

THE ROLE OF FINANCIAL RESOURCES FROM THE STRUCTURAL AND COHESION FUNDS IN THE STRENGTHENING OF THE ADMINISTRATIVE-TERRITORIAL UNITS AUTONOMY

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Abstract:

Integration in the European Union provides to the Member States new opportunities for financial resources for the financing of local development projects in the form of structural and cohesion funds. From the perspective of local authorities in Romania, the time of the structural funds brings with it new management rules involving a big degree of managerial capacity of the developed, which is a consequence of the implementation of the principle of local autonomy, but most of all, its component, financial autonomy. Access projects from the structural funds involves an extending process that is not visible as the local public finance reform, for the purposes of carrying out planning budget-based programs, monitoring financial performance indicators at the same time as those of impact, the result, of what happened in the plan with concrete activities administered under programmes for funding. To ensure a higher percentage of co-financing involves the need to identify alternative solutions for local budget revenues. Also, local public authorities must take into account the importance of appropriate training of personnel (civil servants and employees of the contract) in order to be able to access and manage appropriate money from the structural funds.

The paper aims to establish the regulatory framework of local autonomy at the international and national level and analyze financial resources from the structural and cohesion funds, attracting attention to the role in the strengthening of the administrative-territorial units autonomy.

Keywords: local autonomy, financial autonomy, alternative financial resources, structural and cohesion funds

JEL Classification: H7, H83

INTRODUCTION

The existing process of decentralization and the manifestation of local autonomy generates the involvement of local authorities in the implementation of local public investment, in the light of the exclusive powers entrusted to them, and thus the need to ensure the sources of funding. At the same time, the membership of the European Union requires local restrictions but also offers additional opportunities for obtaining resources to finance local projects. The role of the structural and cohesion funds is more obvious the local authorities are able to achieve a good management of the management of funds, since they take the form of alternative sources of funding the local budget.

The paper wants to provide the conceptual and legal expressions of local autonomy, and then to submit structural instruments, as the structural funds (European Regional Development Fund and the European Social Fund) and the Cohesion Fund, as well as the actions supported by EU funds. In the end it will do an analysis of the absorption of funds by the Member States of the European Union, focusing on Romania, in particular.

The framework of this paper is based on a set of research books in the field of public administration and local government finances, analysis of the legal framework of the autonomy and supposes the research of a series of documents of the European Commission, of the Ministry of regional development and tourism.

INTERNATIONAL GUARANTEE OF LOCAL AUTONOMY

At the international level, local autonomy is perceived differently, as in history, it represented an area reserved exclusively for national competences, to the discretion of State sovereignty, by reservation only local autonomy does not violate the General principles and other accepted rules of international public law. At the constitutional level, the principle of local

autonomy was entered in general, with reference to the law to regulate the forms, conditions and limitations. Basically, each country has adopted a particular form of local autonomy self-regulation, pertaining to the historical conditions of state formation, structure, forms of government, coloration of the population, traditions and aspirations of citizens. Thus, countries such as Denmark, Belgium, United Kingdom of Great Britain and Northern Ireland does not use explicit term local autonomy, but countries such as Romania, Greece, Luxembourg, Spain, Portugal have established in their fundamental legislation the principle of local autonomy. But all forms of local autonomy presume the idea that it is not only a barometer of democracy, but also the most effective combination to ensure coherent development strategies and national resources with real possibilities [1] (Dascălu, Elena-Doina, 2006).

International self-regulation of local autonomy has two trends [2] (Popeangă, Gabriel, 2002). The first trend refers to the concern of States to integrate local autonomy in the context of democratic principles, the participation of local communities to assert their own interests, and in this sense it was following Henri Oberdoff assertion: "these different constitutions in Europe, by their decentralized approach, authorizes the flowering of a Europe sister, complementary, of a Europe of the community of States" [3] (Oberdoff, Henri, 1993). The statement highlights the character of the European territorial autonomy based on decentralization, complementarity and the community of States.

The second trend refers to the shaping of the local autonomy concept by adopting the "European Charter of Local Self-government" in Strasbourg in 1985. Thus, European recognition of the importance of local autonomy was originally enshrined by the European Framework Convention on Cross-border Cooperation of Territorial Communities or Authorities, and from 1985 through the European Charter of Local Self-government, multilateral legal instrument adopted by the Council of Europe, which entered into Romanian legislation since 1997. According to it, "by local autonomy means right and actual capacity of the local public administration authorities to address and manage, within the law, in its own name and in the interest of the local population, an important part of public affairs" [4] (Law No. 199/1997). If the first treaty regulate the external dimension of local autonomy only, stating that only one particular aspect, cross-border cooperation and not the whole area of cross-border cooperation, the European Charter of Local Self-government is the common reference document the most complete and most useful to the defence and strengthening of local autonomy.

In March 2009, the Council of European Municipalities and Regions adopted the European Charter on Local and Regional Services of General Interest, which aims to be a tool for compliance with the implementation of the principles of local self-government, subsidiarity and proportionality, starting from the idea that Europe needs requires strong local and regional authorities, democratic, free to make decisions on their local services in the interests of citizens. The Charter stipulates [5] that the principle of local and regional autonomy is the cornerstone of local systems of governance by filling out the principles of subsidiarity and proportionality.

THE LEGISLATIVE FRAMEWORK OF LOCAL AUTONOMY IN ROMANIA

In the article 120, the Constitution enshrining the local autonomy principle after that is organized and operated public administration in administrative-territorial units. However, given the unitary character of our state Constitution enshrines the principles of decentralisation and deconcentration of public services. The fact that these principles are contained in the same article demonstrates that these principles act simultaneously and the requirements of their intertwining so as to ensure, on the one hand, local autonomy, and, on the other hand, the unitary leadership of the country.

These principles are stipulated in law and public administration [6], together with the principles of eligibility of local authorities, legal and consultation of citizens in solving local problems of special interest.

Almost identical to the European Charter of Local Self-Government, local government law stipulates that "local autonomy means the right and effective capacity of local authorities to resolve

and manage on behalf of and in the interests of local communities in which they represent, public affairs, under the law" [7]. Then, set the contents of local autonomy, specifying that it is only the administrative and financial [8] and local autonomy regarding local self-organization, the functioning, competencies and responsibilities, as well as management of resources which, according to the law, belongs to the communes, town, municipality or county [9].

The content of local autonomy, can be different interpretations of the legislative framework so that it can be extended to cultural and territorial autonomy, which appears by default. Cultural autonomy is reflected by the fact that the territorial-administrative units where citizens belonging to national minorities and have a share of over 20% of the inhabitants, local public authorities, public institutions subordinated to them and deconcentrate services ensure the use of dealings with them the mother tongue [10]. The territorial autonomy of the communes, cities, municipalities and counties is established by law, so that the public domain local communes, cities and municipalities consists the following goods [11]: roads, vicina and streets; commercial, public markets, fairs, public parks and entertainment areas, lakes and beaches that are not declared in the public interest; the national or regional networks, water supply, sanitation, heating and treatment plants, waste water, with installations, buildings and land; the land and buildings in that the local Council and Mayor's Office, as well as public institutions of local interest, such as theatres, libraries, museums, hospitals, polyclinics and the like; social housing; statues and monuments, unless they have been declared national public interest; riches of any kind of subsoil, unless they have been declared national public interest; land use, if you do not belong to the private area of the State and are the property of individuals or legal persons under private law; municipal and communal cemetery.

FINANCIAL AUTONOMY

In the light of this research, it is necessary to achieve an approach more concise of the content of local autonomy in terms of financial autonomy. Thus, it falls in the field of the local public finances, where financial autonomy has well established its place as the condition and then as a form of local autonomy. The definition of the European Charter of Local Self-government reflects that local autonomy, as a concept, may not have support in practice than to the extent that it is accompanied by a real financial autonomy. Moreover, the researchers when talking the autonomy on different plans, stating that the autonomy may not be real, effective, without the presence of the autonomy in finance, material and human, local self-government with own servants, domain (public and private), financial autonomy, particularly in terms of setting and collection of taxes and the existence of its own budget.

A definition given autonomy in financial terms is that local autonomy involves the right of local authorities to have cash resources, to use them and manage to perform the duties prescribed by law, to prepare the budget, to monitor implementation of the budget called financial autonomy [12] (Voinea, George, 2008).

Financial autonomy is realized by disposing of sufficient resources to ensure their expenses and at the same time to ensure achievement of decentralized powers. Freedom to manage, financial and fiscal autonomy are associated as a cocktail of a successful decentralization [13].

The literature indicates two cornerstones of claim financial autonomy: on the one hand, the empowerment of local communities (may decide themselves - with reserves of legality, can assume responsibility), on the other hand, the freedom of management as financial autonomy suggest an independence of the community vis-a-vis vis-à-vis the state. Hélène Pauliat concluded that the claims of financial autonomy is rather the prerogative of rich local community.

Agnes Sauviat [14] states that the financial autonomy of local communities is one of the basic conditions of real freedom of administration to the extent that it is not a way to say independence but requires the state to ensure stability and sufficient resources to enable the local authority to exercise fully decentralized and relevant skills.

François Labie [15] (Voinea, Gheorghe, 2008) believes that financial autonomy is dependent on certain conditions, as following:

- local public administration authorities should have its own cash resources sufficient to achieve the tasks provided for by law;
- local public administration authorities should be allowed to determine their own revenue and expenditure and to develop forecasting budgets;
- central administration authorities should to exercise control over how regulations and administration of local public affairs.

Legal and financial autonomy is materialized in the formation of local public administration authorities as separate legal entities with their own budgets, regulatory sovereignty in financial management and without control of the central administration [16] (Voinea, Gheorghe, 2008).

The size of the financial side of the local autonomy is dependent on the delimitation of competences of local public administration authorities in providing public services, diversity and quality of public services, development programs of the administrative-territorial units, the income levels of administrative-territorial units, improving management of expenditure from local budgets. The financial aspect is an important component of local autonomy, exercising influence on the ability of local public administration authorities decision [17] (Voinea, Gheorghe, 2008).

Local Public Finance Act [18] of Romania defines the term local financial autonomy through the administrative-territorial units right to sufficient financial resources that local government authorities may use the exercise on the basis and within the limits of law and to ensure powers of local government authorities in setting taxes.

EU INDICATIVE FINANCIAL ALLOCATIONS

Proiectele Uniunii Europene implică rigoare, cunoașterea condițiilor de cheltuire a fondurilor, transparență. Politica fundamentală a UE este Politica de Coeziune Economică și Socială, a cărei implementare se realizează prin intermediul a trei instrumente structurale, și anume fondurile structurale (Fondul European pentru Dezvoltare Regională și Fondul Social European) și Fondul de Coeziune. Acțiunile finanțate din aceste fonduri precum și categoriile de State Membre eligibile sunt prezentate în tabelul 1.

The European Union Projects involve thoroughness, knowing the conditions for the spending of the funds, transparency. The EU fundamental policy is Economic and Social Cohesion Policy, whose implementation is carried out through three structural instruments, namely the structural funds (European Regional Development Fund and the European Social Fund) and the Cohesion Fund. Actions financed from these funds as well as categories of eligible Member States are given in table 1.

Table 1. Member States eligible and actions supported by EU funds

EU Funds	Actions supported	Eligible criteria
Cohesion Fund	-Infrastructure projects for transport-road traffic, railways, inland waterways, civil air transport, etc. -Environmental projects - energy efficiency, renewable energy and transport projects	The EU Member States whose GNP per capita is less than 90% of the EU average
European Regional Development Fund	-Direct Aid for investments in enterprises (emphasis on SMEs) to create sustainable jobs -Infrastructures for research and innovation, telecommunications, environment, energy and transport -Support through financial instruments, such as venture capital funds, local development funds, etc. for regional and local development and fostering cooperation between cities and regions -Technical support	All 27 EU Member States
European Social Fund	-Lifelong learning and the adoption of workers and enterprises -Integration of unemployed women, and immigrants on the labor market -Integration of unemployed women, and immigrants on the labor market -Reforming the education system and improving human capital	All 27 EU Member States

Source: European Commission

For 2007-2013, the objectives of intervention of the Economic and Social Cohesion Policy are as following:

- Convergence - the regions where the GDP per capita is less than 75% of the EU average (funded by the European Regional Development Fund, the European Social Fund and the Cohesion Fund);
- Regional competitiveness and employment - for regions not eligible for Convergence objective (funded by the European Regional Development Fund and the European Social Fund);
- European territorial cooperation - for regions, counties and transnational areas (funded by the European Regional Development Fund).

In terms of local public authorities and areas of responsibility at the level of the county councils and town halls, it is important to bear in mind Regional Operational Program and Environment Sectoral Operational Programs and for the development of administrative capacity. Also, for the Sectoral Operational Program for Increasing Economic Competitiveness there is priority objective, the potential of IT in the public sector (public administration), and for the Sectoral Operational Program Human Resources Development, local public authorities may apply individually or as partners of any non-governmental organizations, for the purpose of social inclusion of vulnerable groups.

In the light of their level of economic development, new EU members, among which Romania can benefit from resources in all three categories of funds. Of these, for the period 2007-2013, Poland has allocated the largest amount (67,284 million euros, approximately 19.37% of total), followed by Czech Republic (7.68%) and Hungary (7.28%) (Figure 1).

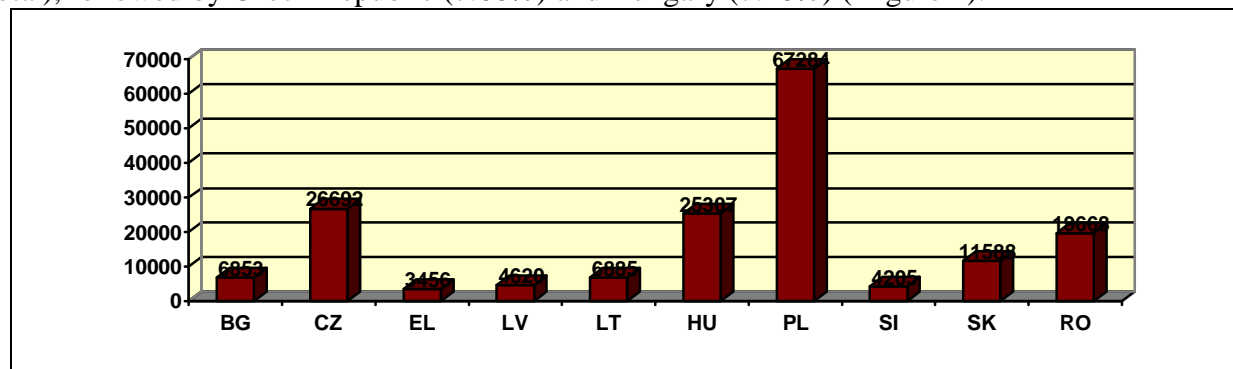


Figure 1. Cohesion policy 2007-2013: Indicative financial allocations for the new EU countries (million, current prices)

Source: European Commission

Structural and Cohesion Funds allocated to Romania for the period 2007-2013 is EUR 19.668 billion (5.66% of total), of which 12.661 billion allocated by the Structural Funds under the "Convergence" objective, Euro 6.552 billion are allocated to "European Territorial Cooperation" Objective. The breakdown by operational programmes of the total aggregate Structural Funds contribution corresponding to the "Convergence" objective of the Cohesion Fund highlights the importance of the priority given to the transport infrastructure (23.8%) and the environment (23.5%) (Figure 2).

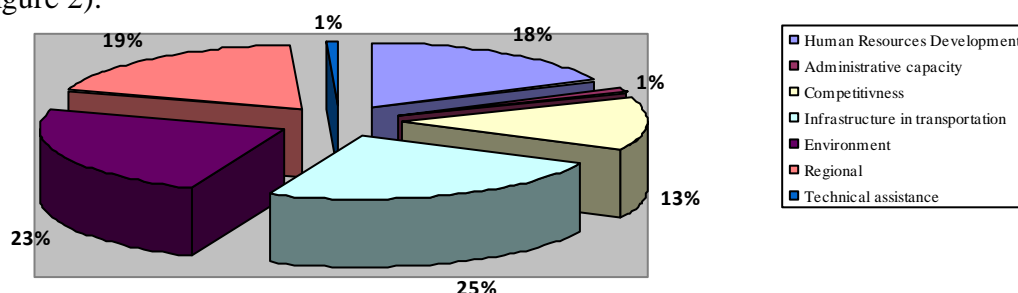


Figure 2. Estimated allocation on operational programs for Romania in the period 2007-2013

Source: National Strategic Reference Framework (NSRF) 2007-2013

Resources from the Structural and Cohesion Funds of the European Union represents an opportunity for new Member States, allowing them to major public investment projects, without increasing ordinary budgetary resources and without affecting the consolidated budget balance. Unlike local loans, they are not refundable and no interest accrues. However, several issues must be considered. Firstly, the rules on the Structural and Cohesion Funds impose the need for cofinancing by the Member States. The maximum amount of the contribution of the EU is established by Council Regulation No. 1083/2006, in accordance with the EU's financial perspectives for 2007-2013.

Romania can benefit from a maximum rate of 85% of Community funding for all three funds: European Regional Development Fund, European Social Fund and Cohesion Fund. RNSRF allocation within intervention "Convergence" objective, needs a co-financing estimated at 5.07 billion euros, supported from public sources (2/3 of total co-financing), as well as from private sources (1/3). Co-financing will be chaired by the public of the State budget by the Romanian Government and from the local budgets of public authorities which will apply the structural funding instruments. In view of the low financial capacity of many local authorities to ensure such co-financing, the Romanian Government decided to reduce as far as possible, the contribution of the local budget. Thus, the principle that will apply to operational programmes is that whereby the cofinancing of the local budget for a project will be generally 2% of the eligible except for income generating projects. Therefore, the contribution of local budgets is less than 5% of the total national cofinancing.

Secondly, especially in the case of new EU Member States, although volume commitments the structural and cohesion is considerably, an important issue is the low absorption capacity, mainly as a result of inadequate inadequate regulatory and institutional framework.

Another important aspect is information that is necessary to know and analysed by the local public authorities, as beneficiaries, but also that require further explanation at the level of central public authorities as the management authority. Also, another problem is the types of expenditure considered as eligible expenditure for projects submitted. For example, the Regional Operational Programme states that: "an expenditure co-financed within the framework of the Regional Operational Programme may no longer receive funding under other Community financial instrument" [19]. This means that it must be analysed clearly if they are included in this connection the total volume of expenditure and co-financing for each priority axis (see Figure 3), or for some of the priority axes (e.g. County roads rehabilitation and modernization) or for a specific intervention (e.g. county roads connecting the national network of roads). Also, some operational programmes such as transport and the environment are financed by the two types of funds: the European Regional Development Fund and the Cohesion Fund, so should be considered the differences priority axes inside these programs operational funding (for example the co-financing, eligible expenses, etc.).

An important role in the strengthening of local autonomy, as applicability, has the Regional Operational Programme 2007 - 2013 (REGIO) as an important instrument for implementing the national strategy and regional development policies. This is applicable to all eight development regions of Romania. The general objective of the Regional Operational Programme is to "support and promote local sustainable development, both economically and socially, in the regions of Romania, by improving the infrastructure and business environment, supporting economic growth".

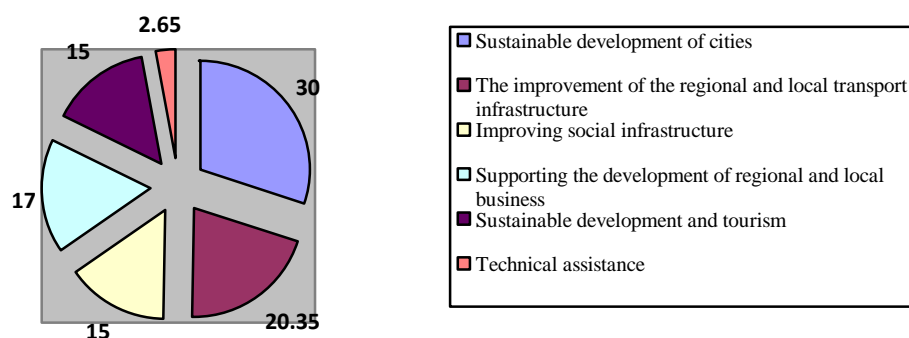
The Regional Operational Programme is funded by European Regional Development Fund (ERDF). It supports EU regions have a GDP per capita below 75% of EU average.

The total budget allocated to the Regional Operational Programme is approximately 4.4 billion euro in the period 2007-2013. EU funding is approximately 84% of the Regional Operational Programme budget. The rest comes from national public funds, co-financing (14%) and private co-financing (2%). Distribution of the funds is done on the priority axes of the the Regional Operational Programme. Each priority axis has been allocated a specific budget and includes a number of key areas of intervention aimed at achieving development objectives (table 2).

Table 2. Regional Operational Programme funds distribution on the priority axes

Priority axes	Objective	Percentage allocated to the budget of Regional Operational Programme
1: Supporting the sustainable development of cities-poly urbans growth	Support for the development of cities in order to increase quality of life and creating new jobs.	30% of the budget allocated to the Regional Operational Programme
2: The improvement of the regional and local transport infrastructure	Support for rehabilitation and upgrading of county roads, city streets, including ring roads	20,35% of the budget allocated to the Regional Operational Programme
3: Improving social infrastructure	Support for the improvement of infrastructure and social services, health and public safety in emergency situations; upgrading educational infrastructure	15% of the budget allocated to the Regional Operational Programme
4: Supporting the development of regional and local business	Funding for the development of business support structures, industrial rehabilitation centres; supporting micro	17% of the budget allocated to the Regional Operational Programme
5: Sustainable development and tourism	Support for the restoration of the cultural-historical heritage and modernise the tourism infrastructure, improve the quality of the infrastructure of natural areas which might attract tourists.	15% of the budget allocated to the Regional Operational Programme
6: Technical assistance	Support for transparent and effective implementation of the Regional Operational Programme	2,65% of the budget allocated to the Regional Operational Programme

Source: Regional Operational Programme, Ministry of Regional Development and Tourism

**Figure 3. Allocation of Regional Operational Programme budget , priority axes for the period 2007-2013**

Source: Regional Operational Programme, Ministry of Regional Development and Tourism

From the perspective of the beneficiary, there is an entire institutional mechanism to be driven by a phased until such time as the contract is signed by each authority management with each Town Hall/County Council that has an approved project of the structural funds. These steps may take a considerable time, which results in local budget planning implications, providing sufficient sources of funding for when the managing authority shall take a final decision on the projects financed. Accessing EU funds by local authorities have the following simplified scheme of financial flows (Figure 4)

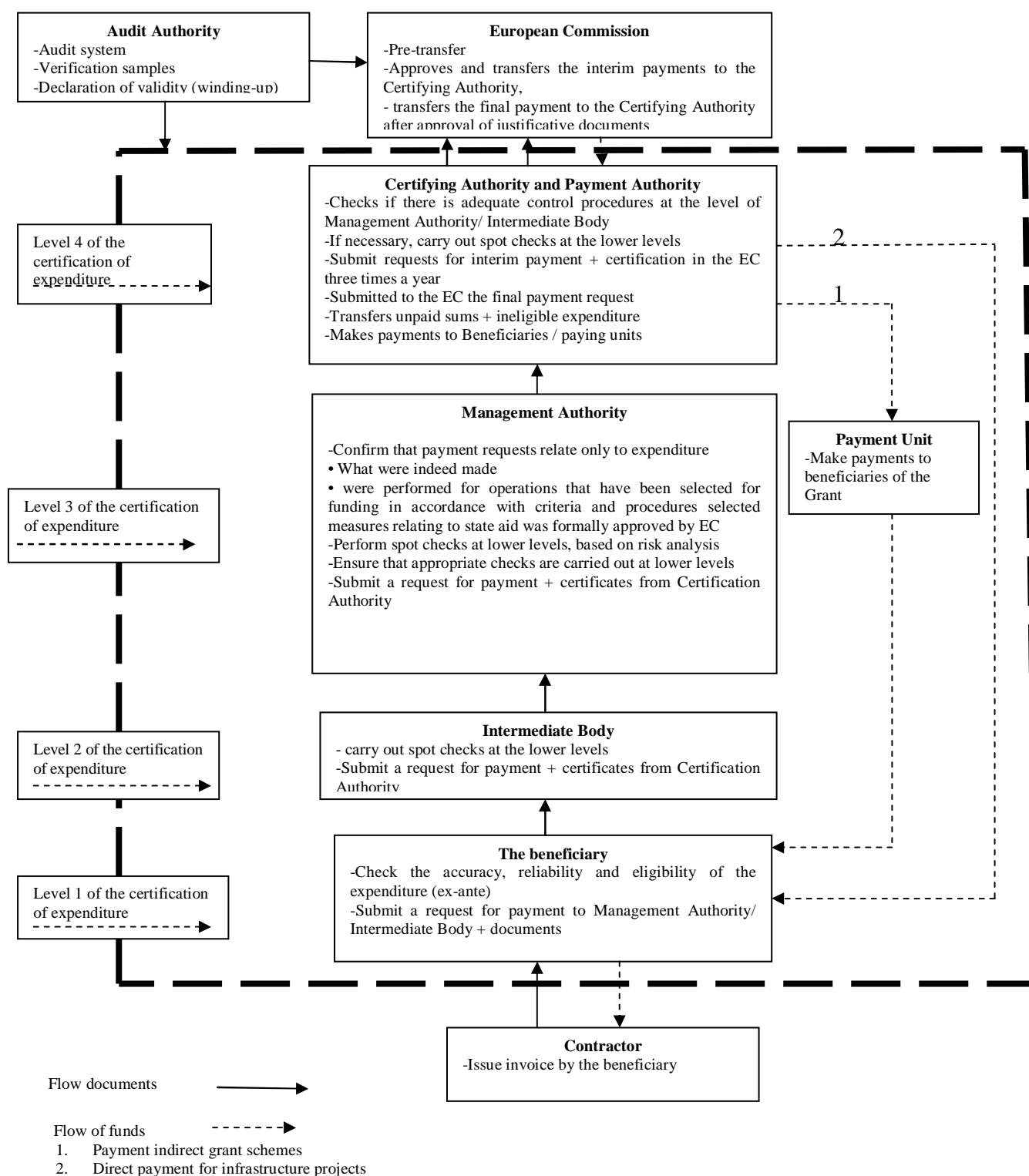


Figure 4. Financial Flow of Structural and Cohesion Funds in Romania

Source: Absorption of the structural funds in Romania, document prepared by the Institute for Public Policy, Romania, 2006, p. 54, after Reference National Strategic Framework 2007-2013, Romania

ABSORPTION OF THE STRUCTURAL AND COHESION FUNDS

The calculation of the absorption rate takes into account only the amounts refunded, as a result of carrying costs, not the payments made in advance. In the first two years after accession to the European Union of the ten Member States in 2004, the rate of absorption of EU funds remained

in most of them well below the desired level (Poland, Hungary, the Czech Republic). Only Latvia has progressed satisfactorily. And Romania faced the same problem in 2007. According to a study published by the National Bank of Romania in March 2008, the degree of absorption of EU funds after the first year of Romania's accession to the European Union was approximately 32.7%, less than half. Countries such as Hungary and Poland have recorded a rate of absorption of 42.9% and 42.8%. In these circumstances Romania became, in reality, the net contributor to the EU budget.

As a result of a survey conducted by Structural Consulting Group [20] on a sample of 3324 people (of which 62.31% are part of the business, and the rest being involved in consulting and management, representatives of institutions, NGOs, and people in education and research) on issues which may arise in the management of the structural funds in Romania, it was found that 29.91% of the respondents consider that excessive bureaucracy is the biggest problem in managing the structural funds in Romania. A second problem is the lack of capacity of beneficiaries to finance or co-finance projects (15.16%). From our point of view, this second problem is actually the most important, the administrative-territorial units have no income to provide co-financing, especially financing the repayment in full feather.

A similar proportion of 15.1% of respondents indicate the lack of transparency in the assessment and selection of projects. of respondents believe lower expertise in writing project beneficiaries is a major obstacle in managing the structural funds. 11.76% of the respondents are of the opinion that insufficient information on opportunities for funding from the structural funds is a serious problem.

The procurement procedure, 6.65% considered that is slow, and wrong implementation represents a problem for 5.63% of the participants in the survey. The last major challenge identified by 3.61% of the respondents is centralizing the management of funds at the level of ministries.

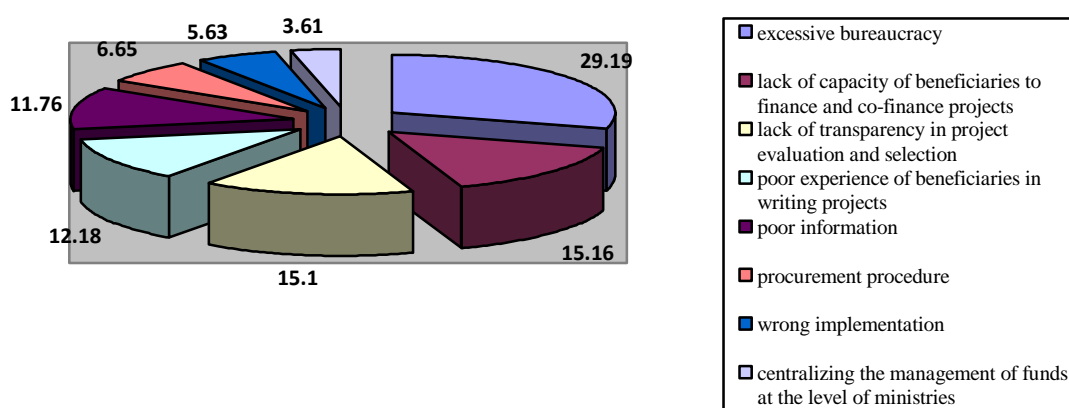


Figure 5. Major problems faced by Romania of EU funds absorption

CONCLUSION ON THE ROLE OF THE STRUCTURAL AND COHESION FUNDS IN THE STRENGTHENING OF LOCAL SELF-GOVERNMENT

Faced with a reform process specific to mainland Europe, whose characteristic is the decentralization of public services, administrative-territorial units are in a continuous search for resources, due primarily to the existence of the gap between the transfer of responsibilities and the transfer of resources and public needs, this calls for a large investment. In the European context, local public investments acquires a particular importance, especially for the new Member States of the European Union, from Central and Eastern Europe to catch up to support real convergence program.

In this context, the significant investment financing needs in the European Union but also internationally, turns out to be "one of the most important challenges of the millennium" [21] (Katherine Sierra, 2005).

Accessing the structural and cohesion funds is a result of the implementation of the principle of local autonomy and an attribute of the administrative-territorial units. However, access is not

easy, because it can be done only in circumstances where the local budgets are solvent, and, moreover, demonstrates high financial credibility. Credit appears in the conditions under which own revenue collected by the local budgets are over 50% of total revenue. Most Member States of the European Union have tried to provide local autonomy as possible, so that they can collect their revenue as large as possible.

Once accessed structural and cohesion funds, local communities may solve an important part of public affairs, realizing a process public investment that may become a source of income. Thus, the role of the structural and cohesion funds in the strengthening of local autonomy is one extremely important; in addition being an alternative sources of funding the local budget, is, in particular, tools for achieving and consolidate local autonomy.

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