

Contents

Foreword

The Public Policy Centre
Mission, Objectives and Agenda
Approach

Programmes

Local Economic Processes
Migration and Development
Human Resource Development
Measuring Capacity and Capacity-Building for Policy Research

Local Public Governance
Local Development Agent
Policy Making Effectiveness
Local Fiscal Policy

Board and Personnel

Foreword

Being the third year of the Public Policy Centre's operation, 2005 marked a year of consolidation for our organisation. We managed to build essential long-term partnerships with key local and regional public institutions involved in the policy making process and to develop fruitful collaborations with renowned international organisations working in the same field as we do. Thanks to the growing number of requests for CENPO's policy research expertise, we could increase the number of our (associate) researchers and that of our research interns as well as upgrade our office infrastructure. The enhanced capacity of our organisation allowed us to expand our existing programmes.

In 2005, we provided expertise to public sector agents (for instance the Romanian North-Western Regional Development Agency and the Cluj County Council), community based organisations (e.g. Civitas Foundation and the Centre for Rural Assistance), and educational institutions (such as the Babes-Bolyai University). In parallel, we initiated new projects, drawing attention to policy issues that – although highly important – are underscored or totally neglected and took action in view of inducing policy change. At the same time, we believe that we managed to lay down a solid basis for being able to increasingly play the role of interface between citizens and policy-makers.

This report provides facts and details about our organisation and our activity in 2005, including – among others – our goals, specific projects, achievements, funders, and partners. It is by no means an exhaustive report, but it gives an overview of what we did this past year and how we did it, as well as shows the path that we will continue to follow in our future endeavours.

Daniel POP
Executive Director

The Public Policy Centre

Mission, Objectives and Agenda

The Public Policy Centre (CENPO), established as an independent, non-profit, non-partisan organisation in 2003, is dedicated to undertake activities that contribute to inclusive and transparent public policy development at the local level, thus aiding the advancement of effective local governance and improving the democratic character of local policy making in Romania.

The mission of the Public Policy Centre is to contribute to the improvement of public policy by conducting independent research, enhancing the information flow, and facilitating policy debate among various policy stakeholders.

To achieve this mission, CENPO has set the following objectives:

- to facilitate, develop and make available policy relevant scientific research and analysis on various policy issues;
- to promote and support the transfer of information, know-how and expertise regarding the policy making process;
- to initiate, develop and facilitate partnerships for the improvement of policy practice;
- to develop and support actions encouraging direct citizen participation in policy-making.

Our agenda is to contribute to the improvement of policy making at local level, as we believe that local democracy, currently highly underdeveloped in Romania, can only be effectively built at local level and only when this happens in every region and settlement of the country, will national democracy be truly effective. However, the impact of our work is felt beyond the level of the targeted settlement or region; it has a multiplier effect, since our findings and practices have relevance to other settlements or regions. Furthermore, what we do at sub-national level can influence national policies. Thus, we are committed to enroot inclusive policy making at local level and thus to contribute to the development of a truly open and democratic policy process in Romania.

The Public Policy Centre

Approach

Policy research and analysis – we carry out policy research and analysis on various topics relevant for local policy making. Thus, we provide policy-makers a wider range of background information, alternative approaches and potential solutions, all based on solid research and analysis. The latter are carried out by building on interaction and collaboration with academics, citizens, community based organizations, private sector actors, and public institutions.

Advocacy – we have recognized that besides providing expertise to public authorities, we also need to draw attention to critical policy issues by engaging in advocacy activities in view of inducing policy change. Adopting a proactive attitude is critical in the context of Romania, where local governments are extremely vulnerable to policy capture.

Encouraging scholars to engage in policy research – we contribute to scholarly debates by producing studies and organizing events where our policy research is discussed within an academic environment. This interaction with academia is an essential breeding ground for the development of innovative approaches to various policy problems. Besides, our aim is to draw scholars and students' attention to the importance of policy relevant research and encourage them to engage in such research.

Enhancement of citizens' participatory capacity – we are dedicated to increasingly play the role of interface between citizens and policy-makers. This includes drawing citizens' attention to and informing them about problems of their community; highlighting the implications of the different activities undertaken by the local government; encouraging citizens to assert their right to have their voice heard in what concerns local policy issues; and incorporating citizens' views in our work and/or communicating them to policy-makers, thus linking policy and citizens.

Programmes

In 2005, the Public Policy Centre continued to expand its two main programmes, namely Local Economic Processes and Local Public Governance, which provide the framework for the initiation and completion of different related projects. The specific projects for 2005, designed based on analysing the needs in terms of local public policy and how these could be met, included the following.

Local Economic Processes

- 1. Migration and Development**
- 2. Human Resource Development**
- 3. Measuring Capacity and Capacity-Building for Policy-Research**

Local Public Governance

- 1. Local Development Agent**
- 2. Policy Making Effectiveness**
- 3. Local Fiscal Policy**

The topic of labor migration is widely recognized and generally accepted in the Romanian society as being a major policy issue having impact upon society in numerous ways. Nevertheless, there is very little systematic analysis about the societal impacts of this phenomenon on issues such as local economic growth and societal development, social inequality structures, or labor force rigidities.

Supported by: *Balkan Trust for Democracy,*
Vienna Institute for International Economic Studies
Total budget of the project: *EUR 18,000*

Programme 1 – Local Economic Processes

1. Migration and Development

In 2005, we initiated a complex multi-annual project seeking to enhance our limited knowledge on the developmental impact of migration on the source economy and the various implications related to being a migrant. In the first phase, we sought to improve understanding regarding the linkages between remittances and local economic development.

For 2004, the Romanian Central Bank estimated the official inflow of remittances through official channels to amount to EUR 1.8 billion (slightly over 3 per cent of the national GDP), representing an increase of almost 40 per cent compared to 2003 and almost 100 per cent compared to 2002. With unofficial remittances included, the amount was estimated to have reached EUR 3-4 billion for 2004, while the total FDI was EUR 3.5 billion. The above made us believe that it was important to study how remittances could be used so that they contribute to development.

We found that although remittances were important revenue sources, they were mainly spent on current consumption goods. To prevent local communities from suffering from the maladies of remittance trap, which are known to involve extremely high social costs, we started working with citizens, local authorities, providers of financial services and the non-profit sector to jointly identify solutions that would help them escape the migration trap. The next steps are for us to formulate policies that can enhance the developmental impact of remittances at settlement level and carry out advocacy activity for the adoption of the recommendations by policy makers.

Achievements:

- *unique data set on the impact of remittances at settlement level;*
- *a comprehensive methodology to estimate the contribution of remittances to development;*
- *empirical assessment of the reasons of remitting and usage of remittances by beneficiary households;*
- *identification and analysis of the specific policy instruments that influence remittance usage;*
- *preparation work for the formulation of recommendations to improve existing policies in view of maximising the developmental benefits of remittances.*

In parallel, we joined in the preparation of a two-year international project initiated by the UNDP Regional Centre in Bratislava. The project aims at examining the impact of labour migration on local social inequalities and – through this – on local development, wishing to assist local authorities in implementing policies that increase the integration of marginalised groups and reduce the negative impacts of migration.

The enhancement of human capacities is one critical dimension of local economic growth and social development.

Supported by: *North-Western Regional Development Agency*
Total budget of the project: *EUR 900*

Supported by: *Global Development Network*
Total budget of the project: *USD 10,000*

Programme 1 – Local Economic Processes

2. Human Resource Development

In March 2005, we started collaborating with the North-Western Regional Development Agency on carrying out the activities leading to the elaboration and adoption of the sectoral strategy for human resource development for the 2007–2013 programming period.

CENPO's contribution:

- *analysis on the existing level of human resource development in Northern Transylvania;*
- *synthesis of labour market trends;*
- *mapping the requirements deriving from the European Union accession process;*
- *elaboration of the region's strategy for human resource development for 2007–2013.*

The findings of the comprehensive analysis were presented to all relevant stakeholders, including local public governments, businesses and chambers of commerce, trade schools and universities, as well as civil society organisations. The region's strategy for human resource development for 2007–2013 was finalised based on the development priorities identified during the consultation process.

3. Measuring Capacity and Capacity-Building for Policy-Research

In 2005, we elaborated, in partnership with the Centre for Policy Studies, the final version of the background paper entitled Approaches to Measuring Capacity and Capacity-Building for Policy-Research, commissioned by the Global Development Network. The objective of the paper was to contribute to a clearer understanding of what capacities were needed to conduct policy-relevant research in the context of developing and transition countries, and to review the relevant experiences on the best approaches to capacity-building and measuring capacity-building.

CENPO's contribution:

- *definition of capacities needed for policy-research;*
- *presentation of indicators for measuring policy-research capacity;*
- *mapping major capacity-building initiatives and approaches used to measure effectiveness;*
- *elaboration of a possible comprehensive matrix to measure capacity-building for policy-research.*

The democratic exercise of decentralizing policy authority to local public authorities poses the threat of creating local autocracies given the weak participatory culture and the underdeveloped policy capacity of local authorities. This state of affairs is potentially leading to the formation of closed local elites able to capture all power and exploit local resources for their own benefit.

Supported by: *Local Government Institute,
German Marshall Fund*
CENPO's share from the total budget of the project: *USD 3,600*

Programme 2 – Local Public Governance

1. Local Development Agent

Recognising that efficient decentralisation requires enhancing local capacities to develop, debate, implement and evaluate local policies as well as increasing citizens' participation in these processes, a project was created to promote the implementation of the local development agent (LDA) function in the local public administration. The project was implemented by a consortium, formed by the Centre for Rural Assistance and Civitas Foundation for Civil Society, having as partners the Agency for Economic Development of Timis County, the Public Policy Centre, and the Faculty of Political Science and Public Administration of Babes-Bolyai University.

CENPO's contribution:

- *coordination of the background work for the policy-research paper development;*
- *elaboration of the policy paper entitled Strengthening Local Government Capacity to Adopt and Implement Local Development Strategies;*
- *presentation of the policy paper at the meetings with different stakeholders, organized within the advocacy campaign at national level.*

The policy paper elaborated presents the different policy alternatives for the adoption of the LDA function and highlights the benefits of implementation. With this development model, we provided answers to the issues raised by the growth and development challenge facing rural areas in Romania. The existing institutional structure of regional, infrastructure, and rural development policies – among others – define, to a large extent, the incentive structures for agents of development to collaborate and/or compete with each other, which in turn could be seen as having a major impact on the prospects of growth and development for rural areas. We also identified the main possible formal relations between LDAs and various agents of rural development and explained the potential benefits of the partnership between actors based in the public sector and those working in other sectors.

Policy Experience and Lessons Sharing After One Year of Membership – What could Romania learn from the experience of newly acceded countries?

Supported by: *European Union through the Phare Programme*

Open Society Foundation, through the East-east Programme:

“Partnership Beyond Borders Local Government Institute,

German Marshall Fund

CENPO’s share from the total budget of the project: *USD 2,600*

Programme 2 – Local Public Governance

2. Policy Making Effectiveness

Recognising the importance of knowledge transfer, through policy and lesson learning, for an increased efficiency in the work of Romanian local authorities, our organisation, Civitas Foundation, and the Romanian West Regional Development Agency partnered to organise an international seminar intended to aid the policy learning of local and regional authorities from Romania from the one-year experience of the countries that acceded to the European Union in 2004.

CENPO's contribution:

- *The development of the project idea and the elaboration of the project proposal;*
- *An overview of the issues concerning policy making modes and a review of the literature concerning policy making at local and regional levels, focusing also on policy instruments available for lesson learning and policy transfer;*
- *A study on policy-learning practices, elaborated based on the individual experiences and cases presented by policy makers from EU Member States at the international seminar, made available to policy makers in Romania.*

For the year 2006 we intend to extend this initiative to assist local authorities to develop procedures and adopt protocols that would enhance their organisational capacity to plan and carry out inclusive policy making. We plan to organize an international meeting of policy-makers, which will create the opportunity for local policy-makers to exchange ideas and discuss the methodologies of policy-learning and lesson drawing with their counterparts from EU Member States.

The transfer to local authorities of the responsibilities to provide a part of the public services has created opportunities for the emergence of local economic planning and the adoption of local development plans by the communities themselves. However, central government authorities have been slow in reforming fiscal relations between government levels.

Supported by: *Local Government Institute*
Total budget of the project: *USD 8,000*

Programme 2 – Local Public Governance

3. Local Fiscal Policy

The revenue and spending responsibilities of local authorities are still strongly constrained by the fact that the central government maintains a mainly centralised fiscal system. Nevertheless, there is only very limited information about the spillover effects of national fiscal policies on local budgetary rigidities and the ability of local authorities to provide public services.

Our researcher Mihai Copaciu was awarded an LGI Policy Fellowship grant (2005/2006) to evaluate the impact of national fiscal reform on local budgetary rigidities.

The main results include:

- *A mapping of the fiscal relations that exist among levels of government, assessing the specific responsibilities and fiscal powers assigned to local governments;*
- *Assessment of the fiscal relations that exist across levels of governments, with analysis carried out regarding the procedural functioning of the local fiscal system (i.e. assessment of the setting up of Local Treasuries).*
- *In-depth analysis of the impact of macro-policies on local budgetary rigidities, including the impact of the newly introduced flat rate tax system on the local economies and consequently on local governments' revenues.*

The results of the study will be presented under the form of a policy paper to relevant policy stakeholders in spring 2006 and a regional meeting will be organised.

President

Gábor Kolumbán
E-mail: gkolumban@cenpo.ro

Vice-President

Csaba Hajdó
E-mail: cshajdo@cenpo.ro

Vice-President

Márton Balogh
E-mail: mbalogh@cenpo.ro

Executive Director

Daniel Pop
E-mail: dpop@cenpo.ro

Researchers and Associate Researchers

Ioana Mureşan
E-mail: imuresan@cenpo.ro

Mihai Copaciu
E-mail: mcopaciu@cenpo.ro

Raluca Jurje
E-mail: rjurje@cenpo.ro

Cosmina Paul
E-mail: cpaul@cenpo.ro

Éva-Mária Szávuj
E-mail: eszavuj@cenpo.ro

Accountant

Ana Cobârzan

Research Interns

Alin Chindea
Andrew McKenna
Adriana Mica