



GOVERNMENT OF ROMANIA

***NATIONAL STRATEGIC REPORT 2009  
on the implementation of the Structural and  
Cohesion Funds***



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# List of Abbreviations

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## Abbreviation

ACIS	Authority for Co-ordination of Structural Instruments
AMIGO	Household Labour Force Survey
CBA	Cost Benefit Analysis
RDI	Research, Development and Innovation
CF	Cohesion Fund
CFR	Romanian National Company for Railways
COCOF	Committee for the Coordination of Funds
CPA	Certifying and Paying Authority
CSG	Community Strategic Guidelines on Cohesion
DPL	Development Policy Loans
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECDL	European Computer Driving Licence
EERCIA	Eastern European Research Center for Integrated Application
EERP	European Economic Recovery Plan
EGO	Emergency Government Ordinance
EIB	European Investment Bank
EIF	European Investement Fund
EPO	European Patent Office
ERDF	European Regional Development Fund
ERTMS/ETCS	European Railway Traffic Management System / European Train Control System
ESF	European Social Fund
EU	European Union
EURES	European Job Mobility Portal
GD	Government Decision
GDP	Gross Domestic Product
GHG	Green House Emissions
GRID	Electronical Communication Technology in the Research Field
IB	Intermediate Body
IBRD	International Bank for Reconstruction and Development
ICT	Information and communication technologies
IDA	Intercommunity Development Association
ILO	International Labour Organisation
IMF	International Monetary Fund
ISPA	Instrument for Structural Policies for Pre-Accession
IT	Information Technology
JASPERS	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro to Medium Enterprises initiative
KAI	Key Area of Intervention
LLL	Life-long learning
MA	Managing Authority
MC	Monitoring Committee
MERYS	Ministry of Education, Research, Youth and Sports
MPF	Ministry of Public Finance
MTI	Ministry of Transport and Infrastructure
NACE	General Industrial Classification of Economic Activities within the European Communities
NAE	National Agency for Employment
NARMPP	National Authority for Regulating and Monitoring Public Procurement
NBR	National Bank of Romania

## Abbreviation

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NCP	National Commission for Prognosis
NCSC	National Council for Solving Complaints
NDP	National Development Plan
NGO	Non-governmental Organizations
NIS	National Institute for Statistics
NRP	National Reform Programme
NSR	National Strategic Report
NSRF	National Strategic Reference Framework
OP ACD	Operational Programme Administrative Capacity Development
OP TA	Operational Programme Technical Assistance
PA	Priority Axis
PES	Public Employment Service
ARACIP	Romanian Agency for Quality Assurance in Pre-University Education
CRESC	Regional Committee for Strategic Assessment and Correlation
NARP	National Agency for Roma People
ROP	Regional Operational Programme
SAWP	Structural Actions Working Party
SDR	Special Drawing Rights
SME	Small and medium-sized enterprise
SMIS	Single Management Information System
SMURD	Mobile Emergency Assistance, Reanimation and Extrication Services
SOIT	State Office for Inventions and Trademarks
SOP	Sectoral Operational Programme
SOP HRD	Sectoral Operational Programme Human Resources Development
SOP IEC	Sectoral Operational Programme Increase of Economic Competitiveness
TAF	Technical Assistance Facility
TEN-T	Trans-European Networks-Transport
UCVPP	Unit for Coordination and Verification of Public Procurement
UNDP	United Nations Development Programme
VAT	Value added tax
VTMIS	Vessel Transport Management and Information System
WB	World Bank

# Introduction

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The current Strategic Report was elaborated according to the provisions of EC Regulation No 1083/2006, Art. 29, on the Member States obligation to submit to the European Commission (EC), by the end of years 2009 and 2012, respectively, a concise report containing information regarding the stage of implementation for the 2007-2013 operational programmes co-financed from structural instruments. The 2009 National Strategic Report (NSR) was elaborated under the coordination of the Ministry of Public Finance, through the Authority for Coordination of Structural Instruments (ACIS), based on the methodology<sup>1</sup> developed by the EC and adjusted to the Romanian institutional and strategic framework. Most organizations involved in the structural instruments management and other expert institutions joined efforts for the NSR elaboration.

NSR presents in summary the implementation stage of operational programmes, as well as the contribution of these programmes to the achievement of the priorities set out in the National Strategic Reference Framework 2007-2013, to the implementation of the cohesion policy objectives provisioned in the Community Strategic Guidelines on Cohesion and the objectives set out in the Integrated Guidelines for Growth and Jobs (2005-2008), as well as other packages of measures, such as the European Economic Recovery Plan.

The documents describes the relevant socio-economic developments since the elaboration of the programming documents, and the impact of such developments on the approved strategy, highlighting the effect of the financial and economic crisis on the implementation of the structural instruments. With regard to the targets established in the Operational Programmes, given the fact that, at the current moment, there are very few cases of completed projects allowing the quantification of results, NSR is focused on the presentation of expected results based on the indicators assumed through the approved projects.

At the same time, the document presents the main difficulties faced by the authorities involved in the structural instruments management and by the beneficiaries of these funds, as well as the solutions identified and enforced by the national authorities in order to overcome such difficulties and speed up absorption.

## 2007-2013 Cohesion Policy

In 2007-2013 the European Union provides reimbursable financial assistance to Romania through the following three structural instruments: the European Social Fund (ESF); the European Regional Development Fund (ERDF) and the Cohesion Fund (CF).

The allocation to Romania by the European Union under these instruments is 19.67 billion Euro, to which a national co-financing estimated at 5.6 billion Euro is added. Out of this allocation, 19.2 billion Euro is dedicated to the Convergence Objective, through 7 Operational Programmes:

- Sectoral Operational Programme Increase of Economic Competitiveness
- Sectoral Operational Programme Environment
- Sectoral Operational Programme Transport
- Regional Operational Programme
- Sectoral Operational Programme Human Resources Development
- Operational Programme Administrative Capacity Development
- Operational Programme Technical Assistance

The strategic planning of structural and cohesion funds was made in the National Strategic Reference Framework, based on the priorities set out in the National Development Plan for 2007-2013. The NSRF strategy is implemented through the above-mentioned operational programmes. NSRF 2007-2013 and the Operational Programmes financed from ERDF and CF were approved in June-July 2007, while the Operational Programmes financed under ESF were approved in November 2007.

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<sup>1</sup> COCOF 09/0018/00 „Indicative structure of 2009 national strategic reports”

The preparation for developing the institutional capacity to manage the structural instruments started as early as 2004, and it was reflected in the institutional framework for the coordination, implementation and financial management of structural instruments (GD No 457/2008), which includes distinct structures within the ministries and agencies relying on the experience accumulated with pre-accession funds. In addition, the internal operating mechanisms of these structures were developed, in a move to ensure the basics for an efficient and thorough implementation of funds.

The Ministry of Public Finance, through Authority for Coordination of Structural Instruments (ACIS), is the national coordinator of the programming and management of structural instruments, a role that was established in the GD No 457/2008 on the institutional framework for the coordination and management of structural instruments. The coordination mechanism introduced by this act allows an inter-relationship among all institutions at all levels, from political decision-making level, to the management decision making and technical – execution level.

The institutional system was audited by the Audit Authority and the European Commission, in a number of missions during 2008-2009, which resulted ultimately in the accreditation of the management and control systems put in place for all seven operational programmes, thus attesting the implementation procedures' compliance with the European norms and standards.

### Results of the first implementation stage of the 2007-2013 strategy

Despite of the fact that Romania was one of the first Member States to have their operational programmes approved by the European Commission, the actual implementation of NSRF strategy and the operational programmes saw a difficult start. Romania is in the first period of using structural instruments, which implies a somewhat slower evolution in the first years (given the difficulties of a new and complex financing system, at beneficiary level as well as at the level of organizations managing the operational programmes), to be followed by a rapid growth of absorption levels while advancing on the implementation cycle.

This assumption has been largely confirmed by the recent developments in the implementation of operational programmes. Hence, the year 2007 was the year of negotiations with the European Commission for the approval of NSRF and the operational programmes, but it was as well the year when the first calls for projects were launched. In 2008 the launched calls for projects were numerous, and by the end of the year potential beneficiaries managed to open most of the operations envisaged in the programmes (around 90%). 2009 may be seen as the “contracting year”, given the rapid increase in the number of contracts/financing decisions concluded with the beneficiaries, with an obvious progress in the second half of the year in terms of actual project implementation and payments.

Both Managing Authorities and the beneficiaries faced a lot of complex problems in starting the process of operational programmes' implementation, and afterwards in the actual project implementation, and addressing these problems took a lot of time and efforts. The main difficulties were related to the preparation of the project portfolio and the launching of calls for projects; delays in the project evaluation and selection; starting the project implementation at the beneficiary level; various legal barriers; as well as institutional issues.

Despite a number of difficulties in launching the financing lines and in evaluating and selecting the projects, the EU contribution to the contracted projects, amounting to 55% of the 2007-2009 allocation, proves the efficacy of the measures taken by the authorities in a move to alleviate the effects of the difficulties witnessed in the first stages of implementation. However, the reduced level of payments to beneficiaries and reimbursements by the EC reflects still existing problems and significant difficulties faced by the beneficiaries in the course of project implementation.

In figures, the general implementation stage on 30 September 2009 was the following:

- ✓ Total number of projects submitted for financing under the 7 OPS was 12,975, amounting to 23.6 billion Euro. The requested EU contribution is approximately 16 billion Euro, which exceeds by 2.8 times the 5.6 billion Euro EU allocation for the interval 2007-2009.

- ✓ The number of financing contracts/ decisions concluded with project beneficiaries was 1,887 (out of 2,672 projects approved), in a total eligible value of 3.3 billion Euro, out of which EU contribution of 2.7 billion Euro, accounting for 47.6% of the EU allocation for the interval 2007-2009.
- ✓ Payments to beneficiaries, including pre-financing and reimbursements by the managing authorities, amounted to 447.8 million Euro, of which 443.7 million Euro from EU funds and 4.12 million Euro in State Budget co-financing.

At the same time, the progress made in 2009 paves the way to increased absorption in 2010. The simplification measures enforced in 2009 with a view to simplify the funds accessing mechanism, but also those measures envisaged for 2010, the experience accumulated by the structures responsible for the management of operational programmes, the very high interest of applicants, the experience accumulated by beneficiaries implementing projects, as well as the economic recovery expected in the second half of 2010, all these are factors that will favor an acceleration of the absorption pace.

As regards the impact of the current economic situation, as well as the pace of accessing structural instruments from the perspective of projects submitted under various calls for projects, no elements requiring the change of the strategy approved in NSRF and the operational programmes have been identified so far, therefore the global and specific objectives remain relevant as compared to the elements that must be corrected at socio-economic level in order to narrow down the development gap between Romania and the other Member States and EU regions.

However, 2010 is expected to bring a number of necessary adjustments that could lead to changes in the approved operational programmes as well. Some possible adjustments were identified at operational level, which are now being carefully analyzed. In addition, in 2010, consideration will be given to the need of revising some of the targets set out in NSRF and the operational programmes, due to the impact of the financial crisis or various social and economic factors, as well as the projections of the indicators in question by the end of the programming interval. Last but not least, the conclusions and recommendations of the first interim evaluations will be taken into account.

Considering that the structural funds and cohesion funds implementation strategy in Romania remained applicable, the absolute priority for the Romanian Government is to optimise the accessing and implementation system with a view to speeding up funds absorption, in order to ensure a swift injection of capital into the economy aiming to mitigate the effects of the economic crisis, to facilitate key investments at national, regional and local level and avoid automatic decommitment of funds allocated to Romania.

# Chapter 1. Socio-economic situation and trends

## 1.1. Macroeconomic Background

Between 2006 and 2008, Romania's GDP increased constantly year-on-year. During this period, the average GDP growth rate was of 7.1% per annum.

The main factor supporting economic growth was domestic demand, with an average yearly increase of 11.6%, based on both consumption and investment. This period was marked by a particularly rapid increase in investment, reflected in the gross fixed capital formation growth of 22.6% annually. As far as final consumption is concerned, the average annual growth rate exceeded 9%.

Trend in GDP, 2006-2009

- Percentage change on the previous year -

	2006	2007	2008	2009 9 months
Domestic demand, out of which:	12.9	14.0	7.9	-13.7
- Private consumption	12.7	11.6	9.1	-13.8
- Government consumption	-4.1	1.6	3.2	1.1
- Gross fixed capital formation	19.9	29.0	19.3	-22.6
Exports of goods and services	10.4	7.9	19.4	-10.1
Imports of goods and services	22.6	27.2	17.5	-24.3
<b>GDP</b>	<b>7.9</b>	<b>6.2</b>	<b>7.1</b>	<b>-7.4</b>
Industry	7.2	5.3	1.3	-7.1
Agriculture	3.4	-16.5	21.4	-1.2
Construction	23.4	33.6	26.1	-11.9
Services	6.8	7.3	5.1	-6.2

Source: National Institute of Statistics

During the first 9 months of 2009, the real economy was severely affected by the economic and financial crisis that had started to slowly make its presence felt since the 3<sup>rd</sup> quarter of 2008, to becoming fully evident during the 4<sup>th</sup> quarter. Consequently, after a 2.9% GDP increase in the 4<sup>th</sup> quarter of 2008 as compared to the same period in 2007, during the 1<sup>st</sup> quarter of 2009 the GDP contracted by 6.2% (in real terms, gross series) as compared to the 1<sup>st</sup> quarter of 2008, and in the 2<sup>nd</sup> one by 8.7%. During the 3<sup>rd</sup> quarter, the year-on-year contraction decreased to 7.1%.

Over the first 9 months of 2009, the cumulated negative impact of the crisis was reflected in a 7.4% GDP reduction, which was driven by the contraction of domestic demand of 13.7% and of the external demand by with 10.1%. As far as domestic demand was concerned, final consumption fell by 11.1% and the gross fixed capital formation by 22.6%. The 10.1% decrease in the exports of goods and services, as well as the 24.3% drop in imports, determined a positive contribution of the net exports to the real GDP growth (+8.3 %).

Gross value added fell during the first 9 months of 2009 by 11.9% in construction, 7.1% in industry, 6.2% in services and 1.2% in agriculture.

Seasonally adjusted figures for GDP by quarter show the evolution of the crisis. This started with the 3<sup>rd</sup> quarter of 2008, when the GDP contracted with 0.1% as compared with the 2<sup>nd</sup> quarter, followed by a 2.8% drop during the 4<sup>th</sup> quarter of 2008. During the 1<sup>st</sup> quarter of 2009, the GDP decrease became larger, reaching 4.6% compared to that of the 4<sup>th</sup> quarter of 2008. Starting with the 2<sup>nd</sup> quarter, the economic downturn started to reduce in size, as GDP decreased by 1.1% compared to the 1<sup>st</sup> quarter and to 0.6% in the 3<sup>rd</sup> compared with the 2<sup>nd</sup> quarter of 2009.



Most industrial sectors were affected by the crisis, particularly those with high export shares. The effects of the economic and financial crisis on these sectors can be explained by:

- A contraction of the foreign markets due to the economic crisis in Romania's major partner countries (Italy, France, Germany);
- Limitations on the credits offered to companies, as a result of the prudence measures adopted by the National Bank of Romania;
- The drop in the construction sector, which induced knock-on production decreases in related industrial suppliers.

Within the industry sector, there are specific patterns by sector:

- Activities substantially affected by the effects of the financial crisis
- Activities that managed to recover in the second part of the year by decreasing production
- Activities that were not affected by the crisis.

### The evolution of the industrial production 2008-2009

*- Percentage change as compared to the previous year -*

Industry	Quarter 4, 2008	Quarter 1, 2009	6 months, 2009	10 months, 2009
<i>Total industry out of which:</i>	-6.6	-13.0	-10.5	-7.9
Manufacturing	-7.7	-15.2	-11.9	-9.0
<b>Activities affected by the crisis</b>				
Metallurgy	-38.9	-52.1	-49.4	-42.0
Non-iron products	2.8	-34.4	-31.6	-29.8
Furniture	-9.4	-16.2	-16.5	-15.0
Production of chemical substances and products	7.1	-24.1	-25.8	-20.6
<b>Activities that managed to recover part of the decrease in production</b>				
Road cars production	-29.7	-24.2	-8.2	0.2
Food industry	9.2	-3.9	-1.9	-0.8
<b>Activities not affected by the crisis</b>				
Wood processing	-12.4	-2.9	5.2	14.5
Electrical equipment production	-7.1	-1.4	2.2	10.5
Printing and paper reproductions of recordings	17.4	10.1	6.1	5.7

*Source: National Commission for Prognosis*

The decline of the real estate market, as a consequence of the contraction in credits provided by commercial banks, induced a decrease in constructions, which in turn directly affected the production of construction materials.

During 2007-2008 the foreign trade of goods significantly increased: in the context of the 6-7% economic growth, both the exports of goods and the FOB imports of goods increasing at an average of 14.2% and 18.7% respectively.

### Foreign trade with goods, 2007-09

*- Percentage change as compared to the previous year -*

	2007	2008	10 months 2009
Exports of goods	14.3	14.1	-18.1
Imports of goods	26.0	11.5	-35.7

*Source: National Institute of Statistics*

Foreign intra-Community trade increased in 2007. On the background of Romania's accession to the EU, both intra-Community exports and imports registering far superior growth as compared to the total export and import levels. In this context, the share of community exports in the total reached 72%, with a similar percentage of 71.3% for the Community imports in the total imports.

Foreign trade registered a more tempered increase in 2008. Its evolution was marked by the reduction of domestic demand in other EU member states, which had shown substantial increases over the first 10 months,

after which both exports and imports diminished significantly as compared to the same period in 2007.

The FOB-FOB trade deficit for 2007 was 51.6% larger than its 2006 value, with a 14.4% weight in the GDP. In 2008, the increase of the trade deficit lessened: specifically, it increased with 7.2% as compared to 2007, with a 14.0% weigh in GDP.

During the first 10 months of 2009, the effects of the financial and economic crisis amplified and triggered a 18.1% drop in exports and a 35.7% in imports. Due to this, the FOB-FOB trade deficit came to only 33.1% of the deficit corresponding to the same period of 2008.

The current account deficit for 2007 increased by 64.6% compared to 2006, totalling 13.5% of the GDP. The degree of coverage through foreign direct investments came to 43.4%. In 2008, the current account deficit decreased by 3.3%, representing 11.8% of the GDP. 58.8% of this was financed through foreign direct investments. During the first 10 months of 2009, the current account deficit adjusted considerably, reaching only 27.8% of the deficit of the corresponding period of 2008. FDI covered 94.1% of the current account deficit.

During 2007-2008, both the active population and its employment rate increased slightly (with 0.2% and 0.2 percentage points respectively). The ILO unemployment rate fell from 7.3% in 2006 to 6.4% in 2007 and 5.8% in 2008. Unemployment rates continued to remain below those registered in EU-27.

There are variations in the employment rates both at inter-regional level and within the regions. Both in 2007 and 2008 the highest employment rate was registered in the Bucharest-Ilfov Region (62.4%, and 63.3% respectively), while the lowest was recorded in the South-East Region (with 54.7% and 55.3% respectively).

#### The employment rate of the working-age population (15–64 years), by region, 2008-2009

- % -

	2007	2008
Total – country level	58.8	59.0
North – East	61.3	60.5
South – East	54.7	55.3
South- Muntenia	60.5	61.1
South – West	59.3	60.0
West	59.6	59.3
North – West	57.0	56.4
Centre	55.1	56.6
Bucharest – Ilfov	62.4	63.3

Source: NIS, AMIGO

From a structural point of view, the working age population showed the following tendencies during the period 2006-2008:

- A decrease of the share of the population employed in agriculture by 1.8 percentage points and in industry by 1.1 percentage points (for the mining sector 0.2 pp, for the manufacturing sector 0.6 pp and for the electric energy, heating natural gas and water 0.3 pp);
- An increase of the employment in services of 1 percentage points and in construction by 2 percentage points.

Compared with the same period in the previous year, the 1st semester of 2009 brought an overall worsening of the employment rates. The working-age population decreased by 0.7% while the number of employees decreased by 0.3%. The registered unemployment rate increased to 7.5% in November 2009 from 4.1% in November 2008.

Consumer prices increased by 6.57% at the end of 2007, surpassing the level registered the previous year (4.87%). The mix of macro-economic policies was aimed at easing inflation and, as a result, the annual inflation rate at the end of 2008 levelled off at 6.3%.

During the first 11 months of 2009, the annual inflation rate reached 4.65%, while in November it reached 4.41% of the one registered in 2008. The average monthly consumer price increase was 0.4%, 0.1 percentage points below the one recorded for the same period in 2008.

**Public Finance.** The budget deficit dropped during 2003-2005, reaching 1.2% of GDP in 2005. It then slightly increased to 2.2% of the GDP in 2006, when the share of government expenses in GDP grew by 1.8 percentage points as compared to 2005. The situation dramatically deteriorated in 2008, when the budget deficit rose to 5.5% of the GDP.

#### Share of budgetary revenues and public deficit in GDP, 2005-2009

- % GDP -

Indicators	2005	2006	2007	2008	2009 *Sem. I
Budgetary revenues	32.3	33.1	33.5	32.8	15.8
Budgetary expenses	33.5	35.3	36.0	38.4	19.3
Public deficit	-1.2	-2.2	-2.5	-5.5	-3.5

*Source: Ministry of Public Finance; the data is computed according to the ESA 95 methodology*

*Observation: the sub-sectoral financial flows were not taken into account in the computations*

*\*Estimates*

The share of the public government debt in GDP gradually decreased, from 15.2% in 2005 to 13.6% in 2008. For 2009, given the difficulties generated by the economic crisis, the forecast is that the level of public government debt will reach 22.5%. The increase is generated by financing the budget deficit, as well as by refinancing the public debt through issuing government bonds on the domestic market and by the funds supplied by the International Monetary Fund, the European Commission and the World Bank.

The public government debt level continues to be low compared to the maximum upper limit imposed by the Maastricht Treaty (60% of the GDP). It is estimated that the domestic government debt will increase in 2009 to 11.6% of the GDP, from 2.7% of the GDP in 2005. The share of the foreign government debt in the GDP is expected to be with 1.6% GDP, compared to the figures recorded for 2005 - 12.5%.

#### Public government debt, 2005-2009

- % of GDP -

Indicators	2005	2006	2007	2008	2009 (estimate)
Government debt	15.2	12.8	13.0	13.6	22.5
- foreign	12.5	10.7	8.5	8.1	10.9
- domestic	2.7	2.1	4.5	5.5	11.6

*Source: Ministry of Public Finance; the data is computed according to the ESA methodology*

The financial assistance package agreed with the International Monetary Fund, the European Commission and the World Bank totals 19.95 million Euro, is made up of the following loans: i) IMF: stand-by agreement worth 11,443 billion SDRs (12.95 billion Euro); ii) EC: The Memorandum of Understanding between the European Commission and Romania signed on the 23<sup>rd</sup> of June 2009, totalling 5 billion Euro; iii) the World Bank: the assistance is awarded in the shape of 3 loans for development policies (DPL) contracted from the International Bank for Reconstruction and Development, valuing 1 billion Euro; iv) EBRD and EIB will contribute with reimbursable financing worth 1 billion Euro to projects in the private sector.

**Fiscal and budgetary policies.** The fiscal and budgetary strategy aims at re-establishment of the credibility and stability of the public finances on the short and medium run, by promoting a combination of coherent measures that will lead to a limitation of the budgetary deficits, and a reduction of the net need for financing of the government sector. This will be done in the context of a process of improving the efficiency of resource allocation, a large share of which is allocated to public investments.

As far as the fiscal policy is concerned, the view of the Government is centred on ensuring an incentive-based and non-discriminatory environment, while focusing on improving its transparency, stability and predictability. Additionally, the sustainable development of the public finances is of vital importance, especially when taking into

account the adverse demographic perspectives. The consolidation of the tax base and of the structuring of taxes and duties continues to be essential for the provision of the resources required for economic development and for meeting the tasks and commitments assumed by Romania as an EU member state.

Despite this, the economic crisis has led to a concentration of the efforts towards the implementation of a set of anti-crisis measures, correlated with the conditions outlined by the financing memorandums of foreign financing concluded with the IMF/EC/WB, as follows:

- a. Fiscal consolidation aimed at respecting the deficit target for 2009, meaning 7.3% of the GDP by reducing personnel costs by comparison with 2008, the expenses with goods and services, subsidies and capital expenses for items such as vehicles and desk equipment. Other measures were adopted, such as the restructuring of the government agencies, imposing non-paid holidays for the staff financed from public funds, etc.
- b. The approval of the state budget law for 2010, respecting the budgetary targets set in accordance with the IMF and the WB.
- c. Promoting the Fiscal-budgetary responsibility law and of the budgetary framework on the medium run, that will include:
  - (i) Introducing an obligatory fiscal-budgetary framework on the medium run,
  - (ii) Setting effective limits for the supplementary budgets that increase the total value of the expenses,
  - (iii) Ensuring that the budgetary restraints are respected by the legislation with a budgetary impact adopted throughout the year and
  - (iv) Setting up an independent fiscal council that will offer income and independent macro-economic prognosis for the budget drafting to serve as terms of comparison for the official prognosis, and which will also monitor the evolution and conformity with the fiscal objectives outlined by the budget law
- d. Promoting the unitary wages law, for which the secondary law needs to be drafted.
- e. Revising the pensions legislation, by introducing a mechanism to index the pensions, the computation algorithm of the pension point, as well as the formula for special pensions and the re-evaluation of the conditions for invalidity and advanced pensions, in order to discourage an early retirement from the labour market.
- f. Improving the fiscal management, by reducing the number of taxes and tariffs with a non-fiscal character; approval has been given for the elimination or aggregation of 205 out of the total 491 non-fiscal taxes and tariffs. The VAT compliance and fraud is also the subject of a series of measures which will aim at improving the management of the outstanding duties and the strengthening of the control of the large contributors.

Unlike the macro-economic analysis of the NSRF, which outlined a positive evolution of the economic growth and of the social-economic climate in general, and thus identified a limited intervention possibility of exterior disruptive factors, the social-economic evolution for 2007 and the first 3 quarters of 2008 were consistent with the trends forecast when the strategic priorities were established. However, starting with the last quarter of 2008, the effects of the global and financial crisis were felt more and more acutely; with the deterioration of the international economic and financial environment in progress, future developments are marked by uncertainty.

For Romania, the current foreign climate is felt through: an increase in risk aversion; the contraction of the markets; difficulties in obtaining foreign financing; a massive drop in the foreign direct investments flow.

The way in which the current macro-economic context will influence the way in which the structural instruments intervention priorities identified by the NSRF strategy will be analysed according to the actual results obtained in the implementation, and the decision regarding the need to adopt the approved strategy is taken into account.

## 1.2. Basic Infrastructure

### Transport infrastructure

In general terms, the transport infrastructure in 2006-2009 did not undergo major changes as compared to the time when NSRF was elaborated. The main infrastructure deficiencies remained, the same deficiencies which had laid at the basis of the NSRF transport strategy and further the SOP Transport objectives. The existing infrastructure maintenance remained under-funded, preserving the inadequate situation of the road and rail networks; the number of vehicles increased, thus increasing the use of infrastructure and the traffic-related risks; passenger and freight transport seemed to go up in some sectors, but only before the financial crisis; all these indicate that the needs analysis conducted with a view to NSRF and SOP Transport is still valid.

**Road transport.** There has been a very small progress with regard to the length of important public roads. Hence, in 2006–2008 the highway length went up from 228 km to 281 km, meaning only 53 km in 2 years. The length of European roads went up in the same interval from 5,883 km to 6,073 km, which is by 190 km. At the same time, the number of vehicles in operation went up in 2006–2008 by 27.5%. The increased number of vehicles triggered a higher risk related to the traffic safety. Thus, both the number of accidents and victims of accidents went tremendously up by 60%, in the same period. Most towns and cities along the European roads lack ring roads, so the traffic is directed through the centre. In addition, many villages are crossed by the public roads.

**Railway transport.** The insufficiency of funds for the maintenance and rehabilitation of rail infrastructure persisted in the interval 2006-2009, leading to a continuous degradation of the rail infrastructure (reflected for instance in the speed restrictions), including the rolling stock. As a result, the ability to provide modern and high quality services remained poor, as has been the safety of the railway traffic. Even if the effects of the economic crisis experienced in 2009 are put aside, the volumes of railway passengers and freight transport went down in 2006-2008, as follows: the freight traffic in thousand tones-km went down by 9.3%, while the number of passengers decreased by 17.2%, which tells that there is an increasing need for higher quality services that has to be met in order to reach the objective of a higher market share.

**River transport.** In the interval 2006–2008, the freight shipping which was low as compared to older Member States, saw a minor increase of only 0.2%, but it is still at a reduced level.

**Air transport.** In 2006–2008, the passengers traffic in the Romanian airports continued to go significantly up, from 5.49 million passengers to 9.07 million passengers; this increase could be seen almost fully in the international airports: Henri Coandă – Bucharest; Aurel Vlaicu – Bucharest, Traian Vuia – Timișoara and Cluj-Napoca. The main investment programmes financed from domestic sources which are aimed at increasing the airport capacity by 3 million pax/year were planned for the four above-mentioned airports. Out of these, the works were completed at the arrivals/departures terminal of Cluj-Napoca international airport (an additional capacity of 0.5 million pax/year). The other investments, to be completed by 2015, will ensure the necessary capacity of Romanian airports.

### Environment infrastructure

With regard to the environment infrastructure, the NSRF identified major deficiencies of the sewerage and water treatment networks, that are inadequate; the poor access of the population to water/used water systems; poor waste management infrastructure; the air pollution caused by urban heating systems; with the nature and wild species protection much under the modern European standards.

Linked to these identified deficiencies, a number of objectives and financing priorities to reduce the deficiencies were set out in the NSRF and SOP Environment, through investments made for a sustainable development of the environment infrastructure and taking into account Romania's development needs after 2013.

As compared to the situation described in NSRF, the investment programmes implemented in 2006-2008 brought only minor advancements, through the investments promoted under European-funded programmes, or programmes financed with national budget or foreign loans, with the need to speed up the implementation of environment infrastructure investments still high on the agenda of this programming period.

**Water and wastewater infrastructure.** The length of the drinking water network went up by around 12% between 2006 and 2008, from 50,821 km in 2006 to 52,578 km in 2008<sup>2</sup>, while the drinking water distributed to households increased by 4.5%<sup>3</sup>.

As for the sewerage network, as compared to 2006, in 2008 the network was expanded by 1,762.1 km (out of which 1,005.4 km in urban areas and 756.7 km in rural areas). As a result, in 2008 the households of approximately 43% of the total Romanian population were linked to the sewerage systems, as against 40.7% in 2005<sup>4</sup>. Moreover, if at the end of 2004 only 675 localities had sewerage networks, in end-2008 the number of localities connected to the sewerage network was 760.

Based on these 2 facilities – access to drinking water (in a centralized system) and the sewerage systems – Romania's population falls under three categories:

- Population benefiting of both services – 54% (a slight progress from 52% in 2005);
- Population connected to the drinking water system, but not to the sewerage system – 16%;
- Population lacking both services – 30%.

As regards the wastewater treatment, 6.2 million persons (28.9% of the population) lived in 2008<sup>5</sup> in households connected to sewerage systems having treatment plants, which is more by approx. 146,000 than in 2006<sup>6</sup>.

Out of the 361 urban treatment plants, around 25% correspond to treatment degrees higher than 95%. In 2008, out of the total wastewater volumes needing treatment, approximately 30% were fully treated, approximately 33.1% non-treated and around 36.9% were insufficiently treated. Consequently, in 2008 over 70% of the used water coming from the main polluting sources reached the natural receptors, mainly rivers, as non-treated or insufficiently treated water.

Out of the total number of 1,353 treatment plants (both urban and industrial) investigated in 2008, 394 plants – accounting for 29.1% - worked properly, with the rest of 959 plants – 70.9% - worked in an improper manner. Technically speaking, most of the existing treatment plants are not compliant with the provisions of the legislation in force. Those built during the '70s have old-fashioned technologies and machinery, they are huge energy consumers and their reliability is very low.

**Waste management.** The focus in the waste management area is the enforcement of integrated waste management projects at national and regional levels by adjusting investments to the priorities that have been set out: prevention, selective collection, recycling, valorification, treatment and landfill/disposal.

According to the indicators, the waste deposits are the most common method for municipal waste disposal. In 2005 there were 252 such deposits in Romania, out of which only 18 complying with EU legislation. There are currently in operation 23 complaint municipal waste deposit<sup>7</sup>. Out of the 139 non-compliant municipal waste deposits provisioned in Annex 5 to GD No 349/2005 on waste disposal to stop their activity, in steps, by 16 July 2009, 78 were programmed to do so in 2009.

The integrated management programs will progressively expand to include the rural areas, through the introduction of collection services and the removal of uncontrolled waste landfills.

<sup>2</sup>NIS. Romanian Statistical Yearbook 2008

<sup>3</sup> NIS. End-year data

<sup>4</sup> Idem

<sup>5</sup> National Administration "Romanian Waters" – Romania 2008 - Water Quality Report

<sup>6</sup>NIS. End-year data

<sup>7</sup> Source: National Environment Guard.

**Air quality.** In 26 of the largest localities in Romania, the large combustion plants continue to be the main thermal energy sources, as well as the main sources of hot water for the households, but they are, at the same time, the main polluting sources due to fuels used in these plants (coal, fuel oil). Considering the commitments in the Kyoto Protocol to reduce the greenhouse gas emissions (GHG) by 8% as compared to the base year 1989, during the first commitment period 2008-2012, according to the inventory made for the interval 2005-2008, the GHG emissions (except for LULUCF<sup>8</sup>) went down by 41% as compared to the base year.

The actions that are considered for financing from structural instruments refer to the rational use of non-renewable energy sources and, where possible, of renewable energy sources or less polluting sources in the urban heating systems. Consideration is being given to correlating these measures with the water management programme, because the poor infrastructure of municipal heating networks causes significant losses to the water distribution networks.

**Nature and biodiversity protection.** In 2006-2009, a progress could be seen in the compliance with the relevant EU Directives, mainly birds and habitats, in conjunction with the development of Natura 2000 network, as a result of the actions taken by environment, as well as the involvement of public participation (an import role of the NGOs).

In terms of trends, the lines of actions set out in the previous period will continue for the improvement of biodiversity and natural patrimony by improving the management of the protected natural areas, including the completion of Natura 2000 network, the continuation the expert studies for supporting the projects, the implementation and follow-up of new synthetic performance indicators in the fields.

**Natural risks.** A crucial area is the management of adequate infrastructure for the prevention of natural disasters in areas which are most exposed to risk, since the situation remained unchanged since 2005-2006 in terms of risk prevention infrastructure, for both floods and coastal erosion.

To this purpose, Romania realized the need to change the flood management approach, and move from “passive actions” to a “pro-active” type of action, in a move to reduce both the consequences of potential disasters and the vulnerability to flooding.

During the periods under review, the coastal erosion continued to be a threat to both tourism – by the loss of beaches – and to economic activities and the safety of houses located near the beaches. The main goal of investments made for protecting and rehabilitating the Southern Coast of the Black Sea is to stop the coastal erosion, protect the assets and increase the safety of households in the area.

## Energy infrastructure

The strategic energy sector, relying on an obsolete infrastructure for production and distribution, continues to show a poor performance, with a low energy efficiency of the entire chain, from production to final users.

In 2006, out of the total energy resources of 49 million toe, the primary energy output amounted to approximately 27 million toe, with the final consumption at 25.3 million toe. The available energy resources amounted to 48.6 million tones of oil equivalent in 2007, down by 0.4 million toe (0.7 %) from the previous year. The primary energy 2007 output of 27.3 million tones of oil equivalent (toe), has the same share (56.2%) in total energy resources, with a level close to the previous year (55.3%). Final energy consumption went slightly down in 2007 as compared to 2006, by 1.1%, due to lower consumption in all economy sectors.

Compared to these figures, in 2008 out of total energy resources of 49.54 million toe, the primary energy output (including recovered energy) was 28.86 million toe (58.3%), up by 2.1% as compared to 2007. The slight

<sup>8</sup> Land Use, Land-Use Change and Forestry

increase (+1.1%) of final energy consumption in 2008 as compared to 2007 was due to the increase recorded in transport sector (+13.9%), with a share of 21.3% in the final energy consumption, as well as to an increase in household consumption (+7.0%). The consumption in the industry sector (including constructions) went down as against the previous year (-5.7%). The gross domestic consumption per inhabitant in 2008 was 1,851 kilograms of oil equivalent, higher by 1.8% than in 2007<sup>9</sup>.

According to recent NIS data, during the period 1 January – 31 August, 2009, out of the total energy production (38,010.5 million kWh) 49.8% was produced by classic thermo-power plants; 29.9% by hydro-power plants; and 20.3% by the nuclear power plant in Cernavodă. In addition, during the same period the final energy consumption was 32,103.1 million kWh. The industry has preserved the highest share in total energy consumption (63.3%), followed by households with a share of 18.8% and by the own technologic consumption in networks and plants with a share of 10.6%.

Over the past 3 years, there has been a special interest in Romania for promoting projects related to gas and electricity infrastructures, thus contributing to the continuity and the inter-operability of European energy networks, all these projects including an important social, economic and environment dimension (major projects such as Romania's participation to the Nabucco gas pipeline construction, the connection to the Bulgarian gas network and the connection to the Hungarian infrastructure and reverse flow equipments for gas and electricity transport).

In Romania, the energy loss is, on average, 30-35% of the primary resources consumption, according to a study on the Romania energy safety by the European Institute in Romania. The intensity of primary energy in Romania was 0.595 toe/1000 Euro in 2005, with the value of the final energy intensity at 0.308 toe/1000 Euro, according to statistical data released by the National Energy Observatory. In 2005, the final energy intensity in Romania was approximately 3 times higher as compared to EU-25 average (0.109 toe/1000 Euro). In 2008, these indicators showed 0.192 toe/1000 Euro, with the final energy intensity preserving a poor ratio as compared to EU-27 average.

Unlike other EU Member States, Romania has the advantage of benefitting of all renewable energy sources that can be used to produce electricity and thermal power (hydro, biomass, eolian, solar, geo-thermal). When the first alternative energy production facilities will be operational in 2010-2011 (Fântânele eolian park, the biomass plants in the North-Eastern Region) the share of renewable energy will go up in the total energy produced at national level.

The strategic target set for 2010 is a 33% share of the electricity produced from renewable sources in total gross domestic consumption. In 2008 the renewable sources share was 28.38%.

The modernization and rehabilitation of equipments/installations/technologies used in the electricity and/or thermal power plants, and of the energy groups working with large combustion plants, will boost efficiency reduce polluting emission (the projects submitted for financing under SOP IEC only are expected to reduce the SO<sub>2</sub> emissions by approximately 49,000 tones).

### 1.3. Competitiveness of the Romanian Economy

The analysis conducted for 2006 revealed specific gaps in different components of economic competitiveness. Hence, the SME sector was relatively slightly oriented towards productive activities, with a low access to capital, technology and infrastructure and a poor adaptability to the needs of a market ruled by competition driven by globalization. At the same time, the under-funded research sector, lacking the appropriate structures, did not allow the technological transfer of results to the applied innovation, oriented towards the production sector. The number of innovative companies was lower by three to four times as share in total number of companies, as compared to the European Union average.

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<sup>9</sup> NIS, Monthly Statistical Bulletin, 09/2009



On the other hand, ITC sector was a sure opportunity for competitive growth, which could have a positive influence on the economic development and the competitiveness of the entire production sector.

The weakened economic activity toward the end of 2008, which continued in 2009 – the reduced demand, shrinking production, bank loan restrictions, the severe lack of liquidities – had a brutal impact on the business environment, with 112,893 companies throughout the country suspending their operations in January-September 2009, which is more by 12.2 times than the respective period of 2008, when only 9,186 companies suspended their activities.

Obviously, the SMEs were the most hurt, because they have a limited capacity to react to the severity of the crisis. In October 2008 – March 2009, more than half of the SMEs (57.6%) reduced their activity; 23.4% of the companies operate under the same parameters; 14.8% of the companies went bankrupt and only 4.2% expanded their operations.

R&D expenditures share to GDP went up to 1% in 2008, for the first time after 1989. If this trend could be preserved, the NSRF target of increasing R&D expenditures to 2% of GDP could be considered as feasible. However, there are serious doubts, given the current financial crisis, about the possibility to keep the expenditures pace in this sector, as a lever for the economic recovery and competitiveness increase on a medium and long term.

In the period 2007-2008 we may say that the number of employees went slightly up (2.4%) as well as the number of researchers (0.4%) involved in the R&D activity. The number of patents issued in Romania by OSIM went down by 28.5%, but the number of European patents validated by the European Patent Office increased by 149.4%.

In terms of competitiveness in ITC sector, the study conducted by the World Economic Forum in 2008 on the 27 Member States of the European Union, placed Romania in the 24<sup>th</sup> place, followed by Bulgaria, Poland and Greece. Despite the fact that Romania has succeeded over the recent years to reduce the gaps in the implementation of the information society by developing the ITC industry, the infrastructure (hardware, software and communication), the applications and specific services, ITC is still slow in penetrating various social and economic sectors.

The penetration rate of broadband communication services continued to go up in 2008, but it is still one of the EU lowest – 10.7% at population level, 13% household level and 44% at companies' level.

In 2006, the ITC sector accounted for 3.6% of Romania's GDP, as compared to 5% in EU-27. With regard to expenditures in the communications sector, these accounted for 6.2% of GDP in 2006, a relatively rapid increase as compared to 2005 (5.8%) and 2004 (5.1%). IT expenditures are on the up as well, reaching 2.1% of GDP 2006, as compared to 1.9% in 2005 and 1.6% in 2004. Since 2007, e-governance, e-health, e-education, e-economy electronic services went slightly up, but this increase could be significantly improved by the implementation of the projects funded under SOP IEC.

According to data released by Eurostat, 2008 saw a reduction from 2007 in both the percentage of population using the internet in the last three months for accessing public authorities information – from 4 to 3.5%, and the percentage of companies having used the internet to the same purpose - from 39 to 37%, Romania keeping its last place in the top of EU countries.

The e-commerce operations turnover remained in 2008 at the same level as 2007, namely only 2%.

In the 2009-2010 Global Competitiveness Report, released by the World Economic Forum, Romania was ranking 64<sup>th</sup>, in 2008, in a top of 133 countries, up four places as compared to 2007. The improvement of the score obtained is however insignificant – 4.11 as against 4.1 (on a scale of 1 to 7, 1 – the weakest and 7 – the best). However, as compared to the previous report, which put Romania on the second last place in the European Union, this year three member countries are less competitive (Latvia, Greece and Bulgaria).

The general changes in the Romanian economy are expected to have a bad impact on the implementation of measures aimed at stimulating the economic competitiveness, as set out in NSRF and the relevant operational programmes, as a consequence of the shrinking markets, more expensive loans, lower turnovers of the companies and, as a result, their reduced possibility to secure project co-financing.

On the other hand, the financial resources infusion from structural instruments, in very different fields, is a major opportunity to partially counteract the effects of the crisis and may contribute to a more rapid economic recovery.

**Tourism.** Romania has a diversified potential and evenly distributed throughout the territory, an important feature being the fact that the most important objectives and attractions are located in less developed areas. These areas can be revitalized by capitalizing on their potential, both natural and cultural, thus contributing to a balanced territorial development of the country, which is the territorial priority set out in NSRF.

Over the recent period of time, the share of tourism in GDP went, as did the hard currency revenues from tourism activities. However, both indicators are still low as compared to Romania's touristic potential. Given the difficulties generated by the instability of the institutional framework for the development of strategies and policies in tourism, as well as the poor infrastructure (especially in transport, communications and services), to improve the quality of services is an essential measure. In addition, the marketing must be more sustained, in order to promote Romania as destination for tourists. The process needs information and an easier access to information, along with promotional actions aimed at improving the country's image abroad.

In 2007, out of Romania's total accommodation capacity, 41.54% was on the Black Sea seaside (and it is used only 2-3 months a year) 19.02% in Bucharest and the county capital cities (except for Tulcea) and 13.53% in health spa resorts, 1.51% in the Danube Delta and the rest of 13.65% in other tourist destinations.

## 1.4. Human Capital

### Education and vocational training

**Education.** In the interval 2007-2009, the education sector was characterized by significant measures aiming at the consolidation of the legal framework and decentralization. Thus, the Ministry of Education, Research, Youth and Sports (MERYYS) developed the *Strategy for the de-centralization of the pre-university, vocational and technical education*. In addition, the new national education law was drafted (currently, under Parliament debate). This law aims at clarifying the principles and the implementation methods of decentralization in the pre-university education.

As regard the compulsory education, no significant changes could be seen. According to the Education Law No 84/1995 as amended, the 10-year education is still compulsory.

The restructuring of the national education system and the new legal regulations led to the reorganization of the education units network. As a result of the reforms, during the interval 2005-2008, the number of education institutions went down by 30.7%<sup>10</sup>.

In order to ensure a high quality education process, the new configuration of the education network was correlated with the size of the school population as well as the conditions offered by the existing material base. School population involved in the pre-university education went down year by year, so that in 2008/2009 the number of registered students was lower by 7.2% as compared to 2005. We need to mention that the high education is expanding, with the number of university students going up in 2005-2008 by 24.4%, mainly as a result of the private sector. The main cause of the higher participation rate to the high education system was the

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<sup>10</sup> NIS, Romania in figures – 2009

high demand and capacity of the labour market to absorb highly qualified persons, as well as the lower unemployment risk when it comes to the graduates of this education level.

The didactic staff at all education levels did not see any significant changes during the interval 2005-2008, with the exception of the primary and secondary education, where the number of teachers went down by 4.2%.

**Quality assurance in education and training.** In 2007-2009, the Romanian Agency for Quality Assurance in Pre-University Education (ARACIP) performed the external evaluation for the authorization and accreditation of over 1500 pre-university education institutions, in both the state-run and private systems. Hence, in Romania the first external evaluation was performed for the schools in the public sub-system<sup>11</sup> having applied for the provisional operation license for a number of new education levels of professional qualifications; on the other hand, the first private schools were given accreditation and became part of the national education system.

**Life-long learning.** The household labour force survey (AMIGO) reveals that in 2008, 11.7% of the population at 15 and over followed a form of training within or outside the national education system. The participation rate to the education or training process of people between 25 and 64 (formal and non-formal education) is 1.8% (as compared to 1.0% in 1996 and 1.5% in 2007), still far from the 2010 target set at 8% in the Lisbon strategy and the EU-27 average of 9.6% in 2008.

**Early drop-out.** The annual school drop-out on a slight down trend, for the first time seen in the school year 2007/2008, is a good start for pushing down the early drop-out rate of young people between 18 and 24. During the interval 2007-2009, this rate went down from 18.8% in 2007, to 17.5% in 2008 and 18.5% in 2009 (Quarter II). The differences are significant in the rural areas (31.8% in 2007) as compared to the urban areas (8.1%). In the same year, the EU-27 average was 14.8% (Eurostat).

**Illiteracy.** According to the „*Report on human resources development*”<sup>12</sup> UNDP 2009, the illiteracy indicator is in average 2.4% in the interval 1999-2007. According to a study performed in 2008, the highest illiteracy rate is seen in the Roma population, with 22% of the household members over 14 in the Roma sample being illiterate, as compared to 2% in the comparison sample (other ethnic groups).

**Roma population - access and participation to education.** According to the document „*Barometer of Roma inclusion*”, 2007, half of Roma population did not go to a primary school or any type of school, while the post high school education or university education can be seen in a very reduced Roma segment. 19% of the Roma families have at least one child uneducated in the primary school system, according to the same study. As a general remark, the Roma education structure is very different from the rest of the population: 23% of the Roma respondents did not go to any school, 27% graduated from the primary schools, and 33% graduated from the secondary school – as compared to 2% - no school, 11% - primary school and 24% - secondary school in the other ethnic groups altogether; 95% of the Roma people did not graduate from high school, as compared to 60% of the other respondents.

**Rural population – access and participation to education.** According to the “*Report on the status of the national education system*”, 2008, the graduation rate for the primary and secondary schools is approximately 25% lower in the rural areas as against the urban environment. The lower coverage rate of young people in the rural areas continues to be a critical issue of the system, given the measure aimed at generalizing the compulsory 10-year education. One third of young people at school age in the rural areas (as compared to around 4% in the urban environment) do not have access to the secondary education level, which draws attention to the human capital development risk in the rural areas.

**Education infrastructure.** The project for the rehabilitation of school infrastructure in amount of 201 million Euro, started in 2003, continued during the period 2007-2009. The project, co-financed by the European

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<sup>11</sup> The national education system is formed of 2 sub-systems: public and private.

<sup>12</sup> UNDP „Human Development Report”, [http://hdr.undp.org/en/media/HDR\\_2009\\_EN\\_Complete.pdf](http://hdr.undp.org/en/media/HDR_2009_EN_Complete.pdf)

Investment Bank, the Council of Europe Development Bank and the Romanian Government, has the following objectives: rehabilitate, modernize and equip 1,400 schools in the pre-university system to restore the safety in the operation of school buildings and ensure the necessary comfort and hygiene, as well as eliminate educational disadvantages of pupils in such schools and improve the education conditions with a view to improve the education system and the act of teaching.

In addition, the implementation continued of the project regarding the rural education, the component I.3 (PIR I3) in amount of 38.5 million USD, started in 2003. This project, co-financed by IBRD and the Romanian Government, has the following objectives: ensure the minimum necessary hygiene in the schools from poor areas with no material possibilities and equip 1,500 schools in the pre-university system; improve the education conditions and increase the institutional capacity of the MERYS.

**Education and labour market.** At the end of 2008, two orders issued by the minister of education, research and innovation<sup>13</sup> introduced the methodology and the working instruments for monitoring the insertion of vocational and technical schools graduates on the labour market, as well as the methodology and the working instruments for monitoring the insertion on the labour market of high education graduates in Romania.

**Orientation and counseling in education.** With regard to the number of counselors in the pre-university schools network, such as psycho-pedagogical assistance centers and cabinets, there has been an increase in the number of such positions financed by the MERYS. Hence, in the school year 2006-2007, the number of advising teachers was 1,597, in 2007-2008 the number went up to 1,787, and in 2008-2009 the number was 2,034. The available orientation and counseling services are still limited, the ratio pupils/counselors being disproportionate: 800 pupils/1 school counselor.

## Employment and unemployment

Against the background of the economic transition process and the global financial crisis, the Romanian labour market underwent important changes in 2007-2009, in terms of volume and composition of the main labour force indicators. This process was characterized by the decrease of active population and employed population, as well as the increase of the ILO unemployment rate and the long term unemployment rate.

In 2007-2009, the Romanian active population went up from 9,944 thousand persons to 10,008 thousand persons in Q2 2009. The employed population in the same period went up from 9,353 thousand persons to 9,381 thousand persons. In Q1 2009, the active and the employment population saw a decrease of approximately 300 thousand persons, but this trend was temporarily changed by a number of anti-crisis measures.

The employment rate of the population at working age (15 to 64) went up from 58.8% in 2007, to 59% in 2008, to go to 59.2% in Q2 2009, although in Q1 it dropped to 57.4%. The employment rate of the population at working age is by 11 percentage points far from the 70% target set in the Lisbon Strategy for 2010. In terms of genders, the differences in the employment continued. For men, the employment rate in 2007 was 64.8%; 65.7% in 2008; de 64.1% in Q1 2009 and 65.6% in Q2 2009. As for women, the employment rate was 52.8% in 2007; 50.7% in 2008; with 52.9% in Q2 2009 as compared to 50.7% in Q1 2009.

With regard to the employment rate of the population at working age (15 to 64) by regions, in Q2 2009 the employment rate reached a peak the regions Bucharest-Ilfov (63.4%) and Muntenia South (62.1%), with the lowest values in South-Eastern and North-Western Regions (both by 56.0%).

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<sup>13</sup> Order No 6011/21.11.2008 for approving the Methodology and working instruments to conduct monitoring studies and for the insertion on the labour market of technical and vocational education graduates and Order No 6012/21.11.2008 for approving the Methodology and working instruments to conduct monitoring studies regarding the insertion on the labour market of high education graduates in Romania.

ILO unemployment rate dropped from 6.4% in 2007 to 5.8% in 2008; 6.3% in Q2 2009, although in Q1 2009 it had reached 6.9% as a consequence of the financial crisis.

The ILO unemployment rate of young people between 15 and 24 was 20.1% in 2007, but dropped to 18.6% in 2008. In Q1 2009 the unemployment rate was 21.3%, going down in Q2 to 19.2% due to seasonal activities (in constructions or tourism sector).

The long term ILO unemployment rate (unemployment of one year and more) was 3.2% in 2007; 2.4% in 2008; 2.4% in Q1 2009 and 2.1% in Q2 2009. The share of long term unemployed persons in total unemployment number reduced from 50.0% in 2007 to 41.3% in 2008; 35.4% in Q1 2009 and further to 33.7% in Q2 2009.

With regard to ILO unemployment rate by regions, we can see an increase in all regions in Q1 2009 (except for South-Western Oltenia Region) which came as a consequence of the financial crisis, as compared to the previous years. In Q2 2009, the unemployment rate went down as compared to Q1 2009, except for North-Eastern, Center and South-Western Oltenia Regions.

### ILO unemployment rate by region

- % -

Region	2007	2008	Q1 2009	Q2 2009
North-West	4.3	3.8	5.0	5.3
Center	8.5	8.5	10.2	10.3
North-East	5.0	4.5	6.1	5.5
South-East	8.5	7.2	8.0	6.4
Muntenia-South	8.2	6.8	8.9	6.7
Bucharest-Ilfov	4.1	3.4	4.1	4.0
Oltenia South-West	6.8	6.5	5.8	6.2
West	5.6	5.7	6.2	5.9

Source: AMIGO 2007, 2008, Q12009, Q2 2009

### Public Employment Service

The National Agency of Employment (NAE), their capacity as public employment service, became a member of EURES network in 2007. This allows persons in search of a job to have access to information on existing vacancies, as well as working and living conditions in Economic European Area member countries, through the EURES portal and with the help of EURES advisors.

At the same time, the compliance certification was once again issued for the quality management systems compliance with Standard SR EN ISO 9001:2001, for all 35 local agencies and the NAE headquarters, where the quality management system is implemented. During the interval 2007-2009, NAE employees continued to attend training courses, especially English courses; financial and accounting management; HR management; ECDL; management applied to employment services; labour market analysis tools.

Through the implementation of the National Programme for Employment, 506,804 people were employed in 2007; 412,922 in 2008 and 235,182 in 1 January – 30 September 2009.

NAE organizes professional training programmes ensuring the initiation, qualification, re-qualification, improvement and specialization of persons in search of a job. Therefore, in 2007-2009 (30 September 2009) around 108,000 unemployed attended free classes.

### Social inclusion

People with disabilities, the Roma people, the institutionalized children<sup>14</sup>, young people over 18 leaving the state child protection system<sup>15</sup> are some of the most vulnerable social groups. They face the problem related to the

<sup>14</sup> The number of children admitted to institutions of public or private residential type went down in 2008 (24,427) as compared to 2007 (25,114).

<sup>15</sup> The number of young people over 18 having left the state child protection system went down in 2008 (1,834) as compared to 2007 (2,117).

integration and re-integration with the labour market. Their social exclusion may be fought only in an integrated framework, combining social assistance, education, orientation and vocational education, as well as the access to support means (wheel-chairs, etc.) and other facilities.

In the field of protection of adult people with disabilities admitted in institutions, the main concern in 2007-2009 was to restructure the old-fashioned residential institutions by reducing the number of assisted persons, re-define the institution's role, implement the quality standards for the services supplied, re-organization, re-arrangement and provision of equipment to the new centers, vocational training/improvement/reconversion of the staff, recruitment of expert personnel.

Despite all the legal changes<sup>16</sup> encouraging the employment of disabled, at 31 December 2007 the number of employed persons with disabilities was 21,906. For comparison, at 31 December 2008 this number was 25,705 and at 30 June 2009 there were 27,222 disabled persons employed on the labour market.

**Roma population.** The lack of financial resources is an important factor leading to the low education rate among Roma people. In addition to being poor, it is to be mentioned that Roma children are much less involved in the actual learning process, and as well as the mentality of schools and communities with regard to the Roma children as compared to other ethnic groups – especially in schools where Roma children represent the majority, where their educational experience is often limited to learning how to read and write.

The measures taken in the education sector, as well as the human resources activity pertaining to the Roma ethnic group specialized in school education fields (school inspector for minority groups, school inspector for Roma education, Roma language and Roma history and customs teachers, the school mediator, the school counselor) contributed to the increase of the graduation rate among Roma population, as well as to a higher number of children enlisted for a form of education.

With regard to stable work places, there is an important difference between Roma population and other ethnic groups; more than half of non-Roma people have a steady job, as compared to less than one quarter of Roma people; the difference is more than double. The situation is more balanced for those who don't have a job: 24.1% of non-Roma population as against 36.5% of Roma population. Occasional work is more frequent among the Roma population, with 17.5% engaged in this type of activities, which is four times higher than the percentage for non-Roma (4.7%).

## Equal opportunities

In 2008, the women population accounted for 51.3% of total population. Structural inequalities between men and women are still present, despite of the adoption of various legal norms, such as equal salaries for men and women. Despite the existing regulations, women are still victims of discrimination and sexual harassment. It is still necessary to get rid of discriminating practices based on criteria such as gender, ethnic origins, age and disabilities with regard to women access to the labour market.

Women unemployment increased from 5.4% in 2007 to 4.7% in 2008 and 5.2% in Q2 2009, with the approximately 2% difference as compared to men unemployment rate being preserved.

In terms of revenues, men and women salaries in 2007-2009 were in general equal, for equal working conditions. With regard to employees' category, an analysis of the salaries earned from the main activity shows that in Q2 2009 12.3% of men were in the highest salaries category, as compared to only 7.2% in the case of women; while the lowest salaries category included 16.7% of the employed women and only 7.9% of the employed men.

## Health and living standard

The health of human capital is a very important factor for the economic and social evolution of one nation. On one hand, the poor health of human capital has a negative impact on the economy as it reduces the working

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<sup>16</sup> Law No 448/2006 on protection and promotion of disabled persons' rights.

capacity and involves high costs in care services to the population. On the other hand, economic development improves the population's living standard, impacting on people's health, allowing more available resources for investing in the health care services.

The birth rate saw a slight increase in 2008 as compared to 2005 (10.3 children to 1000 inhabitants in 2008, as against 10.2‰ in 2005). The mortality rate remained relatively high, still the downward trend for this indicator is obvious (11.8 deaths per 1000 inhabitants in 2008 as compared to 21‰ in 2005). The average life expectancy continued to go up, with the 2008 values higher than those in 2005, cumulatively and by gender. Life expectancy for women is in general higher by 7.2 years as compared to men, with the life expectancy for women in 2008 of 76.68 years, as compared to 69.49 for men.

In addition, in 2008 the life expectancy was higher in the urban regions (73.76 years in the urban areas as compared to 72.05 years in the rural areas); the explanation is not only a poor access to health care services and medicine drugs in the rural areas, but also the differences in the living standard and lifestyle.

**Hospital infrastructure.** The Romanian health system performance is lower than other EU countries, due to multiple factors, such as: an underfinanced health system, insufficient medical units and staff in rural regions and the migration of labour force.

The inefficiency of the health system is also due to the fact that a high percentage of the current capacity of the hospitals is dedicated to services and procedures that could be performed on an outpatient basis. In 2005, there were 422 public hospitals, including 142,377 hospital beds, but in 2008 the number hospitals went up to 428 and the number of beds dropped to 137,061<sup>17</sup>, as a consequence of the changes that have been implemented in the medical technology and the payment mechanisms of suppliers which allow and encourage less admissions to hospitals and a higher number of people under ambulatory care. The reduced number of beds will not have a negative impact on the services and the medical care quality provided that new hospitals operate as modern hospitals and be sustained by large networks of health care centers, of both primary and ambulatory care services.

The hospital infrastructure must be developed with full participation of concerned regional/local communities, as they know best what their needs are and will be the most affected by the reduced number of hospital beds and the closure and conversion of hospitals.

The number of physicians per 10,000 inhabitants was 23.4 in 2008, as compared to 21.9 in 2005. The number of family doctors went up in 2008 from 2005 (11,567 family doctors in 2008 as compared to 10,500 in 2005)<sup>18</sup>. Despite these developments, Romania has a deficit of medical staff if compared to EU average per 100,000 inhabitants. According to the existing data, the number of medical staff is 2 times lower in Romania as compared to EU average. The number of inhabitants for one family doctor is six times higher in rural areas as compared to the urban environment, with over 100 rural localities without a family doctor.

There is no current efficient policy in the health sector to encourage the staff to work in the areas facing a staff deficit. At the same time, medical staff is discouraged by the conditions offered by the health system working conditions in the hospitals, low salaries which explains the young doctors desire to leave the country.

**Emergency medical services.** These services are based in the county emergency hospitals, the ambulance services, the Mobile Emergency Assistance, Reanimation and Extrication Services (SMURD). If until 2006 there were 38 emergency hospitals, between 2007-2009 the number went up to 63 emergency care hospital covering the needs of the 8 regions of the country.

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<sup>17</sup> NIS, „Romania in figures” Report, 2009

<sup>18</sup> NIS, „Romania in figures” Report, 2009

In 2008, the emergency services had 2,571 ambulances. Even though the number dropped as compared to 2004 when there were 3,303 ambulances, in 2007-2009 more performing and better equipped vehicles were purchased, according to the European norms and standards in force.

**Social services infrastructure.** The Romanian social security services are under the specific European standards, and so is the social services infrastructure.

One of the main issues identified in this area is the high number of beneficiaries as compared to the number of operating placement centers, with the restructuring and modernization of these centers being one of the main measures envisaged in this sector. Thus, if in 2004 the number of child placement centers was 1,369, in 2007 this number amounted to 1,635 (1,251 in the public system and 384 in the private system). In terms of capacity, statistical data revealed a sharp declining trend: from 23.8 children per center in 2004, to 15.3 children per center in 2007.

One other identified issue, given the intensification of population ageing, was the small number of homes for the elderly, a situation which improved slightly in 2004-2007: from only 20 homes (2,005 adults under care) to 106 homes (6,012 adults under care).

The situation of persons with disabilities improved as well in the period 2004–2007. If in 2004 there were 83 care centers with 8,877 adults under care, in 2007 the numbers went up to 95 and 6,819, respectively.

## 1.5. Administrative capacity

The improvement of the ruling act and the public policy management is a priority in the government policy coordination process, in compliance with the provisions laid down in the strategic EU documents in respect of administrative capacity building and the NSRF objectives set for the period 2007-2013.

The main activities performed to support the efforts of improving the ruling act and the public policy management focused, after 2007 as well, on the consolidation of the institutional framework necessary to carry out these reforms, and on reformulating the procedures and the legislation in the field.

As a result of these initiatives, the strategic planning process was started at the central public administration level, in a move to increase predictability of the governance, the efficiency of public policy management and to create the connection between the public policy planning and the budget formulation, as well as to increase coherence and efficiency in spending public money. This process ended with the establishment of public policy units in all line ministries responsible for the coordination of the strategic planning process – strategies and strategic plans, as well as for the coordination of the legislative process at the ministries' level by providing advice to those structures that initiate regulations and endorse legal drafts.

In addition, various actions were taken at the public administration level, focusing on creating the necessary legislation and the institutional framework for the improvement and consolidation of the public administration in parallel with decentralization and deconcentration. Under these circumstances, in May–July 2009, the Ministry of Health, the Ministry of Agriculture, Forests and Rural Development, the Ministry of Youth and Sports, the Ministry of Culture, Cults and National Patrimony, the Ministry of Transport and Infrastructure, the Ministry of Education, Research and Innovation and the Ministry of Administration and Interior elaborated draft law aiming at the competence transfer to the local public administration authorities or to the private sector in their areas of competence.

Despite some progress in the field of partnerships and the consultations which support the formulation of public policies, the existing structures (including for interministerial consultations) are still poorly developed. Under these circumstances, the intervention under OP ACD aim at improving the decision making efficiency, the



legislative process, the accountability of public administration and the organizational efficacy, as well as improving the service decentralization in certain priority sectors (Health, Education, Social Security), and the service quality and service provision efficiency.

The structural instruments coordination and management system benefited in 2007-2009 of assistance for improving the procedure framework, training the personnel and preparing the major projects, with money coming especially from pre-accession funds. As a consequence, all seven operational programmes under the Convergence Objective obtained the accreditation of their management and control systems by the European Commission in September 2008 - June 2009, attesting the implementation procedure compliance with the Community standards and norms.

The structural instruments coordination system, as described by GD No 457/2008 on the coordination and implementation of structural instruments in Romania, with the subsequent amendments and completions, is actually well operating, with the coordination performed by the empowered expert structures (ACIS, the Certifying and Paying Authority), and also by the Management Committee for the Coordination of Structural Instruments and the working groups under its umbrella. In addition, in January 2009 the inter-ministerial group for monitoring the Community funds absorption was established, under the direct coordination of the Prime-Minister, involving, in addition to the Ministry of Public Finance, other line ministries having responsibilities as Managing Authorities for the Operational Programmes and the Department for European Affairs. The group analyzes in detail the implementation stage of Community funds allocated to Romania and establishes concrete measures to simplify implementation mechanisms and eliminate bottlenecks and delays in fund absorption.

Developing an adequate administrative capacity for the management of structural instruments, both at the level of the structures for the coordination, management and control of operational programmes and at the project beneficiaries' level, is a key process, implying continuous investments in human resources and logistics. Under the circumstances, the technical assistance supported with pre-accession Community funds and structural and cohesion funds is an essential instrument.

The staff from the structural instruments management and coordination structures continued to attend training courses in this field, in the working group created to this very purpose, through specific analyses of training needs and elaboration of common annual training plans. In 2009 only, under pre-accession and technical assistance projects, around 1,800 persons participated in these training courses, from the staff responsible for the management, coordination and control of structural instruments, at basic level and on specific topics related to the structural instruments management, such as financial management, monitoring, project application management. In addition, in special with the help of projects financed with pre-accession funds, in 2009 around 1,000 experts were trained, among the potential beneficiaries in financing request training, other 370 persons were trained in public procurements and approximately 2,000 persons were trained in the field of management and project implementation.

The base salaries of people working for the structures involved in the coordination and management of structural instruments were increased by up to 75%, which allowed the stability of staff as well as the recruitment of new staff on the positions remained vacant. However, the year 2009 brought severe restrictions with regard to vacancies and salaries of the public employees, with the salary increase of people involved in the management and coordination of structural instruments preserved but still questioned. This is why the support of the European Commission was requested and obtained for the reimbursement from OPTA of this salary portion of people working in such structures.

The Single Management Information System for structural instruments (SMIS-NSRF) was completed, and the conclusion of Community auditors, after the process aimed at accrediting the management and control systems, was that SMIS-NSRF is functional and operational. At the end of 2009 1,447 users were configured in SMIS-NSRF, from the 43 institutions using the system. The users can visualize, input or validate data in the system modules, depending on the attributions of their institutions and in accordance with their job descriptions. In the second half of 2009, the average number of connections to the system was 3,599/month, with a peak of 4,387 in

October. ACIS ensured the coordination and permanent support for data input into the SMIS-NSRF, by providing assistance to the users, including at their headquarters, as well as by correction of errors caused by the users' non-observance of the system procedures. As any other IT system, in order to operate properly SMIS-NSRF needs continuous maintenance and development, by introducing new functionalities and reports.

## 1.6. Regional aspects

One of NSRF specific objectives is to stop and hopefully reverse the widening trend of regional development disparities. Since the implementation of operational programmes started with a slight delay after the programme approval by EC (July 2007), and because only for very few of the contracted projects the implementation has actually started, no direct connection can be established between the actual level of disparities and the programme implementation impact. However, a brief presentation of the main indicators that measure the disparities in the evolution of different regions, starting with the NSRF supporting indicators is necessary to evaluate the starting period of project implementation.

The most important indicator in the analysis of regional disparities – GDP/capita at a regional level – showed a similar trend to the evolution at national level. GDP/capita increased continuously after 2004 and until 2009, when it dropped in all regions against the background of the financial crisis.

The National Commission for Prognosis estimates that in 2009 only 3 regions (Bucharest-Ilfov, West and Centre) saw the values of GDP/inhabitant higher than the national average. The disparity index as compared to the national average in 2009 increased, if we compare to the year 2004, in two regions: Bucharest-Ilfov (+30%) and South (+0.6%), but it dropped in all the other regions.

The regional disparity index, calculated as the ratio between the most developed region (Bucharest-Ilfov) and the less developed region (North-East) in terms of GDP/capita, went up from 2.76 in 2004 to 3.55 in 2009.

The low level of foreign direct investments, the predominant rural activities with a low added value, the poor quality of human resources and the insufficient basic infrastructure in the regions (especially in transport, environment, education and health sectors) are factors that negatively impact on and deepen the disparities among the country regions.

Foreign direct investments continue to be an important contributing factor to the deepening of regional disparities, since they tend to excessively concentrate in some regions. In the end of 2007, 64.3% of the foreign direct investments were concentrated in Bucharest-Ilfov region. The Centre Region came second, but far behind, with only 8.3% of Romania's total foreign direct investments. The North-East region, the less developed region in Romania, attracted only 1.6% of the foreign direct investments. As compared to 2005, the South-East Region saw the worst decrease (-20%), with the highest increase recorded in the Center Region (+7%).

In 2009, the unemployment rate exceeded the national average in all Romanian regions except for Bucharest-Ilfov Region. The Romanian regions have reached a certain convergence over the recent years, so that as compared to 2005, the estimates say that the 2009 unemployment rate dropped towards the level of the national average or kept a constant trend as compared to this average, in the less developed regions (North-East, South, South-West, Centre, South-East). The South-West Region continues to be most hit by unemployment (+ 20.6% over the national average).

Differences from region to region appear in terms of entrepreneurship, which is measured as the SMEs number/1000 inhabitants. Most SMEs are located in the Bucharest-Ilfov Region (approximately 130% more than the national average), followed by North-West, West and Centre Regions.

## Key indicators for regional development in Romania (national average = 100)

-%-

Region	GDP/capita		Unemployment rate		FDI/capita		SME/capita <sup>19</sup>		Rural population	
	2004	2009 <sup>20</sup>	2005	2009	2005	2007	2005	2007	2005	2007
North-East	69.2	62.4	115.2	110.3	7.7	9.1	64.5	63.7	125.5	126.1
South-East	90.7	83.8	108.5	108.8	63.8	43.5	91.4	89.2	98.7	99.7
South	83.4	84.0	123.7	104.4	41.2	44.9	67.7	68.2	129.3	130.3
South-West	83.3	78.8	125.4	120.6	31.9	30.5	70.2	68.1	116.4	116.7
West	114.7	113.3	86.4	102.9	76.3	61.9	105.7	106.3	80.7	81.7
North-West	97.2	93.6	67.8	104.4	45.4	35.2	109.0	111.2	104	103.9
Centre	104.2	102.2	123.7	108.8	62.9	70.6	105.7	105.4	88.9	90.0
Bucharest-Ilfov	191.5	221.7	40.7	45.6	593.5	622.5	228.2	229.2	21.1	17.0

Source: National Commission for Prognosis;

Calculations based on the data from the Romanian Statistical Yearbook, 2008

Overall, the high gap is maintained between the Bucharest-Ilfov Region, the most developed due to the Capital city, and the other Romanian regions. The disparities among the other regions, except for Bucharest-Ilfov, are present but less obvious. In addition, it is worth mentioning that inside all regions the level of intra-regional disparities is high (among the counties forming the regions), all regions, with no exception, including both developed and less developed counties.

### Urban-rural disparities

In 2007, the urban population reached 55.6% of total population, the lowest percentage in Europe, similar to the one recorded for 2005, with 55% of the urban population concentrated in the 24 Romanian cities with over 100,000 inhabitants.

### Urban-Rural disparities

- % -

Indicator	2005			2007		
	Urban	Rural	National	Urban	Rural	National
Total population	54.9	45.1	100	55.2	44.8	100
Activity rate	60.3	65.3	62.4	61	58.4	63
Employment rate	55.0	61.6	57.7	57	54.8	58.8
ILO unemployment rate	8.8	5.2	7.2	6.7	5.8	6.4
Length of modernized routes <sup>21</sup>	58.1	26.5	34.2	60.2	27.3	35.3
Localities with public sewerage systems	97.4	13.6	21.9	96.6	14.9	23.2
Localities with drinking water installations	100	56.8	61.1	99.4	61.4	65.2
Localities where thermal energy is distributed	41.1	0.9	4.9	36.5	0.5	4.1

High disparities are still there between the urban and rural areas. Unlike rural population, people in urban area are educated, they have the advantage of a better infrastructure in terms of quality and quantity and of many more employment opportunities. Rural population on the other hand, is old, with a low birth rate and a highly dependent on agriculture, especially subsistence farming.

Urban-rural gaps are less obvious when it comes to people involvement in economic activities, some indicators showing for the rural environment even better values than the urban area. Hence, unemployment rate (5.8%) was in 2007 under the urban average (6.7%).

Urban-rural disparity is however more obvious in terms of infrastructure, which has a big impact on the life of the population. Major discrepancies between the rural and urban regions can be seen in the quality of roads and the number of households connected to sewerage, drinking water and thermal energy supply systems.

<sup>19</sup> Local active units in industry, constructions, trade and other services, with less than 250 employees per 1000 inhabitants.

<sup>20</sup> Estimation by the National Commission for Prognosis.

<sup>21</sup> Rural roads are national roads, county roads and communal roads. At national level, there were included the urban roads (town/city streets) and the rural ones (national, county and communal roads).

# Chapter 2. Achievements and future prospects in relation to the implementation of Operational Programmes

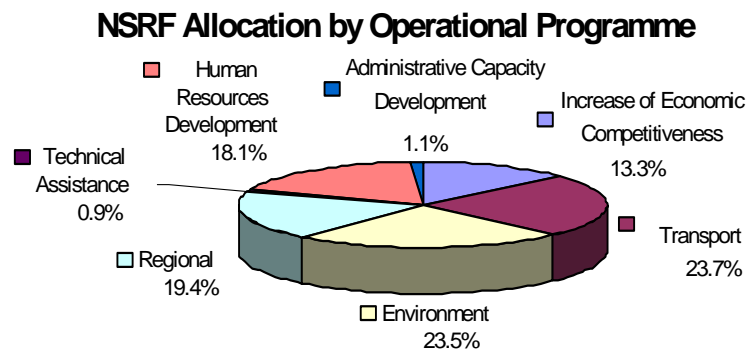
## 2.1. Stage of Operational Programmes implementation on 30 September, 2009 and perspectives for absorption

The 7 Operational Programmes under the Convergence Objective, through which the 2007-2013 National Strategic Reference Framework is implemented, were allocated 19.213 billion Euro of Structural Funds [European Social Fund (ESF), European Regional Development Fund (ERDF)] and Cohesion Fund, to which a national co-financing in amount of 5.6 billion Euro is added.

The EU allocation is distributed to the 3 funds as follows:

- ERDF – 8.976 billion Euro
- ESF – 3.684 billion Euro
- CF – 6.552 billion Euro

In percentages, the distribution of NSRF allocation to the 7 Operational Programmes (OPs) is illustrated in the chart below:



The National Strategic Reference Framework for 2007-2013 was approved by the European Commission in June 2007, with five of the 7 Operational Programmes approved in July 2007 (Regional OP, SOP Environment, SOP Transport, SOP Increase of Economic Competitiveness, and OP Technical Assistance). The 2 OPs financed by ESF, namely SOP Human Resources Development (SOP HRD) and OP Administrative Capacity Development (OP ACD) were approved by the European Commission later the same year, in November 2007.

2007 was mainly dedicated to preparatory activities and awareness campaigns in relation to the Operational Programmes and the first calls for projects were launched. The implementation was in general poor in 2007, but it was rather different from one operational programme to another. Hence, by the end of 2007, 11 calls for proposals were opened, in total, most of them for SOP Environment (6) and ROP (4). For the 2 OPs approved in November 2007 (SOP HRD and OP ACD), the first calls were launched in February and May 2008, respectively.

Programmes' launching had a rapid pace in the first half of 2008, with the financing lines opened in the first half of the year, covering approximately 75% of the fields covered by the operational programmes. At the end of 2008, out of the 121 financing lines under the 7 operational programmes, 105 were launched, with financing lines for 7 of the 16 remaining calls launched in the first 3 quarters of 2009, so that at 30 September, 2009 the financing lines were still not opened for only 6 operations under SOP Economic Competitiveness and 3 operations under SOP Transport. These are complex operations that can only be launched based on the fulfillment of a number of pre-requisites, such as the approval of state aid schemes, some of them with the prior notification of the European Commission (modernization of electricity and natural gas distribution networks) or the approval of specific strategies (National Strategy for Competitiveness Poles or Broadband Strategy).

It is important to notice that, due to a very high interest for some operations, the total amount of the projects submitted for financing until a certain moment exceeded by far the allocation available for the operation in question, some Managing Authorities deciding, because of this reason, to suspend submission of projects under the respective operations. This is the case of ROP, where in October 2008 the project submission was suspended for Priority Axis 2 - *Improvement of regional and local transport infrastructure* in 3 development regions, given the fact that the submitted projects exceed by over 50% the total budget allocated to this axis.

In addition, there still are Priority Axes (PAs) / Key Areas of Interventions (KAIs) for which no project have been submitted until 30 September 2009 despite of the launched project calls. These are:

- SOP Environment - PA 5 – *Implementation of adequate infrastructure of natural risk prevention in most vulnerable areas* under SOP Environment, where the applications had to be prepared after the eation and approval of the National Strategy for Floods Risk Management.
- SOP Transport - PA 1 - *Modernization and development of TEN-T priority axes aiming at sustainable transport system integrated with EU transport networks*, KAI 1.3 - Modernization and enhancement of naval transport infrastructure along the Priority Axis TEN-T 18.
- ROP – PA 4, KAI 4.2 – *Rehabilitation of unused polluted industrial sites and preparation for new activities*.

These circumstances, and the important differences expected in the future absorption rates for some priority axes require careful analyses, to be performed over the next time period for each OP, to see how much of the approved projects is covered by the budgets allocated to different priority axes, and to support fund transfers between axes, which need to be submitted for approval to Monitoring Committees, in accordance with existing procedures.

At the end of 2007, 137 were submitted after the calls for projects launched until that moment by 3 OPs (ROP, SOP Environment and SOP IEC), with only 3 of these projects approved and 1 contract signed, but 2008 and the first half of 2009 saw an obvious acceleration of the submission, approval and contracting process.

At 30 September 2009, the overall stage of Operational Programmes implementation under the Convergence Objective was as follows:

12,975 is the total number of projects submitted for financing under the 7 OPs amounting to 23.6 billion Euro. The requested EU contribution is approximately 16 billion Euro, an amount that exceeds by 2.8 times the European Union allocation of 5.6 billion Euro for the period 2007-2009. In the full allocation for 2007-2013, the EU contribution requested through the submitted projects accounts for approximately 83%.

As compared to the end of 2008, the number of submitted projects increased by 79.3% (from 7,235 projects), with the value thereof going up by 89% (from 12.5 billion Euro).

The project selection and approval has been extremely complex and it took a lot of efforts from the Managing Authorities and the Intermediate Bodies to approve 2,672 projects out of the 12,975 submitted, by 30 September 2009, with a total value approved of 5.3 billion Euro, of which 3.2 billion Euro is the EU contribution.

As compared to the implementation stage at 31 December 2008, the number of projects approved until September 2009 increased by 6.3 times (from 423 projects to 2,672 projects), with the value going up by more than 2.5 times (from 2.14 billion Euro to 5.3 billion Euro).

The difference between the number of submitted projects and the number of approved projects includes the 4,740 projects that were rejected after evaluation because of non-compliance with administrative and eligibility criteria. This gives a picture on the volume of work the Managing Authorities and the Intermediate Bodies had to carry out during this time period, but is, at the same time, a signal as to the deficiencies in preparing the projects submitted by the applicants, if compared to the requirements set out in the programmes.

The implementation progress is considerable in terms of financing contracts/decisions signed with the beneficiaries, or financing decisions. Until September 2009, 1887 contracts were signed out of the 2672 projects approved, in total eligible amount of 3.3 billion Euro, of which EU contribution amounts to 2.7 billion Euro, which accounts for 47.6% of the EU allocation for the interval 2007-2009 and 14% of the total allocation for 2007-2013.

The distribution by funds of the contracted amounts is as follows: of the 2.7 billion Euro EU contribution, 1.3 billion Euro comes from ERDF; 920 million Euro from the Cohesion Fund and 492 million Euro is the ESF contribution.

As compared to the end of 2008, the number of contracts signed at 30 September 2009 increased by approximately 9 times (from 190 contracts), with the amount going up by over 1.5 times (from 1.3 billion Euro).

It is necessary to mention that the difference between the projects approved and the contracts signed includes the withdrawals (of beneficiaries) before contract signing and the contracts terminated. For instance, in the case of SOP Competitiveness, the number of withdrawals and terminations was 138, which accounts for 3% of the total number of projects submitted for this programme by 30 September 2009 (4715). The main reason for such withdrawals or contract terminations is the financial difficulties faced by beneficiaries given the current economic circumstances.

The payments to beneficiaries, representing pre-financing and reimbursements by the Managing Authorities by September 2009, amount to a total of 447.8 million Euro, out of which 443.7 million Euro in EU funds and 4.12 million Euro is the state budget co-financing. The payments from EU funds accounted at 30 September 2009 for only 8% of the 2007-2009 allocation and 2.34% of the entire 2007-2013 allocation.

The payments from EU funds in amount of 443.7 million Euro are as follows: 226.5 million Euro from ERDF; 169.1 million Euro from the Cohesion Funds and 48.1 million Euro from ESF.

Although the amounts paid are not substantial, for reasons related to the natural evolution of the implementation cycle, the pace intensified visibly in 2009, as compared to the situation in December 2008, when all payments made amounted to only 180 million Euro. According to the Managing Authorities' estimates, given the rapidly increasing number of contracts signed, the payments will continue to go constantly up during the next time period.

The advance payments received by Romania from the European Commission in 2007, 2008 and 2009 amounted to a total of 1.827 billion Euro. The analysis made for each OP revealed that the advance payment received together with the funds reimbursements from the Commission cover the 2007 allocations for 5 of the 7 OPs, with the 2007 allocations for OP ACD and OP TA expected to be covered based on 2009 expenditure declarations.

However, even though the risk of decommitment of funds is alleviated by the amount of advance payments received from the EC, the absorption pressure will be very high as of 2011, unless the payment pace grows rapidly in 2010. Since „n+3/n+2” rule applies at the operational programme level, the very low payment level at 30 September 2009 in the case of some Operational Programmes leads to the conclusion that urgent measures are required to speed up contracting and implementation in order to make payments that would cover the allocations beyond the 2007 one.

For each Operational Programme, the implementation stage at 30 September 2009 was as follows:

➤ *Regional Operational Programme*

ROP total budget for 2007-2013 is 4.38 billion Euro, out of which 3.72 billion Euro are EU funds, accounting for approximately 19.4% of the NSRF allocation. The programme is financed from ERDF and implemented through 6 Priority Axes with 14 KAI.

The programme was approved by the EC in July 2007, with the first calls for projects launched in August 2007.

At 30 September 2009 the total number of submitted projects was 2455, in amount of 6.25 billion Euro, of which 4.16 billion Euro of EU contribution.

Of these projects 616 were approved in the reporting period, in amount of 1.43 billion Euro, of which 0.97 billion Euro is the EU contribution, which accounts for 83% of the EU allocation to ROP for the period 2007-2009 and 26% of the entire programme allocation for 2007-2013.

The number of contracts signed with beneficiaries at 30 September 2009 was 525, in total eligible amount of 1 billion Euro, out of which 0.86 billion Euro is the EU contribution. This accounts for 73% of the EU allocation to ROP for 2007-2009 and 23% of the full programme allocation for 2007-2013.

Internal payments to beneficiaries, representing pre-financing and reimbursements, totalled 102.2 million Euro, out of which 99.5 million Euro in EU funds (8.5% of the 2007-2009 allocation and 2.7% of the 2007-2013 allocation).

The expenditures declared to the European Commission by September 30, 2009 amounted to 11.6 million Euro, which accounts for 0.3% of the total funds allocated to ROP by the European Union.

The most important progress in this programme was seen for PA 2 – *Improvement of regional and local transport infrastructure*, where the first contracts were signed in the first half of 2008, with the contracted amount reaching - at 30 September 2009 - 83.8% of the PA 2 allocation.

However, because of specific problems, the implementation started with difficulties in the case of some KAIs:

- KAI 1.1 – *Integrated Urban Development Plans*, where the launching was conditioned upon the approval of the legal framework (GD 998/2008 for the designation of the national growth poles was successively amended through the GD 1149/18.09.2008, which also set out the urban development poles, and through the GD 1513/2008). Delays were caused by the need of having a common financing framework for the growth poles in all Ops funded with Community money, by the limited capacity of local authorities to draw up integrated urban development plans of a metropolitan or regional impact, as well as by the reluctance of some local public authorities in areas under the influence of growth poles core municipalities to partner up and get involved in the Inter-Community Development Association of the respective growth pole. In order to remove all these deadlocks, the Phare assistance was used under a project supporting the local authorities of growth poles to establish managerial structures and draw up integrated development plans.
- KAI 4.2 - *Rehabilitation of unused polluted industrial sites and preparation for new activities*, where no project had been submitted by 30 September 2009. The main reason was very high costs involved by this type of projects (in feasibility studies, environment reports, environment agreements, for instance). These costs are increased by the sums actually needed for the project implementation, which involves a substantial financial effort of the beneficiaries due to the state aid rules that have to be followed. In addition, most industrial sites that are potentially eligible for financing in this field are the property of local authorities in small rural and urban localities, which lack the human, financial and technical resources, as well as the managerial and planning capacity required by such complex rehabilitation projects.

➤ *Sectoral Operational Programme Increase of Economic Competitiveness*

The total envelope of SOP IEC for 2007-2013 is 4.26 billion Euro, out of which 2.55 billion Euro from EU funds, which accounts for approximately 13.3% of the allocation under NSRF. The programme is ERDF-financed and is implemented through 5 Priority Axes and a total of 14 KAIs.

This programme was approved by the European Commission in July 2007, and the first calls for projects were launched in December 2007.

Although 6 operations in this OP had financing lines still not open at 30 September 2009, the calls for projects amounted to approximately 50% of the programme envelope. On 30 September 2009 the total number of submitted projects was 4715, in value of 5.8 billion Euro, out of which EU contribution is 2.8 billion Euro.

1082 projects were approved during the reporting period, amounting to 921.7 million Euro, out of which 495.8 million Euro is the EU contribution, accounting for 53.8% of the EU allocation to SOP IEC for 2007-2009 and 19.4% of the 2007-2013 full programme allocation.

The number of contracts signed with the beneficiaries was 737 on 30 September 2009, in eligible amount of 450.5 million Euro, out of which 333.6 million Euro is the EU contribution. This represents 45.7% of the EU allocation to SOP IEC for 2007-2009 and 13% of the 2007-2013 full programme allocation.

Internal payments to beneficiaries, representing pre-financing and reimbursements, amounted to 125.4 million Euro, out of which 125.2 million Euro from EU funds (17.5% of the allocation for 2007-2009, and 4.9% of the 2007-2013 total envelope).

The expenditures declared to the European Commission before 30 September 2009 amounted to 100 million Euro, accounting for 3.95 % of the total EU funds allocated to SOP IEC.

Until 30 September 2009 a major project in the field of energy efficiency improvement was submitted to the European Commission for approval; this is one of the 5 major projects envisaged to reduce the negative impact of large combustion plants on the environment. The project was approved in December 2009 („Common flue gas desulphurisation, blocks 1 and 2, S.E. Craiova II”).

The high number of projects – 3249 – submitted under the Priority Axis 1 – *An innovative and eco-efficient productive system* (the contracts are signed for 522 projects) – proves that companies are interested in modernization and rehabilitation of production capacities to the level of European standards, in a move to improve competitiveness. It is important to notice that the total amount of funds requested by the large companies exceeded by 4.5 times the envelope allocated for the project calls. However, the poor experience of some of the applicants and the difficulties at programme start led to a high number of projects rejected – 32% of the total number of projects submitted under PA 1.

In terms of projects approved versus projects submitted, it is worth mentioning the high percentages seen in the Priority Axis 2 – *Research, technological development and innovation for competitiveness* (67%) and Priority Axis 3 – *ICT for private and public sectors* (46%), which reflects the good quality of projects focusing on the development of research infrastructure of the use of ICT.

It is to be mentioned as well that under PA 3, the amount of submitted projects exceeds by far the amount available to the calls for projects. However, the amount of applications received for the calls aimed at the business environment, under PA 3, does not cover the funds available in the calls that were launched.

Under Priority Axis 4 – *Increasing energy efficiency and security of supply, in the context of combating climate change* – the cumulative amount of the 14 projects selected for financing under Operation 4.2 *The use of renewable energy sources for producing green energy* covers about 95% of the budget allocated to this operation.

#### ➤ *Sectoral Operational Programme Environment*

The total budget of SOP Environment for the period 2007-2013 is 5.6 billion Euro, out of which 4.5 billion Euro from EU funds, which accounts for about 23.5% of NSRF envelope. The programme is financed from the Cohesion Fund and ERDF and is implemented through 6 Priority Axes with 9 KAIs. The programme was approved by the European Commission in July 2007, with the first calls for projects launched in September 2007.



On 30 September 2009 the total number of submitted projects was 113, in value of 1.59 billion Euro, out of which the EU contribution is 1.05 billion Euro. Out of the projects submitted, 61 were approved during the reporting period, amounting to 1.36 billion Euro, out of which 890 million Euro from EU contribution, which accounts for 69.8% of the EU allocation to SOP Environment during the period 2007-2009 and 20% of the 2007-2013 entire programme allocation.

The number of contracts signed before September 30, 2009 was 29, in an eligible amount of 1 billion Euro, out of which 846 million Euro is the EU contribution. This accounts for 66% of the EU allocation to SOP Environment for the period 2007-2009 and 18.8% of the 2007-2013 entire programme allocation.

Internal payments to beneficiaries, in pre-financing and reimbursements, amounted to 171.4 million Euro, out of which EU funds are in amount of 170.8 million Euro, which accounts for 13.3% of the 2007-2009 envelope, and 3.8% of the 2007-2013 allocation.

The expenditure declarations submitted to EC before 30 September 2009 amounted to 2.46 million Euro, accounting for 0.05% of the total EU funds allocated to SOP Environment.

Until 30 September 2009, 13 major projects were submitted to and approved by the European Commission, amounting to 1.14 billion Euro, out of which 964.16 million Euro from EU contribution.

The most substantial progress in this programme was seen in PA 1- *Extension and modernization of water and wastewater systems*, with an envelope accounting for 61.5% of the full programme budget: 10 of the 13 major projects approved by EC are funded under this axis, and the amount of these projects accounts for over 23% of the full SOP Environment allocation.

It is to be mentioned that the amount of projects under preparation for this axis exceeds by approximately 1 billion Euro the allocation to SOP Environment, which means that it is absolutely necessary to identify and attract additional financing sources, taking into account that the investments aimed at modernizing the waste water systems is a must with a view to observing Romania's commitments in the Accession Treaty.

Delays in implementation were recorded on the Priority Axis 5 – *Implementation of adequate infrastructure of natural risk prevention in most vulnerable areas*, with no project submitted until 30 September 2009. The first four applications for the infrastructure for flood risks prevention in the areas of some rivers in Moldova region were prepared with the technical assistance of a Phare Project – Economic and Social Cohesion, but the submission of these applications was conditioned upon the approval of the National Strategy for Flood Risk Management which was prepared under the same Phare Project. Even if all the financing lines were open in 2008, except for PA 5, still under 2 KAls no project was submitted before 30 September 2009: KAl 2.2. Rehabilitation of historically contaminated sites and KAl 3.1. Rehabilitation of urban heating systems in selected priority areas.

#### ➤ *Sectoral Operational Programme Transport*

The total budget of SOP Transport for the period 2007-2013 is 5.7 billion Euro, out of which 4.5 billion Euro in EU funds, which accounts for about 23% of NSRF envelope. The Programme is financed by the Cohesion Fund and ERDF and is implemented through 4 Priority Axes with 12 KAls.

The Programme was approved by EC in July 2007, with the first calls for projects launched in February 2008.

The implementation of this OP had a difficult start, because of – on one hand – reasons related to delays in putting into proper operation the management and control systems which resulted in the European Commission giving the accreditation only in August 2009 and – on the other hand – the complexity of the operations financed under this programme and the time consuming preparation phase (most projects are major projects), as well as the time allocated to analyzing and solving various aspects related to state aid.

The first calls for projects were published in February 2008, but on 30 September 2009 3 financing lines were still not open and no projects were submitted for KAI 1.3 - *Modernization and development of water transport infrastructure along the TEN-T Priority Axis 18*, with the call remained unanswered.

On 30 September 2009 the total number of submitted projects was 37, in amount of 2.2 billion Euro, out of which the EU contribution is 967 million Euro.

16 projects were approved during the reporting period, in amount of 719.3 million Euro, out of which 161 million Euro from EU contribution, which accounts for 12.2% of the EU allocation to SOP Transport for 2007-2009 and 3.5% of the entire programme allocation for 2007-2013.

The number of contracts signed with beneficiaries until 30 September 2009 was 16, of an eligible amount of 198.9 million Euro, out of which 161 million Euro from EU contribution. This accounts for 12.3% of the EU allocation for SOP Transport for the period 2007-2009 and 3.5% of the allocation 2007-2013 for this programme.

Internal payments to beneficiaries, in pre-financing and reimbursements, amounted to 0.01 million Euro, out of which EU funds account for 0.01 million Euro. The expenditure declarations submitted to the European Commission before 30 September 2009 amounted to 0.01 million Euro.

Until 30 September 2009, 6 major projects were submitted to the European Commission, out of which 2 projects were approved in total amount of 605 million Euro, and 123 million Euro from EU contribution. On 31 December 2009, 7 projects were already submitted to the European Commission in total amount of 1.48 billion Euro, out of which the EU contribution is 539 million Euro. Of these projects, 5 were approved, in total amount of 1 billion Euro, out of which 335 million Euro from EU contribution.

#### ➤ *Sectoral Operational Programme Human Resources Development*

The total budget of SOP HRD for the period 2007-2013 is 4.25 billion Euro, of which 3.47 billion Euro from EU funds, which accounts for about 18.1% of NSRF envelope. The Programme is financed by the European Social Fund and is implemented through 7 Priority Axes in a total number of 21 KAIs.

The Programme was approved by the European Commission in November 2007, with the first calls for projects launched on 15 February 2008.

On 30 September 2009 the total number of submitted projects was 5007, in amount of 7.5 billion Euro, out of which the EU contribution is 6.8 billion Euro, twice as much as the programme allocation. During the reporting period 782 projects were approved, in amount of 815.9 million Euro, of which 656 million Euro from EU contribution, which accounts for 66.5% of the EU allocation to SOP HRD in 2007-2009 and 18.9% of the allocation 2007-2013 for this programme.

The high number of projects submitted in a short time period in 2008 increased the evaluation time, this is why the Managing Authority decided to outsource project evaluation. At the same time, to ensure maximum efficiency of the project evaluation and selection, as of July 2009 these activities are performed using an online IT system, which ensures the objectivity of the evaluation process in three stages for each project: project eligibility, quality assessment of proposals and eligibility of applicants.

The ratio of approved versus submitted projects is 26% at OP level, but this is higher in the case of strategic projects (45%) and lower in the case of grant projects (18-20%), which proves the higher quality of projects submitted by the public institutions, the main beneficiary category of such strategic projects.

The number of contracts signed with beneficiaries until 30 September 2009 was 482, of an eligible amount of 559.5 million Euro, out of which 460.2 million Euro from EU contribution. This accounts for 46.2% of the EU

allocation to SOP HRD for the period 2007-2009 and 13.2% of the allocation 2007-2013 for this programme. In order to support beneficiaries with implementing the contracted projects, the MA established a Crisis Task Force having the responsibility to speed up the programme absorption capacity; to this purpose, the staff involved in this unit pay visits to the beneficiaries to analyze the delays in implementation, identify the causes and suggest solutions.

Internal payments to beneficiaries, in pre-financing and reimbursements, amounted to 48.2 million Euro, of which EU funds account for 47.5 million Euro (4.8% of the 2007-2009 allocation and 1.4% of the 2007-2013 allocation). The expenditure declarations submitted to the European Commission before 30 September 2009 amounted to 1.8 million Euro, accounting for 0.05% of the total EU funds allocated to SOP HRD.

#### ➤ *Operational Programme Administrative Capacity Development*

The total budget of OP ACD for the period 2007-2013 is 246 million Euro, of which 208 million Euro is EU contribution, which accounts for about 1.1% of NSRF envelope. The Programme is financed by the European Social Fund and is implemented through 3 Priority Axes and 7 KAIs in total.

The Programme was approved by the European Commission in November 2007, and the first calls for projects and project ideas were launched in May 2008. On 30 September 2009 the total number of submitted projects was 627, in total amount of 142.2 million Euro, out of which the EU contribution is 115.2 million Euro.

103 projects were approved during the reporting period, in amount of 45.4 million Euro, out of which 37.3 million Euro from EU contribution, which accounts for 41.8% of the EU allocation to OP ACD in 2007-2009 and 17.9% of the 2007-2013 allocation to this programme.

The key areas of intervention which proved more attractive were under PA 1 – *Structural and process improvements to the public policy management cycle*, KAI 1.1. Improvement of decision-making at administrative and political level and KAI 1.3. Improvement of organizational effectiveness. Hence, a high number of application was submitted for these financing lines in 2008. In 2009, the project calls focused on the intervention areas included in PA 2 – *Quality and efficiency improvement of public services, with a focus on decentralization*, the number of submitted projects exceeding in average by four times the allocation to these financing lines. The lowest interest was seen in KAI 1.2 – Increase of public administration accountability, which triggered more efforts by the managing authority in attracting projects in this area.

The number of contracts signed with beneficiaries until 30 September 2009 was 86, of an eligible amount of 38.8 million Euro, of which 32.7 million Euro from EU contribution. This accounts for 36.6% of the EU allocation to OP ACD for the time interval 2007-2009 and 15.7% of the 2007-2013 allocation to this programme.

Intenal payments to beneficiaries, in pre-financing and reimbursements, amounted to 0.6 million Euro, EU funds (0.7% of the 2007-2009 allocation and 0.3% of the 2007-2013 allocation). The expenditure declarations submitted to the European Commission before 30 September 2009 amounted to 0.05 million Euro, accounting for 0.02% of the total EU funds allocated to OP ACD.

#### ➤ *Operational Programme Technical Assistance*

The total OPTA budget for the period 2007-2013 is 212.8 million Euro, out of which 170.2 million Euro in EU funds, which accounts for about 0.9% of NSRF envelope. The Programme is financed by ERDF and is implemented through 3 Priority Axes and 10 KAIs.

The Programme was approved by EC in July 2007, with the first calls for projects launched in 2008.

On 30 September 2009, the total number of submitted projects was 21, in amount of 43 million Euro, of which the EU contribution is 28.2 million Euro. Out of these projects, 12 were approved during the reporting time, in amount of 29.4 million Euro, out of which 18.8 million Euro from EU contribution, which accounts for 33% of the EU allocation to OP TA in 2007-2009 and 11% of the 2007-2013 allocation to this programme.

6 projects were rejected of those submitted in 2008, which is relatively high, but the project approval rate was substantially increased after a help-desk was made available to beneficiaries by the Managing Authority.

12 contracts were signed with the beneficiaries until 30 September 2009 in eligible amount of 23.5 million Euro, out of which 18.8 million Euro from EU contribution. This accounts for 33.4% of the EU allocation to OP TA in 2007-2009 and 11% of the 2007-2013 allocation to this programme.

Domestic payments to beneficiaries, in pre-financing and reimbursements, amounted to 0.05 million Euro, EU funds (0.1% of the 2007-2009 allocation and 0.03% of the 2007-2013 allocation). The expenditure declarations submitted to the European Commission before 30 September 2009 amounted to 0.04 million Euro, accounting for 0.02% of the total EU funds allocated to OP TA.

Detailed information on the implementation of Operational Programmes, as well as on the financial progress by 30 September 2009 and 31 December 2009 are presented in Annex I.

### Priority Themes

The progress review regarding the contracting activity on priority themes, as presented in Annex II, reveals that the 14% which is the ratio of total contracted amount versus EU allocation is unevenly distributed over the 67 priority themes covered by the operational programmes.

There is a high commitment level for some themes, such as theme 23 – *Local/regional roads*, where the percentage if we compare to the EU allocation for this theme is over 86%; or theme 9 – *Other measures stimulating research, innovation and entrepreneurship of SMEs*, with over 65% of the allocated budget. In addition, higher contracting percentages were reported in general in those areas where the allocations are relatively limited and where the needs and financing applications are much higher.

This is especially the case of the themes in the energy sector (33-43) or the transport sector (17, 19, 25, 27-30), with substantial allocations (approximately 600 million Euro for energy and approximately 2.1 billion Euro for transport). On the other hand, in 13 priority themes no results were recorded because no contracts were signed until 30 September 2009.

The fact that no contracts were signed on some priority themes was caused, in some cases, by a number of objective reasons having led to delays in launching the calls, submitting, evaluating and approving the projects for some key intervention areas, such as, under ROP, KAI 1.1 – *Integrated urban development plans* or KAI 4.2 – *Rehabilitation of unused polluted industrial sites and preparation for new activities*; these reasons were presented in the analysis of the Operational Programmes implementation stage. In other cases, such as SOP Transport for instance, the delays in contracting are mainly caused by the time consuming preparation and approval of major projects, and by the lack of clarifications as to some aspects related to state aid.

The measures taken by the MAs to speed up project approval and contract signature, as well as the simplification measures introduced by the Government in a move to stimulate project submission, led to an acceleration of the contracting activity, including for priority themes in which no contract had been signed until the date of the report, a trend that was as well reflected by the progress in implementation seen in Q4 2009.

With regard to investments in water and wastewater infrastructure, we can see that the funds allocated to priority themes on water management and supply (code 45 – *Management and distribution of water*), and water treatment (code 46 – *water treatment*), account for around 62% of the total allocation to SOP Environment. Under these circumstances, the approval of major projects included in the investment portfolio for water and wastewater infrastructure ensured a high level in contracting the EU funds allocated to these priority themes: 16.6% for drinking water and 40.7% for waste water.

With regard to the themes financed under ESF, we need to mention that the highest percentage of fund commitment versus financial allocation – 38.6% - was seen in the priority theme 69 – *Measures to improve access to employment and increase sustainable participation and progress of women in employment*.

The highest amount until 30 September 2009 under SOP HRD, i.e. 119.4 million Euro, was contracted in the priority theme 72 – *Design, introduction and implementation of reforms in education and training systems with in order to develop employability*. However, the ration between the contracted amount and the EU allocation for this theme is only 17.5%, which means that keeping the contracting pace is a must to ensure a high absorption rate in this area.

It is important to note the progress made under OP ACD priority theme 81 – *Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes*, where the 30 million Euro contracted account for 15% of the funds allocated to this theme.

With respect to the contracting activity for the two technical assistance priority themes, 85 – *Preparation, implementation, monitoring and inspection* and 86 – *Evaluation and studies; information and communication*, we must notice that, although the Managing Authorities concluded contracts under the TA Priority Axes (except for SOP IEC), overall, contracting percentages for these themes are under 10% of the allocated budgets. One possible explanation is that most MAs received assistance during this period under various projects financed with pre-accession funds, one important part of the Social and Economic Cohesion component of the Phare Programme being dedicated to administrative capacity building for the structures involved in the management of structural instruments.

### Absorption prospects

Structural instruments are one of the biggest opportunities that Romania has to remedy the social and economic development deficiencies, to improve the quality of living and, implicitly, to cut the gaps as compared to the rest of the European Union. Moreover, against the background of budget constraints due to the financial crisis, the structural instruments are a substantial grant source that is extremely opportune.

As a consequence, Romania's objective is naturally to ensure the highest absorption rates until the end of the 2007-2013 programming period. In fact, NSRF sets out a target absorption rate of structural and cohesion funds under the Convergence Objective of at least 90% of the available allocation.

With regard to the absorption pace it is to be underlined that this is the first period for Romania to use structural instruments, which means that the progress could be slower in the first years (due to difficulties in implementing a new and complex financing system, both at the level of structures that manage the operational programmes and at beneficiary level), but this is followed by a rapid improvement of absorption rates as we move ahead on the path of the implementation cycle.

In general, the progress so far on the implementation of operational programmes confirms these prospects. Hence, 2007 was the year for negotiations with the European Commission for the approval of NSRF and the operational programmes, as well as the year when the first calls for projects were launched. 2008 was the year when most calls for projects were launched, with most operations foreseen in the programmes (approximately 90%) opened to beneficiaries before year-end. 2009 can be seen as the "contracting year" because of the rapid increase in the number of financing contracts /decisions concluded with the beneficiaries, with an obvious progress in the second half in terms of actual project implementation and payments.

Under these circumstances, the global actual absorption rate of funds under the Convergence Objective, including advances and interim payments made by the European Commission, amounted at the end of 2009 to approximately 10.3% of the 2007-2013 EU allocation (for an amount received of approximately 1.97 billion Euro). For each structural instrument individually, the absorption rate is as follows: ERDF – 10.3%, ESF – 9% and CF – 11.1%. Even though a higher rate would be desirable, this level is still within normal limits for this stage of the implementation cycle, which is confirmed as well by the comparison with the results obtained by other EU Member States.

At the same time, the progress made in 2009 set the scene for an increased absorption in 2010. The simplification measures enforced in 2009 with a view to simplify the funds accessing mechanism, but also those measures envisaged for 2010, the experience accumulated by the structures responsible for managing the operational programmes, the high interest of applicants, the increased experience of beneficiaries in implementing the projects, as well as the economic recovery expected starting with the second half of 2010, all these are factors that will favour the absorption pace. Therefore, the estimated interim payments for 2010 amount to 0.8 – 1 billion Euro, plus an advance of approximately 278 million Euro (after the approval of the amendment of EC Regulation No 1083/2006), which brings the forecast in terms of structural and cohesion funds from the European Commission to 1 – 1.25 billion Euro.

For the future years, the absorption rate is expected to grow, to an annual level of 2.5 – 3 billion Euro, substantially higher than in 2009 and 2010. Such absorption rates require special efforts to identify and rapidly remove any barriers in the implementation of projects funded by structural instruments (both major infrastructure projects and those aimed at regional and local development, the business environment or the human resources development), as well as to consolidate the administrative capacity of the structures responsible for the coordination, management and control of these funds.

## 2.2. Contribution to the achievement of objectives set out in the National Strategic Reference Framework

The drafting of the National Strategic Reference Framework, the decision on the allocations and the formulation of national strategy for the implementation of European Cohesion Policy have been done in a context when the gross domestic product per capita in Romania was much under the EU development standards, i.e. 34.8% of the EU-25 average (in 2005).

Starting from this situation, the global objective in the allocation strategy of structural and cohesion funds, as established in the National Strategic Reference Framework, was to reduce economic and social disparities between Romania and the other Member States, by generating an additional growth of 15-20% of the Gross Domestic Product by 2015.

To this purpose, NSRF identified four thematic priorities and one territorial priority:

- Development of basic infrastructure to European Standards;
- Increasing of long term competitiveness of the Romanian economy ;
- Development and more efficient use of Romania's human capital;
- Building an effective administrative capacity;
- Promote a balanced territorial development.

Under these thematic priorities, a number of interventions were proposed to reduce the gaps identified in various sectors/fields/regions and to ensure the implementation of national development priorities. These interventions are linked to the priority axes/key areas of intervention /operations included in the Operational Programmes financed by Structural Instruments.

### Development of basic infrastructure to European Standards

#### Expand and improve transport infrastructure

Infrastructure investments are an essential condition to ensure accessibility and mobility of people, goods and services, substantially adding to the improvement of regional interconnections and the increase of the regions' attractiveness. In addition, a well-developed infrastructure will improve access to larger markets and all actions taken will lead to reduced travel times and lower transport costs.

The strategy approved in NSRF and SOP Transport includes investments aimed at improving road and rail networks as well as the navigation along the Danube (TEN-T Priority Axes 7, 18 and 22) and that will support the development of the business environment and the creation of new jobs. In addition, promoting infrastructure investment is a way to take advantage of Romania's strategic geographic location, like a gate to the enlarged Europe and make maximum use of economic benefits for Romania from the perspective of a country having a consolidated position in Europe, as a transit zone to Asia.

The integration of the national transport strategy with the European Union Strategy relating to the development of TEN-T transport networks requires the creation of modern road and rail networks and the maximization of opportunities in the air and naval transport. Moreover, the connectivity of transport modes will promote a competitive advantage; intermodality and safety will lay at the basis of these policies.

In addition, the rehabilitation and modernization of urban streets and the construction, rehabilitation and modernization of ring roads (counting as county and/or urban roads) will contribute to the relaxation of the urban traffic, reduce the travel time, remove the traffic jams and allow travelling through the localities under safe conditions.

In order to respond to these needs and desires NSRF strategy promotes both investments in the TEN-T network, and the regional and local infrastructure of intra-urban road networks. The transport infrastructure has the biggest financial allocation, as it is promoted under both the Sectoral Operational Programme „Transport”, and the Regional Operational Programme.

The main NSRF objective for the transport sector is to ensure a developed infrastructure, modern and sustainable, adequately maintained, to facilitate transport of people and goods in a safe and efficient manner at national and European level and to contribute to the economic development of Romania.

For the period 2007–2013, the Romanian global transport strategy is focused on clear priorities at national level, in line with EU policies, such as the development of TEN-T, especially the priority TEN-T projects, balanced transport modes and improved traffic security. This approach is supported by the needs analysis conducted for the entire transport network, before the programming period.

**Road transport.** The strategy in the road sector is aimed, in the first place, at completing the Northern branch of the priority axis TEN-T 7 (Nădlac–Constanța). The beneficiary institutions prepared a portfolio of 7 major projects in total amount of 1.57 billion Euro, out of which 2 major projects have already been contracted amounting to 123 million Euro. The purpose of the 7 major projects is to build 373 km of highway which exceeds the target set in SOP Transport of 190 km, by the end of the programming period. 50.8 km of highway are under construction (Cernavodă – Constanța) as well as 22.2 km of Constanța ring road.

At the same time, the modernization and development of national transport infrastructure is aimed at the sections outside the priority axes TEN-T. The objective is to increase the passenger and freight traffic, in conditions of increased safety, speed and quality services. Consideration is given as well to stopping the declining trend of inter-urban road traffic of passengers that decreased by 72% in the past 15 years and reaches the lowest EU-27 level (1/4 of the EU average).

The national road infrastructure will be developed and modernized taking into account the current and future transport flows, allowing access to industrialized regions and urban centers and in general to important transport nodes, and deviating the traffic from town centers. The operations will improve inter-regional accessibility and support the regional development in Romania by facilitating the traffic and promoting the use of local suppliers and raw materials in the industrialized regions, through increasing labour force access to these areas as well as the rural population's access to services, including medical ones.

A portfolio of 9 major projects was prepared, in amount of 523.2 million Euro, of which 3 projects have already been contracted amounting to 33.6 million Euro. The 9 major projects target the rehabilitation of 315 km of a total of 800 km of national roads that are to be rehabilitated until 2015.

The connection of county roads (to be rehabilitated under ROP) to the national road network and TEN network has implications on the regional development, attracting structurally poor developed areas on the economic circuit. This is why investments will focus mainly on the areas where topographic features, historical and economic transformations prevented the adequate development of transport infrastructure. These road networks will contribute, on a medium term, to increasing capital flows, labour force mobility, accessibility towards and within the country, determining the sustainable development and new work opportunities, including in the rural areas.

Given the evolution so far in the implementation of investment priorities in the field of regional and local transport infrastructure, we estimate that the targets for 2005 in respect of county roads will be reached, even exceeded. Therefore, compared to projects contracted until 30 September 2009 the length of county roads to be rehabilitated/modernized is almost double than the target (1734.8 km as compared to the estimated 877 km).

**Railway transport.** Since rail freight transport tends to expand its market share, by an increased attractiveness and competitiveness, especially as compared to the road transport, by higher speeds and better quality services, the development and modernization of the rail infrastructure aim at reaching the inter-operability along the Priority Axis TEN-T 22 and improving the quality of rail transport services through increasing the maximum operating speed to 160 km/h for the passenger trains and 120 km/h for freight trains. Another objective is to keep the market share of the rail transport in terms of number of passengers, increase safety and reduce travel time.

The operations supported by SOP Transport aim at the rehabilitation / modernization of the Priority Axis TEN-T 22 (Curtici – Constanța). In addition to modernizing the railway infrastructure and ensuring an efficient interoperability, the project will introduce the ERTMS/ETCS level 2 systems.

A portfolio of 4 major projects was prepared, in amount of 1.53 billion Euro. These 4 major projects include the rehabilitation of 242.9 km, which exceeds the SOP Transport target of 180 km of TEN-T interoperable rails.

The interoperability of the national rail infrastructure will be performed outside the TEN-T priority axes, through the modernization of a number of rail sections and the rehabilitation of a number of railway stations, bridges and tunnels. Consideration will be given to the preparation of technical requirements for the interoperability of the conventional railway network and the modernization of electrical stations.

A portfolio of 3 major projects was prepared, in amount of 257 million Euro. The 3 projects will rehabilitate / modernize 21 railway stations, exceeding therefore the target set out in the strategy, i.e. 18 rehabilitated / modernized stations by 2015.

**River and maritime transport.** Modernization and enhancement of naval transport infrastructure along the Priority Axis TEN-T 18 include the entire length of the Danube river, the Danube – Black Sea Channel all the way to Constanța Port, as well as Midia – Poarta Albă Channel. The aim is to develop the river transport infrastructure to increase the use of this infrastructure. The initiatives regarding the Danube and the channels are mainly aimed at reducing the incidence of low waters situations, allowing a maximum loading of ships. The promoted projects will increase the competitiveness of the river transport and its market share as compared to the road and rail transport.

3 major projects were prepared in total amount of approximately 195 million Euro, out of which one has already been contracted. These projects' purpose is to completely open 450 km on the Priority Axis TEN-T 18 for navigation, contributing to the NSRF objective of improving the Danube navigation.

In addition, in order to capitalize on the potential given by the Rhine–Main–Danube axis the development of Danube and sea ports, especially Constanța Port, is a major objective, that will be reached by the facilitation of port operations and the increase of their efficiency, the increase of processing and storing capacity and of the ships safety in Constanța port.



A portfolio of 4 projects has been prepared so far, in total amount of 194.6 million Euro, the implementation of which is aimed, until 2015, at increasing the passenger river traffic up to 1 million and reaching 115 million tones of freight transit in ports. A financing scheme was prepared as well, in amount of approximately 13.3 million Euro aimed at improving the infrastructure of the Danube ports.

**Air transport.** The modernization and development of air transport infrastructure will increase the efficiency and attractiveness as well as the use of existing capacities, and will ensure efficient connections with the main international airports, thus contributing to regional development. A funding scheme in amount of 74.6 million Euro was prepared, to rehabilitate / modernize 7 airports until 2015. These objectives will contribute to achievement of NSRF objective of increasing accessibility and inter-connectivity of national, county and local roads, railways and naval services, ensuring at the same time better connections with TEN-T networks.

**Promotion of inter-modal transport.** The operations are aimed at facilitating the modal freight transfer, mainly from road to rail/road or naval/road. As a consequence, the promotion of the inter-modal transport refers in principal to the supply of terminal infrastructure or logistic centers for the inter-modal units. The initiatives include actions to develop inter-modal terminals or the combined logistic and transport distribution centers covering the terminal infrastructure. Consideration is being given to supporting rail inter-modal operations as well. It is to be mentioned that one project in amount of 12.8 million Euro is under preparation, aimed at building / improving 4 inter-modal terminals before 2015; this project faces some difficulties due to state aid regulations and unclear structural aspects.

**Improve traffic safety in all transport modes.** These operations aim at ensuring the implementation of European safety standards for all transport means, including inter-modal, through interventions for:

- Safer roads (passages at road/rail level improved and new road/rail passages built, both underground and overground; vertical and horizontal signal systems; development and improvement of physical infrastructure through preventive measures (for example road signs, video cameras, linear villages etc.);
- Safer railways (modernization of electro-dynamic centralization - interlocking, automated barriers, signaling etc.);
- Safer naval transport (improvement of the Vessel Traffic Management Information System – VTMISS).

A portfolio of 8 projects was prepared, out of which 2 major projects, in total amount of 126.9 million Euro. Until 2015, a number of 80 passages at railway level will be improved and 180 km in linear villages will be protected. This is supposed to reduce by 20% the number of severe accidents and deadly accidents.

**Minimize transport adverse effects on the environment.** Specific operations include the introduction of initiatives regarding efficient and un-polluting transport infrastructures, harmless to the environment, compliant with the European standards and requirements, for all transport modes, including inter-modal activities, in accordance with the Kyoto Agreement. A 5-project portfolio has been prepared so far, in amount of 13.7 million Euro. The interventions in this field will reduce the impact on the environment of transport infrastructure that was built before the introduction on the sustainable development in Romania and will support the introduction of a new environment management system, that will include the strategic analysis, the specific impact assessment to the transport sector, monitoring and mitigation measures and inter-institutional cooperation.

## **Strengthen synergies between environmental protection and growth**

Promoting sustainable development and environment protection is one of the Cohesion Policy priorities in Romania in 2007-2013. The environment investments financed with structural and cohesion funds were prioritized taking into consideration the obligations resulting from Romania's EU membership and the commitments taken during the accession negotiations, as well as the purpose of improving the environment quality and the living standard of more than half of the Romanian population. These priorities will allow the creation of an efficient management for the environment services, the regional convergence, the acceleration of the national programme implementation, avoidance/reduction of future economic and environmental losses (associated to the lack of short-term sustainable actions).

The environment needs and priorities analysis revealed that most investments are necessary in two areas in principal: water and waste management; these sectors enjoyed major funding during the pre-accession period as well. The other types of intervention may be considered more like pilot programmes – investments for improving the efficiency of thermal energy supply systems, protection of bio-diversity and prevention of natural disasters –, still with a high expansion potential in the next time period.

The investment priorities in the environment sector are implemented through the Sectoral Operational Programme „Environment”, with sub-priorities identified in the national strategy included in the priority axes. The strategic approach is aimed at improving both the environment quality and the direct economic benefits, reducing costs, using resources in an efficient way, improving environment services and new technological opportunities on the market, developing long term risk prevention strategies, especially flood-related risks.

A more efficient use of the environment investments – to the integrated water and waste management systems, waste management systems, urban heating systems and risk management – is a top requirement of the project selection process, with a view to long term investment plans.

Given the complexity of most environment interventions and because they need a long implementation period, the first results or effects will only be visible towards the end of project implementation. However, during the reporting period an important progress was seen in all the identified funding areas, especially with regard to the preparation of project portfolio, evaluation and approval of projects, as well as the start of more advanced projects.

**Extension and modernization of water and wastewater infrastructure.** The purpose of investments in water and wastewater quality and access to infrastructure, made with structural instruments, is to ensure the water supply and sewerage services in most urban areas before 2015 and to establish efficient regional structures responsible for the water/waste water service management.

43 major projects will be implemented with the purpose of building or rehabilitating 170 water treatment plants and increasing the adequately treated used water volume from 35% to 60% of the total volume. Therefore, the population connected to water services in the regional system is expected to go up from 52% to 70%.

The investments will be implemented throughout the Romanian territory, to promote a balanced territorial development. In this respect, we anticipate a number of 240 localities will benefit of new/rehabilitated water facilities, in the regional system.

In line with the NSRF objectives, until 30 September 2009, 30 regional water companies were established (responsible for project implementation), more than the intermediary target of 25 companies in 2009. At the same time, the EU contribution to major projects approved for investments in water sector accounts for approximately 106.2% of the amount allocated to this type of investments in the period 2007-2009. Given this approval pace, by the end of 2010 the major project portfolio will ensure the full commitment of the funds allocated to this sector.

The results so far achieved in the implementation of these investments prove that these will be performed in an adequate pace so that the objectives set out in the strategy could be reached.

**Improved waste management.** The investments under this priority are aimed at developing waste management integrated systems that are compliant with the European standards and the creation of an estimated number of around 38 waste management integrated system at county/regional level. It is anticipated that, as a result of these investments, 8 million inhabitants will benefit of improved waste management systems. In addition, consideration is being given to the implementation of 5 pilot project for the rehabilitation of a number of historically contaminated sites.

The investments will be implemented throughout the Romanian territory, to promote a balanced territorial development. In this respect, we anticipate that by promoting this sub-priority, 1500 old waste deposits will be closed in the rural areas and 143 municipal waste deposits will be closed in the urban areas.

Most waste management integrated system projects are major projects, the implementation of each of them taking 3-4 years. As a consequence, the concrete results of programme indicators will be seen only in the second half of the programming period, at 30 September 2009 the implementation being relatively on schedule considering the proposed intermediary targets. The progress is visible, especially in terms of project preparation, with 3 major projects approved of the portfolio under preparation, and the EU contribution to these projects representing approximately 35% of the allocations to this type of investments in the period 2007-2009. By the end of 2009 one more major project was submitted to the European Commission, with the other major projects of this portfolio estimated to be submitted for evaluation and approval in 2010.

The funds to be allocated to investments in the waste management sector are expected to be fully committed by 31 December 2011, which will ensure an adequate implementation in compliance with the established calendar, so that the targets approved for this type of interventions could be reached by the end of the programming period.

**Reduction of air pollution and mitigation of climate changes.** Given the intensifying global actions to reduce the effects of the climate changes, one of the intervention areas is about reducing greenhouse gas emissions. Hence, one of the thematic sub-priorities of the NSRF strategy has as objective reducing pollution caused by the urban heating systems in the most affected localities. By promoting the investments in this sector a significant contribution will be secured to the development of the basic infrastructure up to European standards, with 8 rehabilitated central heating systems and reduced emissions of SO<sub>2</sub> and NO<sub>x</sub> (caused by urban heating systems) from 80,000 to 15,000 tones and from 7,000 to 4,000 tones, respectively.

Since the investment types that are to be promoted will be national pilot projects, it has been more difficult to identify a viable project portfolio to respond to the strategic objectives; therefore, no projects have been approved for this sector. Based on various pre-selection criteria, 8 major investment projects in thermal energy supply sector were identified, three of them being in an advanced preparation stage. The first financing requests were sent to EC for evaluation and approval in December 2009, with the other projects to be submitted to the European Commission to be approved in 2010.

**Nature protection.** Through financing the investments capable to ensure the adequate nature protection management systems, by supporting the protected areas management, including the implementation of Natura 2000, a rather large objective is being given consideration taking into account the scarce financial resources in the biodiversity and nature conservation sector. The investment to be financed in this sector will implement an adequate management system in the nature protection sector, with 60% of the total protected areas and of the Natura 2000 sites to benefit of the nature conservation measures.

With these intervention types approved under the structural instruments allocation strategy, SOP Environment has become the first large programme aimed at improving the protected areas, in particular those included in Natura 2000 network, thus contributing in a significant manner to a consolidated and efficient administrative capacity in the nature protection sector, the purpose being 240 management plans for protected areas and Natura 2000 sites. In addition, partnerships are encouraged with stakeholders, NGOs firstly.

In order to promote these interventions, during the reference period calls for projects were launched in two sessions, with 32 projects approved (in amount of approximately 11.2 million Euro, accounting for 32% of the 2007-2009 allocation) out of the total 83 projects submitted in amount of approximately 135 million Euro. In October 2009 a new call for projects was launched. The allocated funds are expected to be fully committed and the established indicators will be met.

**Risk prevention.** The investments planned with the help of structural instruments are aimed at implementing preventive measures in the zones most vulnerable to floods and coastal erosion, with a target of 1,500,000 persons to benefit of flood protection projects and 10 km of seaside protected against the coastal erosion. The identified portfolio includes 8 important projects for protection against flooding covering the hydrographic areas which are the most exposed to such risks. Project preparation is somehow delayed as compared to the other

fields in the environment sector, because of the need to update the national strategy for floods risk management. Currently, this strategy is being completed, to be approved in the first half of 2010. Four financing application are in final stage; these are aimed at the protection against floods in the hydrographic areas in North-Eastern Romania.

With regard to the projects for the rehabilitation of the Black Sea coast, which are not included in the traditional investment categories of European funds in Romania, it is estimated that in the first stage a financing application for the preparation of the first investment project will be approved by the end of this year, with the actual implementation to occur in 2010-2011.

## The efficient use of energy

Despite of the primary energy resources – coal, oil and natural gas – keeping their lead role in the national energy mix, more and more consideration is being given to developing new capacities to produce electricity and heat by using the renewable energy resources, which results in the reduction of natural resources consumption, on one hand, and in a more efficient energy consumption, on the other hand.

An efficient, safe and clean energy infrastructure is a pre-requisite to economic development, increased output and improved competitiveness. Efficient energy production, transport, distribution and use lead to a reduced consumption of both primary and final energy.

The projects financed under SOP IEC are oriented towards important fields such as improvement of energy efficiency, resulting in the decrease of energy intensity to the final consumer, the intensive capitalization and diversification of renewable energy resources uses. Public investments, financed with Community funds and co-financed by the state budget, are aimed at substantially reducing the energy consumption per product and service unit, the massive introduction in the energy balance of new types of unconventional energy and substantial reduction of fossil energy consumption for the production of mechanical and caloric energy, simultaneously with starting expanded awareness and information campaigns for the population, to encourage the shift towards a rational energy-saving behavior.

Romania has a privileged position with regard to a potential involvement in the large European interconnection projects, as it may be a bridge between the Eastern rich resources and the Western high energy needs. In addition to the location, Romania has other advantages to capitalize on, such as: domestic energy transport networks; natural gas storing capacity; tradition in extracting and processing hydrocarbons. Hence, in the period 2006-2015, the increase of Romania's interconnection capacity at all ENTSO-E borders, estimated at 9%, could be obtained mostly from projects financed with structural instruments (4%).

## Increasing the Long Term Competitiveness of the Romanian Economy

The reduction of specific gaps of different components of the Romanian economy competitiveness requires a complex process focused on capital and research investments, as well as development and innovation. In other words, reaching a convergence perspective on a medium and long term and successful integration of the Romanian market requires a knowledge-based economy.

The main instrument for achieving this thematic priority in NSRF is SOP Increase of Economic Competitiveness (SOP IEC), whose general objective is the increase of domestic enterprises' productivity, in accordance with the sustainable development principles and reducing the gaps compared to the EU average productivity. The provisioned target is an average annual increase of GDP per employed person of approximately 5.5%, which would allow Romania to reach, by 2015, a level of approximately 55% of the average EU productivity.

The SME sector, that is the most affected by the current economic downturn, and having a poor managerial capacity, has been supported under SOP IEC through the financing, so far, of 767 projects mostly for production

investments (62%), but also the implementation of international standards, internationalization and access to new markets.

Under the difficult circumstances of the financial market which led to the reluctance of banking institutions to extend loans to SMEs, under the intervention area for the improvement of SME access to financing, the JEREMIE fund was established, expected to encourage, through its interventions, the financial intermediaries (such as banks, risk capital funds) to more substantially finance the SME sector, as a result of credit or guarantee risk sharing with the JEREMIE fund.

A key element to the competitive business development are the value-added advisory services. Thus, SMEs are supported (through 98 contracted projects) to develop their business plans, the company/brand/service strategies, to design marketing and promotional activities, human resources management, IT and e-business activities, and develop innovation and intellectual property rights.

The strategy approved in the Regional Operational Programme adds to the interventions financed under SOP IEC, by supporting small entrepreneurs, namely financing micro-enterprises in the urban regions to build/expand/modernize the production and service supply facilities, to purchase new equipment and technology. The support to local/regional micro-enterprises aims at the restructuring of less developed areas with an economic growth potential, especially small and medium-sized towns, which is expected to create new job opportunities, taking into account that they have the flexibility necessary to adjust to the requirements of a dynamic market economy.

To this purpose, 334 contracted projects are being implemented, following the first call for projects, which accounts for 22.3% of the target estimated in the ROP with regard to the supported micro-enterprises; the implementation of these projects will create 1538 jobs, accounting for 51.3% of the target called „jobs created in micro-enterprises”, by the end of the implementation period.

The increase of demand and supply in the research&innovation sector, with direct impact on the enterprise technological development, depends on the existing infrastructure competitiveness. To have a developed infrastructure able to support the complex research projects, 51 projects were approved under SOP IEC to improve R&D efficiency in universities and research institutes, to help Romanian researchers involve in international research networks and connect domestic R&D centers to GRID-type European networks. The transfer of technology, products and services resulted from the research activity and destined to enterprises, as well as the development of research capacity of enterprises were supported through 25 projects, out of which 6 to finance innovative start-ups and spin-offs.

The importance of IT&C sector to the economic development and competitiveness has been confirmed both by the progress made by Romania in the information society field, and by the recent research related to the economic impact of the information society expansion towards productivity increase by the increase of capital and productivity in the IT&C sector, but also by the use of IT&C. The higher interaction between the public sector and enterprises/citizens through the maximum capitalization on the IT&C potential is reached by improving the IT&C infrastructure in the market failure zones (rural and small-urban) through the development and efficient use of electronic public services and the development of a secure and dynamic e-business environment. The 139 IT&C projects contracted so far, support the access to Internet and ancillary services and the development of application such as e-governance, e-health and e-education.

The current contracting level, as well as the review of the submitted projects, and the interest showed by various beneficiary categories, suggest the fact the essential indicators contributing to the thematic priority in NSRF regarding the long term economic competitiveness increase will be reached with no difficulty. On the other hand, indicators such as new jobs or private expenditures in RDI projects, are expected to be more difficult to reach because of the financial resources which, given the current financial crisis, will be channeled more to keeping the current standards and capacities and less to expansion.

**Business support services and infrastructure.** Investments in modern business structures in areas with potential for economic growth as well as in less developed Romanian areas, are a key instrument to reducing development disparities among regions and localities, which will contribute to improved competitiveness and integration of the domestic economy with the European economy. With modern business structures, the regions will be able to benefit of competitive advantages, so far unused or under-used, and by mobilizing their full productive potential they will contribute to the convergence with other EU MS and regions.

To this purpose, the development of a nation-wide business infrastructures, known in some European countries as “competitiveness poles” based on industrial sector with competitive advantages or a firm development potential, which allow a concentration of technological, human and financial resources, are supported by SOP IEC through „Development of business supporting structures of national and international interest”. In 2010 this complex operation will be launched, aiming at the configuration of economic development poles focused on enterprises with development potential that may be a driver to the development of existing companies, establishment of new companies, development of entrepreneurship and creation of new jobs. At the same time, the private sector orientation towards innovation and the reduction of the highly qualified labour force migration, in science and technology sectors, will be obtained by linking this operation to the operation destined to the development of excellence poles under the same operational programme.

In addition, ROP funds business supporting structures of local and regional interest; the current estimation is that the targets set out in ROP will be reached. Three projects have been contracted so far, accounting for 20% of the proposed target for the indicator called „assisted business supporting structures”.

A constant concern is the rehabilitation of industrial sites. The location of old industries adversely affects the environment in central regions of the country, most industrial zones being established in the most advantageous geographical zones, especially in terms of communication and markets. Regeneration of these industrial areas is not only beneficial to the environment, but an advantage for improving efficiency of new investments as well, since they have an infrastructure that can be improved as opposed to totally replaced. It is equally important that these regions, where the economic activity was stopped, can be seen all over the country, creating an image that is not attractive to investors, despite of obvious advantages such as existing public utilities (water, natural gas, sewerage, electricity etc.). The low intensity of state aids aimed at financing the industrial sites and the financial crisis have led to the incapacity of local authorities, in capacity as beneficiaries, to submit projects for the rehabilitation of unused polluted industrial sites and preparation for new activities, therefore no projects has been submitted so far.

The investments planned in ROP, with regard to the business support structures, are aimed at creating 4000 new jobs. The 3 contracted projects for funding business structures are expected to create 574 jobs, accounting for 14.4% of the proposed target for this type of investments.

**Tourism.** Tourism creates opportunities for regional and local growth and contributes to the creation of new jobs by capitalizing on the cultural and natural patrimony specific to each of the eight development regions, including marginal areas which are economically and socially disadvantaged. Because of its regional concentration, tourism has a major impact on reducing employment disparities between men and women, supplying flexible working structures.

The implementation of investments planned in this sector is expected to lead, through the tourism infrastructure improvement, to a qualitative jump of overall tourist practices – that will become in line with the European standards – which will directly impact on the size of the demand. In addition, the improvement of the country’s image by the implementation of the national tourism brand will be a benefit to the tourism industry and the economic environment as well.

The financial assistance to the rehabilitation of tourist areas infrastructure and to the capitalization on the natural, historical and cultural patrimony, that will be included in the tourist circuit, as well as the promotion aimed at attracting tourists, is justified by the potential that is evenly distributed over the eight regions and will have the

expected impact in reaching the indicators set out in the strategy. To this purpose, until 30 September 2009 a number of 29 projects was contracted in the tourism sector, accounting for 7.3% of the estimation made for the „tourism projects” ROP indicator.

At the same time, other interventions are aimed at promoting tourist products and services on the domestic market, through nation-wide campaigns allowing the achievement of the general objective set out in the tourism development strategy, which is the increase of Romanian tourism competitiveness. Another important factor adding to a higher tourist activity inside and outside the country is the Internet, as a means for promoting and supplying tourist services (e-tourism). To support them, a network of 10 information and promotion national centers in tourism is to be established, with 9 financing applications already submitted to this purpose. In addition, 6 projects have been contracted out of the 45 projects submitted for the tourist products promotion activities.

## **Development and more efficient use of Romania’s human capital in Romania**

### **Development and more efficient use of human capital in Romania**

The NSRF Strategy on human resources was designed in accordance with the major objectives set out by the strategic European documents in this field, and it relates to the development of an education and training system that will meet the needs of the labour market, the increase of employment by attracting and keeping people on the labour market, the improvement of adaptability and entrepreneurship and the promotion of equality of chances and social inclusion. The priority axes of SOP HRD respond to all these major objectives, with ROP contributing as well to the achievement of NSRF thematic priority on human capital development through the rehabilitation and modernization up to European standards of the infrastructure in the education, health, social services and emergency services sectors.

**Education and vocational training.** The NSRF strategy that is mainly implemented by SOP HRD supports the human capital through investments in the education system and in people, directly, through vocational training programmes. The educational and vocational training projects developed by the MERYS, in a joint effort with the expert institutions in pre-university or university education curricula and initial and life long vocational education, as well as the schools, are aimed at financing various measures to increase the quality of teaching staff, promote entrepreneurship, improve the supply in the education sector, develop specific standards and instruments in the management sector and quality assurance and the creation of flexible education programmes in line with the labour market requirements. The grant amount to the projects contracted under this priority axis is approximately 200 million Euro, accounting for over 70% of the Community allocation in the period 2007-2009, which offers a solid basis for the acceleration, over the next time period, of education reforms to efficiently respond to the increasing needs of the labour market. Under this financing sub-priority, the investment in the quality assurance system of life-long learning (LLL) accounts for 46% of the EU allocation in 2007-2009.

The early school drop-out issue is addressed by the investments supporting the connection between the life-long learning and the labour market, an issue that has been assumed as a key objective in the NSRF Strategy and SOP HRD, with measures aimed at preventing, as well as correcting, the school abandon phenomenon. The projects initiated by the Ministry of Education, in a joint effort with local authorities, cult institutions, government agencies or non-government organizations, regard the implementation of integrated programmes to improve vulnerable groups’ access and participation to primary and secondary education (especially Roma persons), the implementation of programmes such as “school after school” or actions for the re-integration of people who left school before graduating (including “second chance” education programmes).

The projects currently under implementation for reducing early abandon rates amount to 25.7 million Euro in grants, accounting for 43% of the EU allocation in 2007-2009. A number of 47,383 pupils will benefit of the measures promoted by the projects that are financed. In addition, the projects offer the framework for the organization of “second chance” education programmes for 5,820 persons.

Moreover, SOP HRD finances vocational training programmes addressed directly to people. The projects are aimed at supporting on-the-job training programmes for pupils and students (especially apprentice programmes), qualification or re-conversion programmes for the employees, development of entrepreneurship culture, training programmes for the unemployed (including long term unemployed) in areas that are attractive on the labour market, or professional training for vulnerable groups to boost their chances to find jobs. The promoters of these projects are employers and non-government organizations, ownership associations, trade-unions, schools or institutions of the Public Employment Service (PES).

The contracted projects are expected to reach one third of the target of 150,000 young people assisted in the transition process from school to work. In addition, given the increased interest in the entrepreneurship culture, it is expected to reach half of the 2015 target on the number of people assisted in starting a business.

Moreover, the number of long term unemployed participating in integrated programmes is substantially lower than the proposed target of 65,000, but this will change over the next time period, first of all because of the increased number of unemployed due to the financial crisis.

In addition, the 11,277 people included in the training/reconversion programmes is just a small portion of the 360,000 target established for 2015, but the situation will be improved in the future as a result of the efforts for launching new financing lines, including under state aid schemes, and the new awareness campaigns.

**Education/research and business environment partnerships** are reflected on one hand in the professional training offer financed under SOP HRD and oriented towards the development of managerial and entrepreneurship competences, as well as innovation skills of technological and organizational nature, an offer that is addressed to micro-enterprises and small and medium-sized enterprises. The contracted projects will approach around 50,500 people whose skills will be improved in terms of translating ideas into business, planning and manage development projects or improve professional skills, thus ensuring, in a number of cases, the sustainability of production investments financed under SOP IEC. In addition, in order to ease the transition process from school to employment, SOP HRD supports the development of direct partnerships between schools, universities, enterprises and other institutions. A number of 818 partnerships were initiated under the contracted projects.

Moreover, SOP IEC supports partnerships between universities/research institutions and companies to facilitate knowledge transfer from R&D institutions to the companies' staff applying/using the products, technologies or services resulting from the research activities. The intensified cooperation between R&D institutions/universities and the companies is crucial for the competitive development of the latter, and a permanent challenge to the academic environment in finding interesting economic solutions.

**IT&C.** The quality and efficiency of education, reflected in the results obtained by pupils, largely depend on the infrastructure and existing equipment, which could ensure a good learning environment. Therefore, in addition to the interventions financed under SOP HRD, the SOP IEC provides financing for the consolidation of IT&C infrastructure (especially in rural and small urban areas which are disadvantaged in terms of access to modern communication means), such as connecting schools to the Internet and, in general, supporting the public access to Internet and e-learning applications, which gives the basis for developing and implementing the services dedicated to professional orientation (counseling or customized assistance), and using the assistance and didactical materials appropriate to distance learning. The 7 regional projects „*INTERNET IN YOUR SCHOOL – Support to connecting schools to internet through broadband connections*“, which were submitted for financing under SOP IEC have as objective the connection to the internet of county schools and school inspectorate, through broadband connections and purchase of IT&C auxiliary equipment. At the same time, 6 e-learning projects were contracted, of which the total amount exceeds the ERDF 2007-2009 allocation, which reflects the obvious interest and usefulness of this type of investments.

**Education infrastructure.** In conjunction with the interventions financed under SOP HRD, which are dedicated to the educational system and to the participants in the education process, the education infrastructure is financed under the interventions approved in ROP. The investments in this sector contribute to the improvement



of the education infrastructure quality, the school equipping, the accommodation for students and of the vocational training centers in a move to ensure an education process in line with European standards and the increase of school pupils as well as adults participation to the educational process. The projects, through their specific objectives, contribute to the improvement of the education quality in terms of infrastructure – that is to be rehabilitates, expanded, modernized according to technical standards and in terms of teaching process.

The investments will help solving some of the main issues in education, such as the lack of an educated human capital, highly qualified and an insufficient material base to ensure the quality of education, especially in modern technology fields that are required on the labour market.

Analyzing the progress of projects implementation related to education infrastructure, it is estimated that the objectives will be reached and even surpassed, despite of differences in the progress made at the regions level.

**Guidance and counselling.** In accordance with NSRF strategy on guidance and counselling services in education and on the labour market, the investments in orientation and counseling services at SOP HRD level are aimed at a large range of people, such as pupils, students, unemployed, persons employed in the subsistence agriculture, persons belonging to vulnerable groups, persons who abandoned or are likely to abandon school, inactive people or employees. Hence, the projects on orientation and counselling services are aimed at improving school performance, preventing the school abandon, facilitating the transition to high education levels, the transition from school to labour market, the transition to a better job, or from inactivity to activity or integration on the labour market.

In many cases, the projects promote integrated programmes in which orientation and counseling services are supplied in conjunction with training, information or mediation programmes. This is valid especially in the case of projects targeting the unemployed, inactive persons or vulnerable groups.

In addition, in the interventions aimed at modernizing the PES, the projects include measures for developing information and counseling services, as active employment measures, which are specifically aimed at integrating vulnerable groups.

**Employment and combating unemployment.** The projects financed under the interventions promoting active employment measures have as purpose to increase unemployed chances to find jobs, to motivate the unemployed, especially the long term unemployed, to return to the labour market. Programmes are promoted to support the start of independent activities or initiate a business, including for the unemployed and inactive people in the rural environment.

The state aid scheme for employment developed under SOP HRD covers part of the costs with the wages of disadvantaged or very disadvantaged people who are employed, including persons with disabilities.

The contracts financing the implementation of active employment measures, including in the rural environment, amount to 43.6 million Euro. Out of this amount, the EU contribution accounts for 28% of the EU allocation in 2007-2009. The interest for this sector was low in 2008, but in 2009, because of the financial crisis and the impact on the unemployment, a higher number of projects was submitted and we estimate that the financing in this sector will substantially increase in the next time period.

The projects dedicated to the social inclusion aim, in the first place, at the actual increase of the employment rate for people belonging to vulnerable groups. The intervention areas have as purpose to boost employment capacities of vulnerable categories and finance the development of social enterprises or protected jobs. In conjunction with the above, the projects for PES modernization will contribute to the society's answer to the unemployment problems and the issues related to employment, by modernizing the services supplied by this system and the human resources development in the concerned institutions.

For a healthy labour force, SOP HRD supports as well the measures dedicated to health and safety at work. To this purpose, the companies receive direct support under a de minimis scheme.

**Adaptability and flexibility.** Entrepreneurship is promoted as an employment alternative, to increase the adaptability of persons wishing to start a business or an independent activity. The entrepreneurship culture is promoted among young persons, in schools and universities, as well as to people who want to switch careers or simply in search of a job.

The interest for promoting this entrepreneurship culture is reflected in the amount of projects financed, which is 41.9 million Euro in grant funds, out of which EU contribution is 90% of the 2007-2009 allocation.

Under these intervention types, many projects are financed to support social partners and the civil society in identifying and promoting new ways to address flexibility and adaptability of labour force. The projects initiated to support the Regional Consortia for Education and Vocational Training and the Regional Pacts for Employment and Social Inclusion will substantially contribute to identifying new and innovating ideas to approach these aspects. The vocational training programmes promoted under SOP HRD will support as well the labour force adaptability, thus increasing the chances to find a job.

The specific education benefit of a higher interest from beneficiaries, as compared to the projects for increasing access to LLL. Thus, out of the 5602 people targeted by the contracted projects, to participate in training programmes on the labour management and organization account for more than one third of the target set for 2015, and the 27,067 participants targeted by training programmes on updating and improving competencies in order to cope with challenges of the economic environment account for 10% of the target of 280,000 people.

**Social inclusion.** The groups targeted by the social inclusion are pupils likely to abandon school, people previously in police custody or in prison, young delinquents, young people over 18 who leave the child protection institutions, homeless persons, immigrants, the victims of human trafficking, as well as persons with disabilities or Romani people. Their inclusion is promoted by SOP HRD, first of all through the measures dedicated to this purpose, and through measures dedicated to the integration on the labour market, included in the education and vocational training sector for vulnerable categories.

The projects financed by SOP HRD propose solutions to integrate vulnerable categories on the labour market, within social enterprises of companies in the economy, by creating protected jobs. In addition, these projects support the social services by developing methods or innovating instruments to supply care services and by increasing the competencies of people involved in this systems, namely social workers, personal assistants, family mediators or foster parents.

Equality of chances and non-discrimination are an horizontal theme of NSRF, but this is as well promoted by dedicated interventions under SOP HRD. The projects that are financed promote women career development and entrepreneurship, as well as awareness campaigns on fighting stereotypes on the labour market or the promotion of health culture. Cross-border initiatives are encouraged for a more permissive, flexible and inclusive labour market. Hence, partnerships are encouraged, with organizations having had positive results with regard to the integration and the actions for attracting people in the education and employment systems.

In order to develop the social economy, substantial amounts were allocated (approximately 100 million Euro in 2007-2009), given the success of the so-called "third sector" at European level, as an alternative to the vulnerable groups' inclusion on the labour market. The projects that are financed amount to 39.8 million Euro, out of which the Community contribution accounts for one third of the 2007-2009 total allocation. The amount contracted, which is relatively small, could be explained by the fact that this is a new type of activities to promote in Romania.

The interest for the implementation of social inclusion measures is high, since that for the increased access of vulnerable groups to the labour market or for the promotion of equality of chances the contracted amounts exceed the financial allocation for the period 2007-2009.

Adding to the interventions for the active promotion of social inclusion, a major objective is the improvement of social infrastructure, by supporting a balanced development of the infrastructure throughout the country, to

ensure equal access to this type of services, with the funds being secured by ROP. Hence, the approved strategy gives consideration to the rehabilitation, modernization, development and equipping the social service infrastructure, namely multifunctional social centers and residential social centers.

Improvement and diversification of social services supplied by the multifunctional centers and the residential centers will contribute to relieving the burden of active family members, during the working hours, as well as to the increase of work and life quality of both employed people and dependents.

Multifunctional social centers include primary social services and may supply a wide range of services to help people in distress, starting with their admission to the centers, and to solving specific problems faced by these persons, including by organizing workshops to develop independent living abilities and professional skills. The development of these social centers is completed by investments in the residential centers, which provide long term accommodation to ensure an appropriate environment to people in distress. Therefore, the implementation of this kind of projects will have positive results, from a humanitarian point of view, but also in terms of inclusion of people in distress on the labour market – people with disabilities, Roma people, old people or young people who leave the residential care system etc.

The infrastructure modernization projects for the multifunctional and residential centers are selected at regional level in accordance with the priorities set out in the Social Services National strategy and the needs identified in the social inclusion strategies developed at county level.

Until 30 October 2009, 142 projects were submitted in the area of social infrastructure, most dedicated to elderly homes and centers for disabled, with 19 projects contracted according to the established objective.

At regional level, there are differences with regard to the number of projects. On top of the list is the North-East Region, with 25 projects under evaluation and 8 contracts signed, followed by the North-West Region with 22 projects under evaluation and 2 contracts signed and the South-East Region, with 14 projects under evaluation and 5 contracts signed. Bucharest Ilfov and South Muntenia are ranking last, with 1 and 3 projects submitted, respectively.

**Health and welfare.** In addition to the actions promoted for the development of social services, the campaigns promoting the health culture, the basic hygiene norms and health in schools and health and safety at work, the structural instruments finance the training programmes dedicated to medical staff as well. Hence, the projects financed are supporting the professional training of doctors and medical staff, including labour medicine, which are actions promoted by various institutions active in the medical sector.

One of the problems affecting the Romanian medical care system is the inappropriate availability for high standards of ambulatory treatment, as a way to facilitate access to high quality medical treatment of people with recommendations to be treated outside the hospitals, in a move to reduce the cost/patient. One other problem is the poor hospital infrastructure, in terms of both building and medical equipment. NSRF and ROP identified the need to develop the quality medical care in Romania by improving ambulatory treatment conditions and rehabilitating key hospitals in different regions.

Since most pieces of hospital infrastructure are old, an evaluation conducted by the Ministry of Health on the Romanian hospitals identified a high number of county hospitals with a structure that allows equipping and rehabilitation works. The 15 hospitals proposed for rehabilitation under ROP cover 7 of the 8 development regions; for 7 out of these 15 the financing applications were submitted. The other category of medical units that is financed is special ambulatory systems and hospitals. For these, 71 projects were submitted, with 12 contracted.

In conclusion, the value of ROP indicator for this area „rehabilitated/modernized/equipped medical units” will be reached and even surpassed, taking into account that the already signed contracts cover 24% of the target.

## Building effective administrative capacity

The priorities set out in NSRF are defined in a way to contribute to reaching national long and medium term development objectives, strengthening the synergy effects of the strategy and maximize the impact of structural instruments in the 2007-2013 period. The achievement of NSRF objectives requires the consolidation of the domestic administration capacity in general, as well as an appropriate coordination, implementation, monitoring and evaluation capacity in relation with the use of structural instruments, in particular. Therefore, the effective administrative capacity building is included in NSRF as stand-alone thematic priority.

NSRF strategy on the administrative capacity consolidation was developed with the purpose of solving the horizontal management problems at all levels of the public administration (central and local), with a focus on the key elements strengthening the credibility of the administration, especially the decision-making, improve the legislative process and the accountability of public administration and organizational efficacy.

In order to strengthen the administrative capacity, the strategy implemented through OP ACD is essentially focused on interventions at the management level of public institutions through improving the public policy making, the strategic planning process, the performance measurement and evaluation, the human resources management and the coordination of training and development activities. The central and local administrations are the target groups. The interventions include improvements of the structure and process and substantial investments in training and human capital. Hence, by the date of the current report, for the key area of intervention dedicated to the improvement of decision-making process at political and administrative level by developing the skills to formulate public policies and strategic planning abilities, 38 projects were approved in amount of approximately 17 million Euro.

Other components supporting the administrative capacity consolidation, such as performance reporting and developing a programme monitoring and evaluation culture, which are addressed under the key area of intervention related to improved public administration accountability, are provided assistance in 3 projects in amount of around 3 million Euro. Development of human resources management practice and the consolidation of a continuous training capacity for the public administration are important instruments in the efforts made to build an efficient public administration, an aspect that is acknowledged and advocated by OP ACD through the key area of intervention dedicated to the improvement of organizational efficacy, with 46 approved projects in amount of approximately 17 million Euro.

Moreover, consideration is given to reforms aimed at improving decentralization of service provision in various priority sectors (Health, Education, Social Security) and improving the quality and efficiency of services provided, as a measure to build an efficient public administration, in addition to the aspects that have already been mentioned which are mainly related to interventions regarding the public policy cycle management. To this purpose, OP ACD provides financing for training and technical assistance to support decentralization, for both public policies formulation and provision of services. In addition, the implementation process pays special attention to the strategy coordination mechanisms in every sector. Therefore, after a rather difficult start, for objective reasons, a certain progress can be seen in terms of projects submitted for financing under OP ACD which amount to 4.3 million Euro.

To support reforms in the priority sectors, 67 million Euro were allocated for the entire programming period, to improve organizational efficiency and support sectoral service decentralization. Until the date of this report, under the three priority sectors projects were approved in amount of 231.5 million Euro for the key intervention area related to the improvement of organizational efficiency and in amount of 1.24 million Euro for the key area of intervention related to sectoral service decentralization.

The Romanian administrative capacity to manage structural instruments is a driving factor in reaching the objectives of these funds. To this purpose, technical assistance that can be mobilized through OP Technical Assistance and the dedicated priority axes under the other Operational Programmes is the key to an effective, efficient and correct fund implementation system.

Until now, the technical assistance financed with structural instruments supported the consolidation of the operational programme management structures capacity (MA/IB), as well as the capacity of the structures responsible for coordinating the structural instruments, through: financing the organization/participation to training sessions for the staff of these structures (approximately 450 persons trained, in both basic training and specific training on issues regarding the structural instruments management, such as financial management, monitoring, project request management); financing consulting services to ensure the support to activities (project evaluation – around 600 projects evaluated with a certification financed with technical assistance funds, legal advice, etc.); ensuring the appropriate conditions for holding the specific operational programme management reunions (including monitoring committees, working groups and committees established to coordinate structural and cohesion funds), covering various operating expenditures incurred by these structures.

In addition, OP TA secures the resources necessary to an important instrument of fund management – the Single Management Information System for Structural Instruments (SMIS-NSRF). These resources are used to organize training sessions for SMIS users. Around 250 persons have been trained so far, in sessions focused on basic training and advanced training of SMIS users.

In order to consolidate beneficiaries' capacity to prepare and implement their projects, a number of training sessions dedicated to potential beneficiaries were organized and financed with technical assistance funds, and the result was that approximately 1300 persons were trained.

Given the fact that OP TA finances horizontal interventions, a project was initiated under the programme to operate a Technical Assistance Facility, as a flexible and rapid tool available to structural instruments coordination and management structures to solve horizontal blockages, of a procedural and legal nature, in the implementation of these funds and that can be used to improve, in general, the good functioning of this system through analyses and studies giving recommendations and common guidelines to several Operational Programmes and to support the experience and good practice exchange at the entire system level. This Facility has been prepared to be launched in 2010, based on a service framework agreement.

In addition, the technical assistance was used for the information and publicity activities on structural instruments. A number of communication events were organized (250 events, 7 media campaigns, 8 TV spots and 5 radio spots etc.) to prepare and disseminate information material as well (approximately 25,000 brochures and 10,700 other types of materials) on the operational programmes and the opportunities they offer to the potential beneficiaries, thus ensuring appropriate information on structural instruments and the possibility to access these funds.

## **Promoting balanced territorial development**

Balanced territorial development is a horizontal NSRF priority, applied through the integrated planning and coordinated implementation of the interventions of the four thematic priorities of NSRF and the subsequent operational programmes: public investments in infrastructure to improve accessibility (SOP Transport, ROP) and the living standard in all regions (ROP, SOP Environment), combined with active policies to encourage economic activities (SOP IEC, ROP), support to the human resources development (SOP HRD) and actions to improve administrative capacity at local level (OP ACD). The efficient coordination and strategic prioritization (at national and regional level) are the requirements to maximize the benefits coming from the implementation of these projects co-financed with structural instruments, with a view to stop the widening of to interregional and intraregional disparities.

Population and economic as well as cultural activities are concentrated in the cities, whose role as transport nodes justifies the investments focusing on physical regeneration, improvement of entrepreneurship environment, of the natural environment quality and social services in the urban areas. It is therefore crucial to support the cities – regional and local growth poles in fulfilling their urban roles, especially the polarizing cities,

which have strong connections with the surrounding areas (including rural), whose development depend on these cities. At the same time, the development level of one region is directly influenced by the development level of large cities, given the high number of superior functions that they fulfill, acting as regional growth poles.

As a result, in order to contribute to a balanced territorial development and to avoid disparities, investments must be concentrated in those cities acting as regional and/or local growth poles and radiate development to the adjacent areas.

NSRF sets out Romania's strategic development objectives, including the need to develop growth poles in accordance with the National Strategy for Regional Development and the regional development strategies of the eight Romanian regions. The economic activities that will be concentrated in these growth poles will encourage and speed up the development of regional economies and of the national economy, with the latter becoming more able to cope with the competition imposed by the globalization, and with the challenges caused by the large-scale economic and financial crises.

The national growth poles are in the first category. The central cities of these poles were established in 2008, after a complex analysis of different factors, including: the potential for economic development, the research and innovation capacity, the adequacy of the business infrastructure, accessibility etc. Seven large cities were designated, one in each Development Region (except for the Bucharest-Ilfov Region of the capital city) to be the nucleus of the growth poles: Iași, Constanța, Ploiești, Craiova, Timișoara, Cluj-Napoca and Brașov.

One specific feature of the growth poles consolidation is the fact that they are supported by Integrated Development Plans which are financed under all Operational programmes, the National Programme for Rural Development, from the state budget and the local budgets as well as from loans. The Managing Authorities for the Operational Programmes identify the intervention areas and the relevant project types for the development of the national growth poles which could be financed under the respective programmes and establish the concrete ways for financing the projects coming from the integrated development plans of these poles.

ROP supports the growth poles through the priority axis 1 „Support to sustainable development of the cities – urban growth poles” supporting the development of 3 urban poles categories: growth poles (national poles); urban development poles (having influence at regional and sub-regional level); and urban centers (having a local influence). Up to 50% of the funds allocated to this priority axis are dedicated to financing the projects included in the action plans of the Integrated Development Plans of the growth poles, with the remaining being distributed to the two other categories of poles. We must say that through the proposed approach consisting of financing the integrated plans for urban development – and through the types of projects that are financed, the ROP priority axis 1 will contribute to reaching all priorities set out in NSRF.

Until 30 September 2009, four integrated development plans were submitted, with the ones for Craiova, Brașov, Iași, Constanța approved until December 2009. The other three were submitted until December 2009.

The second category includes the 13 urban development poles: Bacău, Suceava, Brăila, Galați, Pitești, Râmnicu-Vâlcea, Arad, Deva, Oradea, Satu Mare, Baia Mare, Sibiu, Târgu-Mureș. Up to 20% of the PA 1 funds of ROP are dedicated to supporting this pole category. Until 30 September 2009, three integrated development plans were submitted for evaluation: Râmnicu Vâlcea, Suceava and Galați.

The third category includes the urban centers, which are cities and municipalities of 10,000 inhabitants, except for urban development poles and the 7 municipalities around which the growth poles are located. Until 30 September 2009 – 89 integrated development plans were submitted, including 299 projects in total amount of 892 million Euro, which are now in different stages of the evaluation process.

## 2.3. Contribution to the objectives of the Cohesion Policy, the Structural and Cohesion Funds and the Community Strategic Guidelines on Cohesion

In the programming period 2007-2013, the design of the strategic framework for the application of the fundamental objectives in the Cohesion Policy and the Structural Instruments (as they are established in the EU Treaties) was made through the „Community Strategic Guidelines on Cohesion” (CSG). The purpose of these guidelines was to answer to the challenge of a balanced and sustainable territorial development of the Union as a whole, strengthening economic competitiveness and its growth capacity and observing, at the same time, the need to conserve its natural assets and ensuring the social cohesion. CSG established an optimal framework applicable to all Member States, so that a sustainable economic growth, new jobs and social development, in all EU regions, could be made possible simultaneously with ensuring “better living conditions and standards, under equal opportunities, irrespective of the places where people live”.

The intervention priorities set out in NSRF were defined not only taking into account the national development needs on a medium and long term, but also for ensuring the maximum impact of structural instruments allocated by the EU in the 2007-2013 period, in conjunction with CSG priorities and the strategic direction defined by the EU policies.

Taking into account that the entire Romanian territory is eligible for financing under the Convergence Objective, the approved strategy identified intervention priorities that answer in an integrated manner to the four pillars defined in CSG: increase the attractiveness of the regions, encourage innovation, entrepreneurship and knowledge-based economic growth; create more and better jobs; territorial dimension.

The implementation of intervention areas identified in the approved strategy will ensure the improvement of living standard, the increase of productivity and quality of jobs in public and private sector, the development of the economic, social, educational, health and environment sectors, thus leading to the stimulation of the economy in general, the social and territorial cohesion and the sustainable development.

**Making Europe and its regions more attractive places in which to invest and work**

### ➤ *Guideline 1.1.1 “Expand and improv transport infrastructure”*

This is one of the main directions of CSG and an essential requirement to the economic development and employment increase. The strategy for transport infrastructure in 2007-2013 is in line with the CSG requirements, with the investments to be made with funds from the Cohesion Fund and ERDF leading to the planned economic and social development, to the balanced development of regions, the increase of convergence level with the MS regions and, implicitly, the increase of the quality of life.

The development priorities of transport infrastructure are adapted to the Romanian specific requirements, to the existing economic development level as well as to the MS requirements of developing the priority European transport networks. A special attention will be given to the investments financed by the Cohesion Fund which are situated along the TEN-T network, on the Priority Axis 7 (road), Priority Axis 22 (rail) and the Priority Axis 18 (sea), and to the respective connections.

With regard to the development of investments on the Priority Axes 7, 18 and 22 the main purpose will be the modernization and development of Nădlac-Arad and Curtici-Braşov sections and of the Romanian-Bulgarian common sector. The development and modernization of the rail infrastructure and the introduction of the European Railway Traffic Management System will lead to a better protection of the natural environment by reducing pollution and unburden the road traffic networks. To this purpose, an important contribution will come from the inter-modal transport and the development of secondary connections, that will improve connectivity of the remote areas with the TEN-T network.

The development of the national transport infrastructure, through the support of investments financed by ERDF, is another important direction of the development strategy of transport infrastructure in Romania, and will lead to the access of urban and rural population to the opportunities offered by the development of large European transport networks. The investments in this area will support the development and modernization of the national road network, including the ring roads and by-passes, the rehabilitation of railway stations, bridges and tunnels.

The contribution of transport infrastructure development to the promotion of regions' development is related as well to the development of waterway transport, as a less polluting alternative to road and railway transport. A major objective supported by SOP Transport is the development and modernization of the Constanța port, which has a strategic location on the Rhine-Main-Danube axis.

The modernization and development of air transport infrastructure will be achieved to improve efficiency and attractiveness as well as the use of existing capacities, and to ensure efficient connections with the main international airports, thus contributing to regional development and improvement of connection with international roads.

Hence, the transport infrastructure investments made with structural instruments will lead to an improved passenger and freight traffic, road safety, inter-regional integrated connectivity, labour force mobility and will encourage Romania's economic development.

According to CSG, the investments for expanding and improving the transport infrastructure must take into account the economic development needs as well, existing at the region level, by ensuring auxiliary investments into the secondary connections for the development of an integrated regional transport ensuring that regions benefit of large investments in the transport sector financed by the Cohesion Fund.

Therefore, investments were planned under ERDF to ensure the financing of road transport infrastructure having implications on the regional development, in order to attract in the economic circuit the areas with a poor structural development: county roads, urban streets and ring roads. The improvement of local and county roads will help building sustainable communities and increasing cooperation among regions, the labour force mobility and will support regional labour force development by ensuring the interconnectivity of regions and localities.

The implementation stage in this ERDF intervention area (financed under ROP) reveals that the contracted projects will ensure the achievement of CSG objectives, with a focus more on the rehabilitation and modernization of county roads which make the connection with the national road network and the TEN network, and less on other types of local infrastructure such as the rehabilitation or modernization of urban streets or ring roads. This preference of local authorities confirms the fact that the needs for improving local and regional interconnectivity represented a priority in the implementation of the regional development strategies.

➤ *Guideline 1.1.2 "Strengthen the synergies between environmental protection and growth"*

The main recommendations formulated in CSG to ensure the consolidation of synergy between the environment protection and economic growth refer to the promotion of investments in the environment infrastructure to ensure compliance with the *acquis communautaire* on water, waste, air protection, nature and biodiversity protection. In addition, a special attention was given to risk prevention investments, a better natural resources management and the use of innovative public management policies. Under the NSRF strategy, for both ERDF and the Cohesion Fund, investments were programmed in all areas identified at Community level, as having an impact on the synergy consolidation between environment and economic growth.

The main objective of the investments to be made under this strategic priority is the reduction of the infrastructure gap existing between Romania and EU in terms of both quality and quantity. The result will be more efficient and expanded services in environment sector, taking into account the sustainable development principles and the "polluter pays" principle.



As a consequence, the implementation of environment objectives will increase the attractiveness at all levels, but the results obtained so far with the implementation of these investments are not significant if compared to the size of the investments still to make by the end of the programme.

The contracted projects follow the programming trends, considering that the highest allocation is for the water infrastructure investments under the Cohesion Fund. The indicators expected to be achieved by the major projects already approved in this sector, as well as those to be approved until 2010, will ensure the compliance of water and used water infrastructure with the European standards, at the same time promoting an innovative public management in this sector by encouraging the neighboring localities to partner up and build regional structures able to attract international money to their water investment needs, money that they cannot attract separately, as well as by reducing the fragmentation and achieving economies of scale.

With regard to the other investments financed by the Cohesion Fund (air protection, reduce greenhouse gas emission, prevent flood risks), although no important progress has been made, the stage of project preparation and the implementation schedule do not show any deviations from targets.

The investments approved on the waste management sector, financed with ERDF funds, had a slow start as compared to the expected calendar, but this does not jeopardize the proposed objectives.

In addition to classic investment areas in the basic infrastructure, the strategy approved for 2007-2013 encourages the nature and biodiversity protection projects financed by ERDF. The high number of submitted projects confirms the strong interest of the civil society for this sector. Still, no substantial progress had been made, but this is due to the novelty of this type of interventions.

The different environment interventions, if coordinated appropriately, could contribute to reducing the complex disparities among EU regions through their auxiliary effect, by the efficient use of funds and the integration of reforms in different areas.

#### ➤ *Guideline 1.1.3 "Address Europe's intensive use of traditional energy sources"*

Romania is currently a large user of energy produced with high costs, but the national strategy in the energy efficiency field has as objective to reduce energy intensity by 50% by the end of 2015 (best case scenario) or by 30% (worst case scenario), with the average GDP dynamics estimated at 5.4% in 2003-2015. Considering an annual consumption of primary energy resources of approximately 36 million toe/year, the national saving potential, mainly by increasing efficiency and reducing losses, is estimated at 10 million toe/year.

The investments in installations and equipments for the improvement of companies' energy efficiency, as well as the investments for the modernization and building of electricity and thermal power production capacities by capitalizing on renewable energy resources are financed under SOP IEC with an allocation of approximately 400 million Euro. The implementation of this type of projects focusing on the use of renewable energy sources (biomass, low-power hydro-energy resources, solar, eolian, bio-fuels, geothermal resources and other renewable energy resources), will significantly reduce the consumption pace of fossil fuel resources and will contribute to reducing costs, improving competitiveness and ensuring the sustainability of economic growth. The projects submitted after the single call for projects launched so far exceeded by 5 times the allocated envelope, revealing the special interest for this type of interventions.

#### Improving knowledge and innovation for growth

#### ➤ *Guideline 1.2.1 "Increase and better target investment in RTD"*

The 2007-2013 National Research, Development and Innovation Strategy, in line with specific EU documents (the revised Lisbon Strategy, Framework Programme 7 for science and technology and other specific cooperation tools) prioritizes domestic public investments aimed at promoting the innovation having an actual impact on the companies and accelerating the technological transfer of the research outcome to the productive sector.

In addition to the programmes financed with domestic funds, the implementation of projects financed with structural instruments in this area (under SOP IEC – PA 2 „*Competitiveness through research, technology development and innovation*”) will help reaching the CSG objectives, with a focus on: stimulating private environment to absorb the research results in the production of goods and services; developing public-private partnerships in science and technology and specialized supply-demand interfaces; modernizing the existing R&D infrastructure; developing R&D center networks, to be coordinated at national level and connected to European and international specialized networks. To this purpose, it is worth underlining that the entire ERDF allocation to this area for 2007-2009 has already been contracted, with the funds to be used mainly for R&D public and private infrastructure development and for building R&D center networks.

In addition to the interventions programmed to directly sustain R&D sector, the approved strategy gives consideration to financing the educational infrastructure, in close connection with the regional development objectives. The specific objective of this intervention is to improve education infrastructure in terms of quality, to better equip the schools, and improve accommodation for students and the vocational education centers, to allow the education process line up to European standards and increase participation to education of both children at school age and adults.

➤ *Guideline 1.2.2 “Facilitate innovation and promote entrepreneurship”*

The national objective in the innovation area is, despite of current gaps, the share of Romanian companies introducing innovative products or services getting close to the EU average towards the end of the reference period. To promote coherent innovation policies, strategic documents were developed at regional level having as main objectives to support the competitiveness of the regional economic system and promote domestic entrepreneurship development. Consideration is being given to introducing a transversal coordination system at national level, launching a number of partially-subsidized training programmes in the field of innovation management and develop technological transfer entities (from patent to product, service or process) within the education and research units, as a pre-requisite for building scientific and innovation clusters. The fiscal measures, state aid schemes and flexible use of structural instruments encourage the investments for technology transfer and promotion of innovation, especially for SMEs.

The specific interventions financed by ERDF support the innovative start-ups and innovative spin-offs as well as the entrepreneurship, the latter including through operations for micro-enterprise and SME development in the tourism sector.

In addition, the innovation is a horizontal theme approached by all intervention areas that support the human resources development strategy set out in NSRF. The beneficiaries are encouraged to promote new ideas to solve the problems related to social inclusion, employment or education. In some cases, an innovative approach is absolutely necessary to achieve any results, and for the persons targeted by the projects to be provided sustainable solutions to their problems.

Moreover, by financing of doctorship and post-doctorship programmes, SOP HRD substantially contributed to supporting research, a priority assumed in NSRF, as a key element to ensuring knowledge-based economic growth. The interventions support the Human Resources Development in research and innovation, encouraging career and research activity, mainly in high education institutions. For the success of the research programmes, partnerships between universities, research centers and companies are encouraged.

Entrepreneurship is approached from the professional career alternative perspective. The entrepreneurial competencies are developed through training, advisory and assistance programmes, which support business startups, but also at the level of initial education, through developing entrepreneurial culture among students. In addition, there is an important number of projects implemented in high schools, developing entrepreneurial education. The entrepreneurship promotion in the rural environment contributes to reducing employment in subsistence agriculture and is an alternative of employment in non-farming sectors, thus contributing to improving the living standard of targeted persons. Training and assistance programmes are promoted as well to support women in starting a business, through professional training and assistance.

➤ *Guideline 1.2.3 „Promote the information society for all”*

ERDF funds allocated to the information society for the consolidation of information technology and communication infrastructure, the facilitation of public access to the information infrastructure, especially in the market failure areas (rural areas and small urban areas disadvantaged in terms of access to modern communication means), as well as the implementation of electronic solutions for business, will contribute to the achievement of CSG objectives. The stage of implementation in this ERDF intervention area (financed under SOP IEC) reveals that the 140 approved projects support the access to Internet and connected services and implement e-governance, e-education and e-health solutions.

The Information Technology is approached as a horizontal theme including at the human resources development level, confirming the importance of promoting ITC in all activity fields, first of all for the consolidation of economic competitiveness. Preparing people to cope with the challenge of the new technological systems is crucial in order to be able to fully benefit of the advantages that ITC implementation brings to the society and economy. The interventions financed with structural instruments will have a major contribution to this purpose.

➤ *Guideline 1.2.4 “Improved access to finance”*

Access to loans is in general difficult for SMEs, given the costs but especially the collateral requirements of the banks, that can hardly be fulfilled because of under-capitalization and lack of collateral.

The implementation of innovative financial tools is absolutely necessary to capitalize on the SMEs growth potential; this is why Romania decided to use the JEREMIE initiative and allocate, to this purpose, 100 million Euro from ERDF money under SOP IEC. This amount will be used to improve SME access to financing in two ways: guarantee (2/3 of the amount) and risk/growth capital (1/3 of the total amount). Under the difficult financial market circumstances, that caused a reluctance of the banking institutions as to SME lending, the JEREMIE participation fund will add, through the specific interventions, as of 2010, to the efforts of encouraging financial intermediaries to more substantially finance the SME sector, taking into account the credit and guarantee risk sharing with the JEREMIE Fund.

## More and better jobs

➤ *Guideline 1.3.1 “Attract and retain more people in employment and modernise social protection systems”*

Human capital investments were primarily oriented towards attracting and keeping as many people as possible on the labour market, with young people receiving support in the transition from school to active life; studies and research, to better understand the developments and the needs of the labour market; integrated programmes dedicated to long term unemployed to boost their chances to find a job, integrated programmes for people in the rural areas, who are involved mainly in the subsistence farming activities to help them find a job in non-farming sectors. Thus, the operations that are under implementation aim at the long term unemployed training, in integrated programmes that will include orientation, counseling in finding a job, and vocational training. In addition, a substantial number of people in the rural areas, employed mainly in subsistence agriculture, will get support under these integrated programmes financed by SOP HRD. At the same time, under projects facilitating access to labour market, young people will get support in the transition from school to active employment life.

A special attention is paid to vulnerable groups. The development of social economy creates the basics for ensuring employment of people belonging to these groups. The projects contracted in this area will build social enterprises and train experts in social economy. These social enterprises and the developed social services will support a substantial number of disadvantaged people. In addition, the vulnerable groups will get support in acceding to the labour market, through counseling, advice, vocational training and flexible forms of employment.

Moreover, the approach of equal opportunities as a horizontal theme and by a dedicated intervention area as well, the importance of non-discrimination is acknowledged as a means to increase employment opportunities for women and keep as many women as possible on the labour market.

➤ *Guideline 1.3.2 "Improve adaptability of workers and enterprises and the flexibility of the labour market"*

Improving the adaptability of workers and companies and the flexibility on the employment market is given consideration in employee training programmes aimed at professional qualification/reconversion, in programmes dedicated to the labour force management and organization or programmes aimed at updating and improving employees' skills to cope with the new challenges in the economic environment. Through the implementation of these interventions, the increase of labour quality and productivity will be ensured, as well as health and safety at work and flexible labour organization forms.

➤ *Guideline 1.3.3 "Increase investment in human capital through better education and skills"*

The investments in the education and training system are made by supporting the schools in implementing methodologies, tools and procedures to boost the quality of the educational product that is provided, by supporting the universities to boost the high education act quality, helping professional training suppliers to implement quality assurance standards. Thus, the already contracted projects will provide support for 14,981 schools and 536 universities to implement measures to increase quality in higher education. In addition, the professional training suppliers will be supported in implementing the LLL quality assurance standards, along with updating and developing many LLL qualifications.

An important contribution in the human capital area is the investment in the capacity consolidation of social partners capacity, the civil society organizations and of numerous social stakeholders to add to the increase of the employment rate, the improvement of the labour quality and productivity and the promotion of social inclusion. The contracted projects provide support to 1,870 NGOs and social partners.

In addition, very relevant are the investments in the development of PES administrative capacity to improve the quality of employment services, by training the PES staff in a move to improve competencies and through 23 studies and research works on the labour market trend and developments.

➤ *Guideline 1.3.4 "Administrative Capacity"*

CSG underlines the need to invest in the administrative capacity development. Moreover, "increasing productivity and quality at work in the public sector – especially in (...) employment, social, educational, health(...) is essential to pursue and accelerate reforms (...)".

Taking these provisions in consideration, NSRF and OP ACD interventions refer to the following priority areas:

- Consolidation of efficient decision-making processes and consolidation of accountability processed which improve organizational efficiency;
- Improvement of standard quality and efficacy in providing public services, with a focus on the continuation of decentralization.

Therefore, to improve the efficiency and the impact of OP ACD, three key sectors were prioritized for financing, namely *health, education and social assistance*, in a move to continue decentralization and to boost public service quality. This prioritization was based on the stage of decentralization strategies, the more and more important responsibilities of the public administration and the general contribution to the social and economic development at national level (taking into account the budget allocation to these sectors, the number of civil servants working in these sectors, the number of subordinated institutions and the size of the target group – population percentage benefitting of these public services). Hence, the OP ACD implementation strategy identified efficient support methods for the elaboration of strategic projects in the three priority sectors, with tangible effects on the quality of public services provided to citizens. In addition, OP ACD is aimed at triggering

actual changes in the public policy formulation management and public service provision management, including changes regarding the civil servants' competencies and their conduct, as well as the best possible jobs.

To support these reforms in the prioritized sectors, OP ACD allocated funds in amount of approximately 67 million Euro for the entire programming period, which are mainly dedicated to the initiatives for improving organizations' efficiency – through the consolidation of reorganization activities, development of human resource management practice and consolidation of a sustained training capacity – and support to the sectoral service decentralization in public policy formulation as well as provision of public services.

### The territorial dimension of Cohesion policy

#### ➤ *Guideline 2.1 "The contribution of cities to growth and jobs"*

The strategic vision of interventions financed under NSRF regarding the balanced country development is based on the acknowledgment of the territorial dimension importance with a focus on the role of cities and towns. To avoid deepening disparities, investments will be focused in the cities that are growth and urban development poles radiating development in the adjacent territories. The approved strategy will ensure the support for the development of three urban pole categories: growth poles, urban development poles and urban centers.

The development level of a region is directly influenced by the development of large cities. The concentration of people, economic activities, social and cultural activities and research and innovation activities and the role of these large cities in supplying urban functions of a superior degree to surrounding localities, all these are factors that impose large cities as nucleus of growth poles able to ensure long term economic growth. With their high economic growth pace, large cities are actual "engines" of regional economic growth. At the same time, the concentration of growth poles around large cities may counterbalance the hypertrophic development of Bucharest Municipality, to reduce the social and economic pressure put on the capital city.

At the same time, it is necessary to support other cities as urban development poles to compensate for the development of the large cities in each region and to create the environment for a polycentric regional development, thus preventing and/or alleviating the unbalanced development trends inside the regions, in the context of urban regional systems that are predominantly mono-centric.

The support provided to such urban pole networks – growth poles, urban development poles, urban centers – favors polycentric urban systems that could counterbalance the negative spatial effects of excessive investment concentration in the capital city – urban pole of European dimension – and balance the territorial development.

## 2.4. Contribution to objectives set out in other Community strategic documents

### The contribution to the objectives set out in the Integrated Guidelines for Growth and Jobs 2005-2008 and in the National Reform Programme

The Strategy approved in NSRF was formulated and designed in full coherence with the actions provisioned in the National Reform Programme (the document that translates the Lisbon Strategy at national level) and, by this, with the EU Integrated Guidelines for Growth and Jobs 2005-2008 (the revised Lisbon Strategy). The correlation of these two documents has been carefully considered as early as in the document drafting stage, with the coordination process continued in the implementation stage of NSRF and Operational Programmes, as well as NRP, through regular meetings with relevant institutions and through reporting the implementation progress in the Annual NRP Implementation Reports.

The actions set out in NSRF regarding the innovation, promotion of entrepreneurship, improved access to financing and IT&C development, as well as the operations financing research inside companies and promotion

of partnerships between the private sector and research institutions, as defined in the thematic priority “Increase of long term competitiveness of the Romanian economy”, along with the actions envisaged for the transport and energy sectors, all these contribute to the achievement of guidelines 7-15 of the Integrated Guidelines for Growth and Jobs 2005-2008, as well as to the NRP objectives relating to “Improvement of economic competitiveness and productivity”.

An adequate transport infrastructure is an essential pre-requisite to increase geographical mobility of labour force, goods and services, and to increase attractiveness and accessibility of the regions. The development of priority axes TEN-T 7, 18 and 22 supported through the approved strategy will create the circumstances for increasing the labour force mobility at inter-regional level and between Romania and other MS, and will continue to be one of the main priorities of the national development policy and with regard to the achievement of Lisbon objectives.

In addition to interventions adding directly to the achievement of Lisbon objectives, the investments in the basic environment and public service infrastructure is an essential condition to attract investors and to the economic development of the country. Basic infrastructure and services also contribute to the development of local and regional economy and the creation of a good environment for business and for taking advantage of the opportunities given by the capacity as EU Member State. The development of the environment infrastructure will lead to more employment opportunities as well (in constructions, services, industry etc.), will cut labour migration by providing opportunities to develop a new business, attracting other investors and capitalizing on the local competitive advantages (less costly resources, valuable natural areas etc.) and will ensure a higher living standard.

The investments in human capital and employment, especially for groups with a high exclusion risk from the education and labour market, are a way for NSRF and SOP HRD to substantially support the Lisbon Strategy especially with regard to the full employment objective, thus having an important contribution to reaching the European Employment Strategy objectives, in line with the Integrated Guidelines for Growth and Jobs 2005-2008.

In addition, it is worth underlining the NSRF and SOP HRD contribution to 4 specific country recommendations by the European Commission with regard to the progress made by Romania in the implementation of the National Reform Programme 2007-2010, namely:

- *Reduction of early school drop-out*, through preventive actions (increase access to pre-school and school education; programmes such as “school after school”; provide orientation and counseling services) as well as through corrective actions (develop re-integration programmes for those who abandon school; and “second chance” education programmes);
- *Substantially increase the participation of adult people to education and training*, through investments in teacher training; qualification/reconversion of employees; training PES staff for improved competencies, training of unemployed, long term unemployed and people employed in subsistence farming activities; training of persons belonging to vulnerable groups;
- *Transformation of the subsistence/semi-subsistence agriculture in a sustainable employment activity*, through promoting sustainable human resources development in rural areas;
- *Acceleration of reforms in education sector to provide a more efficient answer to the current labour market needs*, through investments with a higher success rate both in the education and initial training system and in the university education system.

The Commission Communication regarding the Integrated Guidelines for Growth and Jobs 2005-2008 promotes the idea that strengthening institutional capacity and governance where it is needed is a priority of the less developed regions. The revised Lisbon Agenda establishes the need to improve the legal framework and the public policy formulation and implementation process in a move to ensure the necessary conditions for the economic growth and creation of jobs. From this perspective, the actions set out in NSRF under the thematic priority “Building an Effective Administrative Capacity” supports the measures for implementing the guidelines of the revised Lisbon Agenda, and included in the National Reform Programme 2007-2010, regarding the increase

of public service quality and public administration efficiency, through the following key area of intervention: improve decision-making at political and administrative levels; improve organizational efficiency; support to sectoral decentralization of services; improve the quality and efficiency of service provision; increase public and central authorities' capacity in terms of management and control of Structural Instruments.

The macroeconomic stability and public finance sustainability as objectives set out in NRP, will create the good environment for the implementation of the NSRF strategy. In addition, they will contribute to reaching NRP objective of improving the public service quality and the administration efficiency. NSRF actions regarding a better use of energy will contribute to the achievement of NRP priority to ensure a balanced energy mix.

**Lisbon earmarking.** In order to highlight how the NSRF and the operational programmes' strategy contributes to reaching the objectives set out in the Lisbon Strategy, Romania has committed to use the Lisbon earmarking, which is an obligation only to old Member States (Art. 9(3) of EC Regulation No 1083/2006); this is used as an important monitoring tool, at national and Community level, of the progress made in the orientation of Structural and Cohesion Funds towards intervention areas that are specific to the Lisbon Strategy.

The indicative level of Lisbon-type expenditures to be achieved under NSRF 2007-2013 was estimated at approximately 50% of the total EU allocation, according to the categories in Annex IV to EC Regulation No 1083/2006. However, since the improvement of public policy formulation, the support to public administration reform, the increase of central and local authorities management and control capacity with regard to Structural Instruments represent for Romania as many priorities to be addressed in the current programming interval expected to have a positive impact on job creation and economic growth contributing to reaching the objectives in the Lisbon Agenda, the expenditure category list in Annex IV was supplemented with expenditures for administrative capacity strengthening. As a result, the indicative allocation foreseen for Lisbon objectives in line with those included in NSRF, has reached approximately 56% (around 10.8 billion Euro).

As compared to the initial investment planning according to Lisbon-type codes, the EU contribution to the contracted projects amount until 30 September 2009 reveals an achievement of approximately 9.43%, which accounts at the same time for approximately 1/3 of the EU contribution to the projects contracted for all priority themes. The not very high level reached so far is due to the fact that the implementation of the TEN-T infrastructure strategy, which has the largest allocation of Lisbon categories (3.8 billion Euro), had a more difficult start as compared to other areas, because the projects in this sector are major projects sometimes over 500 million Euro, for which the preparation, approval and implementation is more time consuming than in the case of competitiveness or human resources projects. A slow implementation pace is also seen in the renewable energy sector, with a contracting rate much below expectations despite of the extremely high interest of potential beneficiaries.

However, for some Lisbon categories the EU allocation for contracted projects is close to, or has already exceeded, 50% of the 2007-2013 indicative allocation, for instance: the R&D infrastructure and centers of excellence in a specific technology – 49.5%; assistance to SMEs in promoting non-polluting products and processes – 40%; other measures stimulating research, innovation and entrepreneurship in SMEs – 62.6%; measures to improve employment access – 38.6%; services and application for people (e-health, e-governance, e-learning, e-inclusion etc.) – 29.2%.

The relatively high contracting level in these intervention areas confirms the high interest of potential beneficiaries, especially private beneficiaries, for these investments leading to increased competitiveness of products, processes and services, which is the main driver of the economy, illustrating the need of a massive capital infusion – crucial in an emerging economy and in the circumstances of the financial crisis when financing resources are scarce and structural reforms become a must. In addition, despite of some significant progress – over the recent years – in promoting new technologies specific to information society in Romania, the explosive growth rate in this sector worldwide required a permanent support to internet service suppliers in promoting e-government, e-learning or e-health applications, to stimulate the interest of entrepreneurs in the implementation of e-management and e-commerce applications, to increase the number of internet users, to expand broadband

networks, with this type of support being received with interest by the potential beneficiaries of this kind of interventions.

At the same time, in addition to these very promising results, in the case of some priority Lisbon themes, the stage of EU allocation to contracted projects follows the general trends of the strategy implementation: development of human potential in research and innovation – 20.5%; reforms in education and vocational training – 17.4%; mechanisms for the improvement of programmes and policies, monitoring and evaluation of programme and policy implementation – 15.2%; investments directly linked to research and innovation – 11.2%. The main reason is that specific state aid schemes for some of the interventions were launched with a certain delay (beginning of 2009), with the gap to be recovered in the next time period.

The Romanian authorities regularly monitor the stage of contracting on the Lisbon-type interventions and will continue to inform the European Commission on the progress made.

### **ESF contribution to the implementation of guidelines and recommendations set out in the European Employment Strategy**

ESF interventions planned in the NSRF and SOP HRD Strategies were primarily directed towards the major priorities of the European Employment Strategy, substantially contributing to attracting and keeping as many persons as possible on the active labour market, to improving the adaptability of employees and employers and to adjusting education and vocational training systems to the new requirements in terms of competencies. The projects contracted so far under SOP HRD forecast important results under these priorities, as follows:

*Attract and keep as many persons as possible on the labour market, increase the employment supply and modernize social protection systems.* Support will be provided to 48,935 young people to help them in the transition from school to active employment life; 15,812 persons will be educated in the field of initiating a business; 23 studies and research works will be conducted by the PES at either national or local level to allow a better understanding of the labour market developments and needs; 5,107 long term unemployed will be included in integrated programmes to boost employment chances; and 21,532 people from the rural environment involved in the subsistence farming activities will participate to integrated programmes expected to help them find a job in non-farming sectors. At the same time, the 189 social enterprises to be established will ensure an employment alternative available to vulnerable groups, with the training, counseling and orientation programmes expected to provide support to 11,943 disadvantaged persons for integration on the labour market.

*Improve adaptability of employees and employers.* A number of 11,277 employees will be subject to professional training/reconversion; 5,602 persons will be integrated in programmes aimed at the labour management and organization; and 27,067 employees will be included in programmes that will update and improve their skills, to allow them to cope with the new challenges of the economic environment.

*Increase human capital investments through a better education and vocational training.* The investments under the SOP HRD Priority Axis 1 will provide support to 14,981 schools in implementing methodologies, tools and procedures to improve the quality of the educational output; 536 universities will be supported to boost the high education quality; and 214 vocational training suppliers will be provided support to implement the quality assurance standards. In addition, 116 LLL qualifications will be updated or developed, as well as 521 graduation and master programmes, with a view to responding to the structural requirements of the labour market.

**ESF contribution to the relevant objectives and the targets established in the National Strategic Reports regarding the Social Protection and Social Inclusion and other strategic priorities and objectives in the field of education and vocational training**

Through SOP HRD, the European Social Fund substantially contributes to the achievement of Romanian priority objectives set out in the National Action Plan in the field of Social Inclusion and in the *National Strategic Report on Social Protection and Social Inclusion (2008-2010)*.



Hence, in support of Objective 1 - "Overall increase of people's living standard and stimulation of gains from labour, through facilitation of employment and promotion of inclusive policies", the SOP HRD measures are designed to support the insertion of young graduates on the labour market (through apprentice programmes, counseling and professional orientation, partnerships between schools/universities and representatives of the business environment), the active employment measures to facilitate the integration of unemployed on the labour market, including young unemployed and long term unemployed, the integration of people involved in the subsistence farming activities or people inactive on the employment market, as well as the measures supporting vulnerable groups with a view to the participation to the labour market (through social services, promotion of social economy, training or cooperation programmes with a view to employment).

In addition, the Objective 3 – "Improvement of Roma people living conditions" is considered horizontally at SOP HRD level. The Roma population is either a target group for a number interventions, or a component of vulnerable groups targeted by a high number of intervention areas under SOP HRD. The projects are oriented towards both the improvement of access to initial education and the increase of access to the labour market, thus contributing to improving the living standard of Roma people. The importance of addressing Roma situation is confirmed by the projects initiated by both NGOs and public institutions – Ministry of Education, Research, Youth and Sports; National Agency for Roma People (RNA); local authorities.

With respect to the contribution to the national strategic priorities in the field of education and vocational training, important results are expected to support the objectives included in the *2005 Education Decentralization Strategy*. A number of 1680 counselors and supporting assistants in 10,000 schools will be trained on implementing the pre-university education decentralization strategy; 136 regional and county offices will be established to assist the pre-university education decentralization strategy implementation; and 3 supporting procedures will be elaborated to implement in schools the decentralized attributions, by categories.

Last but not least, SOP HRD contributes to the achievement of objectives set out in the *Development Strategy of the Pre-University Education System 2001-2010*, as follows:

- In support to the strategic priority called „Complementarity of formal, non-formal and informal education; lifelong learning as a major dimension of the educational policy”, 2,100 teachers with decision-making competency will be trained on “education for education” and interactive teaching methods; 12,800 pupils will be provided orientation and counseling services; a strategic document will be elaborated to train human resources in the pre-university education system (on healthy lifestyle and active citizenship matters for children belonging to disadvantaged communities, especially in rural environment); 126 educational inclusive, extra-curricular offers will be piloted, for promoting a healthy lifestyle amongst children belonging to disadvantaged communities, especially in the rural areas, with the help of 126 volunteers among the pupils of the urban communities previously trained in education for health.
- In support of the strategic priority „Ensure basic education to all citizens; build key competencies” 840 teachers with decision-making authority will be trained in 1680 schools; 6 new IT&C programmes will be developed for the secondary education schools and high schools, allowing access to approximately 360,000 pupils whose IT&C skills will be developed; and educational packages will be developed for each class in the teaching plan (guides, portfolios, curricula auxiliaries etc.).

## Chapter 3. Difficulties and challenges in implementing the priorities and the approved strategy

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### 3.1. Main difficulties in the implementation of Operational Programmes and measures to overcome these difficulties

Despite of the fact that Romania was one of the first Member States to have their operational programmes approved by the European Commission, the actual implementation of NSRF strategy and the operational programmes saw a slow start. The problems encountered by the managing authorities and the beneficiaries were many and complex, with time-consuming and effort-consuming solutions, which was not surprising since this was a newly created system, in the first programming period for the implementation of structural and cohesion funds.

The main obstacles in the starting stage of operational programme implementation, and afterwards in the actual implementation stage, were very diverse in nature, starting with the difficulties in preparing the project portfolio and launching the calls for project proposals, continuing with the delays in project appraisal and selection, implementation difficulties faced by the beneficiaries, especially with regard to major projects, legal barriers – mainly budget-related, but not only, and institutional problems.

#### Preparation of project portfolio

Preparing a project portfolio to ensure a rapid access to funds immediately after the approval and launching of programmes was one of the priorities of competent authorities. However, the relatively limited capacity of public authorities (both central and local) in identifying, prioritizing and preparing the investment projects was a significant impediment, often reflected in a poor project quality, under the required level.

In order to support potential beneficiaries in preparing the projects to be financed under the operational programmes, various financing sources were identified for technical assistance, financed by pre-accession programmes (ISPA, PHARE), foreign loans and the national budget. As a result, in some sectors (water and used water infrastructure, the local and regional transport infrastructure, the public research infrastructure etc.), a substantial project portfolio was created, sometimes excellent as compared to available SI allocations.

In addition to the “classical” technical assistance, Romania made a maximum use of the potential offered by the JASPERS technical assistance instrument for preparing the major projects portfolio, provided by the European Commission to compensate for the lack of expertise among beneficiaries and managing authorities responsible for the programmes financing this type of projects (transport, environment, energy), for the quality review of project preparation documents, especially the verification of cost-benefit analyses. Moreover, the JASPERS support was used for other specific needs, such as technical assistance in elaborating the broadband national strategy, a methodological guide to perform CBAs for the investment projects financed with structural instruments in some sectors etc.

The funding for preparation was still insufficient in some intervention areas to ensure a mature project portfolio, with many difficulties faced by the responsible authorities, many times specific to the field in which the projects were prepared.

A representative example is the transport infrastructure of European and national interest where, despite of the technical assistance resources available to the beneficiaries for elaborating and preparing the major investment projects, the very poor quality of the technical assistance as well as the reduced beneficiary capacity to ensure an efficient management of TA projects have led, so far, to a low number of mature projects in the portfolio of the managing authority.

In some areas, the late establishment of the Inter-Community development associations (IDA) as a pre-requisite to financing some projects (in the water and used water sector, waste management and provision of equipment

for operational bases for interventions in emergency situations) was another major cause for delay in the preparation and submission of projects. The managing authorities, based on the revised legal framework (in the beginning of 2008) introducing the necessary circumstances to establish the IDAs, repeatedly advocated to local authorities for the issuance of official clarifications and the initiation of a constructive dialogue with all stakeholders. In addition, the difficulties in approving the priority investment lists at local and regional levels, in some sectors (water, waste etc.) mainly caused by the indecision of local authorities, led to significant delays in preparing and approving the projects.

The difficulties in finding the plots of land for building some major investments (for instance for the waste treatment/removal plants or the TEN-T infrastructure) still remains, a major challenge that must be overcome in the project preparation stage. In order to minimize the effects of this problem, the managing authorities informed in due time the potential beneficiaries with regard to the conditions that must be fulfilled by the plots of land, and about the obligation to organize an information and consulting process with the interested public. In addition, legislative changes were introduced to allow land expropriation at the feasibility stage for the road infrastructure projects of national interest.

### Calls for project proposals

As mentioned before, the relatively rapid approval of operational programmes was not translated in an immediate launching of the financing lines approved under the strategy, most of them being launched towards the end of 2007 and in early 2008; however, in some cases, the financing has not been opened yet (please refer to section 2.1.). Even though a phased-in launch of the financing lines was considered in the programming process, in some cases the delays exceeded by far the initially planned deadlines.

A decisive factor in launching the calls for projects was the promptness of different managing authorities in preparing the first generation of applicant guides. The somehow general approach was to prepare these guides in the form of detailed and comprehensive manuals, in which the requirements for drafting applications and associated documents, as well as for submission and contracting were described in detail. This required a prior in depth analysis of the national and Community legislation on the implementation of the respective operations, in order to appropriately inform the beneficiaries. The differences among programmes, priority axes and operations with regard to the launching date mainly depended on the type and complexity of the interventions, their innovation level, the number and complexity of the law regulating the respective areas (including deficiencies and legal issues noticed on this occasion by the managing authorities), but also on the expertise and the workload of the staff responsible for preparing the guides.

Another difficulty was the absence of national strategies in various areas, or the need to elaborate new and innovative strategies to ensure, on one hand, the main benchmark for project selection, and on the other hand, a coordinated and complementary implementation of projects financed with European funds and those benefiting of other types of assistance (national, local or foreign financing).

A relevant example is the growth poles strategy which required consultations with all stakeholders and the issuance of specific regulations for this type of public policies regarding the territorial development. In the same category are the competitiveness poles strategy, the excellence poles strategy and strategy for developing the broadband infrastructures, all of them having an innovative dimension causing persistent difficulties for the managing authorities in their efforts to finalize such strategies and open the respective financing lines. The lack of long and medium term strategies, revised in accordance with the relevant European directives caused delays in the implementation of the environment interventions, with the most important delays recorded in submitting and approving projects seen in and areas such as ecologization of contaminated sites and flood risk management.

The main measures taken by the managing authorities to speed strategy completion were to either contract technical assistance to help drafting the relevant documents (for instance growth poles and competitiveness poles) or to intensify the dialogue with the structures responsible for drafting the strategies.

Launching some types of interventions depended on the revision of the national laws in some sectors, which were included in the applicant guides leading to delays in launching the calls for project proposals. One example in this sense is the legislation on the technical and financial documentation for initiating and approving public investments (introduced by the Government Decision No 28/2008 entered into force in March 2008).

### Appraisal, selection and contracting of projects

A major problem in all operational programmes (except for major projects which have a specific system for preparing, submitting, assessing and approving projects) is the length of project appraisal and selection processes, with usually 6 to 10 months between the moment when a project is submitted and the moment when the beneficiary is notified on the result of the appraisal result (especially for those operations where the financing applications exceeded by far the estimates in terms of number and financial amount of project proposals).

The main causes identified by the managing authorities are: the insufficient number of independent evaluators (the latter being generated by difficulties in launching and implementing public procurement procedures); the simultaneous launching of several operations under the same priority axis, which required a planning of the assessment processes by calls, so that the appraisal for some projects was delayed; the applicants' lack of experience in project elaboration (especially SMEs and local authorities in small and medium sized towns) correlated with the complex documentation requested for submission of financing application, which led to the need for clarifications and delays in the assessment and selection process.

In addition to the time-consuming assessment and selection, other problems were identified which eventually were reflected in the absorption process, such as: a high number of projects submitted in the last few days before the deadline; difficulties, especially for applicants from the private environment, in putting together the application files, in terms of financial efforts and time; the rejection of a relatively high number of projects (approximately 35% of the total number of submitted projects) after the administrative and eligibility checks; very strict eligibility criteria for certain categories of projects, related to infrastructure (land, buildings) or financing of appropriate activities (for instance, in the case of productive investments, for either SMEs or large companies, an applicant could submit a financing application for one activity described in a single NACE code, while some technological processes may include activities with different NACE codes).

A significant difficulty in the contracting process in 2009 was caused, against the background of the financial crisis, by the sharp depreciation of the national currency against the Euro (over 20%) in September 2008 – January 2009. This depreciation especially affected the beneficiaries (usually private) having submitted, in the first half of 2008, projects with an important share of foreign exchange expenditures but for which the budgets were calculated in Lei, based on the exchange rate at the respective date. After the domestic currency depreciation, and because of the delays in assessing and selecting the projects, the equivalent in Euro of the selected projects' budgets was in some situations substantially lower as compared to what was initially estimated by the beneficiaries; this resulted in some of the applicants giving up the implementation of their projects or caused difficulties in fully achieving the project objectives.

Since the results of the first calls for projects could be appropriately quantified at the end of 2008 and the beginning of 2009, in 2009 measures to address the above-mentioned problems were implemented, in the applicant guides as well, for the calls launched during that year. The main measures implemented horizontally, or in some programmes, are as follows:

- The administrative compliance check was combined with the eligibility check in one single stage which reduced the average verification time by 90 days;
- The prioritization of selected projects by the Regional Committee for Strategic Assessment and Correlation (CRESC) was removed (for ROP);
- The inclusion, in the beginning section of the guides, of a set of basic pieces of information regarding the project call, presented in a clear and concise manner;
- The use of a single basic content for all guides, recommended to all managing authorities; listing in one chapter of the guide the requirements and indications for putting together the financing application;

- The financing application file was simplified by replacing some documents with statutory declarations signed by the applicants and submitted in the contracting stage. Documents such as the project summary, the business plans for simple operations (SME consultancy, internet access) were removed. At submission, simple certified true copies are requested;
- Simplified instructions for awarding goods, works and services contracts were introduced in all Operational Programmes providing assistance to economic operators which are not contracting authorities for the purposes of the public procurement legislation;
- A more detailed explanation on how the project budget and the beneficiary's own contribution are calculated, including calculation of the non-reimbursable contribution in the case of *de minimis* aids; in addition, instructions were included in the applicant guides on how to cover exchange rate losses;
- Project assessment was outsourced by hiring independent evaluators under some programmes (SOP HRD and SOP IEC). Therefore, the project appraisal period was significantly reduced;
- The application procedure for microenterprises was improved (continuous submission, simplified documentation necessary in the assessment and selection stage).

Once the projects are approved by the Managing Authorities / Intermediate Bodies, there are persistent difficulties and delays in concluding the financing contracts, for reasons such as: beneficiaries not observing the deadlines for submitting the additional documents (balance sheets, long term experts' CVs); beneficiaries submitting incomplete documents or documents that are not filled out correctly; the beneficiaries' legal representatives not being available etc.; most of these reasons cannot be directly controlled by the authorities. There are situations as well where the long administrative procedures conducted by the Managing Authorities / Intermediate Bodies have a contribution to the delays in signing the financing contracts.

#### Start of project implementation at beneficiary level

Despite of difficulties in launching the financing lines and assessing the projects, the EU contribution to the contracted projects amounting to approximately 55% of the 2007-2009 total allocation proves the efficiency of the measures taken by the authorities to reduce the effects caused by the problems faced in the first stages of implementation. However, the low level of payments made to the beneficiaries, as well as of the reimbursements made by the European Commission, reveals problems and difficulties at the beneficiary level in terms of project implementation.

The main causes for such delays are generated by the following major aspects:

- Difficulties in conducting public procurement procedures. Delays were seen in the award of public procurement contracts, for reasons including:
  - Contracting Authorities lacking guides and good practices adjusted to the specifics of the various procurement contracts: works, services (including consultancy), goods;
  - Delays in putting together the awarding documentation by beneficiaries / consultants;
  - The beneficiaries' lack of experience in promoting / implementing large infrastructure investments;
  - Different interpretations of some legal aspects related to public procurement, by representatives of the monitoring and control bodies (NARMPP, CUVPP, NCSC), which caused delays in contract awarding through the issuance of intermediary notes / avis consultatifs and in some cases the cancellation of procedures;
  - Lack of sectoral models of procurement contracts in a number of key sectors (especially infrastructure works: water supply, used water treatment, solid waste, road transport, rail transport etc.); these models could have been used by the beneficiaries to conclude the contracts after the public procurement procedures;
  - The high number of complaints filed against public procurement procedures, along with the long deadlines in issuing the NCSC decisions and proceedings delayed by the Appeal Court, including the cancellation and restart of public procurement procedures;
  - Public procurement procedure resumed in the case of technical assistance after the modification of qualification and selection criteria in awarding public procurement contracts.

In order to solve some of the problems pointed out by the beneficiaries, and to speed up public procurement, the public procurement law was revised in 2009 to reduce tender periods and make the process more flexible by allowing accelerated procedures. But difficulties persist in speeding up the public procurement process.

- Difficulties in securing the financial resources for starting project implementation or the own contribution to project financing, mainly because of the financial crisis.

The main Government measure to help beneficiaries was to raise the maximum prefinancing amount for beneficiaries from 15% to 30% of the total eligible contract amount and to provide pre-financing for the beneficiaries under state aid arrangements, of up to 35% of the grant.

- A limited capacity and experience of the beneficiaries of the local and central administration in preparing and implementing projects; the main deficiencies relate to:
  - Lack of experienced and sufficiently trained staff, especially within local authorities in small and medium-sized localities;
  - Lack of a strategic planning and of a thorough budget planning;
  - Poor skills in key areas such as project management, public procurement or financial and budget management.

The measures considered for solving these problems included a number of initiatives, by both the ACIS and the MAs, to prepare specific training programmes on application of contract clauses and project financial management addressed to beneficiaries, as well as training programmes for local public authorities on conducting public procurement procedures and managing works contracts.

### Legal barriers with impact on absorption

Legal barriers may arise in all the implementation stages, starting with the legal issues referring to the definition of sectoral strategies, to those relating to the elaboration of the applicant guides, in contracting and afterwards in the project implementation.

The most important horizontal deficiencies in this respect come from the budget law, which includes provisions affecting the efficient and rapid implementation of the projects financed with structural and cohesion funds. Part of the problem was solved by the approval of EGO No 64/2009 on the financial management of structural instruments and the use thereof for the Convergence Objective and the application norms for this ordinance; the overall purpose of the ordinance is to ease financial and budget cash flows under the operational programmes financed with structural instruments and, implicitly, increase the absorption rate. Other budget-related problems are to be solved by approving the multi-annual budget legislation expected to facilitate multi-annual investment projects.

GD No 264/2003 includes other legal provisions on public fund management that make project implementation difficult; this decision refers to the requirements for advance payments made to contractors by the beneficiaries-local authorities or regional operators. The advance payments made to contractors, which are not reflected by the end of the respective year in goods, works or services supplied, must be recovered by the public institutions. Under the circumstances, in the last months of the year, the beneficiaries-public institutions do not make advance payments to contractors trying to avoid recovering most of them at the end of the year.

In addition to horizontal legal issues, specific sectoral legislation caused problems to both managing authorities and beneficiaries; these issues included: the legislation on Inter-Community development associations; the lack of application norms for Law No 215/2001 on local public administration; the lack of application norms for the Law No 220/2008 on the system for promoting energy from renewable sources and the possibility/risk to amend this Law, with an impact on the financial forecast; the national legislation on waste management (Law No 101/2006), amended in order to strengthen the role of County Councils in managing the respective projects; deficiencies in the legislation regulating the status of protected areas administrators, as well of the competent

body with responsibilities of endorsing the management plans; the legislation on public utility services (Law No 51/2006) and the sewerage and water supply systems (Law No 241/2006), to reflect in the best way the regional strategic approach promoted by SOP Environment, especially ensuring full compliance with the “*in house*” rules established by the EU for awarding water and sewerage delegation contracts.

Most sectoral aspects identified as causing problems by the managing authorities have already been solved or are in process of being amended. Other legal issues were caused by the changes in the Community regulations on structural instruments management. Hence, the GD No 759/2007 on the eligibility rules for expenditures incurred in the operations financed under the operational programmes was modified to introduce the possibility for declaring indirect costs on a flat rate basis, using a percentage of the direct costs and with no other proof of expenditures required.

### Institutional problems

The institutional system for OPs management was consolidated. After the system evaluations during the missions in 2008-2009, the Audit Authority and the European Commission accredited of the management and control systems for all seven Operational Programmes (six in 2009), thus attesting the compliance of the implementation procedures with the European standards and norms. However, institutional difficulties mainly related to the complexity of procedures and the staff turnover are persisting.

One major problem faced by the entire SI management system is scarce human resources, sometimes with a poor financial motivation within the MAs/ IBs/ certifying and paying authority, including for staff in key positions such as project appraisal or verification of reimbursement claims. The increased workload and the high responsibility involved by the activities carried out by the people working for MAs/ IBs causes a high turnover of the staff trained in managing these funds.

Recruiting and special training in structural instruments management were given a special consideration during the process of establishing the fund management bodies, this is why staff turnover is a factor of negative impact, as it leads to the need of constant monitoring to ensure the high quality fund management in accordance with European and national regulations. Some effects of this situation are already visible, such as: delays in developing applicant guides and in contracting technical assistance; delays in completing major project preparation leading to delays in their approval by the EC; delays in project implementation, with a direct impact on the absorption rate and eventually leading to the non-observance of commitments taken in the Accession Treaty (ex. SOP Environment).

The situation got worse in 2009, when the vacancies were blocked (because of the financial crisis) and seriously affected the possibility to ensure an adequate capacity for the performance of attributions and the segregation principle (“the four-eye principle”), but also as a result of the wage cut.

The deficiencies related to the specialized and motivated staff may be seen within beneficiaries of the central and local administration, such as: no legal framework on a single wage/stimulation/incentive mechanism for the civil servants of the central administration involved in the project teams; unclear aspects on the composition of the project teams and the contractual employee arrangements, at the level of beneficiaries in the local and central administration, given the requirements of the labour legislation and civil service legislation as well as the 2009 budget constraints.

Another problem is the relatively poor administrative capacity of the CUVPP in performing the ex-ante verification of public procurement procedures, in compliance with the provisions laid down in the tri-partite agreements concluded by each Managing Authority, NARMPP and CUVPP. These agreements were signed in May-June 2008, securing a coherent framework for verifications in the public procurement field, in the approved project implementation. The cooperation agreement is important since there is no other document stipulating the ex-ante verification and the endorsement of public procurement documentations launched by the project beneficiaries.

With regard to SMIS, in 2008 the system became operational and was tested by the Audit Authority by the end of 2008. Given the high volume of data to be input in a short time period (programming data for the entire programme, information on the projects for many operations launched simultaneously) and the high number of projects, for some programmes there were delays in inputting the updated information on the submitted projects, approved project and the stage of the implementation (SOP IEC and SOP HRD). This situation can be improved by a phased-in planning of the assessment and selection activities and by launching successive calls for project proposals within the same managing structures (MA/IB – as the case may be).

To conclude, it is to be emphasised that all problems, once identified, are treated very seriously by the competent authorities, in order to find reasonable solutions from a legal, institutional, procedural or financial point of view. A high absorption rate depends to a high extent on the efficacy, efficiency and celerity of removing absorption barriers.

## 3.2. Significant changes in the relevant national policies

Most developments with regard to the national policies with impact on the NSRF strategy may be considered as having a positive contribution to the implementation of the objectives. Despite of the time period under review overlapping with the financial crisis, the public policy decisions during this time period were made to the benefit of the approved objectives.

The most important public policy changes were introduced in the education and training sector and in the employment policy area, as essential policies in fighting the financial crisis and in ensuring long term promotion of human resources.

**Education and vocational training.** The Romanian education system is changing and improving continuously lining up to the economic, social and cultural changes in the society.

On 19 January 2007 the Presidential Commission for Policy Elaboration and Review in education and research was established; this is an expert commission called to diagnose the system and propose solutions to any identified problems. The Commission published its report called *Romania in education; Romania in research* on 12 July 2007. Based on this report and the following discussions „The National Pact for Education” was signed on 5 March 2008 by the leaders of all Parliamentary parties and afterwards by the Romanian Academy, as well as by the representatives of 22 trade-union and student organizations, the parents’ association and other non-Government organizations interested in the progress of education and research in Romania.

The provisions of this Pact are equally applied to education in Romanian language, in the languages of ethnic minorities and foreign languages. The National Pact for Education came to reinforce the specific objectives related to the human resources development strategy as set out in NSRF, helping to reaching these objectives and the targets to be achieved with the help of structural instruments.

**Employment.** The employment policies were adjusted to alleviate the impact of the financial crisis on the labour force and the revision of the legal and funding framework, so that the necessary measures could be applied aimed at increasing the level and quality of employment in Romania.

Given the challenges on the labour market, short term objectives were combined with medium-term objectives, as follows: consolidation of active employment policies, increase investments and the quality of life long learning programmes and support to socially vulnerable groups in accessing the labour market.

The legal framework on the unemployment fund and encouraging labour force is being revised, with the purpose of increasing the attractiveness of active employment programmes, simplifying the implementation of measures aimed at encouraging employment and reducing the burden on employers of unemployed or people belonging to disadvantaged groups.



In addition, consideration was given to increasing the social partners capacity to promote life long learning quality and the access to LLL programmes; thus, the legal framework was created for establishing the sectoral committees having the capacity as social dialogue institutions with legal status.

The legal framework on vocational training is being amended, to ensure the coherence with the education policies, the adjustment of the LLL system to the employment market needs and the consolidation of the LLL programmes' quality assurance system. The aspects that need to be developed/improved were identified, as a measure to consolidate LLL system and facilitate access to the life long learning system.

The Government and social partners negotiated, in the beginning of 2009, a package of emergency measures aimed at the economic recovery and the limitation of the financial crisis effects. The first social measures agreed with the social partners are as follows:

- The period for paying unemployment rights in 2009 was extended by 3 months;
- The 3-month exemption from paying contributions and taxes to the state budget and the social security budget related to revenues from technical unemployment; these are to be supported by the state;
- Financial support to the continuous vocational training programmes for employees and unemployed;
- The 2-stage implementation of the minimum social pension of 350 lei;
- Public wages freeze in 2009;
- The implementation of the single wage system for the budget staff;
- The sectoral committees for continuous vocational training were granted the capacity as social dialogue institutions of public utility, with legal status.

In this regard, the GEO No 28/2009 on a number of social protection measures, approved by the Law No 268/2009, introduced two important measures aimed at helping the employers to keep the jobs and ensuring an appropriate level of social protection to people who lose their jobs due to the financial crisis; these two measures are the following:

- Up to 3-month exemption from social security contributions for both employers and employees during the employer's temporary activity interruptions in 2009;
- A 3-month extension of the unemployment right payment period for the unemployed or people who become unemployed after the effective date of the normative act, by the end of 2009.

**Transport and environment infrastructure policies.** The priorities in these sectors are in line with the relevant European policies and refer to major investments in the development and modernization of basic infrastructure, which require a stable medium and long term planning. Under these circumstances, there was no need for a radical modification of the policies in this sector, but only for some measures aimed at facilitating the implementation of major policy objectives.

**Policies with impact on competitiveness.** NSRF thematic priority regarding the long term increase of economic competitiveness in Romania has been supported by a number of sectoral strategies such as the *National Strategy on universal service implementation in the electronic communications sector*; the *Government Strategy for developing broadband electronic communications in 2009–2015*; the *National Strategy in research, development and innovation sector in 2007-2013*.

The implementation of Romania's 2007-2020 Energy Strategy, the prioritized objectives of which include the increase of energy efficiency and promotion of energy from renewable sources will add as well to boosting the national competitiveness.

There were significant changes in the relevant domestic policies for the implementation of this thematic priority, but it has to be pointed out that the sectoral strategies approved over the past couple of years have a good impact on the achievement of NSRF objectives.

**Changes in the public procurement sector.** Public procurement is an essential component in the OP implementation. The contracts for the approved projects are awarded in accordance with the EU public procurement legislation and the primary and secondary national legislation on the implementation of EU public procurement provisions.

Since 2007, the national legislation on public procurement was improved through successive amendments to the basic law. These amendments were made as well to avoid delays in contracting and implementing the projects financed with structural instruments, and they were introduced after consultations with the relevant directorates of the European Commission, in order to ensure the compliance with the European directives in this respect. The main amendments are as follows:

- The thresholds were increased in the call for offers and the direct award procedures;
- The bid assessment period was modified to 20 days maximum after they are opened, with the possibility to extend this deadline by 20 days, but only based on justified reasons;
- The possibility was introduced for the contracting authorities to accept statutory declarations from the bidders as proof of qualification criteria, with only the winning bidder being required to submit all the documents attesting that all criteria are met before the public procurement contract is signed;
- The notion of apparent unusually low price was clarified and the calculation methods with regard to such price were established;
- Stamp taxes were introduced in connection to the court actions related to public procurement procedures;
- The possibility was introduced for speeding up the restricted tender procedure and the negotiation with the publication of a prior participation notice, by invoking the exceptional nature of the current economic situation as emergency reason.

### 3.3. Contribution of the Operational Programmes to the application of the European Economic Recovery Plan (EERP)

The Cohesion Policy, through the types of investments set out in the Community regulations and the significant SI share in the total funds allocated to public investments (especially in the poorly developed MS and regions), plays an important role in the fight against the financial crisis. This role was clearly reflected in the European Economic Recovery Plan (EERP), as well as in a number of communications issued by the European Commission, the most important being COM (2008)/ 876/3 „Cohesion Policy: Investing in the real economy” and COM (2009)/ 257 final „A shared commitment for employment”.

The main cohesion policy actions identified at European level as having a strong impact in supporting anti-crisis measures are the public investments prioritized in the following sectors: infrastructure and energy; research and innovation; the production capacity of the business environment and the human potential.

In the context of the financial crisis which started to affect visibly the Romanian economy in the Q4 2008, the Romanian authorities welcome the inclusion in EERP the measures for simplifying and speeding up the implementation of Structural and Cohesion Funds, as a confirmation of their driving role in limiting and fighting the effects of the financial crisis in the Community area.

In early 2009, the Romanian economy faced a number of difficulties that required concrete measures to counteract the effects of the crisis. The severe drop in lending, the declining stock markets, consumers' trust in decline, as well as consumption, investments and implicitly the economic activities, all these caused a sharp drop of the budget revenues correlated with a higher difficulty in financing the budget expenditures, a reduction of wages and an increase of the unemployment rate.

Under these worsening economic circumstances, and in line with EERP provisions, the Romanian Government implemented a 2009 anti-crisis package including priority legislation measures, as well as financial, budgetary and procedural measures, aimed at limiting the effects of the crisis and preparing the conditions for the economic recovery. This package was structured on three layers:

- Measures to relaunch and stimulate economic recovery;
- Measures to finance the economy and increase liquidity;
- Social measures.

With regard to the Cohesion Policy contribution to reducing the impact of the financial crisis in Romania, it is to be underlined that one of the central measures in the anti-crisis package is aimed at *improving the absorption mechanism of Community funds*, in conjunction with other specific measures based on the financial support provided under the operational programmes (for example, the allocation in 2009 of 7% of GDP to investments, state aids to SMEs, financial assistance to companies hiring unemployed and to vocational training actions).

It is important to highlight that the participation in the anti-crisis efforts of the interventions financed by the operational programmes did not require any changes in the priorities or objectives established in the programming process, as these were in line with the needs for investments including in the financial crisis circumstances. As set out by NSRF, approximately 60% of the structural instruments allocated to Romania are oriented towards the development of the basic infrastructure up to European standards, 15% to the promotion of long term economic competitiveness and 20% to investments in the more efficient development and use of the human capital in Romania, thus covering the investment areas by use of which the cohesion policy will fight the crisis. However, minor adjustments were necessary to allow some of the interventions (eligibility and/or selection criteria, types of eligible expenditures or beneficiaries/target groups) to act more efficiently in fighting the crisis.

The outcome of project contracting confirms that the planned allocation corresponds to the actual social and economic needs. Hence, the investments in the local road infrastructure and the environment infrastructure (especially the water sector) have seen the biggest success, reflected either in over-contracting or in good prospects of exceeding the allocated funds. In addition, the financing lines opened to the private companies for both production investments and human capital investments were a big success in terms of projects submitted and projects approved.

In the context of anti-crisis measures implemented with the help of structural instruments, other actions were aimed at ensuring a better access of the business environment to this funds, through financing productive investments in tight correlation with a more efficient use of human resources and through the use of innovative financing instruments such as JEREMIE. A good example in this regard is represented by the three state aid schemes launched under SOP HRD, with the purpose to meet the stringent needs of the employment market (one scheme for vocational training, one scheme for employment and one *de minimis* aid scheme); the beneficiaries of these schemes are the companies applying for funds for the qualification/reconversion or specialization of employees, for hiring disadvantaged persons (including disabled persons), for developing mentorship programmes or implementing measures aimed at ensuring health and safety at work.

Before presenting the measures in brief, it is to be mentioned that the main negative effects of the financial crisis on the OP implementation include the difficult implementation pace and a higher number of projects cancelled before the contracting or during the implementation, due to beneficiaries' inability to secure their own contribution (in co-financing and non-eligible expenditures). In 2009, another factor caused by the crisis which affects the project implementation schedules is the significant increase in the number of complaints filed against the public procurement procedures (caused by the competition for financial resources among economic operators), including those for projects funded with structural instruments.

As mentioned before, the main action to make maximum use of the SI contribution has remained the acceleration of funds absorption. The authorities focused on identifying the best measures to counteract the immediate effects of the crisis with a direct impact on the implementation pace of the approved strategy. The measures followed two major directions:

- Facilitate potential beneficiaries' access to the funding lines under the approved strategy;
- Support beneficiaries in implementing the approved projects.

The measures took into account the experience accumulated in funds management during the first two years of implementation, as well as the main difficulties faced by the applicants in submitting, or by the beneficiaries in implementing, the projects.

Given the need to make available the OP resources to beneficiaries as soon as possible, a number of measures were taken to simplify the project submission process, without affecting the thoroughness of the selection process and the requirements imposed by the Community regulations. This simplified approach was aimed at:

- The simplification of some requirements and of the documentation required from potential beneficiaries by the Managing Authorities;
- Removing some documents from the list of compulsory documents to be filed when the project is submitted, and replacement of such documents with statutory declarations signed by the applicants and the obligation to produce these documents in the contracting stage;
- Including in the applicant guides clearer instructions on how to put together the project budget and how to cover the exchange rate loss;
- The harmonization and a higher consistency of the applicant guides, for all operational programmes;
- More flexible eligibility criteria, with the most important one related to not having any debts to the public budgets, that was replaced in the calls launched in 2009 with a declaration submitted with the financing application stating that the respective beneficiary's net debts to the state budget are not higher than 1/12 of the payment obligations in the last 12 months, and, respectively, that the beneficiary's net debts to the local budgets do not exceed 1/6 of the payment obligations in the past 6 months.

In the implementation process, two major problems faced by the beneficiaries as a result of the financial crisis referred to securing the necessary financial resources for a non-interrupted implementation of the projects, and, especially in the case of projects that included a high share of foreign exchange expenditures, the substantial depreciation of the domestic currency as compared to the Euro (a drop of over 20%) in September 2008 – January 2009. The beneficiaries were severely affected by the extremely cautious lending policy conducted by the banks, by the lack of sufficient guarantees to contract loans and by the high costs of borrowing. To support the beneficiaries, the main measures were taken to:

- Increase the pre-financing share to beneficiaries from 15% to 30% of the eligible financing contract amount;
- Introduce pre-financing to beneficiaries whose projects are eligible for state aid / de minimis aid, of 35% of the grant amount;
- Allow the beneficiaries to put a pledge / mortgage on the assets financed by the project to facilitate borrowing, but only with the purpose of implementing the project.

It is worth underling that the measures regarding the pre-financing were adopted taking into account the additional advance payment from the European Commission in 2009.

In addition, the dialogue with the banking institutions was continued to identify other measures to support the beneficiaries. Hence, the Ministry of Public Finance is currently analyzing the possibility to introduce a guarantee mechanism to allow the state guarantee for the loans that the local public authorities and the regional water operators are forced to contract in order to secure the financial resources for the projects, in compliance with the public debt law and the state aid legislation.

The State Budget co-financing was considered a priority by the Ministry of Public Finance. In addition, to avoid any gaps in securing the co-financing, a NSRF co-financing facility was contracted with the EIB, in amount of 1 billion Euro, money that will ensure the co-financing by the State Budget of infrastructure investment projects (transport, environment and energy) that are eligible for EU grants under the operational programmes.

In 2009, the Romanian Authorities made important efforts to simplify and speed up SI absorption, as an important element in fighting the financial crisis. At the same time, since speeding up the use of funds is one of the main EERP recommendations, a number of concrete measures were introduced to implement this recommendation, which are divided into three categories: i) measures not requiring the amendment of Community regulations; ii) measures requiring the amendment of Community regulations, introduced in 2009; iii) measures requiring the amendment of Community regulations, not introduced in 2009.

An analysis of the categories i) and ii) reveals that at the level of the operational programmes implemented in Romania the following specific measures set out in EERP and the EC Communication „Cohesion Policy:

Investing in the real economy” were implemented:

- The use (only in one case) of the possibility to increase up to 100% the Community contribution to an operation;
- In the case of operations funded by ESF and ERDF where the core activities are implemented directly by the beneficiary/partner, the possibility to declare the indirect costs on a flat rate basis (this draft is currently in process of being endorsed by the ministries and will be promoted in January 2010);
- The use of the European Social Fund as a tool to fight the problems generated by the financial crisis on the labour market (without any programme changes required);
- The use of the accelerated public procurement procedure;
- The continuation of using JASPERS as support in preparing major projects.

It can be appreciated that the Romanian authorities took over a limited number of EERP measures, for the following main reasons:

- Some measures are not applicable or not necessary in the case of Romania (e.g. re-programming at the operational programme level);
- Other measures are too sophisticated as compared to the Romanian fundamental financing needs and the capacity/expertise of beneficiaries and programme management structures (e.g.. introducing in the operational programmes a change to increase the amounts allocated to energy efficiency investments, which are still pilots in Romania and where the implementation is extremely difficult; extend the use of financial engineering instruments);
- Some of these measures require risk taking at the level of the management and control systems, that the Romanian authorities decided as inopportune given the still limited experience in SI implementation (e.g. declaring some of the expenditures incurred in major projects before the official approval by the European Commission; the application of standard unit costs or lump sums).

However, Romania welcomes the availability and the efforts made by the Community institutions (the European Commission, the European Parliament) to identify, in cooperation with the MS and the foreign experts in this area (e.g. the Simplification Task Force), the anti-crisis measures based on the simplification of the complex management rules with regard to the structural funds and cohesion funds. In addition, the Romanian authorities consider that this analysis process must continue, including for defining a more simple and flexible management and control framework for the next programming period.

In the following period, in order to maximize the anti-crisis impact of structural instruments in accordance with the EERP specific objective, the focus will be on continuing to identify internal simplification / clarification measures with regard to the operational programme implementation rules and procedures and the relevant national legal framework (e.g. public procurement, central and local public finance, environment protection etc.) as well as subsequent administrative practices.

Annex III provides the answers to the indicative questions asked by the European Commission regarding the measures taken to implement EERP at national level.

## Chapter 4. European Territorial Cooperation in Romania

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In 2007-2013, Romania benefits of Community grants for the European Territorial Cooperation objective, through 11 Operational Programmes in which the Ministry of Regional Development and Tourism has the capacity as (Joint) Managing Authority/ National Authority.

The specifics of the European Territorial Cooperation Programmes require the cooperation of Romanian regions with regions of the neighboring states (cross-border cooperation), regions of a specific geographic area (cross-national cooperation), as well as regions of any other MS of the European Union (inter-regional cooperation), through a number of projects of which the management is shared by the partners from the participant states.

### 4.1. European Territorial Cooperation Programmes – the stage of implementation

#### *A. Programmes in which the Ministry of Regional Development and Tourism has the capacity as Managing Authority*

##### 2007-2013 Romania-Bulgaria Cross-border Cooperation Programme (financed by ERDF)

The first cross-border cooperation programme between the two states in capacity as EU Member States is implemented at the border between Romania and Bulgaria; this programme was approved by the European Commission on 18 December 2008. The scope of this operational programme covers 7 Romanian counties and 9 Bulgarian districts.

*Progress in implementing the programme.* Three calls for project proposals and one call for strategic projects ideas have been launched so far by the institutions involved in the programme management, namely the Romanian Ministry of Regional Development and Tourism and the Bulgarian Ministry of Regional Development and Housing.

In September 2008, in answer to the first call for project proposals, 51 project proposals were submitted, for which the assessment was completed on 7 February 2009. Out of these proposals, on 19 February 2009, the Joint Selection Committee approved 18 projects in total amount of 7.96 million Euro. Out of the approved projects, one will be implemented in the accessibility field, four in the environment sector and 13 in the social and economic development area. It is estimated that the contracts for the approved projects will be signed in Q1 2010.

The second call for strategic project proposals related to the situation and the social and economic developments in the border perimeter of Romania and Bulgaria in the period 2009-2015, was closed on 15 January 2009 with 2 projects submitted. The budget for the winning project is approximately 6 million Euro, out of which around 5 million Euro from EU funds. The assessment of these projects was completed on February 4, 2009, and the winning project was approved in the Joint Selection Committee meeting of 19 February 2009. The co-financing contracts with the Romanian partners and the ERDF financing contract with the Leading Partner were signed afterwards, amounting to a total of 5.8 million Euro.

The third call for project proposals, which runs until in April 2010, has a budget of around 101 million Euro, out of which 88.9 million Euro from ERDF. Project proposals are accepted continuously until 30 April, 2010, and the assessment is conducted on a quarterly basis. Between October 2008, when the call was launched and September 2009, 179 projects were submitted in a total amount accounting for approximately 270% of the envelope available for this call.

After the proposals received from potential applicants for strategic project ideas under the programme, the Joint Monitoring Committee approved, on 23 June 2009 in Vidin, a "Methodology for identifying strategic project ideas". This includes the standard fiche template with a general description of the project to be developed that is to be filled out by the beneficiaries, as well as the calendar of the call for strategic project proposals. On the submission deadline for strategic project proposals – 31 August 2009 – 50 proposals had been received, in total amount accounting for 135% of the full programme budget. Reimbursement claims have been submitted so far only for the expenditures incurred for the programme's technical assistance, in amount of 145,496 Euro.

#### *Difficulties in implementing the programme*

- Although the Memorandum of Understanding for the Romania-Bulgaria Cross-border Cooperation Programme was approved by Romania in December 2008, the approval process had to be resumed in both countries following the comments received from the Bulgarian partners. It is crucial that this Memorandum be signed as soon as possible, since this is one of the pre-requisites for the approval of the Management and Control System Description.
- As a result of the audit mission for the approval of the Management and Control System Description, the Audit Authority made a number of recommendations with regard to the first level control system and the means to recover the unduly paid amounts on the Bulgarian territory. To this purpose, it is necessary for the Bulgarian National Authority to speed up procedure for endorsing the specific procedures in order to obtain the approval for the system description.

#### **Romania-Serbia Cross-border Cooperation Programme (financed by the Instrument for Pre-accession Assistance)**

The European Commission adopted, in the Decision C(2008) 1076 of 27 March 2008, the IPA Romania-Serbia Cross-border Cooperation Programme which includes 3 Romanian counties and 5 Serbian districts. The programme is funded by the EU under the Instrument for Pre-accession Assistance (IPA) and is co-financed by the programme partner states.

*Progress in implementing the programme.* The first call for project proposals with an allocated budget of approximately 10.5 million Euro was launched on 30 April and the deadline for submission was set on 29 July 2009. 166 projects were submitted, out of which 58 under the Priority Axis 1 – Economic and Social Development; 20 projects under the Priority Axis 2 – Environment and preparing for emergency situations; and 88 projects under the Priority Axis 3 – Promoting „people to people” activities.

#### *Difficulties in implementing the programme*

- Memorandum of Understanding and the management and control system description.  
The condition for disbursing the pre-financing for the programme is the submission to the European Commission of the management and control system description together with the MoU signed by the two partner states in the programme and the audit report regarding the evaluation of the management and control systems. The MoU can be signed and the management and control system description can be completed based on the working procedures issued by the Romanian Managing Authority and the National Authority in Serbia, where legal amendments are still to be made to allow the elaboration/ completion of these documents. Despite Romania's efforts, the partner state could not complete these documents, which made it impossible for the necessary documents to be sent to the European Commission in order to receive the pre-financing.

While the pre-financing is not conditioned for the programmes funded from ERDF and the European Neighborhood and Partnership Instrument (ENPI) which makes the programme start independent of the Romanian state budget for a long time period, in the case of IPA Romania - Serbia Cross-border Cooperation Programme the start of implementation depends on the state budget advancing substantial amounts for a long time period, including for adopting some measures aimed at making possible a system audit report allowing the disbursement of the pre-financing for the programme (for example to hire the staff for the Joint Technical Secretariat, the establishment of the Joint Monitoring Committee). In addition, amounts from the state budget were spent for organizing awareness seminars addressed to beneficiaries and the assessment session after the

first call for project proposals, with all these amounts to be reimbursed from IPA funds once the management and control system description is finalized and the Memorandum of Understanding is signed.

- Public Procurement.

According to Community rules, the public procurement for this programmes must follow a set of rules similar to those used by Romania in the pre-accession stage, instead of the rules set out in the national public procurement law. Therefore, the EC requests from the Managing Authority a derogation from the national legislation that must be mentioned in the Memorandum of Understanding to be signed by Romania and the Republic of Serbia; this derogation must state the Managing Authority's agreement as to the application of PRAG procedures.

The IPA Romania - Serbia Cross-border Cooperation Programme is in general addressed to local public authorities in the eligible area. In Romania, the local public authorities apply the provisions of GEO No 34/2006 on awarding of the public procurement contracts, public works concession contracts and services concession contracts, as subsequently amended and completed. These bodies, which are also eligible under other European funded or national programmes, apply the domestic legislation in the projects financed under ROP, but also in the cross-border cooperation programmes financed by ERDF (e.g. the 2007-2013 Hungary - Romania Cross-border Cooperation Programme; the 2007-2013 Romania-Bulgaria Cross-border Cooperation Programme). Hence, the use of PRAG procedures only for procurements under projects financed under the IPA Romania - Serbia Programme could result in a lower number of applicants for the respective programme, difficulties in implementing the projects and a higher risk of error along with higher project costs.

#### **2007-2013 Romania-Ukraine-Republic of Moldova Joint Operational Programme (financed by the European Neighborhood and Partnership Instrument)**

The 2007-2013 Romania-Ukraine-Republic of Moldova Joint Operational Programme was approved by the EC on 29 July 2008 and covers 8 Romanian counties, 3 Ukrainian oblasts and the entire territory of the Republic of Moldova.

*Progress in implementing the programme.* The programme was officially launched in April 2009, in a conference in Iasi city. The first call for project proposals was launched on 1 July 2009, and the deadline for submitting the projects was set on 28 October 2009 for Priorities 1 and 2 („Towards a competitive economy of the border area”, „Environment and the preparation for emergency situations”) and on 28 September 2009 for Priority 3 „ People to People Cooperation”.

The amount allocated for the first call for projects is 35 million Euro, out of which 30 million Euro for Priorities 1 and 2 and 5 million for Priority 3. In July-August 2009, the Joint Managing Authority, with the help of the Joint Technical Secretariat organized two fora to search for project partners and a number of seminars and training sessions, in each county covered by the programme, to help beneficiaries become familiar with the program specifics and provide information and clarifications regarding the project implementation. 422 projects were submitted, out of which 266 under priorities 1 and 2 relating to transport infrastructure projects, border management, energy, water management, environment and preparation for emergency situations.

*Difficulties in implementing the programme.* The program implementation started with a delay caused by the difficulty of the joint bodies managing the programme in reaching a consensus on the key elements of the call (amount of the first call, eligibility criteria, grant size etc.).

#### **„Black Sea 2007-2013” Joint Operational Programme (financed by the European Neighborhood and Partnership Instrument)**

The Joint Operational Programme „Black Sea 2007-2013” was approved on 27 November 2008. The programme eligible area covers 10 states: Armenia, Azerbaijan, Bulgaria, Georgia, Greece, the Republic of Moldova, Romania, Russia, Turkey, Ukraine. Some of these states participate in the programme with the entire territory (Armenia, Azerbaijan, the Republic of Moldova and Georgia), others only with the neighboring regions (Bulgaria,



Greece, Romania, Russia, Turkey and Ukraine). In Romania, 6 counties are eligible in the South-East Region: Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea.

*Progress in implementing the programme.* In its capacity as Joint Managing Authority, the Ministry of Regional Development and Tourism announced on 30 June 2009 the opening of the first call for projects, for which the deadline was set on 12 October 2009. For this first call, the available ENPI funds amount to approximately 3.3 million Euro, and Turkey participates with IPA funds in amount of 1.34 million Euro. The Community co-financing amounts to 90% of the project eligible expenditures. 173 project proposals were submitted, for which the assessment and selection process started on 10 November 2009.

*Difficulties in implementing the programme.* The main problems in implementing this programme relate to the difficulties in concluding the various agreements and memoranda, specific to this type of programme. Thus, Ukraine, Russia and Azerbaijan have not signed the Financing Agreement with the EC. The financial agreement must be signed before 31 December 2009, to allow potential beneficiaries from the three states to participate to the programme.

The documents below have not been signed yet:

- The MoU between the Ministry of Regional Development and Tourism in Romania, as Joint Managing Authority; the Ministry of Regional Development and Housing in Bulgaria, as National Authority; the Ministry of Economy, Competitiveness and Sea Transport in Greece, as National Authority, and the Romanian Audit Authority;
- The cooperation agreement between the Romanian Ministry of Regional Development and Tourism in capacity as Joint Managing Authority; the Turkish Agency for International Cooperation and Development in capacity as National Authority; the Central Financing and Contracting Unit in Turkey as Contracting Authority for IPA funds.

## ***B. Programmes in which the Ministry of Regional Development and Tourism has the capacity as National Authority***

### **South-East Europe Trans-national Cooperation Programme**

The Programme was approved by EC on 30 December 2007; the scope of this programme is as follows: three old MS (Austria, Greece and Italy); five new MS (Bulgaria, Hungary, Romania, Slovenia, Slovakia); one candidate state (Croatia); one candidate state for which the negotiations have not started yet (the Former Yugoslavian Republic of Macedonia); four potentially candidates (Albania, Bosnia, Montenegro and Serbia); two states with a special relationship with the EU: Moldova and Ukraine (Cjermovestka, Ivano-Frankiviska, Zakarpatska and Odessa Oblasts).

*Progress in implementing the programme.* In the first call for project proposals – first stage (expression of interest) launched on 5 May 2008 and concluded on 13 June 2008, out of 822 projects submitted at the programme level, Romania was a participant in 400 projects (eligible in administrative terms); out of these, for 72 projects the invitations were sent out for a complete application, out of a total of 90 invited.

In the second call for projects – complete application, launched on 13 October 2008 with the deadline for submission on 21 November 2008, out of a total of 90 projects received by the Joint Technical Secretariat, 67 had Romanian participation. In the final selection, 40 projects were approved, out of which 37 with Romanian participation. The Managing Authority signed the 40 financing application with the Partner Project Leaders, in amount of approximately 76.6 million Euro, the envelope for the Romanian partners amounting to approximately 11.9 million Euro.

## Hungary-Romania Cross-border Cooperation Programme

The programme was approved by the European Commission on 21 December 2007, and included NUTS III border regions: 4 counties in Romania (Timiș, Arad, Bihor, Satu Mare) and 4 counties in Hungary (Csongrád, Békés, Hajdú-Bihar, Szabolcs-Szatmár-Bereg).

*Progress in implementing the programme.* The first call for project proposals (soft) was launched on 15 October 2008 and the submission deadline was set on 30 January 2009. Out of a total of 196 projects received, 134 passed the formal assessment and the eligibility test and have been proposed for a qualitative evaluation. In the interval 24-25 June 2009, the fourth meeting of the Joint Selection Committee was held. 90 projects were proposed for financing, with a budget of approximately 12.63 million Euro from ERDF funds (50% Romanian contribution). The financing contracts for these projects are in process of being signed with the Managing Authority.

157 project proposals were submitted in response to the second call (investments) – first step (project design) launched on 3 December 2008, for which the submission deadline was 16 February 2009. Out of these, 154 projects passed the formal and eligibility assessment and will be subject to qualitative selection. The Joint Selection Committee sent invitations to take part in the second selection stage for 120 project designs. The requested budget amounts to approximately 182.23 million Euro from ERDF funds (Romanian contribution 50%).

## 2007-2013 ENPI CBC Hungary-Slovakia-Romania-Ukraine Joint Operational Programme

The 2007-2013 ENPI CBC Hungary-Slovakia-Romania-Ukraine Joint Operational Programme was approved on 23 September 2008 and covers two counties in Hungary, namely Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén, two regions in Slovakia, namely Košický and Prešovský, three Romanian counties (Maramureș, Satu Mare and Suceava) and three regions in Ukraine (Zakarpatska, Ivano-Frankivska and Chernivetska).

*Progress in implementing the programme.* The first call for project proposals was launched on 16 June 2009 with 22 September 2009 as submission deadline. 148 project proposals were submitted (74 with Romanian participation).

*Difficulties in implementing the programme:* lack of co-financing capacity of some of the Romanian partners in the case of major investment projects (e.g. the CFR-S.A. National Railway Company).

## URBACT II Urban Development Network Programme

The programme was approved by the European Commission in the Decision No EC E/2007/2063 - C(2007)4454 of 2 October 2007 and covers the entire EU territory (27 MS); two special partner states (Norway and Switzerland); the EU candidates will be considered partner states depending on the interest expressed (IPA States with IPA financing); other EU neighbors (own funding) which express their interest in joining the programme.

*Progress in implementing the programme.* First call was launched on 3 December 2007 and was completed on 15 February 2008; the situation of the projects is as follows: 19 “thematic network” projects under implementation (out of which 13 with Romanian beneficiaries); 6 “working group” projects under implementation (out of which 3 with Romanian beneficiaries); and one “working group” project under development. The co-financing contracts for the projects with Romanian participation of the first call for projects are in process of being signed.

The second call launched on 16 June 2009 was closed on 25 September 2009. The situation of the projects is as follows: 13 “thematic network” projects under development (out of which 6 with Romanian beneficiaries); and 3 “working group” projects under development (out of which 1 with Romanian beneficiary).

## INTERREG IV C Inter-regional Cooperation Programme

The programme was approved by the European Commission in the Decision EC No 4222/11.09.2007 and covers the entire EU 27 territory and two special partner states (Norway and Switzerland).

*Progress in implementing the programme.* The first call for project proposals was launched on 21 September 2007 and closed on 15 January 2008. Romania is a participant to 139 projects out of a total of 492 submitted under the programme (ranking 8<sup>th</sup> out of 29 participant states); 41 projects are approved (19 with Romanian participation). All financing contracts are signed between the Managing Authority and the Partner Project Leaders. The co-financing contracts for the projects with Romanian participation approved in the first call for projects are in process of being signed.

The second call for projects was launched on 28 October 2008 and closed on 30 January 2009. The situation is as follows: 482 projects submitted, out of which 188 with Romanian participation. 74 projects were selected, out of which 31 with Romanian partners. The financing contracts for the projects with Romanian participation of the second call for projects will be signed after the financing contracts are signed between the Managing Authority and the Partner Project Leaders.

On 9 December 2009 a third call for project proposals was launched, with the submission deadline set on 15 March 2010.

## 4.2. Contribution of European Territorial Cooperation Programmes to the Danube Strategy

The sustainable and integrated development of the Danube region is one of the strategic objectives for Romania and other neighboring states. In Romania's vision, the major objectives to be followed in the elaboration and implementation of the EU Strategy for the Danube region are as follows:

- A dynamic, competitive and flourishing Danube region;
- Development of integrated transport and environment protection monitoring systems;
- Cleaner waters, protection of bio-diversity, fight against cross-border pollution and flood risk;
- Improve the administrative capacity, encourage cultural exchange and „people-to-people” contacts.

Under these objectives, the priority action areas are: socio-economic development; connectivity and accessibility of the regions; environment protection and risk prevention.

With regard to the contribution of the 2007-2013 European Territorial Cooperation Programmes to the achievement and implementation of the Danube Strategy, the following aspects can be highlighted:

- All relevant European Territorial Cooperation Programmes for the Danube strategy include axes and priority measures directly addressed to the above-mentioned priority areas;
- The Romanian authorities identified concrete project proposals in response to the calls launched for these programmes. The strategic objectives of these proposals are meant to address specific needs in the Romanian Danube area;
- The European Territorial Cooperation Programmes are included in the strategic documents as potential financing sources.

A public consultation will be organized in January 2010, as the intention is for the Romanian vision on the Danube Strategy, elaborated by an inter-ministerial group coordinated by the Ministry of Foreign Affairs and the Ministry of Regional Development and Tourism, to be representative for all categories of stakeholders (local administrations, academic environment, NGOs, private sector).

### 4.3. European Territorial Grouping of Cooperation on the Romanian Territory

A European grouping of territorial cooperation (EGTC) is a body established in accordance with the Regulation No 1082/2006 of the European Parliament and the Council, for promoting cross-border, cross-national and inter-regional cooperation between EU member States, with the purpose of consolidating the economic and social cohesion. Romania is one of the first EU Member States having adopted the required legal framework for the application of Regulation No 1082/2006, by introducing the GEO No 127/2007 on the European grouping of territorial cooperation.

The Romanian public authorities (mainly local, but the central public authorities as well) showed interested in establishing this type of structures having legal status and own staff, viewed as an opportunity to become more efficient in identifying, developing and implementing the European territorial cooperation projects.

The table below includes the initiatives for the establishment of European Territorial Grouping of Cooperation (received from Romanian authorities until 30 September 2009), the objectives, the scope and the approval stage of these initiatives.

Name of EGTC	Objective	EGTC Members/ Scope	Standing
UTTS Ung-Tisa-Tur-Sajo	Develop and implement trans-national, cross-border and inter-regional cooperation projects	Slovakia - counties: Kosice and Presov Hungary – counties: Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Hajdú-Bihar Romania - counties: Satu Mare and Arad Ukraine – Zakarpatja Region	By-laws drafted, but operation license not issued
OLPLEV	Develop and implement a cross-border cooperation project for building a bridge over the Danube to link Romanian and Bulgarian banks at Corabia locality point	Romania – Olt county Bulgaria – Pleven District	The by-laws not yet drafted
Banat – Triplex – Confinium	Develop and implement trans-national, cross-border and inter-regional cooperation projects	Hungary, Romania and Serbia – the counties neighboring the borders of the three states	The by-laws drafted, but operation license not issued
No name has been decided yet for this EGTC	Develop and manage major EU-funded projects, in a move to improve the navigation on the shared Danube segment	Romanian Ministry of Transport and Bulgarian Ministry of Transport	The by-laws not yet drafted

## Chapter 5. Examples of good practice

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Annex IV of the Strategic Report includes a few examples of good practice selected from the approved projects currently under implementation or from the policies implemented with the help of Structural Instruments. One example is described for each of the four pillars set out in the Community Strategic Guidelines:

### Making Europe and its regions more attractive places in which to invest and work

In order to illustrate how the Community funds were allocated under the operational programmes to increase the attractiveness of MS, regions and cities, it was selected as example of good practice a project financed under SOP Environment, “Rehabilitation and extension of the water supply and sewerage systems in Tulcea county, Romania”, with a regional water operator as beneficiary. There is a strategic dimension in this project, as it is aimed at implementing the water and wastewater services regionalization to improve the efficiency of public service in this sector, but the choice is also motivated by the fact that this project is justified by a regional investment programme (Master Plan), which identifies the investment needs in the water and wastewater sector for a given geographical area. Moreover, the project implements the requirements of the European Directives in this sector.

### Improving knowledge and innovation for growth

An excellent example to illustrate the promotion of innovation, entrepreneurship and knowledge-based economic increase is the project called “East-European Center for Integrated Applied Research” (EECIAR), developed under SOP IEC, a project designed to increase the research capacity of the enterprises in a move to boost innovation and competitiveness levels on the market and create new jobs in R&D sector, in the security systems area, as well as in traffic engineering and industrial automated systems. This objective can be reached by promoting investments in amount of approximately 27 million lei (6 million Euro) in building 10 modern R&D laboratories in the aviation security systems area, as well as transport security system, border security and traffic engineering and industrial automated systems, which are considered components for the security of crucial structures. The investment includes capacities for building operating models, prototypes and mockups, as well as for all the necessary equipment, devices and instruments to carry out the activities.

### More and better jobs

To increase the adaptability of companies and employees, one of the key intervention areas financed under ESF is focused on the partnership development and stimulation of initiatives of social partners and the civil society. To support such initiatives, a number of projects promoted under SOP HRD focused on creating the standing technical secretariats for the Regional Pacts for Employment and Social Inclusion; their role is to manage, revise and update Regional Employment Action Plans in the region, and to implement and promote the measures set out in these plans. Hence, in the example regarding the Centre Region, the general project objective is to support social partners and NGOs under the Regional Pact for Employment and Social Inclusion in the Centre Region to ensure the implementation of these pacts at regional and national level and provide technical assistance to boost investments in human capital, create partnerships adapted to the new features on a flexible and comprehensive labour market. The outputs of the project include the establishment of the Technical Secretariat and the development of the 2008-2013 Working Plan for the Implementation of the Regional Action Plan for Employment and Social Inclusion, as well as other specific promotion actions.

### The territorial dimension of Cohesion Policy

To illustrate the territorial dimension, the growth poles policy was presented, as an innovative policy in Romania promoting the polycentric development with the purpose of capitalizing on the regional potential, improving employment, avoiding the widening of internal disparities and increasing the ability to cope with the competition imposed by the globalization and future challenges. The economic activities concentrated in the seven growth

poles will encourage the development of regional economies, as well as the national economy. The support to the growth poles is provided under the strategic umbrella of the Integrated Development Plans, which are financed, in a coherent approach, under all operational programmes implemented with Structural Instruments, as well as under the National Rural Development Programme, state budget funds, local budget funds and loans.

## Chapter 6. Conclusion

### 6.1. Forecast of future social-economic developments

For 2009, the macro-economic forecast takes into account the contraction of economic activity which will be felt throughout the year. The Romanian economy is in recession after 9 years of economic growth. That is why the macroeconomic framework forecasts a declining gross domestic product in real terms, with an overall 7% decrease in comparison with 2008. The domestic demand will fall dramatically, and its major components - private consumption and gross capital formation - will register a 10.6% and 20% drop respectively. Public investment in infrastructure is expected to speed up, as there is the possibility to finance them from non-reimbursable European funds. Government consumption will diminish by 2.7% given the effort for budgetary deficit adjustment.

#### GDP medium-term trend, 2009-2011

- Percentage terms as compared to the previous year -

	2009	2010	2011
Domestic demand. out of which:	-13.0	1.4	2.7
- Private consumption	-10.6	3.8	2.8
- Government consumption	-2.7	-3.5	-1.3
- Gross fixed capital formation	-20.0	-1.0	5.0
Exports of goods and services	-10.5	3.3	2.4
Imports of goods and services	-24.8	3.6	3.3
GDP	-7.0	1.3	2.4
Industry	-4.3	3.2	3.1
Agriculture	-2.0	1.6	2.8
Construction	-18.9	-1.9	2.0
Services	-5.6	1.0	2.3

Source: National Commission for Prognosis

Reduced foreign demand and the contraction of the domestic economic activity will influence the evolution of the foreign trade, decreasing both exports and imports of goods and services. Once the effects of the economic and financial recovery measures are felt, in both Romania and the other EU member states, the economic downturn is expected to level off and the degree of confidence to grow.

Over the next two years (2010 and 2011) the GDP growth will gradually turn back to positive values, once trade picks up and the industry recovers its positive trend. Consequently, for 2010 a 3.2% growth of industrial gross added value is forecasted as compared to 2009, mainly triggered by the return of confidence in the recovery of the Romanian economy. A similar dynamic is expected in agriculture and the tertiary sector, which will start to grow in 2010. But for construction a one year lag is expected, and thus its recovery will become apparent starting with 2011.

After the recession will have stopped in 2010, which will register a 1.3% economic growth, 2011 will bring the re-launch of economic activity in all of the economic sectors that in turn will lead to a 2.4% GDP growth. These growth rates are based on the hypothesis that the domestic and foreign economic background will improve, that the financial market will be stabilised and the incentive measures will encourage investment and private consumption.

The domestic demand will also have a recovery tendency, which will be sustained by the resumption of the investment process. The prognosis looks at a 1.4% increase in 2010 and 2.7% respectively for 2011.

Financing issues will also continue to affect the investment process throughout 2010, which is why the trend in total investment is expected to stay negative, even in the context of the launch of a substantial number of projects with Community funds. Thus, the gross fixed capital formation will be 1% smaller than in 2009. 2011 will see a tendency change and a seeding-up of the investing process; as a result, gross fixed capital formation will increase by 5%.

For 2009, the exports of goods will decrease by 18% and imports by 35.6%. By comparison with 2008, the share of the FOB-FOB commercial deficit in the GDP will decrease by 8.6 percentage points, reaching 5.4%. The deficit of the current account of the foreign payments balance is expected to adjust from 16.2 billion in 2008 to 5.5 billion in 2009, as a result of the reduction of the trade deficit by 66.6%, but also as a result of the positive contribution of the surplus of current transfers.

Starting from the hypothesis that the economic downturn will level off in 2010 and the following years will bring about a re-launch of economic growth, the exports of goods are expected to grow with 3.5% and imports with 4.2% in 2010, while for 2011 these are forecasted to grow with 4.6 and 4.9 respectively. Thus, the share of the FOB-FOB trade deficit within the GDP for both 2010 and 2011 will reach 5.4%. The level of the current account deficit will increase steadily up to 6.5 billion Euro in 2010, its share in the GDP being of around 5.1%.

The development of human resources over 2009-2011 is an important factor to be taken into account in the projection of the macroeconomic framework on the medium run. Romania's population will continue to decrease, due to the reduction of the birth rate. The active working age population will grow by 0.9% over the period, while the active working age employed population will be reduced by 0.9%. After a 1.6 percentage point decrease in 2009, the employment rate will start growing in 2010 and will reach nearly 59% in 2011.

#### Labour Force Trend, 2007-2011

	2007	2008	2009	2010	2011
	- percentage change, as compared with the previous year -				
Active population*	-1.1	-0.3	-0.1	0.3	0.7
Participating population*	-0.2	0.4	-3.0	1.1	1.0
Employees	0.5	1.9	-3.8	0.4	1.2
	- % -				
Participation rate *	63.0	62.9	62.9	63.1	63.6
Employment rate *	58.8	59.0	57.3	58.0	58.6
BIM unemployment rate	6.4	5.8	8.4	7.7	7.5

\* working-age population (15-64 years)

Source: National Commission for Prognosis

For the period 2009-2011 the number of total employees is expected to drop by 2.2%. The ILO unemployment rate will register a peak in 2009, reaching 8.4%, after which it is expected to decrease, falling to an estimated 7.5% in 2011.

The prognosis for the period involves continuation of the inflation reduction process by maintaining a firm stand on the monetary policy as well as on the other economic policy components (fiscal, income). Additionally, the gradual reduction of the administered prices growth, promoting a prudent wage policy, wage increases according to work productivity and the continuation of the structural reforms will help keep the disinflation process on a sustainable trajectory. The estimates are based on normal agricultural years and a reduced volatility of oil prices. Consequently, by the end of 2009, the inflation had been estimated at 4.5%, while the yearly average was 5.6%.

#### Consumer Price Index, 2009-2011

	2009	2010	2011
Consumer price index			
End of year	4.5	3.5	3.2
Yearly average	5.6	3.7	3.2

Source: National Commission for Prognosis



For 2010, the inflation rate is forecasted to decrease to 3.5% and then to gradually fall to 3.2% towards the end of 2011.

In conclusion, even though the GDP recovery will have a positive dynamic starting with 2010, the re-launch of the economy will be a medium term process. The effects of the economic-financial crisis on industry, construction and services will be felt during 2010, and the unemployment rate will remain at a relatively high level compared with the period preceding the crisis. From 2010 onwards the large majority of the economic sectors will become dynamic once more, with the exception of construction, whose re-launch is expected to take place starting with 2011.

A stable level of international trade transactions will be reached in 2010. The private sector will regain its dynamics in 2010, while the level of the government consumption is foreseen to decrease over 2009-2011, as a result of the reform of the administrative apparatus. The consolidation of the positive dynamic of the GDP will also take place due to the investments in the economy which are estimated to start in 2011, an important part of which will have non-reimbursable Community funds as their financing source.

## 6.2. Actual and expected contribution of the Cohesion Policy to the socio-economic development in Romania

To Romania, the cohesion policy means the prospects for a real convergence with the Union, as well as a continuous modernization in line with the modern and sustainable development principles. By the fact that it supports the infrastructure investments, the business environment, the job creation and the consolidation of public administration, the Cohesion Policy is a key factor to stimulating sustainable economic growth and improving the competitiveness position of the country regions in the European economy and the economy of the world.

From a Romanian perspective, the cohesion policy is the most efficient development policy model, as it provides direct support to the regions for achieving basic socio-economic needs and to cope with the challenges caused by the current financial crisis. The relevant contributions to this purpose in the case of Romania regard the regional and local basic infrastructure development, the training and reconversion of the labour force, the efficient use of local and regional business potential, the use of national, regional and local tourism potential as key factors to an attractive and efficient economic environment.

In accordance with NSRF strategy, the structural instruments funded interventions are expected to have a significant strategic impact, by inducing an additional GDP increase of 15-20% by 2015 and through the expected contributions to the labour market (approximately 150,000 – 200,000 jobs newly created or maintained; increase of the employment rate by 23% in the production sector and by 14% in the service sector), which is an important reduction of the economic and social disparities between Romania and the EU Member States. The cohesion policy implementation is incipient in Romania and some targets could be affected by the current financial crisis; however, the 2007-2013 Operational Programmes are expected to contribute substantially to the socio-economic development of the country, the rapid overcoming of the financial crisis and the economic recovery. The interest showed by all categories of potential beneficiaries, the high number of projects submitted, approved and contracted, the contents and the quality of the selected projects, the planned outcomes – as revealed in various sections of this Strategic Report – confirms the fact that the NSRF and OPs agreed strategy will encourage the process of convergence with other EU regions and states.

The major benefits of the cohesion policy are present at institutional level through the observance of the subsidiarity principle, the promotion of multi-level governance and partnership, institutional cooperation and strategic planning improvement, and integrated development. Especially in the case of Romania, the cohesion policy plays a key role in the modernization of institutions, as well as the modernization of the legal, institutional and financial and budgetary framework, in line with the programmatic approach on a medium term. In addition,

the structural and cohesion funds implementation require a more strategic, consistent and coherent approach of various sectoral policies.

The implementation of the cohesion policy will speed up Romania's integration with the European social model built on solidarity. The cohesion policy provides in fact the most efficient model to approach solidarity and competitiveness, ensuring at the same time the improvement of the competitive position of regions within the world economy and covering the development gaps through supporting areas/regions that lag behind. Under the circumstances, very relevant for Romania is the advantage provided by the cohesion policy support focusing mainly on less developed regions and countries, taking into account their difficulty in directly competing with more developed regions and states. The Convergence Objective is the appropriate assistance instrument which allows less developed regions to recover the gaps in key areas such as accessibility, environment protection, energy, health, education, labour market, R&D of information society. Because of the above and considering the stronger impact of the financial crisis of the less developed EU regions, the Convergence Objective must continue to have the highest share of the Cohesion Policy.

One other benefit expected for Romania is generated by the horizontal territorial objective of the cohesion policy, which contributes to a maximum effect of the political measures oriented towards the convergence objective. The inclusion of the territorial dimension at the level of the cohesion policy will allow a better use of the national territorial potential, by supporting the growth and urban development poles, and facilitating at the same time the actual involvement of the regional and local levels in the implementation process of various national development policies. The European Territorial Cooperation Objective is a good example when it comes to the value added of the cohesion policy in Romania. The cooperation programmes provide shared strategies and help implementing coordinated actions to address problems that go beyond the national level, at the same time adding to the development of a culture based on the experience exchange and best practices to solve problems of common interest and to support the own development interests of some regions and the capitalize on the existing opportunities. In the context of a global economy, given the limited available resources as compared to the high number and complexity of challenges, strengthening the cooperation through implementing cross-border or neighboring programmes becomes a must.

The Cohesion Policy ensures not only the attenuation of socio-economic disparities among regions and countries, but also the increased competitiveness of the entire Union: this is a policy for the European Union, a comprehensive policy, which contributes directly and indirectly to problem solving in Europe. The financial crisis showed that all European regions needed help to modernize and boost the regional and local capacities necessary to access a superior and sustainable development pattern, that is adjusted to current and future requirements and challenges. Under the circumstances, it is crucial for the EU regions to benefit of the Cohesion Policy, depending on their development level and the specific problems they face. Given its flexibility and proactiveness, the Cohesion Policy provides this opportunity and ensures a rapid adjustment of the regional development process to the new socio-economic challenges at European, national and regional level. For the period after 2010, the main challenges take shape: the recovery after the financial crisis; globalization; decrease of resources and technology progress; population ageing and international migration; climate changes and energy security. The Cohesion Policy is flexible enough to mobilize Community and national resources with a view to an efficient management of the big challenges; however, they need to be approached in conjunction with the European policies and depending on their impact on the EU regions as well as on the individual capacity to take action of the regions themselves.

In Romania's opinion, the Cohesion Policy should continue to provide its valuable support to the strategic objectives assumed at European level, in order to consolidate the European competitiveness on the global markets. The first step was made when funds were concentrated on thematic priorities in line with the revised Lisbon Strategy objectives: competitiveness, economic growth and employment, which provided consistency to the interventions assumed by the Member States. As far as Romania is concerned, the 56% voluntary Lisbon earmarking in the structural instruments programming process is a very good indicator as to the orientation towards the priority areas aiming at a modern and sustainable development of the regions, in line with the European horizontal and sectoral priorities. The achievement by 30 September 2009 of 9.43% of the Lisbon

earmarking (1/6 of the indicative target set for the period 2007-2013) is a reasonable first result considering the estimated contribution of the Romanian cohesion policy to the fundamental European objectives included in the Lisbon Strategy.

Under the circumstances, the Romanian authorities consider as opportune the consolidation of a strategic Community framework, coherent and integrated, for the period after 2010 (post Lisbon) and linking the cohesion policy to the objectives of the future "EU 2020" strategy. Judging by the development so far of the strategic priorities of the "EU 2020", the cohesion policy can contribute in a substantial way to achieving these priorities, taking into account the reform process to be implemented in the next programming period.

A few pre-requisites must be highlighted with regard to the Cohesion Policy efficiency in the future, and in line with European priority policies. It is essential to strengthen the systems and mechanisms for the coordination of the Cohesion Policy with other European policies, and to ensure the consistent implementation and complementarity of the instruments of these policies, at both national and Community level. In this context one needs to underline the importance of coordinating the Cohesion Policy with the Common Agricultural Policy and ensuring the correlation of interventions with a view to reduce the urban-rural gaps and ensure the territorial integration and complementarity at the regions level.

In addition, it is important in the next programming period to increase the thematic concentration for pro-development sectors, in line with the economic growth and employment objective. The thematic priorities should remain flexible enough to allow each country or region to concentrate the cohesion policy resources to those areas which are a development priority inline with the general strategic guidelines agreed by the European Union.

At the same time, a dynamic and pro-active approach is needed, based on strengthening the strategic planning capacity and the Community funds managing capacity, along with human capital investments as an essential factor to promoting sustainable development taking into account the local advantages. Therefore, it is essential to promote a balanced territorial development, in a free market context, to give consideration to both developed areas that can be growth poles of a regional, national or European importance, and to help development in lagging behind areas. In the case of these less developed areas, increasing the fund absorption capacity (not only Community funds) through all available instruments, as well as channeling the available resources to sectors with a major growth potential, are the pre-requisites of a sustainable development.

From this perspective, the Cohesion Policy is for Romania the main tool used to encourage the socio-economic development at national, regional and local level, taking into account all the principles of a modern and sustainable development. By mobilizing and capitalizing on the domestic potential of regions, the Cohesion Policy creates the basis for an accelerated convergence process in Romania, economic as well as social and territorial.

### **6.3. Relevance and Coherence of the Strategy set out by the NSRF and Operational Programmes**

The 2007-2013 NSRF and OP strategy was developed in full accordance with Romania's objectives in capacity as EU Member State. The priorities identified in NSRF will ensure the continuity with regard to the NDP 2004-2006 priorities and the consistency with the national development priorities approved in the NDP 2007-2013. This strategic planning combines the elements of sectoral policies and of regional development policy, including from the perspective of the National Strategy for a Sustainable Development in Romania („Horizon 2025"), as well as the European strategic guidelines and the specific requirements for accessing structural and cohesion funds.

Starting from a gross domestic product per capita of 34.8% of the EU-25 average, and in a move to reduce development gaps, the overall objective is to reduce economic and social disparities between Romania and other Member State, by generating an additional GDP increase of 15-20% by 2015.

NSRF identifies structural and cohesion funds as the most important resource available to Romania in 2007-2013 to help the country cope with challenges and succeed in the modernization process. To this purpose, NSRF strategy was aimed at concentrating the efforts of all sectors towards reaching the sustainable economic growth objective. The public administration is involved in this process, as well as NGOs, companies, employees and people who are outside the labour market or who are to access the labour market.

The approved strategic vision addresses the fundamental socio-economic development needs, recommending solutions to such needs and to gaps among Romanian regions, solutions that are in line with the EU development strategies. Four thematic priorities and one territorial priority were identified:

- *Development of basic infrastructure to European Standards*
- *Increasing the long term competitiveness of the Romanian economy*
- *Development and more efficient use of Romania's human capital*
- *Building an effective administrative capacity*
- *Promoting a balanced territorial development*

A number of socio-economic changes occurred since the strategy was developed and approved, with the major impact of the financial crisis in the second half of 2008. The downward trend of the world economy of the recent months accentuated the key problems and the weaknesses at national, regional and local level, that were identified in the socio-economic analyses conducted at a national and regional level to support the NSRF strategy. However, the factors having influenced the NSRF decisions with regard to the priorities, ensuring the coherence of the strategy, remained the same:

- The need for long term sustainable economic growth continues to be the global objective, especially with GDP dropping and the very modest prospects of economic growth in the next years;
- *Capital investments in the basic infrastructure* remain essential and are a priority in consolidating a *knowledge-based, high value-added generating economy*. *The investments in water and waste sector, in the road, rail, air and naval infrastructure, as well as in the sustainable development of the energy sector* are expensive priorities, but they represent the basis of the *sustainable economic growth* in Romania;
- To put an end to the *increase of regional disparities* and to promote a balanced development of rural and urban areas as a condition for a consistent development of the country;
- *The investments in human capital*, to secure a labour force adapted to the knowledge-based economy, is a basic element to ensure the sustainability of the national development strategy;
- *To develop the administrative capacity* as a key ingredient of an efficient implementation of the public policies, especially under the financial crisis circumstances, when the administrative capacity is required to have the capacity to identify and implement those measures and public policy changes that can counteract / alleviate the effects of the financial crisis and ensure a rapid economic growth.

The NSRF strategy was developed in a time of substantial macroeconomic improvement, when the Romanian economy saw a high growth for many years in a row, but when the foreign deficit became relatively high, as well as the short-term foreign debt. The NSRF objective was set based on an assumption of an average annual increase of 6% in 2007-2013 and an increase of the employees number of approximately 700,000 in 2013, as compared to 2006 as well as of the ILO unemployment rate of approximately 6.3%. However, in addition to these assumptions, the possibility was considered for the economic growth to be affected by external factors triggering an economic increase lower by, on average, 1 percentage point annually.

The 2007 international financial turmoil turned into a crisis in 2008 and migrated rapidly to the emerging areas, with Romania – fully hit by its effects in 2009 – needing to reconsider its macroeconomic forecast from 2007. Hence, after 9 years of sustained growth, the 2009 GDP is expected to drop, in real terms, by 7% as compared to 2008, and will be followed by a positive increase in the future years, yet modest as compared to the decline in 2009. Although in the 2006 forecast the 2009 ILO unemployment rate was seen at 6.9%, the crisis will push up the ILO unemployment rate to a 8.4% peak in 2009, with the number of employees expected to go down by 2.2% in the interval 2009–2011.

Given the fundamental socio-economic development needs of Romania as a Member State at the dawn of a major process of convergence towards the EU average development level, the new socio-economic circumstances do not require any change in the substance of NSRF strategy and the operational programmes; on the contrary, reaching the established objectives becomes all the more imperative. The need is all the more obvious for promoting the priorities identified by the structural instruments strategy with the investments in the basic infrastructure remaining a priority, since it creates the essential conditions for promoting investments and building a modern economy, in a time when the need to increase the economic competitiveness through a direct support to companies and the development of business infrastructure is amplified by the financial crisis. The impact of the crisis on the employment market is responsible for the increased role of human resources priorities in the approved strategy, since the support to economic competitiveness must be correlated with sufficient and highly qualified human resources (including the support to the rehabilitation/development of education and health infrastructure).

This consistency of the approved strategy with the established objectives, under the current socio-economic circumstances, is reflected in the operational programmes. The infrastructure investment priorities, as defined in NSRF and detailed by key intervention areas in the operational programmes, remain relevant in the socio-economic context and in the approved development strategy. Thus, the road, rail, air and naval infrastructures support the development of TEN-T priority axes and ensure a higher accessibility to regions; the environment infrastructure – water, wastewater, solid waste, flood risk prevention – ensures the compliance with European standards, the alleviation of climate change effects and the increase of attractiveness for investors; in addition to this, the interventions for the development of business and social infrastructure based on regional needs foster a balanced territorial development.

The investment strategy focused on the regions is aimed, on one hand, at creating the good climate for a maximum impact - at regional and local level - of the implementation of policies regarding the increased productivity of the primary sector, the industrial competitiveness, the building of operational transport corridors at national level and of highly qualified human resources and administrative capacity, and, on the other hand, at taking maximum advantage of the existing strengths and development opportunities, in a move to ensure the necessary conditions for addressing the key issues of regional development.

The strategy implemented through the Regional Operational Programme will continue to focus on the mobilization of resources and of the regional and local potential, likely to have the highest direct impact on regional and local development, through:

- the development of regional/local urban growth poles, through a polycentric approach and the improvement of connections between rural and urban areas;
- the increased accessibility inside the Regions, especially the accessibility of urban centers and the links with the neighboring areas;
- the support of social and economic infrastructure development, based on the region's needs, facilitating a balanced territorial development;
- the improvement of the business environment and the competitiveness of the Regions, as business locations;
- the use of tourist potential of Regions;

at the same time contributing to reaching the global and specific NSRF objectives of reducing economic and social disparities between Romania and the other EU Member States.

With regard to the strategy implementation in the economic competitiveness sector, it is expected that the economic turmoil would have - in a first stage – a negative impact on the achievement of the set objectives especially because of the difficulties faced by the private environment, which is the main beneficiary of this strategy (e.g. lower demand, lower turnover, reduced co-financing capacity on account of the companies' difficult access to funds, a lower risk appetite of entrepreneurs, uncertain perspectives as to developments on some markets or market segments, confidence deteriorating in the economic recovery etc.). On the other hand, the infusion of funds for investments under SOP IEC and other operational programmes, in extremely various sectors, is an opportunity that may counteract the crisis and substantially contribute to economic recovery and to

the fight against the unemployment caused by the financial crisis. Therefore, these interventions remain valid not only in theory, but in practice as well.

The need for a higher quality of the domestic human capital has become more relevant due to the current socio-economic circumstances. Investments for improving the education system and the initial and life long education, a better consistency of the supply and demand on the employment market, the promotion of active employment measures and the support to social inclusion of vulnerable groups are all the more necessary now, when the effects of the financial crisis impacted directly on the labour force making it necessary to take structural counteracting measures. The situation in 2009 (e.g. low participation rate to education, especially amongst vulnerable groups, a higher unemployment rate in 2009 as a direct consequence of the financial crisis etc.) confirms the relevance and the need to continue the prioritized human resources investments set out in NSRF and implemented under SOP HRD. It is especially important to mention the measures regarding the unemployed, because given the substantial increase in the unemployed number in 2009-2010, the support to this target group must be more efficiently oriented through interventions leading to a more rapid integration into the labour market.

The implementation progress of the strategy for developing and promoting reform initiatives of the public administration, and the interest showed by the administrative institutions, reflected in the number of submitted funding applications, shows that the strategy that is the foundation of the priority „Building an Effective Administrative Capacity” in NSRF and of the management and implementation of OP ACD remains valid and viable. Moreover, the intentions are to expand the OP ACD strategic measures on building the administrative capacity in the three priority sectors identified (education, health, social assistance) to other central public institutions which have taken actions for a competency transfer at local level.

Increase the SI management and control capacity within central public authorities is a priority in Romania, with a view to an efficient and correct implementation of the approved strategy. The technical assistance available under OP TA and the priority axes of each programme is a basic tool that the authorities have to consolidate the operational programme management system and the beneficiary capacity to implement projects, to ensure the expected impact of all objectives on the job creation and the promotion of economic growth, in compliance with the European provisions on SI management.

In conclusion, the current economic context, the socio-economic changes in the reporting period and the accessing pace of structural instruments in terms of projects submitted under the various calls for project proposals, do not require any changes in the Strategies set out in NSRF and the Operational Programmes. The global and specific objectives included in these documents remain relevant, considering the socio-economic elements that need to be addressed in order to reduce the development gaps between Romania and the other European Member States and regions. At the same time, the national strategy for SI allocation remains coherent and in line with the relevant national and European strategies.

However, the economic and social dynamism, the change of the general context as a result of the crisis, the need to adapt to a concrete situation (sectoral or national), as well as the experience accumulated over the first years of actual implementation, may lead to some adjustments or recalibration in some interventions or priority axes, in order to ensure the achievement of the strategic objectives established in NSRF and the Operational Programmes. These may be, for instance, related to changes in the eligibility and selection criteria, the eligible expenditure categories, or may regard the beneficiaries and target groups as well as the funding for some types of interventions.

No significant adjustments have been made so far with regard to the operational programmes, only minor corrections in some interventions – put in practice by modifications in the eligibility criteria or the eligible expenditure categories. This is attributable to the strategy adopted by MPF and the managing authorities, which was to not react unreasonably and without a solid ground to some difficulties which are inherent to the initial implementation stage or related to the high funding demands under some interventions which are more “popular” as compared to other interventions in which the interest of potential beneficiaries is low due to the difficulty or the sophisticated nature of the operations.

Despite of the above, a number of adjustments are expected to become necessary in 2010, which may even lead to changes in the approved operational programmes. A few possible adjustments have already been identified at an operational level, and these are carefully analyzed. At the same time, consideration will be given to the need of revising, in 2010, some of the targets set out in NSRF and the Operational Programmes, taking into account the impact of the financial crisis or various socio-economic factors and the forecast of the relevant indicators by the end of the programming interval. Last but not least, the conclusions and recommendations made during the first interim evaluations during the implementation of the programmes will be taken into account; these will be finalised in the next time period (except for ROP, for which the evaluation report has already been completed).

Any suggestions for substantial changes will be analyzed in detail by the Managing Authorities and the MPF and during the consultations with the Commission services. In addition, they will be put up for debates in the Monitoring Committees of the operational programmes. Thus, the most appropriate solutions will be identified to improve the efficiency in using the funds and reach the strategic objectives.

Given that the overall strategy regarding the implementation of the structural and cohesion funds in Romania remains relevant, the absolute priority for the Romanian Government is to optimise the accessing and implementation system with a view to speeding up funds absorption, in order to ensure a swift injection of capital into the economy aiming to mitigate the effects of the economic crisis, to facilitate key investments at national, regional and local level and avoid automatic decommitment of funds allocated to Romania.

## ANNEXES

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## ANNEX I. Financial progress by Operational Programme

- 30 September 2009 and 31 December 2009 -

30 September 2009

Operational Programme	Funds	Total volume EU resources 2007-2013 (Euro)	Allocation to operations selected (Euro) - 30.09.2009 -	Allocation to operations selected as percentage of total allocation	Expenditure declared to Commission (Euro) - 15.12.2009 -	Expenditure declared to Commission as percentage of total allocation
1	2	3	4	5=4*100/3	6	7=6*100/3
SOP Increase of Economic Competitiveness	ERDF	2,554,222,109	333,625,345	13.06%	87,093,310.88	3.41%
SOP Transport	Total	4,565,937,295	160,686,128	3.52%	31,204,466.11	0.68%
	CF	3,276,605,085	123,596,835	3.77%	31,177,488.79	0.95%
	ERDF	1,289,332,210	37,089,293	2.88%	26,977.32	0.00%
SOP Environment	Total	4,512,470,138	846,143,836	18.75%	11,727,128.96	0.26%
	CF	3,275,817,943	797,272,062	24.34%	9,397,369.43	0.29%
	ERDF	1,236,652,195	48,871,774	3.95%	2,329,759.53	0.19%
Regional OP	ERDF	3,726,021,762	859,873,418	23.08%	23,208,706.04	0.62%
Technical Assistance OP	ERDF	170,237,790	18,793,607	11.04%	386,895.92	0.23%
SOP Human Resources Development	ESF	3,476,144,996	460,150,898	13.24%	9,868,293.34	0.28%
OP Administrative Capacity Development	ESF	208,002,622	32,674,253	15.71%	49,133.69	0.02%
<b>TOTAL</b>		<b>19,213,036,712</b>	<b>2,711,947,485</b>	<b>14.12%</b>	<b>163,537,934.94</b>	<b>0.85%</b>

31 December 2009

Operational Programme	1. Fund	2. Total volume EU resources 2007-2013 (Euro)	2 bis. Total volume EU resources 2007-2009 (Euro)	3. Advance payments (Euro)	4. Advance payments percentage of total volume EU resources 2007-2013	4 bis. Operations approved (Euro)*	4 bis2. Operations approved as percentage of total volume EU resources 2007-2013	5. Allocation to operations selected (Euro)**	6. Allocation to operations selected as percentage of total volume EU resources 2007-2013	7. Expenditure declared to Commission (Euro) - 15.12.2009 -	8. Expenditure declared to Commission as percentage of total volume EU resources 2007-2013	9. Expenditure declared to Commission as percentage of total volume EU resources 2007-2009
Total	All funds	19,213,036,712	5,642,733,423	1,827,459,649	9.5%	5,709,079,165	29.7%	3,118,946,160	16.2%	163,537,935	0.9%	2.9%
Total	CF	6,552,423,028	1,941,868,766	688,004,418	10.5%	907,005,234	13.8%	907,005,234	13.8%	40,574,858	0.6%	2.1%
Total	ERDF	8,976,466,066	2,616,007,033	807,881,946	9.0%	2,112,247,750	23.5%	1,640,477,692	18.3%	113,045,650	1.3%	4.3%
Total	ESF	3,684,147,618	1,084,857,624	331,573,285	9.0%	2,689,826,181	73.0%	571,463,234	15.5%	9,917,427	0.3%	0.9%
SOP Human Resources Development	ESF	3,476,144,996	995,700,446	312,853,049	9.0%	2,647,894,586	76.2%	536,593,373	15.4%	9,868,293	0.3%	1.0%
OP Administrative Capacity Development	ESF	208,002,622	89,157,178	18,720,236	9.0%	41,931,595	20.2%	34,869,861	16.8%	49,134	0.0%	0.1%
Regional OP	ERDF	3,726,021,762	1,175,429,871	335,341,959	9.0%	1,139,078,690	30.6%	1,012,491,541	27.2%	23,208,706	0.6%	2.0%
SOP Increase of Economic Competitiveness	ERDF	2,554,222,109	730,266,902	229,879,990	9.0%	585,077,991	22.9%	457,964,196	17.9%	87,093,311	3.4%	11.9%
SOP Transport	Total	4,565,937,295	1,307,638,271	460,083,433	10.1%	377,108,524	8.3%	165,333,281	3.6%	31,204,466	0.7%	2.4%
	CF	3,276,605,085	971,271,375	344,043,534	10.5%	121,248,414	3.7%	121,248,414	3.7%	31,177,489	1.0%	3.2%
	ERDF	1,289,332,210	336,366,896	116,039,899	9.0%	255,860,110	19.8%	44,084,867	3.4%	26,977	0.0%	0.0%
SOP Environment	Total	4,512,470,138	1,288,182,545	455,259,581	10.1%	892,924,565	19.8%	889,233,255	19.7%	11,727,128	0.3%	0.9%
	CF	3,275,817,943	970,597,391	343,960,884	10.5%	785,756,820	24.0%	785,756,820	24.0%	9,397,369	0.3%	1.0%
	ERDF	1,236,652,195	317,585,154	111,298,697	9.0%	107,167,745	8.7%	103,476,435	8.4%	2,329,760	0.2%	0.7%
Operational Programme for Technical Assistance	ERDF	170,237,790	56,358,210	15,321,401	9.0%	25,063,214	14.7%	22,460,653	13.2%	386,896	0.2%	0.7%

\*Projects approved by the MAs/IBs

\*\*Financing contracts/ decisions signed with beneficiaries, subsequent to project approval by MAs/IBs

## ANNEX II. Commitments for selected projects by priority theme (at 30.09.2009)

Code	Priority Theme - Description -	Community amount - Allocated in OP (Euro)	Community amount - allocated in OP as percentage of total EI allocation	Community amount - Allocated to selected operations by priority theme (Euro)	Community amount - Allocated to selected operations by priority theme as percentage of total allocated to operations
1	R&TD activities in research centres	75,095,316	0.39%	0.00	0,0%
2	R&TD infrastructure and centres of competence in a specific technology	241,377,573	1.26%	119,557,589.28	4,4%
3	Technology transfer and improvement of cooperation networks ...	63,044,364	0.33%	0.00	0,0%
4	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	37,547,704	0.20%	0.00	0,0%
5	Advanced support services for firms and groups of firms	218,584,206	1.14%	1,444,670.37	0,1%
6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)	125,747,734	0.65%	51,310,876.13	1,9%
7	Investment in firms directly linked to research and innovation (...)	131,416,964	0.68%	14,762,417.12	0,5%
8	Other investment in firms	816,755,023	4.25%	41,519,016.10	1,5%
9	Other measures to stimulate research and innovation and entrepreneurship in SMEs	152,216,479	0.79%	100,000,000.00	3,7%
10	Telephone infrastructures (including broadband networks)	90,641,802	0.47%	0.00	0,0%
11	Information and communication technologies (...)	10,000,000	0.05%	537,232.70	0,0%
12	Information and communication technologies (TEN-ICT)	-	-	-	-
13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	153,268,047	0.80%	44,811,181.17	1,7%
14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)	114,951,028	0.60%	0.00	0,0%
15	Other measures for improving access to and efficient use of ICT by SMEs	75,980,412	0.40%	1,511,103.81	0,1%
16	Railways	187,656,926	0.98%	179,444.39	0,0%
17	Railways (TEN-T)	1,530,798,664	7.97%	0.00	0,0%
18	Mobile rail assets	-	-	-	-
19	Mobile rail assets (TEN-T)	135,086,941	0.70%	0.00	0,0%
20	Motorways	-	-	-	-
21	Motorways (TEN-T)	1,573,113,634	8.19%	123,025,305.90	4,5%
22	National roads	523,230,104	2.72%	33,574,969.88	1,2%
23	Regional/local roads	758,355,017	3.95%	654,797,744.86	24,1%
24	Cycle tracks	-	-	-	-
25	Urban transport	111,780,653	0.58%	0.00	0,0%
26	Multimodal transport	-	-	-	-

Code	Priority Theme - Description -	Community amount - Allocated in OP (Euro)	Community amount - allocated in OP as percentage of total EI allocation	Community amount - Allocated to selected operations by priority theme (Euro)	Community amount - Allocated to selected operations by priority theme as percentage of total allocated to operations
27	Multimodal transport (TEN-T)	12,814,778	0.07%	0.00	0,0%
28	Intelligent transport systems	126,935,939	0.66%	0.00	0,0%
29	Airports	41,061,301	0.21%	0.00	0,0%
30	Ports	134,866,905	0.70%	0.00	0,0%
31	Inland waterways (regional and local)	-	-	-	-
32	Inland waterways (TEN-T)	194,593,973	1.01%	3,115,687.93	0,1%
33	Electricity	35,116,145	0.18%	0.00	0,0%
34	Electricity (TEN-E)	47,885,653	0.25%	0.00	0,0%
35	Natural gas	21,069,687	0.11%	0.00	0,0%
36	Natural gas (TEN-E)	47,885,653	0.25%	0.00	0,0%
37	Petroleum products	7,023,229	0.04%	0.00	0,0%
38	Petroleum products (TEN-E)	-	-	-	-
39	Renewable energy: wind	57,462,783	0.30%	0.00	0,0%
40	Renewable energy: solar	19,154,261	0.10%	0.00	0,0%
41	Renewable energy: biomass	47,885,653	0.25%	0.00	0,0%
42	Renewable energy: hydroelectric, geothermal and other	67,039,914	0.35%	0.00	0,0%
43	Energy efficiency, co-generation, energy management	253,241,727	1.32%	0.00	0,0%
44	Management of household and industrial waste	792,840,872	4.13%	26,883,539.00	1,0%
45	Management and distribution of water (drink water)	1,388,266,080	7.23%	231,208,898.00	8,5%
46	Water treatment (waste water)	1,388,266,080	7.23%	566,063,164.00	20,9%
47	Air quality	137,561,186	0.72%	0.00	0,0%
48	Integrated prevention and pollution control	126,418,123	0.66%	0.00	0,0%
49	Mitigation and adaption to climate change	-	-	-	-
50	Rehabilitation of industrial sites and contaminated land	316,395,762	1.65%	0.00	0,0%
51	Promotion of biodiversity and nature protection (including Natura 2000)	171,988,693	0.90%	362,394.00	0,0%
52	Promotion of clean urban transport	-	-	-	-
53	Risk prevention (...)	240,877,746	1.25%	15,942,488.45	0,6%
54	Other measures to preserve the environment and prevent risks	127,655,219	0.66%	0.00	0,0%
55	Promotion of natural assets	63,874,314	0.33%	909,116.34	0,0%
56	Protection and development of natural heritage	115,577,319	0.60%	2,571,420.60	0,1%
57	Other assistance to improve tourist services	179,451,633	0.93%	23,749,201.81	0,9%
58	Protection and preservation of the cultural heritage	200,000,000	1.04%	38,881,005.89	1,4%
59	Development of cultural infrastructure	-	-	-	-
60	Other assistance to improve cultural services	-	-	-	-

Code	Priority Theme - Description -	Community amount - Allocated in OP (Euro)	Community amount - allocated in OP as percentage of total EI allocation	Community amount - Allocated to selected operations by priority theme (Euro)	Community amount - Allocated to selected operations by priority theme as percentage of total allocated to operations
61	Integrated projects for urban and rural regeneration	894,245,223	4.65%	0.00	0.0%
62	Development of life-long learning systems and strategies in firms; training and services for employees ...	711,185,074	3.70%	53,228,533.16	2.0%
63	Design and dissemination of innovative and more productive ways of organising work	229,083,655	1.19%	28,865,278.32	1.1%
64	Development of special services for employment, training and support in connection with restructuring of sectors	-	-	-	-
65	Modernisation and strengthening labour market institutions	200,875,431	1.05%	22,686,151.53	0.8%
66	Implementing active and preventive measures on the labour market	476,402,823	2.48%	38,036,582.00	1.4%
67	Measures encouraging active ageing and prolonging working lives	-	-	-	-
68	Support for self-employment and business start-up	-	-	-	-
69	Measures to improve access to employment and increase sustainable participation and progress of women ...	64,964,021	0.34%	25,078,806.49	0.9%
70	Specific action to increase migrants' participation in employment ...	-	-	-	-
71	Pathways to integration and re-entry into employment for disadvantaged people ...	433,093,472	2.25%	59,775,234.80	2.2%
72	Design, introduction and implementing of reforms in education and training systems ...	683,832,021	3.56%	119,413,623.65	4.4%
73	Measures to increase participation in education and training throughout the life-cycle ...	182,355,149	0.95%	22,547,913.16	0.8%
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...	284,929,959	1.48%	58,450,480.56	2.2%
75	Education infrastructure	217,972,274	1.13%	40,847,692.58	1.5%
76	Health infrastructure	147,177,860	0.77%	17,953,519.24	0.7%
77	Childcare infrastructure	-	-	-	-
78	Housing infrastructure	111,780,653	0.58%	0.00	0.0%
79	Other social infrastructure	84,766,994	0.44%	7,809,890.00	0.3%
80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders	110,934,614	0.58%	31,694,937.75	1.2%

Code	Priority Theme - Description -	Community amount - Allocated in OP (Euro)	Community amount - allocated in OP as percentage of total EI allocation	Community amount - Allocated to selected operations by priority theme (Euro)	Community amount - Allocated to selected operations by priority theme as percentage of total allocated to operations
81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...	199,682,518	1.04%	30,375,913.27	1.1%
82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation	-	-	-	-
83	Specific action addressed to compensate additional costs due to size market factors	-	-	-	-
84	Support to compensate additional costs due to climate conditions and relief difficulties	-	-	-	-
85	Preparation, implementation, monitoring and inspection	495,471,219	2.58%	39,792,643.94	1.5%
86	Evaluation and studies; information and communication	194,424,533	1.01%	18,671,816.46	0.7%
	<b>TOTAL</b>	<b>19,213,036,712</b>	<b>100.00%</b>	<b>2,711,947,484.64</b>	<b>100.00%</b>

## ANNEX III. Indicative questions on the national responses to the European Economic Recovery Plan

### 1. Financing

*a. Are advances made under Cohesion Policy (2007-2009) being used to pre-finance operations on the ground? To public authorities? To enterprises or other economic operators?*

**Answer:** The national legal framework on structural instruments (namely EGO No 64/2009) foresees the possibility to grant prefinancing for the categories of beneficiaries, except for the beneficiaries whose projects are financed entirely from the state budget, social security budget or special budgets (for which separate facilities are regulated). It has to be mentioned that one of the anti-crisis measures consisted in introducing the possibility to grant prefinancing to beneficiaries of projects under state aid/ de minimis aid schemes, starting March 2009. Out of the prefinancing received from the EC in the period 2007-2009 for the Operational Programmes under Convergence Objective, amounting to 1,968.06 mil. Euro, there have been paid to beneficiaries 585 mil. Euro, out of which 410 mil. Euro as prefinancing and 175 mil. Euro as reimbursements.

*b. Is expenditure incurred on major projects being declared while submissions to the Commission are pending?*

**Answer:** It was not the case, so far. Anyway, Romania has a good performance as regards the major projects approved (being the Member State with the highest number of major projects approved at the moment), which implied that such measures would have had a limited usefulness.

*c. Are advances under state aid schemes to SMEs paid and declared to the Commission for reimbursement?*

**Answer:** By 15 December 2009, prefinancing to SMEs within state aid schemes declared to the EC valued 99.6 thousand Euro. Taking into account that this new facility was introduced in March 2009, covering the projects approved after this date, the declaration of this type of expenditure will significantly increase.

*d. Is frontloading of planned investment over the Period 2007-2013 being implemented?*

**Answer:** Such kind of measure was not necessary by the moment, as the objective of the Romanian authorities was to open to financing all the possible calls available at the level of the OPs, as well as to prepare a high number of major projects. However, it is to be mentioned that, in 2009, in the case of some key areas of intervention of SOP IEC (e.g.. KAI 1.1 - Productive and environment friendly investments and preparation for market competition, especially of SMEs, KAI 2.1 - R&D partnerships between universities/research institutes, and enterprises for generating results directly applicable in economy or KAI 3.2 - Developing and increasing the efficiency of electronic public services) there have been launched calls for proposals with a higher budget than initially programmed, and within the ROP a second call for proposal for micro-enterprises support has been launched, covering the budget not contracted at the level of the respective KAI available for the entire period 2007-2013.

*e. Is the use of flexibility in the existing programmes to modulate the rate of the EU contribution to projects (up to 100% of the eligible costs) being used?*

**Answer:** This flexibility was used once in 2009. Taking into account the high pressures of the financial and economic crisis on the state budget, and especially on the personnel expenditure (including the personnel responsible with the implementation of structural instruments), it was decided to partially reimburse from the OP Technical Assistance – Priority Axis 1, the expenditure related to the personnel involved in the coordination, management and control of structural instruments. The reimbursements refers to the salary increase of the above-mentioned personnel under the Law No 490/2004 regarding the financial stimulation of the personnel managing Community funds, with the subsequent modifications and completions, which represents a motivation and stability insurance instrument for the managing structures, and will be made up to 100% of the EU contribution, in the first phase (while the Community cofinancing rate at the OP TA level is 80%); at a later stage, the effect of this measure will be compensated through a higher national contribution.

Moreover, it is to be mentioned that the modulation flexibility up to 100% was used even before the crisis, for the KAI 1.2. „Access to finance for SMEs” – SOP IEC, through which JEREMIE is implemented.

## **2. Simplification of categories of eligible expenditure:**

*Are your authorities using or planning to use:*

- a. Indirect costs declared on a flat-rate basis?*
- b. Flat-rate costs calculated by application of standard scales of unit cost?*
- c. Lump sums to cover all or part of the costs of an operation?*

*If use has been made of these categories of expenditure, please provide:*

- Information on types of operations where the use of these categories of expenditure is made.*
- Information on the (estimated) amount paid out by the beneficiaries and included in payment claims sent to the managing authority;*

**Answer:** Out of the three types of eligible expenditure introduced by the modifications of the EC Regulations No 1083/2006, No 1081/2006 and No 1080/2006, Romania has chosen by now only the use of indirect costs declared on flat rate.

With a view to a sound and efficient implementation of the new financial management rules, the European Commission together with experts of the Member States organised workshops in order to clarify issues related to the correct implementation of these facilities, discussion followed by a guide under approval. The main guidelines of this guide were reflected at national level in the modification of the GD No 759/2007 on the eligibility rules for expenditures incurred in the operations financed under the operational programmes, with the subsequent modifications and completions, which promotes the possibility that, for the operations financed from ESF and ERDF, with key activities implemented directly by the beneficiary/partner, indirect costs declared on a flat-rate basis to be eligible up to 20% of the direct eligible costs of the operations. Presently, the draft normative act is under inter-ministerial consultations and will be promoted at the beginning of February 2010.

The Managing Authorities wishing to use this facility will draft implementation methodology which will be sent to the European Commission. The flat-rate will be established in this methodology based on analyses of the projects already approved, depending on the type of beneficiaries and type of interventions; such kind of study has been done at the level of the SOP HRD. The concrete measures to implement this facility will be foreseen under the specific rules of eligibility of each operational programme envisaged, drafted by the MAs and approved through common ministerial order of the minister in charge of coordination of the managing authority and of the minister of public finance.



### 3. Enlarging or adjusting the priorities of OPs

a. *What measures under the four priority areas outlined in the Communication (people, business, infrastructure and energy; research and innovation) are being accelerated or adjusted? Are other adjustments necessary to the initially planned measures in order to meet new or different needs? What is the likely impact of these actions? Higher numbers of beneficiaries than anticipated? New needs identified?*

Answer: The participation in the anti-crisis efforts of the interventions financed by the operational programmes did not require any changes in the priorities or objectives established in the programming process, as these were in line with the needs for investments including in the financial crisis circumstances. As set out by NSRF, approximately 60% of the structural instruments allocated to Romania are oriented towards the development of the basic infrastructure up to European standards, 15% to the promotion of long term economic competitiveness and 20% to investments in the more efficient development and use of the human capital in Romania, thus covering the investment areas by use of which the cohesion policy will fight the crisis. However, minor adjustments were necessary to allow some of the interventions (eligibility and/or selection criteria, types of eligible expenditures or beneficiaries/target groups) to act more efficiently in fighting the crisis.

The results of project contracting confirm that the planned allocation corresponds to the actual social and economic needs. Hence, the investments in the local road infrastructure and the environment infrastructure (especially the water sector) have seen the biggest success, reflected either in over-contracting or in good prospects of going over the allocated funds. In addition, the financing lines opened to the private companies for both productive investments and human capital investments were a big success in terms of projects submitted and projects approved.

As it was mentioned at question 1 d), the objective of the Romanian authorities was to open to financing all the possible calls available at the level of the OPs, as well as to prepare a high number of major projects. Compared to the distribution planned by years of the amounts allocated to different operations, efforts have been done in order to increase the budgets available for 2009 for some interventions, such as those meant for business environment, in order to ensure financing resources for more beneficiaries in time of crisis. Thus, it is to be mentioned that, in 2009, in the case of some key areas of intervention of SOP IEC (e.g. KAI 1.1 - Productive and environment friendly investments and preparation for market competition, especially of SMEs, KAI 2.1 - R&D partnerships between universities/research institutes, and enterprises for generating results directly applicable in economy or KAI 3.2 - Developing and increasing the efficiency of electronic public services), there have been launched calls for proposals with a higher budget than initially programmed, and within the ROP a second call for proposals for micro-enterprises support has been launched, covering the budget not contracted at the level of the respective KAI available for the entire period 2007-2013.

In the case of SOP HRD, due to the high interest shown by the beneficiaries and with a view to ensure the proper correspondence with the concrete status of the labour market as result a of the economic crisis, it is necessary to increase the financial allocation for PA 3 „Increasing adaptability of workers and enterprises”, KAI 3.2. „Training and support for enterprises and employees to promote adaptability” of SOP HRD. The additional funds for PA 3, KAI 3.2. will be ensured through reallocation from other PA, based on detailed analysis.

From the investment projects point of view, there are under analysis various possibilities for ensuring the financial resources necessary to finance the possible increase, over the allocation of EU funds, of the value of major projects (in environment and transport infrastructure) and even of the smaller projects, currently in preparation stage and necessary for reaching the objective of reducing disparities, either through national programmes similar to the operational programmes or through loans from IFIs. Concrete interventions will be designed in the second half of 2010 and 2011, and will largely depend on the budgetary possibilities.

*b. Are OPs being amended to open the scope of actions to energy efficiency and renewable energies in housing? If yes, what amount has been (will be) allocated to these measures? What kinds of operations are concerned?*

Answer: No action has been taken so far.

*c. Are JEREMIE-type access to finance instruments to benefit SMEs being accelerated or expanded? What is the expected total financial volume? And the EU co-financing?*

Answer: Romania is one of the first Member States which adhered to JEREMIE, the Agreement with the European Investment Fund (EIF) being signed in February 2008. The initiative is implemented within SOP IEC, Priority Axis 1, KAI 1.2. „Access to finance for SMEs”, with a total budget of 100 mil. Euro, ensured 100% from ERDF. Out of the allocated amount, 65 mil. Euro are oriented towards portfolio guarantees, and 35 mil. Euro to venture capital.

JEREMIE was considered by the Romanian authorities as a very useful instrument during the crisis period, through its potential mobilising of capital for SMEs in a market featuring a sharp contraction of lending to the real economy, especially for SMEs. In this regard, EIF as manager of the JEREMIE Holding Fund, along with the Managing Authority for SOP IEC and the Investment Board made important efforts in order to prepare and launch the first call for interest expression, regarding the portfolio guarantees. Unfortunately, the complexity and innovation of this instrument (combining financial engineering instruments with the rules and constraints of the structural funds) correlated with the major and unexpected delays of European Commission in providing confirmation on the compatibility of proposed products with the rules of structural instruments (especially regarding the conditions on eligibility of expenditure), have prevented the effective launch of this instrument at the beginning of 2009, which would have made it possible to act early on as a factor against the crisis. Thus, the call for expression addressed to all potential financial intermediaries for the product „portfolio guarantees” has been launched in August 2009, and the agreement conclusion with the financial intermediaries is foreseen for the first quarter 2010, when is also planned the launching of the second call for interest expression, related to for venture capital investments.

Under these circumstances, the Romanian authorities do not foresee any possible extension of JEREMIE for the moment and analyses with reservations the possibility to use other similar financial engineering instruments.

*d. Have capacity building priorities to reinforce within public authorities their ability to plan, implement, monitor and control OPs been modified or reinforced?*

Answer: The available technical assistance covers a wide range of activities needed for good implementation of the operational programmes. The total EU allocation for 2007-2013 under the Convergence Objective, for OP TA together with the technical assistance priority axes of the other programmes is about 690 mil. Euro.

The Managing Authorities currently implement the priority axes for technical assistance, with the degree of use being different among the six operational programmes. Thus, given also the reduced volume of allocations, the value of contracted projects covers 25% from the EU allocation for the technical assistance priority axis under OP ACD. For the technical assistance PA under SOP Environment the percentage is 17%, while for ROP and SOP IEC it is 14%. SOP HRD and SOP Transport present the lowest percentages, 3% and 1% respectively. For OP TA, the contracted projects represent 11% of total allocation.

In this context, and taking into account that an interim evaluation exercise is ongoing, by now there have not been formulated proposals for modification of priority axes for technical assistance or of OP TA.

#### 4. Simplifying the national / regional implementation mechanisms

*a. What national measures have been taken to accelerate the implementation of OPs? Clarifying procedures? Revised guidance or national legislation? Simplified procedures?*

**Answer:** The experience of 2008 and the first part of 2009 revealed some aspects which required solutions for the implementation of the seven Operational Programmes, out of which the following are mentioned:

- The harmonization of the applicant guides with the purpose of:
  - facilitating the understanding by applicants of the information provided in these documents;
  - ensuring of a high coherence of requirements and detailed information;
  - ensuring the transparency towards applicants related to requirements and obligations;
- Simplification of documents required from the potential beneficiaries by the MA/IBs;
- Different measures to ease the appraisal, selection and contracting process.

In January-September 2009, the efforts were concentrated on identification and implementation of a set of measures to simplify and accelerate the implementation process, especially the following:

- Simplification of some requirements and of the documentation required from potential beneficiaries by the Managing Authorities;
- Reducing the period between project proposal submission and conclusion of financing contracts with the beneficiaries;
- In the case of SOP HRD, the improvement of the electronic system for project submission – ActionWeb, for supporting the applicants in the process of filling in the application form, but also to support the MA SOP HRD in the appraisal and selection process;
- Facilitate potential beneficiaries' access to the funding resources necessary for project implementation (e.g. increase of prefinancing rate from 15% to 30% and introduction of the prefinancing of 35% of the grant for the projects under state aid schemes);
- More flexible eligibility criteria, with the most important one related to not having any debts to the public budgets, that was replaced in the calls launched in 2009 with a declaration submitted with the financing application stating that the respective beneficiary's net debts to the state budget are not higher than 1/12 of the payment obligations in the last 12 months, and, respectively, that the beneficiary's net debts to the local budgets do not exceed 1/6 of the payment obligations in the past 6 months.
- The harmonization and a higher consistency of the applicant guides, for all operational programmes.

*b. Is it necessary to simplify provisions in the adopted programmes through formal modification to speed up deliver mechanisms?*

**Answer:** At the level of the operational programmes approved for Romania, there have not been identified elements requiring formal modification in order to accelerate the absorption pace. In the reference period, the modifications identified as being necessary at the programmes level were strictly related to the programmes indicators relevant for the results obtained in the strategy implementation, without being considered by the EC as a significant modification.

As regards the two Intermediate Bodies for SOP HRD which should have been designated through public tender, according to the general implementation framework for SOP HRD, as it is described in SOP HRD 2007-2013 (chapter 5.1. Management), following the annulment of the two tenders in 2009, the responsibilities of these two IBs will be assumed by the MA for SOP HRD (for the strategic projects) and by the 8 Regional IBs (for grant projects).

For some new elements emerged in the implementation process, there have been required clarifications regarding eligibility of some interventions, as follows:

- financing of the activities of the growth poles coordinators, designated to coordinate the preparation and implementation of the integrated development plans and projects included in plans for growth poles in Romania;
- partially financing of the personnel expenditure of the public institutions for the personnel involved in the coordination, management and control of Structural and Cohesion Funds, within OP TA.

## 5. Use of possibilities under the Temporary state aid framework:

*Is it planned, following Commission state aid approval, to use Cohesion Policy funds to finance a. Schemes implementing the "Compatible limited amount of aid" up to € 500 000?*

**Answer:** So far, it has not been considered the possible drafting of state aid schemes or modifications of those already implemented within the operational programmes, in order to apply the Temporary Framework for state aid; this temporary facility is to be exploited under national public funds. It is expected that the state aid schemes drafted according to Regulation (CE) No 800/2008, which are currently under implementation, will be accessed by a high number of enterprises, taking into account that this measures ensure funding for those type of expenditure which are quite low at the company level (for example, for training of employees or for safety at work place).

*b. State guarantees for loans at a reduced premium?*

**Answer:** One of the major problem faced by the beneficiaries referred to securing the necessary financial resources both for ensuring the own contribution as well as resources for ensuring smooth implementation. In order to find solutions for this kind of problems, apart from increasing the pre-financing granted to beneficiaries and extension of beneficiary categories benefiting of pre-financing, the dialogue with the banking institutions was continued to identify other measures to support the beneficiaries. Hence, the Ministry of Public Finance is currently analyzing the possibility to introduce a guarantee mechanism to provide the state guarantee for the loans that the local public authorities and the regional water operators are obliged to contract in order to secure the financial resources for the projects, in compliance with the public debt law and the state aid legislation.

*Loans interest subsidies, in particular for the production of green products (meeting environmental protection standards early or going beyond such standards)?*

**Answer:** No

## 6. Public Procurement

*Within Operational Programmes, is use being made of accelerated public procurement procedures, reducing the overall time limit of the procedure from 87 days to 30 days?*

**Answer:** Taking into consideration the Presidency Conclusions of the European Council of 11-12 December 2008 and communication No IP/08/2040 of 19 December 2008, the European Commission considers that the use of possibility to accelerate the public procurement procedures can be justified by the exceptional nature of the current economic situation and this assumption of emergency should be applied in 2009-2010.

Hence, the GEO No 34/2006 with the subsequent modifications and completions, allows the acceleration of the restricted tender and negotiated procedure with prior publication of a contract notice, the application period could be reduced from 87 to 31 days, in case of restricted tender, and to 21 days, in case of negotiated procedure with prior publication of a contract notice.

With a view to accelerating the absorption, the Order No 51/2009 of the President of NARMPP was issued to allow the contracting authorities to speed up the tender procedures for restricted tender and negotiated procedure with prior publication of a contract notice, invoking the exceptional nature of the current economic situation for justifying the emergency.

As the public procurement procedures used by the contracting authorities within the framework of the operational programmes were generally open procedures, call for offers or direct award, the concrete situation of applying the accelerated procedure of public tender were extremely limited.

## ANNEX IV. Examples of good practices

### 1. Making Europe and its regions more attractive places in which to invest and work

Country:	Romania
Region:	South-East
Project:	Rehabilitation and extension of the water supply and sewerage systems in Tulcea county, Romania No CCI: 2007 RO 161 PR 004
Operational Programme:	Sectoral Operational Programme Environment
Priority Axis:	Priority Axis 1 - Extension and modernization of water and wastewater systems
Key area of Intervention:	KAI 1.1. Extension/modernization of water and wastewater systems
Duration:	60 months
Objective:	Convergence
Funding:	Total cost: 113,786,589 Euro
	EU contribution: 91,307,621 Euro
	National: 13,964,695 Euro
	Local: 2,148,415 Euro
	Private: 6,365,858 Euro
Contact:	Name: Sorin Zaharcu, Manager General
	Organisation: S.C. AQUASERV TULCEA S.A.
	Address: 2 Rezervorului Str., Tulcea, County Tulcea, cod 820131, Romania
	E-mail: aquaserv_tl@yahoo.com
	Internet: www.aquaservtulcea.ro
Operation / Policy description:	<p><b>Overall objective:</b> The project objective consist in rehabilitation of the water supply system and wastewater collection and treatment systems in the above mentioned agglomerations in Tulcea County, in order to comply with the obligations assumed through the Accession Treaty, as well as with the objectives of the SOP Environment.</p> <p><b>Description of activities:</b> The project provides for measures for drinking water production, consisting in rehabilitation of groundwater sources respectively surface water sources, water transmission pipes, and water treatment plants; rehabilitation and extension of water reservoirs, pumping stations, implementation of SCADA system, water metering and distribution networks; rehabilitation and extension of the wastewater collection and treatment systems, including construction of three wastewater treatment plants for an equivalent population of 100,000, 5,000 and 10,000, respectively.</p> <p>The investment activities of the project have been identified within the framework of a long-term investment programme for the development of the water sector in Tulcea county (Master Plan for water/wastewater in Tulcea county). Priority investment at regional level identified in the Master Plan are intended to provide population water and wastewater facilities at the requested quality and affordable tariffs.</p> <p>Through the regionalization process a regional operator was set up in order to create a performing company in the water sector, meant to implement the EU cofinanced project and to overtake the run of public utilities of the neighbourhood agglomerations where there is no operator able to provide them with an appropriate structure to absorb EU funds.</p> <p>From the institutional point of view, the regionalisation is achieved by reorganisation of existing public services owned by municipalities and which are managed by the regional operator created as such – SC AQUASERV SA Tulcea. Municipalities covered by the project activities – Tulcea, Sulina, Isaccea, Măcin – formed an Intercommunity Development Association (IDA), which is a cooperation structure having legal personality, which ensure the monitoring and supervision of investment measures. Individual municipalities are</p>

	<p>shareholders of the regional operator, their quality as shareholders being delegated towards IDA. The operational requirements and the control provisions are stipulated in the delegation contract towards IDA and in the Incorporation Act of the regional operator.</p> <p><b>Beneficiary population</b> will be around 106,000 inhabitants.</p> <p><b>Expected results:</b> the main expected results of project implementation are the rehabilitation and extension of water networks and sewerage system in Tulcea, Sulina, Isaccea and Măcin agglomerations.</p>
<p><b>Strategic context:</b></p>	<p>The project contributes to the achievement of the Romanian obligations assumed through the Accession Treaty and is in line with the strategy of SOP Environment regarding the promotion of integrated systems for water and waste water in a regional approach. The implementation of regionalised system for the management of water and wastewater services aims to maximize the operating costs through economies of scale, in order to optimise the general investments costs and the operational ones.</p> <p>Regionalisation aims to improve the financial and operational capacity of the main operators and setting up of administrative models through taking over of small operators by the more experienced ones or creating economies of scale by merger of small operators. On medium term, it is intended to ensure a successful grant absorption by developing the administrative capacity of these operators to manage projects with international financing and, also, to ensure that the new EU funded facilities are adequately operated.</p>
<p><b>Operation / policy design/ implementation:</b></p>	<p>The application form for Cohesion Fund was approved through the EC Decision No 2318/27.05.2008, with a total value of 107,420,731 Euro to which the cofinancing rate of 85% is applicable.</p> <p>Based on EC Decision and the Order of the Ministry of Environment No 982/25.08.2008, the financing contract No 91.802/09.10.2008 was concluded between the Ministry of Environment through the MA for SOP Environment and the Beneficiary / the regional operator company S.C. AQUASERV S.A. Tulcea, with a value of 387,991,648 lei, VAT excluded, to which the beneficiary's contribution from local funds is added, so the total eligible value of the projects is 395,909,845 lei.</p> <p>On 4 March 2009 a prefinancing was granted of 59,386,477 lei (15% of the eligible value).</p> <p>The project is made of 12 contracts, out of which 2 services contracts and 10 works contracts. The contract management is ensured by the ROC, S.C. AQUASERV S.A. Tulcea, a service company for drinking water supply, wastewater collection and treatment.</p> <p>By now, 2 service contracts and 4 works contracts were concluded, with a total value of 117,090,837 lei.</p>

## 2. Improving knowledge and innovation for growth

Country:	Romania
Region:	Bucharest-Ilfov
Project:	Eastern European Research Centre for Integrated Application (CEECAI)
Operational Programme:	SOP Increase of Economic Competitiveness
Priority Axis:	Priority Axis 2 - Research, technological development and innovation for competitiveness
Key area of Intervention:	DMI 2.3. RDI support for enterprises
Duration:	30 months
Objective:	Convergence
Funding:	Total cost: 27,244,369.39 lei
	EU contribution: 5,842,619.89 lei
	National: 1,196,681.18 lei
	Local: -
	Private: 20,205,068.32 lei
Contact:	Name: Dan VASILE Organisation: MB TELECOM Ltd SRL Address: 3A Calea Bucurestilor, OTOPENI, ILFOV county E-mail: <a href="mailto:projects@mbtechnology.ro">projects@mbtechnology.ro</a> Internet: <a href="http://www.mbtelecom.ro">www.mbtelecom.ro</a>
Operation / Policy description:	<p><b>Overall objective:</b> Increase the research capacity of the enterprises in a move to boost innovation and competitiveness levels on the market and create new jobs in R&amp;D sector, in the security systems area, as well as in traffic engineering and industrial automated systems in Romania</p> <p><b>Description of activities:</b> The investment objective of the project is to build 10 modern R&amp;D laboratories in the aviation security systems area, as well as transport security system, border security and traffic engineering and industrial automated systems, which are considered components for the security of crucial structures. The investment includes capacities for building operating models, prototypes and mockups, as well as for all the necessary equipment, devices and instruments to carry out the activities.</p> <p><b>Target groups to benefit from the project:</b></p> <ul style="list-style-type: none"> <li>• The national and foreign academic centres and R&amp;D institutes – involved in cooperation activities on different research thematic through associations, partnerships and collaborations with Eastern European Research Centre for Integrated Application (CEECAI);</li> <li>• Young specialists – which could benefit of jobs in research – young labour force, with high specialised education which cannot find jobs on the labour market in Romania according to their qualifications;</li> <li>• SMEs active in fields such as mecatronic, electronic, nuclear technologies, security integrated systems and protection of critical infrastructure, road traffic engineering, which will apply high technologies within CEECAI, one example as such being the success of the own experience of MB Telecom SRL in transferring the research results towards real economy and commercial use of these results. Hence, MB telecom succeeded to take to commercial maturity research projects in a 95% proportion, resulting products, concepts and own solutions, with high degree of complexity;</li> <li>• The national institutions with responsibilities in national security, border protection and critical infrastructure – the direct beneficiaries of the products resulted from application of the high technologies within CEECAI;</li> <li>• The national and regional business environment – through stimulation of enterprises competitiveness.</li> </ul> <p><b>Expected results and impact:</b> - Increase of crossborder security level and protection of critical infrastructure in South-Eastern</p>

	<p>Europe and Black Sea area.</p> <ul style="list-style-type: none"> <li>- Development and building of research and innovation activities by SMEs and their conversion from technologies importers into developers with potential to cover their own R&amp;D needs and to export technology and know-how.</li> <li>- Boost of demand and own R&amp;D activities of the economic agents, especially on high/tech fields. It is estimated a financing of CEECAI activities from programmes/projects launched by private companies up to 20%;</li> <li>- Increase of absorption capacities of R&amp;D results (the facility for experimental models has technological capacity for creating commercial prototypes for specialised markets).</li> <li>- Increase of number of work places in research in CEECAI with a minimum of 30% in first three years of exploitation;</li> <li>- Creation of multidisciplinary research groups able to continue the R&amp;D efforts initiated by the specialist of MB Telecom Ltd SRL and creates complex research projects which generate multi/technological solutions with high degree of innovation.</li> <li>- Implementation of at least three projects within the national programmes and three projects within international programmes in three years of the setting up of CEECAI.</li> <li>- Increase of MB Telecom Ltd SRL attractiveness for the potential research partners, through high standards, logistical endowment and equipments available at the end of project.</li> <li>- More partnerships on national level with Technical Military Academy, Police Academy Alexandru Ioan Cuza from Bucharest and Ovidiu University from Constanța and other national academic centres.</li> <li>- Introduction of the new laboratories in the scientific circuit.</li> <li>- Continuing of dialogue with Romanian Academy and National Defence College with a view to initiate new common research programmes.</li> <li>- Wide dissemination of the results, within workshops, conferences, exhibitions on security themes organised at national and international level.</li> </ul>
<p><b>Strategic context:</b></p>	<p>The project fits to the objectives of the national and European policies for cross-border security and road infrastructure improvement through implementing IT systems with a high degree of automatisation, monitoring and control.</p> <p>The objectives of the projects comply with SOP IEC objectives as it follows development of the research capacities of a medium enterprise, as it is MB Telecom, through creation of new facilities of industrial research, acquisition instruments, laboratories equipments, computers, software licenses needed for the activity of industrial research, which can lead to creation of new jobs for research activities.</p> <p>Moreover, the increase of research capacity will lead to increase of productivity of the enterprises through innovative technologies.</p>
<p><b>Operation / policy design/ implementation:</b></p>	<p>The project management will be oriented as follows:</p> <ul style="list-style-type: none"> <li>• Technical management: organisation, monitoring, reporting, internal evaluation from technical, logistical and quality insurance of the project;</li> <li>• Financial management: organisation, monitoring, reporting, internal evaluation from financial point of view.</li> <li>• R&amp;D management: organisation, monitoring, reporting, internal evaluation from the following points of view: <ul style="list-style-type: none"> <li>- Selection of winner of the tenders regarding the research equipments;</li> <li>- Selection and training of the personnel which will operate or ensure the maintenance of the laboratory equipment;</li> <li>- Receipt of equipment after assembly-installation-commissioning services;</li> <li>- Organising contests for occupying vacancies declared in the research field;</li> <li>- Introduction of laboratories in the scientific circuit and organisation of disseminating events/activities for projects results;</li> <li>- Participation in calls for project proposals, attracting research funds from public or private sources, national and international after inauguration;</li> <li>- Transforming CEECAI in an excellence pole in 6-7 years from inauguration.</li> </ul> </li> </ul>



### 3. More and better jobs

Country:	Romania
Region:	Centre <sup>22</sup>
Project:	Permanent Technical Secretariat for Regional Pact for Employment and Social Inclusion for Region Centre
Operational Programme:	Sectoral Operational Programme Human Resources Development
Priority Axis:	Priority Axis 3 – Increasing adaptability of workers and enterprises
Key area of Intervention:	KAI 3.3 –Development of partnerships and encouraging initiatives for social partners and civil society
Duration:	36 months
Objective:	Convergence
Funding:	Total cost: 1,996,332 lei
	EU contribution: 1,525,394.52 lei
	National: 430,239.48 lei
	Local: -
	Private: 40,698 lei
Contact:	Permanent Technical Secretariat for Regional Pact for Employment and Social Inclusion for Region Centre Name: Hortensia Gorski Organisation: UNIVERSITATEA ROMÂNNO-GERMANĂ DIN SIBIU Address: Sibiu, str. Calea Dumbrăvii No 28-32 E-mail: hortensia.gorski@roger-univ.ro
Operation / Policy description:	<p>Overall objectives – description of activities – beneficiaries – expected impact (or actual results)</p> <p>Overall objective of the project regards providing support for social partners and NGOs within the Regional Pact for Social Inclusion and Employment from Region Centre with a view to make operational the pact at regional and national level and to offer technical assistance for investment increase in human capital, setting up partnerships adapted to the new features of the flexible and inclusive labour market.</p> <p><i>Specific Objective</i> of the projects are:</p> <ol style="list-style-type: none"> <li>1. Ensuring support for drafting studies and organising meetings among relevant actors with a view to adapt, implement and develop the Regional Plan for Action and Employment (PRAO) and other regional plans.</li> <li>2. Providing consultancy to target groups with a view to ensure a high rate of absorption of EU funds in the region;</li> <li>3. Facilitating and stimulating the Regional pact members through ensuring a permanent contact with internal and external partners, setting up of a specific regional/national network and their inclusion into the international networks.</li> <li>4. Training and informing of regional actors through courses, seminars, publicity actions and dissemination and projects results.</li> <li>5. Awareness campaigns and support for social pacts and partnerships with a view to increase the knowledge level regarding PRAO among local and regional actors.</li> </ol> <p>Within the projects, the following <i>results</i> are targeted:</p> <ol style="list-style-type: none"> <li>1. Setting up of the Technical Secretariat of the Pact;</li> <li>2. Developing of the Working Plan 2008-2013 for Implementation of the Regional Action Plan for Employment and Social Inclusion and elaboration of PRAO, through: <ul style="list-style-type: none"> <li>- SWOT Analysis and Working Plan for the period 2008-2013 for PRAO implementing and updating – 2 documents;</li> <li>- Developing standards for providing consulting services according with the needs of members of the Pact – manual with technical specifications of the offered services;</li> </ul> </li> <li>3. Drafting, presenting and public debating of the regional studies for employment and social</li> </ol>

<sup>22</sup> Similar projects are implemented in the other 7 development regions: North -East, North-West, South -East, South Muntenia, South-West Oltenia, West, Bucharest-Ifov

	<p>inclusion: „Study on labour market evolution in the Region” and „Study on adapting level on the labour market of the vulnerable groups in the Region”;</p> <p>4. Consulting activities in the benefit of the pact members: drawing financing resources (drafting of 10 financing application), 5 session for training of personnel of the organisation members of the Pact and 100 trainees;</p> <p>5. Development and updating of the Internet page of the Regional Pact, as well as other information and communication activities;</p> <p>6. Regular meetings with the representatives of the other seven regional Pacts and MA SOP HRD.</p>
<p><b>Strategic context:</b></p>	<p><b>Background information – link to challenge being addressed by operation</b></p> <p>Within the context of EU Integration, Romania drafted the National Reform Programme (NRP), according to the Reviewed Lisbon Strategy objectives. NPR describes the way of implementation of European policies for labour force employment in Romania.</p> <p>Moreover, the Ministry of Labour, Family and Social Protection drafted the National Strategy for Employment. For the implementation of the employment policy at regional level, there have been drafted the Regional Action Plans for Employment (PRAO). The PRAO objective is to ensure the strategic framework on medium term in the region for which the Plan was drafted.</p> <p>Within this framework, the Regional Pacts for Employment and Social Inclusion were created to fulfil at regional level activities for management, review and updating PRAO, implementation of the measures foreseen in PRAO through using EU and national funding and promotion and support of the county and local partnerships.</p> <p>PRAO represents a coordination model for building up an anticipative and participative approach in the process of drafting and implementing the regional policies, as well as for the efficient use of available financial resources, the structural funds respective.</p> <p>For achieving the objectives according to their purpose, the Pacts, through their members, use all the available resources in a concentrated manner and improve their capacity to draft projects as real instruments for development and financial resources allocation. In this regard, the Pacts make efforts to involve in their activities more partners with responsibilities in field of employment, such as public authorities (local, central), business association and trade-unions, but also other social and economic actors, as well as the service sector and church.</p> <p>The partnership has three functioning levels: programming/planning level and evaluation (regional level) and two implementation levels (county level and local/municipal or commune level).</p> <p>With a view to reaching the established objectives and for ensuring the continuity of their activities, the Pacts has to be supported by a management structure able to provide logistics and permanent technical assistance for their members, especially for activities which the members involved in the current activities are no table to perform it. Based on these arguments, the Technical Secretariats (TSP) were created.</p>
<p><b>Operation / policy design/ implementation:</b></p>	<p><b>Drafting project, management, monitoring, innovation and elements of good practice</b></p> <p>TSP carries on support activities for setting up and development of partnerships, as well as for building administrative capacity of the social partners, provides support for promotion of the regional employment policies, takes part to the consultation process of the all factors involved in combating unemployment and social inclusion.</p> <p>Through information and communication activities, professional training and consultancy of TSP, direct and indirect beneficiaries complete and develop informational resources they need for consolidating capacity to implement PRAO. TSP ensure the obtaining of general consensus among beneficiaries, with a view to elaborate and implement strategy and employment policies for valorising new integration opportunities on labour market.</p>

#### 4. The territorial dimension of Cohesion Policy

Country:	Romania
Region:	All regions
Project:	Policy on growth poles
Operational Programme:	All Operational programmes
Priority Axis:	Relevant Priority Axes from different operational programmes
Key area of Intervention:	Relevant key areas of intervention from different operational programmes
Duration:	2007-2013
Objective:	<ul style="list-style-type: none"> <li>• Convergence</li> <li>• European Territorial Cooperation</li> </ul>
Funding:	<p>The support from the community funds is ensured through all the Operational Programmes financed from the Structural and Cohesion Funds (including those under the European Territorial Cooperation Objective), as well through the National Rural Development Programme, financed from the European Agricultural Fund for Rural Development. The Managing Authorities for Operational Programmes have established concrete measures in order to ensure the financing of projects included in the integrated development plan for growth poles, in line with the specific implementation mechanism of each programmes. In the period 2007-2013, the projects foreseen in the integrated development plan for the Growth Poles are financed from the national public funds (state budget, local budget), Community funds and other sources (e.g. loans from international financial institutions).</p> <p>As example, in the case of ROP, the financial assistance for the growth poles is ensured, mainly, through the Priority Axis 1 „Support to sustainable development of the cities – urban growth poles”. In this regard, it was established that up to 50% of the funds allocated to this priority axis for each regions, except for Bucharest-Ilfov, to be dedicated to financing the projects included in the Integrated Development Plans. Moreover, the project for the growth poles can benefit of financing as well under the other priority axes of ROP, on a competition basis.</p>
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Operation / Policy description:	<p><b>Overall objective:</b> The support of national growth poles in order to ensure the contribution to balanced and polycentric territorial development of country, increase of regions competitiveness, to stop the widening of internal disparities and support of surrounding areas (including rural ones), trough the concentration of a strategic investment mix in the influence area of designed growth poles.</p> <p><b>Description of activities:</b> The objectives of the growth poles will be achieved through the rehabilitation of urban infrastructure, including urban public transport; sustainable development of the business environment; rehabilitation of social infrastructure, including social housing and improvement of social services.</p> <p><b>Expected results:</b> In order to contribute to the solving of complex problems and to ensure a polycentric and balanced territorial development of the country, there will be financed, based on integrated development plans, growth poles - made of large urban centres (7 large cities were designated as such through GD 998/2008 for the designation of the national growth poles, with further completions and modifications) and their influence areas. These poles will consolidate on medium term their role as regional and national development engines.</p>
Strategic context:	<p>Through the NSRF, Romania established as strategic development direction for the period 2007-2013, the support of growth poles, in such a manner that the economic activities that will be concentrated in these growth poles will encourage and speed up the development of regional economies and of the national economy, with the latter becoming more able to cope with the competition imposed by the globalization, and with the challenges caused by the deep financial crisis.</p>

	<p>It is well known that the development level of a region is directly influenced by the development of the large urban centres. Through their multiple superior functions and as beneficiaries of the economic results of the numerous companies located in these areas, large cities act as real „engines” of the regional economic growth.</p> <p>In Romania, the development of the growth poles around large cities is necessary to counterbalance the hypertrophic development of the Capital, to reduce the socio-economic pressures put on Bucharest. The polycentric and balanced spatial development can contribute to the reduction of the concentration level of population and labour force in the Capital and to the creation of a spatial structure which can favour and encourage a balanced economic development of the territory. Moreover, the creation of attractive work conditions and living standards in other regions/cities of the country will contribute to reducing the migration towards the Capital.</p> <p>The urban geographic context of Romania of a balanced polycentric structure of the large cities, spread more or less uniform throughout regions favours the implementation of a strategy based on growth poles. All development regions have in their localities network at least one city over 200,000 inhabitants, which can stimulate and induce development towards the surrounding areas, mainly urban, but also rural.</p> <p>For the designation of growth poles, there have been taken into consideration a set of minimum conditions considered to be essential for a city capacity in order to become the nucleus of a growth pole, which translate into the following selection criteria for the cities:</p> <ul style="list-style-type: none"> <li>• economic development potential (degree of functional specialisation);</li> <li>• research and innovation capacity (universities, research institutions, excellence centres, scientific nucleus of a high quality research, which have the capacity to keep the pace with scientific and technologic progress);</li> <li>• adequate business infrastructure (industrial parks, incubators, scientific and technological parks ensuring the trading of research results);</li> <li>• entrepreneurship environment and culture based on diversity of business relationships and social connections;</li> <li>• accessibility (road, railway, airway, naval transport);</li> <li>• public services offered (health infrastructure, cultural infrastructure);</li> <li>• administrative association capacity.</li> </ul> <p>Based on these criteria, seven large cities were designated, one in each Development Region (except for the Bucharest-Ilfov Region of the capital city), to be the nucleus of the growth poles: Iași (North-East), Constanța (South-East), Ploiești (South Muntenia), Craiova (South-West), Timișoara (West), Cluj-Napoca (North-West), Brașov (Center).</p>
<p><b>Operation / policy design/ implementation:</b></p>	<p>From the institutional point of view, the Ministry of Regional Development and Tourism (MRDT) was designated as the national authority in charge with the preparation and implementation of the Growth Poles policy. The coordination of this policy is also ensured, together with MRDT, by the Ministry of Public Finance (MPF). At the level of each Growth Pole, an Inter-Community Development Association was established, gathering the local public administration authorities from the area related to that pole and having the role to initiate and prepare the pole’s Integrated Development Plan (the instrument which defines and correlates the priorities and action directions on short and medium term for the development of the Growth Pole), as well as to ensure its implementation through subsequent projects.</p> <p>Also, for each Growth Pole, through contest, a pole coordinator was selected, who will support the coordination of the preparation and implementation of the pole’s Integrated Development Plan and its projects. The pole coordinators are hired within the Regional Development Agencies and their activity is financed under the OP Technical Assistance.</p> <p>As mentioned, for the Regional Operational Programme, the financial assistance for the Growth Poles will be provided, mainly, under the Priority Axis 1 – “Support to sustainable development of cities - urban growth poles”, up to 50% of the funds allocated for this axis financing the projects included in the Integrated Development Plans. It has to be underlined the fact that the individual projects, components of the Integrated Development Plan within</p>

	<p>this priority axis are financed only after obtaining the endorsement of the Management Committee for the Coordination of the Structural Instruments<sup>23</sup> on the integrated plan and the related list of projects. Also, the projects related to the Growth Poles may benefit, on a competitive basis, from financing under the other priority axes of ROP.</p> <p>Another example is the SOP IEC, where the selection mechanism includes adding an additional scoring for the projects comprised on the list of projects, part of the Growth Poles Integrated Development Plans, taking into consideration their strategic dimension.</p> <p>The approach of the development by using the Growth Poles is a novelty for the Romanian national and regional development policies. The biggest difficulty consisted of creating the implementation mechanisms for this policy, which will combine the requirements of the national-regional policy with the ones of the local policy, complying in the same time with the European principle of subsidiarity. This difficulty delayed the launching of the ROP Priority Axis 1 and the preparation of the integrated development plans. However, this has not affected the interest of the local authorities, which showed a genuine interest in the preparation of the integrated development plans and the subsequent projects. Thus, until December 2009, all seven integrated development plans for the Growth Poles and the related projects lists were finalised and submitted for analysis and validation to the central authorities. Out of these seven plans, four (Iași, Craiova, Brașov and Constanța) have already been endorsed, with several adjustments, by the Management Committee for the Coordination of Structural Instruments.</p> <p>The preparation and implementation of this policy of supporting the Growth Poles is a long term process, but is already a model of concerted strategic action which opens new perspectives for the socio-economic development at national, regional and local level. The Growth Poles network consolidated with the support of the Structural and Cohesion Funds will become the frame on which the Romanian major development corridors will be built and which will spread out development at the level of the respective regions. Moreover, a network of strong and competitive poles will represent a solid internal instrument for counteracting the negative effects of the economic and financial crisis at European or world level.</p>
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<sup>23</sup> Inter-institutional coordination structure composed of representatives at management level from the Authority for the Coordination of Structural Instruments, Certifying and Paying Authority and Managing Authorities