

**FOREWORD  
TO THE MARCH 20-23, 2001  
IASI WORKSHOP**

The Workshop held in Iasi from March 20 to 23, 2001 provided the municipalities of Iasi, Focsani and Oradea an opportunity to review each other's experience in preparing a strategic plan, establishing capital programming procedures and launching specific interventions. It is gratifying to note that there has been substantial progress in their ability to formulate development strategies that capitalize on their assets – economic, locational and physical. As described in their presentations to the Workshop, they are well advanced in redefining their role in the context of the national devolution policy in order to encourage and facilitate private investment as part of the transition from their traditional economic base to emerging sectors. They have been able to take advantage of a changing microeconomic context and to formulate different approaches, in accordance with their circumstances. Their technical capacity to evaluate the appropriateness of specific interventions in the context of their development plan is improving rapidly in spite of often-inadequate citywide and regional data.

The difficulties they still encounter in achieving greater financial autonomy and managing their development is due more to structural causes beyond their control than to an inability to think strategically. Specifically, there is a need for a better definition of the complementary roles of national and local authorities, to allow the latter to develop further their economic planning, land development and managerial functions and strengthen their competitive position in a shifting national and European context. At present, the powers of local authorities are strictly regulated by the national government. More flexible regulatory mechanisms should be developed in partnership by the municipalities and the central government to allow localities to pursue more innovative strategies.

The Workshop discussions identified the following issues as obstacles to efficient local planning and urban management.

### **1. Coordinating national and local activities.**

The Romanian government expends substantial funds to improve the national infrastructure, particularly the road network, and more projects are in the planning stage. There is a need for a formal proactive consultation process with the municipalities affected by these projects, to ensure that they not only reflect local needs but that the municipalities are able to incorporate them in their strategic plan and take full advantage of their economic and spatial development potential. For example, Oradea's economy will be strengthened by the construction of the Pan-European Eastern Corridor that will link it to Budapest and Krakow. Improving the national highway between Oradea and Moldavia would extend the benefits of this project to Iasi.

### **2. Managing metropolitan growth.**

The opening of the Romanian economy has not only given wide latitude to domestic and foreign investors but has also fostered a growing competition among cities and between cities and their hinterland. Private investment has started to gravitate to locations in rural communes on the urban fringe where land is cheaper. Development controls are lax and new construction is occurring frequently without adequate infrastructure. This is a worrisome trend that must be addressed by clarifying the interlocking relationships between the county and municipal governments, particularly in regards to preparing a regional development strategy and fairly

distributing its anticipated public costs and benefits. In Oradea, for example, a new industrial park is to be built between the city and the border to take advantage of the future Pan-European highway. Oradea and the adjoining communes are developing a framework for inter-communal cooperation that could potentially result in a protocol to share the development cost and future tax revenues. If this example illustrates the ability of some local governments to formulate an ad hoc innovative strategy to take advantage of an opportunity, it also underlines the need for new national legislation to support local initiatives.

Indeed, there is a clear need to reexamine and clarify the complementary roles of the national, county and local governments. The success of current devolution policy depends not only on the capacity of local governments to formulate and implement strategies that capitalize on local assets but also on the ongoing support of the national government.

### **3. Improving local finances.**

Local governments cannot be financially independent and in Romania, the devolution of responsibilities to the local level has placed a substantial and growing burden on local finances. Municipalities are still largely dependent on the reallocation of a variable percentage of the national wage tax whose unpredictable yearly yield complicates the budgetary process; they are burdened by the growing operating cost of municipal infrastructure, including the district heating systems; and they have limited powers to modulate the rents on their social housing stock to reflect real operating and maintenance costs. A predictable minimum level of financial support from the central government would enable the local governments to prepare realistic revenue projections, program maintenance and capital improvements, and develop a strategy for the management of their assets.

The uncertain financial climate in which the municipalities operate not only hinders their effort to formulate longer-term development strategies, but also keeps them from making informed decisions on the utilization of their assets in land and buildings. For example, the decision to lease or sell public lands to a private developer should be based on an evaluation of its long-term consequences rather than as an expedient way to get around a cash shortage. The whole issue of the modulation of local rates and fees to encourage private investment is only starting to be addressed by the municipalities and cannot be easily explored without a committed basic level of financial support from the central government.