation of strategies aimed to increase the quality and the number of services provided by the first and second level LPA, while improving the quality of human resources.

This stage will be divided into periods, in order to carry out the planned measures according to the stages of allocation of financial means, correlated with the objectives of the existing medium-term budgetary framework. This will allow monitoring the completion of tasks as related to the allocation of funds and, if necessary, initiating the adjustments. The transfer of financial resources will be done at the same time as the transfer of competences.

Taking into account the fact that decentralization is not a simple process that can be fully implemented within strictly defined deadlines, 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 the CPA, and their reforming trends, the Strategy envisages, for the period after stage II, the monitoring and evaluation of competences and decentralized services, in order to allow submission of proposals for their adjustment to set the already set standards of a quality. In this respect, decentralization will make progress in line with the enlargement of the LPA's range of competences.

In order to sensitize and inform the public opinion about the goals, domains and intended impact of decentralization, a Communication Strategy and a related Action Plan will be elaborated. The communication campaign will go in line with the decentralization process, therefore the Action Plan of the Communication Strategy, their activities and information means will be described and staged as precisely as possible, to allow the messengers to speak before the fact and using a universally accessible language about the changes which will happen in the decentralization process. The communication and information campaign will be implemented continuously, encompassing three major campaigns:

- 1) **Intensive awareness raising campaign**, which means informing the target groups about the Strategy and its benefits;
- 2) **Supporting campaign**, which is a continuation of the above communication and information campaign and will amplify its effect, while keeping alive the interest for decentralization;

- 3) **Pot-implementation campaign** (2015 and beyond), with the goal to present the implementation results and keep up a constant interest regarding the ongoing challenges and their resolution or the effects that decentralization generates in time.

The action plan will be staged according to the three types of campaigns described above and will have the following vectors: communication objectives, activities for each objectives, description of each activity, communication means, communication tools, deadlines, institutions or people in charge, costs, performance indicators.

Expected results, risks and progress indicators

Using coordination mechanisms for the monitoring and management processes, and allocating adequate financial resources, the following results will be obtained after the implementation of this Strategy:

- a) a system to allocate competences between CPA and LPA of first and second level, which is functional, transparent (defined roles and specific functions, including means to exercise them), and stable, will be created;
- b) the resources will be correlated with the administrative capacity of TAUs, so that public services are provided freely, efficiently (reduced costs) and effectively, ensuring a minimum level of quality, as defined by the CPA;
- c) a system of local public finances will be created, which will ensure financial autonomy of LPAs of both levels, while maintaining fiscal discipline, maximizing efficiency and ensuring equity in resource allocation;
- d) the public property of TAUs will be clearly separated from the state property, while determining the legal status of each separate movable/immovable real asset residing on the territory of TAU;
- e) TAU property will be clearly separated by domain (private or public use). The method to shift public property from one domain to the other will be defined and a mechanism for transferring property from LPAs of first level to LPAs of second level, as well as from LPAs of both levels to the state and vice-versa (including the property of municipal companies) will be established;

- f) mechanisms for complex, efficient, effective and accountable management of the public property will be provided;
- g) the territorial-administrative structure will consist of TAUs with administrative capacity that favors local autonomy;
- h) the provision of public services by the LPA will be performed according to the needs and requirements of the beneficiaries, while elected authorities of the LPAs operate democratically and autonomously, including from a gender perspective;
- i) a legal and institutional system will be established, which will ensure full functional autonomy of the LPA and will provide effective tools to ensure the accountability of the LPA towards inhabitants, facilitate the participation of citizens in the decision-making processes, diminish and subsequently stop corruption, guarantee equity, and fight against discrimination;
- j) a legal and institutional system to manage human resources of the LPA will be developed, ensuring full authority of LPAs over their executive branch. The depoliticizing of the LPA, the transparent and non-discriminatory recruitment of local civil servants, genuine motivation, and job stability will ensure the improvement of local civil servants skills by the end of stage II;
- k) mechanisms to ensure local sustainable development will be created and implemented;
- l) the organization and management of local public services will be modernized, by supporting integrated investment programs and improvement of the conditions for local economic development.

The management of the reform and the implementation process are critical factors for the decentralization process.

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

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

The quality of a change strategy is based largely on the quality of prior analysis. However, it often happens that in the public sector, the diagnostic phases are done very quickly, and the solution is sometimes chosen before the thorough identification and analysis of the problem. This approach often leads to a focus on solving the symptoms, but not on the removal of causes or of the underlying problems. Thus, to remedy the phenomenon identified above, the Strategy proposes to carry out studies and undertake pilot projects before making the decision to implement.

Part 4.

ASSESSMENT OF FINANCIAL AND NON-FINANCIAL IMPACT

The overall impact of the measures anticipated by the Strategy will be assessed by analyzing the main economic impacts on the national and local budgets, by estimating the necessary financial resources to be used from their account and from other legal sources.

Moreover, the major impact of the proposed decentralization policies will be much broader exceeding the field of financial impact, because there will be not only economic costs, but also benefits arising for the society from the decentralization process, including through service provision of good quality for the people, and the accessibility of those services for the vulnerable groups.

The overall objective of the impact assessment, based on a rigorous monitoring, is the *periodic evaluation of the measures which lead to the achievement of the proposed objectives of this Strategy and the accomplishment of the expected results, as a result of the planned activities and means/resources.*

The evaluations will be used as initial inputs for improving the implementation performance, as examples for the elaboration and planning of further activities or to continue planned activities.

Each evaluation should determine precisely the level of achievement of clear objectives and of primary stated purposes. The assessment of progress in implementation of the strategic plans will offer the decision makers reliable information at each intervention stage, pointing to development directions for the activities undertaken, which can reveal positive or negative aspects. In addition, impact analyses regarding gender equality and human rights will be carried out, which are aimed at an early identification and prevention of a potential negative impact on certain social groups.

The assessment has the following **major purposes**:

- a) To systematize the experience in order to improve both planning and results;
- b) To measure the changes, be they positive or negative, determined by the implementation of the activities planned or initiated during determined periods;
- c) To provide the opportunity to ascertain in a transparent manner the activities undertaken.

The final assessment of the implementation of activities has as purpose to *determine the degree of accomplishment of the objectives and of the tasks, in order to achieve the efficiency of the expected results. The synthesis and analysis* of the information regarding the implementation process, aimed to increase the impact of the results achieved, will serve as a basis for future strategic approaches.

The analyses and assessments will be based on the principle that all the interested parties are encouraged to provide accurate and transparent information.

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

The periodic and final assessments will be presented for synthesis to the State Chancellery, which is responsible for the assessment of the overall impact on the actual situation, depending on the trends of the decentralization process and the monitoring of the relevant indicators.

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

Financial Costs

The financial costs, from an impact assessment perspective, related to the implementation of the decisions and planned actions, will be estimated and provided in the action plans for the implementation of the current Strategy for the period 2011-2015, and the following years.

The financing sources and amounts for the planned activities are determined in correlation with the policy documents of the respective field for a given period, and include financing from the State budget, the budgets of local public authorities, external assistance and other legal sources in the Medium Term Budget Framework.

For certain actions it is possible to estimate precisely the needed amount of financial resources, right at the stage of proposal submission. In other cases, financial costs are approximate estimations, being elaborated at the stage of activity planning, when the precise assessment of the financing amounts was not possible for objective reasons.

On a case by case basis, when it is imperative to implement measures that do not have financial coverage, additional funding sources will be identified, including by requesting the support of foreign partners.

Part 5.

THE INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION, MONITORING AND ASSESSMENT

The Institutional Framework for implementation, monitoring and assessment includes the institutions in charge of implementing the present Strategy, as well as the procedures and mechanisms for monitoring, evaluation, and the timing of reporting.

The institutions involved in the implementation, monitoring and assessment process are:

- a) The Parliament of the Republic of Moldova;
- b) The Government of the Republic of Moldova through the Parity Commission for decentralization and the State Chancellery;
- c) The Central public authorities;
- d) The Local public authorities;
- e) The representatives of the civil society, of the scientific and academic milieu, and the development partners.

The Parliament will examine the legislative framework in force and will approve laws needed to implement the process of decentralization and to strengthen local autonomy; it will exert parliamentary control over the implementation of the present Strategy, the degree of

compliance with and implementation of current legal provisions regarding the process of decentralization and strengthening of local autonomy.

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

The Parity Commission for decentralization has the mission to monitor and promote the decentralization process, according to the Law in force. The Parity Commission has created Working Groups on Decentralization, in order to ensure in the long run an institutional framework for dialogue between the CPA and LPA, the civil society, the scientific and academic milieu, the development partners; and to substantiate in a participatory and consensual manner the strategic decisions regarding the continuation of the decentralization process.

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

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

The Division for decentralization policies from the State Chancellery will work in close cooperation with the authorities of the CPA, which manages the domains susceptible to be decentralized, especially with the Ministry of Finance, the LPAs and their representative associations, the representatives of civil society, those of the scientific and academic milieu, the private sector, and the partners for development etc.

The Institutional Framework used for the implementation and monitoring process of the Strategy consists of the Working Groups for decentralization, created by the Parity Commission, and which present the advantage of their democratic and participatory structure.

To accomplish its mission, the General Division for decentralization policies and local administration of the State Chancellery will elaborate, within a reasonable time after the approval of the present Strategy, the following documents:

- a) The methodology and the necessary data base to determine the result and progress indicators of the Strategy, the format of working reports (for information, monitoring and assessment);
- b) The working procedures with the Ministry of Finance, ministries and authorities of CPA with responsibilities in the implementation of the Strategy;
- c) The annual work programme on the implementation, monitoring and assessment process of the present Strategy;

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

- a) supervision, according to the established responsibilities, of the implementation of measures contained in the Action Plan regarding the implementation of the Strategy, through the development of an early warning system of the involved central authorities, taking into account the planned actions and their deadlines.
- b) verification and preliminary approval of the Sectoral Decentralization Strategies and of the legislation necessary for their implementation, in order to ensure their consistency with the provisions of the present Strategy;
- c) drafting of progress reports regarding the implementation of measures included in the Action Plan. The 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 the implementation. The progress reports will be presented to the Parity Commission and the Government;
- d) annual drafting of the consolidated report on development of the LPA system and evolution of the decentralization process, to be submitted to the Parity Commission, Government, and Parliament by the General Division for decentralization policies and local administration;
- e) annual review of the Action Plan for the implementation of the Strategy, in order to adjust it according to the results and progress achieved in implementing the measures, and the changes of context. The process of updating of the Action Plan will be done in correlation with the implementation stages of the Strategy and the provision of the budget law, acquiring Governmental approval for the updated version for next year.

The General Division for decentralization policies and local administration 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 which provide the mandatory

administrative control of the acts issued/adopted by the LPA authorities, and coordinate the activity of the deconcentrated public services in the territory.

Given that, in a decentralized setting, the Government shares, to a certain extent, the burden of managing public affairs with the local communities, the decentralized system foresees the replacement of the hierarchical power, specific for the centralized systems, with the mandatory administrative, legality, and opportunity control, as well as the coordination of deconcentrated public services in the territory ; for which purpose the activity of the territorial offices of the State Chancellery is relevant.

In the central public administration authorities and in the ministries especially, the implementation, monitoring and assessment of the Strategy will be coordinated by the Divisions for analysis, monitoring and assessment of policies or by other subdivisions which are designated by order of the head of the respective authority.

The LPA authorities, representing the main beneficiaries of the Strategy, will be involved in the specific implementations of measures and actions, and will be consulted at all the stages of the drafting, modification and approval process of policy documents and normative acts, including through their legally registered representative associations (CALM).

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

The interim and final implementation assessments are important elements for the efficient enactment of public policies, particularly in cases of very complex documents as the present Strategy is. Thus, to ensure a complete objectivity of the assessment process, its completion may be entrusted, on a case by case basis, to independent institutions and experts.

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

Implementation of the Strategy – Pilot Projects

After the approval of the present Strategy and the Action Plan regarding its implementation, the State Chancellery, together with CPA authorities that manage the domains susceptible to be decentralized, will be able to start vast decentralization processes, as well to initiate in certain domains, implementation of pilot projects.

The Parity Commission for decentralization will examine the initiatives of the State Chancellery regarding implementation of pilot-projects in fields that are subject to decentralization and after prior notification of and consultation with LPA authorities, will approve the list of TAUs of both levels where those projects may be carried out.

The Parity Commission will select from the proposed list TAU of first and second level 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 elaborate pilot projects in order to be submitted to the LPA authorities.

The 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 Evaluation of the Strategy

Monitoring of the implementation of the present Strategy will start with its launch, in order to identify in due time possible mistakes and gaps in the progress of the planned actions.

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

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

The full coordination of the process to monitor and assess the implementation results of the Strategy, as well as proposals for necessary adjustments, will be made by the Parity Commission for decentralization.

The State Chancellery will fulfill the role of inter-sectoral coordinator of the implementation and monitoring process of the Strategy. Monitoring will be based on a set of relevant indicators that will reflect both direct outputs of the process and its outcomes/impact. The set of indicators will be proposed by the General Division for decentralization policies and local administration, discussed with all interested factors and adopted by the Parity Commission for decentralization.

As monitoring and assessment provides information in order to deliver outputs and achieve outcomes in domains susceptible of decentralization, the following institutions and organizations will be the data providers, according to current regulations: the National Bureau of Statistics; Ministry of Economy, Ministry of Labor, Social Protection and Family; Ministry of Technology and Communications; Ministry of Health; Ministry of Education; Ministry of Internal Affairs; Ministry of Environment; Ministry of Regional Development and Construction; Ministry of Agriculture and Food Industry; Ministry of Transport and Road Infrastructure; Ministry of Culture; Ministry of Youth and Sports; LPA authorities, etc.

To monitor the stated outcomes, a set of indicators will be used to assess progress in reaching the main tasks in decentralization, consolidation of capacities of LPA authorities, quality of public services, applying human rights (according to annex 2), gender equality (according to annex 3) principles, and the concept of vulnerability (according to annex 4).

The Action Plan for the implementation of the Strategy will constitute one of the most important aspects of the LPA reform process, as it incorporates all components, with specific objectives, the envisaged measures, their deadlines and institutions in charge of the implementation.

The proposed plan includes measures to be implemented during 2012-2015 and is flexible, allowing changes according to circumstances and possible challenges in the reform implementation process.

The general monitoring and assessment system will be developed in a consistent manner, being aligned with the process of reporting on accomplishment of the National Development Strategy and the Program of the Government. The reporting elements for the present Strategy will be developed in line with the evolution of the national monitoring and evaluation system.

to the National Decentralization Strategy

The Set Of Criteria To Distinguish Own Responsibilities From Other Types Of Responsibilities

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

- a) How to distinguish the competences that can be decentralized from those that cannot be decentralized?;
- b) What are the functional differences between the decentralized and deconcentrated competences?;
- c) What 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 the beneficiaries?;

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

Among the competences that can be decentralized there are a series of heterogeneous responsibilities with different characteristics. In order to separate those that can be decentralized from the others, one can use the following set of criteria:

- 1) Are there local needs and/or preferences specific to a certain community concerning the amount, quality and access to a certain public service? (YES – the service can be decentralized/NO – the service cannot be decentralized);
- 2) Is the existence of the national and general 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 different zones/communities? (NO – the service can be decentralized/YES – the service cannot be decentralized);
- 4) Does the public service provision produce positive effects on the national or local level? (Positive local effects – the service can be decentralized/Positive national effects – the service cannot be decentralized);

- 5) What is the geographical area of the 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) Is there 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 refers to identifying the differences between the decentralized, delegated and deconcentrated competences.

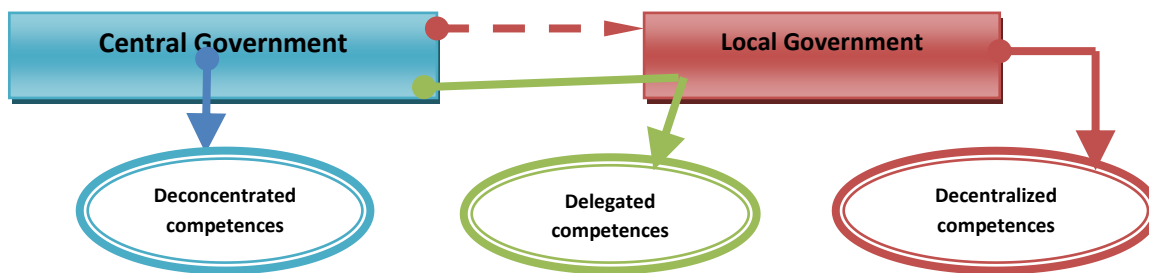
Decentralized competences are the responsibilities transferred to the local governments, to the elected and autonomous public authorities that possess democratic legitimacy for providing public services in accordance with the specific/local needs and preferences of the beneficiaries within a framework regulated by the central government. In this case, the local public authorities enjoy autonomy in managing and performing these competences – the central public authorities cannot use direct management and decision-making tools, but only *indirect tools*: develop specific public policies, and mandatory quality standards; provide incentives and penalties (particularly financial), monitor and, control, enforce the law and perform assessments.

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

Delegated competences are similar to the deconcentrated ones, having two significant differences:

- They cannot refer to monitoring, control or law enforcement activities, thus they refer only to service provision to the beneficiaries;
- Due to obvious reasons, they cannot be provided by the territorial structures of the central government, thus the local government acts as an *agent* of the central government (without autonomy).

The main differences between the three types of competences



One element is highly important in deciding to provide a competence (and the corresponding public services) in one way or another: the beneficiary, with his/her needs and preferences, has to be in the centre of the system (client-orientation). From the point of view of the beneficiary, the administrative level that provides the public services is less important; the most important thing is that the services are accessible, of good quality and cost less. The new technologies have dramatically changed the way the public service are being provided, leaving free space for imagining new combinations and arrangements between the deconcentration, delegation and decentralization of public services. 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) in order 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 competences performing modalities and that also provide a description of various specific functions:

- Who develops the public policies pertaining to a particular competence
- How are the public policies being implemented
- Who is directly responsible for exercising a competence
- Who is responsible for the management of a public service corresponding to a specific competence
- Who provides the services related to a particular competence
- Who funds the competence and how: operational expenditures/capital expenditures
- Who owns the property necessary to exercise a competence
- Who ensures monitoring, control and law enforcement and how

Given the above mentioned criteria, from the local government perspective, there are the following types of competences:

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

- 1) It lays the leading role in the development of public policies (strategic decisions) pertaining to that competence;
 - 2) It is responsible for exercising the competence;
 - 3) It is responsible for managing the competence provision;
 - 4) It may produce services related to a specific competence or it may delegate (contract out) that function to an external provider (public or private entity, or NGO);
 - 5) The funding of the competence is covered from the general revenues (unconditional, over which the LPA has full decision-making autonomy), so that the local government (mayor and local council, or raion president and raion council) may establish its own financial allocations in accordance with its priorities;
 - 6) It plays the main role in monitoring and controlling service provision related to a specific competence.
- B) The local public administration enjoys a limited level of autonomy – intermediary/shared/limited competences, which refers to the following:
- 1) It plays a secondary role in the development of public policies (strategic decisions) related to the respective competence;
 - 2) It is responsible for exercising a clearly defined part (component) of the competence;
 - 3) It is responsible only for managing the provision of some parts (components) of the competence that were transferred to the local government;
 - 4) It may provide services pertaining to the parts of the competence that were transferred to it, or it may delegate them (contract out) to an external provider (public or private entity, or NGO);
 - 5) The funding of the competence is usually made from the conditional revenues (over which the LPA has limited decision-making autonomy), so that the local authority (mayor and local council, or raion president and raion council) may establish its own financial allocations according to their priorities related only to the respective competence, and between the specific related tasks (components) of the competence for which they bear responsibility;
 - 6) It plays a secondary role in monitoring and controlling the service provision pertaining to the corresponding competence.
- C) The local public administration does not enjoy any kind of autonomy – delegated competences – which refers to the fact that the local government:
- 1) Does not play any role in the development of public policies (strategic decisions) specific related to these competences;

- 2) Is not responsible for exercising these competences;
- 3) Is strictly responsible for managing the provision of services pertaining to these competences;
- 4) Cannot delegate the provision of services related to these competence;
- 5) The funding for these competences is covered from the conditional revenues (over which the LPA has limited decision-making autonomy), so that the local authority (mayor and local council, or the raion president and raion council) cannot establish its own financial allocations in accordance with its priorities;
- 6) Does not play a role in monitoring and controlling the provision of the services pertaining to these competences.

However, a few clarifications should be made. The competences that usually belong to the local governments, generally refer to the services related to property/housing (including the quality of housing) of the beneficiaries, such as communal services (water supply and sanitation, public transportation, waste management, heat and hot water supply, parks and green areas management, street maintenance, public lighting, and others) or related to them (urban and territory development and planning, local economic development).

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

- They can be easily divided into distinct components/parts depending on how they are exercised, thus 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/for the entire society;
- There are specific local preferences and needs for the services specific to these competences that are clearly expressed by the beneficiaries;
- The components of these competences are decentralized by levels of central and local governments as mandatory functions.

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

Supporting the idea of creating a chart of competences of the first and second level local government based on the criteria described and principles listed in chapter 2 of this Strategy, it

is necessary to develop a comprehensive chart of local government competences. This will form the basis of assessing the financial needs for their implementation and will put into order and structure the current legislation.

In order to develop a chart of 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 the Republic of Moldova from the Central and Eastern European region, as well as of the relevant international practices in the field – the specific provisions of the European Charter of Local Self-Government.

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

- a) Communal services;
- b) Public services of national importance that can be efficiently provided as decentralised services, like: preschool education, primary and secondary education, social assistance, and eventually primary medical assistance;
- c) Urban and territory planning;
- d) Local economic development;
- e) Public utilities – district heating;
- f) Other public services that can be decentralised given the specific conditions of the Republic of Moldova.

In order to ensure the implementation of the above-mentioned chart, it is necessary to revise the current institutional/legal system of competence allocation to the local governments according to the principles listed in this Strategy, the set of criteria and the chart of local governments' competences. This activity is particularly complex and involves the analysis and revision of a significant amount of regulatory acts. Firstly, it is recommended to stipulate in one law the competences of the local public administration (included in the chart) and to remove all confusing and contradictory provisions in this area from the current legislation. Secondly, it will be necessary to analyse the intermediary/shared/limited or delegated competences that are already decentralized to the local governments according to the criteria listed in this Strategy, as well as the current situation and the transfer of competences correspond to the principles and criteria of the National Decentralization Strategy. As a consequence, the legislation will have to be amended accordingly. It is preferable to have one law that would include all intermediary/shared/limited and delegated competences transferred to the local governments, even if it will be amended over time. It is necessary to avoid the transfer of competences through laws regulating other issues, as an auxiliary provision of these laws.

Annex 2

to the National Decentralization Strategy

The Conceptual Note on Human Rights Based Approach in The Decentralization Policies

The decentralization process in the Republic of Moldova is 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, increasing involvement of women in political, social and economic life – all these elements coming together under the methodology called Human Rights Based Approach (HRBA) (Gender mainstreaming and women's empowerment are the subject of a separate Annex). 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.

The Decentralization Strategy includes four human rights-based principles: Participation, Non-discrimination, Transparency and Accountability. As outcomes, besides other objectives, the decentralization process in the Republic of Moldova seeks human rights promotion for people and communities, social inclusion for vulnerable or marginalized groups, and aims to ensure, in development processes, equality of opportunities and dignity for all.

Human Rights Empowerment

Decentralization in the Republic of Moldova also seeks to ensure that people have the freedom, capacity, and resources 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 ensure their real and full capacity to influence local, regional and national authorities' decisions, and participation in policymaking and implementation.

Participation

Participation is both a means and a goal in itself, and it is an important element when implementing human rights in a country, ensuring that people are able to have an impact on their own situation and that the democratic values are guaranteed. The decentralization in the Republic of Moldova is carried out using various means of securing public (citizens) participation, including surveys, consultation with the civil society or focus groups, and local and national authorities' engagement in regular communication with the public-at-large.

Non-discrimination

Non-discrimination is among the core elements 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 these opportunities are provided 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 special measures, where relevant, to ensure the inclusion of vulnerable and marginalized persons and groups. Decentralization is an opportunity for the Republic of Moldova in terms of the long-term success of the policies for the social inclusion of the vulnerable groups.

Transparency

Transparency is a legal requirement under the Republic of Moldova law, and is the key for democratic governance. The decentralization reform aims to strengthen processes for informing about political decisions, making budgets allocations and actual expenditures public, informing the public on specific programs and where to access them (particularly in the social and inclusion areas), where to access information, or how to submit formal complaints, notifications, and applications.

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 the decision-making capacity of local government, heightening democratic and individual accountability. The reform also aims to increase legal tools for the public to challenge decisions, seek assistance, and claim fundamental rights at all levels.

Monitoring and Evaluation

The Government will monitor the developments in the decentralization process, and will regularly make public the reports and information regarding the progress of the 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, (Law no. 295 of 21 December 2007 on the approval of the National Development Strategy for 2008-2011). There are a number of concrete outcomes expected as result of applying HRBA in decentralization and local governance:

- Strengthened state of law in the Republic of Moldova;
- Increased efficiency and accessibility of service delivery to all citizens, and particularly to the vulnerable groups;
- A decreased level of corruption;

- The state, the local authorities in its all and every activity will become more transparent and accountable, as well as able to ensure non-discrimination and public participation;
- Economic development processes will contribute to social inclusion; local authorities will have and will implement active and efficient policies on reduction of social exclusion;
- Effective capacity building of the vulnerable groups to openly promote their interests and to have full access to public services delivered by local governments;
- Increased public participation 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 public information and passing it through to the citizens, as well as becoming stronger in monitoring and evaluation of political decisions implementation;
- The public will be better able to use information and to hold decision-makers accountable.

The Conceptual Note on Gender Equality Mainstreaming in the Decentralization Policies

The Millennium Declaration and the 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 public 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.

The aspiration of the Republic of Moldova to integrate in 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 rights stipulated in laws, public policies, and budget decisions etc. The decentralization reform of the Republic of Moldova can be an effective means to close these gaps 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 decided that the promotion of the gender equality is an important element in the decentralization reform, acknowledging that democracy, good governance, equality between men and women and respect to human rights are primary outcomes to be achieved by this reform.

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 a 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” (Agreed Conclusions of the UN Economic and Social Council from 1997).

In the context of Decentralization Reform, gender mainstreaming involves ensuring that gender perspectives and attention to the goal of equality between women and men are one of the pillars of all 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 support financially various local services. The gender analysis helps to examine the differences in women's and men's lives, including those which lead to social and economic inequality 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 will improve gender-sensitive policy planning and implementation, and promote equality between women and men.

Another crucial instrument for promoting gender sensitive public policies is **gender-responsive budgeting** (GRB), which is a type of planning, programming and budgeting that contributes to the advancement of gender equality and the fulfillment of women's rights. This kind of budgeting leads to identifying and promoting needed interventions for women's rights and equality between women and men. In the context of Decentralization in the Republic of Moldova, applying gender-responsive budgeting refers to the analysis of the impact of actual public authorities' expenditure and revenue on women and girls as compared to men and boys. This kind of budgeting neither requires separate budgets for women, nor does it aim to solely increase spending on women-specific programmes. Instead, gender-responsible budgeting helps the central and local public authorities decide how policies need to be adjusted, and where resources need to be reallocated to reduce gender inequalities. The gender disaggregated statistics is the key for gender-responsive budgeting and, as result, needs improved data collection and analysis at the local level.

Women's empowerment

It concerns women gaining power and control over their own lives. This approach involves awareness-raising, building self-confidence, expansion of opportunities, increased access to and control over resources and actions to transform the structures and institutions which reinforce and perpetuate gender discrimination and inequality.

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 quotas (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), 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 and interests 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 and interests 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, and other criteria;
- Empowerment of the women in general and women subject to discrimination in particular to participate in decision-making and promote their specific needs and interests, improved access to public services;
- Increased commitment and capacity of the central government and LPAs to conduct gender responsive policy planning process to eliminate any forms of gender discrimination;
- Alignment 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 capacity of the women's groups and persons specialized in gender equality to participate in the implementation of the decentralization reform.

The Conceptual Note on Vulnerability

There are different approaches to characterize and name vulnerable groups, excluded groups, and discriminated groups. Vulnerability is not a commonly accepted concept. The concept interlinks with the notion of social exclusion, poverty, discrimination, and marginalization. Social exclusion is the result of an interplay of some determining factors. Social exclusion represents the effect of a series of 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. Based on the arguments presented 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) rurality 7) gender, 8) occupation. Empirical data and research show the availability of 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) older people, b) large households, c) children;
2. Age (subject of exclusion from participation, stigma, and unemployment): a) older people, b) young people;
3. Disability (subject of exclusion, stigma, inadequate participation): a) persons with mental disability, b) children with disability, c) older persons 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 schooling age, b) active part of the population;
7. Gender (stigma, employment, level of income): a) women, b) victims of trafficking, domestic violence;

8. Occupation (inadequate access to markets): a) agricultural entrepreneurs, b) young specialists.

Conclusions and recommendations of the specialized UN, CoE and ODIHR/OSCE bodies on this issue:

- *Weak mechanisms for institutional support.* Inadequate functioning, incapacity to respond and thus inability 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 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.* 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) Accountability/transparency: governmental policies elaboration process and regional authorities' decisions shall encompass the component of the Vulnerable Groups impact analysis (or more generically Human Rights Impact Analysis); central authorities' decisions affecting local communities are subject to impact on vulnerability;
- 2) Accountability/transparency: the decisions of local authorities are subject to publication and availability for review by the interested parties and vulnerable groups, including designing and redesigning of territorial borders related to the use and exploitation of assets and resources;
- 3) Decentralization of a certain percent of the educational (and linguistic) curricula content (up to 30%), to both levels of LPAs, in the context of a unitary and integrated system of funding for pre-university education;
- 4) Increased access of LPAs to Central government grants and subsidies to create local community centers serving the needs of the vulnerable groups;

- 5) Allowing first level LPAs to establish centers for family doctors and medical centers financed totally or partially by the National Health Insurance Company (NHIC);
- 6) Applying improved disaggregated data by multiple vulnerability parameters/dimensions: territory, ethnicity, age, sex, disabilities and others, in the decentralization policy formulation, implementation, monitoring and evaluation. Data on various vulnerable groups may be 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 shall be developed accordingly.

THE ACTION PLAN

for implementing the National Decentralization Strategy 2012-2015

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
Objective I. The reform process will result in a system of allocation of competences between the CPA and LPA of both levels characterized by functionality, clarity (precisely defined roles and functions, including implementation mechanisms), stability, correlation with the available resources and with the administrative capacity of local governments, so as the public services could be provided in an unrestricted manner (improved access), efficiently (low costs), effectively (according to the needs and requirements of the beneficiaries), and ensuring a minimum quality level.						
Result: Identification, establishment and allocation of own competences of LPA of first and second level, adequate financial resources, and efficient delivery of quality services to the population. Trained civil servants. Institutional and legal system (legal framework) revised and improved.						
1.1.	Develop the chart of competences of the first and second level LPAs	1.1.1. Detailed examination of the national and international legal framework and specific practices in the field.	Versions of the chart proposed for consultations	Quarter II 2012	The State Chancellery	The budget of the targeted institution / sources allocated by development partners
		1.1.2. Elaborate the chart of competences	Chart elaborated	Quarter III 2012	The State Chancellery	The budget of the targeted institution / resources allocated by development partners
		1.1.3. Disseminate and consult the chart with the stakeholders, LPAs and their representative associations, including the approval of the consulted version	Chart approved by normative act	Quarter IV 2012	The State Chancellery, LPA, representative associations of LPAs	The budget of the targeted institution / resources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
1.2.	Assessment of necessary/available financial resources necessary for efficient and effective exercise of the allocated competences to LPA – assessment of the total LPA expenditures based on the allocated competences	1.2.1. Elaborate the needs/ availability assessment document of financial resources for exercising the competences allocated to LPAs	Proposals developed	Quarter II 2013	Ministry of Finance, The State Chancellery	The budget of the targeted institution / resources allocated by development partners
		1.2.2. Elaborate the assessment document of the total expenditures of local governments based on the allocated competences	Proposals developed	Quarter III 2013	Ministry of Finance, The State Chancellery	The budget of the targeted institution / resources allocated by development partners
1.3.	Revision of the present institutional/legal system of delegating competences to LPAs according to the principles and criteria stipulated in the National Decentralization Strategy	1.3.1. Analyze and revise the laws and regulations in force	Study developed and adopted	2012	The State Chancellery	The budget of the targeted institution / resources allocated by development partners
		1.3.2. Eliminate confusing and contradictory legislative provisions and include all competences of first and second level local governments (included in the chart) in a single normative act	Action Plan for implementing of the proposed modifications adopted. The number of proposals for legislative amendments. Draft Law	2013		
1.4.	Create institutional, legal and financial instruments to stimulate an efficient provision of public services related to	1.4.1. Draft public policy proposals regarding the efficient delivery of public services	Public policy document adopted	2012	Ministry of Finance, The State Chancellery	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
	the decentralized competences (associations, concession, contracting out)	1.4.2. Develop a draft law on public service delivery	Draft law adopted	2012-2013	The State Chancellery, LPA, representative organizations of LPAs	The budget of the targeted institution / sources allocated by development partners
1.5.	Ensuring by the Government the development of sectoral decentralization policy documents based on the principles and criteria stipulated in the present Strategy, and taking into account the types and the special autonomy status, as per the conditions of an organic law (special legal status of Gagauzia)	1.5.1. Establish sectoral working groups responsible for developing sectoral policy documents	Method of establishing the working groups. Activity Plans of the working groups	Quarter II 2012	Ministry of Economy, Ministry of LSPF, Ministry of Health, Ministry of Environment, Ministry of Internal Affairs, Ministry of Regional Development and Construction, Ministry of Information Technology and Communication	The budget of the targeted institution / sources allocated by development partners
		1.5.2. Carry out comprehensive studies that will support the development of the sectoral strategies	Comprehensive sectoral studies developed	2012		The budget of the targeted institution / sources allocated by development partners
		1.5.3. Develop sectoral decentralization policy documents	Sectoral decentralization strategies developed	2012-2014		The budget of the targeted institution / sources allocated by development partners
1.6.	Institutional and professional capacity building at the central public administration level, in particular the State Chancellery, regarding implementation of the principles and criteria for a decentralization reform that is effective,	1.6.1 Elaborate the Action Plan	Action Plan adopted	2012	The State Chancellery, , representative associations of LPAs	The budget of the targeted institution / sources allocated by development partners
		1.6.2 Training of civil servants	Number of civil servants who have completed training programs	2012	The State Chancellery, LPA, representative associations of LPAs, Academy	The budget of the targeted institution / sources allocated by development partners

[illegible]

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
2.1	Strengthening the local own revenue base and the related decision making autonomy	2.1.1 Revise the current taxes and fees system such as the ensuing revenues follow the function (responsibility) by level of authority (CPA, LPA first level, LPA second level)	The new Law on Local Public Finance adopted Increase own revenue share in the total local budget	Quarter I, 2013	Ministry of Finance/ the State Chancellery, representatives of LPA	The budget of the targeted institution / sources allocated by development partners
		2.1.2. Revise the current local revenue system to reduce over-regulation by the central government of the local revenue management	Identification of over-regulated sources of revenue and proposals of legislative amendments	Quarter IV, 2012	Ministry of Finance, representatives of LPAs	The budget of the targeted institution / sources allocated by development partners
		2.1.3. Identify and introduce new local revenue sources, through taxes and fees stipulated in the national legislation	At least 2-3 new significant sources of revenue identified	2012	Ministry of Finance, representatives of LPAs	The budget of the targeted institution / sources allocated by development partners
		2.1.4. Identify possibilities to allow LPA of first and second level the freedom to introduce new local taxes and fees, or piggyback to on existing taxes	At least 2-3 sources of revenue over which local decision-making authority increases	2013	Ministry of Finance, representatives of LPA	The budget of the targeted institution / sources allocated by development partners
		2.1.5. Revise fiscal exemptions which affect the revenue collected from local taxes and fees, in order	Number of exemptions eliminated through normative acts. Increased revenue of local budgets	2013	Ministry of Finance, MLSPF, representatives of LPA	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		to reduce or eliminate those exemptions. Identification of possibilities to allow the beneficiary of the revenue to decide on the exemption itself				
2.2	Reforming the system of transfers and shared taxes, establishing it on a basis of objectivity and predictability, separating the budgets of the first and second levels of LPA, to ensure a minimum level of services, provided that the system does not discourage the own fiscal effort and the rational use of resources	2.2.1. Revise the current system of allocations and collection of shared taxes	Minimum / maximum ratio of the indicator (Own revenue + share of IS) / inhabitant will decrease for the same administrative level	Quarter IV, 2012	Ministry of Finance/	The budget of the targeted institution / sources allocated by development partners
		2.2.2. Revise the system of income tax sharing in order to enshrine in the law fixed shares for CPA, LPA of first level, and LPA of second level	Index of local autonomy (Own revenue + share of IS) / total budget increases	Quarter IV, 2012	Ministry of Finance, representatives of LPA	The budget of the targeted institution / sources allocated by development partners
		2.2.3. Design and implement a stable equalization system (pool, formula), as a general purpose transfer, independent (separated) from conditional transfers and which will encourage own fiscal effort	Formula adopted and applied systematically, including for the I level LPAs	2012	Ministry of Finance, representatives of LPA	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		2.2.4. Separate (independence) of equalization transfers for LPA of first and second level (direct allocation by levels of LPA)	Direct allocation of equalization transfers to LPA of first level	2012	Ministry of Finance, representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		2.2.5. Design and implement a system of conditional transfers for the main delegated and shared social functions (education, health, social assistance, culture, etc) which will ensure a minimum, equitable level of service provision	Direct allocation of conditional transfers through per capita mechanisms	2012	Ministry of Finance, Ministry of Education, MLSPF, Ministry of Culture, representatives of LPAs, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		2.2.6. Design and implement a grant system for investments, based on competition, and which will encourage local co-financing.	Functional project competition procedures implemented by an independent board. High level of co-financing of investment projects from own sources	2012	Ministry of Finance, sectoral ministries, representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		2.2.7. Create financial mechanisms to stimulate and encourage inter-municipal cooperation and territorial consolidation	Mechanism developed; Normative acts modified; Number of new cooperation agreements concluded. (possibly: the number of municipal mergers, taking into	2013	Ministry of Finance, the State Chancellery, representatives of LPA, representative	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
			account the principle of local autonomy)		organizations of LPA	
		2.2.8. Improve the borrowing system of LPA	Ensured access of LPAs to the capital market	2013	Ministry of Finance	The budget of the targeted institution / sources allocated by development partners
		2.2.9. Strengthen the capacity of the Ministry of Finance to monitor, evaluate and develop public policies regarding local government financial system and inter-governmental fiscal relations	Number and quality of annual reports	2013	Ministry of Finance	The budget of the targeted institution / sources allocated by development partners
2.3	Strengthening the autonomy and financial management of LPAs, ensuring financial discipline, increasing transparency and public participation	2.3.1. Revision of the budgetary procedures for consolidation of local autonomy of both LPA levels to design and implement budgets, within the limits of the law	Finalized assessment, proposed amendments	2012	Ministry of Finance/ representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		2.3.2. Create a permanent platform for communication and negotiation between CPA and LPA in the field of local public finance, including gender-equality issues	Normative acts discussed by the Parity Commission, throughout the year	2013	The State Chancellery, representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		2.3.3. Increase accountability and transparency by introducing and improving internal and external audit for LPA	Number of audit reports published	2014	Ministry of Finance, representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		2.3.4. Improve effectiveness and efficiency of the public procurement process at the local level	Decrease of average award period for contracts tendered locally	Quarter IV 2012	Ministry of Finance, representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		2.3.5. Strengthen LPA financial management, including introducing performance budgeting and multi-annual budgeting, with increased public transparency and accountability	Model for online publication of budget execution reports. The model of performance budget developed and published. Implementation training for a group of pilot LPAs	2013	Ministry of Finance, the State Chancellery, representatives of LPA, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
Objective III. Finalizing the separation process of state and local government property, of assets from the public and private domain (including municipal enterprises) and ensuring the mechanisms for complete, efficient and accountable management of public property						
Result: State public property identified, complete transfer to the local government of the property that is not of national interest or whose management by the central government is inefficient. The regulatory framework of property management developed and approved.						
3.1	Develop legal tools to separate state property from TAU property	3.1.1. Revise and modify of the current legal framework regarding the separation of the state and LPAs property	Number of normative acts approved/amended	Quarter III 2012	The State Chancellery, representatives of CPA	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		3.1.2. Develop and approve legal tools to separate state and local government property	Normative acts approved; Share (in percentage) of the separated state and local governments' property	2012	The State Chancellery, Ministry of Economy, Agency for Land Registration and Cadastre, Ministry of Regional Development and Construction, "Moldsilva" Agency, Ministry of Environment, Ministry of Transportation and Road Infrastructure, Ministry of Agriculture and Food Industry	The budget of the targeted institution / sources allocated by development partners
		3.1.3. Develop and approve legal tools to separate assets from public and private domain for state and local governments	Normative acts approved; Share (in percentage) of the clearly separated state and local governments' property (public and private domain)	2012	The State Chancellery, Ministry of Economy, Agency for Land Registration and Cadastre, Ministry of Regional Development and	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
					Construction, "Moldsilva" Agency, Ministry of Environment, Ministry of Transportation and Road Infrastructure, Ministry of Agriculture and Food Industry	
3.2	Identification and registration of state and TAU property	3.2.1. Identify and separate the assets belonging to the state and local governments' public property	Number of acts confirming and establishing boundaries. Number of decisions of local councils regarding assignments of assets	2012	Agency for Land Registration and Cadastre, representatives of LPA, Ministry of Economy	The budget of the targeted institution / sources allocated by development partners
		3.2.2. Asses the state and local governments' public property	Share (in percentage) of assessed assets	2012-2014	Agency for Land Registration and Cadastre, representatives of LPA, Ministry of Economy, Ministry of Finance	The budget of the targeted institution / sources allocated by development partners
		3.2.3. Develop cadastral documents	Cadastral documents developed	2014	Ministry of Economy, Ministry of Finance,	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		3.2.4 Develop standards for registering the state and local governments' public property	Standards of registration developed	2012	Agency for Land Registration and Cadastre, representatives of LPA, other specialized structures	The budget of the targeted institution / sources allocated by development partners
		3.2.5. Develop the study on methods to optimize the real estate registration procedures and costs	The percentage of cost reduction for registering real estate	Quarter III 2012	Ministry of Finance, Agency for Land Registration and Cadastre, representatives of LPA of both levels, other specialized institutions	The budget of the targeted institution / sources allocated by development partners
3.3	Complete the separation process of the state and TAU property	3.3.1. Register the assets belonging to the state and local governments public property	Share (in percentage) of registered real estate	2012-2014	Representatives of Central public authorities and LPA, Agency for Land Registration and Cadastre, both levels LPA, Ministry of Economy	The budget of the targeted institution / sources allocated by development partners
		3.3.2. Complete the real estate registry database	Database accessible to interested decision-makers	2012-2014	Agency for Land Registration and Cadastre, Ministry of Economy	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
3.4	Clarify the legal status and separate state and TAU property, of public and private use	3.4.1. Establish the legal status of assets in the public domain	Share (in percentage) of real estate from the public domain which have a clear legal status	2012-2014	Agency for Land Registration and Cadastre, Ministry of Economy, Representatives of CPA and LPA	The budget of the targeted institution / sources allocated by development partners
		3.4.2. Establish the legal status of assets in the private domain	Share (in percentage) of real estate from the private domain which have a clear legal status	2012-2014	Agency for Land Registration and Cadastre, Ministry of Economy, Representatives of CPA and LPA, representative associations of LPA	The budget of the targeted institution / sources allocated by development partners
3.5	Build LPA capacity for asset management, by developing and conducting training courses on effective management of (real) assets	3.5.1. Elaborate and implement training courses for elected and appointed LPA officials on efficient management of public property	Number of beneficiaries completing the courses	2012-2014	Representatives of CPA and LPA, representative associations of LPA	The budget of the targeted institution / sources allocated by development partners
3.6.	Develop mechanisms for cooperation (public-	3.6.1. Develop and approve public-private,	Amount of financing for public-private projects,	2013	Representatives of CPA and	The budget of the targeted institution / sources allocated by

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
	private, public-public, public -public-private partnership) for efficient management of (real) assets	public-public-private cooperation mechanisms	public-public-private projects; Number of established partnerships		LPA, representative associations of LPA	development partners

Objective IV. To create and implement means to ensure sustainable local development; and the modernization of the structure and management of local public services, so that capacities are available to support integrated capital investment programs and improvement of local economic development conditions.

Result: Effective mechanisms to support and stimulate local development. LPA with adequate capacity to support local development of communities

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
4.1	Improving the legal framework to grant the LPA tools and capacity in order to boost the local development process, through various means including modern types and methods of territorial cooperation	4.1.1. Revise and modify the legal and normative frameworks	Number of legislative and regulatory provisions modified	Quarter IV 2012	the State Chancellery, Ministry of Economy, Ministry of Finance, Ministry of Regional Development and Constructions, Agency for Land Registration and Cadastre	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		4.1.2. Elaborate and approve mechanisms for the implementation of the legal framework	Number of normative acts with approved implementation mechanisms Number of institutions involved in the development of the implementation mechanisms	2012-2013	the State Chancellery, Ministry of Economy, Ministry of Finance, Agency for Land Registration and Cadastre	The budget of the targeted institution / sources allocated by development partners
		4.1.3. Elaborate a study on opportunities to use modern concepts and forms of territorial cooperation (growth poles, metropolitan areas, inter-municipal cooperation, micro regions)	Study which will present the opportunities to use concepts and forms of territorial cooperation	Quarter III 2012	the State Chancellery in partnership with development partners, Representatives of LPA, representative associations of LPA	The budget of the targeted institution / sources allocated by development partners
		4.1.4. Legal definition and adoption of concepts: growth poles, metropolitan area, inter-cooperation, micro regions	Drafts of normative acts	Quarter IV 2012	Ministry of Economy, Ministry of Regional Development and Constructions the State Chancellery	The budget of the targeted institution / sources allocated by development partners
		4.1.5. Elaborate a study on opportunities to award special status as growth pole, metropolitan area, municipium to the major cities in Moldova	Study which will present opportunities for the award of the growth pole /metropolitan area/municipium status to the major cities in Moldova such as	2012	The State Chancellery in partnership with development partners, Representatives of LPA,	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
4.2	Creating and developing institutional capacity to bring in financial resources for the development, implementation, monitoring and evaluation of the general urban plans and local development strategies	such as Hincesti, Ungheni, Orhei, Cahul, Edinet, Soroca, Floresti, Causeni, Drochia etc.	Hincesti, Ungheni Orhei, Cahul, Edinet, Soroca, Floresti Causeni Drochia etc.	2012-2013	representative associations of LPAs	The budget of the targeted institution / sources allocated by development partners
		4.2.1 Elaborate and implement training courses for LPA staff on development, implementation, monitoring and evaluation of general urban plans and local development strategies, writing projects and attracting external investment funding	Course developed, including for distance education. Number of beneficiaries who completed the course		the State Chancellery, Ministry of Regional Development and Constructions, Academy of Public Administration, Office of the President of the Republic of Moldova	
		4.2.2 Identify and implement consulting schemes for design, implementation, monitoring and evaluation of general urban plans and development strategies, project proposal writing and bringing in foreign investment funding	Consulting schemes developed. Number of beneficiaries of consultancy. Number of evaluated documents	2012-2013	the State Chancellery, Ministry of Regional Development and Constructions, Academy of Public Administration, Office of the President of the Republic of Moldova	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		4.2.3 Support LPAs to promote cooperation in Euro-regions and other regional international structures	Developed technical assistance schemes. Number of beneficiaries who received support	2012-2015	the State Chancellery, Ministry of Regional Development and Constructions, Academy of Public Administration, Office of the President of the Republic of Moldova, representative associations of LPAs, NGOs	The budget of the targeted institution / sources allocated by development partners
4.3	Develop/update general urban plans and strategies for local development, including gender equality and human rights based approach	4.3.1. Finalize and approve National Spatial Plan	National Spatial Plan finalized and approved	2013	Ministry of Regional Development and Constructions, Academy of Science of Moldova	The budget of the targeted institution / sources allocated by development partners
		4.3.2. Develop and update regional spatial plans	Regional spatial plans developed / updated	2012-2013	Ministry of Regional Development and Constructions, second level LPAs	The budget of the targeted institution / sources allocated by development partners
		4.3.3. Develop and update spatial plans	Over 50 percent of local spatial plans developed	2013-2014	LPA on both levels	The budget of the targeted institution / sources allocated by development partners
		4.3.4. Creation of a	Unique National	2012-2013	Agency for	The budget of the targeted

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		Unique National Geographic Information System	Geographic Information System developed. Number of users of database		Land Relation and Cadastre, Ministry of Information, Technology and Communication, Central public authorities, representatives of LPA	institution / sources allocated by development partners
4.4	Develop LPA capacity to sustain cross-border cooperation	4.4.1. Create tools and a legal framework enabling LPAs to develop cross-border cooperation	Number of normative acts with implementation mechanisms approved.	2012	Ministry of Regional Development and Constructions, the State Chancellery, representative organizations of LPA	The budget of the targeted institution / sources allocated by development partners
		4.4.2. Granting support to LPAs to promote cooperation within the Euro-regions and regional international structures	The number of cross-border projects implemented by LPA. The volume of external funding received through European programs to support cross-border cooperation	2012-2015	the State Chancellery, Ministry of Regional Development and Constructions, Academy of Public Administration, Office of the President of the Republic of Moldova, representative organizations of	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
					LPA	
Objective V. Increase the administrative capacity of local governments, reduce of fragmentation and rationalize the administrative-territorial structure, which will favor local autonomy, efficient delivery of public services, observing the desires and needs of beneficiaries under democratic and autonomous functioning of elected local public administration authorities.						
5.1.	Examine the opportunities to rationalize the territorial administrative structures, based on studies regarding the consolidation of the capacity of TAUs, according to the criteria and principles laid out in this Strategy	5.1.1. Elaborate a study on consolidation of capacity of TAU according to the criteria and principles laid out in the present Strategy, which will provide models of consolidation and rationalization of the administrative-territorial structure (territorial and administrative consolidation, stimulation of inter-municipal cooperation)	Study and recommendations developed	2012	The State Chancellery	The budget of the targeted institution / sources allocated by development partners
		5.1.2. Development of policy proposals based on the above study, detailing a limited number of alternatives to increase capacity	Policy proposal developed	Quarter IV 2012	The State Chancellery, representatives of LPA, representative associations of local public administration	The budget of the targeted institution / sources allocated by development partners
5.2.	Consult the members of local communities, including the vulnerable groups, regarding the options for consolidation of	5.2.1. Organization of public consultations with stakeholders on the need to optimize the administrative-territorial structure	Number of public consultations	Quarter IV 2012	The State Chancellery, representative associations of local public administration	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
5.3.	capacity of TAUs and inter-municipal cooperation					
	Create the enabling conditions to implement the options for consolidation of capacity of TAU and inter-municipal cooperation	5.2.2. Assess of the results of public consultation and present them to the Parity Commission for Decentralization	Administrative-territorial consolidation options identified.	2013	The State Chancellery, representative associations of local public administration	The budget of the targeted institution / sources allocated by development partners
		5.3.1. Development and approval of methodology for evaluation of the capacity of LPA of first and the second level	Methodology assessing capacities of LPA approved	Quarter IV2012	The State Chancellery, representatives of LPA, representative organizations of local public administration	The budget of the targeted institution / sources allocated by development partners
		5.3.2. Developing roadmaps on administrative-territorial optimization for (one of) the accepted alternatives	Roadmaps approved	2014	The State Chancellery, representative associations of local public administration	The budget of the targeted institution / sources allocated by development partners
		5.3.3. Facilitation and implementation of inter-municipal cooperation for public service provision	Implementation of 40 inter-municipal cooperation projects	2012-2015	The State Chancellery, representatives of LPA, representative associations of local public	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
		5.3.4. Developing an adequate legal framework for the consolidated or cooperating structures	Adequate legal framework adopted	2012-2013	The State Chancellery, representatives of LPA, representative associations of local public administration	The budget of the targeted institution / sources allocated by development partners

Objective VI. To develop an institutional and legal system of human resource management at the local level which will guarantee transparent and non-discriminatory recruitment, effective motivation, career stability, minimization of political influence, and will contribute directly to the improvement of personal and professional skills of local authorities' staff.

Result: Institutional and legal framework of human resource management of LPA approved and adjusted to local autonomy

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
6.1.	Improve the education system to ensure strengthening of professional competency of the human resources, for both civil servants and local elected officials, particularly in the fields of: participatory strategic planning; project management; modern budgetary and financial management; establishment and provision of communal and sectoral services, information technology,	6.1.1. Elaborate a policy document on professional development and continuous training of local elected and appointed officials	Public policy document developed and approved	2012	The State Chancellery, Academy of Public Administration, Office of the President of the Republic of Moldova	The budget of the targeted institution / sources allocated by development partners
		6.1.2. Elaborate and implement training modules for local elected and appointed officials in the context of decentralization process	Number of training modules developed and approved. Number of elected officials and civil servants trained	2012-2013	The State Chancellery with Academy of Public Administration, Office of the President of the Republic of Moldova in	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
6.2.	foreign languages, impact analysis from a gender and human rights standpoint, planning, implementation, monitoring and evaluation based on human rights and gender equality Ensure organizational autonomy both in terms of institutional structure, as well as personnel policy, preventing the interference of central authorities in local or district (raion) executive structure	6.2.1. Adjust the current legal and normative framework in the field of administrative structure, personnel policy, in order to ensure the full authority of the elected LPA over their executive	Number of legislative provisions and regulations amended	2012-2013	cooperation with associations of LPA The State Chancellery, Academy of Public Administration, Office of the President of the Republic of Moldova, representatives of LPA, associations of LPA	The budget of the targeted institution / sources allocated by development partners
6.3.	Develop the normative framework and human resource management practices to ensure open and non-discriminatory access through transparent competitive selection to public service, as well as the motivation, incentives, career stability, and promotion opportunities for public officials,	6.3.1. Examine alternatives on elaboration of local civil servants status, including equal opportunities for women and men	Normative framework on Status of local civil servants elaborated	Quarter IV2012	The State Chancellery in partnership with representatives of LPA, representative organizations of LPA and Academy of Public Administration, Office of the President of the	The budget of the targeted institution / sources allocated by development partners

[illegible]

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
7.1.	Improve the local electoral system to significantly increase its representativity, accountability and competency of the local elected officials	7.1.1. Elaborate a study that will present alternatives, methods and the impact of changing the legal framework, taking into account international experience	Study that will present alternatives on (i) removing any barriers for independent candidates, (ii) optimizing the number of local councilors of the first and second level LPA , (iii) identifying ways to increase the accountability of local elected officials in order to strengthen their link to voters / citizens, to make local councils more efficient and lower their operating costs, (iv) identifying ways to improve the representation of minorities and vulnerable groups in locally elected bodies	2012-2014	Central Election Commission, representatives of LPA, representative association of LPAs	The budget of the targeted institution / sources allocated by development partners
		7.1.2. Elaborate proposals to change legislation based on the previously conducted study, detailing specific alternatives to improve the system of elections at the local level	Number normative acts amended	2014	The State Chancellery in partnership with Central Election Commission, representatives of LPA, representative associations of LPA	The budget of the targeted institution / sources allocated by development partners
7.2.	Clarify the limits of the	7.2.1. Elaborate	Number of normative	2012	The State	The budget of the targeted

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
	central system for administrative and legal verification, as well as for the coordination of the de-concentrated services, while strictly protecting local autonomy	proposals to improve the administrative control of legality of local decision and coordination of deconcentrated services in the territory	acts amended		Chancellery in partnership with representatives of LPA, representative organizations of LPA	institution / sources allocated by development partners
		7.2.2. Elaborate and implement an action plan for the efficient and effective organization and coordination of deconcentrated services in the territory	Action plan, models of organization of decentralized services and guide for coordination of deconcentrated services adopted	2012	The State Chancellery, representatives of LPA, representative associations of LPA	The budget of the targeted institution / sources allocated by development partners
7.3.	Increase public participation in decision-making processes at the local level, including gender equality, and broaden the use of methods of universal consultation in order to strengthen democracy	7.3.1. Elaborate a study presenting options and methods to increase public participation in decision-making processes	Study clearly detailing a number of ways in which public participation in decisions concerning them will be encouraged, stimulated	2013	The State Chancellery in partnership with representatives of LPA, representative associations of LPAs, and NGOs	The budget of the targeted institution / sources allocated by development partners
		7.3.2. Drafting legislative proposals amending the legal framework in order to increase public participation in decision-making processes	Number of proposals for legislative changes. Action Plan adopted on implementation of proposed changes	2014	The State Chancellery in partnership with representatives of LPA, representative associations of LPAs, and NGOs	The budget of the targeted institution / sources allocated by development partners

No.	Activities	Actions	Performance Indicators	Period of implementation	Institution(s) in charge	Funding
7.4	Develop the Communication Strategy and its Action Plan, which will ensure maximum transparency of the implementation of this Strategy	7.4.1 Develop the Communication Strategy and Action Plan which will ensure maximum transparency of the implementation of the National Decentralization Strategy	Communication strategy and action plan developed and adopted	Quarter IV 2012	The State Chancellery in partnership with representatives of LPA, representative organizations of LPA and NGO	The budget of the targeted institution / sources allocated by development partners

The National Decentralization Strategy of the Republic of Moldova

Summary

What is Decentralization?

Decentralization is a permanent process of self-analysis and reform of a country, which aims to achieve an optimal allocation of responsibilities and resources between the central authority and the sub-national governments. As a consequence, decisions are taken by the level of authority closest to the citizen (subsidiarity) matching the mix and quality of services with the needs and preferences of the beneficiaries, while ensuring economic efficiency. Decentralization is not a goal in itself.

Decentralization, a priority of the Moldovan Government's Program

Local government reform (decentralization) is an integral part of the reform of the state. Having EU integration as an overarching goal, the Republic of Moldova needs to reform its public and local administrations. Local government reform is mandated and guided by Moldova's membership in the COE, and is included in the National Development Strategy and the current government's Programme.

Institutional framework and process

The Moldovan Government has established a permanent commission to guide and oversee the decentralization process. The Parity Commission (PC) brings together, on equal basis, representatives of the central and local governments. The PC works through thematic working groups. The working groups identify the problems, commission studies, and propose solutions and strategies for reform. Sectoral strategies are developed as well and line ministries are put in charge with facilitating them. The process is participatory and the strategy is approved after a public debate.

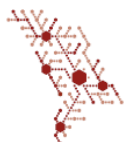
Principles

A set of principles were laid out as a basis to develop and implement the strategy, among them: human rights and gender equality, accountability, participation, transparency, non-discrimination. For proper allocation of responsibilities and authority were identified principles referring to the priority allocation of responsibilities and subsequent allocation of financial authority and revenues, municipal property and authority for capital investment – all in correlation and commensurate with the devolved responsibilities. Of prime importance remain the principles of subsidiarity, efficiency and equity, by which a right balance is found between the territorial area of service delivery, economies of scale and institutional and managerial capacity to carry out the allocated functions. Last but not least, the transparency and predictability of the fiscal transfer system.

Vision

The overall goal of the Decentralization strategy is to build autonomous and democratic local governments, which provide quality local services equitably –including the rights of persons from vulnerable groups- by managing efficiently their responsibilities.

These autonomous and democratic local governments will have adequate resources and capacity to provide local services according to the needs and demands of the beneficiaries. They will function effectively, efficiently, equitably – including the rights of persons from vulnerable groups- and following fiscal discipline.



Fields of action

Seven fields of action were determined and specific problems and ensuing objectives identified. A set of priority activities were devised and assembled into a comprehensive action plan.

1. Allocation of responsibilities

Problems: The assignment of responsibilities between the various levels of government is unclear and uncertain. Unfunded mandates have been assigned to local governments. Central government interferes unduly with rayon and local functions while rayon government interferes with local functions. Vulnerable groups have difficulties in accessing local services.

Specific objectives: The reform process will create a system to transfer responsibilities between central and sub-national governments which will be clear, functional and stable. It will correlate responsibilities with the available fiscal resources as well as the institutional capacity of local governments. As a consequence local services will be provided effectively and efficiently, with improved access, equitably, responding to the needs and demands of the population, including the vulnerable. Minimum standards of service should be provided.

Main activities and priorities: The process will start by creating a registry of functions and responsibilities of the subnational governments. Then the financial resources necessary to carry out the functions will be estimated. A clear system to allocate responsibilities will be devised and adopted by the government and a new allocation of responsibilities among levels of government proposed. An important step will be the elaboration of sectoral strategies for complex services where all levels of government have to be involved (education, social services, etc). A crucial importance presents the consolidation of the institutional and professional capacity of the State Chancellery to lead, implement and monitor the reform.

2. Fiscal Decentralization

Problems: Local authorities have limited fiscal autonomy and limited fiscal potential. Budgets of lower levels depend on higher levels of government (matryoshka). The transfer system is inefficient, unpredictable, not transparent and provide little incentive for fiscal responsibility.

Specific objectives: The current system of local finances will be improved to insure the fiscal and budgetary autonomy of local authorities, maximizing efficiency and equity in allocation of resources while maintain fiscal discipline.

Main activities and priorities: The process will start with a revision of the current system of taxes and fees with the aim of correlating the allocation of functions with the revenues, and increase the local own revenues. At the same time the transfer system will be revised to become transparent and predictable, stimulating local revenue raising and allowing local authorities to provide standard local services. An equitable equalization transfer system is envisaged. While the budgetary autonomy will be achieved, a system to improve the financial management will be put in place.



3. Decentralization of property

Problems: Identification and assignment of property across level of governments, as well as between public and private domains, is unclear and unfinished. Management of capital assets is inefficient.

Specific objectives: To finalize the process of identification and separation of local property from central government property, as well as identifying public property of public and private use. To put in place the normative and legal framework that will facilitate accountable, independent, effective and efficient property management.

Main activities and priorities: Draft laws will be developed to regulate separation of state vs local property, and public vs private use. An inventory of local property will be carried out and the property will be registered. A set of training programs will be developed and delivered to improve the knowledge and skills of local authorities to manage the local assets.

4. Local economic development, urban and regional planning

Problems: Local strategies and urban plans, as well as the national databases are incomplete, not up to date and not targeted, lacking disaggregated data on and by all strata of population. The institutional capacity and resources of local and regional governments are insufficient.

Specific objectives: To create and implement means to facilitate sustainable local development. The management of the local services will be enhanced to support integrated capital investment programs which improve local development.

Main activities and priorities: The activities cover three areas: improvement of the legal framework to stimulate local economic development; improvement of the institutional capacity of local governments to access development funds for implementation of urban plans and strategies; and elaboration or update of local and regional development strategies and urban plans.

5. Administrative capacity

Problems: The territorial administrative organization is excessively fragmented. Local governments have no fiscal or institutional capacity to perform services and achieve economies of scale. The majority of local governments have merely a representation function, rather than to provide services.

Specific objectives: As a result of the decentralization reform, cooperation between local and regional authorities will be stimulated, which will contribute to a more efficient public service provision at local level.

Main activities and priorities: presenting alternative models for efficient service provision and stimulating cooperation between local and regional public authorities (inter-municipal cooperation).



6. Institutional capacity

Problems: Central government imposed limitations as well as own poor management of human resources make local governments incapable to perform their functions.

Specific objectives: To develop an institutional and legal system of human resource management at the local level which will guarantee the full authority of the elected bodies over their appointed executives. The system should ensure as well transparent and effective non-discriminatory recruitment, motivation and stability of staff, as well as minimization of political influence. The system should ensure the improvement of professional skills and knowledge of local authorities' staff.

Main activities and priorities: The activities target firstly the increase in local autonomy with regard to the organizational structure and personnel policies (development of a legal and normative framework) as well as the improvement of human resources management, including through special affirmative measures for women and vulnerable groups. Secondly, the education and training system is targeted, by developing curricula in selected fields (participatory strategic planning, local government financial management, management of local services, etc)

7. Democracy, participation and ethics

Problems: Central government interferes excessively with local government affairs. The people are relatively passive when it comes to local affairs. Ethical norms (e.g. conflict of interest) are poorly implemented.

Specific objectives: To develop an institutional and legal system ensuring full functional autonomy of local governments and which will provide effective means for local accountability, participation of local population in decision making, diminishing corruption and guaranteeing equity and non-discrimination.

Main activities and priorities: Improvement of the electoral system to ensure broader representation as well as increase accountability and capacity of local leaders. A special attention is given to improve representation of women and vulnerable groups in local elected bodies.

Stages

The implementation of the Strategy is divided into two stages – a short term, immediate stage, until the end of 2012 and a medium term (2012-2015).

JILDП's role in the Decentralization process

UNDP and UN Women, with the financial support of SIDA, have been involved in local government development for a number of years in Moldova. The Joint Integrated Development Program (JILDП) assists the government to with the decentralization by supporting the activity of the Parity Commission, its working groups and the various governmental and non-governmental actors engaged in the process. JILDП provides studies and technical assistance. In addition, JILDП works with local governments to assist with local development strategies and their implementation, and supports community empowerment to ensure participatory and inclusive local development. This experience informs with practical examples the broader reform effort.



Descentralizarea Financiară

Sumar

Situația actuală: Autoritățile publice locale dispun atât de o bază fiscală insuficientă, cât și de o autonomie financiară limitată. Totodată, persistă dependența bugetară a fiecărui nivel al administrației publice față de nivelul imediat superior (sistemul tip 'matrioșca'). Sistemul existent de transferuri între APC și APL este inefficient, netransparent și, în esență, descurajează efortul fiscal propriu al autorităților publice locale (spre exemplu, APL care sporesc veniturile bugetare prin inițiative locale proprii pot fi puse în situația de a fi penalizate indirect prin reducerea sumelor de transfer de la bugetul de stat la bugetul local). Cu excepția mun. Chișinău și Bălți, autoritățile publice locale se află într-o dependență excesivă de transferurile de la bugetul de stat (circa 70% din bugetele locale), și ca urmare acestea nu pot decide și rezolva în mod independent multe dintre problemele locale. Majoritatea cheltuielilor bugetelor locale sunt direcționate în domeniul educației – circa 60% din total. Excluzând cheltuielile din domeniul educației, bugetul unei primării rurale tipice nu depășește 50 – 70 mii euro. Acest buget este consumat practic în totalitate de costurile administrative și plățile aferente protecției sociale.

Obiectiv principal: Perfecționarea actualului sistem de finanțe publice locale, astfel încât să se asigure autonomia financiară a APL, cu menținerea disciplinei financiare, maximizarea eficienței și asigurarea echității în alocarea resurselor.

Activități și priorități principale:

Procesul urmează să înceapă prin revizuirea sistemului existent de taxe și impozite, astfel încât sumele încasate să corespundă responsabilităților și să reducă suprareglementarea de la centru a administrării. De asemenea, urmează a fi modificat sistemul actual de transferuri interbugetare. Acesta urmează să devină mai transparent și predictibil, astfel încât să stimuleze inițiativa locală și să permită asigurarea unui nivel adecvat de servicii la nivel local. Este necesar de a stabili un sistem echitabil de echilibrare. Consolidarea autonomiei locale urmează a fi susținută prin mărirea responsabilizării atât prin introducerea unui management financiar mai performant (bugete de performanță și bugetare multianuală), cât și întărirea instrumentelor de control (audit intern și extern) și perfecționarea sistemului de achiziții publice la nivel local.

Schimbări de politici privind veniturile publice locale

Schimbări Generale

- Alocare directă a transferurilor (impozite partajate și transferuri de echilibrare) către autoritățile administrației publice locale de nivelul întâi și separat către nivelul doi.
- Volumul total a fondurilor transferate din partea APC către APL va rămâne practic la același nivel (păstrarea anvelopei financiare).
- Competențele delegate și partajate (prestațiile sociale și învățământul pre-universitar) vor fi finanțate de la bugetul de stat prin transferuri cu destinație specială.
- Competențele proprii vor fi finanțate din contul veniturilor proprii, veniturilor partajate și transferurilor de echilibrare. APL vor beneficia de o autonomie deplină în alocarea acestor resurse în conformitate cu prioritățile locale.
- Se va crea un Fond de Compensare (de tranziție) pentru a acoperi diferențele dintre totalurile veniturilor locale acumulate în rezultatul implementării noului sistem și

volumul veniturilor din anul de referință (Transfer Temporar de Compensare). Acest fond va fi limitat la 1% din veniturile bugetului de stat.

Impozite Partajate

- Impozitul pe venit a persoanelor fizice (IVPF) va fi alocat parțial ca impozit partajat, partea nealocată (rămasă) fiind inclusă în Fondul de susținere financiară (FSF).
- Partajarea Impozitului pe venit a persoanelor fizice va fi reglementată prin lege pentru ambele nivele ale APL:
 - Mun. Chișinău 50% (în varianta nouă a legii) și Bălți - 45%,
 - Consiliul Raional – 25%
 - Orașele reședințe de raion – 20 %
 - Celelalte APL de nivelul I – 75%

Transferuri de Echilibrare

- Va fi stabilit Fondul de Susținere Financiară din care vor fi calculate și transferate către APL transferurile de echilibrare. Acest fond va fi constituit din IVPF nealocat sub formă de defalcări APL. Fondul de Susținere va fi alocat 45% la APL 1 și 55% către APL 2.
- Transferurile cu destinație generală, de echilibrare, vor fi alocate pe bază de formulă, distinctă pentru UAT de nivelul întâi și pentru cele de nivelul al doilea Nivelul I
- Estimarea necesarului de transfer de echilibrare pentru APL de nivelul întâi va fi făcută în funcție de capacitatea fiscală a localității – măsurată prin ponderea impozitului pe venit a persoanelor fizice din acea localitate (60% din transfer), populație (30%) și suprafață (10%)
- Transferul general pentru APL de nivelul al doilea (raion) se va calcula pe baza numărului populației (60%) și a suprafeței (40%) raionului.

Luând în considerație rolul Ministerului de Finanțe în gestionarea procesului, este necesară implementarea unui șir de activități care să sprijine promovarea reformei:

- Amendarea/o nouă redacție a Legii cu privire la finanțele publice locale.
- Evaluarea periodică a impactului noilor sisteme de venituri proprii și transferuri (inclusiv transferurile condiționate și de echilibrare; administrarea fiscală; granturile și împrumuturile; auditul intern și extern; achiziții publice.
- Un set de alte măsuri aferente descentralizării financiare urmează a fi abordate prin schimbări regulatorii. Strategiile sectoriale vor furniza clarificări și ghidări suplimentare în privința transferurilor condiționate, subvențiilor, reglementărilor tarifare.
- Ministerul Finanțelor, în calitate de lider al eforturilor de descentralizare, va necesita o subdiviziune puternică de asigurare a relațiilor interguvernamentale.
- Activități continue de conștientizare și consolidare a capacității APL de a implementa schimbările.