



## The age of decentralization or the end of an uninitiated reform

The term of decentralization, unknown for majority in Moldova, has been recently adopted by our politicians, about ten years ago. In 2006, due to the pressure of the European institutions and civil society, the communist Parliament has approved a normative document – the law on administrative decentralization. The law establishes the competences and responsibilities of local public administration (LPA) and the obligation to finance these duties. A special article of the law stipulated that the government would elaborate an action plan for its implementation. But the plan has not been written and the idea of decentralization has been abandoned.

After the pro-European alliance has acceded to power, the idea of decentralization has been retaken, being introduced as governance priority to all the programmes of the governments after 2009. There have been made enormous efforts to conceptualize the reform and in 2012 a special law approved the National Decentralization Strategy. There has been established the institutional framework for the decentralization, including the Parity Commission, with ministers and LPA representatives, and ministerial working groups. The development partners have offered scores of millions of dollars to support the reform, due to which the normative framework has been revised and modifications were proposed for more than twenty laws, according to the principles of the Decentralization Strategy. Public debates have followed, attended by all the stakeholders: the government, the mayors and civil society. This was the foundation of an ample reform, whose goal was proved larger access to services. But it doesn't become reality.

### **Strong local governments receive less**

The reform is not possible without financial decentralization. If the central government decentralizes or delegates to local authorities a public function, it must be followed by finance. The current system of local public finance is highly centralized and complicated. Each government level depends financially on its superior level. The budgets of the mayoralties depend on decisions taken at district level, while district budgets are decided by the center. Moreover, the mayoralties which collect more local taxes and fees receive less transfers from the district budgets. To benefit from transfers, mayors have to be obedient to districts and the government. When knocking on their doors, mayors have to remember what their political colour is. It is obvious that this system can no longer be tolerated. It is too old, too sophisticated and too politicized.

## **The new system of local public finance**

The reform of the local finance system is subject to discussions since long ago. But real solutions have been proposed only in the last two years. With the support of UNDP, teams of local and international experts have developed a new system of intergovernmental financial relations. The system has been tested for 3 previous years, it has been accepted by the government and presented to the Parliament to modify the local finance law. At this moment, the project has been already approved in two readings. Informative seminars dedicated to mayors were held in most of the districts.

The new law envisages the reform of the local finance system, according to the constitutional principles and the European standards related to local self-government. The financing principle for mayoralities changes radically, as they will have direct relations with the Ministry of Finance. This will exclude any subjective intervention in finance distribution.

The law stipulates clearly – all local taxes will be kept by mayoralities. The more they collect, the more they will have. Local revenues should not be taken into consideration when transfers are established. This will make mayors attract more businesses to their localities, expanding the tax base. Collected means will be used by mayoralities as they decide.

The new system of local public finance provides clear and equitable rules for all the mayoralities. Its benefits are obvious. Political colour will no longer influence the distribution of finance, which will be decided through a mathematical formula, taking into account the number of population, the surface and the fiscal capacity of the subordinated local government. The new rules annul the budgetary subordination of mayoralities to district councils and the government. The new system strengthens mayors' position, which are directly elected by population, but have only few levers of influence. They will get more freedom in managing local finance, which will increase mayoralities' authority and capacity to independently solve local problems. So this system ensures the implementation of the actions foreseen by the Governance Program and the achievement of the expected result: decentralization and authentic self-government.

## **Reforms do not require money, they require political will**

Certain governors have seen the benefits of the mayoralities and the disadvantages for the parties and propose to postpone the approbation of the law and its implementation since 2014. Another paradigm is proposed, seemingly attractive but practically unrealistic. Some say there exists one billion lei in the budget - for the funding of local projects. A deputy who is in charge of public finance said they work on investment distribution mechanisms. But no one is able to give clear and intelligent answers. Where does this extra billion come from in conditions of an austere budget? Knowing that the needs of mayoralities are superior, how will money be allocated? Once again, some will be neglected and another will be favoured? And what does it have to do with the decentralization reform? Why this parliamentary innovation can not be implemented

simultaneously with the system of fiscal decentralization?

Those who try to delay the implementation of the reform actually want to keep the current state of mayors' subordination. Instead of receiving a functional mechanism (a line), (certain) mayoralties will receive some pennies (a fish). Their intention is clear – just before the parliamentary elections, the governors want to keep their influence over the mayors, through political distribution of financial resources. Maybe it is the time for these officials to understand that reforms mean more than money. Money never suffices. The reform requires political will most of all. This is what our respectable deputy, in charge of public finance, at least says on his blog.

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