
Foreword



The 2003-2005 National Human Development Report (NHDR) for Romania is the eighth since 1995 and focuses on the issue of local governance and sustainable human development, a key theme related to the Millennium Development Goals (MDGs).

Much progress has been achieved by Romania since the transition began in 1989. After years of hardship, the reform process has eventually begun to show some tangible benefits for the people. At the same time, both the government and the society at large are facing new challenges. In 2005, after having signed the EU Accession Treaty, Romania finds itself at a critical juncture in its path towards EU accession in 2007. The complexity of many policy issues being confronted, the interconnections among different policy areas and the growing demands for more transparency and better government performance will put at test Romania's policymaking and implementation capacities. Therefore, from the United Nations Development Programme's perspective it seems timely and appropriate to focus on policy issues that are highly relevant for Romania's future development and its European integration, such as local governance.

Local governance is an important part of a more systemic governance reform, and represents a fundamental building block for improving public accountability. Moreover, local governance is a process that touches directly almost all aspects of daily life. The 2003-2005 NHDR focuses on the topic of local governance because it is a key factor of the overall human development situation in Romania.

The proposals presented in this NHDR do not pretend to offer a single, universally applicable recipe to Romania's challenges. Instead, the NHDR advances a set of policy guidelines that can help to position some key issues on the public agenda. The main message of the 2003-2005 NHDR for Romania is that local governance is central to human development. To exclude the needs of local governments, to ignore their problems and challenges and to disregard local people's aspirations would undermine Romania's long-term process of transformation.

This Report, its analysis and its conclusions should be seen as a first attempt to understand the complex relationship between local governance and human development. The 2003-2005 National Human Development Report for Romania proposes the conceptual and empirical framework, so that future reports continue to monitor and analyze the evolution of local governance in Romania.

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Executive Summary

The 2003-2005 National Human Development Report (NHDR) for Romania will be the eighth since 1995, and focuses on local governance and human development as a key theme of the Millennium Development Goals (MDGs). During the last decade, NHDRs in Romania have made strong policy recommendations both for national and international actions. The proposals, some emphasizing suggestions, some putting forward new approaches, have drawn both criticism and praise. But most importantly, they have helped to open policy debates to wider possibilities in an array of key development and transition issues.

In signing the European Charter of Local Self-Government in 1994 and ratifying it in 1998, Romania made a commitment to local governance and undertook some steps to encourage local self-government and to strengthen it. The government also publicly recognized the right of its citizens to take part in the management of public affairs. Over the past five years, the Romanian government adopted a series of specific measures to reform local public administration, which drew on the European Charter of Local Self-Government.

The map of local governance and human development in Romania is just beginning to take shape and there is not yet sufficient stock of knowledge of the local system of government. What is clear is that there is a need to understand how to encourage more local participation, to maximize the use of capacities and increase the levels of human development. Local governance, after all, is also a process. This is the primary reason why UNDP has decided to focus its 2003-2005 NHDR in the subject of local governance and human development.

Chapter 1: Human Development Profile of Romania -This Chapter analyzes the most recent state of human development in Romania by applying the yardsticks represented by human development indicators, including the HDI.

From 2003 to 2004 the human development profile of Romania has changed slightly. Its Human Development Index (HDI) has increased from 0.779 to 0.786. The 2004 HDI value of Romania is above the world HDI average. Similarly, when compared to other regions across the world the HDI value of Romania is above the average. However, Romania's HDI value is below the average HDI for Central and Eastern Europe (CEE) region and below the HDI average of the Organization for Economic Development and Cooperation (OECD) countries. During the last four years, the HDI for Romania has shown a steady increasing trend, although that trend has been slightly below the regional average.

Of the 15 countries from the CEE region only 9 can be classified as high human development countries. These countries are Slovenia, the Czech Republic, Estonia, Poland, Hungary, Lithuania, Slovakia, Croatia and Latvia. The other 6 countries, including Romania, can be classified as medium human development countries. If the 15 countries of CEE were ranked according to their 2004 HDI value, Romania would be ranked 14. Since 1999, the HDI for Romania has increased on average 0.009 per year. In the CEE region, nine countries have a higher HDI value than that of Romania (0.786). For example, Hungary (0.848), Croatia (0.830) and Bulgaria (0.796). While Hungary and Croatia have increased their HDI value at high rates during the last decade, the gains for other countries, including Romania have been at much slower and lower rates.

There seems to be some correlation between the HDI values and economic performance, as countries that performed relatively well economically have also improved possibilities to improve their human development profile. That is, countries that have been able to translate economic growth into GDP per capita growth, like Hungary and Turkey, can also show substantive human development progress. Conversely, countries that have had a slower and lower growth rates in economic growth and GDP per capita growth, like Bulgaria and Romania, have had more difficulties in showing progress in human development.

Since 2000 Romania has been showing consistent rates of economic growth and economic performance. However, there are still troubling signs in its overall human development profile, particularly in the area of unemployment and poverty rates. The current human development profile of Romania, confirms three chain reactions in the economic growth-human development cycle. First, that the dynamic and improved economic performance of the past four years has not yet spur faster and equitable human development progress. Second, that the slow progress in human development has not been sufficient to expand economic activity, much less income. And third, that economic growth has not been even across and within regions.

Two of the main concerns reflected in the MDG Report were growing disparities and inequality in Romanian society, and persistent poverty. Both are critical issues for human development. In as much as the available data shows the Romania shows patterns of inequality that are similar to regional averages and to other neighboring countries, there is concern that the lack of more disaggregated and comparative data may be hiding other more persistent adverse tendencies. In this 2003-2005 NHDR for Romania, a first attempt is made to show the eight regions under the prism of human development. Some interesting disparities can be observed. For example, as far as Life Expectancy at birth, four regions fair the same or better than the national average (North-East, South-West, Center and Bucharest), while four regions are slightly below the national average (South-East, South, West and North-West). As far as Adult Literacy rate only three regions are below the national average (South-East, South and South-West). There are more disparities among regions in relation to Gross Combined Enrolment. Only two regions have

rates that are above the national average (Bucharest and West) and one region (South-East) with a rate that is 10% below the national average.

In the GDP/per capita component of the HDI is where the issue of disparities becomes clearer. Only two regions have a GDP per capita that is higher than the national average (West and Bucharest). One region, Bucharest, has a GDP per capita rate that is twice as high as the national average. All other six regions have GDP per capita rates that are below the national average, with one of these having a rate that is more than one-third below that national average (North-East). Of all the HDI components, the GDP per capita component does play a major role in HDI value disparities among regions. Only one region, (Bucharest) has a HDI value above the national aggregate; all other 7 have HDI values below the national aggregate.

Chapter 2: Local Governance in Romania - This Chapter focuses on the evolution of local governance in Romania, including progress and setbacks in decentralization and other aspects of local governance.

More people in Romania are beginning recognizing that governance matters for human development. During the past decade, institutions, rules and political processes played a big role in Romania's economic recovery, in whether the benefits of this economic recovery were distributed equitably, whether poverty rates increased or decreased and whether disparities among regions, counties, municipalities and villages intensified or diminished. Thus, promoting human development is not just an economic, health and/or educational challenge: it is also an institutional and political challenge. Many of the persistent human development problems of Romania might be reflecting to a great extent failures of governance (although the link between human development and governance can be mutually reinforcing and might not be automatic). The governance challenge in Romania is evident in widespread perception of corruption, inefficient public services, centralized decision-making process and inconsistent legal and policy frameworks.

In Romania local governance has historic roots, but it has only recently gained new attention. During the last decade, particularly during the last five years, the Romanian government adopted a series of specific measures to reform local public administration and to strengthen local democratic governance. Romania revised its 1991 Constitution in 2003. The new text took a more liberal approach to minority languages, guaranteed an independent judiciary, and expanded certain provision for local governance. As recent as May 2004, the Ministry of Administration and Internal Affairs and its Central Unit for Public Administration Reform, were working hard to update the strategy of the Romanian government to accelerate public administration reform and territorial re-organization.

Overall, while many of the changes registered since 1991, but particularly since 1998, are positive developments in the right direction towards effective and vibrant model of local governance, they have not

been sufficient yet to alter the basic relationships and interaction modalities of institutions at the central and local levels. Moreover, not sufficient time has elapsed for the reforms to have an impact in cultural political behavior, both at the public official and civil society dimensions. While a move towards local governance in Romania has been progressive and gradual, many crucial modifications to the core of the system have not been implemented yet. Indeed, Romania's local administration reform, as is the case in other countries in the region, must go beyond partial changes of territorial or functional attributes and limited modernization. From the Romanian experience so far, several key critical issues to improve local governance can be identified. For example:

- Administrative capacity;
- Finding the right balance for discretionary power, in such a way that the responsiveness and effectiveness, through a legitimate judgment that takes into account regional, local and individual particularities, does not turn into arbitrary judgments, structured by personal values, interests or stereotypes, leading to systematic discrimination and, finally, to a lack of effectiveness in dealing with established objectives;
- Accountability mechanisms within local government;
- Another critical issue is lack of management skills among elected officials at the local level and administrative personnel;
- Lack of communication between public institutions, both horizontally and vertically, together with the ambiguous delineation of roles within and between organizations;
- The inadequacy of structures, poor correlation between responsibilities and resources (human, financial, physical) and insufficient transparency and delegation of responsibility;
- The lack of effective decentralization of public services and the ambiguous role of the state (at all levels) in the management of public services; and
- Fiscal decentralization and financial autonomy.

Chapter 3: The Different Dimension of Local & Regional Human Development in Romania - This Chapter analyzes the different dimensions of local human development in Romania, including disparities, poverty, emigration, rural development and social exclusion between and within regions and counties.

In order to better appreciate the human development impact of transition at the regional and local levels, this Chapter analysis human development in Romania at the sub-national level. Using the latest available data (quantitative and qualitative), the main human development changes that have occurred at the local level over the past 14 years are analyzed by focusing on variables such as the occupational structure and mobility, and social exclusion and integration. Moreover, an attempt is made to disaggregate human development indicators to analyze disparities at the region, county and village levels.

The changes that took place in the employment structure from 1991 to 2003, which is made of the different national economic activities, the type of ownership and the professional (employment) status, show both an employment structuring and restructuring process. During this period, the category of “employees” declined from 80% to 62%, both for urban and rural areas, although it is more pronounced in the rural area. Similarly, there has been an increase in the share of the self-employed. Again, this is more pronounced in the rural areas, where most people live in a kind of “subsistence economy”. Moreover, from 1991 to 2003 the owners share has increased 5 fold. However, their total share is still too low (about 1% in 2003) and their presence is concentrated mainly in urban areas. Besides, most of them (about 70%) are involved in trading activities and very few (5%) in industrial activities.

From the historical regional perspective, the structure of the employed population shows a direct correlation with HDI values analyzed and presented in Chapter 1. That is, Regions with the lowest levels of human development, such as Moldova, Muntenia and Oltenia, have also high employment rates in agricultural activities and low employment rates in the service sector. In contrast, areas with a higher HDI, like Bucharest and Transilvania, show a higher level of employment in tertiary and high-tech industries. Of course, the employed population in the service sector is larger in urban areas, where private sector is more developed.

About 42% of the Romanian active population of 1989 has changed occupation, place of work, or both (CURS survey 2003). Of course, this social mobility has had both positive and negative effects. Part of this population has experienced an ascendant social mobility, whereby they have acquired new skills and a higher social status (at least from the income point of view). The other part has faced a descending mobility, as reflected in the increase of the population involved in agriculture and the informal economy. To a large extent, this change has lowered their social status. An important segment of the population also faced changes related to unemployment, being laid-off and early retirement.

Romania’s socio-economic space has faced tremendous changes over the past 14 years, including demographic ones. According to CURS surveys nearly two-fifths (42%) of the economically active population of 1989 has experienced some form of social mobility (ascendant or descendent); more than one-fifth (24%) were affected, at least partially, by social marginalization and exclusion; and only 4% were actively involved in building Romania’s new market economy. Overall, only one-third (30%) of the economically active population of 1989 has not been affected by the wave of social and professional changes due to the transition process. This one-third was able to keep their occupation and place of work and retired at the normal age. The other 70% was forced to adapt to structural socio-economic changes (data for each change is graphically illustrated in the annex section of the report).

The impact of the socio-economic changes experienced at the national level in the areas of occupational mobility, social marginalization and active integration in the new economy, have also manifested at the sub-national levels. Occupational mobility has been higher in urban areas than rural areas, although the intensity in rural areas is still significant. This can be explained by the fact that rural areas received an important part of the laid-off labor force from industrial urban areas. Regional occupational mobility has also been higher in the Banat, Dobrogea and Bucharest regions and lower in the Moldova and Muntenia less urbanized regions. Change of work place occurred more often in Bucharest, Crisana-Maramures and Dobrogea than in Moldova, Muntenia, Oltenia and Banat. The most intensive changes in work place occurred in Bucharest, where opportunities are bound to be more numerous than in other regions.

When data from the last two censuses (1992 and 2002) are taken into account, one can observe important reconfiguration processes in rural human development life. For example:

- There is concentration of severe rural poverty in Moldavian counties (Botosani, Iasi and Vaslui);
- 11 of the 41 counties have become poorer, with the more visible decline registering in Galati and Neamt. In a decade, these counties declined from a “poor county” category to a “very poor” county category;
- There was a decline of poverty in other areas of the country. For example, Ialomitia, Teleorman and Giurgiu have all experienced increases of over 8% in their development index. Meanwhile, the counties that experienced the most progress are the following: Mehedinti, Valcea, Ialomitia, Maramures and Satu Mare; and
- There has been a decline in disparities, when one analyzes the number of counties situated in the middle of the development scale. They increased from 11 in 1992 to 15 in 2002. The four counties that in 1992 had the maximum degree of rural development, Sibiu, Brasov, Harghita and Ilfov, registered in 2002 a smaller distance from the national average.

The human development map at the regional, local and village levels not only shows concentration of low levels of human development in the eastern Moldavia area, but also that there may be other pockets of low levels of human development at the sub-county area spread throughout Romania. Pockets of low human development or enclaves of poverty are situated, in most cases, in the outlying areas of counties away from major road networks.

In Romania, villages that are far from county centers are often far away from modernized roads and big cities. In general, human development is strictly dependent on location (rural/urban), on access to opportunities offered by economic development poles, and on the availability of a road network. The poorest villages and those with lower

levels of human development are usually the ones isolated away from modernized roads and big urban centers and with an outlying status inside the communes they belong to. On the other hand, villages with higher levels of human development and potential for opportunities are the hillside villages, nearby major roads and big urban centers, which have a central status at communal level.

Chapter 4: Local Governance, Decentralization and Citizen Participation - This Chapter focuses on three key themes: democratic development in terms of expanding the spatial room for democracy; the level and quality of citizen participation; and decentralization as a way to bringing government closer to the people. It shows how decentralization, local democracy and citizen participation can improve and expand opportunities for people.

Citizen participation in local governance, a process through which citizens influence government decisions that affect their lives, is on the increase in many part of the world, including transition countries like Romania. Citizen participation can be pro-active, as when citizens interact directly with elected officials and their staffs to influence public policy. Participation can be more limited, as when citizens attend a public meeting to receive information on a new government program or when they vote in a local or national election. The most effective citizen-participation processes bring people together to learn, discuss and exchange information and opinions in order to build a consensus that can guide government decision-making.

Citizen participation at the local level in Romania is still limited, and is evolving. Nearly 50% of Romanians are not satisfied with the services offered by their local governments. A low level of satisfaction generally means that people's expectations are not being addressed. This raises several questions in related areas. For example, how much knowledge does the local administration have of what their constituencies want and/or need? Similarly, how much knowledge does the population have of the administration's capacity, limitations, concerns and choices? Although often the link is not directly visible, the simple fact that several voices of the community are heard and taken into account can increase the capacity of local governments to find viable solutions to problems. By voicing out their demands and expectations, local communities can ensure that their needs are on the agenda. Moreover, by acquiring knowledge about the decision-making process, the resources, and planning and management structures, citizens are more likely to understand the real dynamic of local governance, including opportunities and limitations.

Only 9% of the adult population in Romania has ever attended a Local Council meeting. Participation is higher in small rural communities than in urban areas. Although there does not seem to be high expectations from a large percentage of citizens to physically attend local council meetings, the fact that almost half of the Romanian population does not know that ordinary citizens are entitled to attend local council meetings is a matter of concern. The lack of knowledge of this basic right

contributes in part to the disconnection between elected officials and their constituencies. When people are not even aware of their basic right to participate, it is hard to expect them to participate and get involved in community decisions. Conversely, a problem exists when people are aware of their rights, and in spite of it, they still do not participate.

Another way to measure participation is to analyze elections. On 6 June 2004 voters in Romania cast ballots at more than 16,000 polling stations across the country to elect mayors and municipal counselors. Voter turnout hovered around 50% of registered voters for both the first and second round, reversing a 12-year trend of decreasing turnout. Nonetheless, turnout was not even across the 41 counties in Romania and Bucharest. Higher rates of participation were registered in counties like Alba and Mures in the Center, Caras-Severin in the West, Corj in the South-West and Constanta in the South East. Average rates of participation were registered in counties like Suceava and Vaslui in the North-East, Buzau and Vrancea in the South East and Bihor, Cluj in the North-West and Prahove in the South. Low rates were registered in nearly every region (including Bucharest) and in 30% of the counties such as Neamt in the North-East, Tulcea in the South-East, Dolj in the South-West, Satu-Mare in the North-West and Harghita in the Center.

Only 19% of the population has seen the budget being made public by the local authorities, before being submitted for adoption by the Local Council. Almost one third of the total population reported that the budget had not been made public before adoption and 49% were unable to say whether or not their budget had been publicized. Only one quarter of the urban population reported being aware that their budget had been made public for consultation before adoption, while only one in ten rural dwellers indicated they had knowledge of the budget prior of adoption. Moreover, 94% of respondents affirmed that not even journalists were given a chance to discuss the budget before adoption. An overwhelming number of respondents also affirmed that civil society organizations were not consulted during the process of preparing the budget. In contrast, 70% of the respondents to the survey recognized that a draft budget was made public before final approval and one-third recognized that public hearing were held to discuss the budget. These trends are relevant because they might be pointing to either a problem of lack of transparency on the part of local governments or lack of knowledge on the part of citizens on the budgetary process, or a combination of both.

Evidence from various countries in Central and Eastern Europe (including Romania) and elsewhere suggest that it is especially difficult to persuade state actors to behave more responsively, and to pursue political reforms that make policy processes more participatory and open, but not impossible. Concurrent with this, an emerging citizen voice, expressing itself through civil society organizations, is clamoring to be heard. In some instances, non-governmental organizations and civil society organizations are becoming as integral a part of the governance equation as are politicians and bureaucrats. Because development challenges, such as corruption, lack of transparency and widespread

poverty are so complex, design and implementation of public programs to address these problems benefits from citizen input. The trend toward local governance is compelling citizen participation and the development of new mechanisms for citizen consultation, dialogue and oversight of service delivery at the local level.

A newly emerging citizen's voice and social expressiveness is nurturing democratic governance. In some countries in Central and Eastern Europe, civil society has already become partners with politicians and bureaucrats in formulating government policy, because development issues are so complex. Donors should support these trends and provide the initial financing required to build capacity, both in local government and civil society. How to make these activities sustainable is the great challenge facing all stakeholders including the donor community. In as much as there is no blueprint to strengthen local governance, several key issues directed at civil society, national and local governments and donors have to be considered to design and implement an appropriate strategy.

Chapter 5: Building a Roadmap for Local Governance, Decentralization and Human Development in Romania - This Chapter brings all previous chapters together and on that basis attempts to put into perspective the issue of local governance and development and make recommendations that will serve as input to the current public administration reform agenda.

In spite of important political, economic and legal progress, local governance in Romania policy-makers have not yet fully considered the local dimension as a potential space for human development policy. The experience of Romania with local governance is still an ongoing process. While during the last 14 years several government initiatives in support of local governance have taken place and citizens are beginning to make meaningful contributions to local government decision-making, the current model remains very much centralized, or at best regionalized. As such, it is susceptible to national partisan pressures in the form of local lobbies, and the basis of relations between national and local government is mainly contingent to issues related to the EU accession process and the eight regional development units.

The question is not whether channels for central influence in regional and local human development should exist or not. The more strategic question is how to design and/or use these channels in order to avoid relegating local actors to the level of passive recipients of decisions, resources and visions. Beginning to integrate today the local governance space into the national policy scheme is not just important because it can enhance democratic development in Romania, but also because it may be more efficient in the long-run. As national policy-makers focus more and more on EU accession issues and economic policy, the government needs to have in place mechanisms to solve problems that are

manifesting themselves at the county and local scenes.

For many Romanians at the local and county level the national government appears to be quite removed and distant from the people, especially in the case of implementing policies, programs and policies. Local actors are beginning to show willingness and determination to solve their own problems locally, and yet, because the dominant centralist and hierarchical approach is still present in national-regional-local relations, local actors find themselves actively seeking help and answers from national authorities.

Local governance and public sector reform can be potential means to promote human development and reduce poverty, if they are at the core of a strategy that establishes clear priorities for public action. The core policies and institutions for expanding human development at the local level involve complementary actions to stimulate overall economic growth, make the economy work for poor people and build their assets. The 2003-2004 NHDR is arguing that a comprehensive development framework is necessary to sharpen the focus on major goals of regional and local development, to emphasize the necessary institutional processes required to promote and sustain regional and local development and to coordinate these efforts. To create this new framework, a political decision needs to be made in two key areas:

- First, it is necessary to foster explicitly a more systemic process of interactions and relations between central, regional and local actors in Romania, in such a way that vertical and horizontal mechanisms are used more efficiently; and
- Second, gradually, but consistently, promote a synergetic governance process for all relevant actors and stakeholders at all levels. The need to find catalytic agents at the local, regional and central levels and a new system of information flows would put the decisional trajectory within a strategic framework for more human development.

A policy agenda to strengthen local governance and human development in Romania must be strategic. The key ingredients are to set priorities and most appropriate sequencing of actions, to coordinate effectively and building consensus among national, regional and local actors. Currently in Romania there are opportunities and obstacles for human development. Designing and implementing strategic initiatives and policies at the local level, might be in the long-term a good governance and human development investment for Romania. The 2003-2005 NHDR focused on the topic of local governance because it is an integral part of the current overall human development situation in Romania. To exclude the needs of local governments, to ignore their problems and challenges and to disregard local people's aspirations may undermine Romania's long-term process of transformation.

National Human Development Reports in Romania (1996-2002)

Since 1995 the United Nations Development Programme (UNDP) in Romania has produced seven National Human Development Reports (NHDRs). Each of the seven reports was focused on analyzing key human development issues and providing some lessons and recommendations. These NHDR catalyzed constructive interaction and exchange between policy-makers and different non-governmental sectors of society, and also helped to highlight the human development facts available in Romania. By and large, the NHDRs have provided an alternative view of the transition process, advocating for economic growth and reform not as end of themselves, but as means to improve human development and expand and strengthen democratic governance. As such, these NHDRs have also increased awareness about human development concepts and issues and contributed to the building and strengthening of meaningful partnerships between donors, the government and civil society actors.

Altogether the first seven NHDRs for Romania have closely accompanied the most difficult phase of the transition process. As such, they have helped to highlight a variety of relevant issues and topics to better understand the evolution and the complexities of transition. For example, after the concept of human development was introduced in the 1995 NHDR, the 1996, 1997, 1998 and 1999 NHDRs focused on a variety of related issues such as the economic costs of the transition process; state-building and social integration; the social, political and economic conditions required to continue to strengthen democracy; the evolving role of civil society as new political, economic and social actors; the importance of efficient institutions and of their capacity to tackle human development challenges; and the growing poverty trends and disparities.

At the end of 1999, Romania received an invitation to start negotiations for European Union (EU) accession. This had been the most significant development for the country in the last decade, and since the transition to a market economy began in 1990. Thus at a time in which a policy-path was being set and implemented to ensure Romania's accession to the EU, it seemed fit and timely to analyze the possible implications for human development of that complex and multi-dimensional process. That was the main reason why the 2000 NHDR focused on the issue of EU accession and its human development implications. The theme of the 2001-2002 NHDR could not have been more appropriate to close the first series of NHDRs, as it focused in analyzing and understanding from a human development perspective the first decade of transition in Romania.

Collectively, the seven previous NHDRs not only captured the magnitude and the intensity of the changes and challenges being experienced in Romania at the institutional, social and policy levels, but they also became a means for people to voice their concerns, share their aspirations and put the transition experience into a new

Introduction: Local Governance for Human Development

perspective. The main lesson arising from the analysis presented in these seven NHDRs is that transition processes are complex, and need strategic management and the involvement of civil society actors. Since a transition is a multidimensional process involving political, social, and economic change, it requires strategic leadership from decision-makers and active participation from citizen groups.

During the last decade, the Romanian society has undergone five transition processes: 1) from a closed to an open society; 2) from a member-nation of one military pact (Warsaw Pact) to a member-nation of another military pact (North Atlantic Treaty Organization, NATO); 3) from an all-embracing state economy to a mixed economy, where public and private interests are now beginning to compete; 4) from a one-party based society to a pluralistic one; and 5) from a society tightly linked to the CARICOM to one pursuing accession to the European Union. All of these processes, currently ongoing, have generated phenomena of no less importance from a human development perspective. For example, the gradual disappearance of the mentality that the central State should always guarantee employment; the appearance of a culture of competitiveness; the gradual emergence of a renewed civic and ecological consciousness; and an increase in public awareness of international and European institutions and issues, such as NATO, European Union and the Organization for Economic Cooperation and Development (OECD), Islamic fundamentalism and global terrorism. During the last decade, the Romanian people also seem to have acquired a new sense of citizenship, and are gradually learning about the rights and obligations that are required when living under a more democratic system of government and are beginning to demand less centralized approaches to government-decision making and a move towards local self-government.

Much has happened in Romania since 1989. In more than a decade of transition Romania has made many strides towards creating an economic system that combines efficiency and sustained growth with equity and a system of governance based on pluralist and decentralized democracy. However, many challenges like poverty and regional disparities persist today. This suggests that making a transition, from a centrally-planned governance and economic system to a more democratic and market oriented model, is a lengthy and arduous process. Moreover, establishing such markets and legal and institutional mechanisms where they are absent, making them work better and ensuring that people have free and fair access, are all difficult tasks.

At the end of 2004 and beginning of 2005, with a newly elected government in place, Romania finds itself at a critical juncture, both in terms of opportunities and new challenges. The main challenge for Romania today is linking and promoting synergies between economic growth, governance and policies to improve people's lives at the national and sub-national levels. This approach not only would have an intrinsic value for people, but also would help to address the eight Millennium Development Goals (MDG) and 22 targets to which Romania has committed. Fulfilling the MDGs, requires a level of governance that implies strategic public action and strong institutions at the national and sub-national levels. It also means providing the enabling environment for the expansion of human development opportunities, and strengthening the conditions for governance beyond the national level.

The previous seven NHDRs, but in particular the 2000 and the 2001-2002, already highlighted many ways to make institutions and rules more effective for human development, including the promotion of transparency, participation, responsiveness, accountability, the rule of law and decentralization. Since 2000, there has been a steady progress in many human development indicators in Romania. However, poverty persists and is still widespread. Disparities among and within regions are sustaining themselves, and in some cases growing. Long-term unemployment rates remain high, particularly among young-urban professionals and rural areas. Moreover, the private sector has not fully benefited yet from economic growth and there is still many bureaucratic barriers preventing the evolution of Small Medium Enterprises (SMEs).

In 2005, Romania finds itself in a critical juncture in its path towards EU accession by 2007-2008. The complexity and inflexible nature of many policy issues being confronted, the interconnections among many of the policy areas and the growing demands for greater transparency of the interactions of the public sector and society will place an additional burden on the newly elected government of Traian Basescu. Therefore, from UNDP's perspective it seems timely and appropriate to initiate a new series of NHDRs, one that focuses more on future relevant policy issues or areas, such as local governance, to continue to promote a more effective link between governance and human development.

functioning institutions, which are able to effectively oversee the enforcement of the law and the practical adherence to protection principles for individual citizens' rights, is critical for guaranteeing the rule of law, human rights and personal security. Therefore, strengthening capacity with which the government can perform the tasks ahead more effectively and efficiently, will be a crucial challenge for Romania.

Moreover, during the last decade, people in Romania have grown more skeptical about their government's performance. Therefore, a big challenge for the newly elected government will be to regain legitimacy with the public. That means that Romania must find ways to strengthen its institutions of governance, to raise efficiency in public action, reduce levels of corruption, rationalize legal and administrative procedures and promote transparent and participatory decision-making processes. Similarly, there is a continued need to strengthen the administrative capacity to design, implement, monitor and evaluate policies. Complex and centralized bureaucratic procedures continue to frustrate citizens and the business community. Outdated recruitment and career management practices and the absence of a performance and results oriented culture reinforce each other and hinders a more efficient government. Lack of transparency and accountability further weakens the proper functioning of public administration institutions in Romania. In July 2004 the government unveiled a new strategy to reform public administration. As important as this initiative was, it will be more important to develop appropriate mechanisms to implement the programs of the strategy and monitor their implementation in ways that will enhance the performance, and therefore the legitimacy of the political system.

No notion of human development can be relevant and effective unless it addresses the issue of governance. In this complex context and juncture in which Romania finds itself, with internal and external factors affecting decisions and policies, it seems timely to explore and analyze the relationship, linkages and synergies between governance and human development at the sub-national level. For human development and governance to be fully responsive and representative, people and institutions must be empowered at every level of society national, provincial, district, city, town, and village. The ability of citizens to obtain information about government initiatives and policies and analyze and understand their impact on them is a fundamental element of democratic governance. So is the ability of the public to question government actions, and to have a say in the design of policies, laws, and regulations through means other than elections. These rights, which are important not only for human development but also for building trust between the state and civil society and in consolidating the national institutional system, are of particular relevance to Romania today. One key lesson arising from the experience of Romania during the last decade is that national and political institutions have not necessarily kept pace with emerging demands and needs at the sub-national levels. Therefore, laying the foundations for better governance at the sub-national level (region, county, municipality and village) in ways that further cultivate democracy, advance human development and expand human opportunities will have to be an integral part of strengthening governance in Romania in the years to come.

Local Governance for Human Development

Romania has achieved a level of stability in institutions guaranteeing democracy that meets the political criteria for EU accession. In spite of this important achievement, the governance experience of Romania reflects a common trend of many transition countries; namely the challenge of building capable democratic institutions, while at the same time managing the high social costs associated with economic reforms. The integrity of

Local governance is an important part of a more systemic governance reform, and therefore it represents a fundamental building block for a framework to improve public accountability. Moreover, local governance can be a process of intermediation that touches more directly almost all aspects of daily life. Through the synergy of formal institutions, policies, social organizations, values and outcomes of local governance, the predictability and fairness of decision-making processes can increase substantially. From UNDP's perspective, local governance involves empowering actors and institutions at the sub-national levels of society to ensure that people in these communities participate in, and benefit from, their own government institutions and services. These institutions should enable people, especially the poor and marginalized, to exercise their choices for human development.

Human development can be simply defined as a process that expands capabilities to enlarge choices for people. Choices such as to enjoy political freedom and to be able to participate in community life; to be knowledgeable educated and free to express oneself; to be able to survive and enjoy good health; and to enjoy a decent standard of living. Democratic governance at the national and sub-national levels can contribute to human development by creating sustaining and strengthening mechanisms for people to be able to enlarge their choices in life. Mechanisms such as, civil liberties and political freedom, open and informed social dialogue and public pressures and responsive action can enable people to expand their capabilities to enlarge their choices.

Box 1

The European Local Governance Approach

The European Chapter on Local Self-Government (1985), which Romania signed in 1994 and ratified it in 1998, emphasizes a number of significant elements, which constitute the basis for local governance and for decentralizing public tasks and financing them. Here are some of the most important elements:

- Local self-government infers the rights and the abilities of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population (Article 3/1).
- Public responsibilities shall generally be exercised, in preference, by those authorities, which are closer to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and the requirements of efficiency and economy (Article 4/3).
- Local authorities shall be entitled, within national economic policy to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (Article 9/1).

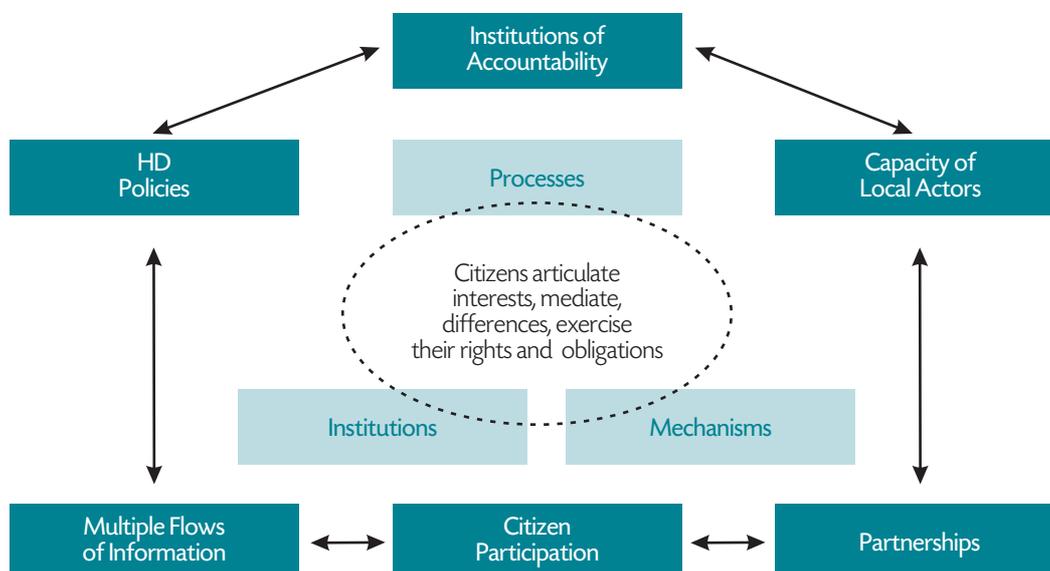
To summarize, decentralization of decision-making implies that, wherever possible in the fields where the decision-making competence has been delegated to them, regional and local authorities shall be allowed discretion in adapting their exercise to regional and local conditions. This therefore implies that central government has to abstain from regulating these delegated policy areas in detail.

Source: European Charter of Local Self-Government, 1985. (Council of Europe)

As was eloquently argued in UNDP's 2002 Global Human Development Report (GHDR), governance for human development then is partly about having efficient institutions and rules that promote development by making markets work and ensuring that public services live up to their name. But it is also about protecting human rights, promoting wider participation in the institutions and rules that affect people's lives and achieving more equitable economic and social outcomes. Thus governance for human development is concerned not just with efficient, equitable outcomes but also with fair processes.

Local governance comprises a set of institutions, mechanisms and processes, through which citizens and their groups can articulate their interest and needs, mediate their differences and exercise their rights and obligations at the local level. The building blocks of good local governance are citizen participation, partnerships among key actors at the local and national levels, capacity of local actors across all sectors, multiple flows of information, institutions of accountability and human development policies. When people are put at the center of development policies, then those efforts should be geared to enhancing the range of choices. As can be seen in Figure 1, local governance can be a mechanism to enlarge people's choices.

Figure 1: The Building Blocks, Components and Dynamics of Local Governance



The concept of human development is based on the notion that participation of people in decision making-processes is the most important element to achieve common prosperity. A desired goal is for people to be the main protagonists in realizing their own choices and aspirations. The dynamic and components of local governance as it is illustrated in Figure 1, are of course an ideal representation and aspiration. This is why it is important to understand the true dynamics of this process in Romania today and how local actors perceive their conditions, participation and interaction in economic, political and social processes that affect their daily lives.

As it will be shown, local governance and development today in Romania is affected by a whole array of factors and actors, within and outside the local sphere. Outside the local sphere is the EU accession process and central administration, which can generate local opportunities, but also obstacles. They influence conditions through legislation, national regulation, policies and budget allocations. The regional/county administration, being an intermediate level between the central and local administrations, can also significantly affect local governance and development by ensuring that national and regional policies are reflected in local development.

Within the local sphere, the county and municipal administrations are key local actors and factors, which by definition have responsibilities and prerogatives that directly affect local development. The business sector at the local level is also beginning to

play an increasingly important role, although perhaps not at the desired levels to be a dynamic source of employment, technological innovation, entrepreneurship and productive growth. The non-governmental and civil society sector can also be considered a key local actor, because of its functional mission to introduce and/or articulate dimensions of citizenship and social participation in local relationships and interactions. In addition, political parties, the media and religious, cultural and educational organizations at the local level are demanding much greater access to political economic and social opportunities.

Although not all actors within the local sphere are fully participating today in local political and economic processes in Romania, those who are have each a level of empowerment to directly influence political decisions and outcomes at the local level. Nonetheless, the map of local governance and human development in Romania is just beginning to take shape and there is not yet sufficient stock of knowledge of the local system of government. What is clear is that there is a need to understand how to encourage more local participation, to maximize the use of capacities and increase the levels of human development. Local governance, after all, is also a process. This is the primary reason why UNDP has decided to focus its 2003-2005 NHDR in the subject of local governance and human development, to begin to explore and understand their nature and dynamic.

The 2003-2005 NHDR for Romania

The 2003-2005 NHDR for Romania will be the eighth since 1995, and will focus on highlighting local governance and human development, an issue that is relevant to the Millennium Development Goals (MDGs). During the last decade, both GHDRs and NHDRs have made strong policy recommendations both for national and international actions. The proposals, some emphasizing suggestions, some putting forward new approaches, have drawn both criticism and praise. But most importantly, they have helped to open policy debates to wider possibilities in an array of key development and transition issues.

In signing the European Charter of Local Self-Government in 1994 and ratifying it in 1998, Romania made a commitment to local governance and undertook some important steps to encourage local self-government and to strengthen it. The government also publicly recognized the right of its citizens to take part in the management of public affairs. Over the past five years, the Romanian government adopted a series of specific measures to reform local public

administration, which drew on the European Charter of Local Self-Government. It seems timely then, that the NHDR focuses on highlighting and analyzing these efforts, the results and future policy direction.

In Chapter 1, the Report analyzes the most recent state of human development in Romania by applying the yardsticks represented by human development indicators, including the HDI. Chapter 2 focuses on the evolution of local governance in Romania, including progress and set backs in decentralization and other aspects of local governance. In Chapter 3 the Report analyzes the different dimensions of local human development in Romania, including disparities, poverty, immigration, rural development and social exclusion between and within regions and counties. Chapter 4 focuses on three key themes: democratic development in terms of expanding the spatial room for democracy; the level and quality of citizen participation; and decentralization as a way to bringing government closer to the people. It will show how decentralization, local democracy and citizen participation can improve and expand opportunities for people. Finally, Chapter 5 brings all previous chapters together and on that basis attempts to put into perspective the issue of local governance and development and make strategic recommendations that will serve as inputs to the current public administration reform agenda.

Box 2

Commitment to Local Governance in Romania

"My vision of decentralization and local autonomy is more radical than that of most other politicians in Romania. As mayor of Bucharest, I suffered from lack of autonomy and constant meddling by the central government into local affairs. As President of Romania, I shall see that local autonomy is preserved and strengthened, so that communities can manage their interests and be free from the unnecessary burden of excessive centralization."

Traian Băsescu, President of Romania, press statement in December 2004.

This 2003-2004 NHDR, marks a further significant step in the process of documenting and analyzing the outcome of the transition process in Romania. It includes the first attempt to calculate the array of indicators of local development and disparities, as well as graphically mapping and illustrating disparities. This exercise has been extremely valuable in identifying important trends and changes in Romanian economic and social conditions at the national and regional levels.

The key message of the 2003-2004 NHDR for Romania is that local governance can be central to human development. This report should be seen as the first one of a series, and as such it will lay the conceptual and empirical framework to continue monitoring and analyzing local governance and development in future NHDRs. In setting a framework to analyze local governance and human development in Romania, the 2003-2004 NHDR will focus on the

main economic, political and social trends. Moreover, it will focus on the perceptions, policies, projects and the government's vision, and the key factors and actors affecting local governance. The conditions for strengthening the linkage between local governance and human development will also be analyzed, as well as the key policy areas for the ongoing strengthening of this linkage. In Romania, like in many other countries undergoing transition, the main challenge in enhancing the linkage between local governance and human development is to empower people and strengthen key local institutions. However, the strategy applied to achieve the aim cannot be imported; it must be built from within Romania through dialogue, discussions, and consensus. In order to achieve this goal, both decision-makers and people in Romania must be willing to discuss the lessons that have resulted from similar experiences in other countries, and develop a coherent strategy for the future.

Human Development within the Global Context

In the 2004 Global Human Development Report (GHDR) Romania was ranked 69 among 177 countries based on its Human Development Index (HDI) value of 0.786. Directly above Romania in the 2004 HDI ranking were a diverse group of countries such as Malaysia (ranked 59 with a HDI value of 0.793; Panama (ranked 61 with a HDI value of 0.791); and Tonga (with a HDI value of 0.787 ranked 63). Directly below Romania in the 2004 HDI ranking were Ukraine and Saint Lucia (ranked 70 and 71 with a HDI value of 0.777), Brazil (ranked 72 with a HDI value of 0.775) and Colombia (ranked 73 with a HDI value of 0.773)¹.

Box 1.1

The Human Development Index (HDI)

Since it first appeared in the First UNDP Global Human Development Report in 1990, the Human Development Index (HDI) has been rather successful in serving as an alternative measure of development, supplementing economic indicators. It has three distinct components: indicators of longevity, education and income. Within the boundaries of these three components, the HDI has served to broaden substantially the empirical attention that the assessment of development processes normally receives.

However, the HDI must not be seen narrowly as an attempt to focus on a crude index and to catch in one simple number the complex realities and dynamic of human development. Rather, it should be seen as one of many components, which together provide the necessary inputs to analyze opportunities and obstacles for more human development policies. This is why HDIs have always been accompanied by extensive analysis, a wealth of additional information and by a focus on one social, economic or political feature that influences the nature and quality of human life.

The 2004 GHDR used the following ranges to rank countries by HDI. Countries with HDI value of 0.800 and higher were classified as having high human development; countries with HDI values 0.501 and 0.799 were classified as having medium human development; and countries with HDI values below 0.500 were classified as having low human development. Of 177 countries ranked

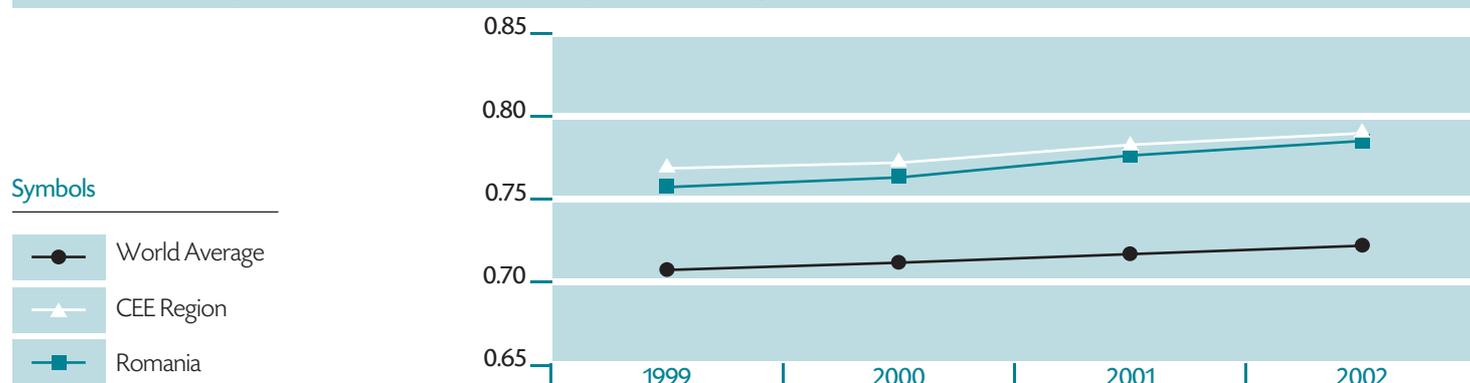
in the 2004 Report, 55 were classified as high human development countries, 86 as medium human development countries and 36 as low human development countries. Norway, Sweden, Australia, Canada, and the Netherlands are at the top of the HDI ranking in 2004, while Mali, Burkina Faso, Niger, and Sierra-Leone are at the bottom of the ranking. Romania is ranked as a medium human development country.

From 2001 (the latest year when a NHDR for Romania was produced) to 2002 the human development profile of Romania has changed slightly. Its HDI has increased from 0.779 to 0.786. The 2002 HDI value of Romania (0.786) is above the world HDI average (0.729). Similarly, when compared to other regions across the world the HDI value of Romania (0.786) is above the HDI average of the Latin America and Caribbean region (0.777), the HDI average of East Asia and the Pacific region (0.740), and the HDI average for the Arab region (0.651). However, Romania's HDI value is below the average HDI (0.825) for Central and Eastern Europe (CEE) region and below the HDI average (0.911) of the Organization for Economic Development and Cooperation (OECD) countries. During the last four years, the HDI for Romania has shown a steady increasing trend (Figure 1.1), although that trend has been slightly below the regional average.

As far as the three different components of the HDI, Romania shows a higher rate in life expectancy at birth (71.2 years) than the world average (66.9 years). However, its life expectancy (71.2 years) is below the CEE (72.3 years) and OECD (78.3 years) averages. Romania is above the world average when it comes to the educational component of the HDI, which includes the adult literacy rate and the combined primary, secondary and tertiary gross enrolment ratio. Nonetheless, its educational component of the HDI is below the average in the CEE. The economic component of the HDI uses the Gross Domestic Product (GDP) per capita (in US\$ Purchasing Power Parity-PPP). In the 2004 GHDR Romania had a GDP per capita (PPP) of US\$6,560, which is below the world average of US\$7,804. Moreover, Romania's GDP per capita (PPP) is below the average (US\$10,083) of the CEE. Romania's GDP per capita (PPP) is nearly 4 times less the OECD average (US\$24,904). Table 1.1 shows the evolution of the three indexes that make up the HDI for Romania as compared with world averages for the last four years, while Table 1.2 provides a more detailed account of the evolution of the HDI and its three components.

¹ The 2004 Human Development Report used 2002 figures.

Figure 1.1: The Evolution of the Human Development Index in Romania as Compared with World and Regional Averages (1999-2002)



Source: UNDP, Global Human Development Report (2004)

Table 1.1: Human Development Index for Romania as Compared with World Averages

Year of GHDR		Life Expectancy Index	Education Index	GDP/per Capita Index	HDI
2004	World average	0,70	0,75	0,72	0,7229
	Romania	0,77	0,88	0,70	0,786
2003	World average	0,70	0,74	0,71	0,716
	Romania	0,77	0,88	0,69	0,779
2002	World average	0,70	0,74	0,70	0,712
	Romania	0,76	0,87	0,67	0,767
2001	World average	0,69	0,73	0,69	0,706
	Romania	0,74	0,86	0,67	0,759

Source: UNDP, Global Human Development Report, 2004

Table 1.2: Romania, Components of the Human Development Index

Indicators	1995	1996	1997	1998	1999	2000	2001	2002
GDP/per capita (PPP in US\$)	6.095	6.595	6.422	6.153	5.441	5.750	6.227	6.560
Adult Literacy Rate (%)	96,9	97,0	97,0	97,1	97,1	97,0	97,2	97,3
Gross Enrolment Ratio (%)	61,6	62,0	62,9	63,9	64,9	66,5	68,3	70,2
Life Expectancy (Years)	69,4	69,1	69,0	69,2	69,7	70,5	71,2	71,2
HDI	0,759	0,762	0,761	0,762	0,759	0,767	0,779	0,786

Source: Romania, National Institute of Statistics

Human Development within the Central and Eastern Europe (CEE)

How does the human development profile of Romania fair in comparison to its region and neighbors? According to the 2004 GHDR, of the 15 countries from the CEE only 9 can be classified as high human development countries (with a HDI value of over 0.800). These countries are Slovenia, the Czech Republic, Estonia, Poland, Hungary, Lithuania, Slovakia, Croatia and Latvia. The other 6 countries, including Romania, can be classified as medium human development countries (with HDI values ranging from 0.788 0.667). There are no countries from the CEE classified as having low human development. If the 15 countries of CEE were ranked according to their 2004 HDI value, Romania would be ranked 14. The HDI of Romania is below the average of the CEE (Table 1.3). In addition, Romania has to cover a human development deficit of 0.14 to reach the high human development level. Since 1999, the HDI for Romania has increased on average 0.009 per year.

In the CEE region, fourteen countries have a higher HDI value than that of Romania (0.786). For example, Hungary (0.848), Croatia (0.830) and Bulgaria (0.796). As can be seen in Table 1.4, the CEE region shows a diverse pattern of evolution of the HDI. While

Hungary and Croatia have increased their HDI value at high rates during the last decade, the gains for other countries, including Romania have been at much slower and lower rates during the same period. Romania's transition impact on its human development profile becomes even clearer, when it is analyzed in the context of the remaining countries that are considered candidates to join the EU, (Bulgaria, Romania, Turkey), those that are already part of the EU like Hungary and those countries that in the future may be consider candidates like Croatia, Russia and Ukraine. As can be seen in Table 1.4 among these countries, Romania would be ranked somewhere in the middle, below Bulgaria and Russia, but on top of Ukraine and Turkey. All of the countries in Table 1.4, have been pursuing some form of reform policies during the last decade. However, the impact on human development of these processes has been different in all these countries. The HDI value of a country shows the distance that it has to travel to reach the maximum possible value of 1. In this line of analysis and using the values found in Table 1.4, while Hungary shortfall would be 15%, Romania's would be close to 21% almost twice as much as Turkey.

Table 1.3: Human Development in Central and Eastern Europe (CEE)*

Year of GHDR		Life Expectancy Index	Education Index	GDP/per Capita Index	HDI
2004	CEE	0,79	0,93	0,75	0,825
	Romania	0,77	0,88	0,70	0,786
2003	CEE	0,78	0,91	0,74	0,810
	Romania	0,77	0,88	0,69	0,779
2002	CEE	0,72	0,91	0,78	0,830
	Romania	0,76	0,87	0,69	0,767
2001	CEE	0,78	0,84	0,79	0,800
	Romania	0,74	0,86	0,67	0,759

Source: UNDP, Global Human Development Report, 2004

*Excludes Belarus and Moldova

Table 1.4: Human Development Evolution for Selected Countries in Central and Eastern Europe (CEE)

Country	Human Development Index - HDI			Human Development Index Evolution		2004 Rank
	1990	1995	2002	1990-2000	1995-2002	
Hungary	0,807	0,810	0,848	+0,027	+0,048	38
Croatia	0,806	0,798	0,830	+0,017	+0,007	48
Bulgaria	0,795	0,784	0,796	-0,011	+0,012	56
Russia	0,813	0,771	0,795	-0,043	+0,024	57
Romania	0,771	0,759	0,786	+0,001	+0,017	69
Ukraine	0,798	0,751	0,777	-0,036	+0,015	70
Turkey	0,683	0,713	0,751	+0,030	+0,038	88

Source: UNDP, Global Human Development Report, 2004

The Different Dimensions of Human Development in Romania

What exactly has changed during the last decade? Data reveals that all three components of the HDI for Romania have consistently increased since 1995 (Table 1.2). Nevertheless, there are differences in the shapes of change among the three components of the HDI (education, GDP and life expectancy). The education component has shown a steady increment, albeit small, from one year to another, which could very well reflect the tendency Romania has had, even before 1990, to invest in human capital. There has been more progress in adult literacy than in gross enrolment in primary, secondary and tertiary education. Life expectancy and the GDP per capita have seen a period of slight decrease between 1995-1999, but started to increase again after 2000. The improvement in the HDI from 2000, in great part is based on the GDP per capita and educational components, as the life expectancy rate has remained relatively unchanged (Table 1.2).

The period between 1995 and 1999 was marked by harsh economic difficulties, which constituted the most critical moment for Romania's transition from a centralized to a market economy. Most of the painful but necessary reforms in the economy were made during this period, including privatization and the reduction of public subsidies. These reforms had a relative degree of success in stabilizing the economy. As a result, starting in 2000, Romania began a period of vigorous economic growth, although it has not yet translated into more effective governance and improved human development.

A comparison with other countries in the region, especially Bulgaria, which is bound to join the EU at the same time as Romania, reveals that both countries had almost the same starting point for HDI and almost the same HDI evolution rate (Table 1.4). However, Bulgaria has succeeded in maintaining a slight advance in terms of human development progress. Hungary and Turkey also offer interesting comparative experiences for Romania. Hungary started in 1990 at slightly higher HDI rate than Romania, but since then has spurred an impressive and constituent human development growth to the point that 12 years later, Hungary has a lesser human development deficit to overcome than Romania and is ranked among the top-40 HDI countries in the world. Turkey on the other hand, started at the other end of the spectrum, with a lower HDI rate than Romania. However, in the same period (12 years), Turkey has also spurred an impressive and consistent human development growth to the point that today it is not too distant from Romania and it has reduce its human development deficit dramatically.

The key lesson is that, there is some correlation between the HDI values and economic performance, as countries that performed relatively well economically have also improved possibilities to improve their human development profile. That is, countries that have been able to translate economic growth into GDP per capita growth, like Hungary and Turkey, can also show substantive human development progress (Table 1.5). Conversely, countries that have had a slower and lower growth rates in economic growth and GDP per capita growth, like

Human Development Profile of Romania

Bulgaria and Romania, have had more difficulties in showing progress in human development. Certainly, hidden in this complex economic growth-human development relationship is the role that policy actions may have had in strengthening or further attenuating this link. If one is to analyze the policies that have been pursued in the countries with high HDI and GDP/per capita, it is very likely that one will also find traces of a

healthier and better-educated population, which is capable of being economically more productive and trace of stronger governance institutions, which ensure favorable conditions. The links between human development and income or human development and governance are not automatic, but can be mutually reinforcing.

Table 1.5: Economic Performance Among Selected Countries in Central and Eastern Europe (2002)

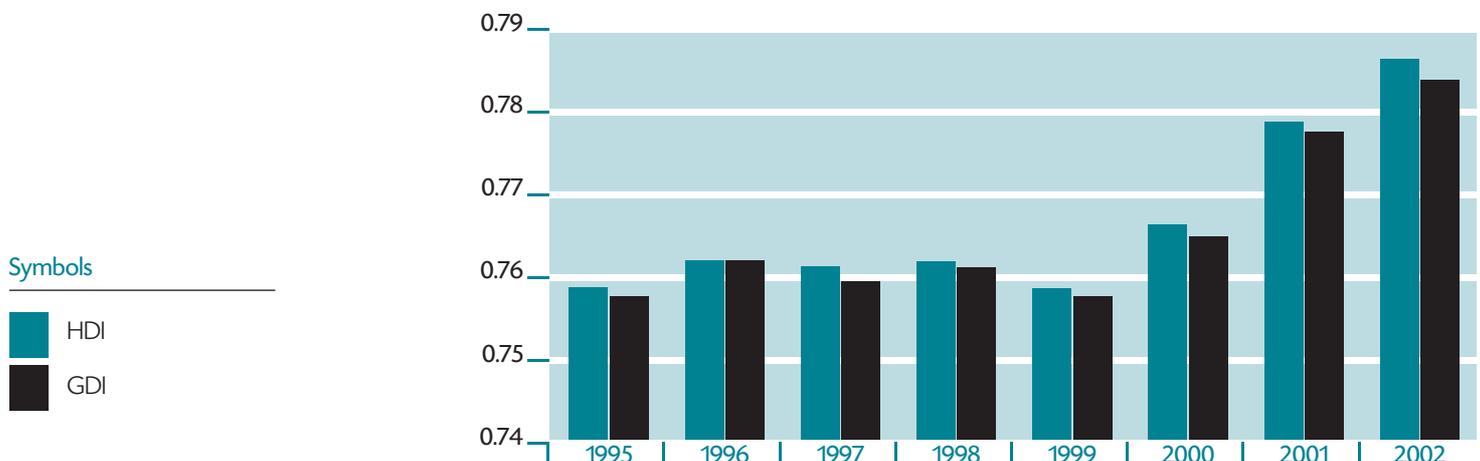
Country	GDP US\$ billion	GDP PPP US\$ billion	GDP Per capita PPP US\$	GDP per capita annual growth rate (1990-02) %	GDP per capita highest value between 1975-99 in PPP US\$
Hungary	65	136	13.400	2,4	13.400 in 2002
Bulgaria	16	57	7.130	0,1	7.890 in 1988
Romania	46	146	6.560	0,1	6.810 in 1990
Ukraine	42	237	4.870	-6,0	9.550 in 1989
Turkey	183	445	6.390	1,32	6.470 in 2000

Source: UNDP, Global Human Development Report 2004

As can be seen in Figure 1.2, the evolution of the HDI of Romania during the last seven years shows an interesting trend. Between 1995-1999, the HDI value slightly increased at the beginning of the interval and then decreased. In contrast, between 1999-2002 the HDI value grew steadily at much higher rates. The HDI is an aggregated index calculated as an average for the country and, thus, it may not reflect discrepancies between men and women, as well as between different regions and income groups. One human development measure, which helps to disaggregate the overall HDI of a country, is the Gender-Related Development Index (GDI). It uses

same variables as the HDI, but taking into account separately the indicators for men and women. As such, in the 2004 GHDR, Romania was ranked 56 out of 144 countries with a GDI of 0.784². The GDI of Romania, as it is in a majority of countries around the world, is slightly lower than its HDI (0.786). Within the 23 countries of the CEE and the CIS region that have been ranked for the GDI, Romania ranks 15 in the GDI, above Ukraine, Kazakhstan, Armenia and Moldova, but below Albania, Belarus, Russia and Bulgaria. In the CEE and the CIS region, Slovenia is ranked No. 1 in the GDI, with a value of 0.892.

Figure 1.2: Romania - Evolution in the Human Development Index (HDI) and the Gender Related Development Index (GDI), 1995-2002



Source: Romania, National Institute of Statistics

There are other complementary components of human development, which reveal significant gender discrepancies. For example, the active participation in political activity, in the decision making process, and in economic activity. The Gender Empowerment Measure (GEM) seeks to determine how many women have been empowered or enfranchised to take part in different aspects of public life in comparison with men. The GEM focuses on four variables: ratio of estimated female to male earned income, share of females in the total governmental jobs of the public sector, share of seats in parliament held by women and share of female professional and technical workers. Data shows that women's participation in Romania

corresponds to the regional average, but when compared directly with other countries in the region the GEM is much lower than most European countries. When it comes to the GEM, Romania is only above Ukraine and Turkey (Table 1.6). Although women in Romania are today better represented than a decade ago and have more opportunities to actively participate in political and economic life, they are not yet as empowered or enfranchised as women are in most OECD and European Union countries (Table 1.6). Of a particular concern is the percentage of seat in parliament held by women, and the ratio of estimated female to male earned income.

Table 1.6: Romania - Gender Empowerment Measure as Compared with Other Selected Countries

Country	Gender empowerment measure (GEM) value	Seats in parliament held by women (% of total)	Female legislators, senior officials and managers (% of total)	Female professional and technical workers (% of total)	Ratio of estimated female to male earned income
Norway	0,908	36,4	28	49	0,74
Slovenia	0,584	12,2	29	55	0,62
Hungary	0,529	9,8	35	62	0,59
Croatia	0,560	17,8	26	51	0,56
Macedonia, TFYR	0,517	18,3	19	51	0,55
Romania	0,465	9,3	31	56	0,58
Ukraine	0,411	5,3	38	64	0,53
Turkey	0,290	8,8	23	54	0,33

Source: Global Human Development Report, 2004

Critical Human Development Areas

Economic Growth

Economic progress is a fundamental element for human development. Countries in transition, like Romania, face a challenging dilemma related to fostering economic growth and human development at the same time. Economic growth is indispensable in the process of transition because human development depends on productive economic activity. The question becomes one of understanding what the engines of economic growth in an economy are and how they work, and, ultimately, of how best to encourage the productive use of a nation's resources to create the opportunity to expand human development, reduce poverty and create employment.

In the human development paradigm, income is not considered an end but a means to expand the material base for the fulfillment of human needs. However, as was already argued above the link between income and human development is not necessarily automatic. Countries differ in how well they translate income into human development, or what the 1996 GHDR called their "human development efficiency".

Table 1.7: Romania - Main Economic Indicators

Indicators	1998	1999	2000	2001	2002
Real GDP Growth Rate	-4,8	-1,2	2,1	5,7	5,0
Inflation Annual Average	59	46	45	35	22
Unemployment Rate ³	10,4	11,8	10,5	8,8	8,4
Urban Poverty Rate	20,6	22,2	25,9	18,8	17,6
Rural Poverty	43,0	46,3	47,8	44,7	42,4

Source: European Union, 2004 Regular Report On Romania's Progress Towards Accession

As can be seen in Table 1.7, since 2000 Romania has been showing consistent rates of economic growth and economic performance. However, there are still troubling signs in its overall human development profile, particularly in the area of unemployment and poverty rates. The current human development profile of Romania, confirms three chain reactions in the economic growth-human development cycle. First, that the dynamic and improved economic performance of the past four years has not yet spur faster and equitable human development progress. Second, that the slow progress in human development has not been sufficient to expand economic activity, much less income. And third, that economic growth has not been even across and within regions. As was shown previously in Table 1.5 Romania's GDP in 2002 was at least 3 times higher than Bulgaria's but four times less that of Turkey's and 1.5

less than Hungary. However, in spite of achieving a respectable GDP, Romania's GDP per capita is almost twice as less as the GDP per capita of Hungary and lower than Bulgaria's. Furthermore, since 1990 Romania has not yet been able to surpass its highest GDP/per capita figure of US\$6,810 registered in 1990, while in 2002 Hungary again set a new higher record for its GDP per capita.

Economic growth is also necessary to meet the Millennium Development Goals (MDGs) for two reasons. First, economic growth directly reduces income poverty for many households, increasing their savings and freeing resources for investments in human development activities. Second, economic growth tends to increase government revenues, and in turn there are more available resources to promote human development policies.

³ Unemployment registered at the agencies for the work force at the end of each year.

Millennium Development Goals (MDGs) and Regional Human Development

At the September 2000 Millennium Summit “The Role of the United Nations in the 21st Century”, 191 nations including Romania adopted the Millennium Declaration. This landmark document defined the international peace, security and development agenda for the 21st Century. The goals and targets of the Millennium

Declaration enabled governments to better monitor human development, enhance the mobilization of national resources and strengthen partnerships for development. Today, the Millennium Development Goals (MDGs) are the framework agreed-upon internationally for monitoring progress in human development.

Box 1.2

The United Nations Millennium Declaration: Placing Human Development at the Top of the Policy Agenda (Excerpts)

We, heads of State and Government, have gathered at United Nations Headquarters in New York from 6 to 8 September 2000, at the dawn of a new millennium, to reaffirm our faith in the Organization and its Charter as indispensable foundations of a more peaceful, prosperous and just world. We recognize that, in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to all the world's people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs.

We believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the world's people. For while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed. We recognize that developing countries and countries with economies in transition face special difficulties in responding to this central challenge.

We consider certain fundamental values to be essential to international relations in the twenty-first century. These include: Freedom, Equality, Solidarity, Tolerance, Respect for nature and Shared responsibility.

We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want. Success in meeting these objectives depends, inter alia, on good governance within each country. It also depends on good governance at the international level and on transparency in the financial, monetary and trading systems.

We resolve further to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water. We also resolve 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. And, to develop and implement strategies that give young people everywhere a real chance to find decent and productive work.

Source: United Nations Development Programme, New York, 2000

Romania presented its first MDG Report in February 2004, as a guiding instrument to fulfill a number of development goals (Box 1.3). It gave new direction and a strong impetus to the national development agenda. The formulation of the MDG Report was in itself a success story. It engaged eight ministries, resident and non-resident United Nations agencies, international donor community and over 20 non-governmental organizations. The main merit of Romania's MDG Report is its potential to be a catalyst for human development. If used effectively, it could be a tool for accelerating progress towards national development objectives by establishing quantitative targets in critical areas, such as poverty

alleviation, health, education and the environment. Equally significant was the fact that Report highlighted obstacles to achieving established targets, as well as the actions and resources required for meeting the targets. Because of all of these elements, the first MDG Report for Romania is a valuable instrument for policy makers.

Two of the main concerns reflected in the Romanian MDG Report were growing disparities and inequality in society, and persistent poverty. Both are critical issues for human development. In as much as the available data shows that current patterns of inequality in Romania are similar to regional averages and to other neighbouring

Human Development Profile of Romania

countries (Table 1.8), there is concern that the lack of more disaggregated and comparative data may be hiding other more persistent disparity tendencies. An initial attempt to do a more in-depth analysis of inequalities is to look at the eight development regions in Romania. Regional development in Romania is relatively recent. It became more formal when the territory of Romania was organized in 1997 into regions to receive EU financial assistance and as an instrument for implementing EU regional development policy. Using a series of statistical and infra-structure and communication

indicators and similar economic and social profiles, eight development regions were formalized: North-East, South-East, North, South, North-West, South-West, Center and Bucharest. These eight development regions are not administrative units, but only territorial units. Moreover, 15 development sub-regions were defined to represent counties or groups of counties that belonged to the same development region and faced severe macro and/or micro challenges of human development.

Table 1.8: Inequality Among Selected Central and Eastern European Countries: Share of Income in 2002

Country	Poorest 10%	Poorest 20%	Richest 20%	Richest 10%	Gini Index
Croatia	3,4	8,3	39,6	24,5	29,0
Bulgaria	2,4	6,7	38,9	23,7	31,9
Romania	3,3	8,2	38,4	23,6	30,3
Ukraine	3,7	8,8	37,8	23,2	29,0
Turkey	2,3	6,1	46,7	30,7	40,0

Source: UNDP, Global Human Development Report 2004

Box 1.3

Romania's Millennium Development Goals

Goal 1: Reduce severe poverty

- Target 1: Halve, between 2001 and 2015, the severe poverty rate
- Target 2: Halve the consumption deficit of the severely poor population by 2015, in comparison to 2001, and reduce social polarization
- Target 3: Increase the level of employment of people between 15 and 24 years of age
- Target 4: Support agricultural producers and processors
- Target 5: Significantly reduce the incidence of low height for age in children between 2001 and 2015, especially in rural areas

Goal 2: Assure primary and secondary education

- Target 6: Ensure that by 2012, 95% of children in rural areas complete a full course of primary and secondary education
- Target 7: Increase the literacy rate of the Roma population

Goal 3: Promote gender equality and empower women

- Target 8: Increase women's level of employment

Goal 4: Reduce child mortality

- Target 9: Reduce by 45%, between 2001 and 2015, the mortality rate in children aged 1-4 years
- Target 10: Reduce infant mortality by 40%, between 2001 and 2015
- Target 11: Eliminate measles by 2007
- Target 12: Halve, between 2001 and 2015, the maternal mortality ratio

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, tuberculosis, malaria and other diseases

- Target 13: Maintaining, by 2007, the incidence of HIV at the level of 2002
- Target 14: Have halted and begun to reverse the incidence of tuberculosis
- Target 15: Provide access to affordable essential drugs

Goal 7: Ensure environmental sustainability

- Target 16: Ensure a growth of the afforestation rate, from 28% to 35% by 2040
- Target 17: Increase the proportion of protected land area from 2.56% in 1990 to 10% by 2015
- Target 18: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
- Target 19: Reduce greenhouse gas emissions
- Target 20: Double, by 2015, the proportion of people with sustainable access to drinking water

Goal 8: Develop communication and the information society

- Target 21: Double the number of subscribers to fixed telephony networks between 2001 and 2015
- Target 22: Increase by at least 20% each year the number of personal computers

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In this 2003-2005 NHDR for Romania, a first attempt is made to show the eight regions under the prism of human development. As can be seen in table 1.9, when these eight development regions are analyzed from a human development perspective, some interesting disparities can be observed. For example, as far as Life Expectancy at Birth, four regions fair the same or better than the national average (North-East, South-West, Center and Bucharest), while four regions are slightly below the national average (South-East, South, West and North-West). As far as Adult Literacy rate only three regions are below the national average (South-East, South and South-West). There are more disparities among regions in relation to Gross Combined Enrolment. Only two regions have rates that are above the national average (Bucharest and West) and one region (South-East) with a rate that is 10% below the national average.

In the GDP/per capita component of the HDI is where the issue of disparities becomes clearer. As can be seen in Table 1.9, only two regions have a GDP per capita that is higher than the national average (West and Bucharest). One region, Bucharest, has a GDP per capita rate that is twice as high as the national average. All other six regions have GDP per capita rates that are below the national average, with one of these having a rate that is more than one-third below the national average (North-East). Of all the HDI components, the GDP per capita component does play a major role in HDI value disparities among regions. Only one region, (Bucharest) has a HDI value above the national aggregate; all other 7 have HDI values below the national aggregate.

Table 1.9: Human Development and the Eight Development Regions in Romania

Development Regions	GDP US\$ PPP 2002	Life Expectancy at Birth 2000-2002	Adult Literacy Rate % 2002	Gross Combined Enrolment Rate (%) 2002/2003	HDI 2002
Romania	6.560	71,2	97,3	70,2	0,786
Region 1, North-East	4.466	71,2	97,5	64,1	0,756
Region 2, South-East	5.365	70,8	97,2	63,3	0,762
Region 3, South	4.945	71,1	95,7	63,0	0,756
Region 4, South West	5.232	71,4	96,5	67,8	0,768
Region 5, West	6.598	70,7	97,9	71,8	0,784
Region 6, North-West	5.749	70,2	97,4	68,5	0,769
Region 7, Center	6.531	71,7	98,0	65,7	0,783
Region 8, Bucharest	13.179	73,1	99,0	93,0	0,862

Source: Elaborated by CURS using data from Romania's National Institute of Statistics

Is as much as these disparities may be reflecting a natural heterogeneity among the counties that make-up the regions, and as such, any statistical exercise would tend to show disparities, behind the figures may also lie potential opportunities and threats. Table 1.10 shows some correlation between the regional HDI values, unemployment rates, poverty rates and the allocation of regional funds. Moreover, Figure 1.3 shows the regional distribution of poverty. Available data corroborates the notion that regions with higher HDI

values (Bucharest, West, Center and North-West) in general have lower poverty and unemployment rates, higher GDP per capita and together received 37% of the regional fund allocation. In contrast, regions with lower HDI values (North-East, South, South-East and South-West) in general have higher poverty and unemployment rates, lower GDP per capita and together receive two-thirds of the regional fund allocation. Moreover, these poorer regions tend to be predominantly rural.

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Table 1.10: Correlation Between the Regional Human Development Index and Other Regional Indicators in Romania

Development Regions	GDP US\$ PPP 2002	Poverty Rate % 2002	Unemployment Rate % 2002	Allocation of Regional Funds % 2004-06	HDI 2002
Romania	6.560	28,9	8,4	100	0,786
Region 1, North-East	4.466	40,7	10,8	21	0,756
Region 2, South-East	5.365	33,2	10,0	14	0,762
Region 3, South	4.945	30,4	9,2	16	0,756
Region 4, South-West	5.232	32,4	9,4	12	0,768
Region 5, West	6.598	24,5	6,6	9	0,784
Region 6, North-West	5.749	26,6	6,8	12	0,769
Region 7, Center	6.531	24,8	9,0	11	0,783
Region 8, Bucharest	13.179	15,0	3,3	5	0,862

Source: Elaborated by CURS using data from Romania's National Institute of Statistics

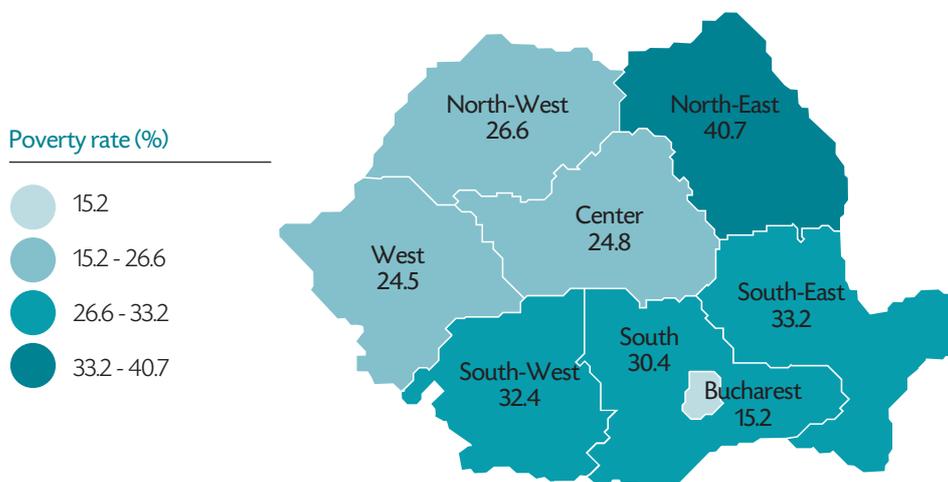
Poverty

In addition to emerging regional disparities, poverty remains high and persistent in Romania. No matter how the incidence of poverty is analyzed, poverty increased during the period of economic recession (1996-1999), reaching its peak in 2000, before slowly declining and/or stabilizing. Poverty changes in Romania have tended to mirror closely both GDP and consumption growth. In 1997-1999, output decline in Romania was accompanied by a widening of

poverty, while robust GDP expansion in 1996 and the recent rebound that started in 2000 were accompanied by reductions in poverty.

Poverty incidence in Romania seems to be strongly related to the education and labor market status of head of households. Those households headed by self-employed in agriculture and unemployed appeared most vulnerable to the incidence of poverty.

Figure 1.3: Romania - Regional Distribution of Poverty in 2001 (%)



Source: National Anti-Poverty and Social Inclusion Plan (CASPIIS), 2002

In 2002, the poverty incidence among the unemployed was 50%, or 22 percentage points higher than the national average. The situation was even worse among households headed by agricultural self-employed persons and pensioners, where the poverty incidence reached 60%. Similarly, when poverty rates are crossed with educational variables, it is clear that the highest poverty levels were experienced by households headed by people without much formal education. The incidence of poverty in Romania is also linked to place of dwelling. In rural areas, poverty incidence is almost three times as high as in urban areas. Moreover, land ownership also significantly impacts on poverty incidence. Poverty incidence is higher among those households with ownership to smaller plots.

In as much as agriculture provided (for some sectors more than others) the necessary cushion against the negative impact of economic restructuring, it also led to exclusion from potential growth benefits. On average, the rural population was less affected by the

economic recession than was the urban population, which gained more from the economic recovery. The self-employed outside agriculture and the employed seemed to have benefited the most from the economic recovery, while pensioners and those employed in agriculture did not benefit significantly. A key factor that affects poverty rates in rural areas is low skills and low levels of productivity. However, minimum wage, high payroll taxes and the excessively rigid labour code also limit the employment possibilities in the rural areas. The generous system of unemployment benefits (especially before the 2002 reforms) may have additionally hindered their employment possibilities. As a consequence, the unemployed often engaged in subsistence farming or worked in the informal sector to survive. Unfortunately, in as much as these activities provided a source of livelihood, both had unintended consequence in terms of skills and motivation. Since most activities are used to mainly serve immediate subsistence needs, and not to bring long-term improvements, they can be treated as a form of hidden unemployment.

Box 1.4

A Snapshot of Poverty in Romania

According to CASPIS, the Government Commissions on Poverty Alleviation and Social Inclusion Program (CASPIS), the poverty pattern in Romania looks as follows:

Extreme poverty:

Population living on less than US\$1 (at the purchase power parity rate), which affects around 1% of the population;

Severe poverty:

Large and persistent want that prevents people to function normally in society, which affects around 12% of the population;

Poverty:

A shortage of resources as compared to the requirements for a decent minimum living standard, which affects 17% of the population;

Relative poverty:

It pushed the middle class population into economic distress as a result of the crisis during the transition process, which according to subjective indicators might affect as much as one-third of the population; and

Relatively low income:

In the case of Romania, it measures economic polarization rather than poverty (less than 60% of median income), which affects nearly 17% of the total population.

Source: Romania, United Nations Common Country Assessment, 2003

The labour market can be an important link between economic growth and poverty. The distribution of employment creation has not been equal across sectors of the society and regions in Romania. As was already mentioned, households headed by pensioners, self-employed in agriculture and the unemployed have not been significantly affected by employment policies. In 2002, these households accounted for 75% of poverty in Romania. Employment creation in Romania has been largely conditioned by the fast

development of small and medium enterprises (SME). Since 1992, the share of employment of SMEs has steadily increased from 12% to nearly 51% in 2002. Altogether, the SME sector added more than 1.5 million jobs in the decade 1992-2002. However, the growth of the SME sector could have been even higher had it not been for a number of barriers, most of which as it will be shown in the next section, are related to the dimension of governance.

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■ Agricultural Policy

Before 1989, Romania was one of the most autarkic and state controlled economies in the region. Agriculture was no exception. In 1989, the structure of land ownership in Romania showed that 30% was controlled by the state, 55% were collective production cooperatives and 15% were owned privately. Government policy destroyed the villages, created powerful interest groups, and encouraged gifted young people to leave the rural area, leaving there instead mainly an aged and aging population. The failure of socialist management could have been cured only by creating a truly private economic environment, based on private ownership of land, transferable (exchangeable) titles to land (what is commonly called "the land market"), full privatisation of upstream and downstream activities, removal of price-support schemes and subsidies, and a free trade and exchange-rate policy.

During the first stage of transition (1990-1992), agriculture policy was limited. For example, thanks in great part by demands of the former owners and/or their heirs (dispossessed during the 1948-1962 period), cooperatives were dismantled by the adoption in 1991 of a new land law. The former production cooperatives (around 5,000) were replaced by 4 million people who owned a sizable area of about 8 million hectares. The other resources (livestock) of the former cooperatives were sold or given back to the owners and/or transferred to agricultural associations (premises, machinery) or simply demolished, destroyed, or stolen. It has been argued that this initial policy had an adverse impact on land fragmentation, low productivity and an array of inefficiencies in the agriculture sector. Some have even gone as far as arguing that this initiative did not amount to a real privatization strategy, as the state still controlled the distribution of legal titles, the enforcement of titles and certain means of production (fertilisers, pesticides, certified seeds, irrigation) and marketing infrastructure.

The main agricultural policy did not change significantly during the second stage of transition (1992-1997), although the number of land title issued increased significantly from 17% in 1993 to 75% in 1998. The overall economic context at the time had repercussions on the agricultural sector. First, migratory flows from rural to urban areas declined by nearly 50% between 1991-1997. Conversely, during the same period urban-rural migration increased four-fold. Because the share of food expenditure in the household budgets remained significant, the government attempted not to lose control of agricultural supply and prices as a means of staving off social unrest in the country, especially in urban areas. Fixed prices were imposed for meat, milk and wheat; a system of state holdings ("integrators") was created and huge fiscal and quasi-fiscal transfers were put in place. The big state farms benefited most from this policy, while smaller private owners were left out. The growing problem of land fragmentation was tackled by an attempt to create a Land Agency (which was never set-up), to buy the small plots of land and to resell them later as larger units. Agriculture financing became a threat for the banking system,

for the government budget, a major source of inflation, and a liability (state farms went so heavily in debt that they were not any more "assets" to be sold but debts, liabilities (Banca Agricola).

During the third stage of transition (1997-2000), some important steps were taken by the government in the area of agriculture, as a way to revert some of the earlier policies. For example, the policy of huge and hidden subsidies for large farms was discontinued. Agricultural prices were freed and a new "neutral," subsidy policy was elaborated (voucher system). Most importantly, the government changed the structure of incentives, to buy and sell land and to liberalize prices. Land titles issued continued on the increase from 75% in 1998 to nearly 90% by 2000. In 1999 Romania was given the status of a candidate country and began accession negotiations in 2000 with the European Union. Nonetheless, the need to further reform the agriculture sector remains a priority, particularly because, as it will be shown in Chapter 3, the rural sector is an important economic sector that has an array of implications for human development. Fragmented land, subsistence and backward agriculture practices, are but a few of the challenges facing the Romanian agricultural sector.

Evidence from other EU countries shows that incorporating the European Common Agricultural Policy (CAP) is a complex and costly process, which if not managed strategically, could adversely impact a large portion of the Romanian population with its respective human development implications. With all the intricate details of the CAP it is imperative not to lose sight of key issues, such as fostering market relations in the rural area and, linkages with the rest of the economy. This means to seriously consider further economic reforms, complete the privatization process, reconnect the sector to a credit system, removing remaining transaction barriers for the land market and thinking strategically about the best decentralization policies for the agricultural sector.

Improving and Strengthening Governance to Expand Human Development

The human development profile of Romania presented above shows that in spite of progress, there are still critical human development issues that are not being addressed. Over the last five years, Romania has made significant progress toward achieving and maintaining macroeconomic and financial stability. Furthermore, it has implemented many structural and institutional reforms. However, as was shown Romania continues to lag behind of other European and EU countries in key human development indicators. There is also evidence that suggests that poverty in Romania is still persisting, that job opportunities have not reached all sectors equally and that income levels are lower than European and

EU averages. Moreover, the analysis above also showed that when the human development profile of Romania is compared with other transition, EU and EU candidate countries, it fares less favorable. The reported increased poverty level in Romania may also have been associated with an increase in income inequality, as well as an increase in regional disparities. These factors, in combination with the others mentioned above, have brought into attention the issue of governance, and have helped to highlight several areas that need policy attention.

The perception of corruption is perhaps the most important of these governance problems, since it affects both human development and economic activity. According to the 2004 Corruption Perceptions Index of Transparency International, Romania is ranked 87 out of 146 countries (Table 1.11). This ranking is far behind other CEE countries and EU candidate countries like Bulgaria and Turkey. Similarly, the Global Competitiveness Report 2004-2005, which ranks countries in terms of the conditions for economic and business activity, placed Romania in the 63th position out of 104 countries, and specifically highlighted the problem of corruption for Romania as a key governance obstacle (Table 1.11). The perception that corruption in Romania impairs the emergence of more job creation by SMEs is also illustrated in the results of a survey conducted in 2004 by the OECD and the World Bank among owners and managers. Moreover, one of the key World Bank governance indicators is the capacity to control corruption. As one can see in Table 1.12, Romania does not fair well in comparison to other countries in the CEE region not only in the area of control of corruption, but also in other key governance areas such as government efficiency, quality of regulations and rule of law.

Table 1.11: Transparency International Corruption Perception Index (2004) and Global Competitiveness Index, 2004

Country	2004 CPI Score*	Country Rank of 146	2004 GCI Score*	Country Rank of 104
Slovenia	6,0	31	4,75	33
Hungary	4,8	42	4,56	39
Bulgaria	4,1	54	3,96	59
Croatia	3,5	67	3,94	61
Turkey	3,2	77	3,82	66
Romania	2,9	87	3,86	63
Macedonia, TFYR	2,7	97	3,34	84
Ukraine	2,2	122	3,27	86

Source: Transparency International Corruption Perceptions Index 2004, and World Economic Forum Global Competitiveness Report, 2004

*CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly un-corrupt) and 0 (highly corrupt); GCI Score relate to the perceptions about conditions to promote economic growth and business opportunities and ranges from 7 (highly competitive) and 0 (highly uncompetitive).

Human Development Profile of Romania

Moreover, people in Romania do not seem to trust public officials. When asked how widespread do they think bribe-taking and corruption are in Romania, nearly half of Romanians think that almost all public officials are involved somehow (Figure 1.4). If you add those

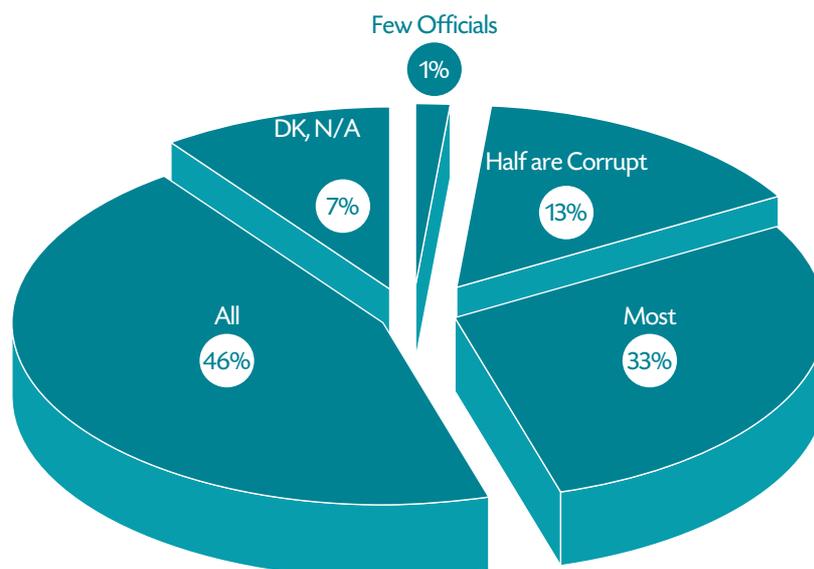
who think that most public officials are engaged in bribe-taking and corruption, an overwhelming majority of Romanians (nearly 80%) think that corruption is a problem. Only 1% thinks that corruption and bribe-taking is not a problem.

Table 1.12: World Bank Governance Indicators, 2002 (Percentile Rank 0-100, 2002)

Country	Voice & Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Hungary	85,4	88,6	74,2	84,0	78,9	73,7
Slovenia	82,8	90,8	76,8	75,3	83,5	80,4
Bulgaria	66,7	64,3	56,2	69,6	56,7	52,6
Croatia	63,6	64,9	63,9	62,4	58,8	63,9
Romania	61,1	58,4	46,4	55,7	54,1	45,4
Albania	49,5	30,3	38,1	41,2	17,5	23,2
Macedonia, TFYR	41,9	20,0	44,8	51,5	44,3	29,4
Turkey	36,4	27,0	50,5	56,7	55,2	43,8
Ukraine	27,8	47,0	26,3	28,4	24,7	17,5

Source: World Bank Institute Governance Indicators, 2002

Figure 1.4: How Widespread Do You Think Bribe-taking and Corruption are in Romania?



Source: CURS, 2004a

The potential negative impact that the perceptions of corruption can have on human development and economic activity is enormous. For example, perceptions can manifest in abuses of administrative controls placed on business operations. This is most clearly illustrated in the frequency with which controls are imposed and the amount of red tape measured in terms of time spent with public officials and filling in forms and complaints about discretionary decisions. Many of these issues have been addressed recently in Romania and partially resolved by the introduction of legislation in 2002 reducing the bureaucratic burden. As a result of this legislation, one-stop shops have been created, silent consent procedure and self-certification have been introduced and rules and regulations have been clarified. Today, the cost and duration of setting up a new company in Romania is among the lowest in the CEE region, but still below the European average. In 2004, the estimated average duration of setting up a new company in Romania was 28 days, close to the 25-day average in most OECD countries. The EU has acknowledged that simplification and reduction of the administrative burden in Romania has been one of the most important achievements in Romanian public policy in recent years.

Another governance factor discouraging more economic private activity, and therefore job creation and human development, is high legislative and institutional volatility. It contributes substantially to uncertainty and high business risk perception. For instance, there have been dozens of amendments and changes to legislation on commercial companies, Value Added Tax (VAT) and privatization. While the transition process arguably requires continuous improvements in the legislative base, the stability of existing legislation should not be underestimated, as decisions to invest and to take on new labor require a strong measure of certainty regarding the future legislative environment. Moreover, as was shown previously in Table 1.12, Romania has one of the lowest indicators of government efficiency and regulatory quality in the region.

Labor market regulations such as the minimum wage, unemployment benefits, tax legislation and labour code are also considered to play an important role in employment creation, and therefore in human development. Vast employment in the informal/shadow economy is both the result of rigid regulations and an important obstacle to raising legal employment since both employers and employees already engaged in the shadow/informal economy are less willing to legalize their employment relationship. Employment creation for the unskilled, and therefore low-paid workers, can be an important human development policy. Empirical evidence from other countries suggests that there are strong links between regulations pertaining, for example, to the minimum wage and unemployment benefits and the incentives for the low-skilled to seek employment and for entrepreneurs to create jobs. The high tax wedge, rigid labour market regulations and cumbersome bureaucracy are three of the main governance factors driving the development of the widespread shadow economy in Romania. As such, strengthening labour market institutions and dealing with the shadow/informal economy in Romania is also related to a number of governance issues.

An example that illustrates this problem is the new labour code passed in March 2003. While it generally met the demands of the EU, different stakeholders, including the Romanian Council of Foreign Investors (CIS) raised serious concerns. Various provisions, like the obligation to set up a wage guaranty fund, increasing the complexity of recruitment and dismissal procedures and excessive requirements regarding employees' rights to annual training were particularly highlighted as not being matched with the specific needs of the Romanian labor market. Legislators simply did not consult or get feedback from major stakeholders.

Finally, but no less important, another important governance issue affecting both human development and economic activity is related to how the process of privatizing state-owned enterprises was managed. Not only did the process experience delays, but the initial conditions to restructure state-owned enterprises in Romania were particularly difficult compared to other transition countries. In addition, allegations that the restructuring and privatization efforts were not transparent and perceptions of corruption further marred the overall process.

Bringing Human Development and Governance to the Local Scene

Much of the recent debate in the governance dimension has focused on what makes institutions and rules more effective, including transparency, participation, responsiveness, accountability and the rule of law. No doubt that all are important for human development, particularly, as we have seen above, when ineffective governance institutions can usually cause distortions and be barriers or obstacles to overcome poverty, unemployment, informality and vulnerability. Just as human development is about much more than economic growth, governance for human development is also much more than effective governance institutions and rules. It is also important that governance institutions and the rule of law are fair, and whether all people have a say in how these operate. Participating in the rules and institutions that shape one's community is a basic human right and part of human development. Moreover, more inclusive governance can be more effective. For example, when local people are consulted about their needs, there is a better chance that they will support decisions taken by their government. Furthermore, more participatory governance also can be more equitable. Much is known about the economic and social policies that help eradicate poverty and promote more inclusive growth. But few countries pursue such policies vigorously, often because the potential beneficiaries lack political power and their interests are not fully represented in policy decisions.

When more than economic growth is considered, governance institutions and processes can contribute to human development and to reduce poverty. But the links are by no means automatic. Social injustices are widespread in democratic and non-democratic governments alike, whether deliberate or otherwise in the allocation of public services or in discrimination against squatters, the Roma people, rural dwellers and other socially marginal groups. Discrimination against ethnic minorities, women, the elderly and others continues even in long-established democracies. No society has ever achieved perfect governance, but today people everywhere expect their governments to move forward and show progress. People everywhere want to determine their destiny. But because societies everywhere are different, there is no single model or magic

formula to strengthen governance. The model must be adapted to local circumstances and history. Likewise, governance requires a long process of political democratic development. It needs basic institutions, formal and informal, of the state and outside it. It will not thrive without the spread of democratic culture, of values and principles that guide the behavior of individuals and groups. Priorities for advancing governance will vary according to the social context, just as priorities for human development vary over time and across communities.

Fulfilling the promise of democratic governance in Romania cannot depend simply on making state institutions function better. It must also take into account the fact that global and European economic integration and political liberalization are reshaping the environment in which state institutions operate, often fundamentally changing what it means for people to have a say in how they are governed. Centralized governments are still a powerful force shaping individual lives. But new actors are also becoming important, from external ones such as the EU to national and international corporations, to new local groups in civil society. As the map of actors is re-shaped, so have to change the rules and governance approaches. And as people's lives become more interdependent, democratic principles of participation and equal concern for all must be reflected in the way that these new actors structure their institutions and in the way that rules are formulated and implemented.

Democratic governance in this fast-changing globalized world is about more than people having the right to vote, holding periodic elections or alternating governments. It must be about strengthening democratic institutions so that they keep pace with the changing distribution of economic and political power. And it must be about promoting democratic politics that make participation and public accountability possible even when the relevant power and processes lie outside the formal institutions of the state. The key human development question for Romania at this juncture is, if current governance institutions are not being responsive to the needs and concerns of ordinary people, how can they be made to work better to people can expand their choices?

One way could be for people to go beyond simply expressing their views and preferences to check the power of public officials and influence decisions. In a recent survey conducted in 2004 by the Center for Urban and Regional Sociology (CURS survey 2004a), when Romanians were asked how much influence do they think they have in government, and overwhelming majority (93%) responded that they had no influence or they had very little influence. Accountability is about power - about people having not just a say in official decisions but also the right to hold their rulers to account. They can demand answers to questions about decisions and actions. And they can sanction public officials or institutions that do not live up to their responsibilities.

Because of their influence over the lives of people and communities, elected public officials are holders of the public trust, and so answerable for their actions to national legislatures and to the public. In most democratic systems in the world, including Romania, people can demand accountability in two ways: 1) through action by civil society and 2) through structures of representation and delegation. But apart from elections, most formal mechanisms of accountability are delegated. The most important are the checks and balances between the judiciary, legislature and executive, and specialized and independent oversight entities such as human rights, electoral and/or public service commissions, ombudspersons, comptrollers and auditors general and anti-corruption entities. The problem often is that main centralized governance institutions in many countries, particularly new democracies like Romania, are overburdened and lack resources to do their jobs effectively across levels of government. However, resource constraints often are not the only institutional problem; these institutions are also ineffective because real power lies elsewhere. And because of that they are constrained to promote effectively human development policies. Often, central governance institutions have inadequate reach, and there are gaps in democratic practice.

One solution to such problems might be to move further towards local governance and decentralize and deconcentrate power to lower levels of government, bringing it closer to the people. Local governance can help poor people most, when local actors are democratic, with strong structures and open participatory practices. In Romania, during the last five years, a number of steps have been taken to encourage and promote local governance and people are beginning to value more the importance of local governments. Romanian accession to the EU depends, largely, on the improvements of the public administration and on the implementation of the reform in all its dimensions, including local governance. Public administration in Romania must adapt to the continuous economic and social changes. Economic activity and human development will be influenced more and more the quality, efficiency and credibility of the public administration.

The next three chapters will shed some insights into different aspects of local governance in Romania, and the links or lack thereof between governance and human development at the local level. During the past decade Romania has made progress in several areas of human development and political democracy. However, as we will see in the local governance dimension there are still significant obstacles to overcome. As it will be shown, the analysis of local governance in Romania, its current conditions and opportunities, its main policy issues and challenges, will help illustrate the need to have an adequate strategy in place to promote more synergies between public policy, local governance and human development.

As was mentioned in Chapter 1, more people in Romania are beginning to recognize that governance matters for human development. During the past decade, institutions, rules and political processes played a big role in Romania's economic recovery, in whether the benefits of this economic recovery were distributed equitably, whether poverty rates increased or decreased and in whether disparities among regions, counties, municipalities and villages intensified or diminished. Thus, promoting human development is not just an economic, health and/or educational challenge: it is also an institutional and political challenge. Many of the persistent human development problems of Romania analyzed in Chapter 1, might be reflecting to a great extent failures of governance (although the link between human development and governance can be mutually reinforcing and might not be automatic). The governance challenge in Romania is evident in widespread perception of corruption, inefficient public services, centralized decision-making process and inconsistent legal and policy frameworks. Ordinary Romanians have expressed their disappointment with governance as they see the EU accession process advancing without substantive gains for their individual and-or family well being; courts without justice; public officials demanding bribes; and local elected officials without local-self governance.

In Romania local governance has historic roots, but it has only recently gained new attention. During the last decade, particularly during the last five years, the Romanian government adopted a series of specific measures to reform local public administration and to strengthen local democratic governance. Romania revised its 1991 Constitution in 2003. The new text takes a more liberal approach to minority languages, guarantees an independent judiciary, and expands certain provision for local governance. As recent as May 2004, the Ministry of Administration and Internal Affairs and its Central Unit for Public Administration Reform, were working hard to update the strategy of the Romanian government to accelerate public administration reform and territorial re-organization. In as much as most components of this strategy are still in the early stages of implementation, it seems timely and appropriate to take a stock of where local governance is today in Romania, and analyze its evolution, including progress and set backs in decentralization and other aspects of local governance. In doing so, key policy areas could be identified to nourish a more constructive agenda to continue strengthening local governance in the near future.

A Short Historical Background on Local Governance

Territorial re-organization has been a permanent and common feature of Romania's state and public administration reform history. During the last two hundred years alone, local government and its corresponding public administration structures have been reorganized no less than 30 times. Only during the last four decades, but particularly during the last, the frequency of reforms in the local governance dimension has diminished somewhat, permitting a gradual and much needed institutionalization of local and regional structures to take place.

This institutional volatility can be explained in great part by historical factors, such as the loss of territories, strong regional differences and/or the frequency of regime change. However, it can also be found in the specific conditions of Romania's state and public administration reform process since the mid 19th century, when the two principalities of Moldavia and Walachia united under Prince Alexandru Ioan Cuza and formed Romania. During this period, an attempt was made to construct a modern state and public administration out of strong regional identities and structures, using two competing influential paradigms: 1) the French administrative centralization model, promoted initially by the political leaders of the two old Principalities; and 2) the German federal paradigm, popular in Central Europe at the end of the 19th century, which became also popular in Romania during the reign of Karl of the House of Hohenzollern (known as Carol I), a German prince who replaced Cuza in 1878.

Hence, the creation of the Romanian modern state, and its corresponding administrative structures, can be described ultimately as the outcome of a political, economical and cultural homogenization process, which had to cope with resisting cultural identities and under those conditions, the challenges of social integration. The ensuing local administrative structure is the result of a series of centralization efforts followed by short-lived decentralization experiments. Centralization efforts started early, as a way to overcome the "small nation" complex. Even though in 1859, the Romanian Principalities were bound by a Confederate structure, centralization policies were initiated by Cuza,

influenced by the French administrative model dominant over the Danube Principalities at that time.

The first law on local public administration that had some effect on local governance in Romania dates from 1864 (L-394). Through the law "concerning administrative and territorial organization" (Ocarmuire) of the United Principalities, the government established the local council and mayor figures, which at the village levels could be directly elected by the population. Nonetheless, this law also exerted centralization policies. In the large cities, the king appointed mayors and the government set-up intermediate (prefecture) institutions. This gave new impetus to centralized administration, which was particularly important to gain political stability and territorial coherence. From an administrative point of view, the old county structure therefore evolved from Sub-prefectures ("Ispravnicie", XVth century - 1831), to "Ocarmuire" (1831-1864), reaching the status of Prefecture after 1864.

This administrative centralization tendency became a political vision aimed at discouraging centrifugal tendencies. After the consolidation of the national state, the territorial administration reform that followed unification divided Romania into 71 counties, with a total of 498 small rural districts and 8,879 communes. In Transylvania, the administrative reform of 1925 led to the dissolution of comitats, settled in 1876 (and kept until after 1918 as counties). The period from 1866 to 1936 witnessed a period of important advances in local governance, as the principles of decentralization and local autonomy were enforced and Romanian provinces were harmonized.

The 20th century brought along major changes, due to the general evolution of public administration, but also to the continued consolidation process of unifying Romania. In 1929, the administration of the National Peasant Party more sensitive to decentralization ideals due to its Central European influences laid the premises for the first attempt to systematically institutionalize an administrative decentralization process. Between 1929 and 1944, several administrative measures were taken to create a higher degree of administrative decentralization and to establish territorial units, local services and county associations. For example, as of 1929 the local council was directly elected and, in its turn, it elected mayor and vice-mayor. Similarly, the new law clearly defined the council as a deliberative body and the mayor (plus the delegation of the council) as the executive. This reform also had a positive impact on efficiency in local administration. Rural communes, considered basic units under the new legislation in force after 1864, had on average at least 10,000 inhabitants, offering a strong base for local economic development.

This decentralization tendency changed again, when the administration law of 1936 came into force. This new law diminished the importance of local self-governing bodies. Instead, the new law increased the Prefect's attributions as a central government representative and made administrative subordination stricter. From 1938 to 1940, Romania's first regional policy was designed and implemented under the government of King Carol II and the leadership of his Prime Minister, Nicolae Iorga. The new territorial re-organization involved dividing Romania into 10 parcels or units. These

were, administration units made up of a number of counties. The county remained a territorial division, but had no judicial powers. Under the influence of the Soviet Union after 1944, the bureaucracy became rigidly centralized and operated under a strict hierarchical model, both vertically and horizontally.

The dawn of the communist period marked the emergence of a new model for the Romanian local administration, characterized by accrued centralization of authority. The communist regime brought along new distributions of roles. The 1948 Constitution and Law 17/1949 created popular councils as local state authorities and committees as executive powers. In September 1950, Law No. 5 "concerning administrative and economical district division" dissolved counties and introduced new administrative units (regions and districts), led by the Executive Committees of the People's Councils. Nonetheless, the weight of regional identities remained alive, as illustrated by the creation of the Self-Governing Hungarian region of Mures, which was the result not only of a historical restitution, but also a way of potentially solving minority problems. After the Constitution of 1952, the popular councils had deputies, which elected the executive committees, composed of president, vice-presidents and members. In a way to reconcile itself with the idea of a national state and its corresponding coherence, the Ceausescu Regime reverted to the old administrative county system abolished in 1950, through a set of laws adopted in 1968. This administrative and territorial reform was mainly designed to adapt the political and administrative mechanism to the needs of Ceausescu's regime, with the local Party First Secretaries having full control over local policy-making. Thus the return to pre-war dispositions was only nominal.

Starting with the 1970's, the main representative of the state at the local level regained its title as mayor. In addition to the title of mayors, they were at the same time presidents of the executive committee of the local council. The essence of the Romanian communist local administration resided in the fact that, local service providers had a double subordination: horizontally, to the popular council, and vertically, with respect to the corresponding national centralized entities. Following the collapse of the communist regime in 1989, counties fell, for a short period, under the control of County Halls (Dec. 1989 - Mar. 1990). In July 1990, the newly-elected Parliament passed Law no. 5 "concerning the organization of counties, municipalities and communes until the elections," which set up prefectures as county decision-making bodies, thus marking again another return to a well-established centralized structure.

Local Governance after the Communist Regime: Highlights

The legitimacy crisis that most Central and Eastern European communist regimes were experiencing during the 1950's onward, translated itself into the need to implant communist principles to government structures and national idiosyncrasies. In Romania, this nationalistic form of communism took shape during the Gheorghiu-Dej (Prime minister from 1952-55 and President from 1961-65) leadership period and reached its apex during Ceausescu's regime (1967-1989). The Romanian administrative culture and particularly the local administration were greatly shaped by this phenomenon, which led to the appropriation by the Communist Party of the public space for political and economic purposes. Between 1950 and 1989 the administrative and political systems were developed to incorporate every public institution and economic unit into a unique network based on subordination, control and

coordinated relations centrally managed by the Communist Party. The Nomenklatura effectively controlled local administrative structures and hindered any possibility for a local political culture to emerge.

The collapse of the communist regime in 1989 did not bring about any significant immediate change in local governance in Romania. The absence of an organized political opposition to communism, the ad hoc nature of the regime change, the absence of a coherent project concerning Romania's future and the difficulties in the transition to political pluralism and market economy, provided an opportunity to the old political establishment to remain in control, secure their interests and regroup. Under these circumstances, the years following the 1989 Revolution were dominated by a powerful clientele and by a highly politicized administration, which led to a slow and cumbersome public administration reform process. This, obviously, hampered the creation of a more efficient public administration, prevented the emergence of a professional political class and professional civil servants, as well as of a more coherent sub-national government structure and institutions.

Moreover, the predominance of the rural sector (from 1997 to 2002 the rural population grew from 45% to 45.4% in 2002, with 50% of the total urban settlements being administrative towns with a strong tendency towards cultural and professional ruralization) and the perpetuation of a traditional culture influenced by a nationalist communist ideology further slowed down the evolution of local governance in Romania.

Box 2.1

Local Governance in Romania Immediately After 1989

In 1989, all communist arrangements were dismantled and the new authorities set goals to implement democratic rule. A group, the National Salvation Front (NSF) made up chiefly of former Communists, took control of the government. Ion Iliescu, leader of the NSF, became the acting president. The NSF canceled a number of Ceausescu's restrictions on freedom. Another key step (Decree 2/December 27, 1989) was to abolish the popular councils and to replace them with the territorial councils of the NSF, as local authorities, subordinated to the National Council of NSF. New ideas and concepts emerged, such as political pluralism, dissolution of political monopoly of power, restoring villages (small municipalities and villages had been dissolved arbitrarily by the Communist authorities) and ending the traditional centralized, type of regime.

The NSF issued a new regulation, Decree no. 8/January 7, 1990, concerning the organization and functioning of state administration. This official document stipulated that mayoralties were established as local organs of state administration in counties, the Capital, cities and villages. Mayoralties were made-up of a mayor and a vice-mayor, (although Bucharest had 2 vice-mayors). These authorities were accountable to the territorial councils of NSF and to the Central governmental authority.

In February 1990, yet another official pronouncement was issued by the new provisional government to allow the participation of political parties in the territorial councils. Decree No. 81/1990, created the legal frame for the Provisional National Unity Council, where NSF had 50% and other parties the rest. The same arrangement was to be replicated at the local level. This period of confusion ended with the general elections in May 1990. The new Parliament (also, a Constitutional Assembly) adopted Law No. 5/July 20 1990, which dissolved the territorial councils and left only Prefects at the county level and mayors at the local level, as official administrative entities. They were to be appointed by the central government. For more than one year and a half, the governmental nominees were the only administrative bodies operating in Romania.

The basic legal framework for local governance was established by the 1991 Constitution, under Chapter V (Article 119 and 120). The main principles of local governance were encoded in the Fundamental Law: local autonomy and decentralization of public services. In reality, local authorities had limited powers. The county level authority had not been given a hierarchical super-structure. Rather, the central government retained a number of control mechanisms, through the Prefect's office, who was considered a representative of the central government at the county level. The Prefect was in charge of legal supervision of administrative actions, and in extreme cases, could sanction/suspend mayors.

Detailed provisions concerning the local authorities were included in the new Law on Public Administration No. 69/1991, which came into force after the first local elections in February 1992.

The absence of best practice norms and models of good governance and public administration therefore allowed interest groups to take over the local administration and, depending on electoral dynamics, favored the prolongation of old political approaches. Furthermore, and in spite of the fact that, since 1991, the decentralization of public services and the consultation of citizens on community matters have been hailed as the guiding principles of public administration reform, they have not been pursued in practice in a systematic way. The reform of the Romanian public administration remains conditioned by electoral cycles and by the fact that some of the basic conditions for local governance to flourish have not been established yet, and/or are slowly being implemented in a selected number of counties and municipalities.

By law, the Local Council is the main authority of the local administration. In practice, the cultural legacy of “centralism” gives the mayor the same predominant role that the communist prime secretary had, as the only authority invested with decision-making powers. In small towns and communes, Local Councils do not have formal functioning mechanisms in place, and are dependent on the mayor’s goodwill. In places where pluralism is only a formality, this situation allows for the mayor to effectively control the decision-making process, by having access to local resources and their constant interaction with council members. Electoral law stipulates that the mayor is elected under a uninominal voting, if he/she garners the absolute majority of the votes. In contrast, members of the council are elected under the principle of proportionality. This has led to the consolidation of the mayor’s position, often to the detriment of the Council. Being sometimes the leaders of local party organizations, mayors can neutralize any form of debate or opposition. This has also had an impact on accountability. After 2004, the increase in the local threshold to 5% of total votes for all political parties in local Councils election has contributed to the emergence of a bipolar local political scene. However, influences of these changes over the strong dominant tendencies at the local level are still very hard to evaluate at this time.

Administrative capacity to tackle local governance and development issues in Romania depends on the power division at the local level, on the control by the Local Council over the mayor’s activities and on budget transfers from the central government. Between 2000 and 2004, the number of local settlements in Romania increased nearly 6% from 2,954 to 3,137. In 2003, on average nearly 80% of their income came from the central budget. As can be seen in Figure 2.1, most of the budget revenue at the local level in Romania still comes from the central government, as opposed to local sources. Although it is important also to recognize that in the past couple of years, local resources are becoming an important alternative source of revenue.

Main Legal and Regulatory Milestones for Local Governance (1990-2004)

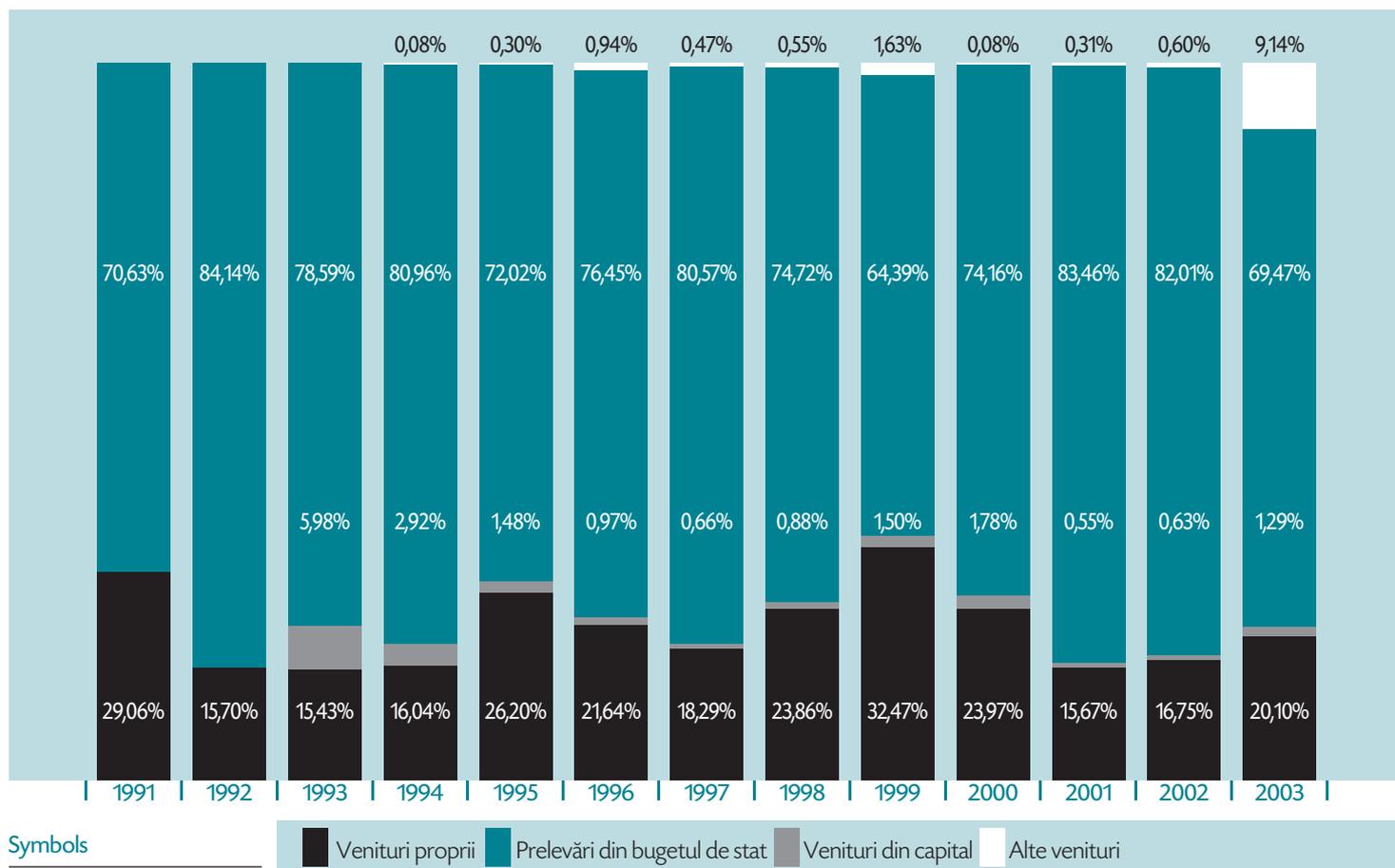
Following the restoration of democratic practice after 1989, the reform of Romania’s Local Public Administration became a necessity, particularly in order to distance the new political model from the old-centralized approach. It was important to create new spaces for democracy, which included local governance. Consequently, local governance and public administration reform in Romania was an integral part of the transition process from a centrally planned to a market economy, and from a centralist, non-democratic political model to a more pluralist democracy. As was already explained above, for nearly four decades before 1989 there was no democratic process in place, as the whole political approach was under the control of the Communist Party. Under this model, the local administration was part of a vertical, hierarchical administration led by upper tiers of central government. In addition, the notion of “local governance” was completely unknown. Local budgets were part of the central government finance and state budget, and were established in a very strict way without any powers to raise local revenues.

As a consequence, local governance and public administration reform needed to be dealt strategically. A whole new institutional design was to be considered and key systemic changes related to local governance and public administration needed to be devised. Moreover, in addition to the new institutional design and respective systemic modifications related to the re-positioning of the local government within the larger system of public administration, major changes were also needed to improve local administration practices. A new generation of politicians and administrators had to grow together with the new administration reality. In other words, the task at hand involved not only a complex process but also a multi-dimensional one. In reality, much of the basic ingredients needed for local governance have not been put in place yet.

Local Governance in Romania

Figura 2.1: Evoluția veniturilor bugetului local la nivel județean (1991-2002)

Figure 2.1: Evolution of the Local Budget Revenue at the Country Level (1991-2002)



Source: Based on data from the Ministry of Finance.

As was already mentioned before, between 1991 and 1998, the basis for local governance and local public administration reform was gradually established in Romania. The 1991 Constitution represented a very important political step, by including provisions related to “the communal and municipal authorities” (Art.119-121). Nonetheless, as time went by and progress took place and new needs emerged, the 1991 Constitution presented shortcomings, which needed to be corrected. These shortcomings became more visible as Romania advanced through the process of European integration. Therefore, in 2003 the 1991 Constitution was reformed.

No doubt that Law No.69/1991 represented the most important building block for local governance in Romania. In spite of its limitations, the new law turned the idea of local governance into reality, and inaugurated the first period of substantive local administration reforms (1990-1994). Nonetheless, during this first period it is difficult to identify a systemic and active local governance policy. During this time, the initial priorities were to strengthen the

new political reality and to take care of macro political issues. This included the definition of the division and balance of powers, the holding of free elections and the establishment of government authorities and new administrative entities. The first measures were also aimed at the introduction and application of basic human and civic rights, and the implementation of basic attributes of rule of law. The establishment of the conditions for a market economy was also a key priority in the early years of the transition. Thus, during these early years of the transition process, local governance was not really a policy priority.

As time went by, it became clear, however, that there was still a need for a better definition of the role of the state in managing the public administration reform in general, and particularly the roles and functions related to local governance and public administration. Moreover, the relationship between central and local government remained unclear. Furthermore, the area related to financial aspects of local public administration and local autonomy needed not only

clarification, but also a legal and regulatory framework. In the years following the first phase of the transition process (1990-1994), several complementary legislation was designed and implemented to deal with these key local governance issues. For example some of the most important pieces of legislation related to local governance after 1994 were:

- Law No.27/1994 on local taxes and charges, which specified the conditions for local governments to establish, collect and administer certain taxes and fees;
- Law No.189/1998 on local public finances, which provided a new framework for local finance mechanism and to enhance local financial autonomy;
- Law No.213/1998 on public domain and its legal regime, which addressed the issue of asset allocation between central and local levels and the distinction between public property and private domains;
- Law No.219/1998 on concessions, which established the general framework for concessions at the local government level; and
- Law No.103/1998 on autonomous enterprises (regii autonome) reorganization and Law No.44/1998 on commercial companies' privatization, which transformed autonomous enterprises into commercial companies, transferred shares of local utilities to local government units and set up rules for their privatization.

The year 1998 marked a turning point for local governance and public administration in Romania, particularly to begin to address financial and economic issues. Certainly, at this stage the process for local governance and public administration was incomplete. Moreover, given the growing complexities of the political process, it was becoming evident that a comprehensive strategy for local public administration was urgently needed. Starting in 1999, Romania's public administration reform was subject to pressures from the EU, in view of the country's integration efforts. The EU integration process had a trigger effect for the whole public administration reform strategy and actions. As a result, Law No. 69/1991 was replaced by Law No. 215/2001 and, as already mentioned, the 1991 Constitution was reformed in 2003. The new Constitution of 2003 enumerated guiding principles for local governance, which were "decentralization, local autonomy and deconcentration of public services" (Article 120.1). On the legislative side, from 2001 to 2003, a series of legislative modifications and the enactment of new laws created a more "friendly" and enabling environment for local governance and public administration, with a strong emphasis on financial decentralization

and improvement of public services. Some of the most important laws during this period were:

- Law No.326/2001, regarding community public services;
- GO No. 86/2001 regarding services related to local transportation of passengers;
- GO No. 84/2001 regarding community public services for population record;
- GO No.87/2001 regarding local sanitation;
- GO No. 88/2001 regarding community public services for emergency situations;
- EO No. 202/2002 regarding cross-cutting management of coastal zones;
- GO No.21/2002 regarding sanitation management of rural and urban areas;
- GO No. 32/2002 regarding local water distribution and sewerage system;
- GO No. 71/2002 regarding organization and functioning of public services for management of public and private domains of local interest;
- EO No.45/2003 regarding local public finances;
- Law No. 315/2004 regarding regional development in Romania (replacing the Law No. 151/1998)
- Law No.339/2004 regarding decentralization;
- Law No.340/2004 regarding the Statute of the Prefect.

A new political organization was also established in Romania on the basis of a new system of division of powers and a division of responsibilities. Romania's local governance and administrative structure consists of 42 counties (judete), which included the city of Bucharest; 262 towns and 2,686 communes. The law establishes the existence, boundaries and functioning of these units. Each county had a capital, and was divided into municipalities, towns and villages. According to the Constitution, only counties, municipalities and villages were territorial administrative units. Towns were classified as municipalities, provided that they conform to a specific set of criteria, including size, number of habitants and socio-cultural importance. Territorial administrative units were considered legal entities of public law, enjoying property rights and full legal capacity. Due to its size, Bucharest was divided into 6 sub-units, each of them represented by a mayor and a local council.

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Box 2.2

Key Elements for Effective Local Governance

When considering local governance as a fundamental strategy for systemic reform of the state apparatus, the experiences across the globe suggest that there are some key elements for effective local governance:

Decision-Making Parameters:

As governance functions are decentralized, clear decision-making parameters for local offices must be established.

Real Redistribution of Authority Versus Rhetoric:

Local governance implies fundamental changes in the way decisions are made and resources allocated. Too many governments have embraced the rhetoric of local governance without doing the tough work of (a) redistributing authority over the budgeting process and over decisions about administrative capacity, and (b) building the leadership and decision-making capacities for the new roles local governance.

Accountability:

Local governance results in new roles and responsibilities at both the local and central level. As roles are redefined, accountability systems and evaluation procedures also must change to reflect new performance expectations. Rewards and incentives should be linked to performance. Additionally, as local units become more autonomous, government authorities should establish appropriate measures to assess outcomes and link rewards and sanctions to results.

Professional Development for New Roles:

Since local governance entail redefined roles for local and central staff, extensive professional development and time for planning must be an integral part of a successful local governance initiative.

Equity:

Local Governance is designed to bring decision-making closer to the people. However, local governance can also bring with it the possibility of extreme inequalities - the possibility that local communities may not have the knowledge and resources to adequately promote human development. How do we keep local empowerment from becoming, in a worst-case scenario, abandonment? How do we make sure that those closest to the people have the knowledge and resources to be accountable for outcomes? These are tough, unresolved equity questions related to local governance.

Source: Gerardo D. Berthin, "Building Democracy and Promoting Human Development in Developing and Transition Countries: The Politics of State Transformation", 2003

As such, Romania has two levels of local governance. The first one is the county (judet). The second one is the local level, which can be municipalities (municipii), towns (orase) and/or villages (comune), composed of executive representatives (mayors) and of deliberative bodies (the local councils). In addition, and in accordance with the Law on Regional Development No. 151/1998 amended by Law No. 315/2004, Romania is also divided into 8 development regions, constituted out of the 41 counties and Bucharest municipality. The regions are governed by the principles of subsidiarity, decentralization and partnership. They are not considered to be a distinct level of public administration. Each region has a Regional Development Council, acting as a deliberative body with the role of coordinating the activities and of promoting the objectives of regional development policies. The creation of regions provided the framework for the implementation and evaluation of regional development policies. In each region there is an Agency for Regional Development, which is non-governmental and not-for-profit in nature.

As was already mentioned above, mayors are elected on the basis of a local, direct and uninominal vote, provided that they secure the absolute majority of the ballots. Local Councils are elected using the proportional system and on the basis of party lists. The county (judet) level representation consists in county councils elected directly, using the proportional system and on the basis of party lists. Furthermore, as instructed by the new Law No. 67/2004, only the county council's president and vice-president can be elected using an indirect voting system. The same applies for the vice-mayor, who is elected by its peers from the local council. At the county level, the local public administration authority rests with the County Councils, which coordinate activities of the communal and town councils. The County Council is set up with the purpose of carrying out public services at the county level. County Councils perform both legislative and executive functions. The legislative function is performed by County Councilors. County Councils also establish the "committees of specialists" responsible for drafting decisions in their fields of competence. The

President of the County Council carries the executive function, and is responsible for the distribution of the equalization funds to local communities within the county.

In accordance with Law No. 215/2001, the mayor can submit to the local council a motion to engage in a popular consultation through a referendum. The proposition must refer to local problems of special interest, including debates concerning programs of regional cooperation, urban development, association and cooperation with other local authorities and non-governmental organizations (NGOs). Moreover, popular participation is granted by the possibility for the population to propose amendments and appeal to the local council on local budgets prior to their discussion by the council. The mayors execute an office of public authority. They are the chiefs of the local public administration and of public administration authorities, which they manage and control. Mayors are responsible for the proper functioning of the local public administration and ensure the implementation of the decisions taken by local council. They

represent the town or villages in the dealings with other public authorities, with Romanian or foreign entities, as well as in judicial matters. In contrast, the local councils have the initiative and decision-making power on all matters of local interest, except for those that are lawfully under the competency of other local or central public authorities. The local council approves the local budget, the loans and uses of the budgetary reserve. In addition, it establishes taxes and local fees and manages the public and private domains of the village and/or the town.

The Central Government appoints a Prefect in each county as well as in Bucharest Municipality. The Prefects are the representatives of the State at local level. They manage the deconcentrated public services of the ministries and of other central bodies in the territorial administrative units. The Prefect has also the responsibility to supervise the legality of the normative acts issued by local authorities within their county.

Progress, Set-backs and Pending Issues in the Process of De-concentration and Decentralization

With the adoption of Law No. 69/1991 on Local Public Administration, Law No. 70/1991 and Articles 119 and 120 of the new Constitution in 1991, the necessary framework was created to begin administrative reform, transferring much of the power to manage local interests from the central to the local level. Detailed provisions concerning local governance, deconcentration and decentralization were included in Law No. 69, which came into force after the first local elections in February 1992. The original version of Law No. 69 gave the local councils the right to elect county councils, a provision dropped in 1996. Also, it contained insufficient details concerning, for example, the role of the vice-mayor, the equilibrium between the deliberative/legislative role of the local councils, the executive role of the mayor, and provisions concerning financial support for exercising autonomy and public property owned by the local authority. However, the law described a large range of areas that were relevant to the evolution of local governance, established compatibilities between the position of a local elected representative and other activities (such as Prefect, member of the government, council people), and even included provisions

concerning conflict of interest. Amendments brought to the law for the 1996 legislative cycle clarified some of the more particular elements in the law, such as the role of the vice-mayor, budget arrangements and property management.

In 1996, the Romanian Parliament passed amendments to both the Law on Local Public Administration and the Law on Local Elections. The amendments primarily developed administrative procedures and provided a more transparent and predictable framework for litigation among various actors at the local level. The most important improvements were the introduction of provisions regulating the accountability of Prefects for inappropriately suspending the acts of local governments, direct universal suffrage in county council elections and a clearer definition of the powers of local authorities. In April 2001, a new law, No. 225 on local public administration passed. It was considered and presented as a major leap forward for local governance. The law responded to demands by ethnic minorities concerning the use of languages, other than the official one, in public administration. The new law also extended

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provisions concerning the extent of local autonomy, rights to initiate development projects, and local budgeting and property rights. Also, it proposed a significant reduction of the number of council people, coming into force with the elections of 2004.

The revision of the constitution in 2003, clarified the legal framework for local governance by introducing the concept of deconcentration and by specifying that local authorities were not subordinate to the centrally appointed Prefects. A framework law on decentralization

was adopted in July 2004, accompanied by another one concerning the institution of Prefect. A plan for implementation of these two laws has been elaborated. In addition, in October 2003, the Government created an Inter-ministerial Committee for relations with local public administration. Most importantly, as the 2004 Regular Report on Romania's progress towards EU accession recognized, the Romanian authorities have made considerable efforts to develop a strategy for managing the process of decentralization in a more transparent and stable manner.

Box 2.3

Local Governance in Romania and the European Charter of Local Self-Government

Both the constitutional regulations and the subsequent Law on Local Public Administration are based on the following fundamental principles of the European Charter of Local Self-government.

- Local autonomy and decentralization of public services are set forth in article 119 of the Constitution of Romania and article 1 of the Law on Local Public Administration. Financial autonomy (as defined by articles 9 and 114 of the Law on Local Public Administration) was carried out only partially, due to the introduction of the Law on Local Taxes (Law No. 27/1994) and the Law on Local Finance (Law No. 189/1998), which generated difficulties for local communities.
- Eligibility for local office is defined by article 120 of the Constitution and was put into practice by the Law on Local Elections. These provided the framework for the 1992 local elections.
- Citizen participation is defined in the Law on Local Public Administration (articles 10 and 43), which requires the representation of collective local interests in matters such as local budgets, urban and regional planning, environmental protection and local infrastructure.
- The appropriateness and lawfulness of decisions made by local governments are elaborated in the Law on Public Administration (as amended in 1996).

Source: Pena Coman, et al., "Local Government in Romania," in *Local Governments in Central and Eastern Europe*, 2002

These are all positive developments for local governance in Romania. However, in as much as the basic legal framework for local governance, deconcentration and decentralization in Romania is in place, many of the activities and initiatives have been implemented partially and most have not been implemented in a systemic way. For some time, reforms have been restricted mainly to administrative reorganization: that is, to establishing the authorities and institutions needed for a decentralized administration. The adoption of key complementary reforms, especially those pertaining to financial autonomy and local governance, lagged behind. Similarly, the formal division of responsibilities between central and local administrations remains unclear. Insufficient funding and limited revenue sources at the local level often promote financial dependency from the central government. Combined with the political criteria that characterize the appointment of Prefects, this tension has contributed to root the idea that the local administration is merely a political representative of the central government and the political party in power, and not a real local public authority. This belief, in part, reflects the persistent tension existing between the deconcentration and decentralization tendencies. Moreover, in the last five years emphasis in local development has shifted toward regionalization and regional development policies. This has happened due to both the desire to harmonize with EU's systems and structures and as a concerted effort to address development challenges. In the absence of a proper legislation and of a genuine administrative authority, regional policy has

been exposed to the County Councils' political interests, hampering the possibility to promote real local human development.

While several key activities and developments in the area of local governance have taken place during the past years in Romania, there are still several issues that have not been resolved yet; for example, financial decentralization. The implementation of the legal framework for the development of local self-governing institutions and the decentralization of public services cannot occur without adequate financial support. Law No. 72/1996 "concerning public finances" has established the basic norms for the formation, administration and control of financial resources available to administrative and territorial units as well as to public institutions. However, the text of the law only offers a general framework referred to in its chapter III "concerning the elaboration, approval, execution and ending the execution of local budgets." A step further towards the establishment of financial decentralization was Law No. 189/1998 "concerning local public finances," which established the legal framework for administration management, use and control of financial resources of administrative and territorial units and institutions and public services of local interest.

Law No. 189/1998 on Local Public Finance established the basis for financial autonomy of local governments; the regulation of local revenues and expenditures; the process for formulating, approving and

executing local budgets; and financing for public services and institutions. Although financial and fiscal decentralization became more of a reality after the adoption of this law, its implementation raised serious concerns about the financial sustainability of local authorities. Municipalities and villages, especially those that lacked any industrial or tourist base, felt the impact of the law most negatively. This law introduced modifications to the financing system by increasing the responsibilities of local authorities in settling, controlling, receiving and monitoring income through specialized departments and planning budgetary expenditures. This was the first time, after a long period, that local public financing was dealt with specifically by a separate legislative act. The aim of the new law was to eliminate the dependency of local budgets on the state budget, to establish the financial resources of territorial administrative units and to increase the competence and responsibilities of local administrations.

The possibility for local administrative authorities to enter into loan agreements was another new and radical provision of Law No. 189/1998. The pre-1998 financing system had been based on state budget transfer payments and created difficulties for local authorities in managing their budgets due to delays in approving the state budget and in the actual transfer of moneys to local budgets. Law No. 189/1998, together with amendments to the Law on Taxes and Contributions No. 27/1994 (republished) and the government Emergency Decree No. 85/1997 regarding taxation of personal income (amended by Law No. 246/1998) represented important steps for local governance and public administration by putting into practice some key principles of decentralization and local autonomy and marked the first time in recent history that local public finances had been addressed by a unified legislative act.

Law No. 189/1998 also encouraged financial responsibility. By establishing a legislative framework, it enabled local authorities to plan for the long term and provide efficient local public services, thus encouraging the adoption of a management approach. The Law centered on key issues, such as:

- Competence of local authorities to establish, monitor and collect taxes and local contributions (before, the Ministry of Finance played a leading role);
- Receipt of a share of income tax as a source of financing for the local budget;
- Introduction of three-year budget forecasts;
- Regulations concerning loans and local credit;
- Introduction of the “association principle” for two or more local authorities to participate in trading companies for the provision of public services or capital investment;
- Realization of the functional autonomy of local and county councils and mayors in matters of local interest, without the involvement of other central authorities; and
- Autonomy in the administration of the public and private patrimony of the local council, as well as of the local resources to be used by the local budget.

Law No. 189/1998 also dealt with the issue of local revenues and provided an array of potential sources. It allowed for taxes, duties, other fiscal revenues, non-fiscal revenues, capital revenues, special destination revenues, grants from the state budget, shares of revenues to the state budget and special destination transfers. In practice, local revenues are still limited (Figure 2.1) and are most easily obtained by charging local taxes on property and vehicles. Although these are the most predictable revenue sources for the local budget, their structure varies among areas of the country or even within a given region and county, depending on the economic development of the area and capacity to cover budget deficits. Similarly, privatization has provided new potential sources for capital revenues at the local level, but they still remain limited (Figure 2.1). Revenues from special sources are another potential source for local income, but most local governments have not yet taken advantage of this potential. Moreover, by law several of these are still administered by central ministries (i.e., public road financing is allocated by the Ministry of Transportation).

Box 2.4

The Extent of Local Autonomy in Romania

The extent of local autonomy depends on the power of the local authority to establish taxes and duties, determine its tax base, create new sources of revenue and ensure tax collection.

Establishing a Tax Base: Local authorities do not have the power to establish new categories of taxation, but they can decide on payment exemptions, postponements and installments.

Determining the Rates of Local Taxes and Duties. Local authorities have little competence concerning tax rates: they may apply additional quotas for certain local and state taxes, and duties may be adjusted for inflation. The Law on Local Public Finance stipulates the local governments’ competence to request increased shares of state taxes, which are established annually by the state budget.

Creating New Revenue Sources. Law regulates local revenues in Romania; hence, local authorities have the power to refund special taxes, tariffs and levies only for public services. Other sources may be acquired that are not in the competence of local authorities, such budget balances established by the county council and central authorities and loans, which are subject to agreement with credit organizations.

Collecting Local Revenues. The Law on Local Public Finance stipulates the creation of special departments to monitor the collection of local revenues. In many cases, it is more of a constraint than a factor for autonomy.

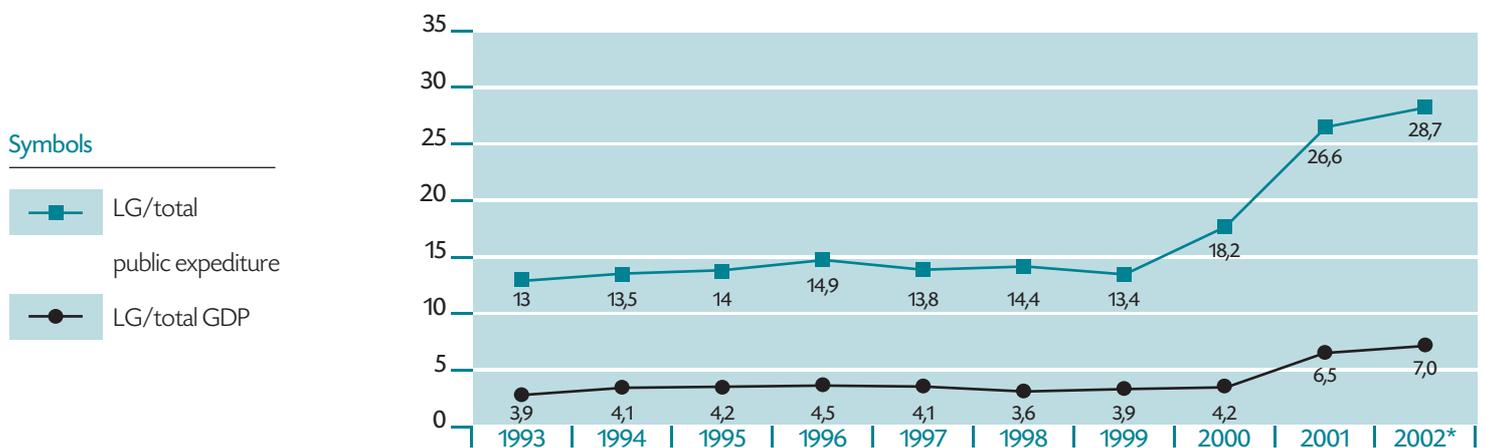
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Another issue that has created some controversy for local governance in Romania is the question of distribution of resources and equity. The introduction of property-based own resources, and the quasi-automatic sharing of personal income taxes have provided a strong base for local financial and political autonomy. However, the discretionary power of the county councils in distributing the so-called equalization funds among municipalities has preserved a high degree of unpredictability, arbitrariness and unnecessary discretion. The same is to be said with regard to the discretionary power of central government departments in allocating investment funds. The proliferation of mandates entrusted to the local administration by the central government, poorly funded in spite of earmarked transfers, reduces the fiscal autonomy of the local government, and generates unintended incentives. In spite of the equalization funds, the local

government funding system preserves, and even reinforces the existing inequalities in resource distribution, both between regions and within, between counties and within and between larger more prosperous cities, and small and poorer towns in rural areas.

Local government expenditure has been on a strong growth spree since 1999 (Figure 2.2). During the past four years, local government public expenditure has doubled both as share of total public expenditure and as of GDP. Until 1999, the level of local public expenditures remained more or less constant and even decreased during the economic slowdown of 1998-1999. This strong growth of expenditure is not only related to the increased resources made available to local administrations. It is also caused by the growing responsibilities being transferred to them by the central government.

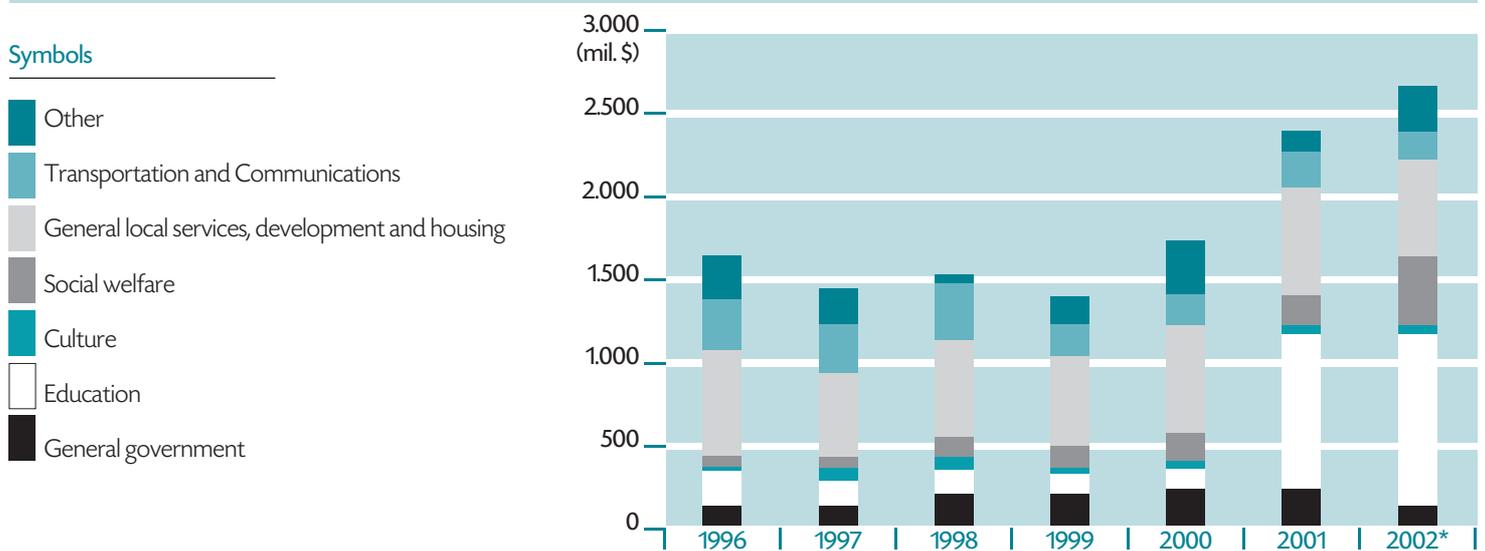
Figure 2.2: Size of Local Government Expenditure as Share of Total Public Expenditure and of GDP (1993-2002)



Source: Based on data from the Ministry of Finance

* Projected

Figure 2.3: Local Government Expenditure (US\$, average yearly exchange rate)



Source: Based on data from the Ministry of Finance.

* Projected

Figure 2.3 shows that the bulk of the growth in expenditure comes precisely from increased expenses for human development, particularly education. Similarly, in the past five years the share of discretionary local services spending has declined from 40% of total local government expenditure to only 25% (Table 2.1). Moreover, another traditional non-mandated local government responsibility, local transport, has also declined during the same period from 20% to

less than 10% of total local government expenditures. By contrast, the new reinforced mandated activities, such as education and social welfare, have increased from 5% before 2000 to 15% by 2002, and from 10% to 35% respectively (Table 2.1). This trend is expected to continue, as the decentralization of additional responsibilities, such as police and health, are currently under consideration.

Table 2.1: Breakdown of Expenditure in Local Government Budgets in Romania

		Before 2000	2001-2002
Not mandated	General local services	40%	25%
	Public Transportation	20%	8-9%
Mandated	Education	10-12%	35%
	Welfare policy	5-6%	15%

Source: Based on data from the Ministry of Finance

As was mentioned earlier, the new legal framework for local governance established after 1998 dealt with the issue of local revenues and provided an array of potential sources. The main local tax is the property tax, which has the potential of becoming a main source of local revenue. However, a set of later restrictions concerning the upper and lower tax limits has considerably restrained its potential as a means to gain autonomy for local governments. On the other hand, new sources of revenue have been introduced. For example, local governments have become entitled to a fixed share of the national personal income tax collected from their territory. Until 1998, the central government had an entire discretionary power over the amount granted to individual communities. Since 1999, local government can keep a fixed share of the personal income tax collected from the residents of each municipality and county. However, the actual size of the share received by local governments from this source, which is decided on an annual basis by the state

budget, has remained relatively constant, despite major changes in the counties and municipalities (Table 2.2). In addition, a mechanism of equalization grants has been introduced in the personal income tax distribution system, in order to reduce disparities among the inter- and intra-regional (i.e. counties).

In addition, the growing number of mandates has also led to the creation of earmarked transfers from the central government in order to fund the new responsibilities entrusted to the local administration. The funds represent transfers from the Value Added Tax (VAT) proceeds collected locally. This has had a tremendous impact on revenues at the local level, which since 1996 to 2002 has nearly doubled (Figure 2.4). While the amounts coming from own resources, and initial personal income tax shares have stayed relatively constant, recently local governments have seen growth in the volume of equalization funds, and particularly VAT based transfers (Figure 2.4).

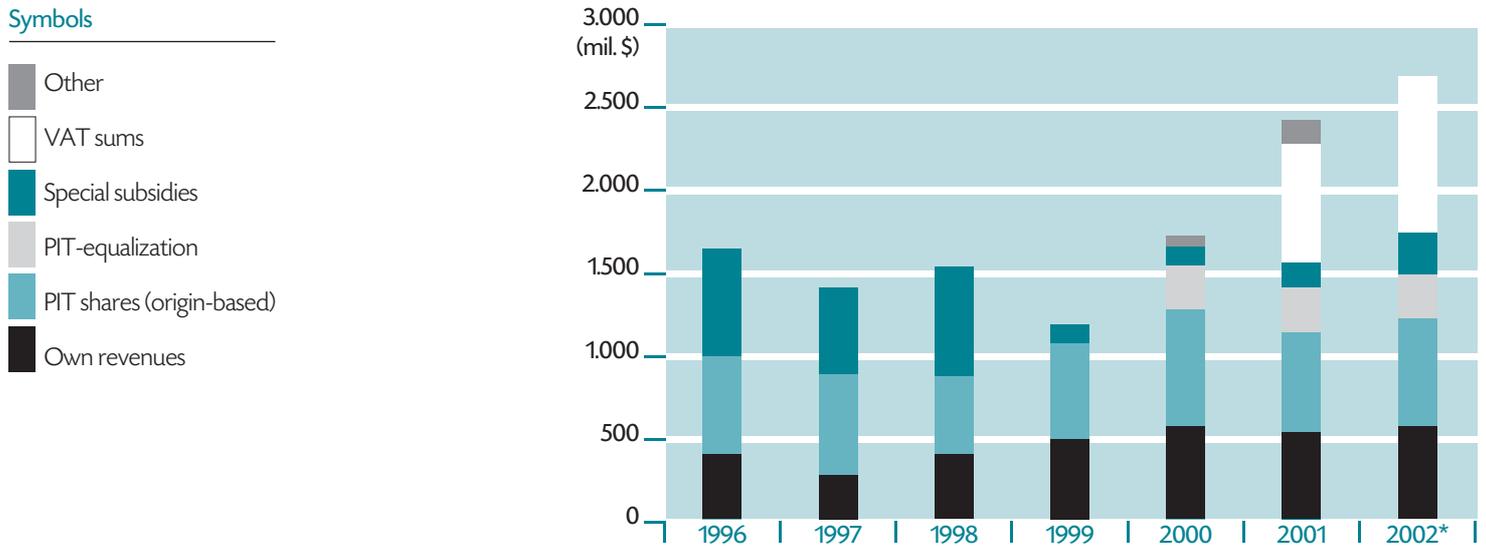
**Table 2.2: Share of Personal Income Tax for Local Governments
(According to Local Public Finances Law, and Budget Laws)**

	LLPF	1999	2000	2001	2002	2003
Municipalities	40%	35%	35%	36.5%	36.5%	36%
Counties, own	10%	15%	10%	10%	10%	10%
Counties for equalization			15%	15%	16%	17%

Source: Based on data from the Ministry of Finance

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Figure 2.4: Sources of Local Government Revenue (in US\$, annual average exchange rate)



Source: Based on data from the Ministry of Finance
* Projected

As mentioned above, counties receive so-called equalization funds, from personal income tax proceeds. The main aim of these equalization funds is to mitigate the imbalances in resources between different counties. Initially the size of the equalization fund for a particular county took into account a set of criteria meant to identify the real human development need. This complicated approach has more recently (since 2002) been replaced by a method that takes into account the fiscal capacity of the county, by assessing proceeds from personal income tax. With this new approach, the predictability and fairness of government transfers to counties have somewhat been improved.

From the equalization funds received by a county, a certain amount is used for countywide projects, while the rest is used as intra-county equalization funds (among municipalities). Since 2001, the state budget law has included strict limits for the alternate uses of the equalization funds. However, how the amounts earmarked for intra-county equalization are used and/or distributed among the different municipalities of the county is a decision that remains with the county council. It is argued that those decisions are often too discretionary. Emergency Ordinance 45/2003 attempted to fix this problem by providing some basic criteria for distribution to municipalities. As a

result, the way the funds are to be divided among municipalities now takes into account the financial capacity of the community to collect personal income tax, the size of the area and the population of the municipality. Only 15% of these funds are to be distributed at the discretion of the county council. This is primarily to allow counties to have some leverage to contribute funding to internationally sponsored projects. The impact of these new changes, first applied in 2004, cannot be assessed yet at this time.

An unintended consequence of the so-called equalization fund policy is that it has led to growing inequalities, both between and within counties. Table 2.3 presents the variations in per capita resources of local governments (own resources and personal income tax shares) in 2001. It is important to note that the inequalities in resources among local governments are larger than the GDP per capita differentials. Therefore the equalization funding mechanism often magnifies the "natural" inequalities found among and within counties, instead of reducing them. As can be seen in Table 2.3, the inequalities (measured as standard deviation/average) are even larger inside counties, than between counties. When broadly analyzing funding issues for local government, this tendency appears to acquire political factors (See Box 2.5).

Table 2.3: Variations in Per Capita Resources of Local Governments (own resources + personal income tax shares, 2001)

Per Capita Resources	Counties	Within Counties
Average	8.6	33
Max	25.6	705
Min	2.9	12
Standard deviation/average	0.48	0.9

Source: Based on data from the Ministry of Finance

Overview of Local Governance: Where are we?

It can be argued that the Romanian local governance situation has evolved during the last decade, but more intensively during the past five years. The local governance reform has registered important achievements in at least three areas. For example, in the area of territorial organization and administration, where some re-organization was needed to permit regional development activities under the EU model. In order to foster regional development and eliminate bottlenecks created by an extremely dispersed territorial

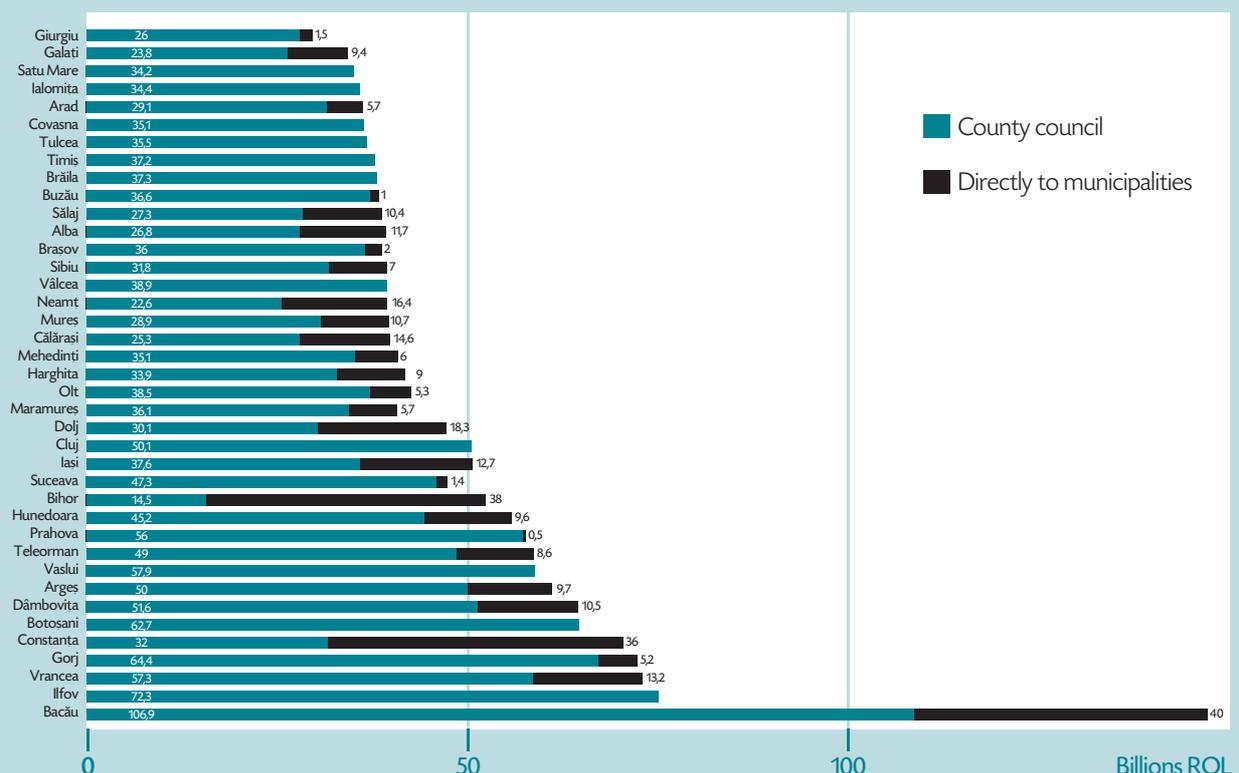
organization, it was necessary to reform the territorial administration. Law No. 315/2004 on regional development replaced Law No.151/1998 and created 8 regions of development, each of them doted with an entity responsible for promotion regional development (Agency for Regional Development) and of a Regional Development Council.

It is too early to assess the impact of this new territorial division. In Chapter 1 an attempt was made to analyze disparities among the eight regional development units, and predictably there are some disparities emerging, particularly in the economic areas. To what extent these disparities are related with governance capacity and to what extent these reforms match people's expectations, are questions that cannot be answer at this time. It is hoped that this reform will enable a more structured representation of regional interests and that these regional institutions in turn will be able to better represent local interests in their relation with central authorities and that counties within each region will coalesced to form less dispersed and fragmented interests. This regional division was also created to ensure a better cooperation between local authorities and other European entities.

Box 2.5

Local Funding for Road Development: Equity vs. Political Discretion?

Until 2003, the central government provided the funding for road development through the Special Fund for Roads. More than two-thirds of its proceeds were used by the National Agency for Roads, while the rest was distributed to county councils and, exceptionally, directly to local communities. The law provided guidelines for the distribution of these funds, which included the length of the road network, its technical status, and the level of traffic. Often the distribution of funds did not correlate to either the size of the population or the level of economic development. One argument that could explain distribution patterns is political discretion over equity. Since 2003, the Special Fund has been fused into the budget of the Ministry of Transport and Public Works, thus the precise breakdown of road funding is more difficult to identify. Nonetheless, there is no strong evidence to suggest that patterns of distribution (illustrated graphically below with figures from 2002), has changed.



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The area related to deconcentration and decentralization of competencies also evolved. The 2001 Strategy to Accelerate Public Administration Reform approved by the Romanian Government, identified the necessity to decentralize certain public services, with a view to reduce expenditures and strengthen the managerial capacity of the local public administration. Article 87 of Law No. 215/2001 states clearly that public services of town or commune are to be settled and organized by the local council, and in accordance to local needs, respecting the legal provisions and to the extent that financial means permit. Law No. 326/2001 provides the following definition of public services of communal administration: "the ensemble of activities of local interest and utility carried out under the authority of the local public administration, having the aim to deliver services of public utility". The services enumerated are water supply, sewerage, gas, electricity, heating, public transportation, and local public domain administration.

However, through county or local council decision, services other than those enumerated by law can also be created according to the community needs. Local public administration authorities have the responsibility of carrying out these public services of local interest, but they can also delegate them to specialized companies, with the aim of making them more efficient for the benefit of local communities. Article 16 of Law No. 326/2001 stipulates that local public authorities can manage the communal services through direct or delegated administration. In the first case, this can be pursued through the specialized department of the local councils, while, in the second case, this can be achieved through entrusting the respective services by contract to one or more private or public operators.

In spite of these important reforms, the delimitation of competencies between central and local authorities still remains incomplete, and the distinction between public services managed at county level and at local levels remains unclear, as illustrated in Table 2.4. They sometimes overlap, leading to conflicts and poor management of the respective services. Moreover, there is no clear definition as to which responsibilities are allocated exclusively to county authorities and which are delegated or divided. With regard to the decentralization of competencies, the present challenge in Romania remains to better define the roles of the central and local levels of public administration and their political and administrative competencies. This would enable a better use of resources and better schemes to establish the more appropriate combination of relationships to ensure better and optimal performances in public services delivery.

The new Law No. 339/2004 on decentralization was therefore enacted in order to solve the ambiguous legal framework that causes dysfunctions at the local level of administration. It is expected that this new legal framework on decentralizations will enhance cooperation between local governments' authorities, and clarify local liabilities issues. In addition to Law 339/2004, Law no.340/2004 will also play an important role regulating the status of Prefects. This may contribute to change the public opinion and elected officials' perception that the Prefect is simply a political representative of the central government, and not an authority directly managing the de-concentrated services of the ministries.

Progress has also been registered in the area related to financial decentralization, which represents a fundamental element of the local public administration reform. One of the most important constraints of the decentralization process has always been to maintain a correlation between public service and fiscal decentralization, so that the process, instead of becoming a burden for local communities, could assist local authorities in their final objective of providing their constituents with quality services. Article 7/3 of Law No. 215/2001 stipulates that "central public authorities cannot settle or impose any responsibility upon local public authorities in the process of public services decentralization, such as setting up new public services, without ensuring the financial means required for achieving the respective responsibilities."

As was mentioned above, the financial decentralization process started with the adoption of the Law on local taxes and charges in 1994. The law clearly stipulated that local taxes and charges were the local communities' own revenues; their rates were to be decided, collected and controlled by local governments. The property tax thus became the main potential source for revenues at the local level. In addition, the law strengthened local fiscal autonomy and clarified and expanded local control over revenues and local budgets. The provisions of Emergency Ordinance No. 45/2003 on local public finance are in accordance with Law No. 500/2002 regarding public finances. They are also in harmony with the provisions of Regulations No. 1605/2002 of the Council of Europe. Another merit of this act is that it has increased the percentage allocated to local authorities of profit taxes individually applied. The new system has generated an increase in the local government revenues.

Similarly, maximum limits for main local taxes and charges (on buildings, lands, automobiles, construction authorizations) have been established. Small variations between municipalities' local tax rates are possible. With regard to main taxes (property tax) the funds raised from local taxes also depend on the capacity of local authorities to manage effectively tax policy. Local revenues come also from state transfers: grants from shared taxes (consist in transfers from the personal income tax and from the Value Added Tax) and earmarked transfers (government's contribution to the international organizations projects, to the financing of the activities and services regarding medium and long-term investments of local communities).

Table 2.4: Allocation of Functions Among Local, County and Central Administration in Romania

Service	Responsible Authority		
	Central Level	County Level	Local Level
Public Utilities	Telecommunications		
	Electricity		
	Gas		Local distribution network for gas
	Postal services		
	Petroleum products pipelines		
Health		Medical protection Hospitals	Basic medical assistance and protection
Housing	Construction (ANL)		Management Social housing
Social Assistance		Services for old age and people with disabilities	Services for old age and people with disabilities
	Unemployment	Unemployment	
Road and Communal Infrastructure	Public roads (European)	Public county roads	Local roads
	Railway transportation		
		Water supply	Water supply
		Sewerage and waste water treatment	Sewerage and waste water treatment Public lighting
			Heating
			Maintenance of parks, cemeteries and green areas
Environment			Street signs Deposing Street cleaning
			Preschool
Education			Primary
		High school	High school
	University		
Strategic planning			Urban planning Local econ development
		Regional planning	
Miscellaneous		Public domain administration	Public domain administration Civil status, building permits

Local government borrowing, done appropriately and with the respective planning and responsibly it demands, represents perhaps the most innovative tool in Romania for increasing investment capacity of the local public administration. Until 1998, investments at local level were financed only through earmarked transfers (utilities for water providing and water waste, heat units, roads and bridges, housing, utilities for gas). Thanks to the 1998 law on public finances, now local investments can be financed either through own revenues or by borrowing.

The local public administration can use two borrowing instruments: loans from commercial banks and bonds. The internal borrowings can be contracted and managed by local authorities themselves. No support from the central government is required. For

each internal borrowing the Ministry of Finance should only be notified by the local or county council that decides to contract a loan or buy bonds. Local government units are required to book all their debts and store the information in their annual accounting report. The registry book should include "details of such debt" and any other information required by the Ministry of Finance. In turn, the Ministry of Finance should have a national database system to produce a clear and accurate nationwide picture of local borrowing trends and dynamics, and this information should be made available to the public.

The provisions of the law on local public finances applies to borrowing procedures for loans and/or bonds. Ultimately, it is the responsibility of the local and/or county councils to approve internal or

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external medium and long-term borrowings for their respective communities. According to the legislation, the mayor or the president of a county council, as executive authorities of the local communities at each of the two levels, are ultimately responsible for the implementation of the decision. In practice, the mayor and/or the county council's president's initiative of issuing bonds is often easily approved by the local/county councils, since the last full responsibility belongs to the executive level. The borrowing destination is clearly regulated by the law. Funds coming from a loan or a bond issue can only be used to finance local public investments and for the refinancing of the local public debt.

Local governments have also access to external borrowing. When contracting external loans, local communities must have the approval of a Commission mandated to authorize and approve the loans. The Commission is formed of representatives of the local public administration, the central government and the National Bank of Romania. Similarly, the Law on local public finances stipulates that a local community has to guarantee any contracted loan with its own revenues, except for the case when the ultimate use of the loan could also be financed through earmarked transfers from the State budget. The law on local public finances authorizes municipalities to pledge other transfers from the central government, such as quotas and other amounts derived from certain incomes of the State budget. Although the law on local public finances does not include any provision related to securing municipal debt through physical property, the general principles of the Romanian legislation would not prohibit securing municipal debt with a mortgage on local government property in the private domain. Another form of guarantee is the reserve fund. It represents a financing device that sets aside an amount of funds, usually from the borrowing total.

As compared to a decade ago, progress in this area is significant. Before laws and regulation related to financial decentralization were passed and implemented, many local communities had insufficient financial resources to support. As a consequence, most of these communities simply did not get involved in proposing development projects. Although the transfer of responsibilities regarding investments financing is a positive step towards financial decentralization and a real local autonomy, there are nonetheless many challenges to overcome. For example:

- Lack of political will on the part of local public authorities, which can reduce the potential success of borrowing as a mechanism to promote local human development and investment. Lack of political will is often the result of different perspectives and visions between mayors and local councilors;
- The uneven use among counties and municipalities, of the different available instruments that they can use to promote financial decentralization and local autonomy. Medium size municipalities, with well-developed economies are more likely to use available instruments to promote financial decentralization. Similarly, only large municipalities are attracted to experiencing external borrowings;
- The lack of a framework to deal with bankruptcy or liquidation of local governments makes it difficult to deal in practice with issues of insolvency;
- Resolving other key issues such as the recently announced flat tax initiative, as well as the minimum income share.

Local governance and public administration reform after the first post communist decade have greatly depended on the political framework in place. In the conditions of a weak local democracy and an unstable political system, progress in local governance in Romania has been gradual and often without strategic direction. In principle, there are two alternatives for development and strengthening local governance in Romania today: 1) gradual improvement of the present system or 2) decisive step towards a more democratic and effective local government system. The first alternative involves the implementation of existing policy lines. The second alternative involves further amending current legislation and policies, designing and implementing management models for local governance, improving local financial management and encouraging more cooperation among local authorities. The implementation of the second alternative depends largely on a renewed political will and leadership at the local level.

Overall, while many of the changes registered since 1998 are positive developments in the right direction towards effective and vibrant model of local governance, they have not been sufficient yet to alter the basic relationships and interaction modalities of institutions at the central and local levels. Moreover, not sufficient time has elapsed for the reforms to have an impact in cultural political behavior, both at the public official and civil society dimensions. While a move towards local governance in Romania has been progressive and gradual, many crucial modifications to the core of the system have not been implemented yet. Indeed, Romania's local administration reform, as is the case in other countries in the region, must go beyond partial changes of territorial or functional attributes and limited modernization. What is at stake is an in-depth transformation of the whole public administration system, local governance included.

From the Romanian experience so far, several key critical issues to improve local governance can be identified.

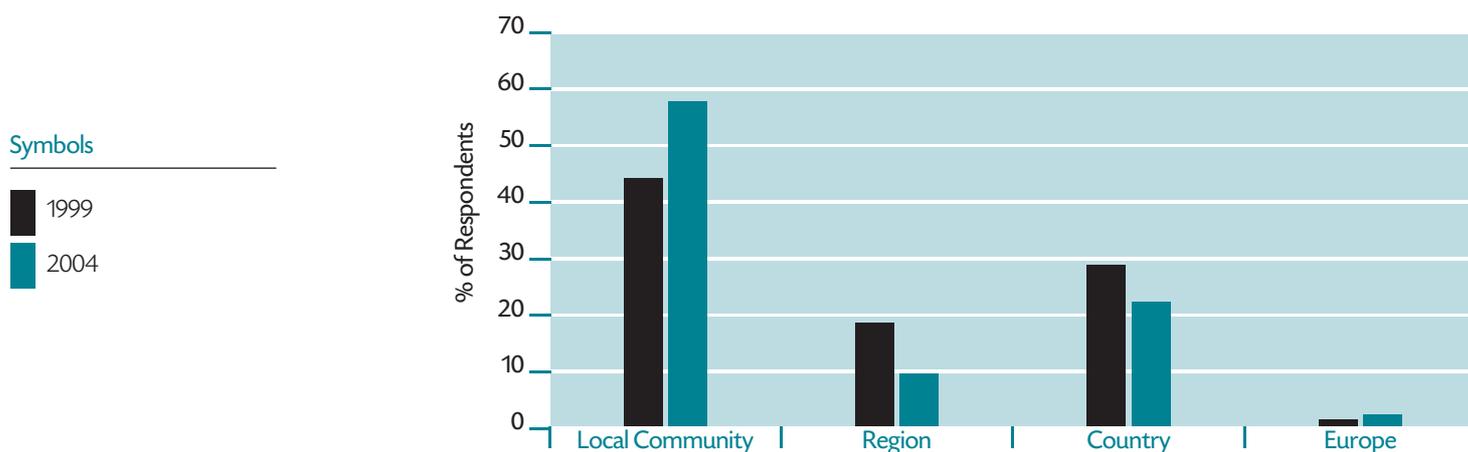
- Administrative capacity, one of the most important predictors for local governance performance;
- Finding the right balance for discretionary power, in such a way that the responsiveness and effectiveness, through a legitimate judgment that takes into account regional, local and individual particularities, does not turn into arbitrary judgments, structured by personal values, interests or stereotypes, leading to systematic discrimination and, finally, to a lack of effectiveness in dealing with established objectives;
- Accountability mechanisms within local government. Most of the local governments in Romania have some formalized accountability mechanism in place that applies to activities and behavior by the staff and political representatives. Nonetheless, in practice the application of these mechanisms is diverse, and methods and impact need to be evaluated to identify potential problematic areas that threaten transparency and effectiveness;
- Lack of management skills among elected officials at the local level and administrative personnel, particularly related to decision making, communication, time management and knowledge in general of legislation, functioning and organization. Because of the absence of a local political and public servant culture, both elected officials and senior public officials often subordinate public interests to political ones. Shortcomings among local civil servants include low

professional and managerial skills, the lack of a training system (both for elected officials and for technical staff) and poor communication and teamwork skills. These problems are exacerbated by bureaucratic routine (a lack of professional and financial incentives, the monotony of tasks and poor use of information technology); the absence of personnel policies regarding the recruitment, promotion and training of employees; and a lack of criteria for performance assessment;

- Lack of communication between public institutions, both horizontally and vertically, is one of the most important problems, together with the ambiguous delineation of roles within and between organizations; and
- Inadequacy of structures, poor correlation between responsibilities and resources (human, financial, physical) and insufficient transparency and delegation of responsibility are also considered critical challenges for local governance in Romania.

Other local governance problems identified in Romania include the lack of effective decentralization of public services and the ambiguous role of the state (at various levels) in the management of public services; low efficiency and effectiveness; passivity in support, elaboration and implementation of public and development policies; difficult procedures for developing collaborative relations with other sectors; the lack of participative planning; a lack of structured and compatible databases for data transfer between various sectors and of a system for automatic processing; and the lack of transparency in defining municipal ownership. Finally, another key issue (which will receive attention in Chapter 4) is the issue of localism and a sense of belonging, which can commit citizens to actively participate in the decision-making process.

Figure 2.5: With Which of the Following do you Most Closely Identify?



Source: For 1999, Luana Pope, "Autonomy of Local Government Administration in Romania, 1999. For 2004, CURS survey 2004a

Empowering local authorities is a broadly supported idea together with a high sense of belonging to one's own community. As can be seen in Figure 2.5, most Romanians consider themselves first and foremost as citizens of their local community. This tendency seems to have consolidated during the past five years. The key question here is how to use that local social capital in benefit of better local governance and human development? Insufficient communication between the local and central levels of public administration and representative associations is one of the most important related issues to be addressed in the future. Others include improving transparency; encouraging communication and collaboration between the sectors of society (public authorities, private sector, the nonprofit sector and civil society in general); developing the public sector's ability to respond to community needs; a low level of interest in the public sector and difficulty in involving technical resources from the private sector, academic groups and the

NGO sector in local development programs; a lack of partnership in relations with the other segments of society; a lack of concrete programs to support the development of civil society; and passivity of local communities in elaborating, supporting and implementing public policies.

Local governance and public sector reform can be potential means to promote human development and reduce poverty, if they are at the core of a strategy that establishes clear priorities for public action. The core policies and institutions for expanding human development at the local level involve complementary actions to stimulate overall economic growth, make the economy work for poor people and build their assets. Chapter 3 highlights a number of human development challenges facing local governments in Romania today, including growing disparities, local rural development, internal migration and local poverty.

For local governance to lead to increased opportunities, actors at the national and local levels, public officials, donors, representatives from the private sector, NGOs and civil society, must be active, each with specific responsibilities. In order for local governance to be a driving force for human development at the local level, it requires political will and capacity. Building an enabling environment and local capacity are long and arduous processes. The question of capacity is particularly crucial for the transition countries. Most difficulties are related to the inability and/or ability of regions, counties, municipalities and villages to raise their own revenues and to plan strategically to take advantage of borrowing and other potential sources of funding in order to promote investment and human development. It also requires better trust and cooperation between local governments and the people. Ultimately, local human development requires an enlightened central authority and policy makers who are willing to take advantage of the opportunities local governance offers to promote human development, while at the same time working in unison to minimize and manage adverse or unintended consequence. This requires, building partnership and cooperation with private sector actors and NGOs.

Local governance cannot be seen as an end in itself for human development. Rather it has to be seen as a means for promoting key principles of human development. For example, local governance can be seen as a way to increase efficiency and delivery of public services, allow for greater local participation in decision-making, increase equity, strengthen regional development and reduce disparities and poverty. Local governance can also be an important counterpoint to globalization and European integration. Both of these processes often remove decisions from the local and national stage to the global and regional sphere. Local governance can bring some decision-making back to the sub-national and local levels. In designing local governance strategies, therefore, it is necessary to view the interrelations of these various dimensions – global, regional, national, sub-national and local. In this regard, the role of the national government gains increased importance as a mediating agent between broader forces (globalization and EU integration process) and specific forces (local demands and needs, local peculiarities).

Even though evidence is still mixed on the results of what in theory, local governance should improve and what in practice it actually improves, local governance can bring certain advantages to the local human development scene. For example, with regard to efficiency, local governance can contribute to identifying local priorities, potentialities and resources for the design, implementation and sustainable management of local human development initiatives. It should also help to cut costs as projects and programs better match local needs. The basic proposition is that local governments are better able, given differing local circumstances and preferences, to satisfy varying local demands for public goods and services. Efficiency, in this case, would refer to reduction of costs, better use of local resources, technical quality, and reducing opportunities for corruption, all of which are costly. The efficiency argument is also built on the principle that local governance can facilitate implementation of projects in a

variety of local circumstances, and in the long term, such investments may be more likely to be maintained and effectively utilized where the responsibilities lies with local authorities. This is especially the case where local governance enhances local community participation. Ultimately of course, efficiency depends on technical and financial support given to local governments and initiatives by local leadership.

With regard to equity, local governance could in principle address disparities between and within regions, urban/rural, between income groups and ethnic groups. Local governments are often in a good position to administer services that have important redistributive implications, such as primary health care, education, childcare, housing and public transportation. When discussing equity in the context of local governance, one must distinguish between inter (different parts of the country, such as development regions, regions, counties, municipalities and villages), and intra (the position of different socio-economic and gender groups within a given locality, such as regions and counties, vis-a-vis each other). Improvements or deterioration in these various elements of equity need not coincide. Indeed it appears that while local governance can promote equity among different groups within a region or county, through increased local public expenditure and the wider provision of public goods and services, there is also a risk that disparities between regions and counties can also worsen due to, for example, different tax bases and inadequate fiscal equalization. The former tendency points in the direction of greater local governance; while the latter suggests either a larger redistributive role for central government, or as is the case in Romania today more emphasis on regional territorial units. Local governance can help expand the provision of basic social and economic infrastructure. et inequalities can persist, and sometimes can even be exacerbated. This may be due to disparities in resource allocation or in utilization patterns, or in the inability to respond to incentives under local governance scheme.

On balance, evidence suggests that as a result of local governance aggregate inequality is likely to be predominated by worsening inter-regional equity, largely because of the absence of effective central redistributive policies. Nonetheless, local governance can create equity within individual regions/counties, but it can also increase disparities among them. Local governance can enhance equity through increased public expenditure on those areas that most benefit the poor. Improved provision and utilization of basic social and economic services can follow. If local governance and decentralization policies can produce more effective government services, the effect will be more redistributive, since poor people make more use of local public services than rich ones. However, passing more responsibilities for taxation and expenditures to local government can benefit richer areas (who can lobby more). In this case, strong central government action is needed for curbing these potential tendencies.

Local governance can also enhance economic participation, as it encourages local economic activities through increased infrastructure, better quality of services and more support to local entrepreneurs. But when local governance is not carried out with

The Different Dimension of Local & Regional Human Development in Romania

conviction or sufficient resources, it can fall short of promoting sustainable economic development. The expansion of income earning opportunities is a crucial dimension of human development. Yet the impact of governmental structure upon local economic activity is often difficult to pinpoint, especially given the multitude of associated variables such as macro economic policy, regional development EU integration policy, development strategies and ideology. Ultimately, financial autonomy, local innovative activities and strategic planning can be positive inputs to promote sustainable economic development at the regional and local levels.

The degree of financial autonomy has a substantial impact on the way money is spent on human development. What must be carefully analyzed is the overall relationship between local governance and expenditure allocation by sector. That is, whether or not local governments are associated with relatively higher expenditures on areas of priority for human development, such as education, health and economic promotion. The priorities of local governments may well differ from those considered to be important by the national government. While the national government in Romania may be preoccupied with EU accession issues, local communities may be more preoccupied with issues related to migration, rural development and poverty. On the priorities of local governments, many complex factors will affect their priorities, including the socio-economic environment; the enabling environment; the extent to which local public authorities represent the interests of their constituents; the political climate, which facilitates or restricts the free expression of popular feeling; and the functional responsibilities and financial resources available, or the extent to which local representatives are able to make decisions relating to the planning and

implementation of human development projects and programs.

Local governments often have significant expenditure responsibilities in the areas of basic social services. It has been argued that political and administrative decision-makers, particularly in democratic systems, prefer short-term projects with immediate returns. There is said to be a bias of local government in favor of highly visible projects such as new municipal buildings, rather than infrastructure development and recurrent expenditures such as road repair and school maintenance. In principle, it would appear likely that local governments would focus more upon primary and lower secondary levels of schooling, rather than tertiary education, given the largely localized effects and lower costs involved. Community participation, as facilitated by local governance, can also be seen as another key issue for local governance and human development, both as an end by itself (as an empowering tool), and as a means, benefiting improved project design and implementation due to better match with beneficiary needs and better appreciation of local constraints. Chapter 4 will expand on this.

The Chapter will examine and articulate some of the issues described above, as a way to identify key policy areas to strengthen local governance and particularly to promote local human development. By focusing on how some of these factors and elements interact and articulate at the regional and local levels, the Chapter will shed light on the different dimension of human development at these levels. It will try to clarify regional, county and village human development in Romania and will offer alternative analytical tools to better understand the different dimensions of regional and local development and its growing complexities.

Local & Regional Human Development and Disparities: The Impact of Socio-Economic Changes in the Past 14 years

As has been repeatedly mentioned before, regional policy in Romania today is heavily oriented towards the 8 Development Regions established by Law No. 151/1998 for the management of economic development programs by the National Agency of Regional Development. Nonetheless, in order to better appreciate the human development impact of transition at the regional and local levels, Romania's historical regions (Bucharest city and other seven historical areas of Romania) offer a more appropriate framework of analysis. Using the latest available data, the main human development changes that have occurred at the local level over the past 12 years will be analyzed to understand the nature and dynamic of regional disparities, poverty and exclusion. Initially, five economic indicators were used to assess regional economic development in Romania: employment rate, unemployment rate, average number of employees gross domestic product and turnover of local units from industry, constructions, trade and other services (Several maps were constructed and can be seen in the Annex section). The analysis is based on data provided by the National Institute of Statistics and by a CURS' mega-survey conducted in June-July 2003 (See annex for methodological information on the survey).

Human development in post communist Romania has been analyzed in the last years from different perspectives, such as the transformations of "hard" structures (institutions, social groups) or "soft" structures (values, orientations), the level of social polarization (differentiation) of the population, the impact of Western structure (like modernization or frontiers expansion) and the consensus or social conflicts theories no name but a few. Nevertheless, in spite of ingenious analyses, there is no yet a systematic and disaggregated map of the main human development changes that took place in the last 14 years at the sub-national level. Thus, in order to elaborate a more adequate frame for measuring human development change at the regional and local levels in Romania during the last 14 years, and in addition to analyzing some familiar statistical indicators such as GDP or average income, the analysis to follow will focus on changes that took place in four key areas:

1. The active and occupational structure of the population in 1991 and 2002;
2. The professional and occupational mobility of the population over the last 14 years (1990-2003);
3. The social exclusion (marginalization) phenomenon; and

4. The social integration (inclusion) phenomenon and the participation of the population in the new market economy.

The analysis of disparities in Romania can be more relevant, if data is analyzed in accordance with Romania's historical regions, more so than in accordance with the eight development regions. There are 8 historical regions including Bucharest city:

1. Moldova (Bačău, Botosani, Galați, Iași, Neamț, Suceava, Vaslui, and Vrancea counties)
2. Muntenia (Arges, Brăila, Buzău, Călărași, Dâmbovița, Giurgiu, Ialomița, Ilfov, Prahova, and Teleorman counties)
3. Dobrogea (Constanța and Tulcea counties)
4. Oltenia (Dolj, Gorj, Mehedinți, Olt and Vâlcea counties)
5. Banat (Caraș-Severin and Timiș counties)
6. Transilvania (Alba, Bistrița-Năsăud, Brașov, Cluj, Covasna, Harghita, Hunedoara, Mures, Sălaj and Sibiu counties)
7. Crisana-Maramures (Arad, Bihor, Maramures, and Satu Mare counties)
8. Bucharest (Bucharest city counties)

To put the regional and local analysis of human development and disparities into context, it is necessary to unbundled national tendencies and patterns. This will help to highlight regional and local disparities more effectively.

The National Picture

The structure of Romania's economically active population has changed over the last 14 years. In 2002, it represented 46% of the total population, while 54% was the non-economically active. By 2003, it was clear that a new structure of economically active population was emerging in Romania, as the share of workers decreased from about 50% in 1989 to about 30% in 2003, while other occupational groups such as the unemployed, owners, the self employed, house keepers and farmers had increased. The changes that took place in the employment structure, which is made of the different national economic activities, the type of ownership and the professional (employment) status, show both an employment structuring and restructuring process.

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Table 3.1: Romania's Structure of the Economically Active Population (1989 & 2003)

Occupation	1989 (%)	2003 (%)
House keeper	7,6	12,6
Contributing family worker	0,5	1,2
Unemployed (not registered)	2,2	10,5
Farmer	2,6	10,3
Worker in agricultural association	9,3	2,0
Employed in agriculture	1,6	0,4
Unskilled worker	6,8	4,6
Skilled worker	43,1	27,5
Service/trade	9,7	9,2
Self employed in non-agricultural activities	1,1	2,2
Technician, foremen and similar	4,6	2,9
Expert with intellectual occupation	9,8	13,0
Manager	0,9	1,6
Owner	0,1	2,1

Source: INS, Yearly Statistical Book of Romania, 1990 for 1989 and CURS' survey for 2003¹

Tables 3.1 and 3.2 show a significant decrease in industrial activities, particularly manufacturing. The new structure of the population's involvement in economic activities is an atypical one, similar in many respects to "developing" society, but also with significant features of a modern capitalist society. This is especially significant, when share of employment in the private sector, trade, financial intermediation and public administration is taken into account. The occupational mobility in Romania shows that it is experiencing two contrasting tendencies: a process of de-industrialization and one of ruralization, accompanied by a slight increase in tertiary activities as the main refuge for a population laid-off from former industrial activities. From the employment structure of the population by the main sectors of activities (primary, secondary and tertiary) it can be deduced by the available data that Romania is still in an early stage of industrial development, where only about 30% of the population is involved in the tertiary sector compared to about 50% in more developed economies.

¹ CURS survey in June 2003 was conducted on a 35,000 sample. Respondents were asked for their occupation both in 2003 and 1989. The comparison was made by selecting different age cohorts from the total sample.

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Table 3.2: The Employed Structure of the Romanian Population by National Economic Activities (1991 & 2003)

Areas of economic activities	Dec. 1991 (%)	2001 (%)	The structure of the employed population in the private sector	Share of privat sector in the same field
Agriculture, forestry and fishing	28,9	28,3	39,8	98,6
Industry	35,3	27,0	27,2	70,5
Mining and quarrying	2,6	1,8	0,5	17,7
Manufacturing	31,3	22,8	26,2	80,5
Electricity, gas and water supply	1,4	2,5	0,5	16,0
Construction	4,6	5,7	6,5	80,9
Trade	6,5	10,3	13,4	91,4
Hotels and restaurants	2,0	1,6	1,9	85,3
Transport, storage and communications	6,4	5,3	3,8	49,9
Financial intermediation	0,4	1,0	0,8	52,8
Real estate, renting and business activities	3,9	2,7	2,7	71,6
Public administration and defense	0,9	6,1	-	-
Education	3,9	5,1	0,3	4,0
Health and social work	2,9	4,4	1,1	18,2
Other activities	3,5	2,5	2,5	66,7

Source: Own calculations on INS Census data, from from January 1992 and 2002.

From the historical regional perspective, the structure of the employed population shows a direct correlation with HDI values analyzed and presented in Chapter 1. That is, Regions with the lowest levels of human development, such as Moldova, Muntenia and Oltenia, have also high employment rates in agricultural activities and low employment rates in the service sector. In contrast, areas with a higher HDI, like Bucharest and Transilvania, show a higher level of employment in tertiary and high-tech industries. The Dobrogea region, which has the highest level of employment in the tertiary sector and a very low employment rate in the industrial sector, has an average level of economic development. Of course, the employed population in the service sector is larger in urban areas, where the private sector is more developed.

The employment structure of the population by occupational status in 1991 and 2003 is showed in Table 3.3. As can be seen, the main changes are the decline in the area of the employee from 80% to 62,70%, both for urban and rural areas, although it is more pronounced in the rural area. Similarly, there has been an increase in the share of the self-employed. Again, this is more pronounced in the rural areas, where most people live in a kind of "subsistence economy". Moreover, from 1991 to 2003 the owners share has increased 5 almost 7 fold. However, their total share is still too low (about 12% in 2003) and their presence is concentrated mainly in urban areas. Besides, most of them (about 70%) are involved in trading activities and very few (5%) in industrial activities.

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Table 3.3: The Structure of the Employed Population in Romania by Occupational Status at the National, Urban and Rural levels

Occupational status	1991 (%)			2001 (%)		
	Total	Urban	Rural	Total	Urban	Rural
Employee	80,4	97,2	58,8	70,5	93,1	43,2
Owner	0,3	0,5	0,1	2,0	2,9	0,8
Self-employed	14,3	1,2	31,0	11,4	2,9	21,6
Contributing family worker	2,1	0,2	4,5	15,2	0,9	32,4
Member of a holding or co-operative	2,9	0,9	5,6	0,9	0,2	2,0

Source: Own calculations on INS Census data, from January 1992 and 2002.

Romania's new socio-economic structure taking shape after 14 years of transition can also be explained by the social mobility that took place due to economic, political and social reforms, which followed the 1989 Revolution. Nearly the entire economically active population of 1990 (who had had at least 18 years in 1990 but not more than 60) has experienced a different pattern of changes in terms of socio-economic status during the transition period. These changes are related to occupational mobility, social marginalization (exclusion) and social integration (participation, inclusion). Looking at the occupational changes of the economically active population and/or

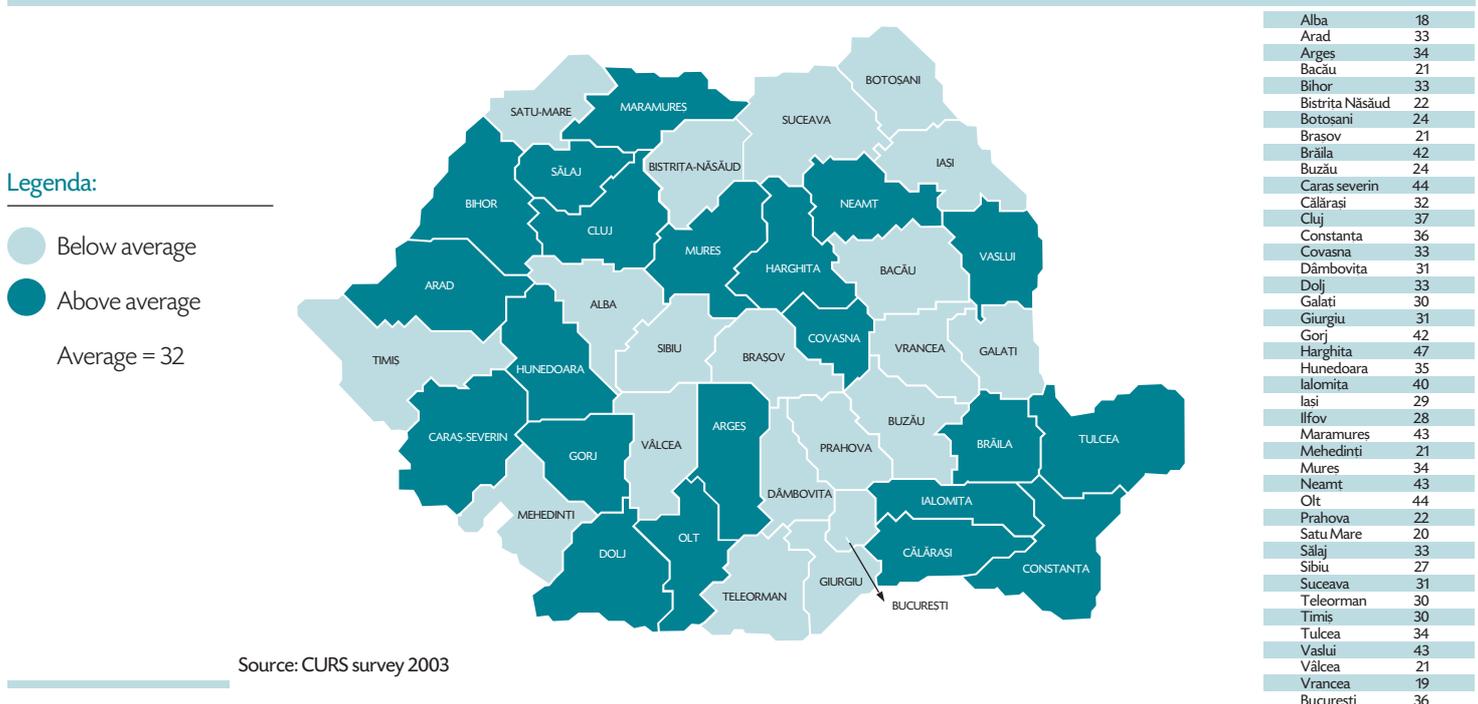
at changes in the place of work over the last 14 years, patterns of change in occupational mobility can be assessed. Table 3.4, which shows the results of a survey, shows the following tendencies: 32% of the economically active population (between 18-60 years) in 1989 has changed its occupation in the last 14 years, while 30% has changed its work place. The total percentage of the population involved in both changes amounts to around 21% each. Hence, about 42% of the active population of 1989 has changed occupation, place of work, or both. Figure 3.1, illustrates the scope and extent of the impact of occupational mobility on the 41 counties and Bucharest.

Table 3.4: Romania - Changes of Occupation and/or Place of Work after 1989

% of Respondents	Have you changed your occupation after 1989?	Have you changed your place of work after 1989
No	67,8	69,2
Yes	31,9	30,4

Source: CURS survey 2003

Figure 3.1: Occupational Mobility in Romanian Counties



Source: CURS survey 2003

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Of course, this social mobility has had both positive and negative effects. Part of the affected population has experienced an ascendant social mobility, whereby they have acquired new skills and a higher social status (at least from the income point of view). The other part has faced a descending mobility, as reflected in the increase of the population involved in agriculture and the informal economy. To a large extent, this change has lowered their social status. An important segment of the population also faced changes related to unemployment, being laid-off and early retirement. It is worth mentioning that, in those cases, the affected groups not only experienced poverty, but also social exclusion and isolation. According to the results of the June 20023 CURS survey, beyond the interruption of professional careers, one can also observe a deeper problem a de-socialization and disintegration process. These people do not feel they belong to any specific social group anymore, nor do they feel they constitute a collective force, except in cases where they are still involved in economic activities, such as the case of miners from the Jiu Valley.

Nearly one fourth of the active population of 1989 (21%), has been unemployed at some point between 1990 and 2003. Another 9% have been laid-off due to the restructuring or privatization of their workplace, and around 13% has been given early retirement. Thus, around 43% of 1989's active population has faced, between 1990 and 2003 unemployment, lay offs and/or early retirement. Less than half of them (19%) have been reintegrated to the labor market by changing occupation or place of work (and they are consequently included in the above social mobility statistics). This means that overall a 24% of 1989's active population has faced social exclusion and marginalization. The results of the survey therefore show that around 66% 1989's economically active population has been affected somehow by social mobility and social exclusion (data from CURS survey 2003).

A significant part of 1989's economically active population had during the past 14 years, opportunities to do specialized training courses and/or got involved in business and entrepreneurial activities, and therefore integrated, re-integrated and/or remained participating as part of the economically active population. Nonetheless, the numbers were relatively low; 7% of the economically active population took training courses between 1989 and 2003 and another 7% entered into or participated in, a family business. The integration/re-integration to the new economy of the economically active population was therefore 14%. An important part of the integrated/re-integrated population is already included in the ascendant mobility statistics (which is 10% of the total economically active population), and their participation in the new economy has often translated itself into an improvement of their socio-economic status. Eventually, a significant part of the population also experienced residential mobility. For example, 7% changed their residence and migrated to other localities, while 10% changed their residence but remained in the same locality. Only 4% went abroad at least once to work, while 10% of the respondents of the survey said that one of their family members went abroad to work or currently works in another country. (data from CURS survey 2003). Other surveys, like

the one conducted by the International Migration Organization (IOM) in 2001 show much higher and persistent rates of international migration (Box 3.1).

Internal migration (permanent change of residence) did not record important changes in terms of volumes (except for 1990, after the cancellation of the previous restrictive regulations concerning the right to change residence from rural areas to big cities). Around 250,000 persons have changed their permanent residence yearly, a value not too far from those of the years before 1990. However, in 1997, for the first time in Romania's social history, the migration flow from urban to rural areas became more important than the traditional flow from rural to urban areas (81,000 and 68,000 migrants, respectively). This change in the pattern of migration between urban and rural areas started after 1992, in the context of an increasing urban unemployment, dramatic escalation of prices of goods, services and housing services. On the other hand, the land reform and the restitution of land to former owners was a pulling factor for a growing number of the impoverished urban population. The net internal migration between urban and rural areas during the years 1996-2003 was nearly 150,000 people. This constituted an important human infusion of a younger urban population into an ageing rural population. In 2003, the number of persons having changed their permanent residence from urban to rural areas was of 100,000. At the same time, 77,000 people have moved from rural to urban areas, which means a net positive balance for rural areas of 23,000 people (data from INS). Migrants from urban to rural areas have a much younger age-composition compared to the original rural population.

Box 3.1

Circulatory Migration of Romanians between 1990-2001 (Rural Area and Small Towns)

Destination country	% of people having been abroad between 1990-2001, and living in		% of people abroad at the moment of survey 2001		Total (rural and small towns)	
	Rural area	Small towns	Rural area	Small towns	Returned	Still abroad
Hungary	22,8	23,3	12,7	21,4	22,9	14,2
Germany	9,7	19,7	8,9	22,0	11,1	11,1
Turkey	9,6	12,8	2,6	1,3	10,0	2,3
Italy	9,4	8,7	24,2	11,1	9,3	21,9
Spain	2,3	5,9	7,8	10,9	2,9	8,4
Yugoslavia	4,6	3,1	1,1	1,7	4,3	1,2
Israel	3,9	3,7	4,4	1,9	3,9	4,0
Greece	3,0	2,2	3,6	1,5	2,9	3,2
France	2,0	2,4	2,5	1,7	2,1	2,4
Austria	1,0	1,2	1,6	1,4	1,1	1,5
Others	30,7	17,0	40,6	25,1	29,5	9,8

Source: IOM Bucharest 2001

Romania was already an emigration country after World War II and this characteristic feature has not changed after 1989, in a deteriorating economic and social context. During the first years of the transition period, emigration was high, especially among the Saxon population of German origin. Starting with the second half of the 1990s, Romanian emigration experienced important changes. As the population of German origin drastically diminished, Germany ceased to be the main destination for Romanian emigration, being replaced by Canada and the United States. During the last 5 years Romania has become almost unwittingly an important reservoir of labor migration to more developed European Union countries. Circulatory migration (migrating back and forth for economic purposes), has probably the most important share within the total movement flows at this moment in time (Box 3.1). The latest developments in migration cycle should take into account the most important event that affected Romanians' mobility after 1990: lifting visa restrictions for Romanian citizens in the Schengen countries since January 2002.

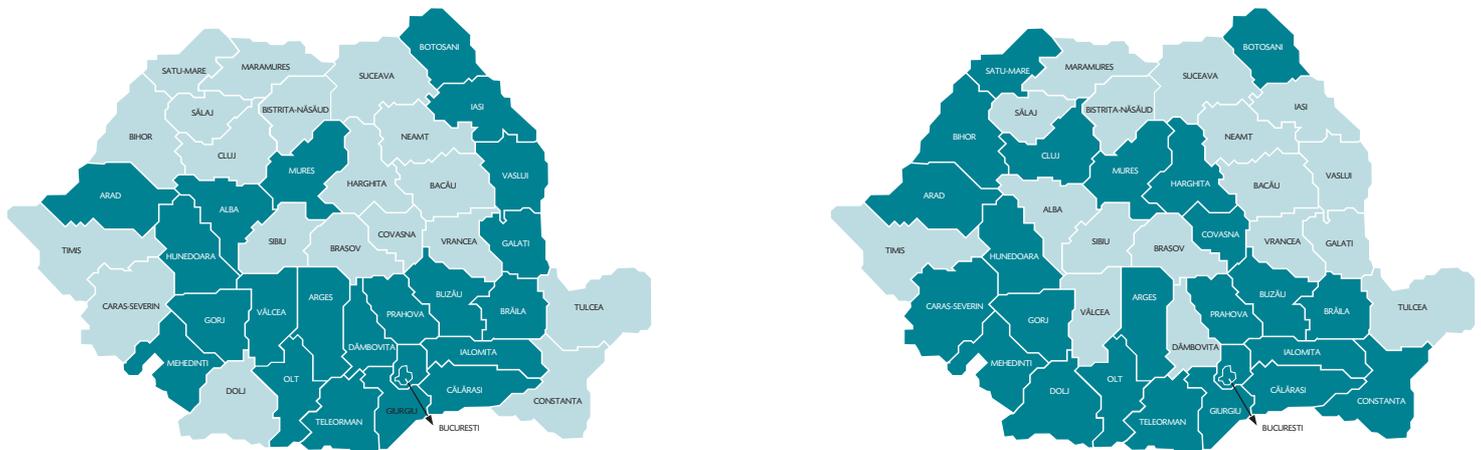
Emigration is more and more selective in terms of age, level of education and professional background. Data from the National Institute for Statistics suggest that the percentage of university graduates having left Romania for good rose from 6% in 1990 to 23% in 2000. But permanent emigration has been constantly declining since 1995. It represents only few thousands in terms of absolute volume of migration. A CURS survey of October 2004b revealed that 10% of households reported at least one member temporarily

working abroad at that moment. The annual number of legal Romanian emigrants during the last few years is around 10,000, 80% of which come from urban areas. A few thousands of Romanian nationals who left the country during the former regime are now returning home. They come from Germany, the United States, France, and Israel. On the other hand, an important flow of immigrants from Moldova can be observed during the last 3-4 years.

Emigration is also selective in terms of regions. Some Romanian regions have been traditional basins for international migration, while other regions have become recently sources of migration. Initially, migrants came mainly from more developed western regions. Nonetheless, more recently migration patterns have been concentrated in the eastern and poorer regions of Romania (Figure 3.2). Moreover, international migration from rural area has some particularities that should be pointed out. For example, some of the migrants for work living in villages have had a long experience of mobility even before 1989, through commuting to large urban plants. That is why communities with large flows of migration can be found around major cities of Romania. Second, villages with low international migration are concentrated in regions where there is a strong attraction of an urban center (like Bucharest). This could explain why migration is concentrated more in western and eastern regions of the country, and less around the capital city in the southern area.

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Figure 3.2: Traditional International Migration Counties (left) vs. New Counties of International Migration (right)



Source: CURS/CSOP, 2003

The most important impact of labor migrant can be commonly quantified in terms of the volume of remittances or financial transfers from migration to households of origin. According to a CURS survey conducted in 2003, it is estimated that in 2003 the total volume of official and informal remittances amounted up to US\$ 3 billion (2 billion Euro) (CURS survey 2003b). Data from the National Bank of Romania shows that between 1999 to 2002, transfers from migration nearly tripled from US\$530 million to nearly US\$ 1.5 billion respectively. The impact of these remittances at the local level is mixed. There are three general ways of spending remittances: buying consumer goods, investing in long-term assets and/or starting a business. What is known so far is that remittances are not a source of investment. Available data points to a hierarchy of priorities for migrant's household, which depends on different cycles of migration. Usually at first, this means that remittances are being spent on consumption and long-term assets (such as houses and cars). After a few cycles of migration, when most of the household's consumer needs have been satisfied, migrants tend to revert the tendency and start investing remittances on starting their own business

Remittances also have consequences for land usage and land structure in rural communities in Romania. It seems that most of the rural migrants come from households that have no access to arable land. After return, and/or in between two migration cycles, migrants buy land, at first mainly as a way to monetized resources earned from migration. The land remains idle for some time, and only after a few year migrants begin to make this land productive, by investing in farming activities. After 1990, closing state owned enterprises brought about high unemployment among rural commuters. The fact that they choose to seek work abroad was mainly caused by their desire to maintain their social position within the local community. Rural commuters were really better off than other rural inhabitants before 1989, because they had salaries and also a small plot for food household consumption. In order to maintain

their high standards of living, and therefore their social positions, they seek better-paid jobs abroad.

Another aspect of emigration is related to the gender trend. The first waves of migration were male-dominant. Females usually played the role of head of households, raising the children and managing daily expenses. In the last five years the demand for female labor in nursing, baby-sitting, agriculture, increased the chances for women to find work abroad. This of course has had an impact of changing gender roles. Males took over traditional roles of raising children and managing current household expenses, while women became the main providers of the family. But the feminization of emigration should also be considered in relation to a side effect of international migration: trafficking in human beings. Evidence suggests that the vulnerability to traffic young women is higher in the urban area than in rural area. There is more protection offered by small communities, where institutionalized networks of migration assure safety of women migrants. However, as soon as these rural women move to urban locations, they are as likely to become victims of traffic.

To date there is no incentives yet to make remittances a source of investment for local communities. Local and national authorities can develop schemes and strategies for improving rural infrastructure (roads, sewer, running water, better schools and medical services) that are able to attract migrant contributions. Deviating migrant financial flows from pure consumption can be an important human development strategy, as it might have positive consequences on sustainable local development. Large scale, high-technology agriculture and developing non-farm activities are long-term objectives that can chip in to rural community development. Experience of migrants and substantial financial contributions from migration could be a significant support in this process.

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The results of the June 20023 CURS survey and other more objective indicators show that Romania's socio-economic space has faced tremendous changes over the past 14 years, including demographic ones (Box 3.2). Nearly two-fifths (42%) of the economically active population of 1989 has experienced some form of social mobility (ascendant or descendent); more than one-fifth (24%) were affected, at least partially, by social marginalization and exclusion; and only 4% were actively involved in building Romania's new market economy. Overall, only one-third (30%) of the economically active population of 1989 has not been affected by the wave of social and professional changes due to the transition process. This one-third was able to keep their occupation and place of work and retired at the normal age. The other 70% was forced to adapt to structural socio-economic changes (data for each change is graphically illustrated in the annex section of the report).

The Regional Picture

The impact of the socio-economic changes experienced at the national level in the areas of occupational mobility, social marginalization and active integration in the new economy, have also manifested at the regional and local levels. Occupational mobility has been higher in urban areas than rural areas, although the lower intensity in rural areas is still significant (Table 3.5). This can be explained by the fact that rural areas received an important part of the laid-off labor force from industrial urban areas. Regional occupational mobility has also been higher in the Banat, Dobrogea and Bucharest

regions and lower in the Moldova and Muntenia less urbanized regions. Change of work place occurred more often in Bucharest, Crisana-Maramures and Dobrogea than in Moldova, Muntenia, Oltenia and Banat. The most intensive changes in workplace occurred in Bucharest, where opportunities are bound to be more numerous than in other regions.

As highlighted in Table 3.6, both urban and rural areas have been affected similarly by social marginalization, although there has been a slightly higher occurrence in urban areas. The regional map shows some interesting disparities. Dobrogea, Muntenia and Moldova regions have experienced a higher occurrence of unemployment. Lay-offs have affected mainly Dobrogea, Oltenia and Banat, while early retirement cases were higher in Banat, Bucharest, Crisana-Maramures and Oltenia regions. In most cases, the type of industry and the level of urbanization explain to a great extent the intensity and depth of social marginalization.

When analyzing integration and re-integration tendencies, the data shows a higher entrepreneurial behavior in urban areas than in rural areas (Table 3.7). In rural areas, without state support, farmers have continued to work the land as they did before. Few of them developed their own business and/or received specialized training, except to get involved in limited trading activities. Entrepreneurial behavior and training indicators are higher in the Dobrogea, Bucharest, Transilvania, Oltenia and Banat regions, and lower in Moldova and Muntenia, which are both larger and more rural.

Box 3.2

The Impact of Demographics in Regional and Local Human Development?

At the beginning of 2004, the rural population of Romania was 10,068,000, representing 46,4 % of the total population. This constitutes one of the highest rates in Europe, revealing Romania's low level of urbanization.

Romania's urbanization process has experienced unusual trends during the 1990s, directly linked to the socio-economic policies. Urbanization reached the highest level in Romania in 1997, which was 55%, and slightly declined during ensuing years. These trends are set against a background of general population decline in urban and rural areas. This urbanization regression and the small but uncommon increase of the rural population's proportion are one of the most alarming population developments, which took place in Romania after 1989.

The political, economic and social transformations that Romania has experienced since the beginning of the 1990s have resulted in abrupt shifts in demographic trends, the consequences of which are significant and irreversible on fertility, mortality and migration. The results of these changes are a new demographic landscape which is in stark contrast with the demographic situation of a decade and half ago as well as with the population trends in Western Europe.

The decline in the number of live births and the external migration have seriously accelerated the population ageing process. The population of 60 years accounted for 3.6 million at the beginning of 1990s and reached 4.1 million at the end of 2002. This phenomenon is particularly affecting the rural population, as nearly 60% of the population above 60 years old lives in rural areas. The total proportion of elderly within the population climbed up from 16% to near 20%. In rural areas the elderly represent more than 24% of the population.

In spite of the great hopes placed on a rapid transition to democracy and market economy, by mid-90s it became clear that reform attempts had met large, unexpected and sometimes unmanageable obstacles. The Romanian economy came to a stand at the end of the 1990s and the new governments faced the urgent and virtually unprecedented task of reforming it. Economic reforms, accompanied by institutional changes were undertaken. Declines in output, employment and trade ensued, accompanied by a rise in unemployment and by hyperinflation. Real wages, social benefits and standards of living experienced, as a result, a sharp downward trend. The relationship between these socio-economic developments and the deterioration of the demographic situation does not therefore need much explanation.

Population decline is one of the defining features of the new demographic landscape of Romania, which has obvious implications for local and regional policies. Government population policies have nearly disappeared. The state-based childcare system is near collapsed, and child and other allowances became minimal due to high inflation rates.

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Table 3.5: Romania - Occupational Mobility during 1989-2003 by Urban-Rural Areas and Regions (% of economically active population in 1989)

		Changed occupation (at least once)	Changed work place
Areas	Total	32	30
	Urban	34	36
	Rural	30	25
Regions	Moldova	30	28
	Muntenia	31	28
	Dobrogea	36	32
	Oltenia	33	28
	Banat	35	27
	Transilvania	32	32
	Crisana-Maramures	33	33
	Bucharest	35	40

Source: CURS survey 2003

Table 3.6: Romania - Marginalized Population by Unemployment, Lay-Offs and Early Retirement, by Residential Area and Regions (% of the active population in 1989)

		Become unemployed after 1989	Laid-off	Early retirement	Total
Areas	Total	21	9	13	43
	Urban	22	10	14	46
	Rural	21	9	13	43
Regions	Moldova	23	7	11	41
	Muntenia	23	10	14	47
	Dobrogea	26	15	12	53
	Oltenia	22	13	16	51
	Banat	22	11	18	51
	Transilvania	19	8	10	37
	Crisana-Maramures	17	7	16	40
	Bucharest	18	9	15	42

Source: CURS survey 2003

**Table 3.7: Romania - Integration in the New Economy by Residential Areas and Regions
(% of the active population in 1989)**

		Started own business	Participated in training	Total
Areas	Total	7	7	14
	Urban	9	10	19
	Rural	4	4	8
Regions	Moldova	5	7	13
	Muntenia	6	6	12
	Dobrogea	11	11	22
	Oltenia	7	7	14
	Banat	7	7	14
	Transilvania	7	9	16
	Crisana-Maramures	6	7	13
	Bucharest	11	9	20

Source: CURS survey 2003

Regional and Local Human Development: Understanding Poverty and Disparities in Regions, Counties and Villages

Trends in occupational mobility, social marginalization and active integration in the new economy have helped to draw one picture of human development at the sub-national level. Analyzing poverty rates offers another complementary picture of human development at the sub-national level. The identification of poor communities in Romania is essential for policy purposes. Beyond structural and countrywide rural development policies, tackling directly poor communities is of enormous human development importance. Understanding the nature and dynamic of poverty and disparities in regions, counties and villages in Romania today requires special statistical tools and analysis. The introduction of a human development perspective, understood as the process that enlarges choices and opportunities, will enable the analysis of regions, counties and villages and their relative stage of development, as compared with the national human development profile.

Measurements in absolute terms, such as the ones used to measure poverty, have proved to be hard, if not impossible, to put in practice in a multidimensional reality, especially with a limited pool of relevant national data. Given these limitations, calculating a county or village human development in Romania, or even attempting to disaggregate the current human development index, may not be possible at this time, mainly due to the lack of available data. Therefore, using alternative methodologies and data can prove to be more practical for now, to highlight potential human development problems and needs. The focus on the relative human development profile of regions, counties and villages and disparities between and within them, can bring important new knowledge to understand the dynamics of change and the distinct dimensions of local and regional development. From a human development perspective, it is important to consider the regions, counties and villages in terms of human, social and material capacity (Box 3.3). Based on this innovative approach, every community is to be considered as containing an available stock of these three main components.

Using data from the analysis, several findings can be presented. In Romania, for example, rural poverty seems to be mainly concentrated in the Eastern Moldavian Region, in areas such as Iasi, Botosani and Vaslui. Another concentration area of poor villages (reaching a lower level of poverty than in Moldavia) can be found in Oltenia (except Dolj) and south-western Transylvania (Alba and Hunedoara). The Eastern center of poverty, Botosani-Iasi-Vaslui, is continued on a north-south line by the southern counties of Moldavia: Bacau and Vrancea, and also in Northern Walachia, Buzau (Figure 3.3).

When data from the last two censuses (1992 and 2002) are taken into account, one can observe important reconfiguration processes in rural life (Table 3.8). For example:

- There is concentration of severe rural poverty in Moldavian counties (Botosani, Iasi and Vaslui);
- 11 of the 41 counties have become poorer, with the more visible decline registering in Galati and Neamt. In a decade, these counties declined from a “poor county” category to a “very poor” county category;
- There was a decline of poverty in other areas of the country. For example, Ialomita, Teleorman and Giurgiu have all experienced increases of over 8% in their development index. Meanwhile, the counties that experienced the most progress in Oltenia region (Mehedinti and Valcea) and Ialomita, Maramures and Satu Mare; and
- There has been a decline in disparities, when one analyzes the number of counties situated in the middle of the development scale. They increased from 11 in 1992 to 15 in 2002. The four counties that in 1992 had the maximum degree of rural development, Sibiu, Brasov, Harghita and Ilfov, registered in 2002 a smaller distance from the national average.

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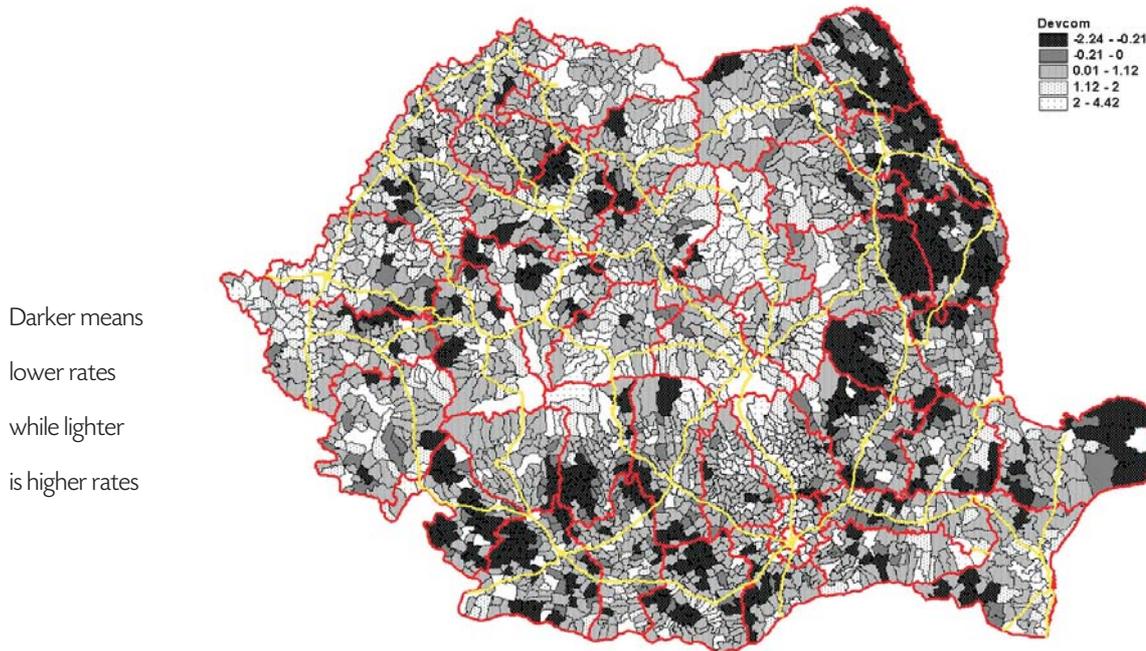
Table 3.8: Average Level of Village Development by County (1992-2002)

	Average Level of Village Development by County		Evolution Ratio (1992 = 100)
	1992	2002	
1.Vaslui	47	45	97
2.Botoşani	49	47	96
3.Iaşi	51	49	96
4.Vrancea	53	51	97
5.Bacău	55	52	95
6.Galaţi	59	54	91
7.Neamt	60	54	90
8.Mehedinţi	52	57	111
9.Vâlcea	53	57	107
10.Suceava	60	57	94
11.Hunedoara	61	59	96
12.Tulcea	63	59	94
13.Brăila	56	60	106
14.Olt	57	60	104
15.Gorj	59	60	103
16.Sălaj	59	60	101
17.Alba	60	60	100
18.Buzău	55	62	112
19.Dolj	56	62	111
20.Teleorman	57	62	108
21.Timiş	67	62	93
22.Giurgiu	57	63	110
23.Bihor	60	63	104
24.Arges	61	63	103
25.Caraş-Severin	62	63	100
26.Mureş	64	63	99
27.Cluj	61	64	104
28.Satu Mare	62	65	105
29.Dâmbovita	63	65	104
30.Călăraşi	63	65	103
31.Arad	66	65	98
32.Constanta	69	65	93
33.Ialomita	60	66	109
34.Bistrita-Năsăud	61	67	110
35.Prahova	67	68	101
36.Sibiu	72	69	95
37.Maramures	65	70	108
38.Covasna	70	70	101
39.Harghita	72	70	97
40.Braşov	78	71	92
41.Ilfov	78	75	96

*Indexes are factorial scores, which have been transformed in Hull scores with an average of 50 and a standard deviation of 14.

The county values were calculated as average values moderated by the population of the village in 1992 and 2002.

Figure 3.4: A Human Development Map of Rural Romania, 2002



Source: CASPIS

According to the 2002 Census, there were 12,401 rural villages that had over 19 inhabitants. The average number of inhabitants of an outlying village of over 19 inhabitants was 392 persons, as against 1,415 in a central village. The average central village was 3.6 times bigger in size than the outlying one and had 3.4 times more inhabitants. From the total rural population, 53% were living in outlying villages and 47% in central villages.

No doubt that villages or municipalities classified as central, draw many benefits. In particular, it increases the chances of material and social-economic progress. Some villages were selected to become the center of the community, precisely because of their higher degree of development or because they had better economic

potential. Most community goods are assigned mainly to the village that is in the main municipality or near it. The increased opportunities of communication with the town and the institutional All of these factors explain in great part why central villages have registered in 2002 an average degree of human development that is 1.3 times higher than outlying villages (Table 3.9). In addition, communication opportunities implied by the proximity of the village to a major road increases considerably the chances for human development, independently from the central or outlying status of the village. As can be seen in Table 3.9, the size of the neighboring city is another human development factor. Villages closer to big cities tend to be more developed than the ones situated around small towns.

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Table 3.9: Average Stage of Development by Village Location, 2002

Distance from a Major Road	Nearest city population	Central village		Outlying village		Total
		Hill Mountain Side	Field Side	Hill Mountain Side	Field Side	
Far	Under 100.000	65,4	55,8	48,5	42,4	49,2
Far	Over 100.000	62,8	59,4	47,8	44,3	49,1
Close	Under 100.000	70,1	61,6	52,9	46,5	53,2
Close	Over 100.000	69,7	70,5	51,9	51,9	55,9
Total		65,3	59,3	48,9	44,6	50,1

The above calculation was made using a reduced type of the Village Human Development Index (excluding the isolation degree variable). N= 12092. Data referring to the nearest town are from 1998.

Source: CASPIS

Eventually, the natural environment and the location of a village on a hill, a mountain or in fields are also influencing human development opportunities, as these factors can have an impact on the occupational structure of the population. Agricultural occupations specific to the cultivation of fields are assigned smaller incomes, and implicitly a lower living standard than in villages on hill and mountainsides. The opportunity to breed animals in hilly or mountainous areas is reported to be more profitable than cultivating cereals.

Analyzing regional and local human development using the Local Human Development Index provides a unique prism to highlight disparities and poverty trends. The result of this unique exercise shows that among regions and between counties in these regions there are disparities (Table 3.10). According to the Local Human Development Index, twenty-four (or 58%) of the 41 counties in Romania have a human development index that is above the national average. Ilfov has the highest index (75), while Vaslui the lowest (45). In general, those counties with low levels of human development also show lower values in the factors that help to aggregate the overall index, such as human, material, living and isolation. These links are not automatic. For example, Vaslui has the lowest overall human development index, yet its isolation factor is one of the highest. Similarly, Valcea and Hunedoara have lesser living values than Vaslui, yet they have higher human development than Vaslui.

Development and poverty trends in the 41 counties and the 8 historical regions can be further disaggregated, which reveals further disparities within regions and between counties (Table 3.11). For example, the region of Moldavia has on average more villages that can be considered "very poor" than the rest of the regions. Within the region of Moldavia, while the county of Vaslui has the highest percentage of villages (53.8%), overall and in the region, that can be considered very poor, Suceava in the same region has three times less the number of very poor villages. Similarly, Ilfov has the highest percentage of villages with maximum level of human development (65.5%) and the lowest percentage (2.3%) of villages that can be considered very poor.

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Table 3.10: Human Development at the County Rural Level, 2002

Counties	Human Development Index*	Human Factor	Living Factor	Material Factor	Isolation Factor
1. Vaslui	45	39	55	42	47
2. Botoşani	47	39	59	43	46
3. Iasi	49	45	61	47	47
4. Vrancea	51	48	59	49	46
5. Bacău	52	50	59	48	45
6. Galaţi	54	45	72	48	41
7. Neamţ	54	53	63	51	42
8. Suceava	57	51	65	52	40
9. Vâlcea	57	59	53	48	49
10. Mehedinţi	57	48	57	47	46.
11. Tulcea	59	52	70	52	47
12. Hunedoara	59	65	53	67	45
13. Brăila	60	43	67	45	43
14. Olt	60	49	64	44	40
15. Sălaj	60	56	58	57	42
16. Alba	60	61	56	59	41
17. Gorj	60	66	56	50	45
18. Buzău	62	53	58	47	45
19. Teleorman	62	46	68	46	39
20. Dolj	62	45	68	47	44
21. Timiş	62	58	65	74	42
22. Caraş-Severin	63	54	63	62	44
23. Bihor	63	59	59	63	43
24. Mureş	63	59	62	63	40
25. Giurgiu	63	49	64	51	42
26. Argeş	63	63	59	52	44
27. Cluj	64	58	60	65	43
28. Satu Mare	65	53	67	60	39
29. Constanta	65	57	73	67	40
30. Călăraşi	65	50	72	47	35
31. Arad	65	60	67	71	40
32. Dâmbovita	65	58	64	53	40
33. Ialomita	66	50	71	46	37
34. Bistriţa-Năsăud	67	50	65	65	42
35. Prahova	68	67	64	60	39
36. Sibiu	69	60	69	72	36
37. Maramureş	70	55	71	63	40
38. Harghita	70	63	68	76	37
39. Covasna	70	59	68	67	34
40. Braşov	71	67	68	85	37
41. Ilfov	75	72	84	72	34
Total	61	54	64	57	42

*Factorial scores for each index were transformed in Hull scores, with the average of 50, and a standard deviation of 14. The county values were calculated as average values moderated weighted by the village's population in 2002.

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Table 3.11: Community Poverty Distribution by County and Historic Region, 2002

Historic Regions	Counties	Very poor villages	Poor villages	Average developed villages	Developed villages	Villages with maximum degree of development	Total
1. MOLDOVA	1.Suceava	16,1	23,8	17,1	32,1	10,9	100
	2.Galați	20,5	19,5	20,0	35,1	5,0	100
	3.Neamt	20,5	21,2	23,7	22,6	12,0	100
	4.Bacău	27,8	30,0	18,3	17,9	5,9	100
	5.Vrancea	29,6	32,4	20,3	12,9	4,8	100
	6.Iași	41,3	27,4	15,6	9,5	6,2	100
	7.Botoșani	49,7	20,4	22,0	6,0	1,9	100
	8.Vaslui	53,8	22,1	17,7	6,4	,	100
2. MUNTENIA	9.Prahova	4,8	15,7	20,9	24,0	34,6	100
	10. Dâmbovița	8,3	22,6	25,3	26,8	17,1	100
	11. Călărași	15,7	15,7	18,1	27,1	23,4	100
	12. Ialomița	17,3	22,0	16,0	32,5	12,2	100
	13. Argeș	18,0	18,4	24,5	22,2	16,8	100
	14. Giurgiu	18,2	20,4	29,6	23,8	7,9	100
	15. Teleorman	23,9	21,5	26,3	17,1	11,2	100
	16. Brăila	27,2	16,2	32,5	24,0	,	100
	17. Buzău	27,7	28,7	19,5	19,1	5,0	100
3. OLTENIA	18. Gorj	13,9	30,0	29,1	15,4	11,6	100
	19. Olt	19,6	27,2	29,0	20,2	4,0	100
	20. Dolj	26,8	21,5	23,7	18,2	9,9	100
	21. Vâlcea	30,2	29,6	20,0	12,5	7,7	100
	22. Mehedinți	39,0	27,3	16,9	12,1	4,7	100
	4. DOBROGEA	23. Constanta	18,1	8,6	16,6	13,0	43,8
24. Tulcea		20,9	15,6	22,8	19,9	20,8	100
5. TRANSILVANIA	25. Covasna	3,9	11,9	19,1	22,0	43,1	100
	26. Harghita	4,7	9,6	10,9	21,9	52,9	100
	27. Brașov	4,8	8,1	9,0	16,8	61,3	100
	28. Sibiu	9,4	9,7	13,6	16,0	51,3	100
	29. Hunedoara	14,0	20,2	20,0	20,1	25,8	100
	30. Mureș	15,0	14,4	16,6	23,4	30,5	100
	31. Bistrița-Năsăud	16,1	17,7	16,4	21,6	28,2	100
	32. Sălaj	17,3	22,8	22,3	21,0	16,6	100
	33. Alba	19,5	13,4	21,6	16,2	29,3	100
	34. Cluj	20,1	16,4	17,2	18,2	28,0	100
6. CRISANA-MM	35. Maramureș	3,5	13,8	19,1	37,9	25,7	100
	36. Arad	11,2	11,5	16,4	14,8	46,2	100
	37. Satu Mare	14,0	17,2	18,4	23,8	26,6	100
	38. Bihor	14,5	21,8	16,9	21,7	25,2	100
7. BANAT	39. Timiș	11,2	14,1	16,1	15,8	42,8	100
	40. Caraș-Severin	16,9	17,0	24,0	19,5	22,6	100
8. ILFOV	41. Ilfov	2,3	5,6	11,3	15,2	65,6	100

Beginning to Map Regional and Local Disparities in Romania

Regions and counties in Romania are becoming less homogenous and their development situation is becoming more complex. National policies set the basis for the fulfillment of human development needs at the regional and local level. However, the extent to which these needs are met in the regions and counties depends on the allocation of resources among people and how they are used as well as the distribution of opportunities, particularly employment and investment. This analysis has shown that regions and counties in Romania are different not only in terms of their capacity to generate resources necessary for human development, but also in their ability to translate these resources into human development.

Based on the previous analysis and data, regional and local human development in Romania seems to be taking four distinct directions. First, some regions, particularly Ilfov, and some counties, such as Sibiu, Brasov and Harghita seem to have better opportunities to expand economic and human development. In general, these are large and urban localities, with dynamic economic conditions, diverse production structures and are usually center localities. Similarly, a majority of these regions and counties have low unemployment rates and more autonomy to generate their own resources. Moreover, in these regions and counties larger percentage of villages have a maximum degree of development and/or can be considered developed villages. This is still a minority group, but it is where the links between economic-growth and human development seem to be stronger. Well-targeted national, regional and county policies can reinforce the benefits generated. This group has the least ground to cover to erase the human development deficit.

Second, some regions and counties in Romania have great potential, despite having growing limitations. Regions such as Crisana-MM and Dobrogea, and counties such as Prahova, Mures, Maramures, Bihor, Satu Mare, Cluj and Alba to name just a few. Overall in these regions and counties economic growth has occurred, but at smaller and slower rates. Most have average unemployment rates and average human development indicators such as life expectancy and infant mortality. Most have also increased their development in the last decade. Some show lower rates of educational achievements. Many in these groups are large urban counties. Regions and counties in this group can be considered threshold in that well-target policies or lack of them may determine their future path towards progress in

human development or sharper shortfalls. Most villages in this group can be classified almost evenly as poor, average and developed. About one-third of counties in Romania may fall under this group.

Third, some regions and counties in Romania seem to be experiencing a move towards contracting opportunities with potential for some economic growth and human development. The regions of Transylvania and Banat could be placed in this category, as well as the counties such as Timis, Arad, Covasna and Constanta. These are regions and counties that may have weaker links between growth and human development. Disparities in these regions and counties are more diverse and most of these are showing signs that human development is dwindling. Most in this group have growing or unstable unemployment rates and low productivity. In general, as a group these regions and counties show decreasing levels of life expectancy, lower educational achievement and widening disparities among them. Similarly, most show lopsided human development, where economic potential is not necessarily being proportionally translated into human development or where lack of appropriate economic performance is beginning to put pressure on human development capacities. In these regions and counties larger percentage of villages can be considered developed and a few villages have achieved maximum degree of development. Sustainable human development achievements could be the biggest challenges for these regions and counties. Human development achievements in this group may be easily eroded by the current fluctuations in regions and county economic performance. About 10% of total counties in Romania may fall under this category.

And fourth, is a group of regions and counties that show less stability and potential than the rest, and therefore can be classified as regions and counties with contracting opportunities and little growth. Regions like Oltenia, Walachia and Moldavia, and counties such as Dambovita, Arges, Gorj, Valcea, Galati and Vaslui, to name but a few would fit this category. In general as a group, most regions and counties under this group have higher levels of unemployment and low human development indicators. With some exceptions, the majority has widening disparities in the area of educational attainment. This is the group that may need a "special type" of policy action to promote economic growth and human development. A majority of villages in this group can be classified as being very poor, poor and/or average. Nearly 50% of counties in Romania may fall under this category.

The results of the analysis above, seems to have relevance to the eight development region. As can be seen by data presented in Figure 3.3, Bucharest, the Center region and the West Region, can all be considered part of the first group. The North-West, South-East, the South and South-West Regions, can be considered part of the second and third categories. The North-East would fall under the last category.

This first attempt to disaggregate data to analyze human development trends at the regional and local levels in Romania shows that it is possible to present in one simple composite index, multiple aspects of the country's regional and local development. This exercise

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has helped to produce a sort of ranking of the historical regions and the 41 counties and to reveal important variations. Through this exercise it is also possible to make a number of important observations. First, the data used does not differ significantly from other data used to profile regional and county development trends, if anything else it helps to complement existing data. Second, it is clear that some regions and counties in Romania have more ground to cover in making-up human development shortfalls than others. Third,

there are some emerging disparities between regions, and counties, and within them. More data and in-depth analysis is needed to confirm and expand findings. Fourth, the exercise has provided data that is helpful to allow for some comparisons between regions and counties, and within them. This could be helpful to establish some sort of categorization and thresholds that can be monitored each year to see which region and/or county has made progress or has experienced set-backs.

Box 3.4

Thinking about Metropolitan Regions as a New Strategy for Local Governance

Post-communist Romania has experienced a process of de-urbanization, which places it below what can be commonly known as mature urbanization (over 60% urban population). Since 1912, Romania's urbanization evolution increased steadily from 16% to 32% in 1960, reaching a peak level of 56% in 1997. The urban boom in Romania took place during the socialist period (1948-1989), when Romania turned from a dominantly rural country into a more urbanized state. That trend was reversed, when after 1997 the urban population of Romania declined to its exiting level of 53.6% (2004).

The main reasons for this trend lies in the post-communist changes, which involved among others, higher rural than urban migration, massive layoffs in industrial counties, decrease of birth rate in urban areas and the corresponding increase mortality rates in urban areas. The regional differentiation of urbanization trends remains important. While the Bucharest region is 100% urbanized, in contrast the Muntenia region is only 41% urbanized. At the county level, the urban-gap is bigger. While Hunedoara county is 77% urbanized, Ilfov is only 11% (See Map in Annex).

Romania's territorial development is based mainly on regional urban development. Looking at the evolution of the population in major cities (over 200,000 inhabitants), an interesting phenomenon has developed. While the municipal population has declined in this cities, the population of their metropolitan areas (central city and surrounding localities) is continuously increasing. For example, between 1990-2002, Ilfov county surrounding Bucharest has registered an average population growth rate of 3.6%.

This ongoing growth of metropolitan development can be explained by the "suburbanization" process, through which new suburbs are created and older localities re-developed to host part of central cities' populations. In these suburbs, residential and secondary houses are built by a new commuting middle class quickly replacing the old daily commuters constituted mainly of workers. This "suburbanization" trend is real, even if it has not formally materialized in the re-design of administrative boundaries.

Calls for a new legislation on metropolitan development have already been made in public debates for cities such as Bucharest, Iasi, Oradea and Baia Mare, and the trend will be undoubtedly accelerated by Romania's integration into the European Union. USAID/GRASP have even sponsored the development of a metropolitan plan for Iasi.

Beyond development regions, the EU has developed several initiatives and strategies to promote metropolitan development. The 1999 European Spatial Development Plan (ESDP), the Metropolitan Magna Carta of Spatial Planning and Development Intent and the network of European Metropolitan Regions and Areas (METREX) are but few of examples. As local governance becomes a policy issue in Romania, there should be new thinking being developed to embark some of Romania's larger cities into the metropolitan dimension.

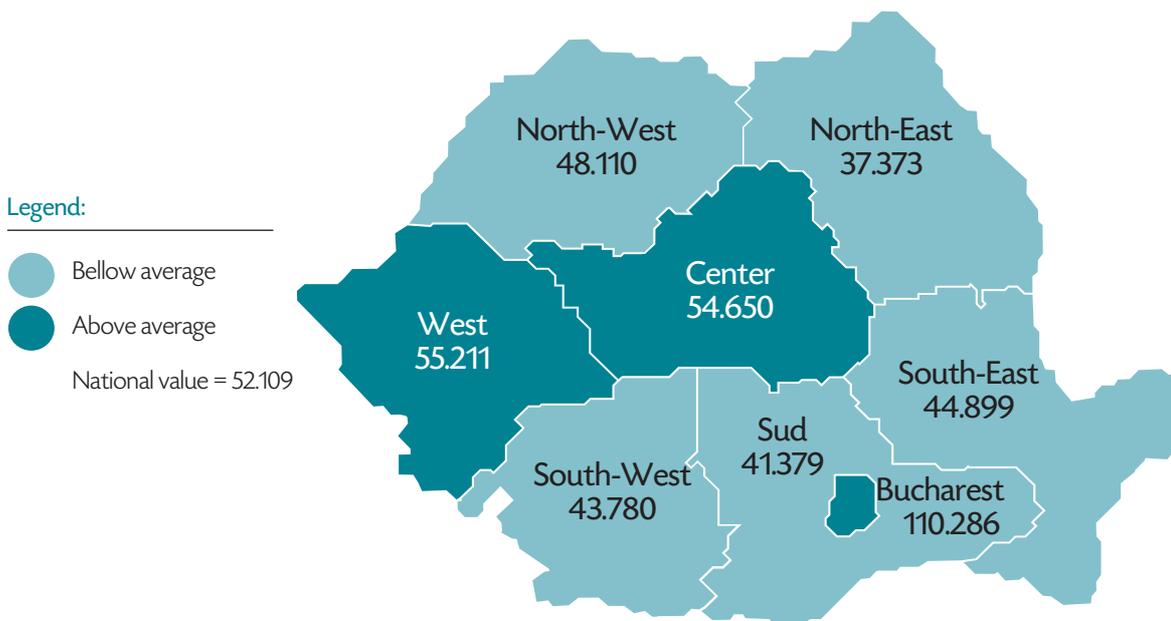
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And fifth, one disadvantage of this exercise is that is aggregating data to disaggregate regional and local indicators, some important factors and elements of human development could in fact be missing, such as ethnicity, gender and income. In any event, this was an attempt and should encourage in the future other innovative approaches to understand the dynamics and dimensions of regional and local development in Romania.

The analysis in the Chapter has helped to clarify the mosaic of regional and local human development in Romania. It has shown the different dimensions of human development, and that it is linked to numerous factors, which can help expand or inhibit opportunities for more regional and local human development. To strengthen the links

between regional and local human development and other conditions (e.g., economic growth, macro-policies, wealth distribution), it is not only necessary to promote the accumulation of human capabilities (through investment in health, education and skill training), it is also important to enlarge opportunities at regional and local levels, for people to contribute to human development through social, political and economic participation. As was already mentioned earlier, community participation, as facilitated by local governance, can also be seen as another key issue for local governance and human development, both as an end by itself (as an empowering tool), and as a means, benefiting improved project design and implementation due to better match with beneficiary needs and better appreciation of local constraints. Chapter 4 is devoted entirely to this issue.

Figure 3.5: Gross Domestic Product (GDP) by Development Region



Source: INS, Territorial statistics, 2003 - own calculations

The underlying belief is that local decision making structures will facilitate the genuine involvement of all the people, in issues of direct concern to their needs and interests. This in turn assumes both the desire of individuals to take part in local governance, and the existence of appropriate spaces and forums, which allow and encourage the free expression of their interests. Decentralization and deconcentration are supposed to lead to fuller political participation, but this is not always automatic. There is no necessary correlation between broad based local participation and decentralization.

The relationship between local governance and participation will depend basically upon social, economic and political settings, and the type of local governance strategy that is elected. The relationship can also be affected by the modes, intensity and quality of participation. Modes of participation can differ according to the opportunities available, the interests and political resources of the potential participants, civil society capacity and the attitudes prevalent in the society. Levels and intensity of citizen participation can also occur at the different stages of policy making (i.e., putting an item on the agenda, providing technical advice, monitoring and evaluation, and enforcement of the final decision).

It has been argued that local governance and decentralization multiply the available modes of participation and establish institutional arrangements by which votes will be more closely linked with political consequences. As such, it has been argued that it increases participation and improves its effectiveness. However there are numerous examples of formal attempts at local governance and decentralization, which have failed to engage the effective

participation of local people in decisions about local development. Sometimes this is apparently because the national government never actually intended such a result to follow. In other cases it may be in spite of the creation of structures ostensibly designed to facilitate local participation, often because of the dominance of decision-making by official bureaucrats. Or the case has been that citizens are not organized to take advantage of the opportunity local governance and decentralization offer. Even where there is a substantial measure of local governance and decentralization, participation on the part of those people previously excluded from decision-making structures need not follow. The poor may still be effectively excluded from decision making by the elite or the ethnic minorities may still feel excluded by the dominant group.

Citizen participation in local governance, a process through which citizens influence government decisions that affect their lives, is on the increase in many part of the world, including transition countries like Romania. Citizen participation can be pro-active, as when citizens interact directly with elected officials and their staffs to influence public policy. Participation can be more limited, as when citizens attend a public meeting to receive information on a new government program or when they vote in a local or national election. The most effective citizen-participation processes bring people together to learn, discuss and exchange information and opinions in order to build a consensus that can guide government decision-making. This Chapter will try to shed light into issues related to citizen participation at the local level in Romania, and to identify key policy areas.

Box 4.1

Some Key Questions to Ask When Analyzing Participation

Actors:

What are the perceptions, values and practices? Which actors participate and how?

Structure & Content:

Which are the entry points at the regional, county and local levels to get into the decision-making process? Who has access to these entry points? To what levels of participation do they have access? What is the content of the participation?

Mechanisms for Participation:

How those who have interest in participating, actually participate? What are the steps that guide to entry participation and exit of the decision-making process? Who encourages participation? Are there any unique and/or innovative mechanisms in place to promote and encourage participation?

Instruments:

What are the legal, administrative, political and technological procedures for participation?

Results:

Which are the indicators that are used to measure the results of the participation? What is the relation between these results and other results produced by local governance and decentralization? How does feedback operate within the process?

Information:

Who controls the flow of information? Is information easily accessible and available to citizens? What type of information is accessible and available to citizens? How is information about the results of participation disseminated? What is the role of the media?

Decision-making and Citizens Participation at the Local Level in Romania

One of the crucial conditions for successful and participatory local development is the creation of inclusive policy processes. These processes are based on the premise that strong partnerships and alliances between local government and civil society are a prerequisite for enhanced participation. NGOs can facilitate social and political interaction and mobilize groups to participate in economic activities. Moreover, civil society organizations can constitute effective mechanisms to target disadvantaged and marginalized groups. Social mobilization is essential to ensure success and sustainability in any development approach. It constitutes a tool that enables people to organize collective actions by pooling resources and enhancing the solidarity required to solve collective problems.

As has been already mentioned in the Introduction, effective local governance and decentralization mechanisms are also important, as these can provide direction, means and policy tools to make decisions in the interest of the community. Local governance and decentralization strategies can promote a greater local participation of communities and civil society organizations in the decision-making process. It can enhance the ability to match public services with local priorities. Eventually, through consultation and consensus building, local authorities can learn from citizens and civic organizations and can acquire the information they need to formulate better strategies. Ultimately, local governance can be a mechanism to enlarge people's choices because the concept of human development is based on the notion that participation of people in decision making-processes is the most important element to achieve common prosperity. In many societies around the world, including Romania, this dynamic of local governance and participation is ideal. This is why it is important to understand the true dynamics of local governance and participation in Romania today and how local actors perceive their conditions (whether they are satisfied or not with the public services), how they participate and interact with decision-makers, how much they know about their rights to participate, the quality of the flow of information and what is the perception of local administration's responsiveness towards public demands and needs.

There are some emerging lessons in Romania in the area of local governance and citizen participation. For example, after more

than four years of operation, the UNDP-funded Local Agenda 21 (LA21) Project (Box 4.2) has been documenting experiences and so far, the experiences show promising potential. Some of the key lessons produced by the LA21 Project relate to the importance of training and skill building at the local level to create and enhance planning, implementation and monitoring capacity. This is applicable to both governmental and non-governmental actors and responds to the overall problem related to lack of basic management skills. Similarly, in order to end the cultural legacy of centralism and vertical leadership, it is recommendable to establish local steering committees to coordinate the design and implementation of a local development plan. Both government officials and civil society representative are encouraged to work together, and to maximize local capacities. The elaboration of a development plan becomes a participatory effort, in which all major stakeholders actively participate in the process. The involvement of the media during the process of developing and implementing initiatives, helps to keep the process as transparent as possible and contributes to the free flow of information.

CURS conducted a representative survey of local actors in 2004 (See Annex for Methodology) to analyze some of the aspects mentioned above. For example, CURS looked at the question of how satisfied local dwellers were towards the way the local administration delivers services. Although the majority (55%) of the surveyed population has expressed a general level of satisfaction, nearly half (45%) of the population has proved to be rather unsatisfied with the services delivered (Figure 4.1) (CURS survey 2004c). Moreover, the level of dissatisfaction is higher in rural areas.

Another separate survey conducted in 2003 by CURS in Sibiu County (CURS survey 2003), provides some complementary data to the question of levels of satisfaction. To the initial question about the population's general level of satisfaction with services provided by their local administration, a follow-up was added to find out what other organizations in their communities could do a better job in delivering the same services. Six percent of the unsatisfied respondents answered that local NGOs might be better at delivering these.

Local Governance, Decentralization and Citizen Participation

Box 4.2

Local Agenda 21 Romania: Promoting Participation

Beginning January 2000, UNDP Romania supported the project "Building Local Capacities to Implement Local Agenda 21 (LA21)," which had as development objective to enhance the capacities of local authorities, to foster a participatory and multi-sectoral development planning process and to contribute to the implementation of a national sustainable development agenda, through the preparation of local development strategies and local action plans. In addition, UNDP supported the training and cooperation of the different stakeholders, assisted the elaboration and implementation of 9 pilot projects in Baia Mare, Galati, Giurgiu, Iasi, Miercurea Ciuc, Oradea, Ploiesti, Ramnicu Valcea and Targu Mures.

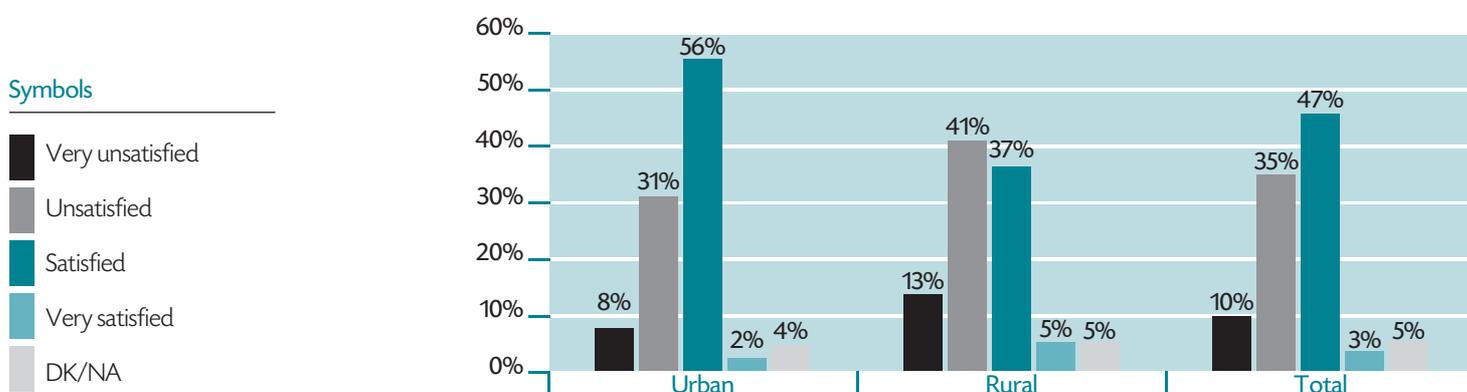
The target groups were represented by local authorities, NGOs, youth groups, trade unions, academia, other civil society groups and the private sector. Thanks to this initiative, the first National Forum on the sustainable development of local communities took place in the city of Miercurea Ciuc on April 2002. The conference brought together representatives of Romanian municipalities and of the donor community. The President of Romania attended and addressed the conference and a joint declaration was signed on the occasion between the main organizers: the Romanian Federation of Local Authorities and the National Centre for Sustainable Development. In light of the promising results of the pilot phase, the Government of Romania decided to expand the LA21 initiative to 40 more municipalities over the period 2003-2007.

The LA21 initiative showed that the initial reaction by the participating communities was different. A well-planned campaign was required to overcome the public's initial passiveness, as well as the project's capacity to adapt itself to several types of situations. Similarly, initially it was difficult to promote community partnerships among and between different community actors, but later using many approaches and by "learning by doing" conditions for partnerships improved. A project involving a wide range of activities, putting in practice new ideas and concepts, can only be successful if partnerships are formed with institutions which have experience and interest in the same area. The Romanian project, initially designed by UNDP and Capacity 21, is now closely cooperating with institutions like DFID, W S Atkins, CIDA, IISD, and Earth Council.

The draft agendas produced by the LA21 initiative are widely distributed (in electronic format, hard copies, and through the media), providing all members of the community with the opportunity to express their opinions, ideas, and constructive criticism. Comments and recommendations are taken into consideration. Each pilot community published and distributed brochures, presenting details of the LA21 process in their respective communities. A questionnaire was included in each brochure, to be filled in by the reader and returned, free of charge, to the Local Secretariat. This suggestions would also be considered. The LA21 initiative proved to be an important human development tool, as a means to achieving the MDGs, poverty reduction, gender equality and the empowerment of women.

Source: LA21/UNDP Project, 2004

Figure 4.1: By and Large How Satisfied are you with the Way Local Administration Delivers Services to your Community?



Source: CURS 2004c

Local Governance, Decentralization and Citizen Participation

Another separate survey conducted in 2003 by CURS in Sibiu County, provides some complementary data to the question of levels of satisfaction (CURS survey 2003c). To the initial question about the population's general level of satisfaction with services provided by their local administration, a follow-up was added to find out what other organizations in their communities could do a better job in delivering the same services. Six percent of the unsatisfied respondents answered that local NGOs might be better at delivering these services, 3% percent identified the Church, 8% informal groups and associations and 11% private companies.

The results of the survey show that citizens are aware of the existence of other non-governmental groups and organizations in their community that could deliver services. They would seem to support the idea that these groups should be entrusted with the delivery of some services in place of the local administration. However, beyond the issue of efficiency of service delivery of public services and who should do it or not, the results of the surveys also pose the

question of the knowledge and responsiveness of the local administration to people's needs and/or priorities. A low level of satisfaction generally means that people's expectations are not being addressed. This raises several questions in related areas. For example, how much knowledge does the local administration have of what they their constituencies want and/or need? Similarly, how much knowledge does the population have of the administration's capacity, limitations, concerns and choices? Although often the link is not directly visible, the simple fact that several voices of the community are heard and taken into account can increase the capacity of local governments to find viable solutions to problems. By voicing out their demands and expectations, local communities can ensure that their needs are on the agenda. Moreover, by acquiring knowledge about the decision-making process, resources, and planning and management structures, citizens are more likely to understand the real dynamic of local governance, including opportunities and limitations.

Box 4.3

Local Agenda 21: Highlights of Local Governance Activities in Romania

The Local Agenda 21 (LA 21) Project focuses on decentralized development and public participation. The Local Plans for Sustainable Development developed in each locality include, strategies for sustainable development, action plans and a portfolio of priority projects. These plans can provide to potential partners, like the EU, World Bank and USAID, a coherent and reliable vision of the local development needs.

In addition to the development plans, the National Center for Sustainable Development (NCSD) provided technical assistance to local authorities for the implementation of some of the most important priority projects identified by local communities. The support includes the establishment of Public Private Partnerships (PPP), and all that it involves (documentation, find potential partners, public tender procedures and, attract the involvement of important financial institutions. Some of the most salient examples are:

Integrated Waste management in Olt County;

Rehabilitation of water supply/sewerage system in Mures County;

Rehabilitation of the Municipal Hospital in Targu Mures (with the support of the IFC);

Rehabilitation of the municipal wastewater treatment plant in Targoviste;

Rehabilitation of the municipal wastewater treatment plant in Sighisoara;

Rehabilitation of the municipal wastewater treatment plant in Miercurea Ciuc;

Rehabilitation of the municipal wastewater treatment plant in Vatra Dornei;

Support in the implementation of priority cross-border cooperation projects in Giurgiu in Zimnicea, such as the Tourism DataBase and Action Plan for Giurgiu-Rousse Euroregion and the Feasibility Study for Ferryboat Service between Zimnicea (Ro) and Svishtov (Bg)

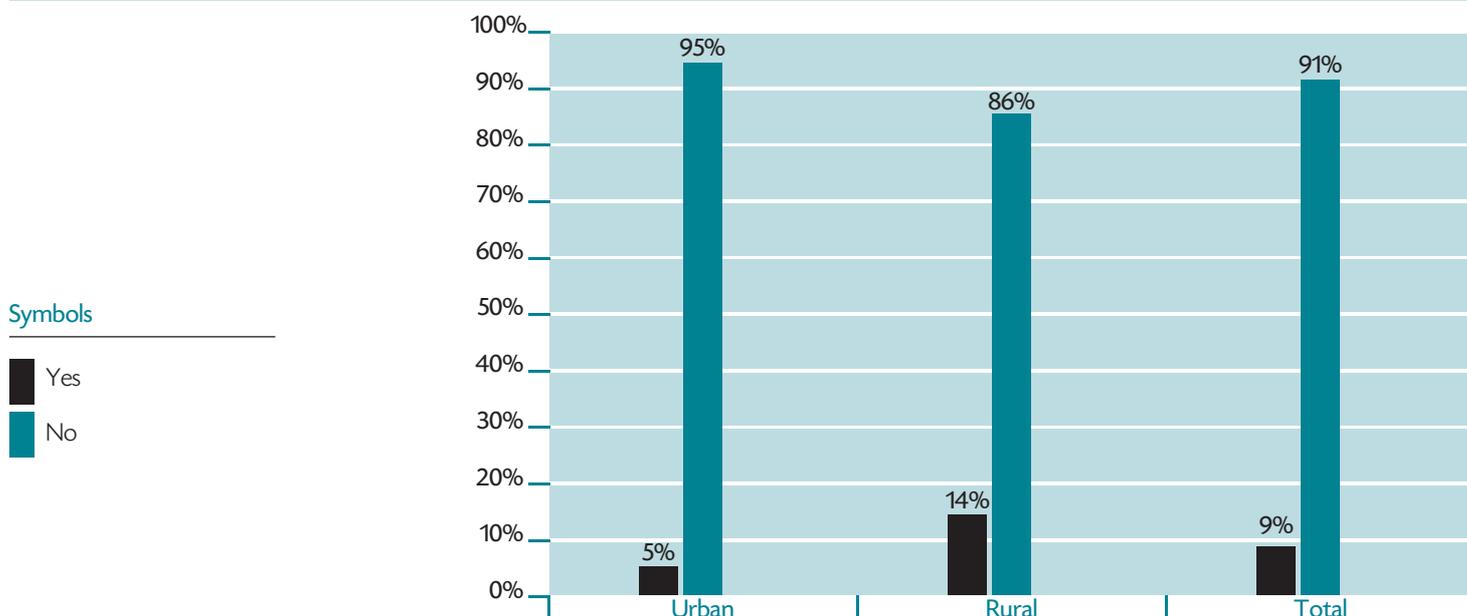
Source: UNDP and the National Center for Sustainable Development (NCSD), 2004

Local Governance, Decentralization and Citizen Participation

How many of the citizens attend Local Council meetings? The results of the CURS survey show that only 9% of the adult population has ever attended a Local Council meeting (Figure 4.2) (CURS survey 2004c). Participation is higher in small rural communities than in urban areas. Urban areas are generally better equipped to substitute physical council meetings by providing information to citizens on their decisions. Now a day, this could be further facilitated by the use of information communication and technology means. This would lessen the need to physically attend a local council meeting. This also assumes that somehow the citizen will have access to this information. Often, this is not the case. The media can play a role as an intermediary between citizens and local decision-makers, but this also is not always the case.

Although there does not seem to be high expectations from a large percentage of citizens to physically attend local council meetings, the fact that almost half of the Romanian population does not know that ordinary citizens are entitled to attend local council meetings is a matter of concern (Figure 4.3). The lack of knowledge of this basic right contributes in part to the disconnection between elected officials and their constituencies. When people are not even aware of their basic right to participate, it is hard to expect them to participate and get involved in community decisions. Conversely, a problem exists when people are aware of their rights, and in spite of it, they still do not participate.

Figure 4.2: Have you Ever Attended a Local Council Meeting?

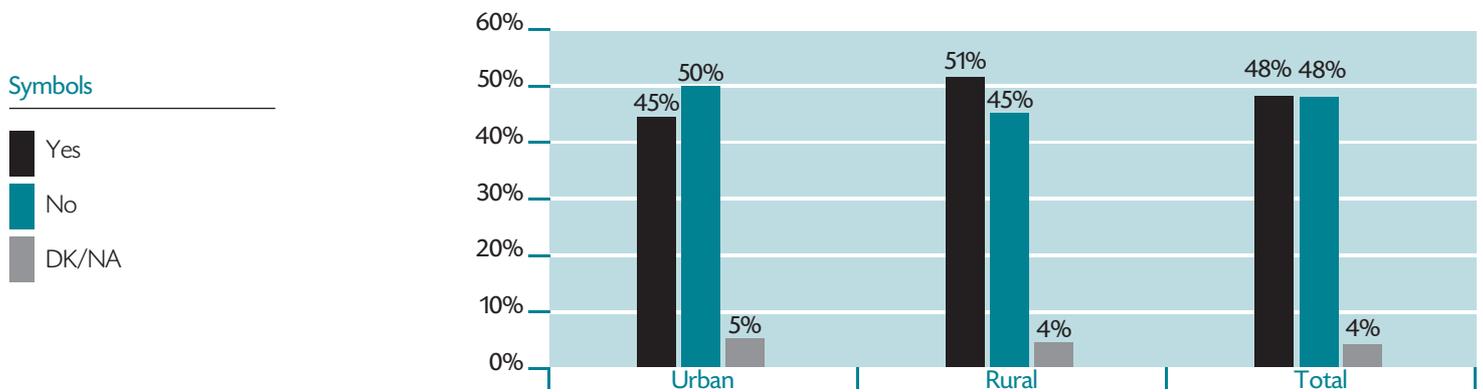


Source: CURS 2004c

Another way to measure participation is to analyze elections. On June 6 2004 voters in Romania cast ballots at more than 16,000 polling stations across the country to elect mayors and municipal councilors. Voter turnout hovered around 50% of registered voters for both the first and second round, reversing a 12-year trend of decreasing turnout. Nonetheless, turnout was not even across the 42 counties in Romania (Figure 4.4). Higher rates of participation were registered in counties like Alba and Mures in the Center, Caras-Severin

in the West, Corj in the South-West and Constanta in the South East. Average rates of participation were registered in counties like Suceava and Vaslui in the North-East, Buzau and Vrancea in the South East and Bihor, Cluj in the North-West and Prahove in the South. Low rates were registered in nearly every region and in 30% of the counties (including Bucharest), such as Neamt in the North-East, Tulcea in the South-East, Dolj in the South-West, Satu-Mare in the North-West and Harghita in the Center.

Figure 4.3: (For those who did not attend council meetings) Did you Know that Citizens Like You were Allowed to Attend Local Council Meetings?



Source: CURS, 2004c

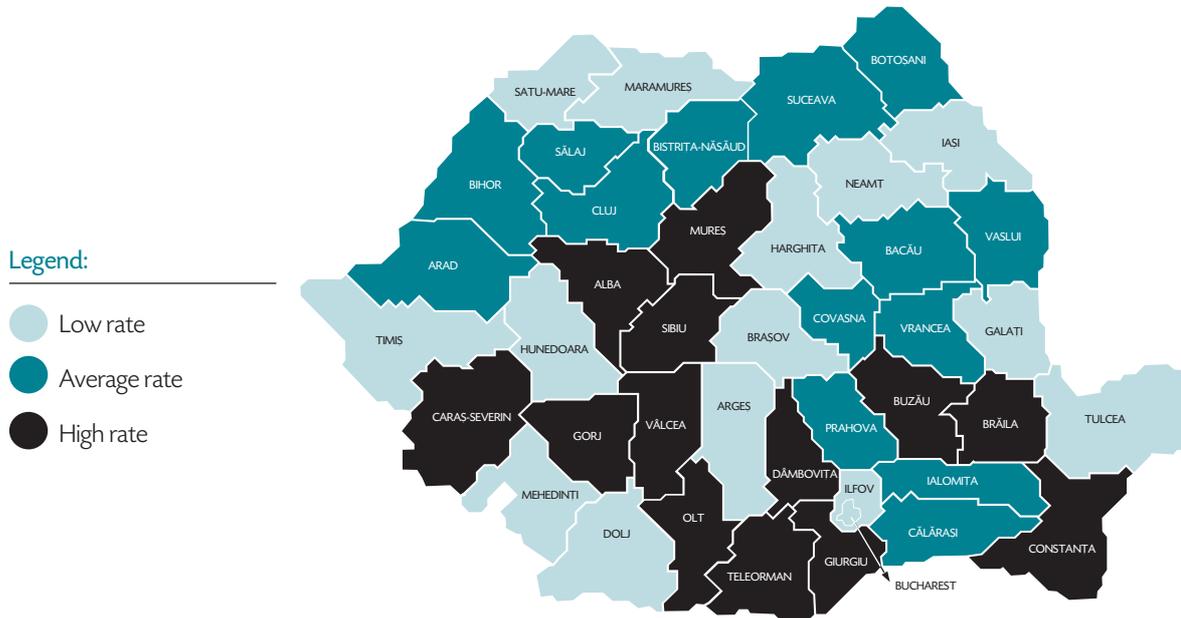
The results of the CURS survey show that there is a need for citizens to be better informed about their rights to participate in elections and in the decision-making process, and hold local officials accountable. Civic organizations have a role to play in this area. They can act as brokers of relevant information, and even as producers of information. Local governments also can improve their efforts to keep citizens informed. Improving the flow of information, particularly on basic rights issues such as participation in local council meetings, could be a first step towards improving levels of satisfaction and trust over local democracy and its institutions. Otherwise, the exercise of democratic rights would be limited to local governments making decisions without informing citizens and citizens sanctioning the lack of effective performance of local administrations.

Involving citizens and local organizations along with local officials in budget planning preparation and implementation can also be vital to encourage and promote citizens' participation. Particularly

when it comes to budget issues, when resources are allocated, it is imperative for this practice to be as transparent as possible in every step of the process. Inputs from groups and civic organizations will help orient, optimize and prioritize resources. The CURS CURS Survey 2004c revealed that only 19% of the population has seen the budget being made public by the local authorities, before being submitted for adoption by the Local Council (Figure 4.5). In this case, there is more affirmation from urban dwellers than from rural ones. Almost one third of the total population reported that the budget had not been made public before adoption and 49% were unable to say whether or not their budget had been publicized. Again, the discrepancy between rural and urban communities is noticeable in this variable. Only one quarter of the urban population reported being aware that their budget had been made public for consultation before adoption, while only one in ten rural dwellers indicated they had knowledge of the budget prior of adoption.

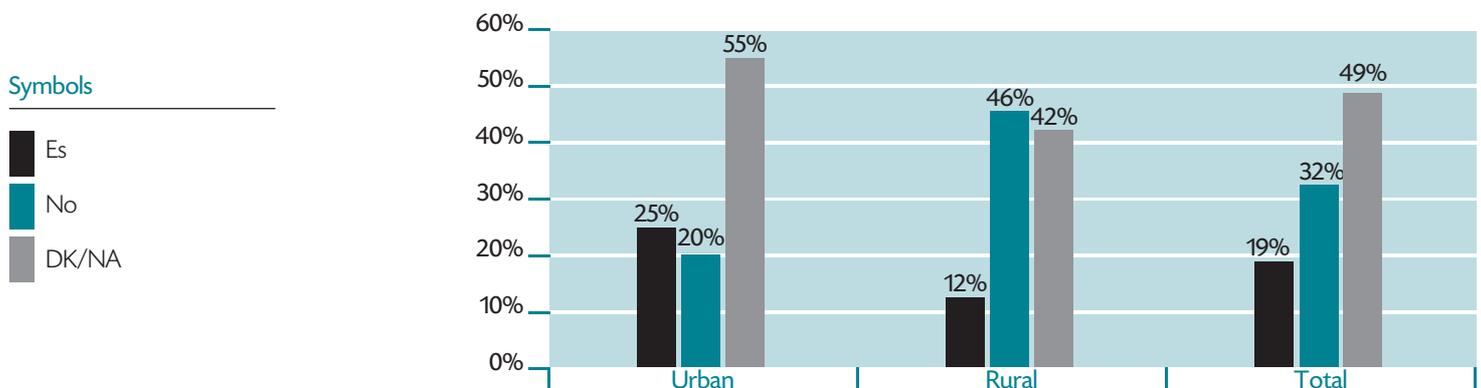
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Figure 4.4: Romania, Rate of Participation in the Local Elections of 2004 by County



Source: INS data 2004, own calculations

Figure 4.5: To Your Knowledge did the Mayor from your Community Make the Budget Public, Before Adoption by the Local Council?



Source: CURS, 2004c

Moreover, 94% of respondents affirmed that not even journalists were given a chance to discuss the budget before adoption (Table 4.1). An overwhelming number of respondents (90%) also affirmed that civil society organizations were not consulted during the process of preparing the budget. In contrast, 70% of the respondents to the survey recognized that a draft budget was made public before final approval and one-third recognized that public hearing were held to discuss the budget (Table 4.1). The trends shown in Figure 4.4 and Table 4.1 are relevant because they might be pointing to either a problem of lack of transparency on the part of local governments or lack of knowledge on the part of citizens on the budgetary process, or a combination of both.

Table 4.1: Romania, Citizens' Input in the Budgetary Process

	Yes	No
Discussing the draft budget with journalists	6%	94%
Discussing the draft budget with civil organizations	10%	90%
Organizing public hearings	36%	64%
Publishing the draft budget before approval	70%	30%

Source: Local Government Survey Romania 2001, (Local Government Initiative, Budapest)

Box 4.4

Involving Citizens in Setting Local Government Priorities

Romanian citizens are learning that they can make their local government listen. USAID, through its initiative GRASP, is helping citizens to get involved in setting local budget priorities. GRASP provided technical and material assistance to 22 local governments to conduct public hearings to discuss the 2004 draft budgets. Over 1,000 citizens participated. Senior local government officials presented their plans for the next budget year and invited citizen's suggestions and proposals on budget expenditures and on selecting sources of revenue. Participants in this active process received over 10,000 copies of the Budget in Brief brochures showing, for their city or town where money was planned to be spent and the sources of revenues that would fund this spending prior to participating in the hearings. Posters were posted in the communities and the local media was involved in advertising the public hearings. The reports from the hearings, including the citizens' proposals and suggestions for a more effective use of public funds, were submitted to the Local Councils, and citizen input is reflected in the 2004 budgets approved by local councils. As a result of public participation, nineteen mayors reported they had reallocated funds to address citizen priorities.

Source: USAID/GRASP, June 2004

Freedom of information laws that apply to both national and local governments are fundamental pillars for the development of transparency and accountability. However, citizens quickly learned that a legal framework is not sufficient in itself to solve practical issues. Romania has a Freedom of Information Act (FOIA), which was supposed to increase transparency and improve access to information on issues such as government expenditures.

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Box 4.5

Promoting Freedom of Information in Romania at the Sub-National Level

Immediately after the adoption of the Law on Access to Public Information (FOIA) in September 2001, many donors took the lead in promoting the law at the sub-national level. UNDP, in cooperation with the Asociația Pro Democratia, the Center for Independent Journalism, the IRIS Center, the Romanian Academic Society, the Romanian Helsinki Committee and Transparency International Romania, implemented a project in five counties (Buzau, Prahova, Suceava, Valcea, Vrancea). The project addressed the need for building capacity for civil society organizations to effectively monitor and support implementation of the FOIA by public institutions. It also opened opportunity for civil society empowerment to facilitate the interaction between citizens and public institutions under FOIA, promote public awareness, collect and disseminate public information, provide assistance and training to public institutions.

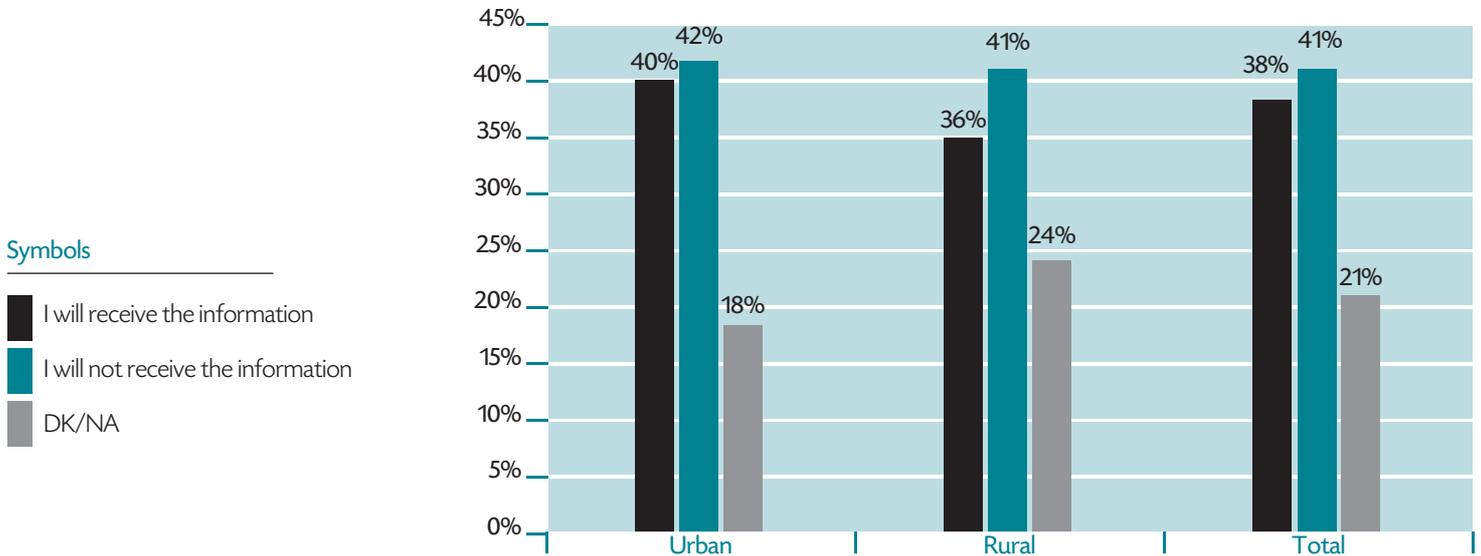
The UNDP project allowed for the establishment of five Resource Centers and to jointly work with local stakeholders, such as the Center for Environmental Monitoring Apuseni Mountains in Bihor; the Regional Center for Initiatives for Citizens Pro Civic in Buzau; the Resource Center for NGOs (CERES) of Suceava; and the Resource Center for NGOs Ramnicu Valcea (CENRAS) of Valcea. The project's objectives also included the establishment of an Internet website for public information, wherein citizens can access public information resources, and obtain information about FOIA implementation and about the procedures to follow in requesting access to public information. The impact of the project consisted in enhancing transparency and accountability in the public sector, which is an issue of paramount importance for Romania's development.

Similarly, in cooperation with Transparency International Romania, USAID/GRASP project developed and published the FOIA Guide for Citizens and Public Servants. 1,000 copies were printed and distributed to the local governments. In June 2004, GRASP organized in Bucharest, in partnership with local subcontractors, Transparency International Romania and the Center for Independent Journalism, the first in a series of workshops on FOIA for civil servants and journalists. Eighteen representatives from Bucharest, Giurgiu, Ploiesti, Topoloveni, Pitesti, Slobozia, Slatina, Balta, Alexandria) and eleven representatives of media organizations (newspapers, radio and TV stations) worked together in order to better understand both sides of the public information process. The participants learned how to improve relations and how to better serve their citizens. Four more trainings in Tulcea, Oradea, Miercurea Ciuc and Iasi were to be held in July 2004. In September, GRASP and its resource partners did an impact assessment on beneficiary institutions and communities to determine whether participating local governments are more knowledgeable about the law and are better implementing FOIA and transparency procedures to provide access to information, thereby making local government more open and accessible to the public.

Source: UNDP, "Support to the implementation of the Law on Access to Public Information in Romania, ROM/03/M01(2004) and USAID/GRASP, June 2004

Nonetheless, the law so far seems to have failed to change old practices and mentalities. On the one hand, bureaucrats feel frustrated and fear they will lose the power to control the flow and access to information. On the other hand, citizens' past experience with a "black-box" bureaucracy that controlled their lives has shaped negative expectations about the way public officials respond to their requests to access information. Only 38% of the Romanian citizens interviewed for the CURS Survey 2004c believed that they would receive from the government information they requested, while 41% believed the government would not respond to their request for information (Figure 4.6). Moreover, nearly one-fourth of respondents had either no knowledge of the possibility to request information from the government, even though they have a legal base for it, or simply did not want to answer the question. Thus, it appears that the FOIA has not made people more eager to ask for public information due to pre-conceived negative expectations, probably also supported by a lack of enthusiasm from local administrations. This also helps to pose the hypothesis that access to, and flows of, information, is a two-way street that requires trust and political will.

Figure 4.6: Suppose you Want to See How Public Money was Spent in your Community and Ask for the Budget Execution Report Based on the FOIA how do you Expect Public Officials to React to your Request?



Source: CURS 2004c

Perceptions & Aspirations on Local Governance and Decentralization

It is a common phenomenon that authorities are often held accountable by citizens not on the basis of what they have done, but on the basis of the way people perceive what they have done. Discrepancies between statistics as objective measures of reality and the perceptions of the people as subjective measures of reality are a challenge for any decision-maker. Many analyses of the last 14 years of transition in Romania have agreed that the government's agenda has been significantly divergent from people's expectations and aspirations. One example is the way Romanian authorities have tackled the inflation issue. Inflation has been a constant problem in Romania since 1991, with a significant increase between 1996 and 1999. During this time, most people in Romania were concerned about constant rising prices and making ends meet, and expected action from the government. However, the government was concerned with bringing stability to the economy and controlling inflation at any cost.

Good governance is about how to take into account the needs of the people. The duty to represent people's interests and to tackle issues that are considered important by most of them is the very basis of every democracy. When there is a disconnect between elected officials and their constituencies, reforms are not understood well, government loses credibility and people perceived the government as ineffective in solving their every-day problems. This is why communication and transparency in the decision-making process are important elements. It is clear that to address people's needs, those needs must be first identified and understood. Central governments often base most of their decisions, especially those related to budget allocation at the local level, on statistical indicators and indicators that are supposed to offer objective criteria for resources distribution or re-distribution. Nevertheless, often objective indicators can be deceiving for local development,

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particularly if they are not disaggregated. Aggregated indicators mostly capture a fragmented picture of local reality and have to be considered at best proxy estimations of people's needs. To complement objective indicators, it is important to also use more subjective indicators to find out more about the needs, aspirations and expectations of people and/or communities. But often, even subjective surveys, which are often costly, can hide many realities.

Local governance and decentralization can be prove to be an effective alternative instrument to bring people's expectations and aspirations closer to the government's attention. But even at the local level, some objective indicators do not capture well the level of people's aspirations. Because some aspects of human development, such as poverty and depravations, are both objective and subjective, then both measures should be taken into account. Even when some groups are objectively better placed in the socio-economic structures, they might have needs and aspirations of prosperity that are purely subjective. Another shortcoming of relying on objective indicators is that they only capture quantitative aspects of human development and fail to account for the more qualitative facets of human development. For example, education and health in a county can be analyzed by looking at objective indicators, such as the ratio teachers/school children, the number of beds per capita or even the frequency of medical consultations. Nonetheless, these indicators do not say much about the quality of medical services (waiting period, limited access to health facilities by rural inhabitants, bribes to be paid to medical doctors) or about the quality of education (qualified teachers, access to schools during winter, private tutoring to a small number of pupils). When asking people how satisfied they are with these services, one should not be surprised that in spite of good statistical indicators, people will still show high levels of dissatisfaction.

Including people's aspirations in policy making at the local level does not automatically warrant success in tackling local problems. People perceptions are often distorted not only by their wishes or expectations, but also by media reports and conversations with neighbors and relatives. Even from the perspective of decision-makers, "people are not always right." Decision-makers often deal with perceptions and expectations, but they also have to consider facts. There is a fine line between reality and perceptions that policy makers have to deal with.

Surveys often enquire about people's aspirations to compare the hierarchy of perceived important issues with government priorities. Aspirations vary across demographic and

regional variables. A recent example is a CURS Survey conducted in August 2004, which shows that the top-three issues relevant to people are, poverty/living standards, corruption and unemployment (CURS survey 2004d) (Table 4.2). When looking at the data, one might notice the lack of homogeneous distribution of ratings across social and demographic groups and regions. The elderly, retired, rural inhabitants and poor Romanians rate poverty/living standards and unemployment as more important than corruption. Meanwhile, young, educated, rich and urban inhabitants consider corruption as the most important issue. In addition, significant differences across different regions of the country are also to be found (Table 4.2).

The example of poverty illustrates well the differences between objective measurement and subjective perception of the same problem. Figure 4.6 shows the differences in the appreciation of objective and subjective poverty by county in Romania. The correlation between the two series of data is quite high (0.51) and one might say that there is no major discrepancy between how authorities and the population perceive poverty rankings among counties. In Figure 4.7, county (points) tend to draw an acceptable line. That is, as objective poverty increases for one county, so does subjective poverty approximately in the same proportion. There are some counties far from perfectly aligned, which show an important distortion between objective and subjective poverty.

To further illustrate this point, when the series is split into categories both for objective and subjective measures of poverty (Figure 4.8), there is relative correlation between the two perspectives. Minor discrepancies appear in most of the cases (only 1 rank difference between the two series). However, in the case of 12 counties the Discrepancy is significant. Out of these, seven are cases where subjective poverty is higher than objective poverty and five are cases where objective poverty is higher than subjective poverty, which means that in these cases, people consider themselves better off than what the objective indicators show. Mehedinti County has the largest difference. Even though it is the fifth poorest county of Romania from the objective perspective, it is the county where poverty is the least felt or experienced by the population (Figure 4.7).

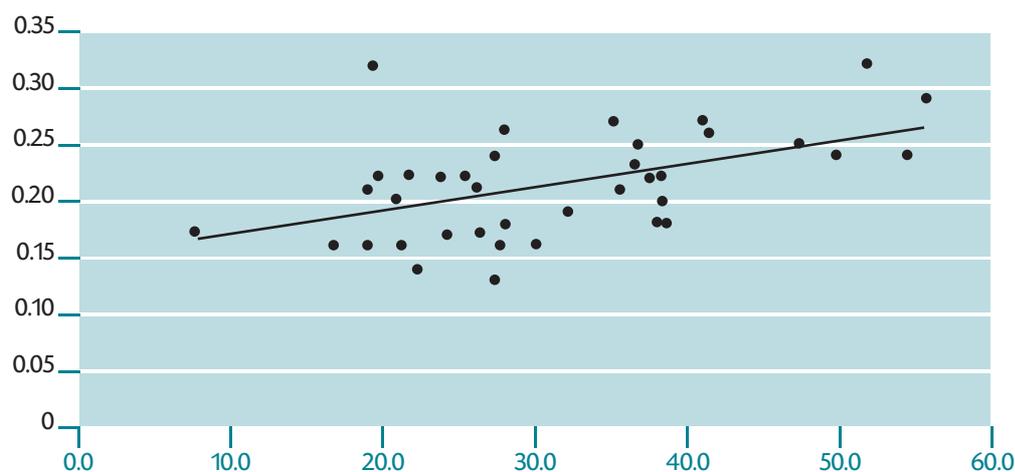
Discrepancies between people perceptions and objective indicators can be easily spotted across counties and regions. However, instead of figuring out which classification is more accurate or which one better reflects reality, a further comparison could be drawn using objective and subjective indicators in the areas of unemployment, health care, education and type of dwelling (Table 4.3).

Table 4.2: Top-Three Priorities by Socio-Demographic Characteristics (% within categories)

Age	18-25	26-35	36-45	46-55	56+			
poverty/standard of living	24	27	28	31	31			
corruption	26	28	26	25	23			
unemployment	22	20	25	19	8			
School	middle school	high-school	university					
poverty/standard of living	36	27	26					
corruption	16	29	38					
unemployment	15	17	9					
Region	Moldova	Muntenia	Dobrogea	Oltenia	Crisana	Transilvania	Banat	Bucuresti
poverty/standard of living	22	29	24	26	34	33	36	34
corruption	21	24	26	21	34	25	31	29
unemployment	19	19	15	22	10	13	13	12
Residence	Rural	Urban						
poverty/standard of living	29	29						
corruption	20	30						
unemployment	19	14						
Income	low	medium	ridicat					
poverty/standard of living	28	29	29					
corruption	20	21	35					
unemployment	21	18	10					

Source: CURS 2004d

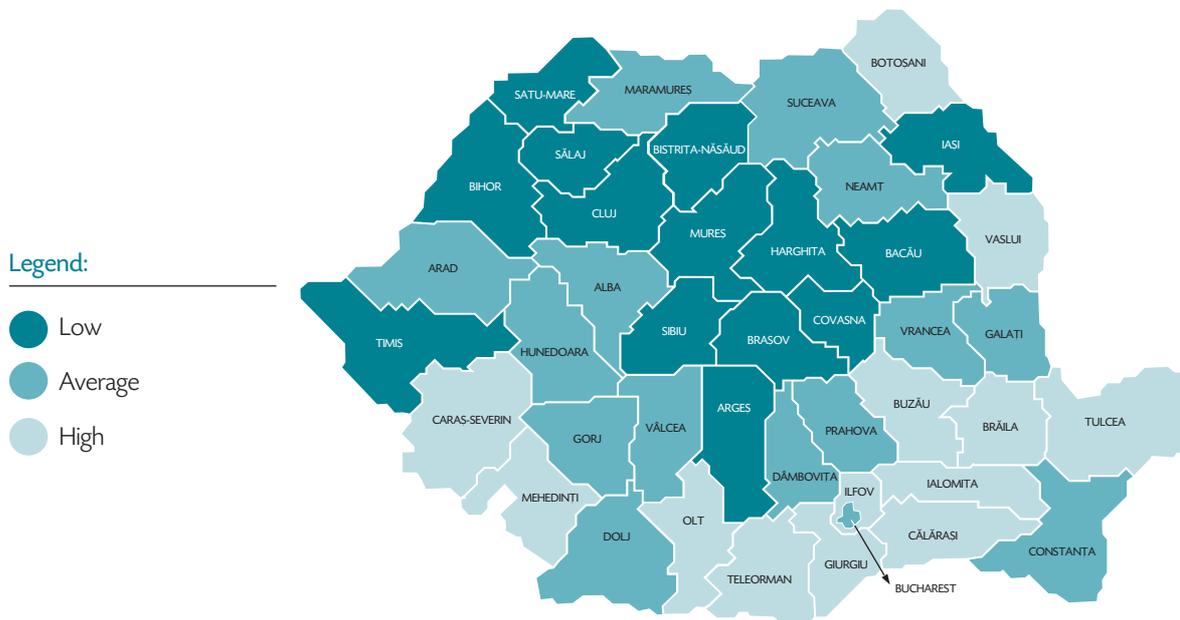
Figure 4.7: Romania - Correlation of Objective and Subjective Indicators by County



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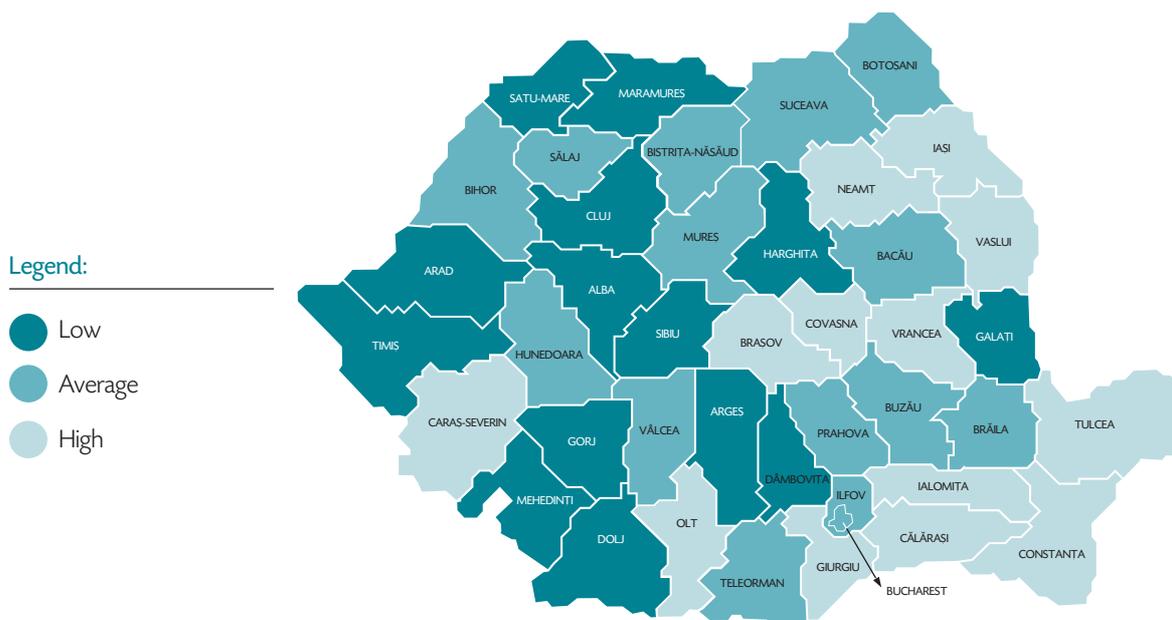
Figure 4.8: Romania - Map of Objective and Subjective Poverty in Counties, 2004

Map of objective poverty, urban areas



Source: CASPIS, 2004

Map of subjective poverty, urban areas



Source: CURS, 2003

In order to assess discrepancies, standard correlation coefficients were used. In the case of unemployment the correlation was of 0.40, which is high but far from perfect. In the case of health care the correlation was 0.02, which shows an important discrepancy between objective and subjective indicators. The same applies in the case of education and type of dwelling, where the correlations were 0.03 and -0.08 respectively. What do these discrepancies reveal? They show that decision-makers need to balance the use of objective and subjective indicators. Objective indicators tend to measure only a certain aspects of human development. This is why it is important to complement objective indicators with a set of subjective indicators.

In Table 4.3, one can see that the discrepancy between objective and subjective indicators is lower in the case of unemployment, as compared to the other three human development indicators. Unemployment is a one-dimensional concept. People can have a straightforward clue about unemployment in their area only by looking at their personal experiences. Distortions exist, and can be due to local media reports on unemployment; personal expectations; and there may even be some correlation between unemployment and other variables such as child abandonment, poverty and crimes. In the case of indicators such as education, health care and type of dwelling, other factors might affect the discrepancy, such as: accuracy and partiality of objective indicators and people's lack of interest on the issues relying on accounts from indirect sources.

Local Governance and Politics

Over the last decade, democratic politics in Romania has evolved dramatically. The local elections have produced more diverse political representation across the country and have become important spaces for political competition, with implications for presidential and parliamentary elections. During the last local elections held in June 2004, 45 political parties participated, and at least nine parties and/or coalitions obtained the majority of the votes. Table 4.4 summarizes the percentage of votes received by these major parties after both rounds of local elections¹. The Social Democratic Party (PSD) claimed the greatest number of mayoral mandates, while the DA Alliance (National Liberal Party, PNL and Democratic Party, PD), which ran separately in all but Bucharest and Cluj, received the highest number of votes mainly due to stronger support in large urban areas. The DA Alliance garnered greater support among the younger, more

educated, urban sections of the Romanian population while the PSD captured a larger section of the rural vote. The PSD received a slight advantage due to the party's appeal to a more disciplined voting bloc while the DA Alliance captured less than its potential support since its constituent base typically votes at lower rates.

Opposition parties made significant inroads in the northeastern region of Moldova, the traditional stronghold of the ruling party. Examples include the newcomer Union for Reconstruction of Romania's win of the mayor's seat in Cimpulung Moldovenesc in Suceava County, where the party also won eight local council seats, and the DA Alliance's breakthrough mayoral victories in the cities of Suceava, Piatra-Neamt, Falticeni, Braila, and Botosani.

¹ For mayoral races in which no candidate receives more than 505 of the vote, a second round is organized between the top two contenders.

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Table 4.3: Romania - Objective (O) and Subjective (S) Indicators by County*

	Unemployment		Education		Health care		Dwellings	
	S	O	S	O	S	O	S	O
Alba	77.1	10.8	49.7	10.9	64.3	4	54.7	43
Arad	54.3	5	22.2	12.8	41.9	3.1	33.4	76
Argess	82.0	6.6	32.3	10.9	53.4	2.9	47.7	64
Bacău	88.7	9.4	29.2	13.7	95.7	2.2	34.4	35
Bihor	61.6	3.2	43.4	10.3	69.1	3	32.6	60
Bistrița Năsăud	38.0	10	8.2	10.9	34.2	3.2	27.3	9
Botoșani	50.4	11	18.1	12.6	45.8	3.6	32.9	36
Brașov	81.2	11.9	37.1	12	55.0	5	50.9	52
Brăila	71.3	10	30.5	14.3	54.3	2.5	49.4	31
Buzău	82.2	9.3	18.9	11.5	38.7	2.2	30.8	55
Caras Severin	76.0	9.8	30.5	13	63.9	2.6	49.2	67
Călărași	90.7	10.6	8.8	14.7	22.7	2.2	42.5	27
Cluj	77.3	10	30.7	10	68.5	3.4	57.5	56
Constanta	81.6	8.7	16.2	14	32.8	2.9	65.5	19
Covasna	70.9	9.2	17.2	11.2	59.8	3.8	33.0	59
Dâmbovita	59.8	8.8	23.5	11.3	33.2	2.1	21.1	35
Dolj	75.9	7.1	30.6	11.1	55.9	1.9	47.1	44
Galati	91.0	14.8	34.3	14.1	66.7	2.3	60.5	19
Giurgiu	89.4	7.3	47.0	12.9	68.4	1.7	42.9	42
Gorj	75.7	10.8	26.8	12	47.3	2.7	32.1	66
Harghita	71.3	7.7	32.8	9.6	33.5	3.6	48.2	69
Hunedoara	90.9	9.8	48.6	13.4	65.7	3.5	56.0	71
Ialomița	73.6	12	14.1	14.2	24.9	2.7	36.6	31
Iasi	76.4	9.7	41.2	13	67.3	2.6	52.1	2
Ifov	64.1	5.4	21.7	13.4	35.9	2.7	18.0	0
Maramureș	60.3	6.5	33.3	11.4	44.3	2.7	36.5	30
Mehedinti	79.2	8.8	30.5	11.7	57.6	2	34.3	100
Muresș	61.8	6.4	13.2	9.7	38.3	3.7	34.4	48
Neamt	59.9	10.7	17.2	12.9	28.0	2.6	33.0	40
Olt	67.5	9.9	10.0	11.1	30.0	2.1	13.9	51
Prahova	71.3	10.2	27.4	13.9	44.2	2.6	55.2	44
Satu Mare	54.7	4	23.4	11.4	38.8	2.7	33.1	42
Sălaj	64.4	7.3	22.1	10.3	45.4	3.1	41.8	66
Sibiu	67.1	7.3	28.3	11	55.3	3.6	47.4	44
Suceava	74.9	10.3	28.1	12.1	42.3	2.6	41.6	17
Teleorman	58.8	10.2	9.0	11	33.6	1.8	13.7	53
Timis	61.3	3.9	29.7	11.3	51.4	2.3	54.0	54
Tulcea	81.6	9.6	20.7	13	57.8	2.6	62.3	34
Vaslui	81.3	15.9	34.2	12.5	78.0	1.7	50.1	34
Vâlcea	65.2	11.7	15.2	12	31.5	3.1	26.0	84
Vrancea	51.7	5.9	22.0	12.8	61.1	1.7	32.2	46

* Subjective measures: percentage of people who answered to the questions "how serious are the issues related to: unemployment, health care, education, dwellings?" that the issues are serious and very serious. Source: CURS, 2003, county representative survey. Objective measures: unemployment rate (%), number of students per one gymnasium teacher, number of medical consultations per one patient, number of dwellings to one thousand inhabitants. Source: CURS, 2003, county representative survey. Source: INS

Table 4.4: Romania, Results of Local Elections 2004

Party or Party Coalition	Total Mayoral Mandates Won	Votes for County Councils %	Votes for Local Councils %
Social Democratic Party (PSD)	1,695	38	38
National Liberal Party (PNL)	442	20	18
Democratic Party (PD)	376	16	15
Democratic Alliance of Hungarians in Romania (UDMR)	186	8	6
Greater Romania Party (PRM)	81	9	7
Humanist Party of Romania (PUR)	121	5	6
DA Alliance (PD-PNL)	10	3	-
Union for Reconstruction of Romania (URR)	1	-	-
National Christian Democratic Peasant Party (PNTCD)	34	.42	2

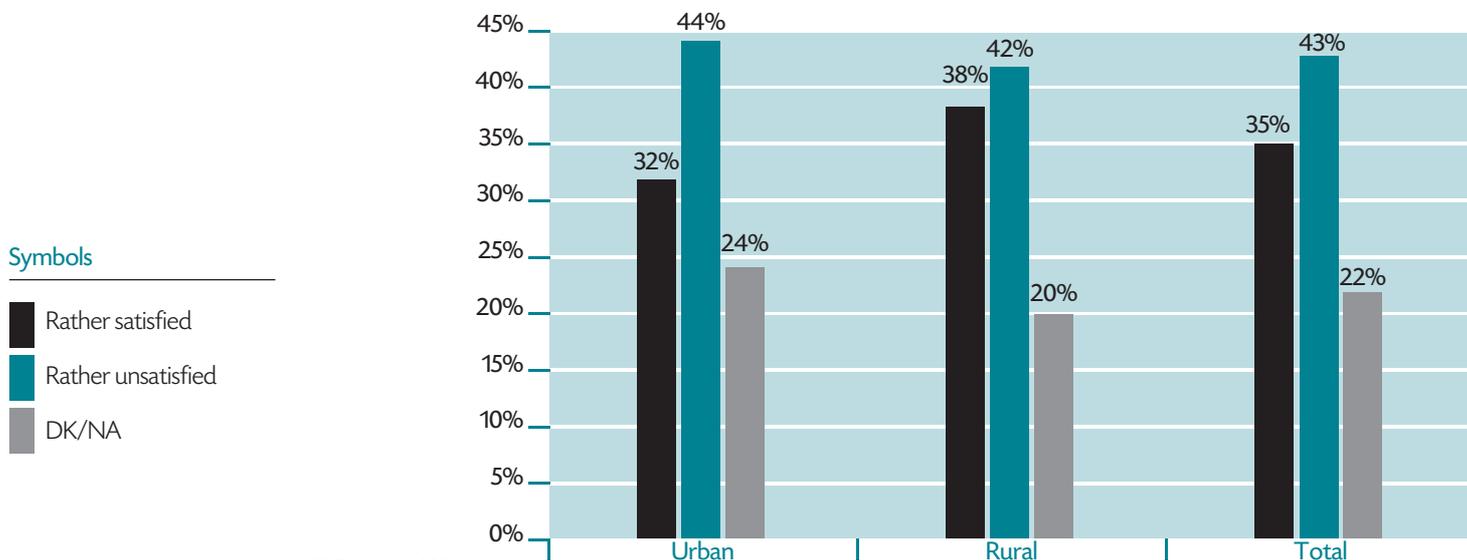
Source: BEC

The Humanist Party of Romania (PUR) posted better than expected results of more than 5% of local and county council seats and of about 4% of mayors elected nationwide in comparison to less than half that number four years ago. Two parties that in the past obtained impressive results did not fare as well in the June 2004 local election. The Greater Romania Party (PRM), which in the previous election had seen surprising gains from voters' protest votes, this time lost in favor of the DA Alliance as a potential alternative for those dissatisfied with the status quo. The Democratic Alliance of Hungarians in Romania (UDMR) also saw some of its support eroded as a result of its past policy of coalitions with other parties and due to recent conflicts within the party.

One of the main political problems emerging in Romania's local democratic landscape is that increasingly politicians are seen by

the public as a migratory species. In fact, political migration has been closely linked to resources, power and broader spaces for decision-making. As such, it is a problem that reflects the limitation of local governance in Romania. After the 2000 election, political migration became a topic of public interest, mostly because of local political migration. The PSD increase its local mandate from 36% obtained in June 2000 after the second round, to 80% in the last local election. The same trend is observed at the local and county councils, where the PSD also enjoys a majority. Prior to the local elections of June 2004, the PSD party had already obtained the domination of the local public administration. Political migration has influenced the local political scene, but the majority of Romanians are not satisfied with their mayor changing party affiliations (Figure 4.9).

Figure 4.9: Are you Satisfied with the Mayor Changing Party Affiliation in your Community?



Source: (CURS survey, 2004c)

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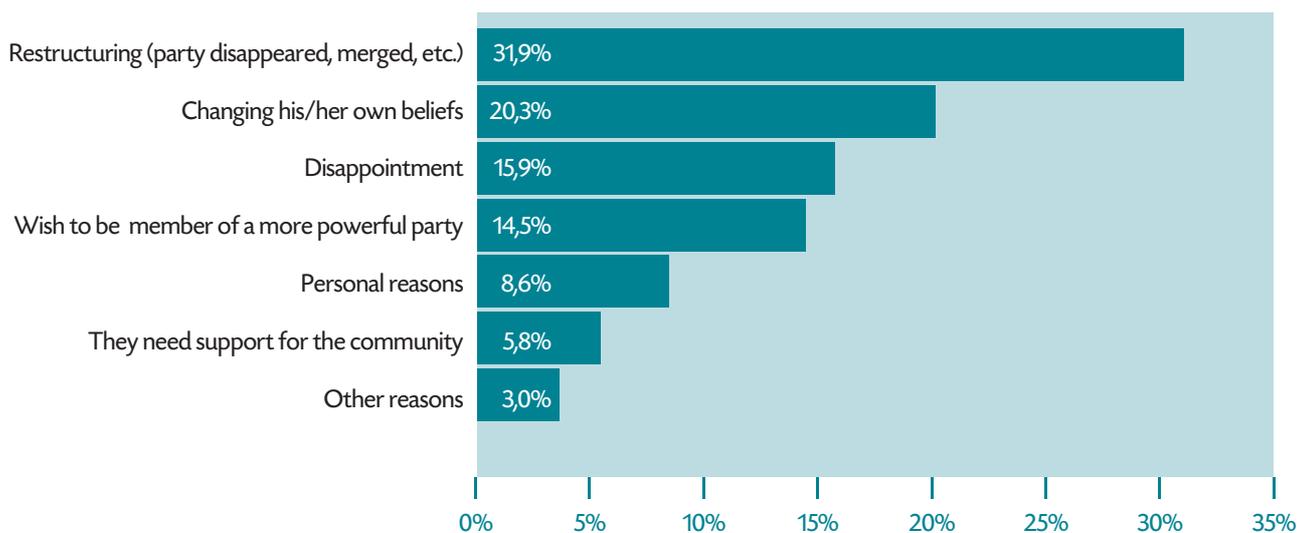
At local level, political migration has mostly affected small parties, with no parliamentary representation, such as PNTCD, APR and UFD. The disappearance of APR and UDF due to their merger with the PNL, and the internal fights characterizing PNTCD have contributed to the growth of local political migration away from these political parties. The case of the PD party represents another type of situation, as its theoretical proximity to the PSD ideology has transformed it into a party under siege.

The answer found by Romanian parties to correct this situation so far has been inadequate. There has been a tendency to try to solve the problem by more legislation and regulation, instead of internal reform. Political migration is, first and foremost, an issue of loyalty towards one's party of affiliation. The fact that representatives decide to renounce to their affiliation to the parties on which lists they have been elected, shows a degree of indifference towards the parties' values and ideologies. This trend is clearly seen in Figure 4.10, where mayors were asked to give their reason to change party affiliation. In addition to internal restructuring of the political party,

changing values and beliefs appear on the top as main reasons to change party affiliation.

In fact, the criteria upon which parties recruit members barely insist on the sharing of a common vision. In absence of this valuable criterion, political representatives are liable to influence, incapable to resist temptations, mostly if they represent opposition parties. It appears that the UDMR is, at least for now, the only Romanian party less affected by political migration, due to its ethnic solidarity and its strong ideological foundation. Representatives of parties with no authentic ideological identity and built on the influence of their leaders are more guided by their potential access to resources. This is a problem that may have an impact on local governance, as the credibility of political parties and local decision-makers may continue to dwindle. There is no county in Romania that has not been affected by the problem. As can be seen in Table 4.5, all counties have been affected by political migration. Some counties, like Sibiu, Constanta and Teleorman have been affected the most, while counties like, Cluj, Covasna and Harghita have been the least affected.

Figure 4.10: The Main Reported Reasons for Changing Party Affiliation (Survey of 155 Municipalities, CURS July 2004)



Curbing political migration at the national levels cannot be accomplished through a change to Article 69 (Paragraph 2), of the Romanian Constitution, which prohibits the imperative mandate. Taking into consideration that parliamentarians are the nation's representatives, any conditioning of their status on political affiliations would come under the incidence of the imperative mandate. Changing this article would affect the philosophy of representation by promoting party clientele through upholding as absolute the control of the party's leadership. The parliamentarians would have limited rights with regard to freedoms of speech and association. The nation's representatives would therefore become mere instruments of their parties of affiliation.

The situation at the local level is somewhat different and more complex. The enforcement of any national regulation to resolve political migration at the local level may only achieve a fragile and temporary resolution. On the one hand, mayors are elected through a personalized electoral system. Conditioning their mandate on their

political affiliation might be excessive. On the other hand, local and county councilors are elected on party lists, a process which cannot affect their right to affiliate. Conditioning their mandate, could transform local and county councilors into prisoners of their own leadership. The risk to democracy inside political parties would be enormous, and in the absence of a democratic political life, local democratic governance may not function. A solution to control political migration at the local level could be the invalidation of mandates, which would not affect the rights of local representatives. Political migration would lead to the loss of their political position. This is already enforced by the 73rd paragraph of the Local Administration Law, which allows for the dismissal of mayors before the scheduled term on the basis of a local referendum. This procedure could be better applied in the case of local and county councilors. Electors are the only people who can correctly evaluate the causes and consequences of political migration and who can make a decision over those using the political migration strategy.

Table 4.5: Mayors' Migration at the County Level 2000-2003

	Stable	Migrated	Total	Stable (%)	Migrated (%)
Sibiu	25	37	62	40.3%	59.7%
Constanta	28	38	66	42.4%	57.6%
Teleorman	38	50	88	43.2%	56.8%
Satu Mare	30	31	61	49.2%	50.8%
Neamt	37	37	74	50.0%	50.0%
Prahova	52	48	100	52.0%	48.0%
Hunedoara	36	33	69	52.2%	47.8%
Galati	33	27	60	55.0%	45.0%
Alba	42	34	76	55.3%	44.7%
Mehedinti	36	28	64	56.3%	43.8%
Maramures	40	31	71	56.3%	43.7%
Braşov	31	23	54	57.4%	42.6%
Suceava	59	42	101	58.4%	41.6%
Vaslui	45	30	75	60.0%	40.0%
Dolj	60	39	99	60.6%	39.4%
Olt	62	39	101	61.4%	38.6%
Botoşani	45	27	72	62.5%	37.5%
Arges	62	37	99	62.6%	37.4%
Gorj	44	26	70	62.9%	37.1%
Ilfov	25	14	39	64.1%	35.9%
Tulcea	31	17	48	64.6%	35.4%
Buzău	55	30	85	64.7%	35.3%
Vâlcea	56	30	86	65.1%	34.9%
Mures	64	33	97	66.0%	34.0%
Bacău	58	29	87	66.7%	33.3%
Vrancea	43	21	64	67.2%	32.8%
Giurgiu	33	16	49	67.3%	32.7%
Ialomita	36	17	53	67.9%	32.1%
Arad	51	24	75	68.0%	32.0%
Iasi	62	27	89	69.7%	30.3%
Călăraşi	38	15	53	71.7%	28.3%
Bihor	71	26	97	73.2%	26.8%
Dâmbovita	61	22	83	73.5%	26.5%
Brăila	32	11	43	74.4%	25.6%
Timiş	62	20	82	75.6%	24.4%
Sălaj	46	14	60	76.7%	23.3%
Cluj	65	16	81	80.2%	19.8%
Covasna	35	4	39	89.7%	10.3%
Harghita	59	1	60	98.3%	1.7%

Source: IPP, 2003

Rethinking Local Governance in Romania

Throughout this Chapter and the entire NHDR, three key concepts have been articulated with governance and human development: local, participation and decision-making. In a project context, local may mean the actual, physical area where a particular activity is being planned or is ready for implementation (e.g. solid waste collection in one neighborhood, medical service unit for a village or a day-care center for two local communities). On the other hand a larger local context may be represented where planning/decision-making involves a region, county, city, community or neighborhood where choices need to be made between a variety of services, either new or reconstituted. Viewing these two contexts, participation may then be variously defined and, indeed, structured. In the first instance we may be interested in participation of the people who will be getting the service and whose interests must be balanced against the details of implementation (e.g. funding, extent of the service, availability and transport). In some cases this may mean a coordinated, cooperative arrangement with appropriate local government officials. In the second instance, the participants may be chosen to represent physical areas, constituencies or actual expertise, which the decision-making authority might not have. A multitude of ideas surround the term decision-making as well. In a local context in which a specific service, improvement or physical construction is the focus, decision-making is not less complicated because it is local. In some cases the decision on a particular project may be within the purview of the local authority which is seeking input (some times reluctantly) from the affected area or is bowing to public outcry to open the decision making process to allow significant input by those affected by the ultimate decision.

The articulation of these concepts in Romania is not very clear yet. As in many other countries in transition, Romania faces a number of challenges in the area of local governance. One key problem that may help to explain the dynamic of local governance in Romania is, the involvement of local non-governmental actors. The very few studies that have been done on non-governmental organizations (NGOs) at the local level in Romania show a relatively low density. A survey in 2001, which was designed by the Tocqueville Research Center in Budapest-Hungary and applied to Romania by CURSMIR (Center for Management of Relations and Information), estimated that the density of NGOs in Romania was 62 NGOs per 100,000 inhabitants, which is relatively low compared to other countries in the region and around the world. The same survey analyzed NGO activity in Romania at the local level, in a sample of 557 municipalities that was representative of the country. The results showed that less than 20% of municipalities in Romania had at least one NGO operating in their territory and no more than 6% had three or more NGOs. Yet the results of the survey also showed that 50% of the localities, which have at least one NGO on their territory, present a density lower than 30 NGOs per 100,000 inhabitants. According to this study, two-thirds of Romanian NGOs were concentrated in urban areas and especially in counties main cities, while Transylvania, Crisana-Maramures and Banat exhibit, together with Bucharest, the highest density of NGOs. An analysis of the distribution of NGOs across regions with different degrees of development shows a concentration of the NGOs in higher developed regions.

Box 4.6

Some Devices to Promote Bottom-Up Participation and Empowerment

Governments in many countries have experimented with many devices and processes to promote bottom-up participation, downward accountability and greater responsiveness from governmental actors. Some of these have been linked to councils and other local entities, while others stand apart from them. These initiatives include the following:

- Mass local-level meetings to deliberate on development issues;
- Direct democracy at the local level;
- Incorporating pro-poor civil society organizations into decentralized systems;
- Instruments to permit action to secure citizens' rights;
- Devices to improve access to information and services;
- Exercises in participatory auditing;
- Initiatives to change the ethos and behavior of government employees;
- Incentives and sanctions for government employees;
- Exercises in participatory planning; and
- Joint management with civil society organizations of development programs.

Source: Based on James Manor, *Democratization with Inclusion: Political Reforms and People's Empowerment at the Grassroots*, UNDP Occasional Paper Series for the Human Development Report 2003, New York, UNDP, December 2003

Local Governance, Decentralization and Citizen Participation

Moreover, as the Romanian 1999 NHDR already showed, partnerships between local administrators and NGOs, is still low. Written proposals and requests represent the most frequent relationship observed. About one-third of localities, with at least one NGO on their territory, either receive support from NGOs or provide financial support to them, and this in turn is highly correlated with the larger size of the locality. Partnerships between NGOs and government are much stronger at the central level. Due to the financial constraints of local budgets, most NGOs that provide some services for local administrations engage in an “in-kind exchange” relationship, where the local administration does not pay for the services provided but offers some in-kind facilities in exchange for services. Furthermore, the involvement of NGOs in the policy-making process and in politics is still not well documented.

Given this dynamic, the local, participation, decision-making triangle described above takes a unique form in the case of Romania. Active engagement and penetration are keys. The local NGO, civil society organizations, neighborhood groups or unorganized but concerned citizens need to find ways to engage and penetrate the local authority decision making process in order to influence or participate in the decisions that will directly affect their livelihoods. Too often engagement and penetration is accorded after the fact, where local officials, having already scoped the project and made their decision, seek post-decisional approval by the affected community. Or the engagement and penetration may be affected by project externalities in which local officials and community leaders are put in a position of coordination or cooperation in order to make the project work.

Enlisting support from NGOs and civil society is important for local governance. If political leaders’ efforts at reform are to be politically sustainable, they need backing from important interest groups at all levels in the political system. And if reforms are to make an impact on disadvantaged groups at the local level (and on the Millennium Development Goals), they need help from those groups themselves and from organizations that support them. Evidence from around the world shows that some organizations within civil society -- both at local and at national levels - either oppose political reforms or seek to prevent the poor and socially excluded from benefiting from them. Civil society, like democratic decentralization, often tends to reproduce and not to challenge existing hierarchies, inequalities and patterns of exclusion. So governments need to reach out not only to civil society organizations, but those that work directly with the poor and their allies. Often, local political leaders may be reluctant to engage with NGOs and civil society organizations because they regard them as confrontational and illegitimate and weak. It is also then a question of trust and perceptions.

Evidence from various countries in Central and Eastern Europe (including Romania) and elsewhere suggest that it is especially difficult to persuade state actors to behave more responsibly, and to pursue political reforms that make policy processes more participatory and open, but not impossible. Concurrent with this, an emerging citizen voice, expressing itself through civil society organizations, is clamoring to be heard. In some instances, non-

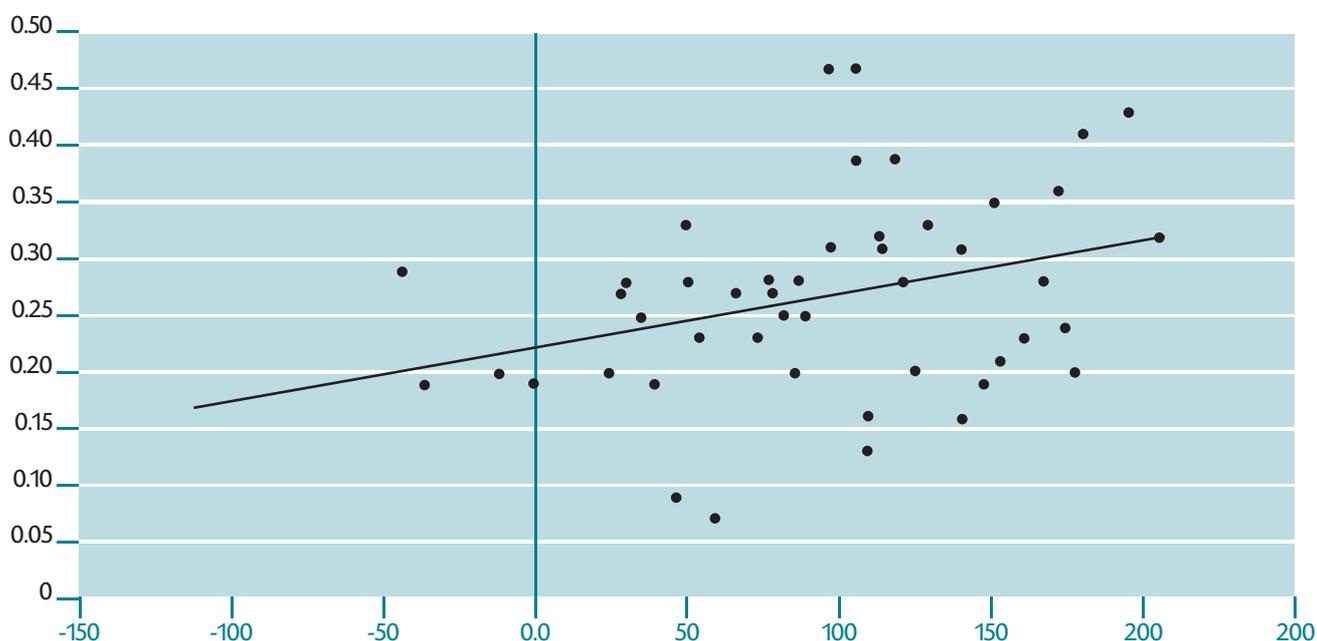
governmental organizations and civil society organizations are becoming as integral a part of the governance equation as are politicians and bureaucrats. Because development challenges, such as corruption, lack of transparency and widespread poverty are so complex, design and implementation of public programs to address these problems benefits from citizen input. The trend toward local governance is compelling citizen participation and the development of new mechanisms for citizen consultation, dialogue and oversight of service delivery at the local level.

A newly emerging citizen’s voice and social expressiveness is nurturing democratic governance. In some countries in Central and Eastern Europe, civil society has already become partners with politicians and bureaucrats in formulating government policy, because development issues are so complex. In Romania, there is some initial evidence pointing to a correlation between levels of human development at the county level and governmental capacity (Figure 4. 11). Local communities with higher levels of government capacity tend to have higher levels of development.

Donors should support these trends and provide the initial financing required to build capacity, both in local government and civil society. How to make these activities sustainable is the great challenge facing all stakeholders including the donor community. In as much as there is no blueprint to strengthen local governance, several key issues directed at civil society, national and local governments and donors have to be considered to design and implement an appropriate strategy.

Local Governance, Decentralization and Citizen Participation

Figure 4.11: Correlation between Local Government Capacity and Human Development in 49 Urban Municipalities



Local Government Capacity Index: composite index with three components: financial management, local services, transparency and interaction with citizens. (see explanation for methodology in the Annex)

Financial Support:

Given the trend towards local governance and wider decentralization in Romania, it is imperative that financing mechanisms be found to support the training and capacity building that is required to carry out effective citizen participation activities, such as social auditing, strategic planning and budgeting at the local level. The financing can come initially from donors, but should ultimately be institutionalized in the national or local government budgets, or within the civil society organizations themselves. Greater independence will occur if the financing for oversight and monitoring does not come from the municipality being audited. This is one of the greatest challenges facing citizen participation development today.

Training:

When designing citizen participation activities, skills training for local citizen groups and for government personnel is essential for the success and sustainability of the effort.

Political Will:

Political will is essential if citizen participation is to be effective. If it does not exist, it eventually must be developed through consultations, dialogue, legislative mandate and donor and citizen pressure.

Resistance:

Local governance, decentralization and participatory approaches by their nature require political power sharing. Resistance from politicians and bureaucrats is bound to occur. The challenge is to convince mayors and other elected officials that local governance, decentralization and citizen participation are complementary elements of good governance and can, in fact, increase the political legitimacy and influence of those who support it.

Experience Sharing:

Multiple ways to disseminate information about experiences with citizen-participation programs need to be utilized so that successful approaches can be replicated within countries and across borders. The Internet, print media, workshops and conferences are some of the options available.

Networks:

Networks of civil society organizations engaged in citizen participation activities should be established to promote mutual support and exchange of ideas and could be a source of technical assistance to new groups. These networks could model themselves on the experience of the Federation of Local Authorities of Romania, which with the help of USAID, came into existence as a result of four Romanian municipal associations joining forces to establish the Federation. Romanian cities are now represented by a single organization allowing them to speak with one voice when advocating for greater local government resources and autonomy.

Social Auditing:

It is important to test innovative ways of conducting social auditing. For example, as citizens come to view justice systems as providing a public service, auditing of judicial appointments becomes an important option to pursue. Another example is legislative monitoring.

Public-Private Partnerships:

In this context public-private partnerships can represent an interesting method and approach for cooperation, and for enlisting private, NGO and civil society support for public policies (Box 4.7).

Freedom of Information:

Freedom of information laws that apply to both national and local government are fundamental pillars for the development of transparency and accountability. Their passage and implementation should be strongly supported by donors in cooperation with local stakeholders.

Performance Measurement:

Indicators for measuring the success of social auditing and progress in implementing municipal strategic plans must be developed and made part of the citizen-participation program portfolio. It is important to know how and when to measure progress. Performance measurement is important to international funding organizations; it should also be important to local stakeholders, who can use it to measure progress and make program adjustments as necessary.

Integrated Financial Management Systems:

Elected officials at all levels must support integrated financial management systems development at the local level to facilitate transparency and accountability. These systems also merit support of donors that are considering funding local government programs. IFMS should be tailored to the specific needs and technical capacity of municipalities.

Donor Support:

Donors and host countries should provide financial and in-kind support, as well as training to associations of mayors.

Box 4.7

Potential Opportunities to Develop Public-Private Partnerships in Romania

In a context of lack of resources and of financial constraints, Public-Private Partnerships (PPP) represents an alternative approach to promote human development. PPPs have only been made possible recently in Romania, through a set of legal instruments. Law No. 81/1999 regarding public debt and Emergency Ordinance No. 60/2001 regarding public acquisitions are of particular relevance for PPPs, along with Law No. 215/2004 regarding local public administration. There are other laws that have some relevance to PPPs, for example: Law No. 27/1994 on local taxes, Law No. 189/1998 on local public finances, Law 213/1998 on public domain and its legal regime (No. 213/1998), Law No. 219/1998 on concessions, Law No. 103/1998 on autonomous enterprises' reorganization and Law No. 44/1998 on commercial companies' privatization.

In the last couple of years, the "popularity" of instruments such as loans from commercial banks and the issuing of bonds have grown. Indeed, perceived as efficient mechanisms to encourage local development, they have raised interest from local communities, especially after the issuance of Government Ordinance 16/2002 regarding public-private partnership contracts (approved by Law 470/2002, amended by Emergency Ordinance 15/2003 approved by Law 293/2003). As a borrowing process, PPPs provide incentives to local authorities to enter in relationship with the business community (be that the commercial bank or the local businessmen). PPPs are a new challenge for many local authorities, who seem eager to understand the values and principles of a world from which they were previously excluded. With the new legislation in place, dealing with private investors is no longer restricted to the exclusive prerogative of the central government; it has become a more locally-based direct relationship between local authorities and businessmen, based on a common commitment towards local development.

The UNDP LA21 Project has promoted and supported PPPP initiatives, particularly in areas of local infrastructure, environmental protection and urban planning. A special forum (Ploiesti, 2003) focused on PPP was organized with representatives of both public and private sectors. The project has also encouraged, "Association Principle," when two or more local activities participate in trading companies for the provision of public services.

Local authorities in Romania are still in an incipient phase of entering into PPPs as a tool for local human development. The procedure is not exempt of risk, an element that many local authorities tend to avoid. Local leaders are beginning to perceive some of the advantages of PPPs.

Putting Local Governance in Perspective

As was explained in Chapter 2, local governance in Romania has historic roots going back to the 19th century. Nonetheless, between 1936-1989 local governance was disregarded, but rediscovered again during the last 14 years. The initial model for local governance was established by the 1991 Constitution, by Law No. 69/1991 on Local Public Administration and Law No. 70/1991 on Local Elections. Although the initial model was incomplete, it had set the basic features for local governance in Romania. The European Charter of Local Self-government was signed in 1994 and ratified in 1998, and gradually local democratic governance was strengthened with a new legal framework for local public administration. Law No. 189/1998 on Local Public Finance was approved, establishing the basis for financial autonomy of local governments; the regulation of local revenues and expenditures; the process for formulating, approving and executing local budgets; and financing for public services and institutions.

The revision of the constitution in 2003, clarified the legal framework for local governance by introducing the concept of deconcentration and by specifying that local authorities are not subordinate to the centrally appointed prefects. A framework law on decentralization was adopted in July 2004, accompanied by another one concerning the institution of prefect. A plan for implementation of these two laws has been elaborated. In addition, in October 2003, the Government created an Inter-ministerial Committee for relations with local public administration. In 2001 and 2004 the strategy of the Romanian government concerning the acceleration of the public administration reform took into account the issue of local governance and provided some needed direction. There are already plenty of legal instruments for local governance in Romania to cover diverse financial, political and economic areas.

In spite of these elements, local governance in Romania is not yet fully considered a potential space for systemic human development policies. As was demonstrated by the analysis in the previous chapters of different aspects of local governance, the experience of Romania with local governance is still an ongoing process. While during the last 14 years several government initiatives in support of local governance have taken place and citizens are beginning to make meaningful contributions to local government

decision making, the current model remains very much centralized, or at best regionalized. As such, it is susceptible to national partisan pressures in the form of local lobbies, and the basis of relations between national and local government is mainly contingent to issues related to the EU accession process and the eight regional development units. At this stage, it is timely to explore how local governance can become a complementary mechanism to deal with impending human development national issues such as poverty, exclusion and disparities.

The question is not whether channels for central influence in regional and local human development should exist or not. The more strategic question is how to design and/or use these channels in order to avoid relegating local actors to the level of passive recipients of decisions, resources and visions. Beginning to integrate today the local governance space into the national policy scheme is not just important because it can enhance democratic development in Romania, but also because it may be more efficient in the long-run. As national policy-makers focus more and more on EU accession issues and economic policy, the government needs to have in place mechanisms to solve problems that are manifesting themselves at the county and local scenes. As was shown throughout this Report, for many at the local and county level the national government appears to be quite removed and distant from the people, especially in the case of implementing policies, programs and policies. Local actors are beginning to show willingness and determination to solve their own problems locally, and yet, because the dominant centralist and hierarchical approach still present in national-regional-local relations, local actors find themselves actively seeking help and answers from national authorities.

Most of the time, the central level cannot provide concrete solutions and answers to local problems and demands. Therefore, it seems more logical and efficient to give local actors the necessary tools to find solutions to local problems. Local actors may have better access to information about the local scene, may be better equipped to resolve local problems and have sufficient capacity to mobilize citizens and/or to foster citizen participation and create a unique more interactive democratic governance process. The role of local actors,

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vis-a-vis the decisions that are taken at the central and eight regional units is a strategic issue. It means that a space for dialogue between national and local policy-making levels is necessary. The problem is not just the further empowerment of local actors, but rather it is how county and local governments could move away from being budget/transfer negotiators with central government leaders to being promoters of county and local human development.

It is also about how to generate resources at the local level and to stop being dependent on the center. In some cases, it is understandably that some regions, municipalities and/or villages may not have the necessary competitive advantages. But national and regional policies could be utilized selectively to offset such inextricable cases. The other aspect for national policy would be to find the optimal balance between central government transfers, taxes, minimum income share, redistribution and equalization funds, which would provide opportunities for the more developed counties and municipalities and at the same time, strengthen conditions for the most vulnerable and poor.

The 2003-2005 NHDR is arguing that a comprehensive development framework is necessary to sharpen the focus on major goals of regional and local development, to emphasize the necessary institutional processes required to promote and sustain regional and local development and to coordinate these efforts. To create this new framework, a political decision needs to be made in two key areas. First, it is necessary to foster explicitly a more systemic process of interactions and relations between central, regional and local actors in Romania, in such a way that vertical and horizontal mechanisms are used more efficiently. In fact, as globalization and the EU process of accession become more intense, it will likely increase the spatial

mobility of capital, investment and developing funding. Thus at this stage, it is important to reinforce the regional and municipal capacity to manage human development and coordinate and negotiate decisions. At the same time it will be important to design and implement regional and county initiatives with the most adequate levels of consensus and participation from local actors. Such initiatives should be the result of dialogue and negotiations between government and non-governmental actors, which also implies the capacity to mobilize non-governmental actors (civil society).

The second area is to gradually, but consistently, promote a synergetic governance process for all relevant actors and stakeholders at all levels. The need to find catalytic agents at the local, regional and central levels and a new system of information flows would put the decisional trajectory within a strategic framework for more human development. In the long-run for Romania, regional initiatives or regional development projects that involve as directly as possible county and local governments would be a critical human development choice. In this manner, not only public resources will be used in a more efficient manner, in support of human development, but also other types of resources (e.g., structural funds and budget/funding for the eight developing regions).

Towards a Policy Agenda for Local Governance in Romania

Even as the EU process of accession moves forward and forces the national government to focus on events, forces, goals, and ideas outside their border, this 2003-2005 NHDR has revealed that the local scene in Romania is showing a growing dynamism with potential for human development policy. People at the county and local levels are already projecting aspirations and there are already

some experiences and activities taking place (i.e., UNDP LA21 Project and USAID-GRASP Project), which could serve as catalyst to move towards strengthening local governance in Romania. Moreover, the analysis highlighted a number of evolving opportunities in the local scene, from which new initiatives can be drawn for local governance. For example:

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- Newly elected mayors and local leaders can serve as catalysts for local development, by providing more effective and timely basic services and ensuring that policy is developed with broad public participation.

- Citizens are coming to understand that local government can respond to their needs more effectively than national government because local officials have a better understanding of local conditions and are more available to citizens.

- Local governments can better reflect local priorities, providing services more efficiently and developing a sense of accountability to their citizenry.

Despite these emerging opportunities for local governance in Romania, the authority to formulate local human development policy and deliver services has not been entirely transferred to local entities. For the most part, local authorities have not yet been provided with mechanisms for influencing national policies; their role is limited to execution of decisions made at the national and/or regional level without their input. Continued progress in advancing local governance, and citizen participation, transparency and accountability in local governments in Romania will also depend on expanding and strengthening key areas, including:

- Fiscal autonomy - modern local financial-management systems, the authority to raise revenues and greater sharing of national revenues with local governments;

- Democratic governance and institution building - increased capacity to develop policy at the local level that is reflected in improved and responsive service delivery;

- Constructive interaction between local government officials and local populations;

- Horizontal linkages between local governments to provide local officials with the capacity to strengthen administration and affect national policy;

- Vertical interaction among local governments, regional and central governments;

- Advocacy skills for local authorities and other local officials;

- Technical skills training for the formulation of local development plans;

- Monitoring and evaluation tools (performance measures) for oversight of local strategic planning and budgeting and the provision of basic services, and

- Civic education to develop citizen capacity to participate as equal partners with government leaders.

In an effort to give a more thorough picture of nearly 14 years of reform, the government has evaluated the main results of Romania's local governance and decentralization process, and its respective legal framework. The outcome of this assessment is a comprehensive document entitled, the "Strategy of the Romanian Government Concerning the Acceleration of the Public Administration Reform 2004-2006" (see highlights in Box 5.1 and Box 5.2). According to this document, Romania has made important progress in the area of local governance and decentralization. Nonetheless, the document also recognizes that, in the absence of a comprehensive and more explicit national strategy for local governance and decentralization, a coherent policy framework would not be feasible.

In the document, the government also highlighted certain accomplishments in the area of local governance and decentralization, such as the establishment, between 1991-1998, of the basic legal framework for local governance. The Law on Local Public Finance is mentioned, which increased not only the GDP share of local budgets, but also the proportion of total public expenditures that are local. Between 1998 and 2001, the GDP share of local expenditure increased from 3.6% to 6.5% and the share of total public expenditures that are local increased from 14.4% to 26%. The document also highlights accomplishments during the last four years, such as Law No. 215/2001 regarding the local public administration because it established new rules and functions for local governance. The harmonization with national and EU provisions are also mentioned as accomplishments, such as articulating any new local governance provision with the Law regarding public finances No. 500/2002 and with the provisions of the Regulations No. 1605/2002 of the Council of Europe. More recently, another accomplishment mentioned is the increase in the percentage of the Personal Income Tax (PIT), which is allocated to local authorities.

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Box 5.1

The 2004–2006 Strategy of the Romanian Government Concerning the Acceleration of the Public Administration Reform: Objectives and Outputs for Local Governance Part I

Objective 1:

To create an adequate framework for the decentralization/deconcentration of public services. The overall goal is to increase the efficiency and effectiveness in the application of the Law no.339/2004 on Decentralization. To reach this objective, several actions will have to be undertaken. A new Inter-ministerial Technical Committee will be set up in order to ensure coordination in the implementation of the strategy. In addition, the public authorities will:

- Establish the mechanisms necessary to coordinate the implementation of the strategy; Create new mechanisms to ensure the communication with civil society and other stakeholders (periodical monitoring reports, forums for public debate of different options in the decentralization process);
- Create working groups on the main components of the strategy;
- Adopt the decentralization framework law to ensure the coherence of the decentralization framework; and
- Elaborate a system of performance indicators to measure the development of the decentralization process.

Objective 2:

To clarify the competencies of the different levels and structures of the public administration. In the strategy document it is stated: “Within the Public Administration reform, the decentralization and deconcentration of public services must be treated as complementary processes. In each of the sectors and areas where these processes are developed, a rational distribution of responsibilities has to be made in order to improve resource utilization, quality of services delivered and responsiveness to the stakeholders’ demands.” To achieve the second objective specific measures have been foreseen:

- Establishment of sector-specific working groups to elaborate sectoral strategies;
- Creation of implementation structures at central and local levels with well-defined responsibilities and clearly defined relations;
- Harmonization and coordination of sectoral strategies; and
- Setting up of a standardized system to measure and evaluate services delivery.

In addition, the Strategy foresees the creation of County Technical Committees for Decentralization, which will be in charge of performing impact analyses and of preparing draft proposals for the decentralization of certain competencies. The Committees will participate to direct negotiations concerning the transfer of competencies and responsibilities from the central to the local level. They will also have the possibility to form

While the strategy recognized progress made over the past ten years, it also recognized shortcomings in the current process and model of local governance and decentralization, as well as pointed to potential implications and/or consequences. For example:

- Lack of political consensus on local governance and decentralization goals resulted in an inconsistent implementation process;
- Transfer of adequate financial resources and decision-making authority to the local level did not always accompany the transfer of competencies;
- Limited capacity of local governments to generate revenues undermined their financial autonomy;
- Lack of predictability and clarity in the allocation of intergovernmental transfers hindered local planning and efficient use of resources;
- Small portion of intergovernmental funds distributed on a formula basis and the weakness in the enforcement of allocation rules maintained a vertical dependence of local governments;
- Equalization mechanisms did not always ensure fair distribution and equity among local governments;
- Preponderance of allocations pegged to obligatory expenditure titles limited the decision making autonomy of local governments;

- Incomplete transfer of property was often an obstacle to effective local asset management; and
- The earlier practice of responsibility allocations without sufficient preparation and training created limitations in local capacity to efficiently organize delivery of services.

Beyond issues specifically related to local public administration reform in Romania, other areas of reforms, such as human resources management and civil service, are also of great importance for local governance and for the future success of the overall political and institutional modernization. All efforts towards the EU integration are unlikely to succeed unless these crucial areas are tackled. Key goals in the area of civil service and human resources in the public sector are:

- Establishing a professional civil service based on merit principles and on meeting the criteria of high quality, efficiency, reliability and impartiality;
- Creating professional civil service capacities specifically for local public administration; and
- Raising the status of civil servants by improving the quality of services provided to the citizen and enhancing the training of public administration employees.

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Box 5.2

The 2004-2006 Strategy of the Romanian Government Concerning the Acceleration of the Public Administration Reform: Objectives and Outputs for Local Governance Part II

Objective 3:

To strengthen the financial independence of local authorities. This will be done by increasing the share of local own revenues and by strengthening the predictability of the allocation system. "Strictly rule-based allocations and procedures have to be established and the equalization mechanisms have to be revised so that they guarantee a minimal level of services according to national standards. Increased financial autonomy must be coupled with hard budget constraints, larger transparency and better enforcement of regulations concerning resource use and reporting." This will require:

- The increase of local governments' own revenues over 50% of all revenues;
- The introduction of calculation-based allocation of operational subsidies;
- Rule-based procedures for investment grants;
- Increased predictability of intergovernmental allocations;
- Improved horizontal equalization system; and
- Improved local budgeting and reporting systems".

Objective 4:

One key government priority is to modernize the institution of the prefect and to redefine their competencies. "Their role in the management of the de-concentrated services should be clearly established. Their resources and means should be reviewed accordingly. The prefects must take an increasingly professional position so that, by 2006, they become high-level civil servants selected on the basis of a national competitive examination, and according to the prefect's institution law. An extensive training program will support this transition." The new prefect's responsibilities regarding the deconcentration of services are defined by the organic Law no.340/2004.

Objective 5:

To strengthen the capacity of the local public administration to implement the "Decentralization Strategy" and to manage structural funds. Congruent with this objective, attention will be paid to training the personnel involved in the reform process in the following areas: decentralization and deconcentration issues and policies; new responsibilities and relations between various units and bodies; and implementation monitoring mechanisms. The capacity of local governments to implement policies will also be reinforced. The specific activities foreseen to reach this objective are:

- Design procedures and norms to support the implementation of the strategy;
- Strengthen the capacity of local authorities to manage and supply decentralized services;
- Prepare human resources necessary to sustain the decentralization/deconcentration process;
- Set up the institutional framework to manage structural funds at local level; and
- Provide specialized training of local public administration personnel involved in managing structural funds;

To date, specific legislation related to Civil Service reform and human resources development in Romania has already been enacted. For example, Law No. 188/1999 regarding the Statute of Civil Servant (modified by EO 7/2000), Law No. 161/2003 regarding the conflict of interest for civil servants, the Labor Code (Law No. 53/2003), which contains, inter alia, specific provisions for civil servants, and Law No. 7/2004 on the Code of Conduct for civil servants. These legislation and corresponding reforms are implemented in coordination with the National Agency for Civil

Servants, although the National Institute of Administration also plays a key role in the training of civil servants. The "Strategy of the Romanian Government concerning the acceleration of the Public Administration Reform 2004-2006," foresees additional reforms. The strategy contains specific measures related to civil service improvement. The main driving philosophy of this new reform initiative is its re-orientation towards its customers' and clients' needs and the provision of high quality services, at reasonable cost (to the taxpayer).

Critical Policy Areas

Four main policy areas can be identified to begin rethinking local governance and human development in Romania. These could be thought of as initiatives that can complement the current governmental agenda, and even enhance it.

Institutional Design

The institutional design for local governance and human development should be reconsidered. That is, by taking into account fiscal, political and administrative it is important to envision how each level of government will operate with respect to local governance issues. It would be important to analyze institutional mechanisms to enhance interaction and relations between regional development units, counties, municipalities and villages, as well as what role each one has. Both centralist and deconcentrated approaches in institutional design have the same trade-offs between efficiency and effectiveness. Nonetheless, discussing alternative approaches and options to the status quo could foster ideas on clarifying the allocation of functions in the system of governance in each tier. For example, to discuss any potential re-designing of the regional territorial organizational structure dialogue spaces will be needed. Also in this discussion, new ideas regarding shared functions to create and or strengthen economies of scale, capture externalities and making national policies more applicable to a varied situations and priorities at the local level will be important inputs to enhance the institutional design.

Institutional design initiatives should also be seen as a mechanism that will enhance capacity at the local level. Capacity building for the local level should be seen as a process to improve capabilities to carry out certain key functions of, and for, development and to achieve the objective of human development. Institutional design initiatives should augment the current local elements in the planning process in terms of problem identification, resources and opportunities. To a great extent, it will depend on the nature and dynamic of relations between central, regional, county and municipal levels of government. The current decision-making cycle does not allow the necessary space to have a more systemic model of governance, where all levels of decision making coordinate and implement efforts more effectively. A consequence of this is the ongoing problem of political migration analyzed in Chapter 4. In incorporating local governments into the decision-making process there are two related issues. How can government reach out to more people? And, how can national approaches help improve human development at the local level?

This policy issue is much more complex, as it regards assignment, distribution and control of resources. The ability of sub-national units of government to act efficiently, irrespective of whether they are independent of central government or whether they act on their own behalf, will depend on two issues: whether they have access to alternative source of resources, and whether they have at least some room to maneuver and create more options. Two aspects related to this issue are clear: 1) Local government in Romania need resources commensurate with their assigned responsibilities, and 2) financial resources should follow functions not the other way around. The role of transfers, flat tax, minimum income share, subsidies and equalization funds deserves intensive discussion (see below), especially to ensure that these do not limit local governments' functions or produce artificial conditions for human development. In addition, current schemes to cover local expenditures and promote local investment should be enhanced.

The introduction of own resources has created a potential revenue base for (some) local governments. The quasi-automatic sharing of personal income tax proceeds is relatively similar to the availability of own resources. However, the upper and lower limits set for property taxes reduce local governments' flexibility. More significant, the growing number of mandates entrusted by the central government to local governments, and their funding through earmarked transfers have, limited the trend towards a greater fiscal autonomy of the local government.

As was already explained in Chapter 4, the current system of funding has also introduced perverse incentives, which prevent an efficient allocation of resources by local governments. First, connecting conversely the size of equalization funds with the proceeds of municipalities' own resources hinders the potential maximization of income that can be generated from own resources (by either improved collection of taxes, higher tax rates, or enlarged tax base). Moreover, it becomes in the interest of a local government to under-estimate its intake from own resources, in order to maximize the equalization transfers. This point is supported by the fact that revenues generated by own taxes have systematically outstripped the projections of the local budgets. Second, the proliferation of earmarked transfers for subsidizing a number of local services is a disincentive for the rationalization of these services. Since they are practically directly paid by the central government, there is little pressure to reform the respective services, and any downsizing would result in a net loss of resources received by the community. There is therefore no incentive in identifying a more efficient use of resources.

These perverse incentives have contributed to the situation where many communities are stuck with local services they cannot adequately fund. Where rural schools function with lower than the optimum number of pupils, local administrations are not able to channel savings from the rationalization of the number of schools to develop school bus services, for example. Similarly, small towns are often trapped with a large offer of public services (expected from

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urban communities), which are highly inefficient because of the lack of economies of scale.

Decision-Making and Accountability

The introduction of own resources and the employment of a formula for equalization funds have improved the predictability and reduced the discretion in local governments' allocations. Similarly, a clearer approach to distribute more equitably equalization funds between county government and municipalities has helped the decision-making process. There are however, still many loopholes left in the system that are adversely affecting the decision-making process and accountability. The most serious one is the large discretionary power of county councils in distributing the equalization funds among competing municipalities. The resulting uncertainty and unpredictability negatively impacted the quality of services delivered by local governments. Proper budget planning is therefore impossible in this environment, and multi-annual budgeting cannot even be attempted. In addition, there is widespread evidence that the leverage resulting from this high level of discretionary powers has been used by county chairmen to exercise political pressure upon the mayors. In fact, it certainly has been the main factor behind the decision of a third of the mayors elected in the 2000 local elections to cross party lines, and join the governing party. The new legislation aims at limiting the discretionary power of the county councils in distributing the equalization funds. However, its impact is still to be assessed.

The distribution of investment funds is equally arbitrary. Most of the funds are under the control of different central government departments especially the Ministry of Transportation and Public Works and the Ministry of Industry which deal with the most important local investments: roads, social housing, gas and water pipelines. Again, the distribution of these funds remains very discretionary and lack transparency and accountability.

Finally, the proliferation of mandates entrusted to local government authorities, which are often inadequately funded by the central government, has introduced new rigidities, but also a degree of unpredictability in the delivery of services by the local government. Faced with financial constraints, local governments fail to discharge their duties properly, with resulting wide variations in the type and quality of services being delivered to the community. The main welfare policy - the guaranteed minimum income - is a telling case: wide variations have been registered in the application of eligibility criteria. Moreover, some cases have been reported where governments failed to provide the benefit to their respective communities, or where the benefit was arbitrarily reduced from its mandated level. Because most of these problems are related to the hierarchical approach still present in national-regional-local relations, local political leaders are often unable to make appropriate decision, and most importantly, cannot be accountable to their constituencies that elected them.

Inequality

As was elaborated in Chapter 3, local governance and decentralization activities may affect inequalities. By definition, more autonomy to local governments result in variations in the types, levels, and qualities of public services provided. Fiscal autonomy, by connecting the revenues of local government with the taxes collected from the respective community would of course reinforce the existing regional inequalities. It is therefore the role of central government transfers to mitigate these potential negative consequences of local governance and decentralization.

So far the evidence for Romania suggests that current policies or the lack there of, might have exacerbated inequalities. Both inter-county, and especially intra-county inequalities have grown, and are actually wider than the natural GDP/capita differentials. Part of the problem might be the current funding system, which main weakness is rooted in the selection of revenue sources. Own resources of local governments rely on property taxes. As the real-estate value correlates with the level of development of the region/ municipality (in an even more distorted way than the GDP/capita), poorer areas, especially rural ones, are thus by default disadvantaged. Similarly, personal income tax proceeds will also be higher in urban areas, with high employment rates. Poorer areas, with a larger share of informal economy, or with a large non-monetarized economy, as is the case in rural areas, will be affected adversely. Moreover, personal income tax is connected with the place where the source of income lays (most often the place of employment). Municipalities with the highest number of commuters (often rural communities) therefore lose out in the tax share to the communities that host the place of employment (again, most often urban areas). In addition, as the density of public service providers (e.g. education facilities, health facilities etc.) is higher in urban areas than in rural areas, urban centers are likely to receive more funds from earmarked transfers by which the central government funds the mandates of local governments.

It appears that the current funding system in place for local governance preserves, and even reinforces the existing inequalities in resource distribution, both between regions, and within, and between larger more prosperous cities, and smaller ones and rural areas. As mentioned above, the impact of the new formula for the intra-county distribution of equalization funds is still to be assessed. The more recent discussion and debate about flat taxes and minimum income share should also be contextualized in, and articulated with, the issue of equity/inequality.

Key Elements for a Local Governance Strategy

Ultimately, local governance and decentralization for human development requires an enlightened central authority and policy makers who would extract the main benefits from this process while minimizing negative influences, partnership building and cooperation between NGOs and local authorities, and understanding, cooperation and initiatives by local leaders. Some of the main requirements to take into account when designing and implementing a local governance strategy could be:

Commitment:

Of the central government to strengthen local governments and encourage community participation. This commitment should be demonstrated through the definition of a vision, and its realization through putting in place policies and programs, as well as calibrating priorities to realize the vision.

Strong Local Actors:

The existence of strong local actors, both government and non-government, to effectively implement the representational responsibilities associated with local government as well as the technical and managerial responsibilities related to local planning.

Vigorous Local Governance System:

This element is essential to the creation and maintenance of a robust and active civil society, and a strong civil society is equally important for vibrant, democratic, and innovative local governments.

Financial Support and Access to Technical Assistance:

This element is critical for local authorities. Powers should not be passed from central government to local communities without financial resources and control. Off-loading the responsibilities for local government without the accompanying resources cannot achieve effective decentralized local governance. Decisions on issues such as the flat tax and minimum income share should be carefully considered, taking into account all possible advantages and disadvantages.

Ownership:

The importance of the concept of ownership cannot be underestimated. Ownership of the local governance process at both the central and local levels can be used to create a constituency of support and stimulate resource mobilization efforts in support of decentralization.

Local Capacity and Politics of Scale:

Efforts directed at the local level can influence the decision-making process at the central government level. As local authorities and organizations increase their technical and management skills, their advocacy role becomes more credible and local development priorities are less likely to be passed over in central planning processes.

Building a Roadmap for Local Governance, Decentralization and Human Development in Romania

Participatory Approach:

A local governance strategy must include decentralization of financial and decision-making authority, coupled with support for the development of participatory processes at the local level. Participatory processes at the local level challenge traditional power structures at the central government level, empowering civil society and strengthening democratic processes in general. Local governance in multi-ethnic societies can be much more difficult to achieve than in heterogeneous ones. Nevertheless, by providing for inclusive participatory approaches that can address the concerns of local groups and minorities, local governance can contribute to strengthening the cohesiveness of the state at the national and regional levels.

Integrated and Multi-Level Approach:

As has been already demonstrated by projects such as the UNDP LA21 Project and USAID/GRASP, integrated and multi-level approach has a distinct advantage in achieving local governance. Working with the legislature and judiciary at the same time as strengthening local agencies can ensure the appropriate enabling environment for decentralization to take place.

Information (Flow and Access):

The use of the media and public meetings to advocate concepts of local governance are important in creating a national consensus on reform.

Partnerships, Coalitions and Strategic Alliances:

The identification of appropriate national counterparts for project implementation requires flexibility and sensitivity as the decentralization process often involves changing power structures. Counterparts should not be limited to central government contacts and project design must take account of the dynamics of the local governance process. Multi-stakeholder partnerships that promote shared responsibility among citizens, governments, NGO's and the private sectors are important for strengthening urban governance. The city-to-city cooperation model and "city consultation" methodologies being used by UNDP seem to provide good alternatives to the traditional master planning approaches to ensure more participatory urban development. There is an increasing demand to strengthen the capacity of local administrations to work with the private sector and civil society to improve the self-reliance on local actors.

As was demonstrated, a policy agenda to strengthen local governance and human development in Romania must be strategic. The key ingredients are to set priorities and most appropriate sequencing of actions, to coordinate effectively and building consensus among national, regional and local actors. The preceding chapters have analyzed the current local governance situation in Romania and have highlighted opportunities and obstacles for human development. Designing and implementing strategic initiatives and

policies at the local level, might be in the long-term a good governance and human development investment for Romania. The 2003-2005 NHDR focused on the topic of local governance because it is an integral part of the current overall human development situation in Romania. To exclude the needs of local governments, to ignore their problems and challenges and to disregard local people's aspirations may undermine Romania's long-term process of transformation.

1. CALCULATION OF SYNTHESIS HUMAN DEVELOPMENT INDICATORS

1.1. HUMAN DEVELOPMENT INDEX (HDI) is a synthesis of human development through three indicators of three major dimensions:

- **Longevity** - measured by life expectancy at birth;
- **education level** - measured by weighted mean between population literacy rate (with a share of 2 thirds) and gross enrolment ratio primary, secondary and tertiary schools combined (one third);
- **living standard** - measured by GDP per capita at PPP US\$.

Taking into account the real values of the indicators and their extreme values (established by UNDP), the specific index for every one of the three dimensions of human development are calculated as follows:

$$I_s = \frac{V_{\text{real}} - V_{\text{min}}}{V_{\text{max}} - V_{\text{min}}}$$

where:

I_s specific index;

V_{real} real value of the indicator;

V_{min} minimum value;

V_{max} maximum value.

The GDP index is calculated as the difference between logarithmic values.

Extreme values used in the calculation of HDI

indicator	maximum value	minimum value
life expectancy at birth (years)	85	25
adult literacy rate (%)	100	0
gross enrolment ratio (%)	100	0
PIB/capita at PPP	4000	100

HDI is calculated as an arithmetic mean of specific indexes:

$$HDI = \frac{I_{LE} + I_E + I_{GDP}}{3}$$

HUMAN DEVELOPMENT INDICATORS ROMANIA, 2002

1.1. HUMAN DEVELOPMENT INDICATOR (HDI)

Indicator's values:

- Life expectancy = 71,2 years
- literacy rate = 97,3%
- enrolment ratio = 70,2%
- GDP per capita at PPP = 7017\$ US

Calculation of specific indicators

a. life expectancy indicator (I_{LE})

$$I_{LE} = \frac{71,2 - 25}{85 - 25} = 0,770$$

b. education indicator (I_E)

b1. literacy indicator (I_L)

$$I_L = \frac{97,3 - 0,0}{100,0 - 0,0} = 0,973$$

b2. gross enrolment ratio indicator (I_e)

$$I_e = \frac{70,2 - 0,0}{100,0 - 0,0} = 0,702$$

Combining the two the education index is obtained:

$$I_E = \frac{2 \cdot I_L + I_e}{3}$$

$$I_E = \frac{2 \cdot 0,973 + 0,702}{3} = 0,883$$

c. GDP indicator (I_{GDP})

$$I_{GDP} = \frac{\log 7017 - \log 100}{\log 40000 - \log 100} = 0,709$$

Human Development Indicator Calculation

$$HDI = \frac{0,770 + 0,883 + 0,709}{3} = 0,787$$

1.2. GENDER DISPARITY INDEX (GDI)

adjusts the medium level of human development according to gender differences on the three major dimensions of HDI.

The calculation of GDI is done in three steps:

a. calculation of specific indexes gender disaggregated (I_F, I_M), according to the following formula:

$$I_{F/M} = \frac{\frac{V_{real} - V_{min}}{V_{max} - V_{min}}}{V_{min}}$$

where:

$I_{F/M}$ index specific for female/male;

V_{real} real value of the indicator;

V_{min} minimum value;

V_{max} maximum value.

b. and c. calculation of indexes for level of education and living standard equally distributed:

$$I_R = \%P_F \cdot I_F^{\frac{1}{\varepsilon}} + \%P_M \cdot I_M^{\frac{1}{\varepsilon}}$$

where:

$\%P_F$ and $\%P_M$ proportion of female/male in the total population

$$\varepsilon = 2$$

Extreme values of indicators used in calculating GDI

indicator	maximum value	minimum value
life expectancy at birth (years)		
female	87,5	27,5
male	82,5	22,5
adult literacy rate (%)	100	0
gross enrolment rate (%)	100	0
PIB/capita at PPP	4000	100

Calculation of GDI as arithmetic mean of indexes equally distributed:

$$GDI = \frac{I_{LED} + I_{ED} + I_{ID}}{3}$$

I_{LED} life expectancy index equally distributed;

I_{ED} education index equally distributed;

I_{ID} income index equally distributed

1.2. GENDER DISPARITY INDEX (GDI)

The values of indicators used:

- Life expectancy:
 - female = 74,9 years
 - male = 67,6 years
- Literacy rate (%):
 - female = 96,3
 - male = 98,4
- Enrolment ratio (%):
 - female = 72,0
 - male = 68,5
- GDP per capita at PPP = 7017 \$ US
- Total population = 21,8 million
 - female = 11,2 million
 - male = 10,6 million
- Proportion within total population (%):
 - female = 51,2
 - male = 48,8
- Proportion within total active civilian population (%):
 - female = 47,9
 - male = 52,1

a. life expectancy index equally distributed (I_{LED})

a1. life expectancy index gender (I_{LEG})

$$I_{LEF} = \frac{\frac{74,9 - 27,5}{87,5 - 27,5}}{27,5} = 0,790$$

$$I_{LEM} = \frac{\frac{67,6 - 22,5}{82,5 - 22,5}}{22,5} = 0,752$$

a2. life expectancy index equally distributed

$$I_{LED} = \left[0,512 \cdot 0,790^{\frac{1}{2}} + 0,488 \cdot 0,752^{\frac{1}{2}} \right]^2 = 0,771$$

b. education index equally distributed (I_{ED})

b1. literacy rate index (I_{LG})

$$I_{LFF} = \frac{\frac{96,3 - 0,0}{100,0 - 0,0}}{0,0} = 0,963$$

$$I_{LFM} = \frac{\frac{98,4 - 0,0}{100,0 - 0,0}}{0,0} = 0,984$$

The calculation is continued on the next page

For calculating I_{VR} are firstly obtained:

c1. Share of income coming from remunerated work (I_r), using the ratio between mean salary earned by women (W_f) and that earned by men (W_m) from non-agricultural activities and the proportion of women, and afterwards that of men, in the total active civilian population, as following:

$$I_r = [(W_f / W_m) \times \%F] / [(W_f / W_m) \times \%F + \%M]$$

where:

I_r share of income coming from remunerated work for women;
 %F proportion of women in total active civilian population;
 %M proportion of men in total active civilian population.

c2. Total GDP - gender disaggregated and of GDP/ capita is obtained as following:

Total GDP at PPP = GDP/capita x P (total population)

Total female GDP = I_r x total GDP at PPP

Total male GDP = Total GDP at PPP - Total female GDP

Female GDP/capita = Total female GDP / P_f M a l e
 GDP/capita = Total male GDP / P_m

c3. Income index indexed gender disaggregated (I_{IF} and I_{IM}) is calculated as the difference between logarithmic values of Female GDP/capita, Male GDP/capita.

Income index indexed equally distributed is calculated as follows:

$$I_{ID} = \frac{\%P_f I_{VF}^1 + \%P_m I_{VM}^1}{1}$$

b2. gross enrolment ratio index gender disaggregated (I_{eg})

$$\begin{array}{l} \text{female } I_{ef} \quad \frac{72,0 \quad 0,0}{100,0 \quad 0,0} \quad 0,720 \\ \text{male } I_{em} \quad \frac{68,5 \quad 0,0}{100,0 \quad 0,0} \quad 0,685 \end{array}$$

b3. education index indexed (I_{EG})

$$\begin{array}{l} \text{female } I_{EF} \quad \frac{2 \quad I_{LF} \quad I_{ef}}{3} \quad \frac{2 \quad 0,963 \quad 0,720}{3} \quad 0,882 \\ \text{male } I_{MF} \quad \frac{2 \quad I_{LM} \quad I_{em}}{3} \quad \frac{2 \quad 0,984 \quad 0,685}{3} \quad 0,884 \end{array}$$

Education index equally distributed

$$I_{ED} \quad [0,512 \quad 0,882^1 \quad 0,488 \quad 0,884^1]^1 \quad 0,883$$

c. income index equally distributed (I_D)

c1. Index of the share of income coming from remunerated work for women (I_r)

$$I_r \quad \frac{0,818 \quad 0,479}{0,818 \quad 0,479 \quad 0,521} \quad 0,429$$

c2. GDP - gender disaggregated

total GDP at PPP = 7017 x 21,8 millions = 152971 million

total female GDP = 0,429 x 152971 = 65662 million

total male GDP = 152971 - 65662 = 87309 million

$$GDP / person \text{ female} \quad \frac{65662}{11,2 \text{ million}} \quad 5883 \$ \text{ at PPP}$$

$$GDP / person \text{ male} \quad \frac{87309}{10,6 \text{ million}} \quad 8205 \$ \text{ at PPP}$$

c3. Income index indexed gender disaggregated (I)

$$\begin{array}{l} \text{female } I_{IF} \quad \frac{\log 5883 \quad \log 100}{\log 40000 \quad \log 100} \quad 0,680 \\ \text{male } I_{IM} \quad \frac{\log 8205 \quad \log 100}{\log 40000 \quad \log 100} \quad 0,736 \end{array}$$

Income index equally distributed

$$I_{ID} \quad [0,512 \quad 0,680^1 \quad 0,488 \quad 0,736^1]^1 \quad 0,706$$

Calculation of gender disparity in human development index

$$GDI \quad \frac{0,771 \quad 0,883 \quad 0,706}{3} \quad 0,787$$

1.3. GENDER EMPOWERMENT INDEX (GEI)

is calculated on the basis of explicitly defined variables which measure women's opportunities to participate in the political and economic decision making, but also in ensuring economic resources.

Gender distribution of Parliamentary seats is used to show participation to political decision making.

For showing the participation to decision making and activity in economy, gender disaggregated proportion are used:

- Total number of managers and office holders in public administration and socio-economic units;
- Total number of specialists with intellectual and scientific professions.

Participation to ensuring economic resources is calculated on the basis of GDP/capita - gender disaggregated.

For the first two fields "equivalent proportion equally distributed" is calculated (PEER) using the following formula:

$$PEER = \frac{\%P_F \cdot \%PS_F^1 + \%P_M \cdot \%PS_M^1}{2}$$

where:

$\%P_F$ and $\%P_M$ proportion of female/male population in the total population;

$\%PS_F$ and $\%PS_M$ proportion for each field - gender disaggregated.

For the adjusting according to gender disparities, as in the case of GDI, a weighted formula is applied that uses the parameter ("of aversion" towards inequality, equal to 2).

The equivalent proportion equally distributed (PEER) is afterwards indexed according to the formula:

$$PEER:50$$

This indexation is based on the hypothesis that in an ideal society women's participation to decision making is equal to men's participation to decision making.

1.3. GENDER EMPOWERMENT INDEX (GEI)

Indicators' values:

- total population = 21,8 million
 - female = 11,2 million
 - male = 10,6 million
- proportion within total population
 - female = 51,2%
 - male = 48,8%
- proportion in Parliament
 - female = 9,7%
 - male = 90,3%
- proportion of managers and office holders in public administration and socio-economic units
 - female = 29,9%
 - male = 70,1%
- proportion of specialists with intellectual and scientific professions
 - female = 48,4%
 - male = 51,6%
- proportion within active civilian population
 - female = 47,9%
 - male = 52,1%
- GDP per capita at PPP = 7017 \$ US
- Proportion of mean women's salary in the mean men's salary in the non-agricultural sector = 81,8%

The stages of calculating the women's participation to economic and social activities are the following:

a. participation to political decision making index (I_{PD})

$$PEER = [0,512 \cdot 9,7^1 + 0,488 \cdot 90,3^1]^1 = 17,19$$

$$I_{PD} = \frac{17,19}{50} = 0,344$$

b. participation to economic decision making index (I_{EDM})

b1. managers and office holders in public administration and socio-economic units (I_M)

$$PEER = [0,512 \cdot 29,9^1 + 0,488 \cdot 70,1^1]^1 = 41,52$$

$$I_M = \frac{41,52}{50} = 0,830$$

Calculation of IPF continues the next page

Calculation of IPF has three stages:

a. participation to political decision making index (I_{DP}) is calculated starting from equivalent proportion equally distributed for both genders regarding representation in Parliament (PEER).

$$PEER \frac{\%P_F}{\%R_F^1} \frac{\%P_M}{\%R_M^1} \frac{1}{1}$$

where:

$\%R_F$ and $\%R_M$ proportion of women in Parliament, and of men in Parliament

$$I_{DP} = PEER : 50$$

b. participation to economic decision making index (I_{DE}) is calculated as follows:

b1. for managers and office holders in public administration and socio-economic units (I_C):

$$PEER \frac{\%P_F}{\%C_F^1} \frac{\%P_M}{\%C_M^1} \frac{1}{1}$$

where:

$\%C_F$ and $\%C_M$ proportion of women and of men in this group of professions

$$I_M = PEER : 50$$

b2. for specialists with intellectual and research professions (I_S):

$$PEER \frac{\%P_F}{\%S_F^1} \frac{\%P_M}{\%S_M^1} \frac{1}{1}$$

where:

$\%S_F$ and $\%S_M$ proportion of women and of men in this group of professions

$$I_S = PEER : 50$$

The mean of the two indexes that regard the two groups of professions represents the participation to economic decision making index (I_{DE})

$$I_{DE} = \frac{I_C + I_S}{2}$$

c. income index equally distributed (I_{ID})

I_{ID} is calculated after the same algorithm used when calculating GDI, as follows:

Female GDP/capita = Female total GDP / P_F

Male GDP/capita = Male total GDP / P_M

Income index indexed, gender disaggregated (I_{IF} and I_{IM}), is calculated as the difference between Female GDP/capita, Male GDP/capita, not of logarithmic values:

$$I_{VR} = \frac{\%P_F}{I_{VF}^1} \frac{\%P_M}{I_{VM}^1} \frac{1}{1}$$

GEI is calculated as an arithmetic mean of indexes equally distributed.

$$IPF = \frac{I_{DP} + I_{DE} + I_{VR}}{3}$$

b2. specialists with intellectual and research professions (I_S)

$$PEER \left[0,512 \cdot 48,4^1 + 0,488 \cdot 51,6^1 \right]^1 = 49,73$$

$$I_S = \frac{49,73}{50} = 0,995$$

Participation to economic decision index

$$I_{EDM} = \frac{0,830 + 0,995}{2} = 0,912$$

c. Income index equally distributed (I_{VR})

$$GDP / person \text{ female} = \frac{65662}{11,2 \text{ million}} = 5883 \$ \text{ at PPP}$$

$$GDP / person \text{ male} = \frac{87309}{10,6 \text{ million}} = 8205 \$ \text{ at PPP}$$

Income index indexed, gender disaggregated (I)

$$\text{female } I_{IF} = \frac{5883 - 100}{40000 - 100} = 0,145$$

$$\text{male } I_{IM} = \frac{8205 - 100}{40000 - 100} = 0,203$$

Income index equally distributed

$$I_{ID} \left[0,512 \cdot 0,145^1 + 0,488 \cdot 0,203^1 \right]^1 = 0,169$$

Calculation of participation of women to social and economic life index

$$GEI = \frac{0,344 + 0,912 + 0,169}{3} = 0,475$$

1.4.HUMAN POVERTY INDEX (HPI)

synthesizes the deprivations which take place on four dimensions of human life, reflected in the human development index:

longevity - proportion of the population not expected to survive the age of 60 years (P_1);

education level - proportion of adult (15 years and above) illiterate population - (P_2);

minimum life standard - the proportion of people living under the poverty line established at 60% from the available per one adult equivalent median income (P_3);

social exclusion - measured by long term unemployment rate 12 months and above (P_4).

For calculating the human poverty index the following formula is used:

$$HPI = \frac{1}{4} (P_1^3 + P_2^3 + P_3^3 + P_4^3)^{\frac{1}{3}}$$

1.4.HUMAN POVERTY INDICATOR (IS)

Indicator's values:

proportion of the population not expected to survive the age of 60 years = 19,8%

illiteracy rate = 2,7%

proportion people living under poverty = 18,1%

unemployment rate = 4,37%

Calculation of poverty indicator

$$HPI = \frac{1}{4} (19,8^3 + 2,7^3 + 18,1^3 + 4,37^3)^{\frac{1}{3}} = 15,12$$

Note: For great precision, the calculation of the indexes was done with many decimals. This is why the results are not the same as the ones obtained in the end round numbers.

2. DATA SOURCES

The paper comprises a set of indicators which measure different aspects of human development. Most of the data are from the data bases of the National Institute for Statistics. For some indicators the data comes from the Ministry of Public Finance, the Ministry of Health, the Ministry for Education and Research, The Ministry of Labour, Social Solidarity and Family, the Ministry of Justice and other governmental institutions. The data are relevant for evaluating human development both at a national and regional level.

3. DEFINITION FOR SOME HUMAN DEVELOPMENT INDICATORS

Beneficiaries of unemployment benefit (according to Law nr. 1/1991 regarding social protection of the unemployed and professional reintegration according to Law nr. 76/2002 regarding social insurance system for the unemployed and employment stimulation) persons who's employment contract was cancelled at the initiative of the economic unit for reasons that can't be imputed

to them or at the initiative of the employee, if by getting hired again they do not interrupt seniority, people hired who have a work contract on a determined period of time, graduates who in one year after graduation were not employed and benefited from vocational integration allowance and other categories stipulated in laws, who request unemployment benefit.

Beneficiaries of support allowance (according to Law nr. 1/1991 regarding the social security of the unemployed and their professional reintegration) persons who have benefited from unemployment benefit and who, because they lack the means of maintaining themselves, receive financial support (support allowance) until they find a job, but not for longer than 18 months after the legal period of receiving unemployment benefit has expired.

Average daily food consumption per inhabitant - the food products that may be fully consumed (edible parts) in average per day per inhabitant.

Total consumption expenditures - all expenditures made by the population for current consumption needs (food products, non-food goods, services) which are already being consumed and the equivalent value of human consumption of agro-food products from household own resources.

Average school period - average of years of formal education for persons aged 15 years and over.

Household - group of two or several persons regularly living together, usually being blood related, and who jointly manage the household. Persons living alone are considered households with one person. The categories of households were determined on the declared occupational status of the head of the household.

Adult literacy rate - percentage of people aged 15 and over having attended or graduated school, or able to read and write without having graduated school, out of the total population of 15 and over.

Total fertility rate - mean number of children that one woman would give birth to, if the current model of fertility were to maintain itself.

Total abortion rate - mean number of abortions that a woman would have in her fertile period, if the current abortion frequency were to last.

Pre-primary education - initial stage of organized instruction; level 0 of International Standard Classification of Education (ISCED).

Primary education - education at first level (ISCED level 1), the main function of which is to provide basic education.

Lower secondary education - at second level (ISCED 2), based on at least 4 years of education and upper secondary education, at three level (ISCED 3): high school, vocational and apprenticeship education, ensuring general and/or specialized education.

Post secondary and tertiary education - education at levels 4 and 5 (ISCED 4,5): where the admission is conditioned by graduation of secondary education.

Dwelling - housing unit with one or more rooms to live in, which usually has amenities or other spaces, functionally independent, having a separate own entrance, usually used by a single household.

Population with sustained access to utilities - persons from households who occupy dwellings which have installations and public or private utilities (inside the dwelling or the building).

Economically active population - persons able to work and who constituted the available labour force for producing goods and services in the national economy (during the reference period). It comprises the employed and the unemployed.

Employed persons - persons aged 15 years and over who perform an economic activity producing goods and services of at least

one hour (for self-employed and contributing family workers from agriculture, the minimum duration is 15 hours) in the reference period, in order to get income as salary, payment in kind or other benefit.

Employed civilian population - persons who perform paid activity in one of the branches belonging to the national economy, carrying out an economic or social activity on the basis of an employment contract or on own account (self-employed) in order to get income as salary, payment in kind etc. (excluding armed forces).

Inactive population (non-economically active) - persons, no matter the age, who are not performing a social or economic activity and are not searching for a job but are in one of the following situations: pupils/students, pensioners, housewives, supported by the state or other people or who support themselves with incomes that do not come from work (rent, interest etc.).

Gross Domestic Product (GDP) - main indicator of the National Accounts System which measures the final results of the activities which took place in residential good and services producing units. It is calculated based on the methodology of the European Accounts System 1995 (EAS '95). Data for 2003 are semi-final.

GDP per capita at PPP US dollars - using official exchange rates for converting the national currency in US\$ can't measure the purchasing power of the money inside the country. Therefore GDP per capita in US\$ was calculated using as a factor for converting the purchasing parity power, which resulted from multilateral comparison papers for 1996, 1999 and 2002 during the European Comparison Program.

Demographic dependency ratio - ratio between dependent population (under 15 years and 65 and above) and the population of working age (aged 15- 64 years).

Economic dependency ratio - inactive population and the unemployed per 1000 employed persons.

Gross enrollment rate - number of students enrolled in a certain education level, whether or not they belong in the relevant age group for that level, as a percentage of the total population of the relevant age group for that level.

Replacement of labour force rate - population under the age of 15 years as compared to one third of the population aged 15- 59 years.

Mortality rate - number of deaths per 1000 inhabitants.

Infant mortality rate - number of deaths of children under the age of 1 year per 1000 live births.

Maternal Mortality rate - number of deceased women due to complications during pregnancy or birth per 100000 live births.

Birth Rate - number of live births per 1000 inhabitants.

Absolute poverty rate - proportion of persons from households where the consumption expenditures per one equivalent adult are below the income poverty line defined by the cost of a basket of products (foods, non-foods and services) considered the minimum necessary for consumption needs. The foods component (the food threshold) was estimated in order to ensure the daily necessary calories contribution - 2550 calories/equivalent adult.

Severe poverty line /threshold was calculated by summing up the food component and the cost of non-food products and services consumed by households whose total consumption expenditures are equal to the food threshold.

Total poverty line /threshold was calculated by summing up

the food component with the cost of goods and services consumed by households whose food consumption equals the food threshold.

Relative poverty rate - proportion of persons from households living on less than 60% of the median adjusted disposable household income per equivalent adult.

Unemployment rate - ratio between number of unemployed and active population (unemployed plus employed population).

Employment rate of labour force resources represents the ratio between the employed civilian population and the total labour force resources.

Labour force resources - that part of the population who has the physical and intellectual abilities which allow it to work in one of the branches of the national economy. It comprises the population of working age, as well as economically active persons who have crossed the working age limit.

Life expectancy at birth - number of years that an infant would be expected to live if the current mortality rate is maintained.

Population natural increase - number of live births minus number of deaths.

Registered unemployed - persons aged 18 and above, able to work, that can't be hired because of lack of available jobs (Law nr. 1/1991 republished in 1994 and Law nr. 76/2002 regarding the social insurance system for unemployed and the employment stimulation) and who have registered themselves to the territorial agencies for employment.

Unemployed who benefit from financial support are persons registered at the territorial agencies for employment (registered unemployed) beneficiaries of unemployment benefit, vocational integration allowance or support allowance according to Law nr. 1/1991 and unemployment indemnity according to Law nr. 76/2002.

Unemployed who do not benefit from financial support - persons registered at the territorial agencies for employment who do not benefit from financial unemployment benefit or support allowance according to Law nr. 1/1991 and unemployment indemnity according to Law nr. 76/2002.

Unemployed according to ILO⁹ - persons aged 15-74 years, who in the reference period fulfill the following conditions simultaneously:

- have no job and do not carry out an activity in order to get income;
- are in search of a job, using active methods in the last 4 weeks to find one;
- are available to start work in the next 2 weeks, if they find a job at once.

Labour force participation rate of the working age population (15-64 years) ratio between active working age population and total working age population.

Underemployed persons - persons having a job (are employed), but who have worked irrespective of their willingness less than the usual work duration and who wish, are searching and are available in the next 2 weeks to work more hours.

Discouraged persons - inactive persons, available for work in the next 2 weeks and who have declared they are in search of a job in the last 4 weeks, but who have done nothing in this respect or do not

search for a job because of the following reasons:

- they believed there were no vacant jobs or they did not know where to look;
- they do not feel skilled enough;
- they think they will not find a job because of their age or because they have previously searched and not found a job.

Gross disposable income of households - comprises the gross surplus from the exploitation of this institutional sector plus net incomes from redistribution process.

Total households incomes include monetary incomes and in-kind incomes (evaluated in lei).

In-kind incomes are including:

- the equivalent value of the consumption of food and non-food products from household own resources (from production, stocks, work, received as gifts etc.);
- equivalent of payment in goods obtained by the employees of the household and the beneficiaries of social work, evaluated at the daily prices (excluding salary rights which are paid with goods).

Symbols used in tables:

... = missing data

- = not the case

Table 1. Human Development Index (HDI)

	1996	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP) per capita in:								
- thousands lei - current prices	4817,8	11218,2	16611,2	24300,0	35826,4	52109,4	69500,6	87576,7*)
- PPP US \$ purchasing power parity)	6595	6422	6153	5441	5750	6232	7017	7544*)
Adult Literacy Rate (%)	97,0	97,0	97,1	97,0	97,0	97,2	97,3	97,3
Gross enrolment rate at all education levels (%)	62,0	62,9	63,9	64,9	66,5	68,3	70,2	71,6
Life expectancy at birth (years)	69,1	69,0	69,2	69,7	70,5	71,2	71,2	71,0
Index								
- Gross Domestic Product (GDP)	0,699	0,695	0,688	0,667	0,676	0,690	0,709	0,722
- Education	0,853	0,856	0,860	0,864	0,868	0,876	0,883	0,887
- Life expectancy	0,735	0,733	0,737	0,745	0,758	0,770	0,770	0,767
Human Development Index (HDI)	0,762	0,761	0,762	0,759	0,767	0,779	0,787	0,792

Table 2. Gender Disparity Index in the Human Development (GDI)

	1996	1997	1998	1999	2000	2001	2002	2003
Life expectancy at birth (years)	69,1	69,0	69,2	69,7	70,5	71,2	71,2	71,0
- female	73,1	73,0	73,3	73,7	74,2	74,8	74,9	74,8
- male	65,3	65,2	65,5	66,1	67,0	67,7	67,6	67,4
Adult Literacy Rate (%)	97,0	97,0	97,1	97,0	97,0	97,2	97,3	97,3
- female	95,5	95,6	95,6	95,6	95,5	96,0	96,3	96,3
- male	98,7	98,7	98,7	98,7	98,6	98,5	98,4	98,4
Gross enrolment rate at all education levels (%)	62,0	62,9	63,9	64,9	66,5	68,3	70,2	71,6
- female	62,5	63,5	64,8	65,9	67,8	69,8	72,0	73,4
- male	61,6	62,3	63,1	64,0	65,3	66,8	68,5	69,8
Gross Domestic Product (GDP) per capita in PPP US\$ 1)								
- female	5399	4946	4975	4586	4890	5235	5883	6195*)
- male	7839	7959	7382	6334	6649	7276	8205	8959*)
Gender Disparity Index (GDI)	0,762	0,760	0,761	0,758	0,765	0,778	0,787	0,791

) 1996, 1999, 2002 - as results of European Comparison Programme (ECP);

1997, 1998 - estimations on the bases of ECP 1996;

2000, 2001 - estimations on the bases of ECP 1999;

2003 - estimations on the bases of ECP 2002.

) Data are provided by the Household Labour Force Survey (HLFS), quarter IV - 1996-2003.

Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002).

) Data are provided by Labour force balance.

*) Semifinal data.

Table 3. Gender Empowerment Index (GEI)

	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of women in Parliament (%)	5,3	5,3	5,6	5,6	9,7	9,7	9,7	9,7
Proportion of women managers and officials in general government and economic (and social) units (%)	29,1	26,0	24,2	24,6	28,3	31,7	29,9	29,0
Proportion of women specialists with intellectual and scientific occupations (%) ¹⁾	49,9	49,7	49,7	49,9	50,3	50,3	48,4	49,0
Proportion of women in the total population (%) ²⁾	51,0	51,0	51,1	51,1	51,1	51,1	51,2	51,2
Proportion of women in the active civilia population (%)	47,0	46,5	47,2	48,0	48,3	48,3	47,9	47,0
Share of women's average earning in the men's average earning, in non-agricultural activities (%)	74,2	74,5	78,5	81,9	82,3	80,6	81,8	81,7
Gross Domestic Product (GDP) per capita, in PPP US\$ ³⁾	6595	6422	6153	5441	5750	6232	7017	7544*)
Gender Empowerment Index (GEI)	0,421	0,409	0,405	0,401	0,460	0,474	0,475	0,474

Table 4. Human Development Profile

	1996	1997	1998	1999	2000	2001	2002	2003
Life expectancy at birth (years)	69,1	69,0	69,2	69,7	70,5	71,2	71,2	71,0
Population per physician	552	546	530	486	490	479	476	463
Average daily consumption per capita)								
- calories	2953	2933	2959	2981	3020	3092	3179	3233
- proteins (g)	94,7	95,8	97,5	96,6	94,7	97,6	103,3	106,8
Gross enrolment rate at all education levels (%)	62,0	62,9	63,9	64,9	66,5	68,3	70,2	71,6
Gross enrolment rate in tertiary schools) (%)	22,2	22,7	25,4	28,0	31,9	35,1	38,9	41,2
Employees in research and development								
- total, persons	62297	57714	57125	48113	37241	37696	38433	39985
out of which, researchers:	31783	30663	30723	26492	23179	23597	24636	25968
- researchers per 1000 inhabitants	1,41	1,36	1,37	1,18	1,03	1,05	1,13	1,19
Television sets per 1000 inhabitants	231,6	233,7	247,8	259,4	270,8	292,2	327,7	366,3
Gross Domestic Product (GDP) per capita, in PPP US\$)	6595	6422	6153	5441	5750	6232	7017	7544*)

) Data for years 2002, 2003 are not comparable with the ones from previous period because were computed based on population (July, 1st) established according with the results of Population and Housing Census (PHC 2002).

) Including post high school and foreman education.

) 1996, 1999, 2002 - as results of European Comparison Programme (ECP);

1997, 1998 - estimations an the bases of ECP 1996;

2000, 2001 - estimations an the bases of ECP 1999;

2003 - estimations an the bases of ECP 2002.

*) Semifinal data.

Table 5. Deprivations in Human Development

	1996	1997	1998	1999	2000	2001	2002	2003
Children aged 7-14 years who are not enrolled (%)	13,0	12,2	10,5	11,0	7,7	11,2	10,8	10,7
Proportion of the illiterate adult population (%)	3,0	3,0	3,0	3,0	3,0	2,8	2,7	2,7
Mortality rate								
- infant mortality (la 1000 live births)	22,3	22,0	20,5	18,6	18,6	18,4	17,3	16,7
- 0-4 years per 1000 inhabitants	5,3	5,3	5,0	4,6	4,5	4,2	4,0	3,9
- maternal (per 100000 live births)	41,1	41,4	40,5	41,8	32,8	34,0	22,3	30,6
Proportion of overweight new live births (%)	8,9	9,2	9,0	8,7	8,9	8,8	9,0	9,5
Registered unemployed ¹⁾								
Number of unemployed	657564	881435	1025056	1130296	1007131	826932	760623	658891
Unemployment rate (%)	6.6	8.9	10.4	11.8	10.5	8.8	8.4	7.4
Women unemployment rate (%)	7.5	9.3	10.4	11.6	10.1	8.4	7.8	6.8
Proportion of women in the total of unemployed persons (%)	54.1	48.6	47.3	46.9	46.8	46.1	44.6	43.4
Proportion in the total number of registered unemployed (%):								
- beneficiaries of unemployment benefit ²⁾	30.8	49.7	39.3	34.2	30.5	38.3	28.1	44.7
- beneficiaries of support allowance	39.4	24.7	38.1	39.5	38.9	34.6	16.2	0.2
- beneficiaries of compensatory payment as stipulated by the Government Ordinance nr. 98/1999	-	-	-	3.4	5.3	0.6	0.9	0.2
- Unemployed who do not receive any financial support	29,8	25,6	22,6	22,9	25,3	26,5	54,8	54,8

Unemployed ILO ³⁾

	1996	1997	1998	1999	2000	2001	2002	2003
Number of unemployed	722957	736534	773028	822007	777768	719743	790232	650836
Unemployment rate (%)	6,2	6,4	6,8	7,2	6,8	6,4	8,0	6,7
Women unemployment rate (%)	6,9	6,5	6,5	6,7	6,1	5,6	7,2	6,1
Proportion of young persons (under 25 years) in the total number of the unemployed (%)	50,3	46,1	44,6	38,9	37,4	36,5	32,9	29,7
Proportion of women in the total number of unemployed (%)	50,4	46,3	42,8	42,0	40,8	39,6	40,4	40,3

Inflation

	1996	1997	1998	1999	2000	2001	2002	2003
Average Annual Rate of Inflation (%)	38,8	154,8	59,1	45,8	45,7	34,5	22,5	15,3

1) Unemployed registered at the Agencies for Employment, at the end of the year.

2) Including vocational integration allowance.

3) According to the International Labour Office (ILO) criteria as the results of the Household Labour Force Survey (HLFS), quarter IV -1996-2003. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002).

Table 6. Health

	1996	1997	1998	1999	2000	2001	2002	2003
Mortality rate (per 100000 inhabitants)								
causes:								
- diseases of the circulatory system	786,0	761,5	738,6	737,0	701,8	710,6	767,9	762,1
- neoplasm	170,3	173,6	174,6	176,7	184,0	190,8	198,2	201,0
- diseases of the respiratory system	86,2	77,6	70,8	74,4	66,1	62,9	70,3	64,7
Infant mortality rate (per 1000 live births)	22,3	22,0	20,5	18,6	18,6	18,4	17,3	16,7
Maternal mortality rate (per 100000 live births)	41,1	41,4	40,5	41,8	32,8	33,8	22,3	30,6
Proportion of children aged 5 and more with no chances of getting to be 60 years old	20,9	21,1	20,9	19,9	18,5	17,5	18,0	18,2
New cases of infections and parasitic diseases) (per 100000 inhabitants):	3038,9	3163,6	3403,6	3005,1	3330,0	4325,9	4060,0	4262,4
- out of which: tuberculosis	98,6	98,3	101,2	104,1	105,5	115,3	122,2	116,2
AIDS Cases (per 100000 inhabitants)	22,0	25,3	28,8	31,4	34,2	35,8	37,9	39,0
- out of which: children	19,4	22,2	24,9	26,8	28,4	29,4	30,6	30,9
Population per physician	552	546)	5302)	4862)	4902)	4792)	4762)	4632)
Population per ancillary medical person	179	185)	1833)	1893)	1883)	1863)	1763)	1803)
Hospital beds (per 1000 inhabitants))	7,6	7,4	7,3	7,3	7,4	7,5	7,5	6,6
Medical examinations per inhabitant in medical clines	2,7	2,5	2,3	2,2	2,2	2,5	2,7	2,7
Number of private health care units:								
- surgeries	3347	3636	3637	3820	4698	5220	5758	6445)
- dentists' surgeries	2761	3033	2973	3405	3937	4140	4536	4934
- medical labs)	1122	1241	1337	1510	1699	1695	1593	1608
- pharmacies and pharmaceutical offices	3028	3284	3605	3859	4214	4254	4261	4392
Public expenditure on health , % out of GDP	2,8	2,6	3,1	3,9	4,0	1,9	3,8	3,9
Average annual consumption) of alcohol (litters alcohol 100% /inhabitant)	8,9	9,3	8,1	7,3	7,3	9,9	10,8	9,6

) From medical clinics.

) Including private sector.

) Including private and mixed sectors.

) Excluding private sector.

) Medical and dental technique labs.

) Including speciality medical surgeries.

) Available for consumption in alcohol equivalent 100%.

Table 7. Education

	1996	1997	1998	1999	2000	2001	2002	2003
Gross enrolment rate (%) in:								
- primary education	100,3	97,5	99,8	100,1	100,3	104,0	103,7	109,1
- lower secondary education	87,9	92,3	94,3	93,9	94,7	92,1	93,7	93,5
- upper secondary education)	69,1	68,6	67,8	69,4	71,7	75,1	75,0	74,7
- tertiary education)	22,2	22,7	25,4	28,0	31,9	35,1	38,9	41,2
Gross enrolment rate (%) in pre-primary education (%)	60,4	62,8	64,2	65,2	66,1	67,5	71,0	71,8
Rate of continuation into upper secondary education (%)	93,5	95,4	95,9	92,5	95,1	95,6	93,1	97,9
Number of pupils and students per:								
- 100 persons aged 6-23 years	62,0	62,9	63,9	64,9	66,5	68,3	70,2	71,6
- 1000 inhabitants	178,1	178,2	178,0	176,4	176,3	175,8	177,4	176,5
Number of pupils/students per teacher/professor in:								
- primary education	15	15	15	15	15	15	15	16
- lower secondary education	20	19	19	19	18	17	17	17
- upper secondary education ¹⁾	11	12	12	13	13	12	12	12
- tertiary education ²⁾	15	14	13	13	13	14	15	16
- tertiary education ²⁾	16	16	17	19	21	22	21	21
Students in secondary technical education as share of total enrolment in upper secondary education (%)	68,3	67,8	67,4	62,6	63,9	64,1	64,4	64,8
Students in technical universities as share of total number of students in the total number of students (%)	27,0	27,4	27,6	27,7	26,0	25,7	25,6	25,4
Students in private universities as share of total number of students (%)	26,4	30,7	31,9	28,8	28,3	25,2	23,3	23,2
Pupils registered in special education for children with disabilities:								
- total	52503	52433	52430	50785	48145	43362	39620	36208
- primary and secondary education	36704	36953	37423	36729	34805	30497	27165	23533
Proportion of pupils enrolled in education units with teaching language other than Romanian (primary and secondary education) (%):								
- out of which: Hungarian language	4,8	4,9	4,8	4,9	4,9	4,9	5,0	5,0
	4,3	4,4	4,3	4,4	4,4	4,4	4,4	4,5
Public expenditure on education % of GDP	3,6	3,3	3,3	3,2	3,1	3,2	3,1	3,0
Proportion of expenditures for tertiary schools in the total public expenditures for education (%)	17,8	15,9	19,0	16,7	10,8	10,2	10,3	11,0

1) High school, vocational and apprenticeship education.

2) Including post high school and foremen education.

Table 8. Culture and Communication

	1996	1997	1998	1999	2000	2001	2002	2003
Subscriptions (per 1000 inhabitants)								
- radio	184,6	181,1	176,5	160,4	136,2	134,4	121,3	284,6)
- television	182,4	178,4	174,8	165,2	154,4	151,4	150,6	273,8
- telephone)	124,5	135,7	143,6	149,0	153,3	162,3	174,3	179,5
Number of published books (per 100000 inhabitants)	31,8	28,7	27,8	35,1	45,3	46,8	53,1	59,2
Number of readers registered at libraries (per 1000 inhabitants)	257,5	256,4	273,2	270,3	268,5	268,1	270,6	293,2
Number of books lent by libraries (per 1000 inhabitants)	3375,9	3340,6	3363,6	3401,9	3460,9	3526,4	3719,0	3456,6
Museum visitors (per 1000 inhabitants)	390,0	405,7	485,5	392,6	427,6	470,8	509,9	465,1
Cinema audience (per 1000 inhabitants)	559,1	417,9	303,7	186,8	198,3	255,6	244,0	208,3
Theatre and concerts audience (per 1000 inhabitants)	167,6	170,5	176,1	151,6	171,4	217,3	210,2	220,2

) Subscriptions for telephone fixed network.

) Data for the year 2003 are not comparable with the past years series due to changes in legislation.

Table 9. Violence and Crime

	1996	1997	1998	1999	2000	2001	2002	2003
Persons definitively convicted								
- total	104029	111926	106221	87576	75407	82912	81814	76739
- per 100000 inhabitants	460	496	472	390	336	370	375	353
Proportion in the total number of definitively convicted persons (%)								
- women	10,6	10,9	10,9	10,4	13,7	11,6	11,2	9,7
- minors	10,0	10,5	10,5	10,0	8,9	8,1	8,6	8,9
- recidivists	10,5	10,7	12,7	13,8	13,5	12,6	13,7	13,4
Persons definitively convicted in penitentiaries or re-education centres								
- total	23645	27256	38095	38587	36806	37725	37846	36423
- per 100000 inhabitants	104	121	169	172	164	168	173	168
Persons definitively convicted for homicides (per 100000 inhabitants)	6	7	6	6	5	6	6	7
Persons definitively convicted for rapes (per 100000 women)	8	9	7	6	5	6	6	7
Persons definitively convicted for thefts and robberies (per 100000 inhabitants)	230	234	210	164	134	155	152	139
Persons definitively convicted for economic infringements (per 100000 inhabitants)	1 12,5	1 12,7	1 12,6	*) 12,2	*) 12,6	*) 12,1	*) 14,1	*) 13,3
Suicides (per 100000 inhabitants) of which								
- women	4,3	4,2	4,2	4,4	4,5	3,9	4,7	4,6

*) Under 0,5.

Table 10. Employment

	1996	1997	1998	1999	2000	2001	2002	2003
Employed civilian population (thousand persons)	9379,0	9022,7	8812,6	8419,6	8629,3	8562,5	8329,0	8305,5
- out of which: women	4357,4	4178,3	4163,2	4057,0	4180,9	4153,9	4012,2	3927,1
Proportion of the employed civilian population in private sector (%)	51,5	57,5	61,8	66,7	70,4	72,6	73,9	75,6
Proportion of employed civilian population (%) in:								
- agriculture - total	35,5	37,6	38,1	41,2	41,4	40,9	36,2	34,7
out of which: private sector	90,5	93,3	94,2	95,9	97,0	97,6	97,4	97,7
- industry - total	34,3	32,0	30,7	28,4	27,3	27,5	29,9	29,6
out of which: private sector	27,6	35,3	42,4	49,5	57,8	63,7	70,5	74,1
- services out of which: private sector	30,2	30,4	31,2	30,4	31,3	31,6	33,9	35,7
- services out of which: private sector	32,9	36,5	41,4	43,4	46,1	48,0	51,8	55,5
Proportion of employed civilian population in public services (%):								
- health	3,6	3,5	3,6	3,3	4,0	4,0	4,3	4,3
- education	4,7	4,7	4,8	5,1	4,9	4,9	5,0	5,1
- public administration	1,3	1,4	1,5	1,7	1,7	1,7	1,8	1,9
Number of employees (thousand persons)	5893,9	5399,1	5181,6	4658,7	4646,3	4613,1	4614,7	4655,0
Proportion of employees in total employed civilian population (%)	62,8	59,8	58,8	55,3	53,8	53,9	55,4	56,0
Proportion of employees in private sector in total employed population in this sector (%)	27,8	30,1	33,3	33,1	34,4	36,5	39,7	41,9
Proportion of women in total number of employees (%)	44,1	44,4	45,8	46,8	47,5	48,0	47,7	46,6
Economic dependency ratio (‰)	1407,7	1496,6	1551,9	1667,1	1599,3	1615,1	1614,1	1614,1
Employment rate of labour force resources (%)	70,1	67,3	66,0	63,0	64,6	62,9	62,4	61,3
Replacement of labour force rate (%)	95,7	93,1	91,6	89,8	87,1	84,3	93,9	
Real salary index (1990=100)	72,7	56,3	58,2	56,0	58,6	61,5	62,8	69,5
Expenditures for employment active measures, % in expenditures for unemployment insurance fund	11,2	2,2	2,4	2,6	2,3	12,1	14,0	20,9

Table 11. Labour force participation)

	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of active population) in total population	51,4	51,4	50,2	50,6	51,0	49,9	45,5	44,6
- women	45,6	45,9	44,5	45,2	45,5	44,8	39,9	38,9
Labour force participation rate of working age population (15-64 years) (%)								
- women	70,1	69,4	67,6	67,6	67,8	66,1	62,5	61,2
Youth participation rate (15-24 years) (%)	62,7	62,2	60,1	60,4	60,5	59,5	55,3	54,0
- women	49,4	47,0	44,2	42,6	43,4	40,2	36,7	32,3
Elderly participation rate (over 50 years) (%)	42,6	40,7	37,6	34,9	36,7	35,4	31,2	26,6
- women	46,1	47,4	45,6	46,9	46,6	44,9	34,2	34,1
- women	38,9	40,6	38,5	40,4	40,6	38,7	28,4	28,5
Structure of active population by status in employment.):								
- employees	61,7	59,8	59,4	58,0	56,5	56,8	61,5	63,3
- employers	1,2	1,3	1,2	1,0	1,1	1,3	1,3	1,2
- own account workers	18,6	19,3	19,9	21,0	21,8	22,2	20,0	19,3
- contributing family workers	15,0	16,4	16,4	17,1	17,6	16,8	13,5	13,2

) Data are provided by the Household Labour Force Survey (HLFS), quarter IV - 1996-2003. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002).
) Active population includes the employed and the unemployed.
) The unemployed classification was done taking into consideration the former workplace.

Table 12. Unemployment

	1996	1997	1998	1999	2000	2001	2002	2003
Registered Unemployed¹⁾								
Number of Unemployed	657564	881435	1025056	1130296	1007131	826932	760623	658891
Unemployment rate (%)								
- total	6,6	8,9	10,4	11,8	10,5	8,8	8,4	7,4
- male	5,7	8,5	10,4	12,1	10,8	9,2	8,9	7,8
- female	7,5	9,3	10,4	11,6	10,1	8,4	7,8	6,8
Proportion in the total number of registered unemployed (%):								
- beneficiaries of unemployment benefit ²⁾	30,8	49,7	39,3	34,2	30,5	38,3	28,1	44,7
- beneficiaries of support allowance	39,4	24,7	38,1	39,5	38,9	34,6	16,2	0,2
- beneficiaries of compensatory payment as stipulated by the GO nr. 98/1999	-	-	-	3,4	5,3	0,6	0,9	0,2
Expenditures for unemployed financial aid % in the budgetary expenditures	1,7	3,5	3,8	3,7	3,3	2,4	2,3	2,3
Ratio of average unemployment benefit to average net earnings (%)	29,6	39,3	32,4	32,5	31,8	32,0	34,6	35,4
Number of unemployed that are in a re-qualification program	20409	23575	27157	30559	26410	27698	19536	29992
Unemployed ILO³⁾								
Number of Unemployed	722957	736534	773028	822007	777768	719743	790232	650836
Unemployment rate (%)								
- total	6,2	6,4	6,8	7,2	6,8	6,4	8,0	6,7
- male	5,6	6,3	7,1	7,7	7,4	7,2	8,6	7,3
- female	6,9	6,5	6,5	6,7	6,1	5,6	7,2	6,1
Youth unemployment rate (%) (15 - 24 years) - total	19,4	19,0	20,8	20,4	18,5	18,4	20,8	17,7
- male	16,6	17,3	20,1	20,2	19,4	19,7	21,5	18,4
- female	23,1	21,4	21,7	20,6	17,3	16,6	19,8	16,5
Long term unemployment incidence (proportion in total nr. of unemployed) (%):								
- 6 months and more	64,7	59,2	62,0	59,3	70,8	65,5	73,9	78,7
- male	62,9	54,1	63,3	58,0	68,3	66,4	74,4	74,5
- female	66,4	65,2	60,2	61,1	74,5	64,0	73,3	85,0
- 12 months and more	50,2	46,7	46,3	43,8	56,5	50,4	54,5	65,7
- male	48,0	41,4	46,5	41,6	53,6	48,5	53,5	62,0
- female	52,3	52,9	45,9	46,8	60,8	53,4	56,0	71,3
- 24 months and more	29,9	24,8	24,4	21,4	28,7	26,1	32,2	43,1
- male	28,8	22,5	24,8	20,0	26,9	25,0	30,1	41,1
- female	31,1	27,5	23,8	23,5	31,3	27,6	35,4	46,0
Proportion of underemployed persons in total active population (%) ³⁾	3,8	2,7	2,9	0,5	0,5	0,5	0,1	0,1
- women	3,1	2,1	2,1	0,2	0,2	0,2	*)	*)
Proportion of discouraged persons in total active population (%) ³⁾	2,3	2,4	2,8	3,0	3,0	3,5	4,4	4,4
- women	3,0	2,7	3,3	3,9	3,9	4,3	4,9	4,7

1) Unemployed who were registered at the Agencies for Employment, at the end of the year.

2) Including vocational integration allowance.

3) According to the International Labour Office (ILO) criteria - as the results of the Household Labour Force Survey (HLFS), quarter IV -1996-2003. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002).

*) Not significant data.

Table 13. Demographic Profile

	1996	1997	1998	1999	2000	2001	2002	2003
Population on July 1 st (thousand inhabitants)	22607,6	22545,9	22502,8	22458,0	22435,2	22408,4	21794,8	21733,6
Annual population growth rate (%)	-0,32	-0,27	-0,19	-0,20	-0,10	-0,12	-2,74	-0,28
Birth rate (per 1000 inhabitants)	10,2	10,5	10,5	10,4	10,5	9,8	9,7	9,8
Death rate (per 1000 inhabitants)	12,7	12,4	12,0	11,8	11,4	11,6	12,4	12,3
Natural increase of population rate (per 1000 inhabitants)	-2,5	-1,9	-1,5	-1,4	-0,9	-1,8	-2,7	-2,5
Marriage rate (per 1000 inhabitants)	6,7	6,5	6,5	6,2	6,1	5,8	5,9	6,2
Divorce rate (per 1000 inhabitants)	1,6	1,5	1,8	1,5	1,4	1,4	1,5	1,5
Infant mortality rate (per 1000 live births)	22,3	22,0	20,5	18,6	18,6	18,4	17,3	16,7
Total fertility rate	1,3	1,3	1,3	1,3	1,3	1,2	1,3	1,3
Total abortion rate	2,73	2,08	1,61	1,52	1,51	1,47	1,50	1,36
Number of abortions per one live birth	1,97	1,47	1,14	1,11	1,10	1,15	1,17	1,06
Proportion of population age 0-14 years (%)	21,5	20,9	20,5	18,8	18,3	17,8	17,3	16,7
Proportion of population age 65 years and over (%)	12,2	12,6	12,8	13,0	13,3	13,6	14,0	14,4
Demographic dependency rate (%)								
Internal migration departures (thousand inhabitants)	47,4	47,0	46,9	46,6	46,1	45,8	45,7	45,0
- total	292,9	302,6	276,2	275,7	244,5	284,3	320,8	331,7
- from urban areas	148,9	156,6	150,5	157,8	140,6	157,5	179,5	190,9
- from rural areas	144,0	146,0	125,7	117,9	103,9	126,8	141,3	140,8
Departures rate (per 1000 inhabitants)	13,0	13,4	12,3	12,3	10,9	12,7	14,7	15,3
Number of emigrants (thousand persons)	21,5	19,9	17,5	12,6	14,8	9,9	8,2	10,7
Proportion of 26-40 years persons in total number of emigrants (%)	38,8	40,6	30,7	33,7	38,8	40,5	48,7	51,0

	1960	1995	2000	2001	2002	2003	2004
Population on July 1 st (thousand inhabitants)	18319,2	22712,4	22455,5	22430,5	21833,5	21772,8	21712,6

	1960-1995	1995-2003	1995-2004
Average annual growth rate of population (%)	0,6	-0,6	-0,5

Table 14. Women's Human Potential

	1996	1997	1998	1999	2000	2001	2002	2003
Life expectancy at birth (years)	73,1	73,0	73,3	73,7	74,2	74,8	74,9	74,8
- 1970=100	105,2	105,0	105,5	106,0	106,7	107,6	107,8	107,6
Total fertility								
- rate	1,3	1,3	1,3	1,3	1,3	1,2	1,3	1,3
- 1970=100	44,8	45,6	45,4	44,9	45,1	42,8	43,2	43,2
Maternal mortality rate (per 100000 live births)	41,1	41,4	40,5	41,8	32,8	34,0	22,3	30,6
Gross enrolment rate in (%):								
- primary education	92,1	96,6	98,8	99,0	99,2	102,9	99,1	108,1
- secondary education	73,8	80,0	81,4	82,6	84,2	84,6	83,2	84,0
Dynamics of the gross enrolment rate 1980=100								
- primary education	93,9	98,5	100,7	100,9	101,1	104,9	101,0	110,2
- secondary education	70,7	76,7	78,0	79,2	80,7	81,1	79,8	80,5
Female students per 100000 women								
- number	1534	1566	1811	2044	2488	2762	2913	3059
- 1980=100	210,1	214,5	248,1	280,1	340,8	378,4	399,0	419,0
Adult female illiterate rate (%)	4,6	4,6	4,4	4,4	4,5	4,0	3,7	3,7

Table 15. Women's participation in economic life

	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of women in:								
- employed civilian population	46,5	46,3	47,2	48,2	48,5	48,5	48,2	47,3
- active civilian population	47,0	46,5	47,2	48,0	48,3	48,3	47,9	47,0
Proportion of women in total number of employees:	44,1	44,4	45,8	46,8	47,5	48,0	47,7	46,6
out of which:								
- workers	37,9	38,6	39,1	40,2	40,3	41,1	40,4	40,4
Proportion of women in total employed civilian population in:								
- agriculture	52,0	51,2	51,3	51,6	51,9	51,6	53,2	52,7
- industry	41,3	40,8	41,8	42,5	43,5	44,1	43,3	43,1
- commerce	53,4	52,7	51,9	53,0	50,8	50,8	48,1	46,9
- financial activities, banking and insurance	66,5	69,8	70,1	71,0	71,8	70,1	68,2	65,7
- education	66,8	61,7	66,9	66,4	67,3	67,5	67,1	67,0
- health and social security	75,6	75,3	76,1	75,9	77,7	79,4	78,6	76,9
	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of women in total employed population)	44,9	45,5	45,4	45,8	45,9	46,3	45,3	45,0
Proportion of women in total employed population by status in employment:								
- employee	41,8	42,3	42,9	43,8	44,4	45,0	44,5	44,6
- employer	23,3	21,5	25,6	19,1	25,4	28,8	24,3	23,3
- own-account worker	35,8	34,8	33,1	32,0	31,8	31,9	31,3	30,3
- contributing family worker	70,6	71,6	71,0	71,2	69,6	70,9	71,0	70,4
- member of an agriculture association or co-operative	40,0	38,7	27,4	34,9	42,9	35,2	38,3	42,3
Proportion of employed women by groups of occupation:								
- managers and officials in general government and socio-economic units	29,1	26,0	24,2	24,6	28,3	31,7	29,9	29,0
- specialists with intellectual and scientific occupations	49,9	49,7	49,7	49,9	50,3	50,3	48,4	49,0
- technicians, foremen and similar	59,3	61,6	60,8	62,9	62,7	60,9	62,2	63,6
- administrative clerks	75,6	71,9	72,5	73,7	72,7	73,7	69,8	69,9
- operative workers in services, trade and similar	72,4	74,5	73,4	72,9	70,7	71,3	69,3	67,3
- farmers and workers qualified in agriculture, forestry and fishing	53,1	53,3	51,9	51,5	50,8	50,4	49,4	48,6
- craftsmen and workers qualified in artisans trades, of machinery and installation maintenance	27,2	26,9	27,6	27,3	28,3	29,4	27,9	26,7
- other categories of occupations	26,8	26,7	28,8	27,8	27,9	31,9	31,5	33,0

) Data are provided by the Household Labour Force Survey (HLFS), quarter IV 1996-2003. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002).

Table 17. Incomes, Consumption and Social Expenditure

	1996	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP) per capita in:								
- thousands lei, current prices	4817,8	11218,2	16611,2	24300,0	35826,4	52109,4	69500,6	87576,7*)
- PPP US\$)	6595	6422	6153	5441	5750	6232	7017	7544*)
Share gross disposable income of households in Gross Domestic Product (GDP) (%)								
out of which:	73,1	74,5	69,0	72,8	72,9	70,6	67,2	...
- net salaries	24,7	19,6	25,9	21,4	24,2	25,4	24,3	...
- social benefits	9,1	9,9	10,2	10,7	9,4	9,3	9,3	...
Monthly average net earning, thousands lei:	321	632	1042	1523	2139	3019	3789	4840
- public sector)	340	686	1367	1803	2451	3444	4362	5697
- private sector	282	531	820	1236	1749	2496	3065	4038
- economic units	316	613	1048	1523	2154	3051	3804	4823
- autonomous state units	438	900	1217	1950	2611	3486	4483	6393
- state institutions	261	522	1029	1552	2115	2992	3806	4904
Minimum net salary) (thousands lei)	97	250	350	450	700	1400	1750	2800
Proportion of social security expenditure (%):								
- within Gross Domestic Product (GDP)	9,3	10,0	10,9	11,3	11,8	11,2	11,0	10,6*)
- within the consolidated general budget	27,2	29,0	30,2	27,7	33,4	33,5	34,2	32,9
Share of public expenditure on education (%):								
- within Gross Domestic Product (GDP)	3,6	3,3	3,3	3,2	3,1	3,2	3,1	3,0*)
- within the consolidated general budget	10,5	9,5	9,2	7,8	8,8	9,5	9,5	9,4
Share of public expenditure on health (%):								
- within Gross Domestic Product (GDP)	2,8	2,6	3,1	3,9	4,0	1,9	3,8	3,9*)
- within the consolidated general budget	8,2	7,6	8,5	9,7	11,5	5,7	11,9	12,1
Average annual consumption) per inhabitant:								
- meat (including edible offals) and meat products (in equivalent fresh meat) - kg	50,2	48,5	51,2	48,3	46,3	48,0	54,3	60,3
- fish and fish products - kg	2,9	2,0	3,0	2,2	2,6	2,6	3,2	3,5
- milk and dairy products (in equivalent fresh milk - 3.5% fat, excluding butter) - l	192,7	192,4	194,4	194,0	193,0	197,4	215,0	225,0
- vegetal and animal fats (weight) - kg	14,3	13,0	13,4	14,5	16,5	17,1	17,0	17,2
- eggs - pieces	199	186	201	206	208	227	238	239
- sugar and sugar products (in equivalent refined sugar) - kg	24,8	19,9	20,5	20,9	23,0	24,0	23,5	24,3
- cereal products (in flour equivalent) - kg	160,6	169,8	166,7	166,2	165,8	166,9	169,8	162,2
- potatoes - kg	73,4	81,7	84,1	86,1	86,5	88,0	90,1	95,4
- vegetables and vegetable products (in equivalent fresh vegetables), leguminous beans and melons - kg	141,8	135,9	145,9	156,0	134,3	147,2	147,7	177,7
- fruit and fruit products (in equivalent fresh fruits) - kg	50,5	44,5	45,8	43,4	44,5	48,1	45,4	59,6

) 1996, 1999, 2002 - as results of European Comparison Programme (ECP);

1997, 1998 - estimations on the bases of ECP 1996;

2000, 2001 - estimations on the bases of ECP 1999;

2003 - estimations on the bases of ECP 2002.

) It refers only to units entirely owned by the state.

) In October every year.

) Data for years 2002, 2003 are not comparable with the ones from previous period because were computed based on population

(July, 1st) established according with the results of Population and Housing Census (PHC 2002).

*) Semifinal data.

Table 18. Income and Expenditure Structure of households (%)

		Total households	Households with:			
			employees	farmers	pensioners	unemployed
Gross Total Incomes		100,0	100,0	100,0	100,0	100,0
- salaries	1996	41,8	70,0	8,1	14,5	23,2
	1997	37,9	66,8	5,7	12,5	18,4
	1998	39,6	71,1	6,0	13,5	21,6
	1999	38,5	74,0	6,2	12,6	23,9
	2000	36,3	74,7	5,9	11,6	26,0
	2001	44,9	77,9	6,5	17,6	30,3
	2002	46,4	79,4	5,9	18,1	31,3
	2003	44,8	78,1	6,9	17,1	31,5
- the value of agricultural products consumed (food and other goods) from own resources	1996	30,6	20,1	57,1	39,8	39,1
	1997	31,7	20,7	57,7	40,4	35,9
	1998	29,1	17,7	55,1	37,5	33,1
	1999	29,0	16,3	56,0	37,3	33,4
	2000	31,2	16,1	59,9	39,5	33,5
	2001	24,7	12,7	57,5	32,0	29,5
	2002	22,7	11,2	53,3	30,3	28,2
	2003	23,4	11,2	53,8	31,7	24,6
- incomes from independent non-agricultural activities	1996	3,7	1,3	6,1	1,5	7,0
	1997	3,6	1,3	5,2	1,4	6,1
	1998	3,7	1,1	6,3	1,3	5,2
	1999	4,1	1,1	8,2	1,8	5,9
	2000	3,6	0,8	7,0	1,6	4,5
	2001	3,2	0,7	9,1	1,6	5,2
	2002	3,3	0,9	9,1	1,5	5,8
	2003	3,6	0,7	9,5	1,6	4,6
- incomes from social protection	1996	15,6	3,7	6,5	35,5	17,2
	1997	17,8	5,6	7,2	36,9	19,0
	1998	18,7	5,6	8,1	38,3	22,6
	1999	20,6	5,1	6,8	40,2	22,6
	2000	20,2	4,4	4,9	38,2	18,7
	2001	19,5	4,6	7,6	41,0	20,3
	2002	19,6	4,4	9,4	42,3	22,0
	2003	19,2	4,7	8,8	41,5	23,5
- other incomes	1996	8,3	4,9	22,2	8,7	13,5
	1997	9,0	5,6	24,2	8,8	20,6
	1998	8,9	4,5	24,5	9,4	17,5
	1999	7,8	3,5	22,8	8,1	14,2
	2000	8,7	4,0	22,3	9,1	17,3
	2001	7,7	4,1	19,3	7,8	14,7
	2002	8,0	4,1	22,3	7,8	12,7
	2003	9,0	5,3	21,0	8,1	15,8

Note: The data source for the tables 18-20 is the Household Integrated Survey for the years 1996-2000 and the Household Budget Survey for the years 2001, 2002, 2003.

Continuing table 18. Income and Expenditure Structure of households (%)

		Total households	Households with:			
			employees	farmers	pensioners	unemployed
Total consumption expenditures		100,0	100,0	100,0	100,0	100,0
- food and beverages	1996	57,6	56,4	57,6	58,6	65,5
	1997	58,8	58,1	58,8	59,4	63,3
	1998	57,2	54,8	58,8	58,9	63,2
	1999	53,5	50,9	57,0	54,6	59,6
	2000	53,4	50,6	57,4	54,3	60,1
	2001	50,4	48,0	57,9	53,2	58,3
	2002	49,5	45,8	56,1	51,3	56,4
	2003	46,5	43,8	49,7	48,0	52,4
- clothing and footwear	1996	9,1	11,3	7,3	6,9	7,5
	1997	7,5	9,5	6,3	5,3	7,5
	1998	7,4	9,7	6,0	5,2	7,2
	1999	6,3	8,5	5,1	4,5	6,0
	2000	5,4	7,7	4,4	3,7	5,1
	2001	5,3	7,3	4,4	3,7	4,4
	2002	5,7	7,4	4,6	4,1	4,3
	2003	5,4	7,2	4,6	3,5	5,0
- housing and endowment with durable goods	1996	19,5	15,7	25,5	23,7	15,6
	1997	19,3	14,4	27,4	23,7	15,3
	1998	19,6	15,6	26,2	23,3	16,4
	1999	22,1	17,6	27,0	26,3	18,1
	2000	24,3	19,7	28,4	27,8	19,0
	2001	24,5	19,2	28,6	26,1	19,6
	2002	23,6	20,5	29,3	26,6	20,9
	2003	27,1	22,1	35,8	31,4	22,2
- medicine and healthcare	1996	1,8	1,5	0,7	2,5	1,0
	1997	2,0	1,6	0,7	2,8	1,3
	1998	2,3	1,8	0,8	3,2	1,6
	1999	2,5	1,9	0,9	3,4	1,4
	2000	2,5	1,9	1,0	3,5	1,5
	2001	2,4	1,7	1,0	3,8	1,3
	2002	2,6	1,6	0,9	4,3	1,5
	2003	2,7	1,9	1,0	4,2	2,0

Continuing table 18. Income and Expenditure Structure of households (%)

		Total households	Households with:			
			employees	farmers	pensioners	unemployed
Total consumption expenditures		100,0	100,0	100,0	100,0	100,0
- transports and communications	1996	5,2	6,3	5,4	3,5	3,7
	1997	6,0	7,9	3,5	4,1	6,3
	1998	6,6	9,0	4,2	4,4	5,0
	1999	7,6	10,4	4,8	5,3	6,4
	2000	6,9	9,7	4,2	5,1	5,9
	2001	8,3	11,4	3,2	6,3	6,9
	2002	8,9	11,9	3,4	6,6	6,7
	2003	8,5	11,7	3,4	5,8	7,6
- culture, learning, education	1996	3,0	4,1	1,2	1,9	2,7
	1997	2,7	3,9	1,1	1,8	2,3
	1998	3,2	4,5	1,5	2,2	2,6
	1999	3,4	4,9	1,6	2,3	3,2
	2000	3,2	4,8	1,5	2,3	3,3
	2001	4,3	6,2	1,6	3,1	3,9
	2002	4,5	6,2	2,2	3,2	3,9
	2003	4,4	6,3	1,7	3,1	4,6
- other expenditures	1996	3,8	4,7	2,3	2,9	4,0
	1997	3,7	4,6	2,2	2,9	4,0
	1998	3,7	4,6	2,5	2,8	4,0
	1999	4,6	5,8	3,6	3,6	5,3
	2000	4,3	5,6	3,1	3,3	5,1
	2001	4,8	6,2	3,3	3,8	5,6
	2002	5,2	6,6	3,5	3,9	6,3
	2003	5,4	7,0	3,8	4,0	6,2

Table 19. Poverty Rate¹⁾ (%)

	1996	1997	1998	1999	2000	2001	2002	2003
Total								
- poverty rate	20,1	30,3	30,8	33,2	35,9	30,6	28,9	25,1
- severe poverty rate	6,3	11,2	11,3	12,5	13,8	11,4	10,9	8,6
Urban								
- poverty rate	12,5	20,2	20,6	22,2	25,9	18,8	17,6	13,8
- severe poverty rate	3,4	6,4	6,3	7,3	9,2	6,0	5,4	3,8
Rural								
- poverty rate	29,2	42,3	43,0	46,3	47,8	44,7	42,4	38,0
- severe poverty rate	9,7	17,1	17,3	18,7	19,3	17,8	17,5	13,9

Table 20. Proportion of the population below income poverty line (%)

	1996	1997	1998	1999	2000	2001	2002	2003
Persons aged :								
- under 7 years	24,4	35,3	34,8	39,1	42,3	37,9	35,0	32,1
- 7 - 14 years	21,5	31,8	33,6	37,1	40,6	34,2	33,6	28,5
- 15 - 24 years	26,5	37,8	38,5	41,4	44,6	38,9	37,0	31,9
- 25 - 34 years	15,7	24,9	26,0	28,7	31,0	26,7	25,3	23,5
- 35 - 44 years	16,3	24,6	25,9	29,1	32,6	26,0	25,4	21,6
- 45 - 54 years	17,7	27,3	26,6	28,5	31,3	26,3	24,2	21,3
- 55 - 64 years	16,8	26,8	27,0	27,2	29,8	24,5	23,1	19,2
- 65 years and over 65	21,8	34,1	34,0	34,8	35,2	32,0	29,4	24,9
Persons with occupational status:								
- employee	8,9	15,6	15,5	16,0	18,5	12,6	11,2	9,0
- owner	0,9	1,9	2,2	2,5	3,1	3,7	2,5	1,6
- self-employed in non-agricultural activities	28,4	41,5	41,4	47,4	50,1	41,0	41,0	35,6
- self-employed in agricultural activities	38,6	52,9	52,4	56,6	57,3	58,7	55,3	50,9
- unemployed	34,1	47,3	46,0	47,1	51,3	43,3	44,9	39,3
- pensioner	18,0	28,7	28,9	29,7	31,1	25,9	24,2	20,7

1) The absolute poverty rate defined taking into account a basket of products (food, non-food and services).

Table 21. Human Poverty Index

	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of persons unlikely to survive the age of 60 years (%)	23,10	23,30	22,9	21,80	20,30	19,70	19,80	19,90
Proportion of illiterate adult population (15 years and over) (%)	3,0	3,0	3,0	3,0	3,0	2,8	2,7	2,7
Relative poverty rate (60% out of the median of available income)	15,1	14,2	14,9	16,2	17,1	17,0	18,1	17,3
Long term unemployment rate ¹ (%)	3,12	2,97	3,17	3,16	3,84	3,25	4,37	4,42
Human Poverty Index (HPI)	15,81	15,72	16,04	15,42	15,01	14,66	15,12	14,89

Table 22. The Production Expenditure of Gross Domestic Product

	1996	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP) (billion lei, current prices)	108919,6	252925,7	373798,2	545730,2	803773,1	1167687,0	1514750,9	1903353,9*)
Share in Gross Domestic Product (GDP) of Gross value added (%) from:								
- agriculture, forestry, pisciculture	19,2	18,0	14,4	13,3	11,1	13,3	11,4	11,7*)
- industry and constructions	39,7	36,1	31,4	29,8	32,2	33,0	33,9	33,3*)
- services	36,6	38,4	44,4	46,4	46,3	44,5	45,3	44,7*)
Share in Gross Domestic Product (GDP) of (%):								
Final consumption	82,6	86,4	90,3	88,7	86,1	85,2	84,0	84,9*)
- of households	69,1	73,6	74,9	73,2	68,9	68,8	67,8	67,8*)
- of government	13,1	12,3	14,5	14,4	16,1	15,2	15,0	16,0*)
- of NPISH	0,4	0,5	0,9	1,1	1,1	1,2	1,2	1,1*)
Gross Fixed Capital Formation	23,0	21,2	18,2	17,7	18,9	20,7	21,3	22,2*)
Exports	28,1	29,2	22,6	28,0	32,9	33,3	35,4	36,0*)
Imports	36,6	36,2	30,6	32,8	38,5	41,1	41,1	43,8*)
Gross savings	18,3	14,3	10,5	14,4	15,4	16,9	20,6	-
Public budget spending	21,8	21,1	21,1	20,5	20,4	17,8	16,8	16,7
Share of private sector in Gross Domestic Product (GDP)	54,9	60,6	61,4	63,7	65,6	68,0	69,4	70,4*)

1) Data are provided by Household Labour Force Survey (HLFS), quarter IV 1996-2003. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002).
*) Semifinal data.

Table 23. Evolution of economic results

	1996	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP)								
- billion lei, current prices	108919,6	252925,7	373798,2	545730,2	803773,1	1167687,0	1514750,9	1903353,9*)
- annual growth rate (%)	3,9	-6,1	-4,8	-1,2	2,1	5,7	5,1	5,2*)
Growth rate of Gross Domestic Product (GDP) per capita (%)	4,3	-5,8	-4,6	-1,0	2,3	5,9	8,1	5,5*)
Annual average inflation rate (%)	38,8	154,8	59,1	45,8	45,7	34,5	22,5	15,3
Exports (%) in								
Gross Domestic Product (GDP)	28,1	29,2	22,6	28,0	32,9	33,3	35,4	36,0*)
Fiscal revenues (%) in								
Gross Domestic Product (GDP)	26,9	26,7	28,2	31,4	27,0	23,7	23,0	22,9*)
Surplus / deficit of consolidated general budget (%) in								
Gross Domestic Product (GDP)	-4,1	-3,9	-4,1	-4,0	-4,0	-3,2	-2,6	-2,3*)

	1980-1989	1990-1998	1990-1999	1990-2000	1990-2001	1990-2002	1990-2003
Annual average growth rate of							
Gross Domestic Product (GDP) (%)							
- total	1,40	-2,61	-2,47	-2,06	-1,43	-0,94	-0,52*)
- per inhabitant	0,90	-2,31	-2,17	-1,78	-1,16	-0,48	-0,07*)
Average annual inflation rate (%)	3,3	101,7	95,3	90,1	84,7	79,0	73,5

*) Semifinal data.

Table 24. Revenues and expenditure of the consolidated general budget ¹⁾

	1996	1997	1998	1999	2000	2001	2002	2003
Total revenues (billion lei)	32619,5	76760,3	117685,3	191461,2	257036,6	362122,7	456446,2	579821,2
Share in total revenues (%):								
Fiscal revenues, of which:	89,7	87,3	88,3	85,7	84,3	76,4	76,5	75,1
- taxes on profit	10,9	14,0	9,4	8,9	7,9	6,1	6,6	7,6
- income taxes	20,4	18,2	15,8	14,8	10,1	10,3	9,1	9,2
- excise and VAT	26,1	25,2	31,2	29,9	26,9	21,8	23,0	26,9
- custom duties	5,1	4,4	4,9	4,1	3,4	2,5	2,1	2,2
- social insurance contributions	25,1	21,6	24,9	24,6	29,0	30,0	31,3	28,7
Non-fiscal revenues	9,7	11,6	10,3	5,0	5,0	5,5	4,9	4,8
Capital revenues	0,5	0,8	0,1	5,0	0,3	0,1	0,2	0,3
Share of total revenues in Gross Domestic Product (GDP) (%)	29,9	30,6	32,0	36,7	32,0	31,0	30,1	30,5*)
Share of fiscal revenues in Gross Domestic Product (GDP) (%)	26,9	26,7	28,2	31,4	27,0	23,7	23,0	22,9*)
Total expenditures (billion lei)	37038,6	86544,0	132871,0	212110,0	300456,2	417190,3	526736,2	646891,7
Share in total expenditures (%) of:								
- education	10,5	9,5	9,2	7,8	8,3	8,9	8,8	8,9
- health	8,2	7,6	8,5	9,7	10,8	5,3	11,0	11,5
- allocations for families	2,1	3,6	4,0	2,8	2,8	2,4	3,4	2,8
- unemployment	1,7	3,5	3,8	3,7	3,1	2,3	1,4	1,4
- pensions	20,3	18,4	19,7	18,8	18,9	20,5	21,0	20,0
- social security	0,9	0,7	0,5	0,4	0,3	0,7	1,0	1,8
- national defence	5,6	7,4	7,1	4,8	5,5	5,3	4,5	4,5
- public order	4,4	3,3	4,2	3,7	5,4	5,1	4,8	5,1
- public authority	3,3	3,1	3,8	3,4	2,6	2,7	2,6	3,0
- research	1,2	0,9	0,8	0,5	0,5	0,6	0,6	0,6
Share of social security expenditure (%) in: - total expenditures of consolidated general budget	27,2	29,0	30,2	27,7	33,4	33,5	34,2	32,9
- Gross Domestic Product (GDP)	9,3	10,0	10,9	11,3	11,8	11,2	11,0	10,6*)
Share of Defence Expenditure (%) in Gross Domestic Product (GDP)	1,9	2,5	2,5	1,9	2,1	1,9	1,6	1,5*)
Consolidated general budget Surplus / deficit (%) in Gross Domestic Product (GDP)	-4,1	-3,9	-4,1	-4,0	-4,0	-3,2	-2,6	-2,3*)

1) Source: Ministry of Public Finance.

*) Semifinal data.

Table 25. External economic flows

	1996	1997	1998	1999	2000	2001	2002	2003
The coverage gradient of imports through export. (%) FOB/FOB	76,6	81,0	76,0	87,1	86,0	79,3	84,2	79,5
Dependency on External Commerce (export plus import percent of Gross Domestic Product (GDP))	64,7	65,4	53,3	60,9	71,4	74,4	76,6	79,9*)
International reserves) (number of months for which the imports can be covered)	2,1	3,6	2,7	2,8	3,4	4,0	4,6	3,9)
Current Accounts Balance- million dollars	-2571	-2104	-2917	-1437	-1355	-2223	-16233)	-3060)
	1990-2000	1990-2001	1990-2002	1990-2003				
Average annual Exports growth (%)	1,72	2,55	3,63	4,17*)				
Average annual Imports growth (%)	5,61	6,62	7,03	7,67*)				

Table 26. Urbanization

	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of the urban population (%)	54,9	55,0	54,9	54,8	54,6	54,6	53,3	53,4
Urban Population Growth Rate (%)	-0,4	-0,1	-0,5	-0,4	-0,5	-0,01	-5,2	-0,1
Population from towns with more than 750000 inhabitants								
- % out of total population	9,0	9,0	9,0	9,0	9,0	8,9	8,9	8,9
- % out of total urban population	16,4	16,3	16,3	16,3	16,4	16,3	16,7	16,6
Population from towns with more than 200000 inhabitants								
- % out of total population	14,3	14,4	14,3	14,3	14,3	14,3	12,8	12,8
- % out of total urban population	26,1	26,1	26,1	26,1	26,1	26,1	23,9	24,0
Biggest city: Bucharest								
- population (thousand inhabitants)	2037,3	2027,5	2016,1	2011,3	2009,2	1996,8	1934,4	1929,6
- growth rate (%)	-0,8	-0,5	-0,6	-0,2	-0,1	-0,6	-3,1	-0,3
	2000	2001	2002	2003				
Proportion of the urban population (%)	54,6	54,6	53,3	53,4				
	1995-2000	1995-2002	1995-2003					
Average annual growth of urban population (%)	-0,35	-1,00	-0,90					
	1995-2000	1995-2002	1995-2003					
Average annual growth of the population (%) Bucharest Municipality	-0,55	-0,80	-0,75					

) Excluding gold.

) Total international reserve (euro) expressed
in import of goods and services months number.

) Million euros.

*) Semifinal data.

Table 27. Urban- Rural Disparities

	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of rural population (%)	45,1	45,0	45,1	45,2	45,4	45,4	46,7	46,6
Life expectancy at birth (years) - total	69,1	69,0	69,2	69,7	70,5	71,2	71,2	71,0
- rural	68,0	67,8	68,1	68,7	69,5	70,2	70,1	70,1
- urban	69,8	69,8	70,1	70,6	71,3	71,9	72,0	71,8
Proportion of population aged 0 -14 years (%)	21,5	20,9	20,5	18,8	18,3	17,8	17,3	16,7
- rural	21,1	20,9	21,0	19,8	19,7	19,6	19,2	18,7
- urban	21,9	20,9	20,0	17,9	17,0	16,3	15,7	15,0
Proportion of population aged 65 and more (%)	12,2	12,6	12,8	13,0	13,3	13,6	14,0	14,4
- rural	16,5	17,0	17,2	17,4	17,6	18,0	18,0	18,3
- urban	8,7	9,0	9,2	9,4	9,7	10,0	10,6	10,9
Demographic dependency rate (%)	47,4	47,0	46,9	46,6	46,1	45,8	45,7	45,0
- rural	56,7	57,6	58,6	59,3	59,7	60,2	59,2	58,7
- urban	40,5	39,3	38,5	37,6	36,5	35,6	35,7	34,7
Birth rate - total (‰)	10,2	10,5	10,5	10,4	10,5	9,8	9,7	9,8
- rural	12,0	12,4	12,4	12,3	12,3	11,5	11,0	11,0
- urban	8,8	8,9	9,0	8,9	8,9	8,4	8,5	8,7
General fertility rate	39,9	40,6	40,6	40,2	40,3	37,8	37,5	37,8
- rural	56,3	58,1	58,2	57,9	57,9	54,0	51,2	50,6
- urban	29,9	30,2	30,1	29,7	29,7	28,1	28,7	29,5
Infant mortality rate - total (‰)	22,3	22,0	20,5	18,6	18,6	18,4	17,3	16,7
- rural	25,6	25,0	23,3	21,5	20,8	20,9	19,8	19,4
- urban	18,5	18,5	17,3	15,2	16,1	15,6	14,5	13,7
Gross enrolment rate in primary and lower secondary education (%)	94,4	95,0	97,0	96,8	97,2	97,0	97,9	100,3
- rural	92,7	94,5	96,0	96,4	96,2	95,2	94,7	97,6
- urban	95,6	95,4	97,7	97,1	98,1	98,6	101,0	103,0
Number of pupils per teacher in primary and lower secondary education - total	15	15	15	15	15	14	14	14
- rural	13	13	13	13	13	13	13	13
- urban	16	16	16	17	16	15	15	15
Population per physician - total	552	546 [*])	530 ¹⁾	486 ¹⁾	490 ¹⁾	479 ¹⁾	476 ¹⁾	463 ¹⁾
- rural	1417	1475	1538	1698	1649	1617	1678	1736
- urban	368	360	342	306	309	302	292	282
Population per ancillary medical persons - total	177	185 ^{**)}	183 ²⁾	189 ²⁾	188 ²⁾	186 ²⁾	176 ²⁾	180 ²⁾
- rural	557	584	572	651	667	702	730	764
- urban	113	119	117	119	118	116	106	108
Subscriptions per 1000 inhabitants radio - total	185	181	177	160	136	138	121	285 ^{***)}
- rural	147	148	129	127	108	103	92	265 ³⁾
- urban	215	208	215	187	160	168	147	302 ³⁾
Average living space per capita (m ²) - total - the 31 st of December -	11,8	11,9	12,0	12,1	12,2	13,6	14,0	14,2
- rural	12,1	12,3	12,4	12,5	12,4	14,2	14,3	14,4
- urban	11,5	11,6	11,7	11,8	11,9	13,1	13,9	13,9

) Including private sector.

) Including private and mixed sectors.

) Data for the year 2003 are not comparable with the past years series due to changes in legislation.

Table 28. Natural Resources

	1996	1997	1998	1999	2000	2001	2002	2003
Total surface (thousands ha)	23839,1	23839,1	23839,1	23839,1	23839,1	23839,1	23839,1	23839,1
Share of forest area ¹ (%) in total area	28,1	28,1	28,0	28,5	27,1	27,7	28,0	28,3
Share of arable land (%) in total area	39,2	39,2	39,2	39,3	39,4	39,4	39,4	39,5
Share of state owned area ² (%) in total area	50,0	51,1	51,0	38,9	35,5	33,1	28,4	26,9

Table 29. Environment

	1996	1997	1998	1999	2000	2001	2002	2003
Pesticides used on agricultural land (kg/ha)	1,2	1,0	0,9	0,8	0,6	1,5	1,6	1,5
Expenditure for environment protection (million lei, current prices)	1496580	3661575	5709864	7981991	8885375	13932401	27234276	28495033
Share in total environment protection expenditure (%):								
- pollution prevention and control	86,0	88,4	88,0	89,8	95,9	93,0	91,8	95,0
- natural environmental protection	9,6	7,0	6,3	5,8	2,2	1,7	2,4	1,3

1) Forests and other areas with forestry.

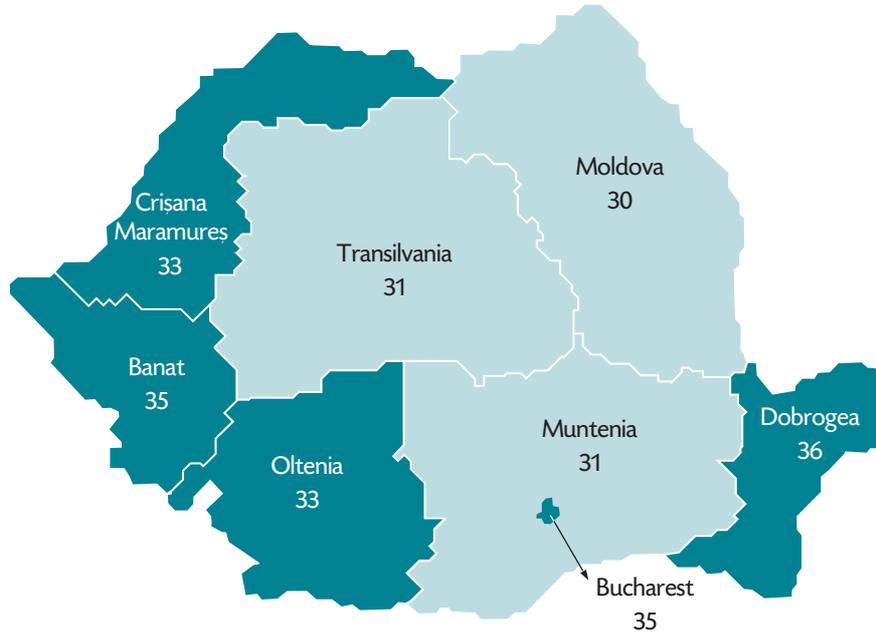
2) 1996 - 1998 public and mixed sector.

Atlas of Regional & Local disparities

Map1: Occupational mobility, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 32



Source: CURS survey July 2003

Map1a: Occupational mobility, 1990-2003, on counties (%)

Legend:

- Below average
- Above average
- Average = 32



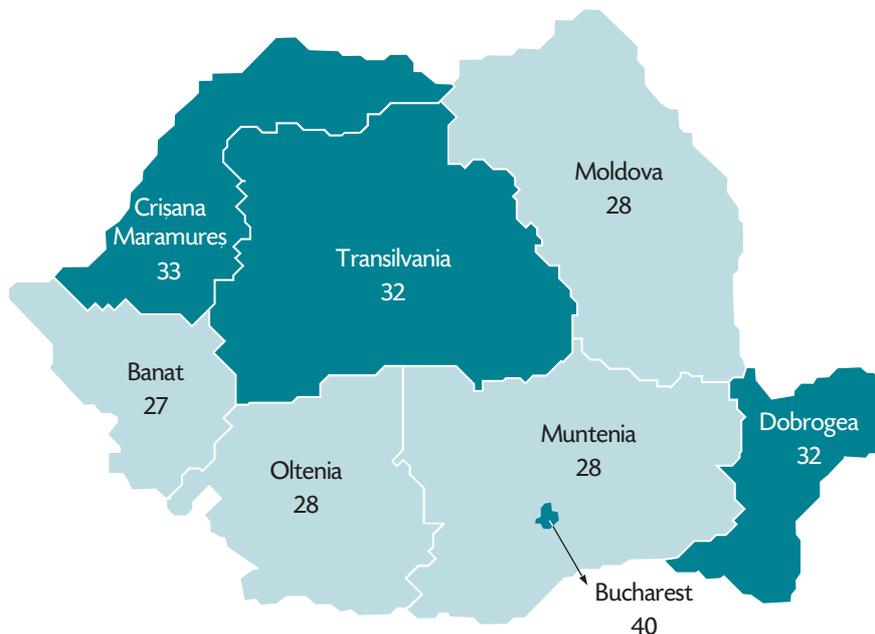
Alba	18
Arad	33
Arges	34
Bacău	21
Bihor	33
Bistrita Năsăud	22
Botosani	24
Brasov	21
Brăila	42
Buzău	24
Caras severin	44
Călărași	32
Cluj	37
Constanta	36
Covasna	33
Dâmbovita	31
Doj	33
Galati	30
Giurgiu	31
Gorj	42
Harghita	47
Hunedoara	35
Ialomita	40
Iasi	29
Ifov	28
Maramures	43
Mehedinti	21
Mures	34
Neamt	43
Olt	44
Prahova	22
Satu Mare	20
Sălaj	33
Sibiu	27
Suceava	31
Teleorman	30
Timis	30
Tulcea	34
Vâlcea	21
Vrancea	19
Bucuresti	36

Source: CURS survey July 2003

Map 2: Mobility by changing the workplace, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 30



Source: CURS survey July 2003

Map 2a: Mobility by changing the workplace, 1990-2003, on counties (%)

Legend:

- Below average
- Above average
- Average = 30

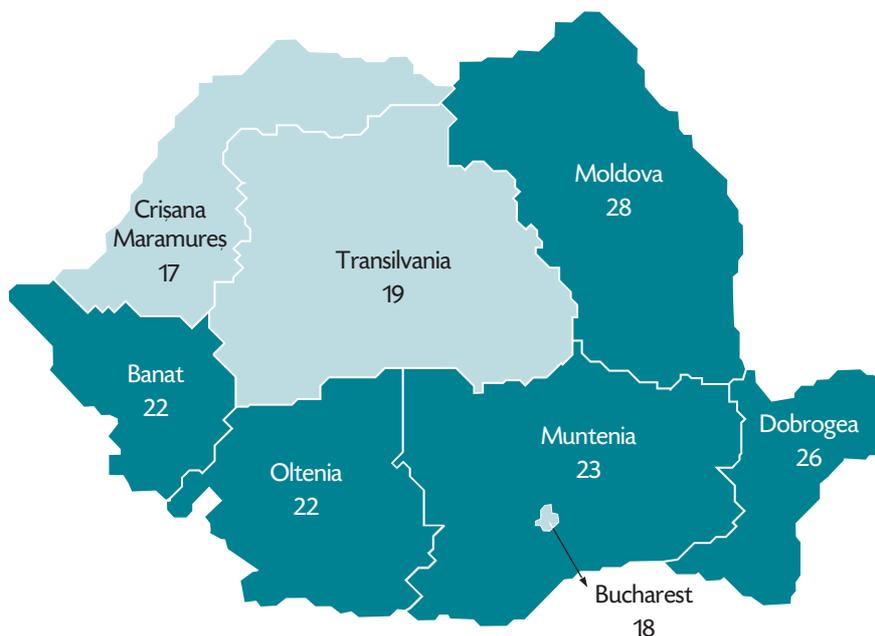


Source: CURS survey July 2003

Map 3: Social exclusion by unemployment, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 21

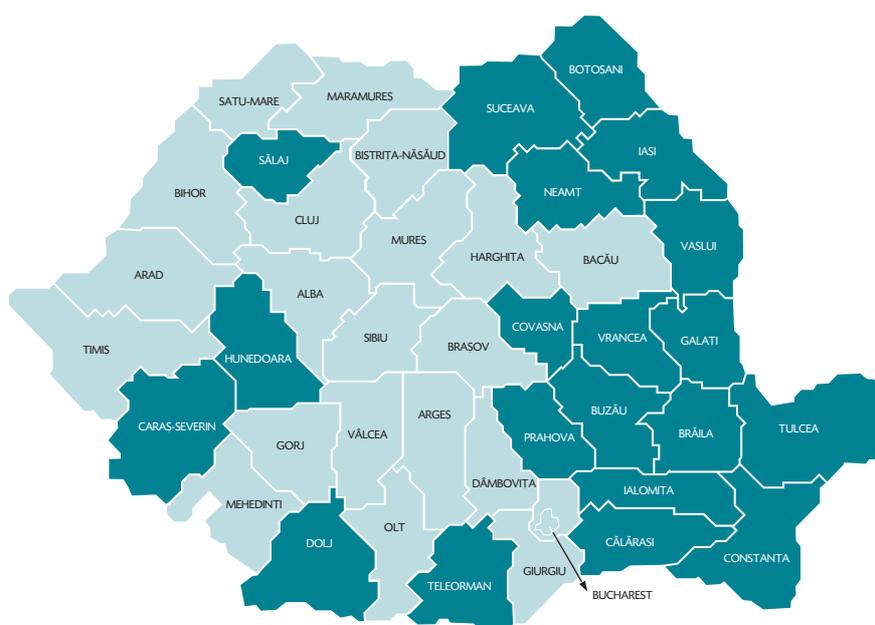


Source: CURS survey July 2003

Map 3a: Social exclusion by unemployment, 1990-2003, on counties (%)

Legend:

- Below average
- Above average
- Average = 21



Source: CURS survey July 2003

Map 4: Social exclusion by redundance and firing, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 9



Source: CURS survey July 2003

Map 4a: Social exclusion by redundance and firing, 1990-2003, on counties (%)

Legend:

- Below average
- Above average
- Average = 9



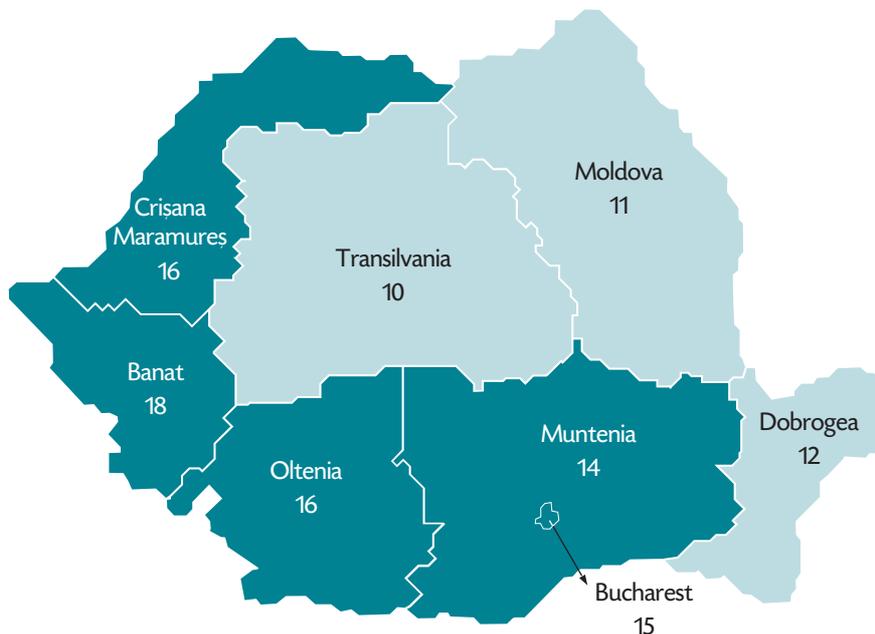
Alba	6
Arad	6
Arges	10
Bacău	3
Bihor	8
Bistrita Năsăud	2
Botosani	8
Brasov	9
Brăila	13
Buzău	13
Caras-severin	11
Călărași	6
Cluj	9
Constanta	15
Covasna	15
Dâmbovita	5
Doj	16
Galati	6
Giurgiu	4
Gorj	14
Harghita	3
Hunedoara	14
Ialomita	7
Iasi	9
Ifov	7
Maramures	8
Mehedinti	9
Mures	6
Neamt	8
Olt	15
Prahova	15
Satu Mare	7
Sălaj	13
Sibiu	9
Suceava	9
Teleorman	10
Timis	11
Tulcea	17
Vaslui	9
Vâlcea	7
Vrancea	8
Bucuresti	9

Source: CURS survey July 2003

Map 5: Social exclusion by early retirement, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 13



Source: CURS survey July 2003

Map 5a: Social exclusion by early retirement, 1990-2003, on counties (%)

Legend:

- Below average
- Above average
- Average = 13



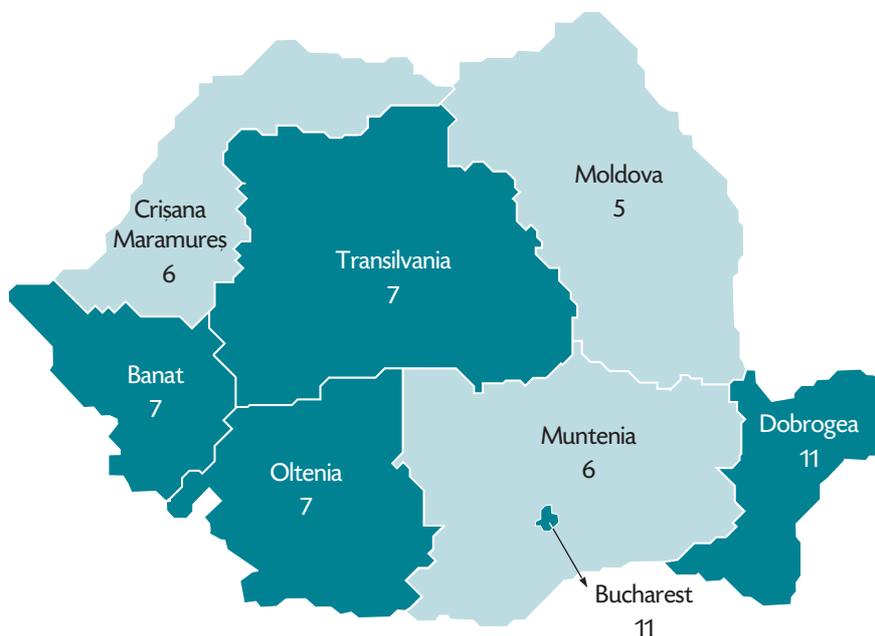
Alba	7
Arad	14
Arges	21
Bacău	9
Bihor	16
Bistrița Năsăud	2
Botoșani	10
Brasov	11
Brăila	12
Buzău	14
Caras severin	23
Călărași	15
Cluj	7
Constanta	12
Covasna	4
Dâmbovita	6
Doj	16
Galati	10
Giurgiu	20
Gorj	13
Harghita	14
Hunedoara	8
Ialomița	15
Iasi	17
Ilfov	19
Maramures	10
Mehedinți	11
Mures	15
Neamț	2
Olt	14
Prahova	9
Satu Mare	27
Sălaj	18
Sibiu	11
Suceava	13
Teleorman	16
Timis	14
Tulcea	11
Vaslui	10
Vâlcea	25
Vrancea	20
București	15

Source: CURS survey July 2003

Map 6: Integration in market economy by entrepreneurial behavior, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 7

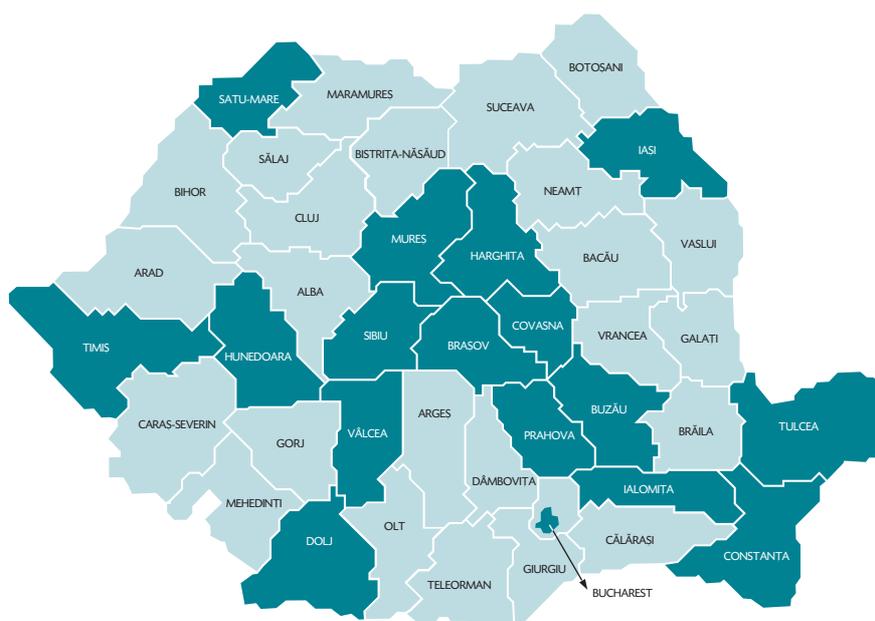


Source: CURS survey July 2003

Map 6a: Integration in market economy by entrepreneurial behavior, 1990-2003, on vounties (%)

Legend:

- Below average
- Above average
- Average = 7



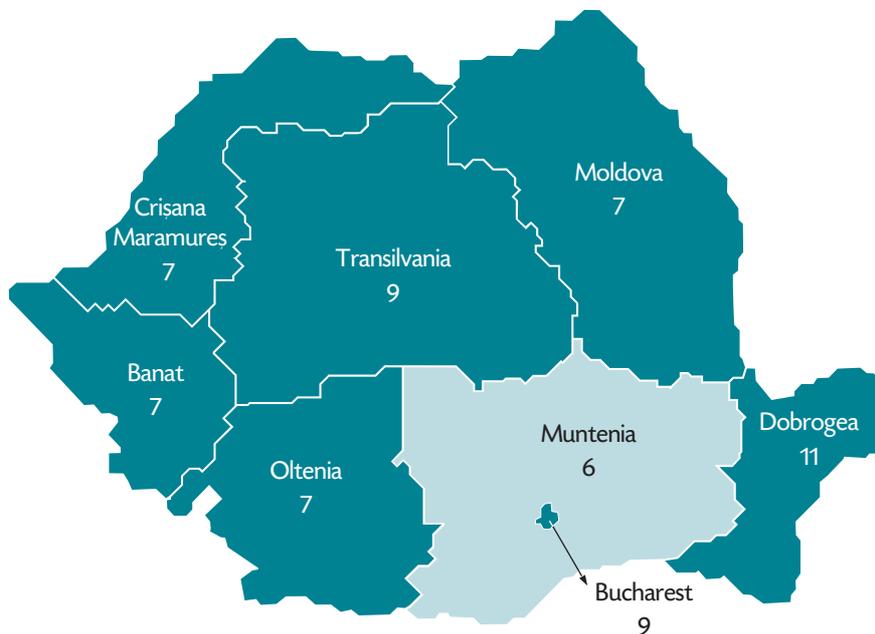
Alba	6
Arad	5
Arges	7
Bacău	5
Bihor	4
Bistrita-Năsăud	3
Botosani	4
Brasov	9
Brăila	6
Buzău	8
Caras-severin	3
Călărași	5
Cluj	4
Constanta	11
Covasna	10
Dâmbovita	4
Dolj	9
Galati	5
Giurgiu	2
Gorj	6
Harghita	11
Hunedoara	7
Ialomita	8
Iasi	9
Ifov	5
Maramures	7
Mehedinti	5
Mures	8
Neamt	3
Olt	6
Prahova	7
Satu Mare	7
Sălaj	6
Sibiu	10
Suceava	3
Teleorman	4
Timis	9
Tulcea	9
Vaslui	4
Vâlcea	8
Vrancea	6
Bucuresti	12

Source: CURS survey July 2003

Map 7: Integration in market economy by re-skilling training, 1990-2003, on regions (%)

Legend:

- Below average
- Above average
- Average = 7



Source: CURS survey July 2003

Map 7a: Integration in market economy by re-skilling training, 1990-2003, on counties (%)

Legend:

- Below average
- Above average
- Average = 7

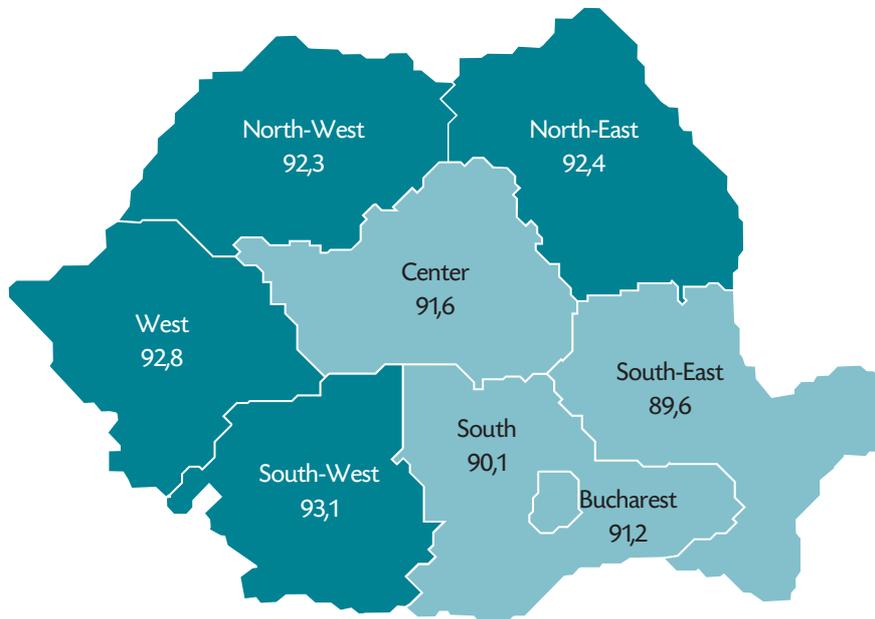


Source: CURS survey July 2003

A: Employment rate of the active population (15-64 years old) by development regions, 2002-2003 (% of the active population)

Legend:

- Below average
 - Above average
- National value = 91,6

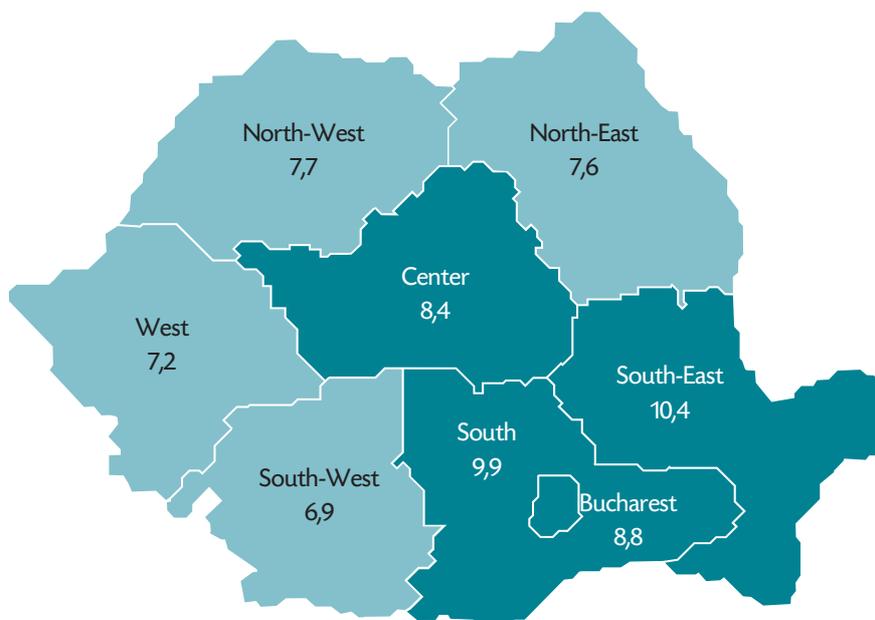


Source: INS, Territorial statistics, 2004 - own calculations

B: Unemployment rate by development regions, 2003 (% of the active population)

Legend:

- Below average
 - Above average
- National value = 8,4

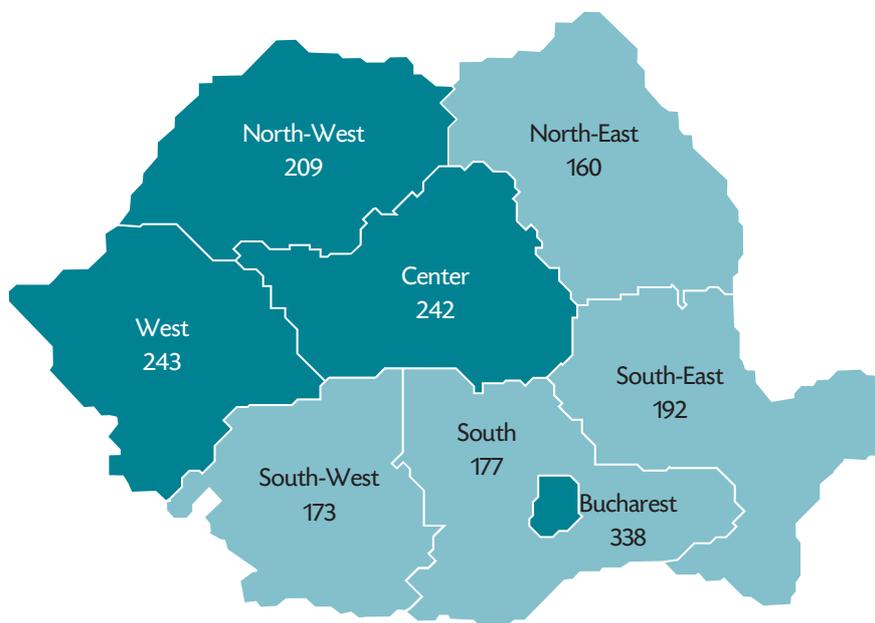


Source: INS, Territorial statistics, 2004 - own calculations

C: The average number of employees by development regions, 2003 (thousands)

Legend:

- Below average
 - Above average
- National value = 209,6

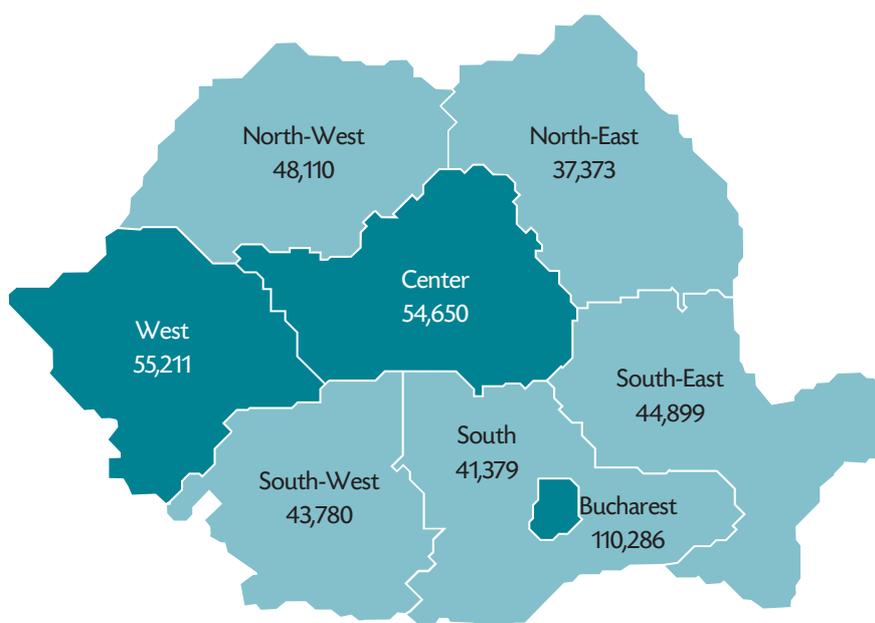


Source: INS, Territorial statistics, 2004 - own calculations

D: Gross Domestic Product per capita (PPC US \$) by development regions, 2002

Legend:

- Below average
 - Above average
- National value = 52,109

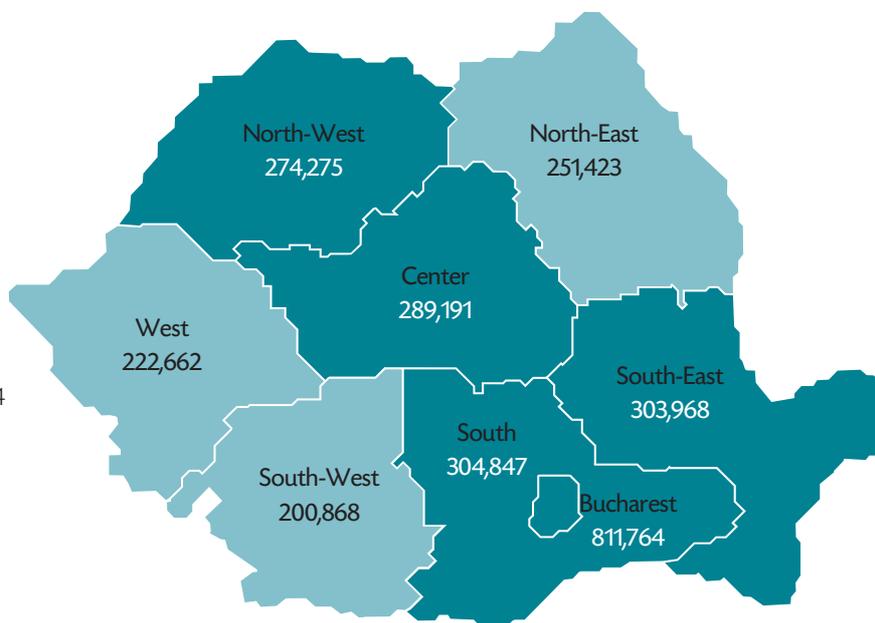


Source: INS, Territorial statistics, 2003 - own calculations

E: Cifra de afaceri a unităților economice din industrie, construcții, comerț și alte servicii, pe regiuni de dezvoltare, 2002 (miliarde lei)

Legenda:

- Below average
- Above average
- Averag regional value = 432,754

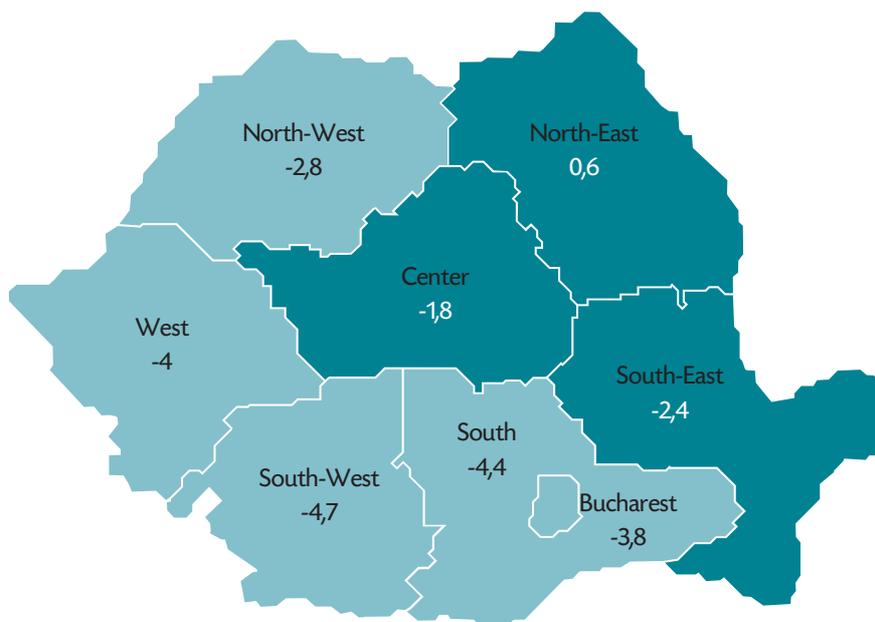


Sursa: INS, Statistici teritoriale, 2003 - calcule proprii

F: Sporul natural pe regiuni de dezvoltare, 2002 (la 1.000 locuitori)

Legenda:

- Sub medie
- Peste medie
- Media = -2,7

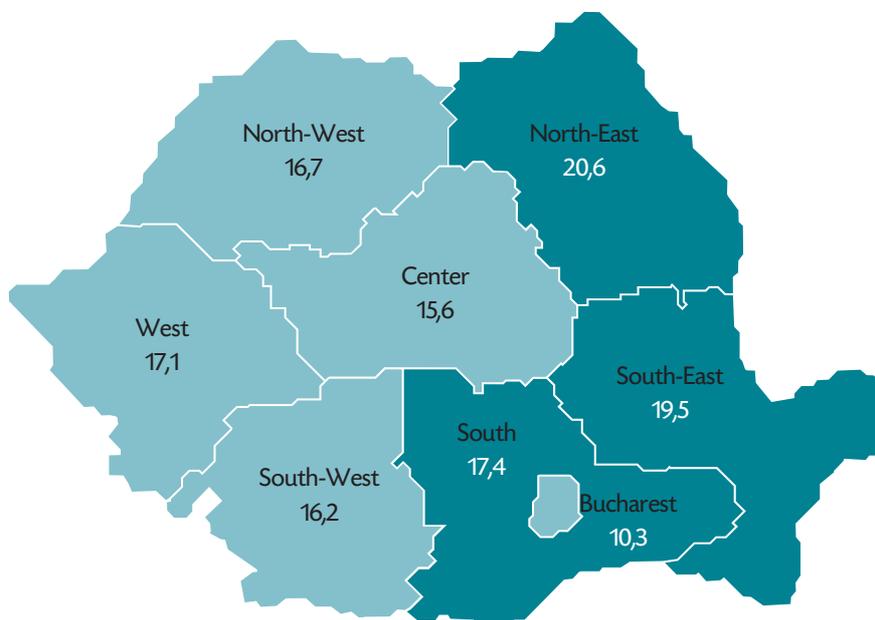


Sursa: INS, Statistici teritoriale, 2003 - calcule proprii

G: Mortalitatea infantilă pe regiuni de dezvoltare, 2002 (la 1.000 născuți vii)

Legenda:

- Sub medie
 - Peste medie
- Media = 17,3

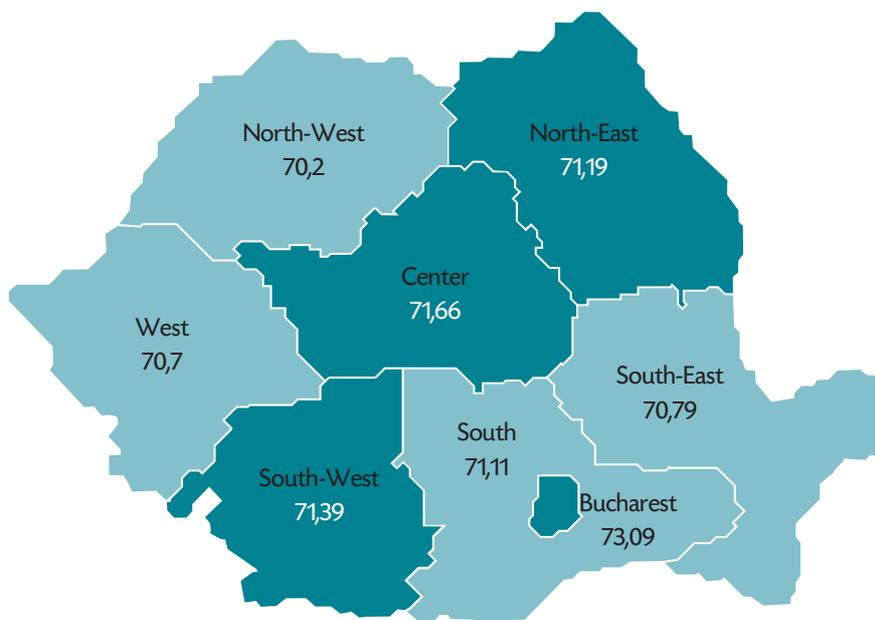


Sursa: INS, Statistici teritoriale, 2003 - calcule proprii

H: Speranța medie de viață pe regiuni de dezvoltare, 2002 (ani)

Legenda:

- Sub medie
 - Peste medie
- Media = 71,18

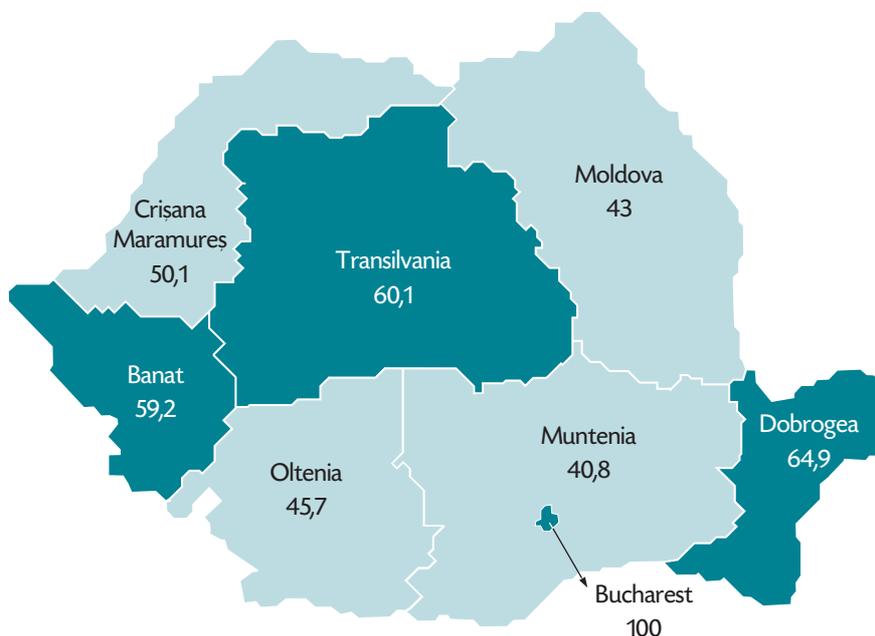


Sursa: INS, Statistici teritoriale, 2003 - calcule proprii

Map 1: The degree of urbanization of regions

Legend:

- Below average
 - Above average
- Average = 53,6%



Source: Own calculation on INS 2004, urban population on regions, 01.01.2004

Map 2: Counties' level of urbanization, 2004

Legend:

- Below average
 - Above average
- Average = 53,6%



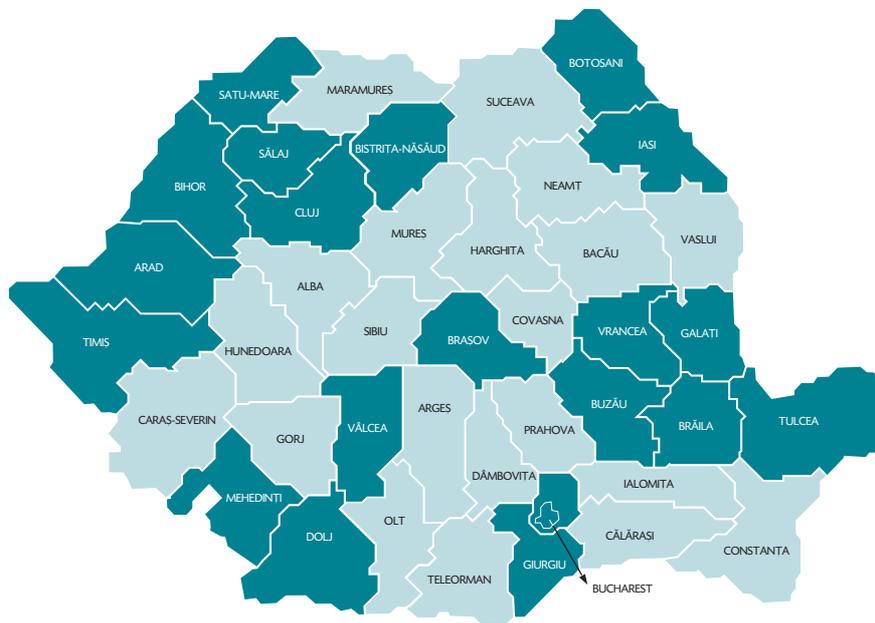
Alba	58,1
Arad	53,3
Arges	46,5
Bacău	46,7
Bihor	48,5
Bistrita Năsăud	36,3
Botosani	36,8
Brasov	75,2
Brăila	65,3
Buzău	39,9
Caras severin	56,6
Călărași	38,9
Cluj	66,4
Constanta	70,6
Covasna	50,8
Dâmbovita	30,1
Doj	50,7
Galati	57,0
Giurgiu	31,1
Gorj	42,5
Harghita	44,4
Hunedoara	77,0
Ialomita	40,2
Iasi	47,1
Ifov	10,8
Maramures	52,9
Mehedinti	48,5
Mures	52,3
Neamt	38,9
Olt	39,4
Prahova	51,1
Satu Mare	50,1
Sălaj	40,9
Sibiu	67,6
Suceava	33,4
Teleorman	33,6
Timis	60,5
Tulcea	49,0
Vaslui	41,4
Vâlcea	45,3
Vrancea	43,0
Bucuresti	100,0

Source: Own calculation on INS 2004, urban population on counties, 01.01.2004

Map 3: Primacy index of urbanization of Romanian counties, 2002

Legend:

- Below average
 - Above average
- Average = 62



Alba	30,4
Arad	73,4
Arges	58,8
Bacau	56,4
Bihor	73,1
Bistrita Nasaud	72,4
Botosani	71,2
Brasov	65,7
Braila	92,7
Buzau	72,4
Caras severin	47,8
Calarasi	61,2
Cluj	62,8
Constanta	62,1
Covasna	56,7
Dambovita	57,3
Doj	81,5
Galati	86,1
Giurgiu	80,1
Gorj	58,8
Harghita	29,6
Hunedoara	20,1
Ialomita	45,8
Iasi	78,1
Ifov	65,5
Maramures	53,2
Mehedinti	77,8
Mures	53,5
Neamt	55,3
Olt	43,7
Prahova	56,5
Satu Mare	72,8
Silaj	66,4
Sibiu	56,3
Suceava	47,3
Teleorman	37,6
Timis	75,8
Tulcea	75,3
Vaslui	41,1
Vâlcea	69,0
Vrancea	68,6
Bucuresti	100,0

Source: Own calculations on INS 2002 census data

4: Studies localities (less than 40 km from Bucharest city)

Legend:

- Localities studied and included in the Bucharest Metropolitan Area
- Localities studied but not included in the Bucharest Metropolitan Area



5: The Metropolitan Bucharest Area, including 62 localities



8: The migration of the Bucharest population to Metropolitan localities

Legend:

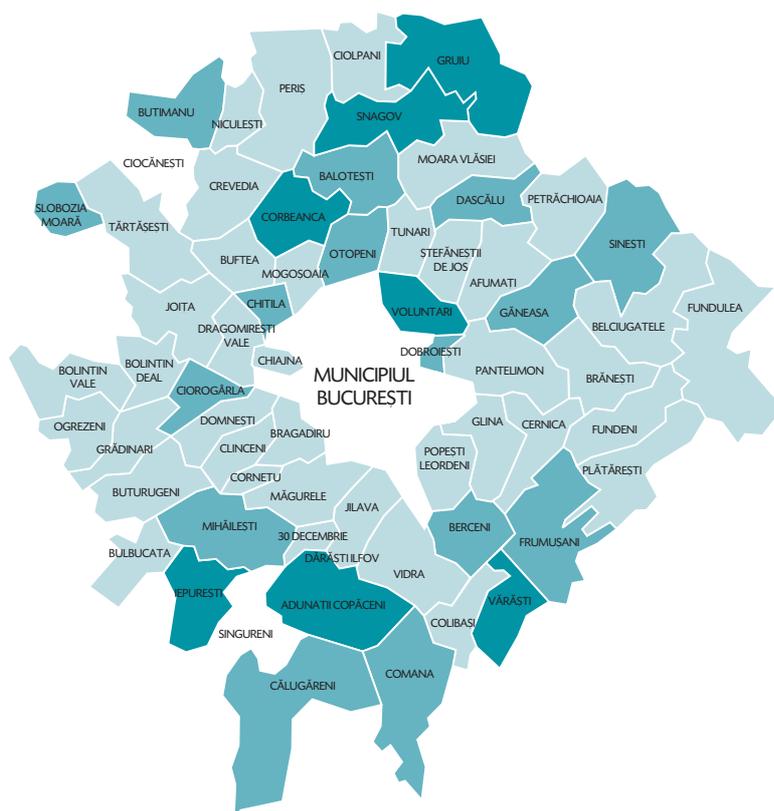
- Low (below 1% from the population of the locality)
- Medium (between 1%-3% from the population of the locality)
- High (over 3% from the population of the locality)



9: The migration of the Metropolitan localities' population to Bucharest city

Legend:

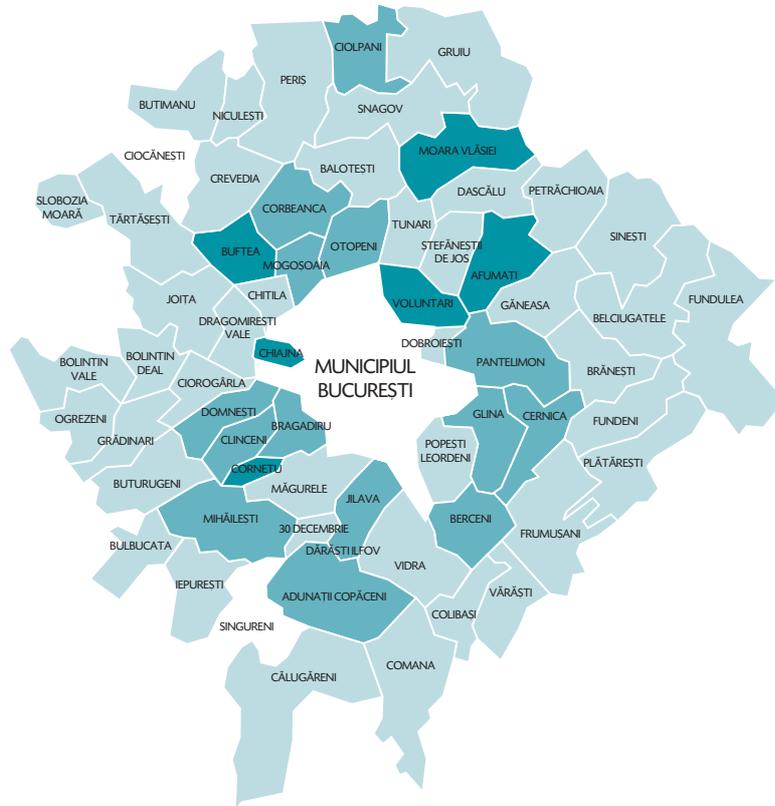
- Low (below 1% from the population of the locality)
- Medium (between 1%-2% from the population of the locality)
- High (over 2% from the population of the locality)



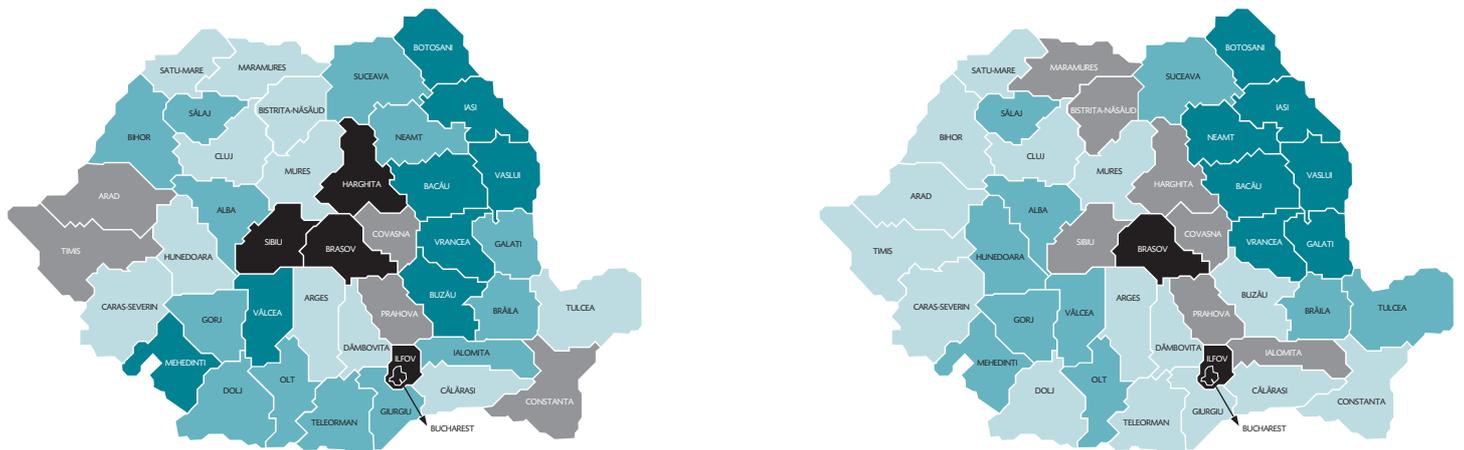
14: The agreement of the local administrations with the integration in the Metropolitan Bucharest Area

Legend:

- Yes
- No
- No opinion



The Average Stage of Social Development of the Villages per County: 1999 (left) vs. 2002 (right)



Legend:

- Judete foarte dezvoltate
- Judete dezvoltate
- Judete mediu dezvoltate
- Judete sărace
- Judete foarte sărace

