

**MINISTRY OF EUROPEAN FUNDS**

**ROMANIAN  
PARTNERSHIP AGREEMENT  
FOR THE  
2014-2020 PROGRAMMING PERIOD**

**Second draft**

***March 2014***

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## LIST OF ABBREVIATIONS

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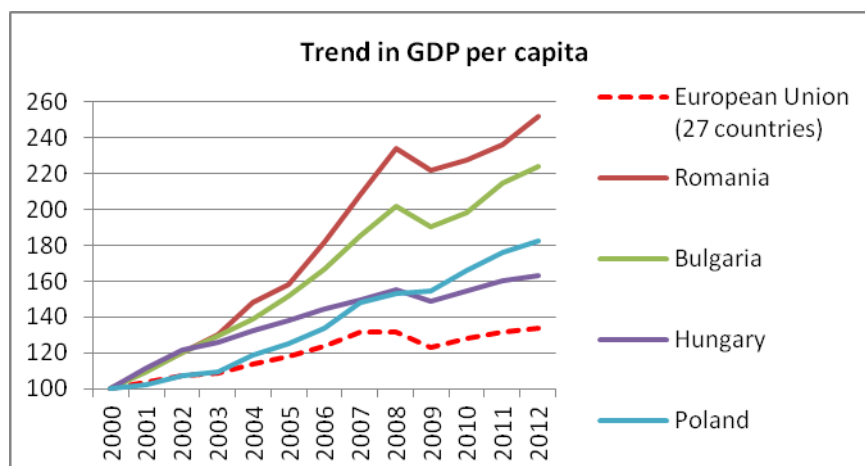
AC OP	Administrative Capacity Operational Programme
APIA	Agency for Payments and Intervention in Agriculture
AWU	Annual Work Unit
BO	Balance of Payments
CAP	Common Agricultural Policy
CF	Cohesion Fund
COMP OP	Competitiveness Operational Programme
CPR	Common Provision Regulations
CSF	Common Strategic Framework
DIPFI	Department of Infrastructure Projects and Foreign Investments
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EIF	European Investments Fund
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI Funds	European Structural and Investment Funds
ETC	European Territorial Cooperation
EU 2020	Europa 2020 Strategy
EU 27	EU of the 27 Member States
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
GHE	Greenhouse gas emissions
GVA	Gross Value Added
HC OP	Human Capital Operational Programme
IB	Intermediate Body
ICT	Information and Communication Technologies
ILO	International Labour Organization
IMF	International Monetary Fund
ITI	Integrated Territorial Interventions
LAN	Local Area Network
LPA	Local Public Administration
LI OP	Large Infrastructure Operational Programme
MA	Managing Authority
MARD	Ministry of Agricultural and Rural Development
MC	Monitoring Committee
ME	Ministry of Economy
MECC	Ministry of Environment and Climate Change
MEF	Ministry of European Funds
MH	Ministry of Health
MLFSPE	Ministry of Labour, Family, Social Protection and Elderly
MNE	Ministry of National Education
MRDPA	Ministry of Regional Development and Public Administration
MSI	Ministry for Informational Society
MT	Ministry of Transport
NAE	National Agency for Employment
NARMPP	National Authority for Regulating and Monitoring Public Procurement
NGO	Non-Governmental Organization
NIS	National Institute of Statistic
NRDP	National Rural Development Programme
NRP	National Reform Programme
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme

<b>OP FMA</b>	<b>Operational Programme for Fisheries and Maritime Affairs</b>
<b>PA</b>	<b>Partnership Agreement</b>
<b>PARDF</b>	<b>Payments Agency for Rural Development and Fisheries</b>
<b>PES</b>	<b>Public Employment Service</b>
<b>RDA</b>	<b>Regional Development Agencies</b>
<b>RDI</b>	<b>Research, Development and Innovation</b>
<b>RES</b>	<b>Renewable Energy Sources</b>
<b>ROP</b>	<b>Regional Operational Programme</b>
<b>SCF</b>	<b>Structural and Cohesion Funds</b>
<b>SEA</b>	<b>Strategic Environmental Assessment</b>
<b>SME</b>	<b>Small and Medium Enterprises</b>
<b>SMIS</b>	<b>Single Management Information System</b>
<b>SO</b>	<b>Strategic Objective</b>
<b>TA OP</b>	<b>Technical Assistance Operational Programme</b>
<b>TEN-T</b>	<b>Trans-European Transport Network</b>
<b>TO</b>	<b>Thematic Objectives</b>
<b>UAA</b>	<b>Utilised Agricultural Area</b>
<b>VET</b>	<b>Vocational Education and Training</b>

# 1. ARRANGEMENTS TO ENSURE ALIGNMENT WITH THE UNION STRATEGY OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH AS WELL AS THE FUND SPECIFIC MISSIONS PURSUANT TO THEIR TREATY-BASED OBJECTIVES, INCLUDING ECONOMIC, SOCIAL AND TERRITORIAL COHESION (ARTICLE 14(1) (A) CPR)

## OVERVIEW

During the period 2001-2008, the Romanian economy expanded by an average of 6.3 percent per year, representing one of the fastest growth rates in the European Union.



During 2009-2012, the GDP of Romania had an oscillating trend. After a +7.2% average annual growth in 2006-2008, a sharp contraction of 6.6% was experienced in 2009, due to the economic downturn. Growth returned in 2011 (+2.3%) but slowed 2012 (+0.6%), due to the combined impacts of a severe summer drought affecting agricultural output and the Eurozone crisis. An economic recovery is forecast with 2.2% GDP growth in 2013 and 2014.<sup>1</sup>

Nevertheless, Romania is still lagging significantly behind the majority of European countries in terms of economic development. GDP per capita recorded in purchasing power standard (PPS) was just half of the EU 27 average in 2012 and only around 70% of the average GDP per capita of the new EU Member States.

## Macro-economic policy

The Stability, Coordination and Governance Treaty within the economic and monetary union was signed, on March 2, 2012, by the heads of states or governments in all EU Member States, except for the United Kingdom and the Czech Republic. The purpose of this treaty is to maintain stability in the Eurozone.

Romania negotiated with the EC and the IMF a precautionary economic adjustment programme in 2011. After the successful completion of the programme in June 2013, in July 2013 Romania requested a new precautionary financial assistance from EU and IMF. The joint mission from EC, IMF and WB during July 17-31, 2013 reached an agreement at staff level on the economic programme that could be supported by a 24-month Stand-By Arrangement with the IMF for an amount of 1751.34bn SDR (approx. 2bn EUR) and Balance of Payments (BoP) assistance from the EU in an amount of 2bn EUR. The main objectives of the programme are safeguarding sound public finances, continuing monetary and financial sector policies that preserve buffers and increase resilience against external shocks, and reducing bottlenecks to growth through structural reforms. The programme was presented to the IMF Board in September 2013 and to EU EFC and ECOFIN in October 2013.

In line with the Europe 2020 Strategy and the Preventive Agreement with EU and IMF, the medium term economic strategy of the Romanian Government is oriented towards the promotion of growth and jobs, consolidation of the public finances and of the financial stability. In this respect, the Government of Romania adopted a 2014-2016 Fiscal-Budgetary Strategy aimed at meeting 7 objectives in terms of economic development, fiscal consolidation, budgetary discipline, efficiency of budgetary allocation, the national budgetary frameworks, transparency in the use of public funds and management of public debt.

## Macroeconomic perspective

Based on the Autumn Forecast of the National Commission for Prognosis, the growth trend is expected to move closer to its sustainable potential, in average by 2.5% growth in GDP annually. This scenario relies on an improvement in all sectors, in particular the performance of industrial sectors with high export potential, and the construction sector where planned infrastructure investment represents significant potential for growth. Domestic demand will be the driver of performance in 2013; **the current account deficit** is estimated to be significantly adjusted to 1% of GDP, following to gradually increase to below 2% of GDP in 2016. **Inflation** will continue to decline in 2014-2016, reaching 2.3% at the end of year, with an annual average of 2.5% in 2016. **Employment**, according to national accounts, will

<sup>1</sup> National Commission for Prognosis, Autumn Forecast 2013 <http://www.cnp.ro>

increase in 2014 – 2016 at an annual average rate of 0.7%, and the number of employees augmented by 0.8%. **Labour productivity** will improve due to a more rapid increase of GDP relative to the increase in employment. The **ILO unemployment rate** will reduce to 6.7% from 7% in 2012, with the employment rate among the population aged 20 to 64 simultaneously increasing to about 67%.

#### Macroeconomic projections for Romania

	2013	2014	2015	2016
<i>Percentage Changes %</i>				
<b>Real GDP</b>	<b>2.2</b>	<b>2.2</b>	<b>2.5</b>	<b>3.0</b>
<b>Private consumption expenditures</b>	<b>0.3</b>	<b>1.6</b>	<b>2.1</b>	<b>2.2</b>
<b>Public consumption expenditures</b>	<b>0.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.9</b>
<b>Gross Fixed Capital Formation</b>	<b>-1.3</b>	<b>4.0</b>	<b>5.1</b>	<b>7.3</b>
<b>Exports of goods and services</b>	<b>8.2</b>	<b>5.5</b>	<b>4.9</b>	<b>5.0</b>
<b>Imports of goods and services</b>	<b>-0.1</b>	<b>5.4</b>	<b>5.6</b>	<b>6.0</b>

*Source: Autumn Forecast of the National Commission for Prognosis*

#### Territoriality

Romania's is endowed with a distinctive geography and many of the country's development challenges and opportunities have a profound spatial character. Only one of Romania's eight regions is highly developed and dynamic. With some variation, the remaining seven regions have larger rural populations and economy, lack modernisation and fully functioning markets. Social and economic inclusion varies across space, with rural areas significantly disadvantaged in their access to opportunities and to public services.

Geographical position and features influence development pattern and opportunities. Of the less developed regions, the North and North West benefit from their relative proximity to more developed Member States; the mountains and forests of the Central Region create distinctive development opportunities and constraints; some regions are relatively more affected by physical isolation and peripherally, the North East confined by the Carpathians, the South East by the line of the Danube; the wetlands of the Danube Delta support only a narrow economy and a sparse population.

The polycentric structure of Romania, with the even distribution of urban agglomerations, is an obvious asset. The role of urban areas in generating and supporting economic growth has been recognised in the "growth pole" designation of key cities. Although the 2007-2013 Regional Operational Programme provided for an integrated approach to urban development in these locations, the extent of integration in practice was limited. Moreover, investments supported were not always consistent with the agreed integrated development plans. A key lesson, therefore, is to make future investment support conditional upon an integrated approach and consistency with the functional specialisation of urban areas<sup>2</sup>. Co-operation between the urban and peri-urban areas was limited and only partial in some instances due to political differences between the urban centre and the adjacent administrative areas.

The LEADER approach to rural development was initially slow to gain traction across Romania, reflecting a lack of local capacity and the legacy of a culture which did not encourage initiative on the part of communities nor public-private partnership. The local development of rural areas will exploit the capacity built in local action groups during 2007-13 and the opportunity to apply a similar approach (CLLD) will be extended to targeted secondary urban areas.

Given the geographic position of the country the synergies between the EUSDR and the Integrated Maritime Policy for the Black Sea (Blue Growth Strategy) should be better exploited; the large variety of economic and environment activities taking place in the Danube Delta and the adjacent coastal areas of the Romanian Black Sea coast should be better addressed in a more integrated manner seeking complementarities and cooperation mechanism between both strategies.

In the context of the two policies, based on the "Study to support the development of sea basin cooperation-Romania Country Fiche", August 2013, which identified 6 of the most relevant and promising marine and maritime economic activities, ESI Funds will support inland waterway transport, short sea shipping and coastal tourism.

The programming proposals set out below have been developed taking into account the distinctive spatial pattern of needs and opportunities. A combination of steering from National strategies and masterplans, Regional Development Plans, selection criteria and the use of territorial development instruments will ensure that implementation of the ESI Funds is not spatially blind.

#### Challenges for national growth

<sup>2</sup> Consultation: Ministry of Regional Development and Tourism, Territorial Unit.

Romania continues to face tremendous development challenges. The following challenges for national growth have been identified, needing strategic investments to remove obstacles to development and to unlock the country's economic potential:

#### *The competitiveness and local development challenge*

The overall level of economic activity in Romania is still very low. Examination of sectorial scale, structure and performance makes clear the *challenge for competitiveness* in Romania:

- the present dependence for employment upon very low value adding agriculture, with a very high share of small farms (almost 93% of total farms) with low market orientation, low level of productivity and technical endowment, large areas of orchards declining (over 50%)
- the character of enterprise culture as reflected by the relatively low business density in all regions except Bucharest-Ilfov and its skewedness towards low value-adding activity;
- internationally uncompetitive levels of productivity in many areas of industry;
- the present under-representation of higher value adding services within the economy;
- fragmentation, excessive standardization, inefficient use of resources in Romanian R&D and academic environments and the absence of strategy for developing research-intensive institutions.

#### *The people and society challenge*

Romania is subject to great disparities in wealth, opportunity, education, skills, health and in many areas these have intensified in the past decade. There is a profound territorial character to disparities, with pronounced variations between regions and between urban and rural areas.

Romania has a very low density of employment, especially in its rural area<sup>3</sup> which in 2012 extended to 207,522 km<sup>2</sup> (87.1% of the territory of Romania) and was inhabited by 45.0% of the Romanian population. Large areas of the country lack a functioning labour market and consequently large numbers of young people are not in employment, in education or training.

Romania still faces important challenges in terms of poverty and social exclusion, affecting mostly less developed regions, due to low-level of economic activity, the high dependence upon low productivity agriculture, fisheries and related activities, unsustainability of past models for regional diversification, leading to de-industrialisation and migration. This will require a higher involvement of the local authorities in addressing these challenges, which should be correlated with an appropriate investment in building their administrative capacity in applying the appropriate solutions. The potential of the community-based services and of the social economy models in tackling these issues should be better valorised.

There are great challenges in restoring the performance of the education system and, in the context of a depressed demand for labour in making education attractive and seen to pay. Apart from creating a modern and well-equipped educational infrastructure, there are challenges to overcome in extending access to early education, combating early school leaving, increasing the relevance of education and training to the needs of the labour market and opening access to tertiary education and to lifelong learning.

#### *The infrastructure challenge*

Romania is hampered in pursuing growth by underdeveloped and outdated infrastructure. Although Romania sits on important routes connecting Central Europe with the Black Sea and the Caucasus, its *transport infrastructure* is underdeveloped relative to the volume of goods and passengers that transit Romanian territory, and accessibility remains a major barrier to regional growth. Connectivity via all transport modes is suboptimal due to the backlog of investments, as well as administrative deficiencies in the maintenance and operation of the infrastructure. As regards *ICT infrastructure*, basic broadband should be universally available by 2015 as a result of existing initiatives, although take-up remains low. However, Romania faces particular challenges in extending New Generation Access in rural areas where, in the absence of public intervention, it is estimated that by 2020 less than 50% of households will be covered with speeds over 30Mbps.

#### *The resources challenge*

Romania is well endowed with *energy resources*, a significant proportion of which is from renewable sources and has potential for further extension. It has a much lower reliance on imported energy (21.7% in 2010) than in the EU27 (52.7%). The efficiency of Romania's electricity generation, transmission and distribution systems (from

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<sup>3</sup> The rural area is defined as the totality of communes as territorial administrative units. A commune is the lowest territorial administrative unit in terms of area and comprises villages which are NUTS 5 level. From an administrative point of view, the Romanian rural area comprises 2861 communes. The national legislation for defining rural area are Law 350/2001 regarding territorial planning and urbanism and Law no. 351/2001 regarding the approval of the Plan for the National Territorial Planning. Therefore, regarding the NRDP, the rural area is represented by the rural localities as communes' component villages, without the component villages of municipalities and towns.



renewable sources such as wind, solar and on the other hand nuclear and gas turbines) is close to the EU average. The efficiency in energy use is poor, notably as a result of badly insulated residential and public buildings combined with inefficiency in the district heating transmission and distribution systems.

Romania is confronted with a range of natural and man-made environmental risks which pose a threat to Romania's citizens, its infrastructure and its natural resources. Risks arising from or exacerbated by climate change have had a major impact over the past decade; recurrent floods, forest fires and drought, have caused extensive loss and damage across the country. In some situations, the national response capacity was exceeded by their severity.

The extension and modernization of the *water and wastewater infrastructure* continue to be one of the most important priorities in improving Romanian living standards, especially in rural areas. Waste management is still far short of European standards with low levels of re-use, recycling and energy recovery. Romania has as transition period until 2017 to phase out non-compliant landfills.

Romania is well endowed with natural assets, but environmental quality and biodiversity remain under pressure from both natural process and economic activity. There is a need to enhance environmental protection and to shift to more sustainable practices in agriculture, construction, extractive industries and in business generally.

#### *The administration and government challenge*

Romania is still characterized by weak administrative capacity of public institutions and a predisposition towards bureaucracy and disproportionate regulation that seriously influence the competitiveness of Romania's business environment. Despite efforts to implement a robust policy process in Romania, reforms are urgently needed to improve the quality of public administration. Romania has taken numerous steps to create a strong, independent and well respected justice system. While progress has been made in many areas, it still remains a need for further capacity-building, reform and modernization.

The absence of an effective system of cadastre represents a significant obstacle to the development and implementation of infrastructure, property development and consolidation of agricultural land.

#### **Global objective and strategic contribution of the European Structural and Investment Funds**

Taking into account the macroeconomic situation and policies, together with the highlighted bottlenecks to national growth, the Government of Romania has established the funding priorities for the use of European Structural and Investment Funds in the 2014-2020 PA with the global objective *to reduce the economic and social development disparities between Romania and the EU Member States*.

By using a macroeconomic model called R-GREM, it was examined **the potential** of the Romanian economy to respond to the European funds injection during the period 2014-2020, the impact on GDP trends being emphasized.

The **prospective effects** that may be generated by ESI Funds on the GDP growth are related to the amounts planned to be spent under three categories of policy interventions: support for infrastructure, human capital development and promoting private investments in innovation. The analysis was carried out in terms of comparing the "without EU funds" baseline scenario relative to "with EU funds" scenario, undertaking a sensitivity analysis based on different rates of absorption.

In a realistic scenario the total amount spent represents 40% of the EU allocation and the annual rate of GDP has an increasing trend, while the growth dynamic remains virtually unchanged compared to the baseline, reaching 4.15%, almost double the growth rate value estimated for the beginning of the programming period.

In the second alternative scenario ("optimistic") the absorption capacity is improved, the expenditure rate being 80% of allocated resources and leads to a considerable increase in the rate of economic growth. Thus, the estimated real GDP in 2020 is 15.1% higher than in the baseline scenario "without EU funds".

There were performed a series of scenarios using HEROM model in order to illustrate the impact of EU funds for the programming period 2014-2020 upon the Romanian economy in terms of combining the volume of allocations between sectors.

In order to achieve the simulation of the impact of EU funds on the Romanian economy were built four alternative scenarios where the total allocation (without EARDF allocation) amounted to 22.54 billion was distributed differently on the three major components that are key input variables in HEROM model: (1) infrastructure, (2) direct support and (3) human resources. It aims, on the one hand, to illustrate and quantify the positive effects of structural intervention in the economy (eg. additional growth, jobs and additional income, etc.) and to answer the question whether these allocations are optimal.

**There were four scenarios designed for allocating funds as follows:**

	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	mld euro	%	mld euro	%	mld euro	%	mld euro	%

(1) Large infrastructure, Regional, Territorial cooperation	16.54	73.4	11.27	50.0	5.1	22.6	9.20	40.8
(2) Competitiveness, Technical assistance	1.67	7.4	1.67	7.4	1.7	7.4	9.02	40.0
(3) Human capital, Administrative capacity, YEI	4.33	19.2	9.60	42.6	15.8	70.0	4.32	19.2
<b>Total</b>	<b>22.54</b>	<b>100</b>	<b>22.54</b>	<b>100</b>	<b>22.54</b>	<b>100</b>	<b>22.54</b>	<b>100</b>

Source: the National Commission for Prognosis

Estimated impact by HEROM was achieved against a baseline scenario (without funding) built taking into account the prognosis and other NCP estimates considered assumptions (parameters, coefficients) for 2014-2020.

All three types of funding are neutral in terms of the deficit, EU funds are accounted as expenses and as revenue as well, recording an increase in both revenue and expenditure and the difference remains the same, however, in reality, EU funds requires an internal contribution.

Simulations of these funds shows a further cumulative increase of GDP over the 2014-2020 period compared to the baseline scenario between 10.9 and 15.1 percentage points throughout the period, scenario 1, characterized by a predominant allocation in infrastructure, being the most effective.

#### Real cumulative impact in 2014-2020 compared to a scenario without funds

- % -

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
GDP	15.1	14.4	13.6	10.9
Total investments	24.7	22.5	19.8	20.9
Imports of goods and services	27.9	25.9	23.7	18.9
Exports of goods and services	11.8	10.8	9.6	7.8
Total employment	5.3	4.9	4.3	3.5
Un-employment rate –%	-4.4	-4.0	-3.6	-2.9
Budget deficit– %	2.6	2.4	2.1	2.0
Labour productivity	6.0	5.7	5.3	4.0

Source: the National Commission for Prognosis

In the light of efficiency (macroeconomic impact/injection of funds), Scenario 1 is the scenario still desirable and will be considered an alternative to the scenario without EU funds (scenario), the positive effects are as shown in the table above.

If we consider the current level of Romania's GDP to the EU-27 by 49% and forecasts obtained it shows that in 2020, the Romanian economy will be at a level of 60% of the average EU-27 using scenario without funds, while in scenario 1, will reach about 65-70% of the average.

In accordance with the specific intervention through structural instruments HEROM revealed that investments enjoys considerable additional intake in 2014-2020: from 24.7 percentage points in Scenario 1 to 20.9 percentage points in Scenario 4 in addition to the dynamics scenario in which there would be no structural and cohesion funds. The investment process has maximum intensity in scenario 1 where most of the funds are directed to infrastructure.

Favourable development of economic activity will be reflected on the labour market so that on average 7 years of the forecast period will be about 338,000 more jobs in Scenario 1, compared to the baseline scenario. On the other hand, the unemployment rate in 2020 will be about 4.4 percentage points lower than the level that would have been the scenario without funds. The positive effects of funding on economic activity and domestic demand will be reflected in the budget, where budget revenue will increase more than costs, leading to shortages becoming smaller and at the end of the period even passing on surplus in scenario 1 since 2018.

**In order to achieve the economic growth aspirations reflected in the global objective of this PA, Romania will have a modern and competitive economy by tackling the following five development challenges:**

- I. The competitiveness and local development challenge
- II. The people and society challenge
- III. The infrastructure challenge
- IV. The resources challenge
- V. The administration and government challenge

**Action under the five development challenges will contribute towards Romania's Europe 2020 targets as follows:**

National EU 2020 targets	Current situation	Development challenges				
		I	II	III	IV	V
70 % of the population aged 20-64 to be employed	63.8 % (2012)	*	*			*
2 % of GDP to be invested in R&D	0.49 % (2012)	*	*	*		*

Reduction of greenhouse gas emissions with 20% (compared to 1990 level)	49.54 % (2011)	*		*	*	*
24 % of total gross final energy consumption from renewable sources	22.9 % (2012) <sup>4</sup>	*		*	*	*
Reduction of 10 Mtoe (19%) in the primary energy consumption	16.6 % (2012) (7.3 Mtoe) <sup>5</sup>	*		*	*	*
Less than 11.3% of children should leave school at an early age	17.4 % (2012)		*	*		*
At least 26.7% of 30-34-year-olds should complete third level education	21.8 % (2012)		*	*		*
Reduce by 580,000 less people the number of people at risk of after social transfer by the year 2020 (compared to 2008 levels)	164,000 (2012)		*	*		*

The above eight challenges are found also in the Council's Country Specific Recommendations for 2013, as follows:

Country Specific Recommendations	Development challenges				
	I	II	III	IV	V
Complete the EU/IMF financial assistance programme	*	*	*	*	*
Ensure growth-friendly fiscal consolidation	*	*	*	*	*
Health sector reform. Reduce the excessive use of hospital care including by strengthening outpatient care	*	*			*
Improved labour market participation, fight youth unemployment and alleviate poverty	*	*	*		*
Education reform	*	*			*
Strengthen governance and the quality of institutions and the public administration; significantly improve the quality of regulations; step up efforts to accelerate the absorption of EU funds					*
Better business environment, diversified access to finance and closer link between R&D and industry	*				*
Efficiency in network industries (continue the governance reform of state-owned enterprises in energy and transport, adopt a long term transport plan )	*		*	*	

## 1.1 ANALYSIS OF DISPARITIES, DEVELOPMENT NEEDS AND GROWTH POTENTIALS

### 1.1.1 ANALYSIS OF DISPARITIES AND IDENTIFICATION OF THE MAIN DEVELOPMENT NEEDS

#### THE COMPETITIVENESS AND LOCAL DEVELOPMENT CHALLENGE

##### General

Competitiveness is commonly defined as the capacity of a business, operating in the context of open markets, to retain its market share. There are many facets of competitiveness of an individual business, including:

- the entrepreneurial quality and capacity of its managers;
- the distinctiveness and the quality of its goods and services;
- its level of innovation;
- its physical and virtual connections with its markets;
- the efficiency of its production process;
- its access to the factors of production - land, labour and capital.

The concept of competitiveness can similarly be applied at the level of countries and regions, in which context many of the same facets of competitiveness are manifested in a more aggregated form:

- the extent of enterprise culture;
- areas of comparative advantage;
- resource endowment;
- research and innovation systems
- transport and communications infrastructure and services
- availability of sites and premises
- skills availability
- functioning financial markets

<sup>4</sup> Ministry of Economy (Department for Energy) estimation

<sup>5</sup> Ministry of Economy (Department for Energy) estimation

The DG ENTR Competitiveness Scoreboard provides a summary appreciation of Romania's relative position. In all but a few measures, Romania is in a weaker position than the EU average, and in a third of measures by a substantial margin, with low productivity, low business R&D and small number of high-growth enterprises prominent.

<b>Romania Competitiveness Scoreboard - Distance from EU Average (standard deviations)</b>							
	-3	-2	-1	0	+1	+2	+3
<b>Innovative Industrial Policy</b>							
Labour productivity per hour worked (2012)		x					
Labour productivity per person employed (2011)		x					
Labour productivity per person in manufacturing (2011)			x				
% of employees in manufacturing with high educational attainment (2012)			x				
Tertiary graduates in science and technology (2011)					x		
R&D performed by businesses (2011)		x					
Share of high-tech exports in total exports (2011)			x				
<b>Sustainable Industry</b>							
Energy intensity in industry and the energy sector (2011)	x						
CO <sub>2</sub> intensity in industry and energy sector (2011)							
Environmental protection expenditure in Europe (2001)						x	
Export performances							
Share of high tech exports in total exports (2012)							
Exports of environmental goods as % of all exports of goods (2012)			x				
<b>Business Environment / Entrepreneurship</b>							
Time required to start a business (2011/12)				x			
Business environment score (2011/12)			x				
Enterprise survival rate after two years (2010)					x		
Business churn (2010)				x			
Share of high-growth enterprises as % of all enterprises (2009)		x					
Early stage financing (2011)		x					
Access to bank lending for SMEs (2011)				x			
Duration of payments by public authorities (2011)							
<b>Service Sectors</b>							
Electricity prices for medium size enterprises excluding VAT (2012)					x		
Infrastructure expenditures (2011)			x				
Satisfaction with quality of infrastructure - rail, road, port and airport - (2012-13)	x						
% of broadband lines with speed above 10 MBps (2013)						x	
<b>Public Administration</b>							
Legal and regulatory framework (2013)			x				
Burden of government regulation (2012-13)			x				
E-government usage by enterprises (2012)	x						
Data are presented so that positive (negative) figures are always better (weaker) than the EU average							

Source: European Commission: Country fiche – Member States Competitiveness – Performance and implementation of EU Industrial Policy – Industrial Performance Scoreboard, 2013

### Challenging market conditions

The Romanian economy expanded quite rapidly between 2003 and 2008. Following a sharp downturn in 2009 and 2011, growth returned in 2011, but at a lower rate. However, the overall level of economic activity in Romania remains very low.

A major constraint on growth is the low level of disposable income which derives from the employment structure. Of the 8.365m jobs in Romania only just over 4m jobs are salaried. The very high level of self-employment (2.1m, 25% of all jobs) is more associated with subsistence agriculture and a lack of alternatives rather than entrepreneurship. A further 1.4m (20% of all jobs) is unremunerated family labour, a category that barely exists in the more developed economies of the EU.

There is a profound **territorial** character to economic activity in Romania. Growth over the past decade has been heavily skewed in favour of Bucharest-Ilfov which has become a mainstream functioning market economy with a mix of manufacturing and service employment and a GDP per capita which exceeds the EU average. However, in

the other seven regions, development growth and diversity of economic activity is much lower and the prospects for business growth are much more challenging:

- low levels of disposable income arising from the small number of salaried jobs inhibit the development of internal markets; subsistence and semi-subsistence agriculture, barter and black labour substitute for formal economy;
- consumer credit is underdeveloped consequently;
- the highly dispersed pattern of settlement in rural Romania results in local markets that are thin;
- SMEs are disadvantaged in their access to public sector markets, which represent a significant proportion of aggregate demand in the developing regions.

Against this background the majority of SMEs are small, locally focused and have limited growth orientation. Markets and distribution are underdeveloped.

### Low business density

Romania has the second lowest density of businesses in the EU27<sup>6</sup>. In 2011, the population of companies stood at 452,010, with an overall density per 1,000 population of 20.4. SMEs contribute 53% of GVA, five percentage points below the EU average.

In terms of **territoriality**, across Romania's development regions there are significant variations in business density<sup>7</sup>. Bucharest-Ilfov is a significant outlier with almost 2.5 the average density of businesses. Four regions, North West, Central, South East and West are clustered around the average business density (within around 12%). However, three regions, North East, South Muntenia and South West Oltenia have significantly lower rate than average business density (62%-70% of the average). The SMEs density recorded in the rural areas is 9.64 SMEs per 1,000 inhabitants, much lower than the national average and the primary sector register a small share of SME's from the total national level (only 3.41% in 2011).

Economic operators encounter difficulties in growing, with low turnover and overwhelming dominance of microenterprises (90%), hampered by several obstacles: shortage of medium and highly skilled labour force, access to finance, excessive bureaucratisation with weak governance regarding the business environment, market with fragmented and inconsistent institutional set up and weak entrepreneurship, in particular in rural and fisheries areas.

### Overdependence upon low value-adding activities

Less competitive industrial sectors account for some 1.2m jobs, or close to 70% of all jobs in industry. This diverse sector comprises extractive and primary processing sub-sectors, as well as utilities and manufacturing but is weighted towards less advanced forms of manufacturing. Lower productivity in these sectors is variously associated with low levels of investment, low levels of innovation and low skill levels among managers and operatives.

Retail services - Commerce, motor trade, transport, hotels and restaurants - account for almost half of the total business units and just over a fifth of all jobs, close to the EU27 average. The contribution to GDP is just 13% and labour productivity is below average.

Within this Tourism directly supports about 193,000 jobs (2.3% of total employment) while its contribution maintaining employment in related sectors is estimated to be more than twice as high. Romania's tourism potential is concentrated in certain niche areas. Promising sub-sectors with critical mass and higher added-value are health tourism and ecotourism. Romania has around a third of the natural mineral springs in Europe offering diverse treatments. Investments to realise local development, may be supported in situations where local/regional development strategies have objectively demonstrated the existence of untapped market potential.

Agriculture, forestry, fisheries and aquaculture account for almost 30% of employment, almost five times the average for the EU and its contribution to GDP is almost 7%, but is nevertheless three times the EU27 average. Labour productivity in agriculture is less than a quarter of the average for all sectors in Romania and a quarter of the European average in agriculture (4,328.5 euro/AWU, respectively 14,967.0 euro/AWU, 2012). The indicator displayed one of the lowest growth rate as compared to the rest of European countries (of only 0.1%).

The Construction sector is larger than in most EU countries. The share of business units and GDP is fairly even at just under 9%.

Higher value adding services - Information and communications, Financial and insurance, Real estate, Professional and administrative services are underrepresented relative to EU average, accounting for just over 8% of jobs but generate almost a quarter of Romania's GDP.

<sup>6</sup> Source: Eurostat Statistics in Focus 31/2008.

<sup>7</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

In the period 2008-11 overall employment reduced by 4.4% the extractive and energy sectors experienced sharp contractions in employment as did the construction sector. Most retailing and related sectors saw only a small reduction in employment, perhaps due to the prevalence of self-employment and family businesses. Real estate was badly affected and continuing reform saw the loss of large numbers of jobs in the public sector. Tourism is reported to have demonstrated resilience and having contracted since 2008 to have grown sharply in 2012<sup>8</sup>.

Sectors experiencing employment growth in 2008-11 were mainly in the higher value adding services group, Logistics, ICTs, financial services and business services, all saw increases. Professional and scientific services experienced a below-average reduction. This pattern suggests that Romania's transition to a modern service-based economy continued through the recession.

Romania's agricultural land and waters remain a vastly under-exploited resource. There is clear scope for much greater development and for growth through their integration with the European food system.

The potential in agriculture is constrained by particular development challenges relating to a polarised structure of holdings. Large and medium farms which are potentially competitive but need to modernise and meet European standards account for just 7% of holdings but manage some 70% of utilised agricultural area (UAA). Some 93% of holdings of less than 5ha comprise the remaining 30% of UAA and are operated on a subsistence basis, but represent an important buffer in Romanian society. Modest progress in consolidation between 2005-2010 saw the number of agricultural holdings decrease by 10%.

As a result, skills, innovation, productivity and incomes within these small units are low. An inevitable consequence of improving the market orientation and productivity within the small units is that they will support far fewer jobs than at present. Accordingly, diversification and the generation of alternative sources of employment, including through development of local processing and marketing activities, is critical to more sustainable rural development. In 2010 less than 1% of holdings derived more than 10% of their income from activities outside farming.

The fruit sector has particular structural difficulties among the entire chain. It declined continuously during 2000-2011, the area of orchards decreasing by 38% and more than half are aged. Fruit storage capacity is also reduced, covering only 14% of production capacity, affecting the sector's ability to provide fresh fruit all and raw materials for processing units all year round.

As elsewhere, in Europe, Romania's agricultural workforce is ageing with a particular problem of intergenerational change among farm managers.

Beyond the farm gate, Romania's high potential to grow exports into the European Food system is presently limited by lack of investment in primary processing and its alignment with European standards and consumer expectations. Although making a modest contribution to Romania's GDP, fisheries and aquaculture, with fish processing and trade in fish and fish products are present in all regions. In isolated areas, notably the Danube Delta, the Danube Plain and the Danube Gorge, fishing activity is an important source of employment and income for the local population. Aquaculture has a wider value for Romania through food resources produced and its role in creating and maintaining wetlands and biodiversity of many fish and bird species.

Fish production in Romania fell by a third between 2009 and 2011. However, the increasing trend on long term in domestic consumption of fish and fish products, together with the present low share of Romanian produce suggests that there is scope to grow the sector.

The competitiveness of inland fisheries is hindered by lack of investments in vessels, the exploitation of viable ponds and in infrastructure. Although Romania has a large surface of aquaculture ponds, the range of species farmed is narrow and could be better aligned with market demand. Management, including environmental management is weak; aquaculture production is underreported. Processing and marketing are inefficient, with a high reliance on direct selling. Marine aquaculture doesn't benefit from favourable geographic and weather conditions, limiting scope for development and diversification. Only four areas for developing shell farming have been identified. The development potential of Romania's Black Sea fisheries is ultimately constrained by the sustainable fish stock. Overfishing has led to a low diversity and quantity of high value fish. Nevertheless, Romania maintains that aspects of the Black Sea management regime do not provide for fair competition due to the fact that Romania has to observe CFP rules, while the largest fleets in the sea basin (Turkish, Ukrainian) are not obliged to. The development potential of Romania's Black Sea fisheries is ultimately constrained by the sustainable fishing. Low competitiveness is mainly caused by low diversity and quantity of high value fish, inefficient and low number of vessels, inappropriate fishing infrastructure and restrictions related to the fleet threshold.

#### **A small number of strong sectors**

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<sup>8</sup> Source: WTTC.

The draft of the National Competitiveness Strategy identifies competitive industrial and value-adding service sectors which have demonstrated recent growth<sup>9</sup> and good export performance:

- automotive is high value adding, comprises some 500 large and medium companies, including manufacturing and assembly by Ford and Renault; involvement in their supply chains has improved the productivity and competitiveness of Romanian companies; highly export oriented.
- food and drink is medium-high value-adding and medium technology; the sector includes some large companies, but has a long tail of some 7,000 SMEs, its focus is primarily the Romanian internal market;
- organic farming has expanded and is highly export oriented textiles and leather is lower value-adding and low-medium technology but may represent scope to increase productivity and added-value through innovation; the sector comprises some 4,000 SMEs and has a high export orientation.
- information and communications technology is internationally competitive, but mainly focused on outsourcing for foreign clients rather than on Romania's internal production system.
- financial services is mainly internal market focused.

However, aggregate direct employment in these sectors is in the region of 700,000, less than 10% of the total. Although these sectors are expected to grow, their leverage on the overall economic situation is limited, but they can be engine for innovation.

The National Competitiveness Strategy also recognises the current and potential role of cultural and creative industries, which account for around 6% of GDP, in contributing value in the supply chains of strong and second-tier sectors, through the application of design for example, and in contributing to local development.

#### **Cultural and touristic activities and local development**

The enhancement of cultural activity, which is not delivered on a socially optimum level in Romania's less developed regions, has potential to contribute to local development. In addition to improving the quality of life and the attractiveness of Romania's towns and rural areas, improvements to local cultural services and multifunctional infrastructure together with investments in e-culture area have potential to enrich Romanian education, to valorify the specific local tourism potential, to promote and to stimulate the local development by creating new markets available to SMEs.

Investment in cultural and touristic activities, including restoration of heritage buildings and monuments, may be supported where the prospective contribution to local development is identified as a priority under the relevant Regional Development Plan, is justified on the basis of prospective economic impact and is in line with the Strategy for Culture and Patrimony 2014-2020.

#### **Sources of new business activity**

New businesses, Foreign Direct Investment and export markets represent sources of new business activity for the Romanian economy.

##### **New businesses**

Both the set-up and closure of businesses play an important role in improving the competitiveness of the business base. The creation of new businesses is particularly important. In recent business cycles in the EU, new SMEs have accounted for a significant proportion of overall employment growth. In Romania, the formation of new companies had been proceeding well up to 2008 but stalled during the recession and has yet to fully recover. Romanian businesses proved to be less resilient during the recession than the EU 27 average.

Both churn and survival rates in Romania are close to the EU average<sup>10</sup>. In the period since 1995, the one year survival rate has remained between 60% and 70% with the exception of 2008, when it fell to 51%<sup>11</sup>.

Recent years have seen a slight increase in the proportions of new businesses established in industry (16.8%, 2011) and Construction (11.7%, 2011) but trade continues to be dominant with close to 50%<sup>12</sup>.

##### **Foreign direct investment**

Given the underdevelopment of domestic enterprise culture, foreign direct investment continues to play an important role in the development of Romania's economy, both in industry and higher value adding services. It

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<sup>9</sup> There is a high degree of commonality in the findings of studies on recent growth and relative sector strength, notwithstanding use of different data sources including FGB et al 2013, Socio-economic Needs Analysis and ARUP 2013: Analysis and Evidence Base of the R&D&I Market in Romania. Less research is available on future potential, but Cojanu (2012) New directions of industrial policy and needed structural change concluded that Transport Equipment and Agri-food have greatest development potential and included motor vehicles, food and beverages, and leather and textiles as having strong growth potential alongside, on a smaller scale tobacco, machinery and equipment, electrical equipment and decontamination service.

<sup>10</sup> Source: DG ENTR Competitiveness Scoreboard.

<sup>11</sup> Source: New Companies and the Profile of Entrepreneurs in Romania (2013).

<sup>12</sup> Source: New Companies and the Profile of Entrepreneurs in Romania (2013).

represents an opportunity to integrate Romanian companies into international supply chains and to support improvements to their quality, level of innovation and productivity. Accordingly, future investments will give precedence to support for FDI in high added value sectors but will not be restricted to these.

FDI enterprises have a positive impact on foreign trade of Romania, contributing to total exports - 71.4% in 2011. In manufacturing, 17 of the 23 industrial sectors are dominated by multinationals<sup>13</sup>.

In the period to 2011, Romania received €55.1bn in foreign direct investment<sup>14</sup>. The distribution by sector is significantly aligned with Romania's strong sectors. Manufacturing industry has accounted for 31.5% of the total, within which Chemicals and plastics, automotives and transport equipment, Metal processing and Food and drink have been prominent. Other large sectors include financial services (11.5%), construction/real estate (10.7%) and utilities (7.9%). ICTs account for just over 5%, underlining the contribution of domestic companies to the sector's growth.

The strongest FDI inflows were between 2004 and 2008 when privatisation was a strong contributory factor. Flows have reduced markedly during the recession<sup>15</sup>. Nevertheless, in 2012, Romania was rated in the top quartile of European countries in terms of their attractiveness for investment in the next three years<sup>16</sup>.

In terms of **territoriality** Romania's less developed regions have received only 38.3% of the total FDI to date.

During 2003-2011, 3 regions, South-Muntenia, West and Bucharest-Ilfov, registered an increase in the volume of FDI, while 4 regions, North-East, North-West, South-East and Centre, registered, in 2009, a significant decrease. The decline continued in 2 regions, South-West and South-East between 2009 and 2011. Of the 8 regions, North-East is the least attractive region for foreign investors, while South-West has potential to attract a bigger volume of foreign investments<sup>17</sup>.

Analysis of the composition of FDI suggests that Romania's has been attractive for manufacturing industries with low embedded technology and high energy intensity. Part of this pattern reflects the characteristics of businesses that were acquired by foreign interests as part of Romania's privatisation process. However, it also reflects the relocation of low value-adding activities from countries with a competitive economy, to take advantage of Romania's available workforce and lower costs. For a small proportion, particularly Asian investments, the motivation is to penetrate new markets.

The opportunity for greenfield investment has been an attraction for some investors and such investments have had a significant impact on competitiveness, building new facilities, bringing know-how and new technologies and creating new jobs. In terms of territoriality, most FDI in greenfield has been in Bucharest-Ilfov (60.5%), followed by Central Region (11.0%), West Region (9.3%) and South-Muntenia (6.3%).

The different level of attractiveness of Romania's regions to FDI reflects their relative proximity to European markets, weak transport and poor basic infrastructure compounded by an obstructive business environment and a lack of entrepreneurship in the private sector.

## Exports

Although subject to a downturn in 2009, Romanian exports increased by more than 50% between 2007 and 2011 when they stood at €45bn. Automotives have contributed most to the overall increase, but food and drink, textiles/leather and chemicals have also seen significant growth. The National Export Strategy 2011-2015, also highlights potential in sectors including industrial equipment, marine fabrication, furniture, electrical products, pharmaceuticals, telecommunications equipment, software and IT services. The evolution of exports in the period 2007-11 demonstrates that Romania has sectors that can compete internationally.

Moreover, given the significance of foreign owned businesses in export sales, it demonstrates that global businesses can invest in Romania and be successful.

Customs infrastructure has an important impact on the movement of goods, on foreign trade and therefore on economic growth. Imported goods during 2011-2014 period increased by an average of 3.9% per annum and, for the same period, exported goods increased by an average of 0.8%. A one hour stop at customs is equivalent with a covered distance of 70 km. A stop of 3-4 hours is equivalent to 210-280 km covered, delaying freight transport arriving to destinations, with negative effects on transport utilization, business inventory costs and on Romania's competitiveness as an exporter and as a conduit for foreign trade.

## An insufficiently supportive business environment

<sup>13</sup> Source: Central Bank of Romania, Annual Report on Foreign Direct Investment.

<sup>14</sup> Source: National Bank of Romania.

<sup>15</sup> Highlighted in Commission Services Position Paper (October 2012) p.4.

<sup>16</sup> Source: Ernst and Young, 2012, European Attractiveness Report.

<sup>17</sup> Source: Ministry of Regional Development and Public Administration 2013, draft National Strategy for Regional Development.



According to the World Economic Forum, the most problematic factors for doing business in Romania are corruption, tax rates, government bureaucracy and inefficiency, access to finance, tax regulations, inadequate infrastructure, inflation and an inadequately educated workforce<sup>18</sup>.

### Bureaucracy

Despite progress the Romanian business environment is still confronted by excessive bureaucracy, notably in relation to fiscal management and the complexity and duration of procedures<sup>19</sup>. Regulation lacks proportionality. Administrative, accounting and reporting requirements are common to large and to micro businesses. This contributes to maintaining a high rate of activity outside the formal economy.

Unnecessarily restrictive criteria, high costs of participation and the inability to contract on bases other than price deter or exclude many SMEs from public sector markets and denies Romania a major source of micro and SME growth that is mainstream in the EU.

In order to address these issues, the National Competitiveness Strategy proposes “a better regulatory framework for the business environment” in line with the European Council Recommendations concerning promotion of administrative transparency and legal certainty. Additionally, the existing regulatory framework for SMEs (the Law No 346/2004) has been amended and completed according in line with Small Business Act principles under the National Reform Programme 2011 – 2013<sup>20</sup>. The development of e-government services is seen to have considerable potential in reducing the administrative burden. Similarly, there is potential to improve trade flow by removing customs administration and infrastructure bottlenecks.

### Access to finance

Access to business finance remains problematic<sup>21</sup> and recent surveys contain mixed messages on whether the situation is improving. On one hand in 2011, 15% of Romanian SMEs reported access to finance as their most pressing problem - in line with EU average - reduced from 27% in 2009<sup>22</sup>. On the other, against an improving trend across the EU27, Romanian SMEs reported a deteriorating position in the previous 6 months in relation to availability of finance from banks (13%) public support (47%) trade credit (25%) equity (40%).

Research carried out by EIF<sup>23</sup> published in 2009 highlighted difficulties in accessing finance faced by SMEs, and new starts in particular. Bank finance was identified as the main source of external financing. Relatively few propositions are of a scale where private equity becomes economic; limited personal asset values constrain access to bank-based loan finance on commercial terms.

The JEREMIE Fund (€100m) is the largest financial instrument implemented in 2007-2013. Although approved in 2008, it was not active until 2011 that the first financial intermediaries were contracted for the “Portfolio Guarantee” product (€68m) which had in June 2013 an estimated portfolio around of €160m. The €17.5m Catalyst Fund providing risk capital made its first investment in June 2013. However, microfinance initiatives have so far been more successful than other financial instruments. Experience has also highlighted the negative impact of the reimbursement model on investment, and which resulted in approved investment projects not proceeding.

In terms of **territoriality**, financial services are in general less accessible to rural businesses and to the agricultural sector. Although the Romanian banking system has developed rapidly in recent years and the banks have shown greater openness to finance SMEs and agri-food sector, most EAFRD beneficiaries are assessed as high risk and consequently their access to loans for co-financing projects and supporting cash-flow for implementation is difficult. Moreover, the use of land and other farm assets as bank guarantees has been deeply affected by the volatility of values accompanying the crisis.

Take-up in 2007-13 of guarantee schemes designed as non-State Aid schemes has been disappointing compared to subsidised loan schemes used under SAPARD, during the pre-accession period. These guarantee schemes have not overcome the barrier of accessibility to funding due to the last years' economic situation influencing lending policies of financial institutions. Among the vulnerabilities associated by lenders to the rural area we mention the average area of agricultural exploitation under the level of economic viability, low profit margin when investing in smaller businesses, doubled by insufficient information on rural economy. An additional burden affecting beneficiaries relates to the cost of the schemes. As a consequence, the amount allocated to the guarantee schemes was adjusted with approx. 50% (from €220m to €116m). Appropriate design of instruments, balancing State Aid,

<sup>18</sup> Source: *The Global Competitiveness Report 2012-2013*, World Economic Forum, pg. 302

<sup>19</sup> Highlighted in *Commission Services Position Paper (October 2012)* p5; *National Reform Programme 2011-13 Progress Report (March 2013)* p9; *European Council Recommendations on Romania's National Reform Programme (June 2013)* p8, p11.

<sup>20</sup> *National Reform Programme 2011-13 Progress Report*

<sup>21</sup> Highlighted in *Commission Services Position Paper (October 2012)* p7; *National Reform Programme 2011-13 Progress Report (March 2013)* p9, p10; *European Council Recommendations on Romania's National Reform Programme (June 2013)* p8, p11.

<sup>22</sup> Ipsos MORI, 2011, *SME Access to Finance Survey. The methodology of the study implied (CATI) interviews, questionnaires.*

<sup>23</sup> EIF, 2009, *Executive Summaries of Evaluation Studies on SME Access to Finance.*

ease of implementation, bank and beneficiary requirements is therefore key to their success. The ex-ante assessment required before implementation should identify the types of financial instrument needed to cover the market gaps, optimize allocation and maximize results.

#### **Access to support**

A further lesson from 2007-13, relates to provision of information and other support business. In this area fragmentation and the complexity of processes has also been a disincentive to take-up, resulting in reduced effectiveness. These issues will be addressed through a clear demarcation of actions between the Competitiveness and Regional Operational Programmes in 2014-20, Competitiveness OP will finance only research and/or innovation for public and private entities, including SMEs while ROP will finance all activities of the SMEs related to business development.

#### **Limited capacity to absorb support**

Romania's business base is skewed towards small-scale enterprises, low value-adding activities and sectors where public investment would be largely displacing (e.g. retailing or close to retailing). Accordingly, the target market for business support,- businesses in medium-high value adding productive and service sectors with both an orientation and capacity for growth - represents a small proportion of the overall business base.

#### **Constrained availability of skills**

Businesses in Romania seeking to grow face considerable competition for skilled personnel, including for entrepreneurial skills. Skills gaps exist in all regions and are not confined to sectors that have experienced recent growth in employment<sup>24</sup>. Analysis by occupational group reveals the highest vacancy rates for skilled workers and related workers (3%), plant and machine operators and assemblers of machinery and equipment (2.5%) and skilled workers in agriculture and fishing (1.8%). Recruitment difficulties were highlighted particularly in occupations requiring TVET qualifications.

The supply of skills is partly conditioned by the traditional requirements of Romanian industry with its focus in labour intensive and low value adding activities. In manufacturing the share of highly qualified labour is about half of the EU 27 average. Nevertheless, the gradual increase in the share of highly-skilled in labour force since 2006 is indicative of the shift to a more knowledge based economy and an increase in medium and highly-qualified jobs at the expense of low-skilled.

Availability of high level skills has been adversely affected by the large scale emigration of skilled workforce in the past decade, a phenomenon that has also been reflected in the ageing of the workforce. Moreover, skills availability is also affected by the proportion of enterprises providing vocational training to their employees which is below the EU average (40% vs. 58%). Romanian micro firms are even less inclined than their peers in other EU countries to ensure that their employees participate in lifelong learning activities.

#### **ICTs and competitiveness**

In addition to the potential of ICTs as a growth sector, ICTs play an important role in improving business efficiency and extending market reach.

Considerable caution is needed in interpreting Romania's position on the Digital Scoreboard as regards business use of ICTs as it is potentially misleading due to the distinctive structure of the business base with the large scale of self-employment and very small agricultural holdings. Although only 36% of Romanian businesses have a website compared with 71% on a European level, this represents substantial take-up among businesses that would benefit from having a website.

As regards e-commerce, however, there is a clear deficit<sup>25</sup> both on the supply side (only 5% of SMEs with 10 - 250 employees selling online, compared with 13% at an EU level) and on the demand side (5% all individuals and 11% internet users buying online compared with 45% and 59% for the EU27 in 2012)<sup>26</sup>. Although the large company share of turnover from e-commerce has doubled in three years, at 6% it is less than a third of the EU average.

The low trust of citizens in electronic systems is identified as a significant barrier to the adoption of e-commerce<sup>27</sup>. In addition to improving internet access and stimulating computer use, development of the digital marketplace in Romania will require consumer confidence to be built in the security of personal data and financial transactions and also consumer law around online purchase of goods and services.

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<sup>24</sup> Source CEDEFOP Survey 2011.

<sup>25</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

<sup>26</sup> Source: Digital Scoreboard 2012.

<sup>27</sup> Source: Ministry for the Information Society.

The low trust of citizens in electronic systems is identified as a significant barrier to the adoption of e-commerce<sup>28</sup>. In addition to improving internet access and stimulating computer use, development of the digital marketplace in Romania will require consumer confidence to be built in the security of personal data and financial transactions and also consumer law around online purchase of goods and services. This needs to be complemented by development of the regulatory framework on cross-border e-commerce, online payment and delivery and will be supported by a framework dedicated to easy resolution of the abuses and disputes specific to e-commerce.

ICT development in government has potential to improve the competitiveness of the business environment, to increase public sector efficiency and to reduce bureaucracy. In 2011, only 63% of Romanian enterprises were using the Internet for interaction with public authorities, compared with a EU27 average of 87%, whereas only 31% of the citizens were using e-Government services (the European target for the end of 2015 is 50%). However, to significantly improve the efficiency and flexibility of e-government environment, action will be needed to:

- improve the interoperability of electronic systems;
- preparation of e-identity;
- rationalise and consolidate government ICT and e-government systems which have hitherto developed in a fragmented fashion.

Investments in the field of ICTs will proceed under the umbrella of the National Strategy for Digital Agenda – the strategic policy framework for digital growth.

### **Main development needs**

In response to the foregoing analysis, investment in 2014-20 will be prioritised within the framework of the National Competitiveness Strategy, the National RDI Strategy, the National Agricultural Strategy<sup>29</sup>, and the Regional Development Plans and informed by the principles of smart specialisation. These conclude that the clearest potential for growth resides in Romania's internationally competitive sectors: in particular automotives; ICT products and services; food and drink processing. However, these sectors account for a limited proportion of total employment and their growth potential is insufficient to overcome Romania's vast employment gap in the medium term.

Reflecting their overall influence on employment, stimulating growth and sustaining existing activity in sectors that have notable potential for growth and increased added-value - health/pharmaceuticals; tourism; textiles/leather; wood/furniture; creative industries; energy/environmental management and in agriculture, forestry and fishing will also be important to Romania's medium term development.

For a sustainable increase of national competitiveness, it is necessary for investments in these sectors to be given priority at national level and to receive most support from ESI Funds. At the same time, Regional Development Plans can identify, at local level, other sectors with growth potential that may be a secondary focus for investment. Investments for restructuring farms and compliance to EU standards, rejuvenating the farmers generation, foster access to market of agricultural products, improving the agriculture and forestry infrastructure and increasing the added-value of agricultural products through processing infrastructure, are issues that need to be addressed.

It is needed to be established adequate financial instruments for farmers and for stimulating the rural business environment. This would allow for a more competitive purchase of quality inputs, for a better orientation of farms toward market demands, including short supply food chains, for the diversification of basic product and for the improvement of general viability. Credits and guarantee funds are important especially when agricultural and other micro and small enterprises need co-financing for rural development projects and for other types of investment projects.

Analysis by sector and region highlights where regions enjoy comparative advantage<sup>30</sup>, variously on the basis of natural resource and other factor endowments, relative accessibility to markets and supply chains in Western Europe, etc. Future investments will seek to consolidate the resulting local and regional specialisation, in order to ensure efficient use of regional development resources including by promotion of clusters. Regional comparative advantages are identified in relation to:

- higher technology industrial sectors - chemistry and oil processing industry (South region) and automotive industry (South, South-West, West and Centre regions), energy (South-West, West and South-East regions);

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<sup>28</sup> Source: Ministry for the Information Society.

<sup>29</sup> Currently in preparation by the World Bank.

<sup>30</sup> Regional competitive advantages were identified from the analysis made on regional economies in National Regional Development Strategy, Regional Development Plans and National Strategy for Competitiveness.

- lower technology industrial sectors - textile and clothing industry (North-East, South-East and Centre regions), leather and footwear industry (North-West region) and wood processing and furniture industry (North-East, North-West and Centre regions);
- high value-added service sectors - ICTs (Bucharest-Ilfov, West and North-West regions), financial and insurance activities (highly concentrated in Bucharest-Ilfov region, reflecting the major importance of the capital city for the entire Romanian economy);
- untapped potential for tourism, as a driver for local development, will be tackled, in a tailored basis, consistently with the analysis entailed in the regional development plans.

Agriculture and food are identified as important in all regions, but with relatively less contribution in Bucharest-Ilfov, Central and in North West.

In pursuing local growth, the direction of Regional Development funds will take into account both national sectoral priorities and regional strengths. In particular, the policies and instruments with an effect on the maritime economy, unlocking the potential of the blue economy and generating sustainable growth and new jobs in maritime sectors, need to be supported including by territorial cooperation.

In addition, to their potential as a growth sector, the horizontal application of ICTs in business and in government will be an increasingly important factor in Romania's competitiveness. In this regard government will have a key role, in ensuring the required ICT infrastructure is delivered; in ensuring the digital environment is effectively regulated so that businesses and citizens are confident in using it; in ensuring that businesses and citizens can interact electronically with government in an efficient and effective manner.

#### **Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), the main development needs are:**

- The continued expansion and growth, including in international market of Romania's competitive manufacturing and high value added services sectors, in particular, automotives; ICT products and services; food and drink processing;
- The transformation of Romania's traditional sectors, - health/pharmaceuticals; tourism; textiles/leather; wood/furniture; creative industries; energy/environmental management and in agriculture, forestry and fishing where there is potential to grow, to increase added value or to sustain activity in the medium term through the exploitation of specialist niches or to increase competitiveness through innovation and market development;
- The restructuring, consolidation and on farm diversification in order to improve their competitiveness and sustainability, alongside their adoption of modern and innovative agricultural and land management practices;
- The improvement to the competitiveness and entrepreneurship in the fisheries and aquaculture.
- The radical improvement to the business environment in terms of the availability of investment finance, the transparency and predictability of policy, the proportionality of administration and regulation, including through improvement to government use of ICTs;
- The attraction of investment into Romania's less developed regions and into its rural areas through an integrated approach spanning infrastructure, sites, skills, and investment support;
- Strengthening the digital business environment.

#### **Research, development and innovation (RDI) activity in support of competitiveness**

##### **General**

Science, technology and innovative behaviour are transforming forces for businesses, individual and society which facilitate:

- enhancement of the added-value in products and services, thus supporting higher returns to businesses and skills;
- the achievement and retention of competitiveness in an increasingly globalised marketplace;
- approaches to many of the big challenges confronting society.

The Europe 2020 Strategy aims to foster smart growth by supporting sustained investment in innovation. In 2012, Romania invested only 0.49% of GDP in R&D, with more than 80% accounted for by the Romanian public sector. A step change in behaviour is needed to achieve the national **Europe 2020 target** of 2% of GDP by 2020<sup>31</sup>. Some

<sup>31</sup> Highlighted in Commission Services Position Paper (October 2012) p7; European Council Recommendations on Romania's National Reform Programme (June 2013) p8.

studies point to a relatively high level of innovation in Romanian businesses nevertheless<sup>32</sup>, and suggest a need to look beyond formal R&D expenditure in order to fully comprehend the situation.

<i>Objective 2020</i>	<i>UE 27 targets</i>	<i>Romania assumed targets through National Reform Program</i>	<i>Romania current situation (2012)</i>
Total investment in R&D (from both public and private sources) - % of GDP	3%	2%	0.49%
<b>Country Specific Recommendations 2013:</b> <ul style="list-style-type: none"> <li>- ensure closer links between research, innovation and industry, in particular by prioritising research and development activities that have the potential to attract private investment.</li> </ul>			

In terms of **territoriality**, Business (36%) and Government (41%) expenditure and employment in R&D are highly concentrated in Bucharest Ilfov; only R&D expenditure and employment in Higher Education Institutions (22%) is more dispersed.

### Low level and slow growth in private sector investment in R&D

In 2011, Romania's Business Sector invested only 825m lei in R&D, 17.1% of the total. Growth in private sector R&D between 2007 and 2011 was only 11.8%, just over a third of the growth rate for all R&D expenditure<sup>33</sup>. This pattern is attributable to structural and other factors.

The innovation potential in business is closely linked to Romania's economic structure<sup>34</sup>:

- large companies account for just 0.4% of all companies but they contribute 47.3% of GVA attributable to companies; 56.4% of large companies are assessed as innovation active;
- medium sized companies account for 1.9% of companies and generate 20.5% GVA in companies; 38.7% of medium sized companies are assessed as innovation active;
- small companies represent 10.6% of the total and 17.8% of GVA in companies; 27.5% of small companies are assessed as innovation active;
- micro companies amount to 87.1% of the total and 14.4% GVA in companies, only a small fraction are believed to have capacity or orientation towards innovation;

At present, investment in R&D is extremely concentrated in high and medium technology companies which represent a small proportion of the total<sup>35</sup>. The large proportion involved in low or medium-low technology activities, generate a low demand for innovation support.

The share of high and medium technology industries in gross value added generated by all companies in industrial sector increased from 20.8% in 2008 to 25.9% in 2011 which shows a better resistance to the effects of the crisis and sustainability. The activity of high-tech and medium companies was, naturally, supported by a significant investment in research, development and innovation, these companies concentrating 84% of all industrial R&D expenditure in 2011.

Innovation potential also reflects the focus of activity. As discussed above, Romania's company base is skewed towards low value-adding activities. Almost half of the total is in retailing or close-to-retailing activities.

However, beyond the structural factors which suggest that a very modest proportion of the business base represents a realistic target for innovation support, additional factors have been identified as constraining private investment in research and innovation<sup>36</sup>:

- the negative impacts of the international economic crisis which have increased risk aversion, reduced liquidity and had a significant effect on SME access to finance, including to fund R&D<sup>37</sup>;
- lack of venture capital generally, but more specifically an absence of venture capital funds dedicated to R&D driven technological innovation;
- disruption in national public support to RDI activities since 2009 (National Programme calls become irregular and the calls' budgets decreased sharply);
- the complexity of rules concerning access and implementation of publicly supported RDI projects;
- decrease in the number of R&D employees in the private sector;

<sup>32</sup> For example, DG ENTR, 2011, SME Access to Finance Survey.

<sup>33</sup> Source: National Institute for Statistics.

<sup>34</sup> Source: INS and Study The role of private sector in the development of competition in R & D and innovation system.

<sup>35</sup> The turnover of high and medium-tech companies was 30% of the total industry turnover in 2011, increasing from 24% in 2008. Source: "Noi direcții de politică industrială și modificările structurale necesare" (Cojanu et al, 2012).

<sup>36</sup> "Evaluarea Intermediară a Strategiei Naționale și a Planului Național CD & I 2007-13" (Technopolis Group, 2012), "Noi direcții de politică industrială și modificările structurale necesare" (Cojanu et al, 2012), "Rolul sectorului privat în dezvoltarea competiției în sistemul cercetării-dezvoltării și inovării" (2012).

<sup>37</sup> The overall number of innovators in 2010 decreased by almost 40% relative to 2006. Process innovators, which represent the majority of innovators, registered the worst decline (almost 50%). The number of companies that introduce new or significantly improved products declined by almost a third compared to 2008.

- many of the foreign-owned companies (including former state companies) do not include research activities within their operations in Romania;
- weak connections between academia and Romanian private sector R&D, and the poor practical applicability of the research results generated by the public sector;
- high costs of patent registration at European level. Romanian institutions are determined to patent at national level.

In spite of a diverse offer of financial support for RDI in the period 2007-2013 was quite diverse, demand from enterprises was not particularly high. Access to financial instruments (loan, guarantees, risk-capital) was limited in this period and the SMEs, especially, found it very difficult to ensure a robust cash-flow necessary for their projects.

#### **Limited alignment between private R&D and sectors with growth potential**

In 2011, business R&D expenditure was concentrated in the automotive (22%), chemicals (10%), ICT (10%), and electrical equipment (7%) sectors. Private R&D institutions have also a large share of business expenditure for R&D (22%).

Some large sectors are associated with very small R&D expenditure. Trade, which accounts for almost half of all businesses, contributes only 2%; Agriculture, which accounts for 30% of employment contributes less than 1%.

Analysis of the public demand for R&D funds shows that ICT is active in seeking public funding, whereas automotive and chemical R&D is based mainly on private funding.

The pattern of private R&D expenditure is only partially correlated with sectors targeted under the National Competitiveness Strategy and National RDI Strategy<sup>38</sup>.

Based on the analysis of the RDI market in Romania and according to the methodological guidelines specified in the European “Guide for Research and Innovation Strategies based on Smart Specialisation”(RIS3) the National RDI Strategy identifies the following thematic priorities for the public RDI investments in the period 2014-2020:

- bio-economy (agriculture and forestry, fisheries and aquaculture, food, biotechnologies and bio-pharmaceutics);
- ICT, space and security;
- Energy, environment and climate changes;
- eco-nano-technologies and advanced materials;
- health.

The most important Romanian RD infrastructure, ELI-NP, its first phase financed under 2007-2013 period, is expected to bring significant advances in basic sciences – laser and nuclear physics, astrophysics – as well as important breakthroughs in applications of major societal interests in material and life sciences. To promote the commercial exploitation of ELI-NP findings and facilities, an open innovation association of research and business entities has been formed.

The existence of ELI-NP will have stimulating effects on high tech industries, offering exciting opportunities for companies to perform frontier research as well as fostering the research to the benefit of innovative companies, having direct and indirect effects on the economic environment at local and regional scales.

#### **Fragmented public R&D poorly linked with business**

Romania has an extensive public R&D infrastructure comprising 54 universities, 46 National Research and Development Institutes, the Romanian Academy with 66 Institutes and Research Centres, the Academy of Agricultural and Forestry Sciences with 17 Institutes, Research Centres and a network of field research units. In terms of **territoriality**, although represented in all regions, there is particular concentration in Bucharest, followed by Iasi and Cluj. However, the Romanian R&D and academic environments have been found to be characterized by fragmentation, inconsistent quality, excessive standardization, inefficient use of resources and the absence of strategy for developing research-intensive institutions<sup>39</sup>.

Private agricultural research has a low share in the national agricultural research. A particularity of agricultural research in Romania is the fact that research itself is associated with development and innovation activity, as well as with a commercial activity on the market of seeds, viticulture, forestry, animal husbandry and fishery genetic material.

<sup>38</sup> The priority economic sectors identified by the Competitiveness Strategy and the thematic priorities for public RDI investment as identified by the National RDI Strategy have as a common basis the study “Analysis and Evidence Base of the RDI Market in Romania” which provides a national view and an analysis of the regional context and potential for innovation in the economy (on one side) and discusses the RDI demand versus the strengths of the RDI offer (on the other side) in order to understand the linkage and correlation between RDI and business performance within the innovation system, in the context of establishing a smart specialisation focus.

<sup>39</sup> Highlighted in Commission Services Position Paper (October 2012) p7; National Reform Programme 2011-13 Progress Report (March 2013) p12.

The R&D institutes are under assessment and classification according to their R&D activity performance<sup>40</sup>. The main evaluation criteria are the quality of research results, the quality of human resources, the quality of the infrastructure and its level of exploitation, managerial efficiency, and the quality of the institutional development plan. The investment of ESI Funds in R&D public infrastructure will be prioritized on the basis of this evaluation and the quality certificates issued.

Analysis of publications and patent applications reveals that Romanian public R&D institutions possess particular strengths in the fields of:

- Materials technologies, including nanotechnologies;
- Engineering, including aeronautics and automotives;
- Information and Communications technologies;
- Environmental science and technology;
- Medicine/health;
- Agriculture.

This analysis is consistent with the strengths of Romanian research in the European context. The FP7 'Cooperation' areas where Romanian participation has been strong (on the basis of funds attracted) have been: ICT; Transport (including Aeronautics); Nanosciences, Nanotechnologies, Materials and New production technologies; Environment; Health; Food, Agriculture and Fisheries, and Biotechnology.

These strengths are well aligned with the sectors that are demonstrating growth and export potential under the competitiveness strategy (e.g. automotives, ICTs, food), with second tier opportunities where innovation could extend the life of mature product lines and support related diversification (e.g. wood and textiles) and with major societal challenges confronting Romania (notably climate change adaptation, and environmental remediation).

However, while much of the research undertaken in Romania is impressive, it is largely driven by academic curiosity rather than commercial considerations. Connections between education, research and the business sector remain weak<sup>41</sup>, with the result that few ideas are transferred and commercialised<sup>42</sup>. Such collaborative activity as exists tends to be between R&D institutions and large companies. There is limited participation by SMEs, although this to some degree reflects the relatively small scale and sectorial structure of the SME base. The public research institutions have not developed special management and personal capacity dedicated to better commercialisation of research results, better management of IPR, stronger dialogue with enterprises in support of their needs.

#### Weak systems for protecting and sharing intellectual property

Linkage between business and the Romanian research base is further impeded by the framework of ownership and sharing of intellectual property<sup>43</sup> arising from research. The present low level of patent registration and the fact that more than half of applications are filed by individuals rather than businesses, universities and research institutes has militated against the development of systems of IPR protection needed in an open innovation environment. With a low level of use, the technology transfer and commercialization channels, including IPR advisory assistance are very weak. Moreover, filing and maintenance costs of patents at international level are prohibitive for individual researchers lacking corporate backing.

A draft law regarding employees' inventions, approved by the Government is presently before the Parliament and is intended to clarify income sharing rights from commercialized IP among innovating employees, their employers and collaborating research institutions. This will incentivize innovative behaviour among these groups and should enable public support for IPR protection to be much more efficient. Also, a proposal to amend IPR legislation (the Law No 84/1998 is under preparation in order to clarify some aspects resulting from the implementation of the Law.

#### Shortage of research skills

The research skills base in Romania has expanded substantially since 1993, particularly in the higher education sector. However, uncompetitive wages and research facilities have seen talent haemorrhage from public sector research in recent years, with many young researchers migrating abroad. Among the EU countries Romania has the lowest share of R&D personnel as a percentage of all persons employed (0.4% in 2010) which is about a quarter of the EU average. In terms of **territoriality**, only Bucharest Ilfov is close to the EU average of 1.7%.

<sup>40</sup> In line with Government Decision No 1062/2011.

<sup>41</sup> Source: QualityBarometer, 2010, *The Quality of Higher Education in Romania*.

<sup>42</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

<sup>43</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

In 2011 only 25.8% of the economically active population in the age group 25-64 had either successfully completed tertiary education in science and technology or was employed in an occupation where such an education is normally required, in comparison to the EU27 average of 42.3%. In terms of territoriality, there are significant regional variances with Bucharest Ilfov (46.7%) exceeding the EU27 average, and the remaining regions varying from 17.7% in Nord East to 25.1% in West.

### **Lessons Learned**

There are at present few evaluation results available that provide insight into the relative effectiveness of specific intervention types. However, important lessons have been learned in the 2007-2013 period, including in relation to:

- The gross deficiency of demand in Romania's developing regions which impedes the development of enterprise and market economy;
- The financial instruments less adapted to the needs of SMEs and to the rules of state aid/de minimis;
- Fragmentation of business support between the Competitiveness and Regional Operational Programmes which has impeded effectiveness;
- The fragmentation of the research environment and the inadequacy of its connection with the needs of business growth and societal challenges.
- The absence of the financial instruments tailored to the needs of R&D sector and its connection with the productive sector/technologic transfer.
- The importance of the simplified rules regarding access and implementation of projects.

### **Main development needs**

In response to the foregoing analysis, investment in 2014-20 will be prioritized in the framework of Romania's National Competitiveness Strategy, the National RDI Strategy and the National Agricultural Strategy and the principles of smart specialization and will emphasize support leading to the commercial application of RDI activities. A complementary fiscal environment will incentivize companies, including multinationals, to locate their research activities in Romania. A tax deduction of 120% of R&D expenses for undertakings where R&D activities accounting for at least 15% of their total yearly expenditure was introduced in 2010 and has been upgraded to 150% in 2013.

Investment of ESI Funds in institutions will be prioritized on the basis of the findings of the national assessment of R&D institutions as follows:

- strong institutions/well linked to prioritized sectors - main focus of support;
- less strong but capable of improvement/well linked to prioritized sectors - secondary priority for support;
- weak institutions/not linked to prioritized sectors - not a priority for support.

For the agriculture sector, knowledge transfer, innovation support and research that is well correlated to the practical needs of farmers will be important for increasing farm competitiveness and performance. In order to facilitate the introduction of new technologies, a focusing of research units on practical applications at farm level in the context of partnership agreements for innovation will be essential.

### **Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), the main development needs are:**

- The creation of a more compact and modern R&D environment that is focused on business's needs, societal challenges and technologies where Romania has world class potential, informed by the principles of smart specialisation and in order to increase the commercialisation and internalisation of research;
- The promotion of an enterprise and innovation culture throughout the education system and in business networked with all necessary forms of support, financial, managerial, technical, creative, in order to realise the latent potential in Romania's people and its businesses.

## **THE PEOPLE AND SOCIETY CHALLENGE**

### **Employment and labour mobility**

#### **General**



Romania is confronted by a complex of issues in the labour market. Principal among these is a gross deficiency in demand which is reflected in a low employment rate<sup>44</sup> domestically and in massive migration to take advantage of better opportunities internationally. This creates a very poor platform for progressive labour market policy. In such a situation of very low demand:

- employees are forced to accept low levels of remuneration and poor terms and conditions of employment;
- employers hire in the most skilled and adaptable workers as needed; there is little investment by employers in skills development;
- there is low job mobility; people in employment hold onto positions and it is difficult to break into the market;
- there is reduced scope for improving the position of people who are disadvantaged in the labour market - women (particularly in terms of progression), young people with no prior experience, older workers, disabled people, ethnic minorities, people lacking in education and skills.

Against this background, to be effective, Romania's *National Employment Strategy* must be coordinated with other sectorial policies. The successful implementation of the strategy depends upon progress under the *Competitiveness Challenge* in generating increased demand for labour and must work alongside education vocational training and social inclusion policies.

Progress under the *Infrastructure and Resources Challenges* may also help in promoting labour market demand in the target areas, as well as creating the prerequisites for economic growth. Other factors, such as a more favourable fiscal policy, could also help in achieving the set targets for employment, by bringing some of the informal economy to light.

The importance of a high level of labour market participation and employment to sustainable development is reflected in the Europe 2020 objective of a 75% employment rate by 2020. As part of its NRP, Romania has assumed as a national target a 70% employment rate (age group 20 – 64) by 2020. This transformation will require a net increase in demand for labour of at least 10% and a considerable improvement of the position of young people, women and older workers in the Romanian labour market.

<i>Objective 2020</i>	<i>UE 27 Targets (%)</i>	<i>Romania assumed targets through NRP (%)</i>	<i>Romania current situation (%)</i>
Employment rate (age group 20 – 64)	<b>75</b>	<b>70</b>	<b>63.8 (2012)</b> <b>71.4 male</b> <b>56.3 female</b>
<b>Country Specific Recommendations 2013:</b> <ul style="list-style-type: none"> <li>- to fight undeclared work;</li> <li>- to promote the employability of older workers;</li> <li>- to improve labour market participation, as well as employability and productivity of the labour force, by reviewing and strengthening active labour market policies, to provide training and individualised services and promoting lifelong learning;</li> <li>- to enhance the capacity of the National Employment Agency to increase the quality and coverage of its services;</li> <li>- to fight youth unemployment, implement rapidly the National Plan for Youth Employment, including for example through a Youth Guarantee.</li> </ul>			

### **A gross deficiency in demand for labour**

Romania has a significantly lower employment rate (63.8% for age 20-64 in 2012) compared with the average for the EU27 (68.5%), although activity in the informal economy<sup>45</sup> may mean that official figures understate actual employment. The informal economy has been estimated as representing as much as 28.4% of GDP<sup>46</sup> (2013) much in the form of undeclared and informal work or under-reporting of earnings by people identified as in employment<sup>47</sup>. As a result of the crisis, the employment rate decreased by 1.6% during 2008 to 2012.

Unemployment remained relatively low during the recession, rising from 5.8% in 2008 to 7.4% in 2011 before easing to 7.0% in 2012, some 2.5 percentage points below the EU average. However, this reflects a tendency of long term unemployed people to migrate off the unemployment register into inactivity once the Government unemployment support finishes. Some 30% of the population in the 20-64 age range is economically inactive.

<sup>44</sup> Highlighted in *Commission Services Position Paper (October 2012)* p6; *National Reform Programme 2011-13 Progress Report (March 2013)* p10, p10; *European Council Recommendations on Romania's National Reform Programme (June 2013)* p6.

<sup>45</sup> Highlighted in *National Reform Programme 2011-13 Progress Report (March 2013)* p10; *European Council Recommendations on Romania's National Reform Programme (June 2013)* p6

<sup>46</sup> European Commission, 'Tax reforms in EU Member States 2013 Report', Table 4.7, p. 78

<sup>47</sup> Schneider, 2012.

Both the unemployment and inactivity rates need to be considered in the context of the quality of employment in Romania. Just under half of the 8.3m jobs in the economy are salaried. Of the remaining:

- 1.4m (17%) are unremunerated family members - a category that is virtually non-existent in the more developed Member States;
- 2.1m (25%) are self-employed - this is a very high level of self-employment relative to more developed Member States and is more associated with subsistence agriculture and lack of alternatives than innate enterprise culture.

This situation is even more pronounced in rural areas where self-employed and unremunerated family members accounted for 42.6% of total employed population in 2012.

Together, these phenomena are indicative a **gross shortage of employment opportunities** in the Romanian economy. This has clear implications for feasibility of achieving Romania's 70% employment rate target and of prosecuting progressive employment policies without an expansion of employment in Romania's less developed regions.

There is a strong **territorial character** to the distribution of employment which follows the pattern of sectoral activity revealed under the *Competitiveness Challenge* above. Disparities in the employment rate in Romania's regions have a range of 11.5 % between the region with the highest employment rate (North-East: 64.9% in 2012) and that with the lowest employment rate (Centre: 53.4% in 2012).

Important disparities were registered also between unemployment rates in 2012 among Romania's regions, with a range of 5.9% between the region with the highest unemployment rate (South-East: 10.2%) and that with the lowest (North-East: 4.3%). However, it should be noted that regions with higher unemployment rates were often those with more dynamic labour markets and those with the lower unemployment rates dominated by the "unsalaried" as identified above (i.e. North East region). The level of employment and the unemployment rates do not correlate with the disparity and poverty in the regions<sup>48</sup>.

The reduction in the employment rate through the recession was concentrated in rural areas, while urban employment continued to grow.

A trend analysis on the employment, during 2005-2012, shows decreases for the 20 to 64 years old rural population (with 1.2%, reaching 65.7% in 2012) and in particular for the primary and secondary economic activity sectors (with 2.6% in agriculture and 4.4% in industry and constructions), but also an increase by 14.5% in the tertiary sector (services) employment. Therefore, the discrepancy between Romania and the EU27 average is still too high, requiring the engagement of Romania population in other sectors of the economy, than in agriculture, given that 30.5% of population was employed in agriculture in 2012 compared to the EU27 average which recorded 5.2% in the same year.

As regards population employed in the Romanian food industry, in 2011 it represented 2.1% (Eurostat) of the total employed population, this percentage being 34% below the new EU-12 average of 2.8%. The ratio between population employed in agriculture and the one employed in food industry is 12:1 (the highest in Europe), as compared to the new EU-12 average of 5:1.

As already stated in the competitiveness section, the increase of the competitiveness of the agricultural sector will lead also to significant loss of jobs making a high requirement for absorption of labour especially among the young and others from subsistence farms.

Certain fisheries and coastal areas have high unemployment rates, for example, Teleorman County (10.04%, 2012) and Galați (9.14%). However, for the most part, unemployment in fisheries and coastal areas is not distinctively high.

### A lack of enterprise culture

Entrepreneurship - in the sense of motivation to establish and grow a business as distinct from self-employment - has important benefits, both economically and socially. It creates employment and wealth while contributing to personal fulfilment and the achievement of social objectives. In Romania, entrepreneurship is still weak and in rural areas is almost non-existent. In recent research<sup>49</sup>, 74% of Romanian respondents would prefer to open a business, compared to 8% who would like to be employed. Only 25% of respondents had initiated the process of starting a business, the low percentage being explained by a number of barriers, of which the most important are: difficulty of accessing finance (93%) and fear of going bankrupt (56%). According to the study, about a quarter of Romanian businesses have disbanded after three years.

### Young people face barriers in breaking into the workforce

<sup>48</sup> Further detailed under section 3.1.5 "Geographical areas most affected by poverty"

<sup>49</sup> Source: Flash Eurobarometer 354, 2012, *Entrepreneurship in the EU and beyond*.

Significant discrepancies between Romania and EU 27 are registered in the employment rate among young people (aged 15-24). In 2012, the average in Romania was 9% lower than the EU average (23.9% in Romania, against 32.9% in EU 27); for young women, the gap was 10.7%.

Moreover, in 2012, the share of young people not in employment, education, or training (NEETs)<sup>50</sup> was 3.6% above the EU average (16.8% in Romania, against 13.2% in EU 27) and among young women was 18.6% compared to 13.5% in EU27.

Young people face difficulties breaking into stable employment, for a variety of reasons:

- competition in a labour market where there is an overall shortage of employment opportunity; established workers hold onto positions;
- their work experience, the relative lack of which places young people at a disadvantage in competition with other workers. According to recruiters, 59% of employers cannot afford to hire young inexperienced workers;
- the level of education attained. However, those with good results still experience notably lower employment rates than their peers across Europe;
- lack of skills required by employers (this refers to both technical and vocational skills as well as "soft" skills - e.g. the ability to organize one's own work and learning process, cognitive skills, communication and organizational skills).

The labour market situation of young people has deteriorated through the period of the economic crisis, with the unemployment rate increasing from 18.6% in 2008 to 22.7% in 2012. However, the high unemployment rate pre-recession reveals persistent difficulty of transition for young people in a labour market with a gross deficit in employment opportunities. Reflecting **territorial disparities**, three regions will be eligible for Youth Employment Initiative, having a youth unemployment rate higher than 25%: Centre (31.7%), South-East (31.3%) and South-Muntenia (30.2%).

#### Low employment among women and older workers

Romania's low employment rate is strongly correlated with gender and age<sup>51</sup>.

#### Women

A study published in 2011<sup>52</sup> reveals the socio-economic disparities faced by female population by area of residence, especially in rural areas. A significant proportion of the female population is concentrated in this area of residence, described as a monolithic environment, socio-economically underdeveloped, culturally retrograde, with low access to education, employment and training.

The disparity between male and female employment in 2012 was 2.9% wider in Romania than the EU average. In 2012, in Romania, the male employment rate for the 20-64 age group stood at 71.4% compared with 56.3% for women. Although gender segregation by industry appears less in Romania than the European average<sup>53</sup>, earnings data suggest that more women are involved in lower paid jobs.

There are still some obstacles related to reduce adaptability of the female population in rural areas and its low participation in lifelong learning.

The educational level is one of the factors that influence women's access to employment, as follows:

- ✓ according to Eurostat data and definitions, 45.7% of women with minimal education and 60.6% of those with secondary education are employed;
- ✓ for people with higher education, women have almost equal opportunities with men in employment (84.5% of women and 86% of men are employed).

Insufficient development of childcare facilities, financially affordable and of high quality to allow a better reconciliation of work and family life for women - only 23.46% of women access such facilities, 37.91% not access them<sup>54</sup>.

Career interruption (birth, maternity leave) is a factor that puts women in a disadvantage position because during this period are lost training opportunities to adapt women skills to permanent dynamic of the labour market.

Periods out of the labour market with caring responsibilities result in a loss of seniority and a tendency towards skills obsolescence.

<sup>50</sup> Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p10, p10; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

<sup>51</sup> 2013 World Bank Report: Europe 2020 Romania: Evidence based policies for productivity, employment, and skills enhancement

<sup>52</sup> Situation of woman – socio-professional perspective

<sup>53</sup> Eurostat, 2013.

<sup>54</sup> Research Report on gender discrimination in the labor market - survey over 200 entities, companies and units of government and interviews with more than 100,000 people - with equal gender representation, and 214 managers

Moreover, until recently, pensionable age was three years earlier for women than for men. There is a **territorial** dimension to gender disparities in employment rate with a narrower range of 11 percentage points between the employment rates for males (West: 74.7% and Centre: 65.7%) and 16.2p.p. for women (North-East: 65.5% and Centre: 49.3%).

In the 2007-13 period ESF supported vocational training has been used to help narrow the gap with women accounting for 57.9% of the 155,000 recipients.

#### **Older workers**

The employment rate decreases rapidly with age. Skills obsolescence and perceptions of reduced productivity disadvantage older workers in competing in a labour market where there is a general shortage of employment opportunities. In 2012, the employment rate among those aged 55-64 stood at 41.4%, compared with 63.8% in the 20-64 age range. This is 7.5% lower than the EU-27 average for the same year. In terms of major structural changes in the labour market, older workers are considered more rigid to fluctuations in the market, considering it more difficult to integrate them in the lifelong learning - courses, retraining and therefore hardly to integrate on the labour market.

#### **Barriers from the perspective of employers<sup>55</sup>:**

- ✓ productivity of older workers is lower than that of other age groups;
- ✓ are less oriented to new technologies and more difficult to accommodate in new production processes.

Another possible problem could be the greatest share of older workers in sectors facing restructuring measures, making them more vulnerable to unemployment perspective.

Another apparent cause is the poor legislation on disability retirement limiting the right to work for certain categories of disability pensioners (second-degree of disability). (For this category, legislation prohibits the right to work as opposed to third-degree disability which allowed to work 4 hours per day).

It can be noticed the high percentage of elderly labour force in agriculture, where people over 45 years are more than 50% of the total (compared to 36.7% at national level and people over 64 years, almost 15% ( compared to 4.5% national average). Basically, almost the entire employed population over 64 years (98.3%) is working in agriculture, this category of workers having a lower education level.

In terms of **territoriality**, there are notable regional disparities with 23.8% difference between Bucharest-Ilfov (32.4%) and North-East (56.1%). In part this reflects the relative stability of (self) employment in the agricultural sector/rural areas; salaried employment which is more prevalent in urban areas appears to be more subject to age-related disadvantage.

Low employment of older workers is a matter for concern when coupled with extended longevity, raising the prospect of poverty among the elderly and increased pressure on the national system for social protection.

#### **A significant number of long-term unemployed**

During the period 2008-2011 there was a common trend of increasing long-term unemployment both in Romania and in the EU-27, more pronounced in the EU27. In 2012, the long-term unemployment rate registered in Romania was 3.2%, 1.4 pp below the EU27 average. To some extent the relatively low proportion of recorded long-term unemployment reflects the limited duration of unemployment benefits in Romania and a tendency among those whose benefits have expired to migrate into inactivity. In Romania, long-term unemployment is not seen to be differentiated by gender but rather by age group.

In terms of **territoriality**, in 2011, South-Muntenia and South-East regions recorded the highest number of long-term unemployed people, 64 thousand and 62 thousand respectively, and the North-West, the fewest, 28 thousand people.

#### **Vulnerable groups are grossly disadvantaged in a competitive labour market**

Given the general shortfall of jobs in the Romanian labour market, groups facing particular disadvantages struggle to compete<sup>56</sup>. The overall position of vulnerable groups is examined under *Social Inclusion* below; here the focus is limited to assessment of their labour market position.

*Roma people*<sup>57</sup> occupy a precarious position in the Romanian labour market explained by multiple disadvantages including low literacy, education and skills levels, as well as discrimination in the labour market. In 2011, the Roma employment rate was only 36%, while a further 36% were in search of a job and 28% were inactive<sup>58</sup>. Involvement in the informal economy is high, however. Only one in ten Roma has had a stable job in the past two years, and

<sup>55</sup> *Idem 6*

<sup>56</sup> *Highlighted in Commission Services Position Paper (October 2012) p6*

<sup>57</sup> *Highlighted in Commission Services Position Paper (October 2012) p6*

<sup>58</sup> *Tarnovschi (ed.), 2012, SOP HRD Project*

52% declare that they haven't found work at all over that period. Most Roma employed are own-account working in unskilled occupations; only 10-15% of them are salaried.

Among Roma women, labour market participation is very low, with only 27% being employed and 36% declaring to be in search of a job. From a very young age, many Roma women have childcare responsibilities.

*Persons with disabilities.* Approximately 1.4 million Romania people have limited work capacity (persons with disabilities and persons with invalidity)<sup>59</sup>. Only 12.7% Romanian persons with disabilities were employed in June 2013, 56% report that they have never worked and the employment rate is particularly low among disabled women over 50 years old. This is a notably low level of disabled employment in European terms and underlines how low demand for labour in the Romanian economy further marginalises the vulnerable.

The situation is exacerbated by the education system having failed many disabled people, among whom attainment in compulsory education is much below the average for the overall population. Accordingly this group faces a double disadvantage in the labour market.

Therefore, 2014-2020 ESI Funds should include both targeted and mainstreaming actions aiming to improve the access to the labour market focusing mostly on: long term unemployed, inactive, women, older workers, Roma people, disabled people and people with low levels of education and qualification, including those from rural areas.

#### **A lack of flexibility and mobility of labour (between different Romanian regions)**

Analysis of employment by region during 2008 - 2011 highlights significant differences in trends by region, as follow:

- the North-East region recorded the largest increase in employment, some 88,100 jobs, which indicating buoyant economic activity and a weak influence of the economic crisis, followed by the North -West, which experienced an increase of 48,900 jobs;
- South Muntenia region recorded the largest absolute decrease during the same period - a loss of 131,200 jobs, indicating the existence of structural problems that require specific measures.

Despite the relative availability of employment in other regions, inactivity levels in the more depressed regions tended to grow. While local and regional development have the objective of increasing employment opportunities in all regions, part of the solution to Romania's regional unemployment is likely to lie in increasing the adaptability and mobility of workers to pursue opportunities outside their current area of residence. This has been a common and voluntary trend among the young and well skilled, as witness the extent of international migration in the past decade. However older workers, the less skilled and those with family commitments are more subject to barriers that tie them to areas of low opportunity: lack of transferable skills, lack of financial resources, access to housing, concerns about care and education of dependents.

Thus, 2014-2020 ESI Funds should comprise actions aiming to enhance the adaptability and mobility of labour force such as providing mobility and relocation bonuses; providing vocational training for developing the skills required for growth potential sectors or the traditional sectors with potential to growth and also facilitating the transition of labour force for subsistence agriculture to non-agricultural activities or assessment and recognition of competences obtained in non-formal and informal contexts.

#### **Overcoming mismatch of supply and demand for skills**

Complex changes in the Romanian economy mean that a different mix of workforce skills will be needed in the future<sup>60</sup>. This is manifest in the opening of skills gaps early in the economic recovery with shortages of skilled workers are identified, particularly in areas of manufacturing and agro-food with growth potential. Recent research<sup>61</sup> indicates particular shortages in occupations for which TVET type qualifications are needed. The majority of current vacancies at the time of study required such qualifications, with notable demand in the textile and leather, mechanical engineering and construction industries.

The analysis under the *Competitiveness Challenge* above highlighted existing trends in sectoral growth and the conversion anticipated in future.

New business start-ups, entrepreneurship and SMEs are identified under the Competitiveness Challenge as offering significant potential for growth.

These complex trends have implications for alignment of the education system, including Lifelong Learning with the needs of the future workplace and this is considered below under *Education*. For employment policy, these same

<sup>59</sup> Ministry of Labour, Family, Social Protection and Elderly

<sup>60</sup> Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

<sup>61</sup> CEDEFOP, 2011.

trends place a premium on facilitating effective job transitions, labour mobility and adaptation as the Romanian economy moves towards a higher productivity and higher skills equilibrium.

Therefore, the 2014-2020 allocations should focus on developing skills of LTU, inactive, those with low level of education and qualifications, particularly involved in subsistence agriculture. The skills development should be in line with the needs of growth potential competitive sectors as well as with those traditional sectors where there is potential to grow, to increase added value or to sustain activity in the medium term by increasing the competitiveness through innovation and market development.

#### **Low administrative capacity of the public employment service**

The changes in the socio-economic context and in the structure of the labour market have resulted in an increased number of job seeking and unemployed clients for the PES and increased demand for PES services, particularly information and guidance, mediation and vocational training. However, a continuous decline in investments in active employment measures from 0.16% of GDP in 2003 to 0.02% in 2011 has reduced the scale and quality of services provided<sup>62</sup>.

Moreover, the budget constraints and the measures adopted in the context of the global financial and economic crisis have resulted in a reduction of the PES staff by as much as 40% in the period 2008-2010, and this situation has not changed to this day. All these have led to a capacity deficit that is currently felt and will need to be remedied.

A strategic and multi-faceted approach is needed to better match PES services with client needs. Strengthening administrative capacity of PES and assuring an adequate level of resources for active measures is crucial in order to increase the quality and the personalization of the services offered<sup>63</sup> by PES and to improve their effectiveness. Therefore, 2014-2020 allocations should focus on increasing the capacity of PES in the field of labour market analysis and forecasting, of providing personalized services and active and preventive labour market measures at an early stage, which are open to all jobseekers while focusing on people at highest risk of social exclusion, including people from marginalized communities, as well as of providing better services to employers. Also, FESI investments should support developing partnerships with private employment services, social partners and NGOs for a better coverage and management of complex issues of the labour market.

#### **Main development needs**

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), the identified development needs** are also in line with the first results of the *National Strategy for Employment in the perspective of 2020*, *National Competitiveness Strategy* as well as with the *National Plan for Youth Employment*.

**According to the weight of the problem, the main development needs in the field of employment and labour mobility are:**

- Increasing employment opportunities;
- Sustainable integration into the labour market of young people not in employment, education or training (NEETs);
- Access to employment for job-seekers and inactive people, focusing on women, youth and older workers, Roma, disabled and other vulnerable groups;
- Reduce regional and territorial disparities and enhance labour mobility;
- Improve alignment of employment and workforce development services with the changing needs of the labour market;
- Diversifying the fisheries and aquaculture economy in order to attract employment and business creation in the field;
- Modernizing the PES system and strengthening its administrative capacity to deliver active and preventive employment measures as well as quality services.

#### **Social inclusion and poverty**

##### **General**

In spite of progress over the past two decades, Romania remains subject to:

- extensive poverty and social exclusion;
- high levels of deprivation in rural areas and urban pocket;
- social problems and antisocial behaviour, which particularly affect the poor and deprived;

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<sup>62</sup> National Agency for Employment

<sup>63</sup> Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

- low quality and unequal access to health and social services.

Poverty and social exclusion, which predominantly affect Romania's less developed regions, have their roots in<sup>64</sup>:

- the low-level of economic activity;
- the high dependence upon low productivity agriculture, fisheries and related activities;
- unsustainability of past models for regional diversification, leading to de-industrialisation and migration.

A fundamentally poor situation has been exacerbated by the impact of the financial and economic crisis, which during the period 2008-2011 has seen a trend of improvement in the proportion of the population at risk of poverty and social exclusion (AROPE)<sup>65</sup> from 44.2% in 2008 to 40.3% in 2011 stagnate and unfortunately more recently reversed<sup>66</sup> to 41.7% in 2012.

Although policies, legal provisions, and responsibilities for counter-exclusion and poverty alleviation actions are established, local authorities lack the human and material resources to address these phenomena. Community-based services are underdeveloped; the potential contribution of social economy models is under-exploited.

Public investment is justified on economic grounds as well as by social justice. Social and economic exclusion has a high cost for Romania in terms of unrealised human potential. It represents a significant burden on public finances that will grow in future as Romania transitions towards the EU mainstream in terms of social provision. Nevertheless, sustainable solutions depend heavily upon progress under the *Competitiveness Challenge* outlined above.

### Extensive Poverty and Social Exclusion

Objective 2020	UE 27 targets	Romania assumed targets through NRP	Romania current situation (2012)
Reduction of population at risk of poverty after social transfers (number of persons) as compared to 2008	20,000,000	580,000	240,000
<b>Country Specific Recommendations:</b> <ul style="list-style-type: none"> <li>- to pursue health sector reforms to increase its efficiency, quality and accessibility, in particular for disadvantaged people and remote and isolated communities</li> <li>- to alleviate poverty</li> <li>- to improve the effectiveness and efficiency of social transfers with a particular focus on children</li> <li>- to complete the social assistance reform by adopting the relevant legislation and strengthening its link with activation measures</li> <li>- to speed up the transition from institutional to alternative care for children deprived of parental care</li> <li>- to ensure concrete delivery of the National Roma Integration Strategy</li> </ul>			

In 2012, 124,5 million people, or 24.8 % of the EU-28 population were at risk of poverty or social exclusion, defined as share of the population affected by one or more of:

- income below the poverty threshold;
- living in a situation of severe material deprivation;
- living in a household with a very low work intensity.

With 41.7% of the population falling within this definition, Romania has the second highest AROPE rate in the EU<sup>67</sup>. Under the National Reform Programme, Romania aims to reduce its AROPE population by 580,000 (c.6.51% of the 2012 level) by 2020 as its contribution to the Europe wide EU2020 target.

In terms of **territoriality**, poverty has a significant spatial character. Bucharest-Ilfov has the lowest incidence; poverty is almost twice as prevalent in the Northeast and Southeast. Significantly higher shares of people faced with the risk of poverty or social exclusion are found in *rural areas and small towns*, mostly in the Northeast, Southeast, Southwest Oltenia and South-Muntenia regions. More than 71% of the Romanian poor live in rural communities. Between 2005 and 2011, the greatest progress in reducing poverty was recorded in three regions: Central, Bucharest-Ilfov and Southwest Oltenia; in South East and West regions its extent was changed only marginally.

*Mono-industrial* areas affected by industrial restructuring are experiencing pronounced ageing and depopulation; isolated settlements located in mountain regions and along the Danube corridor have the same negative demographic trend, mainly because of their geographical characteristics limiting access to jobs.

<sup>64</sup> Highlighted in Commission Services Position Paper (October 2012) p6.

<sup>65</sup> Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p17; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

<sup>66</sup> Eurostat, December 2013

<sup>67</sup> Eurostat.

In *rural areas*, poverty is associated with lack of modernization and economic life dominated by agriculture. Since 1990, concentrations of poverty have formed in the urban centres in areas of poor housing. Further differentiating factors in urban poverty are the monetary income dependence of city/inhabitants, the segregation of communities in housing and greater use of social services.

### Target groups

The groups most affected by poverty and social exclusion<sup>68</sup> are as follows:

**Children** represent a significant vulnerable group.

*Children and youth from poor families* - Some 320,000 children (0-17 years) were living in extreme poverty in 2010. Children in rural areas and Roma children are the most affected. The urban child poverty rate in 2010 was only 3.5% but in rural areas was 12.4%. Rates are significantly higher for Roma children: 27.3% for Roma children in urban areas, compared with 2% for Romanian children, and 41.1% compared to 10.6% in rural areas.

*Children in residential or family-based child care institutions*<sup>69</sup>. Integrating young people in the society in view of active living, as well as enabling their entire potential to ensure the quality of life represent essential elements for reducing the risk of social exclusion and providing the premises for sustainable development.

*Children with parents working abroad* - At the end of 2011 there were 83,658 children in this situation. Most, but not all of these children, are relatively well-off in material terms, but may be subject to emotional deprivation that harms their development. Lack of parental care and supervision may have serious effects on personality development, quality of nutrition and performance in school, including dropout rates.

*Single parent households and households with three or more children*. Whilst the relative poverty rate of childless households has dropped slightly in recent years, in households with children it has risen. Among these, in 2013 were registered single-parent families (51,776 families, representing around 20% beneficiaries) and households with three or more children (50,425 households of which 29,035 with both parents) are faced with a risk of poverty that is 1.5-2 times greater.

Most single parents (83% female, 17% male) are of Romanian origin and have a medium-low level of education. However, despite the relatively high rate of employment (64%) their incomes are low. For single parents who work, balance between work and family life, especially child supervision and support necessary for school are vital issues.

**People who are jobless or who have low incomes**<sup>70</sup>. For working-age population, unemployment is the main cause of poverty. In 2011 the monthly unemployment rate for the active population aged 15-64 was 7.7%. The risk of poverty in the unemployed is almost six times higher (and rising) than in employees. During the crisis, the number of salaried workers has dropped by more than 15% or nearly 730,000 people. People living in households with very low work intensity account for 7.4% of the population in 2012 and almost one in ten children and one in ten people aged 18-59 live in households where no one has a job. Even so, employment does not always provide a way out of poverty. According to Eurostat, the in-work poverty rate in Romania is the highest in Europe. At the same time, self-employed farmers face an even higher poverty risk than the jobless. It has been estimated that 31% of the employed persons work in the informal sector, many in unstable jobs, seasonal or temporary employment that provides low and irregular incomes (often in kind) and most households are facing fuel poverty. This type of unstable employment is often all that is accessible to vulnerable groups, and compounds their exclusion, not being covered by the social insurance, health and unemployment insurance systems. Another category is represented by homeless people; most of the people become homeless when leaving placement centres or another institution (either upon turning/completing their education or in other circumstances), or after losing their house. According to administrative data, in 2011 the number of marginalised persons (including homeless) without a house/apartment, owned or rented is 41,085.

**Elderly people**. The risk of poverty among the elderly population has decreased significantly since 2007 (when it was recorded at a rate of 44%), mainly due to the increase of pensions in 2008 and the introduction of social pensions in 2009. In Romania the majority of dependent elderly are in the care of their family. However, people aged 65+ who live alone, account for 4.2% of the population and are considered a vulnerable group, especially in terms of access to health and social services.

Care services (nursing homes, respite centres, day care centres), medical care services, and of home-based social services for dependent people are all underdeveloped.

<sup>68</sup> Highlighted in Commission Services Position Paper (October 2012) p6.

<sup>69</sup> National Reform Programme 2011-13 Progress Report (March 2013) p10, p18; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

<sup>70</sup> Source: Ministry of Labour, Family, Social Protection and Elderly, A Socio-Economic Analysis for the 2014-2020 Structural Funds Programming Period – Social Affairs and Social Inclusion, 2012



In 2012, there were 203 residential centres for elderly, out of which 108 public services and 95 administered by NGOs. The total number of beneficiaries in public and private residential centres is about 9542 persons (the current average of beneficiaries per centre is 45). Comparing with the total number of older population 85+ (263.262 persons - 1.3% of the Romanian population), who represent the majority of the persons requiring long term care in their homes and in residential centres, Romania has to develop home care services and to set up residential care also to respond to the growing needs of the older population being in continuous ascending trend. Even though the accent in the current legislation is to maintain people in their homes as much as possible and to develop home care services, there is also a necessity to have residential care for those cases which require long term care services, especially elderly persons with a higher degree of dependency.

In Romania, long term care is being defined by the Law no. 292/2011 regarding social assistance, as care of the person requiring a longer period of time over 60 days help to meet basic and instrumental activities of daily living. Long term care is not supported through an insurance scheme; therefore it is a non-contributive service. LTC is mainly supported by state or local budgets and/or from beneficiaries payments based on individual income.

Often home care is provided in an informal manner by family members who burden the household income and relationships. Romania is confronted with the migration phenomenon, being the main “exporter” of active age individuals, including in the field of long term care provided mainly in the Western EU countries. Having in view the insufficient capacity of existing services for the elderly, there is also the necessity to finance setting up residential care services.

Romania is one of the most affected EU members by the demographic ageing. This occurred mostly due to natural change, but also to external migration, given that active people, both economically and demographically, prevailed among the emigrants and contributed to the reduction of births and natural growth. The share of 65+ population has already increased to 16.1% in 2011, compared to 11% in 1992 and it will reach over 26% in 2060<sup>71</sup>.

By 2030, the number of people aged 65 or over will increase by almost 760,000, raising the challenges that the health-care system is already facing, as well as seriously questioning the sustainability of the pension system.

Life expectancy at birth increased from 69.2 years old in 1980 to 74.6 years old in 2011.

In 2011<sup>72</sup>, the natural change (per 1000 inhabitants) was of -2.6 and it registers negative values since 1992, while the total net international migration was -2.8<sup>73</sup> having a significant fertile age women component. According to Eurostat<sup>74</sup>, when the two components of population change (natural change and net migration) move in the same direction, they combine to produce a larger overall change. Many NUTS level 3 regions in Romania, Bulgaria, Germany, Latvia, Lithuania, and Hungary saw both components of population change move in a negative direction. It can also be noticed that, after 2040, Latvia and then Romania are projected to have the highest median ages, evidencing the eastward shift of the ageing process. Excluding the median age indicator, where most countries have probably already passed the period of highest increase, the countries that are projected to face the earliest demographic changes include Germany, Poland, Romania and Slovakia, the first of these about one to two decades earlier<sup>75</sup>.

One important aspect to be taken into account is the statistical indicator showing the old age dependency ratio; in fact reporting the percentage of old aged population 65 and above to the active age population, aged 15–64. The old age dependency ratio was 21.3%<sup>76</sup>, but the prognosis is of constant and consistent growth: 25.7 % (31.4% EU) in 2020, 30.2% (38.3% EU) in 2030, 40.7% (45.5% EU) in 2040, 53.8% (50.2% EU) in 2050, 64.8% (50.2% EU) in 2060.

According to the population change projections for the interval 2008 – 2060 regarding Member States and for Norway and Switzerland, Romania is situated among the last four countries having the lowest figures, respectively a negative population change of -25%<sup>77</sup>.

**Roma people**<sup>78</sup>. Two-thirds of Roma live in poverty and half of them are exposed to extreme poverty. While some 619,000 people (3.2% of the population)<sup>79</sup> are declared Roma, social research by national and international bodies suggests an actual number of Roma that is much higher.

Low participation in education is a major cause of poverty among the Roma population:

- 82.4% of Roma children of school age attend school;

<sup>71</sup> National Statistics Institute, 2013, “Romania population projections: 2060 Horizon”

<sup>72</sup> According to NSI Romanian Yearbook 2013

<sup>73</sup> National Statistics Institute

<sup>74</sup> EUROSTAT, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-HA-13-001-02/EN/KS-HA-13-001-02-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-HA-13-001-02/EN/KS-HA-13-001-02-EN.PDF)

<sup>75</sup> Eurostat Population Projections, [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Population\\_projections](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Population_projections)

<sup>76</sup> EUROSTAT

<sup>77</sup> EUROSTAT, EUROPOP2008 convergence scenario

<sup>78</sup> Highlighted in Commission Services Position Paper (October 2012) p6,p10; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

<sup>79</sup> Census 2011.

- 6.9% have interrupted their education (85.7% of their parents cite poverty-related factors - lack of resources for the collateral costs of education, or the necessity for the child to partake in income generating activities for the household; only 14% declared that school drop-out is due to the lack of importance of education);
- 8.9% have never been enrolled in the education system (69.2% of parents cite a lack of resources for clothing and shoes; 7.7% that the children had to get involved in income generating activities – 7.7%, or had to participate in primary care for their younger siblings – 7.7%);
- Roma girls face disproportionately high risks of early school leaving and early motherhood.

More than half of adult Roma have not completed the minimum compulsory level of education. As a result they are not eligible for certificated vocational training courses.

Low educational attainment, combined with discrimination, leads to large disparities in labour market outcomes and in extremely low productivity rates. Some 38% of Roma work as unskilled, 32% skilled occupations (workers, vendors, traders), 9% are workers in agriculture and 13% traditional Roma occupations.

For a better complementarity of funds allocation and for obtaining a more effective/integrated approach (e.g. education, housing, community care centres, employment etc.) in implementing social inclusion projects, the Romanian authorities will use an institutional coordination mechanism described within the 2.1 Chapter - *Arrangements for coordinating EU and national funding instruments*, Level 2 – Thematic steering sub-committees.

**Persons with disabilities.** In 2013, the number of persons with disabilities in Romania was 700,736, a ratio of 3.71 persons per 100 inhabitants<sup>80</sup>. Of these, 61,043 (8.8%) are children under 18 and 639,693 are adults (91.2%). The vast majority (683,921, 97.6%)<sup>81</sup> are in the care of their families and/or are living an independent life.

As noted above, persons with disabilities are grossly disadvantaged in the labour market. No adequate support for entrepreneurship/other forms of support (e.g. such as sheltered employment) for persons with disabilities is available.

Moreover, they are confronted with limited access to health and social services which are not well adapted to their special needs or their financial capacity. Persons with disabilities have limited access to quality health care, including to routine medical treatment.

**People suffering from addictions, those affected by domestic violence, human trafficking and persons deprived of liberty or on probation.** Romania faces increasing problems with drug misuse, which is partially correlated with other poverty and deprivation factors. The highest rates of misuse are in the poorest regions (Northeast and Southeast). Drug use is 2.5 more frequent in boys than in girls. The use of multiple substances and injecting is increasing. The incidence of HIV, HCV and HBV among drug users has increased. Hospital admissions from substance misuse have followed an upward trend in recent years, considerably exceeding in 2010 the previous record high from 2001.

It is estimated that over 1.2 million women in Romania become *victims of violence* each year, although less than 1% file charges against their perpetrator and thereby enter official statistics. Sociological studies estimate that nearly 20% of women experience domestic violence in their lifetime. Over 2003-2008, there was an increasing trend in recorded domestic violence. Alcoholism, poverty, socialisation in a violent environment and patriarchal family pattern are considered to be distinctive factors in domestic violence in Romania.

Romanian nationals feature prominently among the *victims of human trafficking*, primarily for sexual exploitation, identified in other EU Member States<sup>82</sup>. The number of identified victims in Romania has increased since 2009 and is attributed in part to the economic crisis pushing unemployed people to take greater risks<sup>83</sup>. Women, (mainly those aged between 14 and 26 years) are more vulnerable to trafficking in human beings than men. Average education (lower secondary, vocational or high school) and material and financial poverty are triggering factors for exploitation and trafficking.

At the end of 2012, 31,817 persons were held in detention facilities countrywide, 2,185 from them being minors and young persons, detained in specialized prisons or juvenile detention centres<sup>84</sup>. These numbers have been increasing in recent years. As regards adult prisoners, 89% have a final conviction, the majority of them being sentenced to 1-5 years. Less than a quarter of adult prisoners had completed a professional or vocational qualification prior to their detention. Resources are insufficient to ensure that all prisoners and those who have served custodial sentences are involved in good quality rehabilitative actions.

<sup>80</sup> Directorate for the Protection of Persons with Disabilities, June 2013.

<sup>81</sup> [http://www.mmuncii.ro/j3/images/buletin\\_statistic/hand\\_sem\\_I\\_2013.pdf](http://www.mmuncii.ro/j3/images/buletin_statistic/hand_sem_I_2013.pdf)

<sup>82</sup> UNODC, 2009, *Global Report on Trafficking in Persons*

<sup>83</sup> National Agency against Trafficking in Persons

<sup>84</sup> National Administration of Penitentiaries, 2013.

Alternatives to detention - community service, probation - are in a reform process but the social exclusion of offenders and ex-offenders is still high influencing their probability of re-offending. At the end of 2013, 20,744 convicted persons were registered within the files of probation services and 7765 pre-trial/pre-sentential reports were drafted by the probation counsellors at the request of prosecutors or courts. Those who have served a custodial sentence are significantly disadvantaged in the labour market and may find their opportunities restricted to informal work. Therefore, it is essential to be considered as one of the beneficiaries of the integrated measures with the final aim of achieving their social inclusion.

### **Deinstitutionalization**

One of the major reforms assumed by the social assistance system after 1989 has been the closing down of big institutions and developing small scale and community based services. These services are now delivered at local level by a mix of public, private and NGO providers.

*Children in residential or family-type child care services.* Through the development of family-type services, the number of children in public and private placement centres has reduced by more than 50% to stand at 22,532 in June 2013. Additionally, at the end of 2012, some 17,746 children benefited from day care centres and 28,044 children from other services for the prevention of child abandonment. In total, 45,790 children and mothers were benefiting from counselling and support services for parents, family planning services, pre-natal monitoring services, etc. provided in day care centres and other preventive services.

From the total number of people with disabilities, 2.4% (16,815) live in public or accredited private social assistance specialised residential care institutions. In order to extend deinstitutionalisation, further support to establish community based alternative services is needed.

Therefore, for 2014-2020 an important part of the financial allocation will be primarily directed to facilitate transition from large scale, inefficient residential centres to community-based services. Refurbishment of existing residential centres will be limited to those serving accommodating specific categories (e.g.: heavily disabled persons, persons with mental diseases, dependent elderly etc.) who require specific and professional treatment.

### **Prioritisation and implementation**

Allocation of support for social inclusion target groups from domestic and ESI Funds will take account of:

- the relative scale of the target groups and their territorial dispersal.
- the relative cost and potential for positive outcomes from intervention in the different target groups.
- the long term avoided public cost from treating different target groups.
- commitments under the National Reform Programme and to the Europe 2020 Strategy.

Implementation will be informed by the priorities of the relevant National Strategies and the findings of related needs mapping, including the National Strategy for the Promotion of Social Inclusion and Combating Poverty, National Strategy for Child Rights Protection and Promotion; National Strategy for Elderly and Active Ageing, Strategy of the Government of Romania for the inclusion of the Romanian citizens belonging to the Roma minority for the period 2012-2020.

Where appropriate to positive outcomes, implementation will involve integrated action by the public, private and non-government agents and will be tailored to the needs of the individual.

### **Social problems and antisocial behaviour**

Romanian society is adversely affected by a range of social problems and antisocial behaviours. These issues are strongly but not exclusively correlated with poverty and with deprived areas.

Although present to some extent in all locations and strata of Romanian society, the above and other social problems, antisocial behaviours and related criminal activity have a particular incidence in deprived areas and are a further blight on living conditions. Efforts to overcome these problems are hampered by inadequate coverage by social services and specialist agencies, particularly in rural areas, and by limited capacity and lack of specialist skills among personnel involved in providing social services. Weak organisation, operating procedures and ICT infrastructure are further constraining factors.

## **SOCIAL ASSISTANCE SYSTEM**

### **Social services**

Social services in Romania are organized at the level of local authorities, in a decentralised manner. Local authorities have financial autonomy and are responsible for the development and management of social services. Within the social services system, there are public and private providers operating in a regulated framework under a system of accreditation, in line with general and specific quality standards.

The monitoring process led by the European Commission<sup>85</sup> has highlighted that Romania has greatly improved the system of social services, but it is still lagging behind many EU Member States in terms of employment in the sector (4% versus 9.6% in the EU). The application of current legislation concerning the development of primary social services is hindered by lack of flexible forms of employment (for example, part-time), a very reduced share of social service expenditure in the GDP (Romania ranks bottom in the EU for this indicator), and the headcount and training of human resources.

The number of social workers in Romania is nearly 5,000 active social workers (almost 3,500 of which are registered with the National College of Social Workers)). According to Law no. 292/2011, one social worker should provide services to not more than 300 beneficiaries. From a population of 21,5 million inhabitants, 40.3% (2011 data) are at risk of poverty and social exclusion, representing 8,66 million people. Therefore, the current ratio is one social worker providing services to 1,732 beneficiaries, showing the lack of human resources in the system.

In general, at community level, identification and early intervention services and referral systems for the most vulnerable groups are poorly developed or completely missing. Cooperation between different sectors and services is relatively limited. There are no mechanisms of coordination between competent ministries/institutions. Prevailing social attitudes and practices that foster discrimination and tolerance toward negative behaviours add more obstacles to identification and referral.

A recent commissioned study<sup>86</sup> concludes that the social protection system is still faced with many gaps and inconsistencies, being unevenly developed especially in rural areas.

The development of social services in the community is correlated with the need to address the issues related to vulnerable groups.

The majority of Community based services are organized under the responsibility of the local authorities as they are closer to citizens and their needs. They are also responsible for the elaboration and implementation of social inclusion plans. At the same time, the community based centres are meant to cover the need of integrated services, as well as to encourage volunteering activities (in the field of social assistance and social inclusion), through providing an organized environment where volunteering programs could be developed, in connection with the needs identified at the community level.

### **Social benefits**

Though targeted at a relatively high number of beneficiaries, social benefits have a small share in total expenditure on social protection and low actual net values to the individuals which explains their limited impact on poverty reduction, social inclusion and protection of vulnerable groups. The intervention on reducing the risk of social exclusion and poverty continues to be centred on social benefits (the guaranteed minimum income, cold season heating benefits, children's allowance, family benefits), without the complementary services of developing and implementing prevention and counselling social services, of life skill development, job-finding assistance, etc. The development and delivery of these services require investments in the systems and infrastructure as well as the skills and competencies of the professionals working in the field.

In order to ensure an efficient administration of the social assistance benefits at delivery and decision-making levels, a modern and flexible IT system is needed. The SAFIR application has been created in order to automate and manage the operations and the information associated with the social assistance benefits provided by the MoLFSPE. Although the SAFIR holds a lot of data and the main social benefits are being managed through it, SAFIR requires further development of the system for better policy decision and data mining, as well as for checking for reducing error, fraud and corruption. Investment in a complex e-social assistance system would allow automatic cross-checking with different relevant databases (public finances electronic database, agriculture electronic registry, employment and pensions electronic registry, as well as civil electronic registry) and by implementing it at the local authorities' level, it would facilitate beneficiary access to information, benefits and services, provide simplified procedures, avoid overlapping schemes to reduce administrative and beneficiaries costs, prevent and reduce error, fraud and corruption. This would imply an upgrading of the SAFIR system, a roll-out to local authorities and other structures, and the training of the personnel in using the system.

### **The social economy**

One of the most important issues regarding the role of social economy at society level is the ability of the sector to find innovative solutions to economic, social and environmental challenges by creating and developing jobs, implementing social inclusion activities/actions, improving services at local level, fighting against poverty and

<sup>85</sup> Romania has to submit twice a year to the European Commission administrative and statistical information alongside monitoring reports on social service developments based on the European Commission Recommendation on the active inclusion of people excluded from the labour market (2008).

<sup>86</sup> Ministry of Labour, Family, Social Protection and Elderly, *A Socio-Economic Analysis for the 2014-2020 Structural Funds Programming Period – Social Affairs and Social Inclusion*, 2012.

community development<sup>87</sup>. Social economy aims at increasing employment opportunities for Roma people, persons with disabilities or other vulnerable groups exposed to the risk of social exclusion by developing social economy enterprises and using the existing labour force at local level and especially in disadvantaged areas which is unemployed due to a very small range of employment opportunities.

Currently, the following entities have been identified as developing social economy activities:

- cooperatives, associations and NGOs delivering goods and services on a not-for-profit basis, including retail services where the commercial market is less than fully functional and organisations delivering public services locally under contract;
- credit unions, providing micro financial services;
- authorized protected units, functioning as businesses, but where at least 30% of the workforce is disabled.

The social economy employed over 100,000 people at end of 2010, representing 1.1% of all employment and about 1.7% of salaried employment in Romania.<sup>88</sup> The draft Law for social economy in Romania was recently adopted by the Government and sent to the Parliament. However, its application will require an extensive effort to build capacities in this sector and to promote and support the social economy structures including the investment in equipment and infrastructure.

Nevertheless, many legal and practical impediments constrain the potential contribution that social economy can make to local development and to combating social exclusion, notably lack of legal framework at EU level. Nevertheless, there is limited knowledge about social entrepreneurship and constrained access to finance.

The financing of social economy entities should be combined with adequate counselling and training for the social entrepreneurs. Limited success was achieved during the 2007-2013 period as the concept was new and the legal basis undeveloped. Nevertheless, a number of achievements were made in terms of both raising the awareness and possibilities of social enterprise and in more concrete terms the creation of jobs.

Taking into account the availability of the newly prepared legal framework, as well of the fact that the established need for social enterprises for the current financial exercise might not be covered, as well as the relevant role in creating new jobs, as proved for 2007 – 2013 period, there is justified continuing the development and the support for social enterprises in 2014 – 2020 exercise.

The added value of the future social economy enterprises, resides also in the development of the social insertion enterprises, as the new draft Law prevails that the enterprise has at least 30% employees from vulnerable groups and reinvests at least 60% from profit or financial exceeding to the development of the social insertion enterprise.

### Social responsibility

In order to elaborate the framework for defining the concept of social responsibility, the *National Strategy to Promote Social Responsibility 2011 – 2016*<sup>89</sup> was adopted, considering that the reduction of poverty is also an issue of ethics and responsibility. Therefore, raising awareness at national level and promoting good practices for social responsibility can contribute significantly to social inclusion and poverty reduction.

### High levels of deprivation in rural areas and urban pockets

As noted above, poverty is significantly concentrated in Romania's rural areas, where it is paired with housing deprivation mostly related to poor sanitation<sup>90</sup> (restroom, bathroom, running water, sewerage infrastructure, etc.). Although investment in basic infrastructure (roads, water supply and sewerage infrastructure) and services in rural areas has been supported both by national and EU funds, it is still underdeveloped, hampering economic growth, employment, attractiveness to investment<sup>91</sup> and having a negative impact on quality of life of the rural population. Since 1990, urban areas have witnessed the emergence of territorially compact pockets of extreme poverty and precarious housing. These areas contain a concentration of people who are excluded from the official labour market and exploited on the informal labour market, poorly connected to information and communication channels and with poor quality of services (education, health, and infrastructure). Even if many of these districts are characterised by poverty rather than ethnicity, Roma tend to be subject to greater exclusion than other residents. In all these areas, children and young people make the majority (over 60%), while the population aged 60+ accounts for less than 10%.

Many residents of deprived areas live in sordid buildings, some structurally unsound, lacking utilities. Sanitation is appalling due to a lack of running water and sewerage. Electricity and heating is undersupplied and more than half

<sup>87</sup> EU Commission (2010) *EUROPE 2020, A European Strategy for Smart, Sustainable, and Inclusive Growth*

<sup>88</sup> According to the Press Release no. 130 of June, the 14th 2011 of INS on employment and unemployment

<sup>89</sup> Source: General Secretariat of the Government, <http://www.sgg.ro/nlegislativ/docs/2011/05/2x4bdfjnwskv89h17pzq.pdf>

<sup>90</sup> Highlighted in Commission Services Position Paper (October 2012) p8.

<sup>91</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

of households suffer from cold permanently. Moreover, homes are overcrowded and often two or more families/people share one room.

Pockets of social exclusion can be identified in every Romanian town<sup>92</sup>. Important types are: communities near landfills, semi-rural areas (houses at the outskirts of town), “old town” areas (old houses in the centre of the town), “ghetto” areas (former workers’ homes, uncertain legal status, crime-affected districts), brownfield sites (former apartment buildings built for workers in former mono-industrial towns), peri-rural areas (close to a village but with different spatial organisation), “autonomous” areas (belonging to a territorial administrative unit yet independent of it from a physical and community standpoint).

In 2012 has been started a mapping process of the disadvantaged communities in the urban areas, with the support of World Bank with the purpose of the elaboration of Integration Strategies for Poor areas and Disadvantaged Communities.

In the same time, the World Bank elaborated maps of poverty<sup>93</sup> at the national level, that provide regional and county level concentration of poverty information, using the information from Population and Housing Census and EU-SILC.

### Prioritisation and implementation

Allocation of support for local area regeneration from domestic and ESI Funds will take account of:

- the relevant Regional Development Plans and related needs mapping;
- the scale of the affected populations;
- existing and potential capacity in communities to engage in their own development.

Implementation will go beyond piecemeal delivery of services to the social inclusion target groups identified above. It will involve multi-stakeholders cooperation including local authorities, social services and law-enforcement agencies health, education, culture, religion, social assistance or non-governmental organisations. Where existing or latent potential exists at community level, the opportunity will be afforded to use the LEADER local development or Community-led local development models.

### Underdeveloped health services and poor health outcomes

Across most health indicators, Romania has substantial disparities with the EU average and records the worst or close to worst performance. Life expectancy has been improving but in 2011, was 6.4 years less for men and 5.1 years less for women than the corresponding European averages. Although significantly improved, infant mortality remains three times the EU average. Deaths from cardiovascular disease and cancers are twice the average for EU<sup>94</sup>. Romania is the leading EU member state regarding mortality through cervical screening cancer or multidrug resistant tuberculosis. There is a strong **territorial** character to health performance and a high correlation with poverty factors<sup>95</sup>. Health outcomes are generally very much better in Bucharest Ilfov than any other region and worst in the poorest regions Northeast and Southeast. Outcomes are substantially worse in rural areas than in the urban locations in the same region, with the poor or old population being more vulnerable.

The causes of poor health performance are variously:

- underdeveloped and often outdated infrastructure and equipment, mostly located within urban areas and with weak outreach capacity<sup>96</sup>;
- a shortage and uneven distribution of health staff (services follow the historic pattern of being provided mostly within hospitals and less at community level);
- inappropriate hospital settings for responding at regional level to major emergencies;
- uneven distribution of PHC/community care settings generating lower level of geographical access in rural settings, doubled with poverty, physical isolation and ethnicity factors;
- low development of the long term care component (including residential homes as well as home care services for the dependent population);
- poor information infrastructure developed in a piecemeal approach with low level of data interconnectedness;
- poor planning / weak management and low cost effectiveness within the health sector<sup>97</sup>.

<sup>92</sup> Rughiniş (2000); Stănculescu and Berevoescu (coord., 2004); Sandu (2005); Berescu et al. (2006); Berescu et al. (2007); PCSDRA (2009); Stănculescu (coord., 2010); Botonogu (coord., 2011). The findings presented in the text are confirmed by all these studies, with some statistical differences according to the researched area(s).

<sup>93</sup> Mapping the Risk of Poverty for Small Areas in the New EU Member States” (2013), Reflected also under chapter 3.1.5

<sup>94</sup> Eurostat

<sup>95</sup> Various INS, WHO, Eurostat

<sup>96</sup> INS

<sup>97</sup> Highlighted in National Reform Programme 2011-13 Progress Report (March 2013) p19; European Council Recommendations on Romania's National Reform Programme (June 2013) p5, p10.

The proposals for funding under the structural funds 2014-2020 are following the strategic and integrative directions of the National Health Strategy 2014-2020. As the strategic thinking was mainly driven by the needs of the population, the main health issues that were defined as a priority were the ones for which health indicators where Romania lags behind the European average, such as maternal and infant mortality, five pathologies (cancer, cardiovascular diseases, diabetes, mental illness, rare diseases) etc. Another input into the decision making was the coverage with appropriate services (quality services) that would effectively meet the priority health need. Increasing access to health services for the general population and especially for the most vulnerable segments of the population, combined with a reduction in administrative costs including through energy efficiency measures represent strategic objectives for the health sector.

**Primary health** care will be focused on developing community care services for the outreach of vulnerable mother and children in communities as well as ensuring a better coverage of 24 hours accessibility to a family physician as well as increased access to community care nursing/health visitors. Community nursing/health visiting services have been considered as crucial for outreaching poor vulnerable women and children and address in this way the poor indicators on maternal and child care in regions with high levels of infant mortality (Mehedinti and Tulcea counties being for example areas that shall be primarily targeted). Only 800 out of more than 3,000 rural communities have access to nurses deploying activities of health visitors; monitoring and evaluation of the activity of the 800 nurses at community level is correlated with lower maternal and infant mortality in those catchment populations. A new integrated model of care (health and social) has been developed by the MoH and the MoLFSSE with the participation of community nurses and social workers; and is to be implemented starting with the 2014-2020 Strategy implementation period.

Enabling access to 24 hours primary health care services especially in remote areas require provision of infrastructure such as Centres for 24 hours primary health care services (a maximum of 100 centres - either existent or reorganized from rural hospitals according to county level plans of action – are planned to be refurbished/equipped under ESI Funds). Social workers and family doctors and nurses are needed to align their practice to the European standards.

**Specialized ambulatory services – outpatient settings** represent one segment of the health care delivery that needs further sustained development, this being emphasized within the Health Strategy 2014-2020. This envisions a higher role for ambulatory services and enhancing their capacity to address avoidable hospitalization cases. Thus, (the needed infrastructure and equipment update as well as the training for specific staff represent a must if the more expensive and resource intensive hospital based services utilization is to be reduced during the strategy implementation). About one third (15) of county level specialized ambulatory services have been refurbished under the past programmatic funding, one other third is scheduled to be addressed under the World Bank loan scheduled to be launched in 2014 and the remaining third is planned to be funded through the ESI Funds.

**The development of emergency care services**, as services benefitting equally insured and uninsured persons, has remained high on the agenda. Being under constant development during the last years, the emergency services are one of the services better trusted by the population; the increase in number of equipment and of vehicles/infrastructure that have a high pace of being wear-out requires their timely replacement. Continuous education of staff working in this sector is equally important.

#### **Regional and county level emergency hospitals**

Regionalization of care and specifically the definition of county and regional health action plans, to enable better access to health services require the infrastructure development of regional and county level emergency hospitals as well as at community care level. Whilst there is clear evidence of the need for primary health services at community level, there is complementary a clear need for developing the county and regional emergency hospital infrastructure (sometimes more than 100 years obsolete). Noticeable examples are in deficient North-East and North West Regions (i.e. North East - the third poorest NUTS II region in the EU, where eight, below-average income, counties are served by a single university hospital, currently located in 25 separate buildings in the city of Iasi, lacking to provide an integrated approach to patients with poly-trauma and critical complex cases, thus potentially increasing the risk of inducing vulnerability amongst the beneficiaries of such services). Despite of the real needs of regional hospitals covering all the Romanian regions, as the current financial allocations are limited, under 2014-2020 programming period, three new regional emergency hospitals that shall represent hub centres of the emergency services provided at regional level are planned to be built in Cluj, Iasi and Craiova. The new buildings shall not duplicate, but replace the old ones.

Continuous education programs for all types of specialized staff to respect clinical guidelines and protocols represent a critical investment in increasing the quality of the services provided.

### Inefficient use of resources

In addition, most county level hospitals do not meet the EU standards, are energy inefficient, incurring high costs for providing hitting, lacking adaptations that enable appropriate physical access.

In order to increase energy efficiency, through the rehabilitation of health units at local/county level, the priority will be given to mono-bloc hospital/health buildings and hospitals/health buildings more than 20 years of not having been rehabilitated<sup>98</sup>.

### Long term care/palliative care

While the population of Romania is under a clear trend of aging, provision of services for the dependent population/ elderly is still not adequate; many of socio-economically vulnerable chronically ill patients become inpatient within acute hospitals cases, consuming thus scarce resources of the system in an unjustified way, calling for the development of appropriate types of care (home care/homes for the elderly) within the health sector.

**The prioritization of investments from ESI funds, detailing the criteria used for concentrating EU support is presented hereafter.**

In order to provide **an integrated multilayer network of hospitals that should be able to deal with the most complex cases in a multidisciplinary and integrated approach**, which is not achievable with the actual infrastructure and **decrease avoidable death for complex tertiary cases** through the development of regional emergency hospitals, priority will be given to: regional university hospitals without buildings that could be rehabilitated in order to provide integrated multidisciplinary hospital services that currently function in multiple old buildings; Regional university hospitals with buildings that could be rehabilitated/extended in order to provide integrated multidisciplinary hospital services; addressability and complexity of regional university hospital; equitable access to complex infrastructure.

In order **to increase the healthy life expectancy/quality of life and productivity and to decrease avoidable hospitalization**, through developing specialized ambulatory services, the following criteria for selection will be used.

The specialized ambulatory centre provides services that are critical to the implementation of the county health service delivery plan (the plan enables appropriate access of vulnerable groups to all types of services); The cost effectiveness of the services provided (history of services provision shows an appropriate level and quality of activity); Ineffective hospitals (rural or small urban hospitals with low levels of activity or high levels of avoidable hospitalization) that need reorganization/ rationalization and propose business plans for transformation into ambulatory centres (this criteria shall be fulfilled together with the first two criteria); The health facility did not benefit from complete investment programmes in the ambulatory care in the past 10 years.

In order to **increase capacity for the provision of community care services**<sup>99</sup>, through the rehabilitation of community care centres/ multifunctional units, priority will be given according to: the level of poverty of the region/county/locality/priority shall be given to areas with highest vulnerability of the population; the level of pre-existent access to community care services; the level of vulnerability of the population (high rates of ethnic minorities, high dependency ratios, etc.).

### Increasing institutional capacity

Training of professionals and managers at national and local level for increasing knowledge and skills to define and implement evidence based policy making is a must considering the need for cost effective intervention as well as having in view the progress of the health reform and decentralization process.

Given the scattered and fragmented information system today, the suboptimal use of e-health technologies and limited interoperability, there are major impediments on the performance of the health sector. Lack of specialized human resources in remote geographical areas is pitfall that can be countervailed through modern technology (telemedicine and other e-health solutions). An increased system efficiency and management capacity requires a better availability and utilization of information and communication (IT&C) technology instruments in the framework of e-health (enabling systems interoperability, telemedicine, integration of existing databases and registries, development of new patient registries, continuous upgrade of NHIH IT&C architecture, based on a single integrated information system, electronic referral system, electronic insurance card, electronic patient file, etc.).

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<sup>98</sup> The investments in health infrastructure (refurbishment) will be correlated with the measures foreseen under TO no. 4 aiming to improve energy efficiency and costs reduction.

<sup>99</sup> The needs for infrastructure at this level is high, but more accessible to funding from local authorities Integrated centers/ Community centers provide integrated social and medical services especially for vulnerable groups; Social or medical personnel deliver targeted services to improve social inclusion and to adress medical and social needs of the population.



This will ensure the development of services networks between the rural centres and the specialized ambulatory centers as well as the networks between the emergency hospitals.

### **Rural small scale infrastructure**

A significant challenge which has to be addressed in order to promote social inclusion and local economic development in general is infrastructure.

In rural areas, small scale infrastructure (basic infrastructure, educational, social and cultural infrastructure) have a key role in improving quality of life and attractiveness of rural settlements.

**Social services and related infrastructure** do not meet the needs of the rural population, and the deficit of conditions for the development of the rural area from a social perspective will be reflected in the economic development of rural areas in Romania.

Therefore, the **social infrastructure** is insufficiently developed to meet the demands. Therefore, in 2011, there were 524 adult care units, out of which 27% were functional asylums for old people while the number of old people in the rural area is increasing. A similar situation also applies in case of nurseries; there were 295 units in 2011 at national level out of which only 2 units in rural areas, while the number of children between 0 and 4 years amounted to 1,054,946 in 2012, out of which 45.5% were children registered in the rural area.

Sustainable economic and social development of the rural areas is critically dependent on improving the existing rural infrastructure and basic integrated services.

### **Lesson learnt from the perspective of 2007-2013**

There were difficulties in applying *integrated projects* and the lack of correlation between the local infrastructure projects within the objectives of regional development or sectoral strategies.

Also as a lesson learnt is *Investments in educational and social infrastructure* will be carefully targeted considering the demographic trends of the rural population and complementarity with other funds.

During 2007-2013 programming period, there were issues related to ineffective coordination at regional/county levels of strategic projects targeting employment and social inclusion. Therefore, 2014-2020 financing should ensure the coordination between funding sources in general as well as between local stakeholders and the future investments in dedicated infrastructure should be accompanied by ensuring the complementarity with the ESF type projects.

As the 2014-2020 impose a higher emphasis on results, it will be crucial to establish a more flexible framework (e.g.: Simplified cost options) which will address the current deficiencies related to the low absorption rate and facilitates a higher achievement of the targets foreseen.

The main difficulties in implementing the **NRDP** projects of basic infrastructures were related to their *complexity and long period for completion*. Also, this investment requires a large number of authorizations issued by various authorities which generates additional administrative burdens for the beneficiaries.

### **Main development needs**

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), and consistent with the aims of the relevant National Strategies, the main development needs in the field of Social Inclusion and Combating Poverty are:**

- Reducing the incidence of poverty and social exclusion experienced by the identified vulnerable groups.
- Improving the accessibility and quality of social services, particularly in rural areas and in deprived urban areas, and enhancing their contribution to combating poverty, social exclusion and social problems.
- Improving the basic infrastructure&access to services in order to promote economic development and reduce poverty in rural settlements, including fisheries areas
- Development of alternative types of services to the classic residential centres and to the transition from big capacity to the community – based services;
- Improving social inclusion of people living in rural areas or urban pockets facing high level of deprivation by using targeted approaches through applying LEADER or Community-led local development models;
- Improving health outcomes, particularly in relation to maternal and neonatal health and the five pathologies which account for the majority of adult morbidity;
- Improving the system efficiency through the use of information and communication (IT&C) technology instruments in the framework of e-health and e-social assistance.

### **Education and training**

## General

Romania still has to improve the performance at all levels in its education and training system due to a series of realities such as:

- presently limited availability and consequent low participation in early childhood education and care;
- non-enrolment and high early leaving rates in compulsory education remains high, especially for vulnerable categories of students, including Roma;
- levels of attainment in compulsory education are still behind European averages;
- low participation in tertiary education, especially for the last three years and for the population aged 30-34, and very low participation in adult lifelong learning;
- mismatch in the outputs of the education and training systems with labour market needs;
- slow insertion into the labour market following completion of education and training at all levels (and reflected in the high number of NEETs highlighted above under Employment).

The causes of low performance in education and training are variously:

- very low expenditure. In 2009 Romania spent 4.24% of GDP compared to an EU27 average of 5.41%. Allied to Romania's below average GDP, this translates to an absolute level of spending per capita (per pupil/student) of €2,386 compared to the EU27 average of €6,504<sup>100</sup>;
- unattractive facilities, low levels of equipment;
- teaching skills, methods and curricula need to be adapted to an education approach more related to the labour market needs;
- weak linkage between employers and the education and training system;
- labour market demand largely derived from low skills and low productivity sectors.

In response to this situation, the 2011 Law on Education initiated a systematic process reform in all areas of the education and training system, placing an important role to building up the administrative capacity and policy making, promoting effective quality assurance mechanisms and improving the skills and competences of graduates for the labour market (LM) needs. However, this major reform that set a long-term agenda for upgrading the quality of education at all levels is not yet fully operational<sup>101</sup>.

Reflecting the educational reforms and the overall national priorities promoted by the Law of Education and objectives of the EU2020 Strategy, Romania has assumed the following targets.

<i>Objective 2020</i>	<i>UE 27 targets (%)</i>	<i>Romania assumed targets through NRP (%)</i>	<i>Romania current situation (2012) (%)</i>
Early school leaving	<b>10</b>	<b>11.3</b>	<b>17.4</b>
Tertiary education	<b>40</b>	<b>26.7</b>	<b>21.8</b>
<b>Country Specific Recommendations 2013:</b> <ul style="list-style-type: none"><li>- to speed up the education reform, including the building up of administrative capacity at both central and local level and evaluate the impact of the reforms<sup>102</sup>;</li><li>- to step up the reforms in VET;</li><li>- to align further tertiary education with the needs of the LM and to improve the access for disadvantaged people;</li><li>- to implement a national strategy on ESL focusing on better access to quality early childhood education, including for Roma children.</li></ul>			

Achievement of these targets will represent a substantial improvement over the current position but will still leave Romania with one of the lowest shares of population aged 30-34 with tertiary education level or equivalent.

### Limited availability and low participation in early and preschool education

In 2011, only 2% of children aged 0-3 years were enrolled in nurseries, the overwhelming majority of children up to 3 years being under parental or family care. At the present time there is a gross shortage of affordable nursery care<sup>103</sup>.

A hitherto improving trend in participation in preschool education by those between the age of 3 and the age for starting compulsory education stagnated at 82.1% in 2010 (significantly below the EU27 average of 92.3% and well short of the Education and Training 2020 strategic framework's benchmark of 95%)<sup>104</sup>.

<sup>100</sup> Source: EUROSTAT Educational expenditure statistics

<sup>101</sup> Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p7,p10.

<sup>102</sup> Further addressed under the Administrative and Government challenge

<sup>103</sup> Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p7,p10.

<sup>104</sup> Source: Eurostat (UOE), 2013

There are significant ethnic (mainly Roma)<sup>105</sup> and territorial disparities in participation. More than a third of Roma children (38.5%) do not attend kindergarten, compared with 13.3% of children from non-Roma households<sup>106</sup>. Participation is also notably lower in rural areas mainly because the percentage of kindergartens coverage in the rural area is only 7.44% out of the number registered at national level in the school year 2012-2013.

Findings from different studies indicate that the vast majority of early childhood education and care programs (ECEC) have had considerable positive effects on cognitive development and that in relative terms children from socioeconomically disadvantaged families made as much or slightly more progress than their more advantaged peers.

Investment in both infrastructure and institutional development for pre-school education remains very low and leads to limited availability, inconsistent quality and affordability of early and preschool education that has consequential effects on compulsory school enrolment and performance, and also represents a barrier to labour market participation by parents. The legal framework adopted in 2013 regarding the organization and the functions of nurseries requires new investments in institutional development and systematic initial and continuing training of staff for this level of education.

#### **High non-enrolment and high early leaving rates in compulsory education**

Romania has a poor record with school enrolment and attendance in primary and secondary school. Non-enrolment in school is around 1.5-2% in the case of children at age 8, rising to 5-6% at age 10<sup>107</sup>. Dropout rates are higher in the case of upper secondary level and in rural areas and also for the Roma students.

The main explanations for dropping out, identified both by schools and families, are economic. The crisis made it difficult for many families to bear the costs of supporting their children's education, especially at higher level.

A further cause of high early leaving rates is related to limited availability of informal alternative education such as School-After-School (SAS) or "Second Chance" for students at risk of early leaving. Similarly, there are limited opportunities for early leavers to re-enter the educational system because of its chronic under-funding and the lack of incentives.

The Roma population is the most vulnerable group to early leaving which affects Roma girls in particular, due to the poor living conditions and Roma culture and traditions. In recent research covering Roma children (7-11 years old) from families with at least one child out of school, almost half (44.2%) is not attending any education or training programme.

Early school leaving (ESL) remains a persistent issue in Romania<sup>108</sup>, with a negative trend relative to the EU2020 target since the onset of the economic recession to 2010 (i.e. from 15.9% in 2008 to 18.4% in 2010) and a stationary trend from 2011 up to 2012 i.e. 17.4%, despite programmes developed at national or local level. Children and young people from disadvantaged backgrounds, students from rural areas (especially boys in 11-14 age group), the Roma and those who have special educational needs (SEN) are categories at highest risk. There are considerable regional variations, with rates exceeding 20% in Central, South-East and South Muntenia Regions. However, high intra-regional disparities are also observed, counties with lower economic development and high share of rural population being particularly affected. The underdeveloped systems of educational and vocational guidance and counselling are additional causes for ESL phenomenon.

#### **Enrolment and participation in Initial Vocational Education and Training (IVET)**

Restructuring of the IVET system in Romania due to low enrolment and poor infrastructure has seen the progressive closing of schools of arts and trades since 2009, especially regarding agricultural high schools which number decreased during the last 15 years by over 80%. Those that remain are still generally considered unattractive due to the quality of facilities, equipment and staff. This has resulted in a continued reduction in enrolment rates.

An important upgrade of the IVET system is presently underway to promote skills acquisition linked closely with labour market demands and private sector needs; developing and supporting upper-secondary and post-secondary education; extending the use of a credit transfer system (i.e. between upper-secondary vocational education and the post-secondary education); providing the possibility to complete at least one vocational training programme by low-achieving secondary education graduates less than 18 years old, who have previously left school; and

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<sup>105</sup> Highlighted in Commission Services Position Paper (October 2012) p6;; European Council Recommendations on Romania's National Reform Programme (June 2013) p6, p10.

<sup>106</sup> Source: Agentia Impreuna, 2012, *The Roma in Romania*

<sup>107</sup> Source: NIS

<sup>108</sup> Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p15; European Council Recommendations on Romania's National Reform Programme (June 2013) p7 and p10.

stipulating the acquisition of appropriate qualifications in accordance with National Qualification Framework (to be provided free of charge by state VET schools).

These new measures are expected to reduce the dropout rate in IVET and to support students from disadvantaged groups directly affected in the past by the closing of schools of arts and trades in Romania (poverty, isolated rural areas).

Non-enrolment and high ESL rates contribute to Romania's relatively low levels of attainment in compulsory education. For the affected individuals, life chances, access to labour market and social inclusion are considerably jeopardised. Failure to complete secondary education may result in ineligibility to take part in vocational training.

**Prioritisation:** ESI Funds will be allocated for measures increasing participation, affordability and quality of early childhood education and care. This refers to children between 0-6 years old, particularly in the age group 0-3 years old and especially for groups at increased risk of ESL, focusing on rural areas and Roma. In order to reduce ESL, preventive and compensation measures should be implemented, including individualized support for pupils at risk of ESL. In rural areas, this may be provided through the small scale rural infrastructure provisions of the EAFRD.

#### **Attainment levels in compulsory education lagging behind European averages**

Assessments by the World Bank and the OECD<sup>109</sup> reveal that, in spite of recent progress, the average Romanian student has considerable deficits to his peers worldwide in science, in maths, and in reading and comprehension. In 2009, between 40% and 47% of Romanian students were classed low achievers across these key skills - more than twice the EU average and far from the ET 2020 benchmark of 15%.

The gender gap in reading and sciences is significant, boys having higher share among low achievers compared to girls. In terms of territoriality, there are significant disparities between rural and urban schools, associated with the local socio-economic circumstances.

Studies examining the underlying causes of the attainment levels (IEA 2012<sup>110</sup>) pointed out the need for improvement of quality and effectiveness of school governance and management – including policy monitoring and evaluation systems, curriculum and developing specific skills (like interpretation, applying and reflection on information in different life contexts). Different national programmes for piloting innovative models of teaching, learning and assessment of key skills in language and communication, mathematics and science, with the participation of researchers and teachers in further training programmes, are from this perspective a priority in Romania too.

The low basic skills and competences of students in Romania measured by national and international assessments are also correlated with the general poor quality of education and its dependency on limited funding sources. Thus, this poor quality is also a consequence of the reduced allocation on public and private educational institutions per pupil/student compared to GDP per capita, in 2009<sup>111</sup>, in Romania being 21.6%, compared with EU27 average of 27.4% (the lowest level in EU27).

#### **Low participation in tertiary education and very low participation in adult lifelong learning**

##### **Tertiary education and research**

In 2012, 21.8% of the Romanian population aged 30-34 had tertiary education<sup>112</sup>, increasing significantly from the 2007 level of 13.9%. Female participation is some 7 percentage points higher than for males, although the gender gap is around half of that at EU level. However, enrolment in higher education from high school has fallen sharply from 53.6% in 2007/2008 to 35.2% in 2011/2012.

Despite the steps made in improving the national policy and legal framework, higher education and research activities have faced funding constraints affecting the universities capacity to undertake reform. Higher education received only 1.4% of GDP in 2010, and in the following years a declining trend has continued<sup>113</sup>. A new performance-based funding policy and multiannual study grants have been stated as a priority but are not yet systemically implemented.

Links between universities, research institutes and the business sector are underdeveloped resulting in low relevance of the tertiary education curriculum with the current and future needs of the labour market as well as lack of income-generating opportunities for the Universities and research centres.

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<sup>109</sup> OECD PISA 2006 and PISA 2009.

<sup>110</sup> International Association for the Evaluation of Educational Achievement: Education and Training Monitor 2012

<sup>111</sup> Source: Eurostat (UOE). Indicators on education finance. Note: compared to GDP per capita, all levels of education combined, based on full-time equivalents.

<sup>112</sup> Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p16.

<sup>113</sup> Source: The Report of the National Funding Council for Higher Education, April, 2013

Although the number of doctoral graduate students is considerable, underfunding of the research, development and innovation field has resulted in a brain drain, with the majority of researchers who remain in the country and in employment being older workers.

According to Eurostat data for 2010, Romania is ranked last in the European Union for the number of RDI employees from the total active population (0.5%), compared to the European average of 1.5%.

There are several critical areas of the Romanian RDI labour market: restricted access of doctoral students and new postgraduates to a career in research; limited exchange of research staff between public and private organizations; and the modest presence of foreign researchers in the local academic environment. There are also a small number of foreign doctoral students in Romanian universities and a decreasing proportion of researchers among employees in the private sector.

A more recent study conducted in 2011 by the World Bank, UNDP and the European Commission Program, reveals that in regions of Romania with a significant territorial concentration of the Roma population, less than 1% of Roma young people aged 20-24 years, have got post-secondary studies, compared with 11% among non-Roma belonging to the same region and the same age category. Investing in a complete, educated, intellectual Roma group is an important factor for long-term social inclusion of the entire Roma communities, for which it is the key for intensifying the efforts in facilitating the access for Roma to higher education.

Mobility of students to and from Romania is another challenge for an attractive and quality tertiary education. While the proportion of Romanian students attending university in another EU country increased from 4% in 2007 to 7% in 2010, this remains half of the level aspired to in the relevant ET2020 benchmark. In parallel, enrolment of students from other EU Member States in Romania's higher education institutions also remains very low (0.2% in 2007 and 0.4% in 2010).

**Prioritisation:** ESI Funds will be allocated in line with the priorities of the National Strategy for Tertiary Education, with a special focus on measures for: improving the governance and management of Higher Education institutions<sup>114</sup>; improving the quality and labour market relevance of teaching and research; strengthening of partnership between universities, business and research; modernizing tertiary education through the development of post-graduate studies; and the internationalization of higher education. Moreover, the ESI Funds allocations will be in line with the needs of growth potential competitive sectors as well as with those traditional sectors where there is potential to grow, to increase added value or to sustain activity in the medium term by increasing the competitiveness through innovation and market development.

In view of the EU2020 target, the investments measures will focus on actions to increase the access of non-traditional students: those from rural areas, from Roma and other disadvantaged groups as well as adults presently aged between 23 and 27. The strategy also aims to increase the quality, flexibility and relevance of tertiary education to labour market needs.

### Life-long learning

Education rates in the working age population are low and reduce with age along with employment. Only 1.4% of the adult workforce participated in formal education and training in 2012<sup>115</sup>, an improvement of only 0.1 percentage points since 2007 and less than a fifth of the EU27 average<sup>116</sup> i.e. 82.9%. Moreover, the gap between this rate and the one indicated for Romania (to increase *the participation in LLL* up to 10%) remains high and even higher compared with EU target, 15% according to "Education and Training 2020".

Participation in training is particularly low among people with low level of education and professional qualification, among those working in micro businesses and among those aged over 40 years. In terms of **territoriality**, participation rates are lower in rural areas. Most of the farmers do not have the necessary skills to develop a viable economic activity. The farm managers rely solely on their practical experience, only 2.5% of them having a basic or full agricultural training<sup>117</sup>, highly below the European average (29.4%). The lifelong learning is in an early stage of development, which positions Romania on a lower place in the EU 27 (1.6% in 2011 compared to 8.9% EU27). Low levels of education and training among farm managers is another factor hampering competitiveness. The study on skills mismatch in Europe<sup>118</sup> shows that in Romania only one third of the workers matched their skills with the current job.

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<sup>114</sup> Ministry of National Education is one of the priority ministries considered for the structural reform measures foreseen under TO no. 11

<sup>115</sup> Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p6, p10.

<sup>116</sup> Source: Eurostat (LFS)

<sup>117</sup> Source: The Observatory for Permanent Learning Development, 2011

<sup>118</sup> Source: CEDEFOP, 2010

There is a clear correlation between educational attainment and employment, unemployment and particularly with inactivity. This has clear implications for risk of poverty in old age and also for efforts to improve the productivity and competitiveness of business in Romania.

Therefore, employers should be encouraged to invest in workforce development through CVT/LLL to improve productivity and resilience and to address the present low participation in adult learning<sup>119</sup>.

Concerning the adult learning that does take place, most is job-related, in line with the EU27 average, however the actual participation in informal learning, is the lowest in Europe (18.8%) and just over two-fifths of the EU27<sup>120</sup> average. The informal learning emplaced that does take place is generally not accredited or recognised towards formal qualifications. Career counselling and skills assessment can provide the opportunity for trust deficit recovery, especially for employees who have experienced failure in formal education. The skills assessment centres network is still geographically limited and the institutional and personnel capacity of the centres for skills assessment and certification requires further strengthening.

Low participation can be explained, in part, by the limited opportunities for individuals to access life-long learning in employment or on a flexible basis out of the workplace, for example in the Community Permanent Learning Centres envisaged under the new Law of Education. It can also be explained by inadequacies in partnership between the social partners, companies and training providers who have an interest in diversified and flexible CVET.

**Prioritisation:** ESI Funds will be allocated for measures developing LLL services at community level to provide training and education in basic and transversal competences. This includes digital skills, counselling and validation of prior learning, focusing on lower skills and rural areas. It includes validation of non-formal and informal learning; support for information, vocational training (short/initial training) and acquiring skills for farmers and for those involved in forestry. It also includes supporting measures to promote quality and accessibility of VET by strengthening the capacity of IVT and CVT providers to deliver VET programs correlated with the LM demands.

#### **Slow insertion into the labour market following completion of education and training**

People leaving all levels of education in Romania experience a slow rate of insertion to the labour market. The rate of insertion increases with level of education. It is slowest among lower secondary school graduates, primary school graduates or those who have not completed any form of education. In 2009, only 14.6% of this group were in work one year after leaving the education system. The one-year insertion rate is greatest among higher education graduates (60.9%) and post-secondary graduates (technical or specialized craftsmen - 50%). An adverse evolution between 2006 and 2011 leaves Romania 11.6 percentage points short of the ET2020 benchmark of 82% graduate employment within three years of completing education and training.

The overall low demand for labour, low job mobility and competition from established workers limits the opportunities available to new entrants to the Romanian labour market. However, it is also clear that the education and training system is failing to equip students to compete<sup>121</sup>. Where low achievers are concerned, compulsory education is failing to deliver basic employability skills<sup>122</sup>. However, higher unemployment rates among tertiary education graduates<sup>123</sup> aged 20-24 than secondary education graduates of the same age demonstrates mismatch between the skills and competencies developed in tertiary education study programmes and labour market needs<sup>124</sup>.

#### **Modernisation under risk due to low digital literacy**

Computer skills are central to Romania's transition to a knowledge economy, to educational reforms such as "second chance" and lifelong learning and to the successful deployment of electronic public services. However, in 2011, Romania had highest share of population between 16-74 years old with no computer skills (61%) in the EU27<sup>125</sup>.

While 43% Romanians aged 16-74 used the internet at least weekly in 2012, 48% of all Romanians have never used a computer. There is a clear generational and educational divide in computer skills, positively correlated with age

<sup>119</sup> Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

<sup>120</sup> Source: Eurostat (AES)

<sup>121</sup> Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

<sup>122</sup> Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

<sup>123</sup> Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

<sup>124</sup> Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7,p10.

<sup>125</sup> Source: Eurostat, Information Society Statistics

and educational level. Use of ICT in the classrooms is limited by the age and quality of the equipment, particularly in Romania's less developed regions<sup>126</sup>. The National Competitiveness Strategy strand "Preparing Generation 2050" prioritises further investment in ICT hardware and software in Schools.

In terms of **territoriality**, the situation is similar in all regions of the country, except for the Bucharest-Ilfov where 33% of people have never used a computer.

**Prioritisation:** Improvement to the availability and quality of ICT hardware and software in schools will be prioritised in the context of the National Competitiveness Strategy; Digital Agenda strand Preparing Generation 2050. Special attention will be given to correlate the ICT hardware and software investments in schools with the appropriate training of the teachers in applying the modern techniques within the educational process.

The further development of *e-education* will enhance access to LLL, "second chance" education and to training for those who are not provided with opportunities in their workplace.

#### **Outdated education and training infrastructure that constrains reform**<sup>127</sup>

Romania is on the path towards a process of rationalising and restructuring the school and initial VET network aimed at increasing the efficiency of the system<sup>128</sup>. However, much of the education infrastructure continues to be outdated and unattractive and constrains the effectiveness of existing policies concerned with improving the quality of education and ensuring regular attendance. Of particular concern are rural schools and isolated schools in disadvantaged areas that have poor sanitary conditions (a third of rural schools do not meet the requirements of sanitary authorities), lack a proper water supply (almost half of rural primary schools), are not connected to sewerage with consequent risks to health (a fifth of rural schools), are inadequately heated (more than half of the schools in rural areas, and more than one third in urban areas, the most serious situation being recorded in primary schools).

The availability of specialised facilities and teaching equipment for disadvantaged students, including those with special educational needs, is poor.

**Prioritisation:** Improvements to the school estate will be prioritised in line with the priorities of the National Strategy to Reduce ESL, having regard to the EC/WB poverty mapping project and will mainly be targeted the counties where the percentage of persons who have completed only primary education is over 6%. Projects supported should be viable having regard to local needs and demographic trends. Supported investments should also complement the measures aiming to provide good quality of ECEC, reduce ESL and address the needs of disadvantaged students, notably Roma and students with SEN.

Interventions in education infrastructure will be based on mapping and specific criteria established at the national level and these will be focused on the regions with demographic uptrend, on the needs related with the labour market, (to reflect into IVET schools the economic local firms in a dual system, to support the creation of new jobs, to improve transition to the labour market etc.), to sustain a good quality for education into the disadvantaged communities etc.

*Modernization and development of IVET infrastructure* will be prioritised in line with the National Strategy for Lifelong Learning having regard to the EC/WB poverty mapping project and will mainly be targeted in rural and remote areas where the proportion of people who have completed only primary education is over 6%. Priority will additionally be given to IVET schools serving sectors with growth potential, mainly agricultural development, rural modernization, food security and environmental protection.

Investments in VET infrastructure will primarily consider the growth competitive sectors and/or the traditional sectors with potential to grow, but also the regional/local growth potentials emphasised under the Regional Development Plans.

*Investment in the higher education estate* will be prioritised in line with the National Strategy for Tertiary Education, having regard to the EU2020 targets for tertiary education attainment and graduate insertion to the labour market. Accordingly, infrastructural support will complement measures aiming to align higher education with labour market needs. Further investment in higher education infrastructure and equipment will target the modernisation and internationalisation of the most important universities and their related research facilities, particularly those which will assure a better linkage with research and/or cooperation with the business sector.

In order to ensure the coherency and the consistency of interventions at the level of educational infrastructure in 2014-2020 period is needed a strategic approach, in line with the Sectoral Strategies regarding ESL, Tertiary

<sup>126</sup> National Agency for Quality Assurance in Preuniversity Education (ARACIP) research findings

<sup>127</sup> Highlighted in Commission Services Position Paper (October 2012) p22.

<sup>128</sup> The Law of Education (no.1/2011) provisions

Education and LL, taking into consideration the demographic trends in school population, by one side, and the economic development trends, by the other side.

### **The administrative capacity and the need for evaluating the impact of the education reform**

Council Recommendation on Romania's 2013 highlights the importance of building up administrative capacity and policy making as a pre-condition for a successful implementation of the education reform. This would imply measures targeting the professionals, both at central and local level, in developing their capacity in the areas of strategic planning and budgetary programming, impact assessment and monitoring and evaluation. This need is identified under the Administration and Government Challenge and will be addressed under TO11.

In order to strengthen the administrative capacity of the Ministry of National Education, it was considered to be one of the priority institutions for conducting functional reviews by the World Bank. Also, it is necessary to continue the efforts in implementing the measures foreseen into the action plans attached to the functional reviews.

### **Lessons learned**

The most important shortcomings identified from the implementation of the policies and programmes in the field of human resources could be summarized as follow:

*The main areas of intervention were not addressed in a strategic and coherent manner.*

There was a lack of strategic approach in identifying the sectors that need skilled work force on the labour market and the educational and training system. The strategic projects which targeted employment and social inclusion in rural areas indicated also ineffective coordination at regional/county levels. Targeting of specific needs in rural areas needs better coordination between funding sources in general as well as between local stakeholders.

Complementarity between the investments in educational infrastructure projects financed within ROP and NRDP 2007-2013 and the projects financed within HRD SOP was not ensured, leading to reduced effectiveness and sustainability of the ESF projects dedicated to education and training. Launching of future investments in infrastructure should be coordinated with relevant ESF projects;

*There was a lack of coordination between the resources allocated to the main areas of interventions and the expected impact of investments* (e.g. some interventions were under-financed, in allocating resources to doctoral and post-doctoral students, no appraisal was made of the prospective benefits, including their potential to influence Romania's position on international market).

The absorption rate for SOP HRD in the current programming period indicates also the *need for changes in the legal, institutional and procedural frameworks for the next programming period*, such as: the simplification of guidelines for applicants; reduced documentary requirements; improvements in the public procurement legislation; the use of simplified cost options.

### **Main development needs**

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), the main development needs in the field of Education and training are:**

- Improving the access, participation and good quality of ECEC;
- Strengthening accessibility, quality and learning achievements in compulsory education;
- Increasing the attractiveness of primary and secondary education, including IVET;
- Intensive interventions to address the educational needs of groups at risk of exclusion (children from social and economic disadvantaged backgrounds, Roma, SEN, etc.);
- Improving quality and relevance of VET (both IVET and CVT) and tertiary education to labour market needs;
- Enhancing access to and supporting participation in tertiary education;
- Enhancing access and quality of learning provision for adults<sup>129</sup>, with focus on relevant basic and transversal skills;
- Fostering lifelong learning and vocational training (short term/initial training) in the agriculture and food sectors;
- Exploiting ICT in education as a force for modernisation;
- Reforming the human resources management in educational system.

### **INFRASTRUCTURE CHALLENGE**

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<sup>129</sup> Under the TO no. 8 are to be financed measures for workforce development targeted to long term unemployed/ inactive while under TO no. 10 (LLL) are to be financed measures for those employed



## ICT infrastructure

### General

Information and communication technologies (ICTs) are important for developing countries. They create new ways of interacting, doing business, and delivering services. Through extending access to ICTs and encouraging their use, the EU aims to stimulate sustainable economic growth, improve service delivery, and promote good governance and social accountability. ICTs are also associated with economic growth.

The Digital Agenda for Europe, a flagship initiative of the Europe 2020 Strategy, underlines the importance of broadband connectivity for European growth and innovation and for social inclusion and employment. The Digital Agenda sets ambitious coverage and speed targets and requires Member States to take measures, including legal provisions, to facilitate broadband investment. The Digital Agenda targets and Romania's position relative to these are shown below. It may be seen that Romania has particular gaps with the EU Targets in relation to NGA broadband access, overall internet use and digital literacy, reflected in significant shortfalls in e-commerce by business and citizens.

<i>Objective 2020</i>	<i>EU Targets</i>	<i>Current<sup>130</sup> situation RO</i>
Covered by broadband	100% by 2013	89.8% (2012)
Covered by broadband above 30 Mbps	100% by 2020	63.7% (2013)
Subscriptions to fixed broadband above 100 Mbps	50% by 2020	18.9% (2013)
Population to buy online	50% by 2015	5% (2012)
Population to buy online cross-border	20% by 2015	1% (2012)
SMEs to make online sales	33% by 2015	5% (2012)
Difference between roaming and national tariffs	to approach zero by 2015	
Regular internet usage overall	75% by 2015	43% (2012)
Among disadvantaged people	60% by 2015	24% (2012)
Population that has never used the internet	15% by 2015	48% (2012)
Citizens using e-Government	50% by 2015	37% (2012)
Returning completed forms	25% by 2015	4% (2012)
Key cross-border public services, online	100% by 2015	N/A
Public investment in ICT R&D	doubled to €11bn by 2020	€27.3m (2011)
Energy use of lighting (%)	reduced by 20% by 2020	N/A

The focus in this Chapter is on ICT Infrastructure, but ICTs have a horizontal presence across the Challenges identified in the PA:

- as a growth sector, a source of enhanced business performance and a regulatory issue under **the Competitiveness Challenge**;
- as a tool for improving education and health services and as a skills issue under the People and Society Challenge;
- in identifying, monitoring and managing environmental issues under the Resources Challenge;
- as means to improve the efficiency and effectiveness of government under the Administration and Government Challenge;

The accessibility and quality of broadband infrastructure is fundamental to realising benefits from ICTs in all of these areas.

### Basic broadband and new generation access

Romania has been addressing market failure in the provision of basic broadband<sup>131</sup> through the National Broadband Strategy 2007, RoNet initiative and under a specific sub-measure financed by EAFRD. By 2012, basic broadband covered 89.8% of homes in Romania (compared 95.5% in the EU). Coverage of basic broadband should be complete (100% of territory covered) in 2015, with ERDF & EAFRD assistance from the 2007-13 period.

Progress towards delivery of basic broadband has been delivered in Romania by exploiting existing fixed infrastructure and mobile broadband. However, the step change to NGA speed access will require fibre optic fixed network or 4G mobile technologies to achieve.

The recent heavy investment in telecommunications infrastructure in Romania, including under the RoNet initiative has resulted in considerable progress in installing Next Generation Access capable of providing at least 30 Mbps download. In 2012, this was available to 63.7% of homes (compared with 53.8% in the EU). However, presently thin

<sup>130</sup> Sources: <http://ec.europa.eu/digital-agenda/en/scoreboard/romania>; ANCOM

<sup>131</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

markets, combined with the dispersed pattern of settlement in Romania represent a significant obstacle to the extension of NGA access, particularly in Romania's rural areas.

Recent consultations with operators<sup>132</sup> concerning the existence of infrastructure and the intention to invest in a total of 12,487 rural localities resulted in the identification of 2,268 localities where there are no broadband networks either in the local loop area, or in the backhaul area, and where there is no justified intention to invest expressed by private operators.

Research for Romania's National Plan for the Development of Next Generation Access Infrastructure suggests that in the absence of public sector intervention, by 2020, in terms of **territoriality**:

- with limited exceptions, the market will deliver the Digital Agenda targets in urban areas, with 90% of households will be covered by fixed NGA infrastructure affording 100Mbps access;
- there will be significant market failure in rural areas<sup>133</sup> and less than 50% of households will be covered with speeds over 30Mbps while the percentage of households with access at speeds over 100Mbps will not exceed 20%.

Public investment in 2014-20 will take place in the framework of the National Plan for Development of NGA Infrastructure, targeting areas subject to market failure and informed by GIS-based mapping of the existing communications infrastructure to be completed by ANCOM in 2014<sup>134</sup>.

### Broadband take-up

The level of broadband take-up in Romania (16.6 connections per 100 population) is much lower than the EU27 average<sup>135</sup> (28.8) reflecting the country's low level of digital literacy (48% of Romanians have still never used a computer). The resulting thinness in market demand continues to be a major factor in market failure in the delivery of broadband services.

According to MSI, in 2012, 43.8% of households had Internet access via a fixed broadband connection, compared with an EU average of 75.6%. In terms of **territoriality**, most of these were located in urban Areas where 60.3% of households were connected; more than double the rate in rural areas (23.47%). Urban-rural disparities reflect a combination of income levels, the availability of computers in the home, and digital literacy. Access to basic broadband, previously a significant obstacle, is diminishing as the RoNet initiative is rolled out.

Increased levels of take-up, particularly in Romania's rural areas, are fundamental to Romania's transformation to an information society and to avoiding digital exclusion as public and private services are increasingly delivered online.

### Main development needs

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), the main development needs are:**

- overcoming market failure in the provision of NGA infrastructure and related services in line with The Digital Agenda Strategy for Romania and with The National Plan for the Development of Next Generation Access Infrastructure.

### Transport

#### Outdated transport infrastructure which impedes development

Romania, due to its geographical position, is an important European traffic node for passengers and goods, facilitating connectivity throughout the Central Europe, the Black Sea and the Caucasian–Caspian area. However, it has underdeveloped and outdated transport infrastructure and this is a major barrier to its development and economic growth.

Although there have been some major transport investments, the sector is still subject to problems regarding connectivity in each transport mode due to the backlog of investments, as well as administrative deficiencies in the maintenance and operation of the infrastructure.

Moreover, development of the infrastructure has lacked a strategic approach, founded on appraisal of development needs and realistic forecasts of goods and passenger volumes. As a result of unsystematic investment, the network continues to be subject to bottlenecks, to long travel times and to disparities in the accessibility of Romania's regions.

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<sup>132</sup> Source: ANCOM, 2013.

<sup>133</sup> According to ANCOM's biannual reports the demand for broadband internet services increased starting from 2006 with respect to both fixed and mobile technologies ([http://www.ancom.org.ro/statistici-comunicatii\\_2003](http://www.ancom.org.ro/statistici-comunicatii_2003)) and according to data provided by significant market players within the workshops dedicated to drafting the NGA National Plan was estimated the developing potential.

<sup>134</sup> In accordance with Law no. 154/2012

<sup>135</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

Accessibility is closely linked to economic and social development. The underdeveloped transport network and low quality of services are barriers to the development of small and medium towns, villages and communes. The negative effects are highlighted in low labour mobility and consequently high inactivity, limited access to basic services, high travel and transport costs and long journeys, all of which constrain competitiveness.

Romania has accessibility constraints and a high incidence of fatal and injury accidents due to poor quality of the road infrastructure, gaps in TEN-T connectivity between east and west of the country, the slow progress in railway modernization and low speed of passenger and freight trains. Some parts of the country are severely disadvantaged, in particular the northern regions along the borders with Ukraine and Moldova and the Danube Delta.

Furthermore, the Carpathian mountains obstruct connectivity between the centre-west and the east and south-east. The Danube River also divides the south east of the country from the rest. Transport investments that cross these natural barriers have a very high development cost.

Romania ranks last among the EU member states from the point of view of the quality of overall infrastructure, the quality of roads infrastructure and the quality of railway infrastructure<sup>136</sup>. The lack of quality transport infrastructure in Romania places additional cost burdens on the private sector impeding integration with the EU markets and reducing productivity.

Romania is currently elaborating the General Master Plan for Transport to 2020 and 2030<sup>137</sup>, which takes a multimodal approach to transport modelling and investment in order to justify the interventions in the sector. The conclusions of the GTMP will be available in July 2014, but other reports produced in the interim have been taken into account in this Partnership Agreement and will support the elaboration of the Transport Sectoral Operational Programme.

**Country Specific Recommendation 2013:**

- continue the corporate governance reform of state owned enterprises in the transport sector and adopt a comprehensive long-term transport plan

**An improving picture in road transport**

Although there has been significant investment in recent years, the Romanian road network has insufficient capacity in comparison to existing traffic flows, the movement of persons and freight being relatively slow and inefficient.

Out of a network of some 84,000 km in 2012, only 0.6% of length was motorways and approx. 20.0% was national roads. Just less than 80% was county and communal roads. The motorways are incomplete; the connection between HU-RO border and Constanta has yet to be completed to motorway standard. Investments made during 2007-2013 programming period represent a serious starting point for future interventions: the length of un-made roads has decreased by nearly 300 km, and macadam county road by over 2,200 km, while the asphalt medium and heavy type increased by 2,540 km.

The main problems of secondary roads network are a lack of ring roads in most of towns and villages leading to increased travel time, increased fuel consumption, pollution levels and hence transport costs, restricted carrying capacity (trucks of less than 20 tonnes trucks are supported on the large majority) with direct effect on flows of traffic and freight. Insufficient and even inadequate signalling gives rise to large disruptions in the normal traffic flow with a high risk of accidents, high percentage of non-upgraded roads with bridges in immediate risk of collapse.

Outdated customs infrastructure and management jeopardise the gains from investment in transport infrastructure. Delays at customs result in increased inventory costs for business reduced utilization from transport equipment and erode Romania's competitiveness in trade and the transit of goods.

Investments in infrastructure have to be done in the busiest locations, after a detailed assessment of the corresponding costs and benefits. Old customs infrastructure, old IT systems and equipment and also insufficient mobile equipment lead to long waiting times in customs. Queuing of trucks could be notice at some border points, but the National Model of the GTMP could be used to get an overall estimate view of benefits of shorter waiting times, special surveys at the customs points would be needed to assess the location and frequency of bottlenecks. Border delays are a common occurrence in rail transport where there are changes from electric to diesel traction. Also, there are delays due to single track sections and to the requirement for periodic inspections of old rolling stock. The waiting time could be up to 35 hours.

<sup>136</sup> Source: Global Competitiveness Report 2012-2013.

<sup>137</sup> Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013).

Investment in customs infrastructure may be supported as part of network development and where there is evidence that delay is diluting the time-saving benefits from investments.

Investment priorities in major road infrastructure will be determined through the GMTP. Investment priorities as regards local road infrastructure will be justified on economic grounds in the relevant Regional Development Plans and in rural areas may be funded via the rural small scale infrastructure provisions of the EAFRD.

### **Uncompetitive rail transport**

The transition to more sustainable transport is obstructed by the unreliability and poor consumer experience in Romania's rail sector. In 2012, the national railway network had a length of 15,871 km. The condition of the railway network has been deteriorating since 1990. Almost 40% of the current railway network is assessed as life expired and around 70% of rolling stock is outdated. Inadequate maintenance of railway infrastructure, due to funding constraints, has reduced the efficiency of the network, causing speed restrictions and increased travel times and resulting in passengers choosing to use other modes of transport.

Between 2007 and 2012 rail traffic reduced by 11%, mainly due to the low quality of current services and not to an inherent unattractiveness of rail travel.

Since 2011 the rail network has been rationalized under the terms of the Stand-by Agreement with the IMF and the EC. The optimum scale of rail network which can be efficiently maintained and operated and which will be useful for passenger and freight needs will be a key output of the GTMP. Investment priorities as regards lines, stations and rolling stock will be determined in the light of its findings and having regard to viable levels of service.

Where lines are rehabilitated, Romania will introduce ERTMS, when the signalling system is renewed. Introduction of ERTMS will be linked to investments in modern rolling stock, which is ERTMS equipped.

### **Traffic safety below EU standards**

Road transport increased from 1 million vehicles in 1990 to 5.42 million at the end of 2010. Road accident fatality rates in Romania have been above the EU average since 2004. While the number of fatal accidents in Romania is decreasing, at a rate of 1.5% per annum, this is much lower than the EU average which has been falling by almost 5% per annum. In 2011, 43% of the total number of accidents occurred on national roads and 34% on roads within cities.

During 2011 there were 192 accidents on the railways that involved rolling stock and persons. The number of accident victims decreased from 441 in 2008 to 251 in 2011, but during 2005-2008 the increase was rapid (from 51 in 2005 to 441 in 2008).

The number of accidents in roads and railway sectors could be reduced, based on the identification of black spots and the main causes for accidents, through proper investments in signalling, railway level crossing, motorways and ring roads construction, as well as improving pedestrian and driver discipline.

### **Water transport with development potential**

The waterways and ports sector consists of 3 maritime ports (Constanta, Mangalia and Midia), 4 river – maritime ports (Braila, Galati, Tulcea and Sulina), 26 river ports, the Danube River (1075 km), and the connecting canals between the Danube River and the Black Sea.

Constanta is Romania's main maritime port, strategically situated to feed freight into the heartland of Central and Eastern Europe and has the largest container terminal in the Black Sea as well as having terminals that handle bulk commodities and a modern passenger terminal. Traffic through Constanța has increased since 2009 and in 2012 the total freight traffic was of approx. 50.5 million tonnes. Constanța serves both Romania and neighbouring countries via its railway network and the Danube River.

The full potential of Constanța port is not being realised due to some parts of the port needing rehabilitation and a lack of intermodal infrastructure to allow smooth transshipment of containerised goods. Slow journey times by road, rail and water to destinations in Romania and beyond are causing Constanța to lose market share to Adriatic ports.

Romania has 30 ports located on the Danube River and navigable canals. The potential of these ports mainly derives from industry situated in Craiova area and from cereal producers located in the south part of Romania.

In the context of future development of export markets for agricultural products and other bulk commodities, the Danube represents an important opportunity to connect the country to the European markets and to reduce the pressure of road transport that is more polluting. However, while water transport could have a considerable cost advantage over road and rail it suffers from poor reliability, partly due insufficient continuous depth of water in the Danube fairway. Moreover, sections of the canals between the Danube River and the Black Sea are in poor condition and require improvement to continue to operate efficiently.

Water levels below 2.5 m impede the tugs and loaded barge convoys to operate fully loaded in large convoys of 6 - 9 barges, so that a reliable, cheap and predictable service can be offered by the ship operators. Seven sections of Danube regularly fall below depth standard of 2.5m, required by "international waterway" as defined by the United Nations Economic Commission. There are two sections where problems are particularly acute. The first one is between km 345 and km 292 on the Romanian section and the second one is between km 576 and km 528 on the Bulgarian section. The consequences of low water levels can be severe: on Zimnicea sector, a journey of 150 km can take up from six hours to two days due to need of splitting the convoy and doubling back by the tug under low water conditions.

Any improvement to the Danube fairway will include mitigation measures to reduce the environmental impact on fish and shore life, which has to be balanced against the environmental benefits savings in fuel and emissions savings of water transport as opposed to rail and road transport.

Romania and Bulgaria share 470 km of the Danube. An inter-ministerial committee for sustainable development of inland waterway transport has been established, covering the RO-BG section of the river and to promote connectivity of the region.

The development needs in relation to water transport will be assessed through the GTMP and investment prioritized according to the findings.

#### Inter-modality confronted by modernization challenges

The Strategy for inter-modal transport 2020 (2011), identifies 26 rail terminals of 10,500 TEU and 19 private terminals that have as activity loading/unloading of containers. The terminals that are used for inter-modal transport have old equipment, from 1970-1980, the buildings and access roads being not in a proper condition.

Constanta is the focal point for around 80% of all intermodal movements by rail in Romania. In 2011, Constanta port moved 5.2 mil tonnes in containers.

Mode	Tonnes	Market Share
Rail - CFR Marfă	1,484,118	28%
River	108,783	2%
Road	2,332,200	45%
Rail – Private	225,000	4%
Transit*	1,072,899	21%
Total	5,223,000	100%

Sources: Port of Constanta, AECOM analysis of CFR Marfa Data, and AECOM Surveys

Use of intermodal freight reached a peak in 2007 when 912,509 containers (1.41m TEU) were handled through the Constanta port. Since then the effects of the economic downturn, and competition from other ports, have affected the sector quite considerably. The volume dropped to 353,711 containers (557K TEU) in 2010, 39% of the 2007 level but has increased slightly since then.

The development needs in relation to inter-modal transport will be assessed through the GTMP and investment prioritized according to the findings.

#### A dynamic air transport sector

International air services between Romania's main cities and the European hubs play an important role in supporting businesses, attraction of foreign investment and economic integration of Romania within the EU.

Domestic air transport accounts for 43.6% of the Romanian air market, while international transport accounts for 56.4%. The forecast traffic for 2013 shows an increasing trend of number of passengers for Henri Coanda airport, Timisoara, Cluj Napoca, Iasi and Baia Mare.

Most domestic air services have Bucharest or Timisoara as origin or destination, so air connectivity within Romania to these two major cities is good, but other regional centres cannot easily be reached by air. The Nord - Nord-West of the country is isolated from the point of view of air services.

Priorities for investment in international and regional airports will be determined through the GTMP, and may be supported where economically justified (in terms of market and commercial feasibility), where market failure is demonstrated and where State Aid requirements are met.

#### Implementing issues

Restructuring of implementing agencies (road and rail), improving their management, monitoring capacities, and procedures and their reorganization and development of personnel skills are, also, important tasks that need to be accomplished for supporting transport sector development. Improved capacity for planning and co-ordination is needed at national and regional level, for promoting socio-economic potential of regions and improving of accessibility and connectivity.

Performance Contracts, to a World Bank template, will replace existing Contracts signed between the Ministry of Transport and CNCFR/CNADNR, and will set up clear objectives for the companies, both for investment and maintenance (stemming from the GTMP), securing the afferent funding sources. This will improve the visibility of the companies, making them more efficient and accountable. The Ministry of Transport and the Department for Investment Projects and Foreign Investments have agreed an implementation date for the performance contracts, after the completion of the GTMP, and in line with the state budget for 2014.

### Lessons learned

An amount of 5.7 billion EUR in EU and domestic funding was allocated for development of the transport sector in Romania, for 2007-2013 period, which represents about 23% of the overall allocated funds for NSRF for Romania. Shortcomings in the policy and strategy framework, as well as the lack of a transport master plan, deficient preparation of projects and governance deficiencies in the management of the agencies conducted to a low absorption rate, even although the development needs of the sector are huge.

Projects must have economic and financial viability, quality of their preparation needs strengthening, with high quality feasibility and EIA/SEA studies. Particularly, inland navigation projects such as river navigation and dredging, better use of navigational systems have to be carefully addressed, due to long time for their preparation and heavy EIA procedures. Furthermore, it is necessary to increase the capacity in professional and administrative support available to beneficiaries, to have standardized procedures and contracts. Permits issued by local authorities were sometimes delayed for reasons not under the beneficiary's control and some conditions stipulated in them were unreasonable.

Even the crisis affected the traffic of passengers and freight and the future financing of infrastructure, strategic planning, investment programming and budgeting have to be integrated in a better manner, in order to have better implementation results.

### Main development needs

For 2014-2020 period, all investment in major infrastructure projects, for each transport mode, will be based on the General Transport Master Plan. Investment in local infrastructure will be justified on economic grounds in the relevant Regional Development Plans.

The GTMP takes a multi-modal approach to transport modelling and investment, which means that the impact of investment in different modes of transport is taken into account in cost-benefit analysis and justification for each project. The result should be a map of the future transport infrastructure network, economically pertinent and sustainable. In this latter respect, 2% of GDP will be allocated each year for maintenance and investment projects in the transport sector. In addition, a special unit within the Ministry of Transport will be established to monitor the GTMP implementation. The Regional Development Plans will need to be consistent with the GTMP, taking into account justified regional and local transport infrastructure needs, to ensure connectivity needs and promotion of economic development.

### Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), main development needs are:

- Improving the accessibility of Romania and its regions and their connectivity with markets thereby significantly reducing the obstacles to their development and diversification in the context of the GTMP;
- Improving the sustainability of Romania's transport mix and the attractiveness alternatives to road-based transport.

## RESOURCES CHALLENGE

### Energy and climate change mitigation

#### Renewable energy generation and transmission

Romania has a wide range, but reducing quantity of fossil primary energy resources and minerals: oil, natural gas, coal and uranium as well as significant potential in renewable resources. Romania presently has a much lower reliance on imported energy (21.7% in 2010) than in the EU27 (52.7%).

The renewable energy sources and fossil fuels represent the main resources available to sustain the electricity supply for domestic consumers and businesses in the coming decades. Romania's position relative to the targets established under the Europe 2020 Strategy is summarised in the following table:

Objective 2020	EU 27 targets (%)	Romania assumed targets through NRP (%)	Romania current situation (%)
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Share to reduce emissions of greenhouse gases	<b>20</b> (compared to 1990)	<b>+19</b> (national binding target for non-ETS sectors compared to 2005)	- <b>12.84</b> (2011 emissions compared to 2005); - <b>6.4</b> (2020 projected emissions compared to 2005)
Share of renewable energy in gross final energy consumption	<b>20</b>	<b>24</b>	<b>22.90</b> (2012)
Increased energy efficiency	<b>20</b>	<b>19</b> (estimated 10 Mtoe)	<b>16.6</b> (7.3 Mtoe reduction of the primary energy consumption 2012 - as compared to PRIMES 2007 projection)
<b>Country Specific Recommendations 2013:</b> <ul style="list-style-type: none"> <li>- to increase energy efficiency in buildings, district heating, industry and transport;</li> <li>- to integrate of Romania's electricity and gas markets in the EU markets;</li> <li>- to implement crossborder connections for gas.</li> </ul>			

Romania is close to meeting its **National 2020 target** of 24% of gross final energy consumption from renewables (having reached 22.9%, 2012)<sup>138</sup>. The Romanian Energy Strategy for 2007-2020, updated in 2011, estimates the national potential of renewable energy at 14,718 ktoe, higher than Romania's imports of primary energy in 2010 (11,239 ktoe). The current annual total production of renewable energy sources is about 6,550 ktoe. The remaining unused technical potential is about 8,000 ktoe, with the following shares<sup>139</sup>:

- Biomass and biogas 47%
- Solar energy 19%
- Wind energy 19%
- Hydro power 14%
- Geothermal energy 2%

The share of RES electricity production in total gross electricity consumption is relatively close to the national target (35% in 2015 and forecasted 38% in 2020), but there is a need to identify solutions in order to compensate fluctuations due to RES energy production.

In 2012, progress in installing wind and solar energy capacity was ahead of the schedule in NREAP. However, less progress had been made in installing micro hydro energy and biomass, reflected in the small contribution of these energy resources to reaching intermediate and 2020 targets, justifying public intervention.

According to National Agency for Energy Regulation (NAER) in 2012, the production of electricity from RES which benefited by the green certificate promotion system is 3,365,035 MWh and has the following structure: 78.45% wind energy, hydropower 16.64%, 4.67% energy from biomass and 0.24% solar (electricity produced in hydropower plants with installed capacity above 10 MW are excluded).

Law no.220/2008 has undergone a major change which temporarily postpones the granting of a number of green certificates and approving measures to reduce the number of green certificates until 2017. Over time this will bring the installed renewable energy capacity into line with the targets set in the National Renewable Energy Action Plan (NREAP) in correlation with Romania's 2020 target for the share of energy produced from renewable energy sources in final energy consumption. Currently the reduction of the number of green certificates does not show signs that a potential decrease in the interest for RES production will threaten the Romanian EU 2020 target on renewables.

The lines and the substations forming national transmission system were built, mostly in the years 1960-1970. Although the operator runs a maintenance program and imposed a sustained program of refurbishment and upgrading of facilities and equipment, 50% of stations are retrofitted, and 65% of the operating time is exceeded. Therefore, investment is needed upgrading electricity transmission networks in order to ensure security of supply and reduce losses.

With a wind power installed capacity of about 2500-3500 MW (depending on location, especially in Dobrogea and Moldova), there is a risk of unsafe loads on the transmission system.

Electricity and natural gas for households started to be liberalized on July 1<sup>st</sup> 2007, in Romania and 12 other EU countries. In Romania the deregulation of electricity prices is to be accomplished in six stages for industrial sector and ten stages for households by July 2017. Pricing of gas will be deregulated for industrial sector and for households by December 2018.

<sup>138</sup> NIS data mentioned into the draft of the Progress Report for 2011-2012 according to Directive 2009/28/EC

<sup>139</sup> Data presented are in line with National Strategy 2007-2020

## Energy consumption and efficiency potential

According to Eurostat, in 2010 the average energy intensity of the economy of EU-27 countries was 152.1ktoe/1000€. The Romanian economy is now about 2.6 times as energy intensive as the EU-27 average<sup>140</sup>.

According to NAER the energy intensity for primary energy consumption at the end of 2012 was 0.37toe/1000€ while the 2020 target is 0.26toe/1000€. A gap remains between the targets set in the NEEAP and energy intensity achieved (0.11toe/1000€) which requires an increase in measures dedicated to energy efficiency.

With the deregulation of gas and electricity prices, the declining trend in energy intensity is expected to continue.

The relative consumption of energy by sector, and the potential of saving estimated under the Romanian Energy Strategy is as follows.

- Industry 31% of total, savings potential 13.0%;
- Households 36% of total, savings potential 41.5%;
- Transport 22% of total, savings potential 31.5%;
- Tertiary Sector 11% of total, savings potential 14.0%.

Romania is committed to a **National 2020 target** limiting greenhouse gas emissions to +19% for non-ETS sectors over the 2005 level (with an overall 2011 emissions level of almost 13% compared to 2005). Projected growth of the economy will generate increased demand for energy and hence, energy efficiency measures<sup>141</sup> are an important pathway to controlling GHG emissions.

National Climate Change Strategy 2013-2020 adopted in 2012, states the importance of Decision 406/2009/EC on the effort of Member States to reduce emissions of greenhouse gases by 2020 under commitments.

Energy efficiency is being pursued within the framework of the National Energy Efficiency Action Plan (NEEAP) which proposes measures to reach an indicative savings target of 9% (compared to average 2001-05) by 2016. The national target for 2016 was set at 13.5% of average final consumption taken from the period 2001-2005 (with a 2010 target of 4.5%).

Recent assessment shows that energy savings achieved by the end of 2010 (2,222 ktoe) exceeded by far the intermediate target for 2010 of NEEAP (940 ktoe) and are relatively close to the target assumed by Romania for 2016 (2,800 ktoe), but these values reflect a reduction of energy use due to the disappearance of large industrial consumers and recession as well as improved energy performance.

Although investments in energy efficiency can deliver significant climate mitigation and macroeconomic benefits contributing to sustainable development at relatively low cost, in the early stage of development of capital and energy efficiency markets, public funding may be needed to provide liquidity and assurance to investors<sup>142</sup>. Financial instruments tailored to national circumstances and the targeted sector may be appropriate to securing energy efficiency investments on the required scale. Priorities and mechanisms will be determined on the basis of the ex-ante assessment of financial instruments.

## Industry

In period 1999-2010 the energy intensity of the Romanian economy decreased by 36.4% (about 4% per annum on average). This trend is partly due to improved energy efficiency and especially due to the structural changes in the national economy (disappearance of large industrial consumers).

Directive 27/2012 confirms the significant potential for primary energy savings of high-efficiency cogeneration. According to the Romanian Energy Strategy 2007-2020 updated measures should be introduced to promote cogeneration rated less than 8 MW, to boost energy distributed generation.

After a period of decline due to the economic crisis, industrial demand for electricity and heat production is again growing. Increasing use of high-efficiency cogeneration was reflected in the commissioning of new CHP capacity (approx. 15MWe biomass and approx. 90MWe fossil fuel) in 2009-2011<sup>143</sup> and the early retirement of inefficient cogeneration units installed before 1998. The greater use of CHP systems by industrial consumers will also lead to the reduction of transmission losses. Support of ESI Funds for investment in industrial CHP will be subject to assessment of the funding gap and the development of a State Aid scheme.

Systems monitoring distribution of electricity and heat in industrial processes provide detailed information on the efficiency of energy devices and power supply networks.

<sup>140</sup> Highlighted in Commission Services Position Paper (October 2012) p7; European Council Recommendations on Romania's National Reform Programme (June 2013) p9

<sup>141</sup> Highlighted in Commission Services Position Paper (October 2012) p5, p7; National Reform Programme 2011-13 Progress Report (March 2013) p15.

<sup>142</sup> Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 (LIDEEA) Year 2 – 2012, Task 1: Financial engineering, Romania - Report to the European Commission DG Regional Policy p13

<sup>143</sup> Romania Report pursuant to art. 6 (3) and art. 10 (2) of Directive 2004/8/EC of the European Parliament and of the Council on the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC



Taking into account the actual experience, complex energy audits that can determine in detail the structure of energy losses in industrial platforms are very expensive because of the lack of equipment related to deep metering for most consumers.

Measures aimed at installing complex systems monitoring or completing the existing ones address on the one hand to the industrial customers with total energy consumption over 1000 toe/year (which may be large or SMEs), and on the other hand to the electricity distributors.

In addition to the immediate reduction of losses it provides a tool to quantify the potential savings and the location of the applications points in order to maximize the energy efficiency measures that can be applied subsequently to the consumer. Furthermore, installing a monitoring system offers the opportunity to know on-line energy situation of industrial platforms and to quantify the effects of measures to increase energy efficiency at a frequency much higher than achieving an energy audit.

### Services

The public and private services sectors consume about 11% of the final energy in Romania. With the growth of the services, their share of the energy consumption tends to increase. The energy consumption in the sector is mainly through buildings where the services are provided and these are discussed further below.

### Residential and non-residential buildings

Buildings are a major consumer of energy and a major contributor to greenhouse gas emissions.

More than 75% of Romania's residential stock was built following World War II. In particular, Romania owns the largest number of blocks of flats in the Central Europe. Some 2.4 million apartments were built before 1985 and are in need of renovation thermal insulation<sup>144</sup>.

Non-residential buildings comprise diverse types such as offices, hospitals, schools, cultural buildings, etc. Preliminary data estimates that in 2010 there were 5,982 educational buildings, 4,342 cultural buildings, 51,269 buildings for health services, etc.

During the communist era, public buildings and blocks of flats were constructed to low standards of energy efficiency. Minimum requirements for energy efficiency started to be applied only from January 1998. Transposition of the Directive 2010/31/EC on the energy performance of buildings is completed (Law 159/2013).

The residential and tertiary building sector (offices, commercial spaces, hotels, restaurants, schools, hospitals, sports halls, etc.) are the highest energy end-use consumers when heating, lighting, household appliances and equipment are taken into account. As regards to the energy performance of non-residential buildings the energy consumption is higher than of residential buildings<sup>145</sup>.

The Romanian authorities have assumed responsibility for transposing Directive 2012/27/EC and for implementing the requirement to renovate 3% of the total floor area of "heated and/or cooled buildings owned and occupied by their central government".

The sources of funding and financial arrangements are to be established, and an inventory of buildings owned by central government is currently being carried out.

According to Energy Efficiency Directive another issue is the consumption based on metering of electricity, gas, heat hot water. Smart metering systems have potential to reduce networks losses and will allow the consumer to participate in the energy market.

Intelligent power distribution has become a priority for ANRE, based on the provisions of Law 123/2012 electricity and natural gas, which has launched a public consultation on the adoption of a law designed to regulate the deployment of smart metering nationally by 2020.

### District heating

The efficiency of the district heating transmission and distribution systems is very poor, threatening the sustainability of the systems in many cities. In 2010 the average heat losses in the distribution networks were 29%<sup>146</sup>. To be sustainable, the system should not have higher heat losses than about 10%. Bringing the losses to that level would save about 400 ktoe/a primary energy.

Current systems are characterized by outdated equipment with low yields (the co-generation) and losses in transportation and distribution of heat (between 10 and 50% in some cases). Low efficiency is due to the disappearance of parallel industrial use of steam and hot water that has lowered service quality, resulted in increased user charges, and has imposed an unsustainable burden on local budgets.

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<sup>144</sup> Highlighted in Commission Services Position Paper (October 2012) p5,p7; National Reform Programme 2011-13 Progress Report (March 2013) p15; European Council Recommendations on Romania's National Reform Programme (June 2013) p9.

<sup>145</sup> This conclusion was drawn from a Jaspers project implementation with the Ministry of Regional Development and Public Administration.

<sup>146</sup> Challenges and opportunities for centralized supply of heating in Romania, PwC 2011

Rehabilitation of six district heating projects (Bacău, Botoşani, Focşani, Oradea, Râmnicu Vâlcea and Timișoara) was supported with Structural Funds in 2007-13. In order to ensure an optimal completion, support for further investment (estimated at €120m) is proposed in 2014-20. In the same time will be envisaged to be correlated to the renovation thermal insulation of the corresponding buildings.

### Lighting for public space

Lighting for public space accounts for a large proportion of public energy use in every locality, especially in cities. Reduction of energy consumption and of CO<sub>2</sub> emissions could be achieved by the application of innovative technologies and approaches. Assuming that the electricity consumption in the public buildings represent maximum 15% of the total, the electricity consumption for public lighting (without the public buildings) represent between 544 and 624 GWh/year.

According to information provided within the NEEAP for a conservative average savings potential of 30%, the annual energy savings obtained by improving energy efficiency in public lighting will represent at least 187 GWh/year (equivalent of 76 ktCO<sub>2</sub> emissions reductions annually).

### Transport

Across the EU, transport remains the sector with the greatest growth in GHG emissions, reflecting growing demand for passengers and goods transportation, as well as preferences for road transportation instead of other less polluting modes<sup>147</sup>. Between 1989 and 2011, GHG emissions from Romania's transport sector increased by 92.5%<sup>148</sup>. Urban transport in Romanian cities is largely aged and reliant on bus and minibus services<sup>149</sup>. The rehabilitation and renewal of urban transport systems, potentially covering trams, trolley buses and the introduction of intelligent transport, is expected to be a feature of integrated sustainable urban development projects in several cities. In the sustainable mobility plans, in parallel, will be taken measures to discourage car use. Such developments will make a significant contribution to socio-economic objectives, climate change, and air quality increasing and energy efficiency in addition to place competitiveness.

### Agriculture, forestry and fisheries

Agriculture and forestry play an important role in the fight against climate change, a phenomenon reflected in Romania high temperatures, long droughts and floods and impacting upon the yield of agriculture and forestry, valuable habitats and ecosystems as well as local communities.

GHG emission in the agriculture sector in 2010 was some 16.67 million tonnes, representing a 53.2% reduction from the 1989 level. In 2010, agriculture sector generated approximately 13.71% of Romania's total GHG emissions (excluding LULUCF). This is in line with the EU average of around 14%. Nevertheless, Romania aims to maintain a general low level of emissions and to reduce it in those areas of agriculture sector where emissions are high.

The main sources of emissions are enteric fermentation (methane emissions (CH<sub>4</sub> – 45.14%), manure management (CH<sub>4</sub> and N<sub>2</sub>O – 6.86%), rice cultivation (CH<sub>4</sub> - 0.11%), agricultural soils (N<sub>2</sub>O – 47.07%) and combustion of residues from agriculture (CH<sub>4</sub>, N<sub>2</sub>O, NO<sub>x</sub> and CO - 0.83%). The main factors in the reduction of GHG emissions from agriculture are the reduction of livestock, the decreasing rice crop area and fertiliser use. Other significant factors contributing to a low level of GHG emissions in the agriculture sector are the low level of mechanization in Romanian agriculture together with small areas covered by greenhouses.

There is potential to mitigate GHG emissions and to contribute to climate change management through measures in agriculture and forestry sectors including:

- agri-environment and organic farming measures, which will contribute to decrease the level of chemical fertilizers usage and load of grazing livestock per unit area, improve the manure management, reduce the use of mechanised equipment, etc.
- afforestation of agricultural and non-agricultural land which will reduce water runoff and increase carbon sequestration.
- watershed management on agricultural and forestry land which will help to reduce floods and increase soil protection, given the growing number of extreme weather phenomena that are expected.
- adoption of new fuel efficient technologies and renewable energy consumption and production in agricultural and forestry sectors.
- increased energy efficiency of the fishing vessels and processing units.

<sup>147</sup> Highlighted in Commission Services Position Paper (October 2012) p7; European Council Recommendations on Romania's National Reform Programme (June 2013) p9.

<sup>148</sup> Source: National GHG Inventory of Romania, 2013.

<sup>149</sup> Highlighted in Commission Services Position Paper (October 2012) p7.

Also, investments in fishing vessels and processing units will be supported as a measure to increase the energy efficiency in fishery sector.

### **Transmission of energy (natural gas)**

At present, the Gas National Transmission System (GNTS) is inadequately configured to match future sources of supply and demand and to ensure security of supply. The GNTS operator is engaged in several projects to facilitate interconnectivity with the natural gas transport systems from neighbouring countries (Hungary, Bulgaria, Moldova) and need ESI Funds support to invest in a proper way. However, in the context of EU approaches to ensure new sources of natural gas supply, the GNTS operator intends to invest in the potential to source and distribute biogas from AGRI project implementation and/or from off-shore mining in the Black Sea.

## **Lessons learned**

### **Energy**

Although requests for support of energy projects have exceeded the initial Structural Funds allocation, a number of beneficiaries claimed financial problems because of the deduction of provision related to the green certificate scheme. For the next period policy consistency must be ensured between national and Community Funds.

As the output generated from local renewables projects increases, their connection with the national power grid and/or storage will be important to enable surplus energy to be used more effectively and for the full potential of renewable energy to be realised.

For 2014-2020 a better dialogue is needed between the Romanian authorities and COM services and also an adequate framing of actions in the operational programmes.

For energy efficiency projects in industry, it was found that:

- the banking sector is reluctant to finance projects in this field.
- where the payback time exceeds 3 years, companies prefer to allocate their available capital to core investment or immediate modernization of their production processes.
- a focus on efficiency gains in industrial projects fails to take account of the main motivation for such reinvestment being enhanced competitiveness; accordingly mainstreaming of energy efficiency requirements where productive investment is being supported is liable to be more effective.

There is a need to better align energy efficiency and other public policies (e.g. green certificates and support for co-generation). Energy efficiency in buildings schemes, financed by Structural Funds, which require co-funding from beneficiaries, experienced low take-up because previously there were schemes providing 100% public support.

Other lessons learned refer to the need:

- for a coordinated bridge financing system
- to create facilities in order to counterbalance the lack of financial resources for LPAs;
- to correlate the legislative framework in the areas covered by the Structural Funds support measures (eg green certificates, support for cogeneration);
- to better correlate and more clearly specify the delimitation between programs;
- to identify new types of eligible applicants or focus on a specific category of beneficiaries (eg large energy consumers from industry, producers of less exploited renewable energy types, manufacturers of heat from renewable resources); for a better preparation of major projects.

## **Main development needs**

### **Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), main development needs are:**

- Promoting the production and distribution of energy from RES;
- Promoting the use of high-efficiency cogeneration based on useful heat demand;
- Improving energy efficiency by developing smart distribution systems;
- Assuring the sustainability of municipal district heating systems by reducing heat losses on the network;
- Enhancing energy efficiency in the residential and public building stock and the public realm, including in public lighting;
- Improving the energy efficiency of transport, including urban transport systems and the fishing vessels and processing units;
- Improving energy efficiency by developing smart transmission systems;
- Reducing greenhouse gas emissions in agricultural and forestry sectors;
- Enhancing carbon sequestration particularly in agriculture, forestry, fisheries and aquaculture.

## Climate change adaptation, risk prevention and management

Romanian territory has an ample exposure to climate change being affected differently by climate-related extreme events. Romanian regions have distinct physical, environmental, social, cultural and economic characteristics that result in different sensitivities to climate change. The key risks associated to climate changes are floods and drought.

It is a reality that a region with a high climate change impact can become moderately vulnerable if it is well adapted to the anticipated climate changes. For this reason action concerning adaptation to climate change will be developed in the framework of The National Climate Change Strategy for 2013-2020, adopted in July 2013 and to be complemented by the National Action Plan for Climate Change. The strategy encompasses a comprehensive overview and proposes key measures and actions for various sectors falling under mitigation and adaptation objectives and has two main directions for action:

- reduction of greenhouse gas emissions and depletion of the soil carbon stock;
- adaptation to the negative effects of climate change through actions at national&sectoral level.

Adaptation to climate change will be also addressed in agricultural sector by actions related to improve knowledge transfer and information on: energy efficiency in agricultural equipment, adaptation tools, including environmentally sustainable new practices, climate change risks information. Development of organic farming will also contribute to adaptation to climate change by using locally adapted crops and extensive agricultural methods. The lack of funds has as well negatively influenced the infrastructure for adapting agriculture to climate changes while the Romanian agriculture continues to be intensively dependent onto the meteorological conditions, which generates high fluctuations in the farmers' income, income stabilization instruments being therefore required. The existing irrigation systems are largely degraded and non-operational, their use being costly for farmers; therefore, even if the agricultural area equipped for irrigation (3.1 mil. ha. in 2012) has not changed significantly, the area actually irrigated was of just 1.2% of UAA.

In order to adequately manage the water and soil resources, there are also needed investments in increasing efficiency of water use in agriculture.

The Romanian global objective for 2020 in the risks management sector is to further reduce the vulnerability to all risks, while improving the quality of emergency services, based on national risk assessment and developing the administrative capacity to respond to disasters.

The national risk assessment, which will be realised until 2015, will promote a holistic approach on risks focussing on the risks generated by climate change, such as floods, and drought, coastal erosion and forest fire.

### Assessment and mapping of risks

A set of working instruments for national risk assessment will be developed under the project "Support for fulfilling ex-ante conditionality 5.1 – National Risk Assessment". This project will provide also a first report on the risks confronting Romania, including a prioritization of risks.

The project will build upon the substantial progress made in recent years with support from Structural Funds in assessing and mapping specific risks.

In the Romanian sector of the Danube floodplain, substantial progress has been made with developing hazard and flood risk maps under the Project Danube FLOODRISK, started after the historic floods in 2006 and finalized in 2012. Currently, MECC coordinates the development of hazard maps in each river basin, funded by European funds through the SOP – Priority Axis 5 at present being 80% complete. Work on other risks evaluation is at an early stage of development.

However, a National Working Group for Risk Assessment (GLERN) is to be established, consisting of experts in risk assessment from central authorities and independent experts from the academic and private sectors, which will have responsibility for coordinating efforts in national risk assessment.

### Identification of risks

During the past decade, Romania has experienced numerous emergencies. Recurrent floods, forest fires and drought have caused extensive loss and damage across the country. In some situations, the national response capacity was exceeded by the severity of the disasters.

#### Floods<sup>150</sup>

In Romania approximately **1.3 million hectares** are subject to floods caused by natural origins, affecting almost **500,000 inhabitants**. In terms of **territoriality**, the main areas affected are located along the main rivers, Danube

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<sup>150</sup> Highlighted in Commission Services Position Paper (October 2012) p8.

and the Romanian Plain (Siret, Buzau County; Arges, Olt, Jiu Rivers) and the Banat-Crisana Plain (Somes Cris, Mures rivers) rivers.

In mountainous and hilly areas where river beds are steeply sloping (100-200 m/km) and in narrow floodplains, powerful floods may be accompanied by intensive erosion of river banks, resulting in landslides that may bar valleys.

The North, West and Central areas of Romania have recorded an increased incidence of flooding that is attributed to climate change.

During the last 10 years, almost every year, significant floods and flash floods have occurred. 142 people were killed by floods, 27.000 houses and thousands of km of national roads were destroyed and hundreds of thousands hectares of land were inundated. The total costs of damages are estimated at around €6bn Euros. The major floods of 2005 and 2006 had a particular impact in terms of population affected, loss of human life and destruction to infrastructure and private property.

Flood maps have been prepared for each river basin, with forthcoming technical studies identifying the measures required to further reduce the exposure to the flood risks of the vulnerable activities.

### **Drought<sup>151</sup>**

The frequency and severity of drought in close relation to climate change are projected to increase significantly. In southern and eastern Romania, a reduction of 20% in water resource has been estimated. Regions that are currently dry are expected to become drier and could be affected by desertification in the near future.

In terms of **territoriality**, most affected areas are the Oltenia Plain and the Bărăgan Plain which are today the most vulnerable areas to water scarcity and where approx. 40,6% (7.740.510 persons) of country population lives<sup>152</sup>. The Bărăgan Plain is Romania's main agricultural area and the climate change effects could affect food security. Average yields of various crops in drought years are only 35-60% of the potential. In 2011-2012 drought strongly impacted about 5.9 million hectares, with the level of losses varying over different area and culture. The scale of the losses covered a wide range -18.6%, for wheat yields, -80.2% for rape, and -46.1% for corn yields. This had a severe impact upon farm incomes.

Drought has significant impacts beyond agriculture by impairing the regularity of the public water supply in affected regions and the power generation. In 2012, reduced water levels, the hydro-energy production scheduled for 2012 was shortened by c. 2,277 GWh. In addition, low water levels affect the cooling capacity at Romania's nuclear power stations, resulting in reduced operating levels and safety margins.

The Danube Delta Biosphere Reserve was also affected by the drought, with up to 56km of silted canals, a reduction of the water surface, a reduction of the water depths in lakes and pools and an enhanced danger of eutrophication of these lakes.

Additionally, higher temperatures in Romania due to climate change significantly impacts on health condition especially in urban areas.

Besides these losses mentioned before, major losses due to the drought and its effects occurred in the forests areas, being affected 1,483 hectares of forests, 393 hectares of sapling plantations, the loss of about 1,800 tonnes of wild fruits have been recorded.

### **Forest fires**

Historically, Romania didn't experience a very high risk of forest fires. However, the data sets from the past 26 years reveal an increasing incidence since 2000 (with more than 300 wildfires occurring in 5 out of last 13 years) and reaching a historical maximum of 911 fires (2012) in forests with a total area of 6,624.5 ha affected.

### **Coastal erosion**

For several decades, the Romanian Black Sea shore has experienced serious beach erosion problems at the rate of up to 2.0 m per year. Over the last 35 years the shoreline has drawn back inland between 180 to 300 meters and 80 ha/year of the beach has been lost. Main causes include reduction in the sediment carried by the Danube River and discharged into the Black Sea (due to the many retention works developed within the Danube River Basin) and the influence of the works carried out at the mouth of the entrance Sulina Channel and for Midia, Constanta and Mangalia harbours. Also, the reduction by 50% of the shellfish stocks has contributed to the reduction of bioorganic sand deposited on the Romanian shoreline. The studies reveal that without proper measures against coastal erosion, the shoreline is expected to draw back by 70 m in the next twenty years.

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<sup>151</sup> Highlighted in Commission Services Position Paper (October 2012) p8.

<sup>152</sup> Source regarding the number of population: NIS, 2011

Many cliffs are also being eroded by wave abrasion at their feet and/or slip failure in their upper part. The cliffs have been eroded at a rate of about 0.6 m per year in the places where no protective measures have been implemented.

Constanta and Tulcea counties have 458,000 inhabitants situated in the coastal area and therefore are potentially affected. The investment during 2014-2020 to protect the population, tourism and transport assets will be prioritised in the framework of the Master Plan on Coastal Protection and Restoration.

Also, Romania is exposed to **earthquake**<sup>153</sup> and **landslides**<sup>154</sup> which are one of the most prominent natural hazards in Romania, with potential for significant casualties and damage to buildings and infrastructure.

At the same time, Romania is subject to potential **nuclear/radiological, chemical or dangerous substances accidents**. Concerning those three last risks, it is needed to increase the public awareness, prevention and adequate response.

### Monitoring of risks

Monitoring of risks is carried out by a centre within each of the line ministries with responsibility for a given risk. These centres feed into GIES which is responsible for informing local authorities which has statutory responsibility for informing and protecting the population.

### Prevention and mitigation measures

Prevention measures are the responsibility of the competent Line Ministries for each given risk. Prevention measures span over: education, non-structural measures, preparedness measures.

Romania has the National Strategy for the prevention of emergency situations and will create the national platform for RRD which will establish the necessary objectives and actions to be implemented.

Also, Romania has the National Strategy for Flood Risk Management<sup>155</sup> which defines a framework for coordinated, inter-sectoral action in order to prevent and reduce flood consequences on socio-economic activities, life and health and the environment. At the same time, this strategy contains actions to address drought.

In order to improve the local flood and drought management, the Ministry of Environment and Climate Change developed manuals for emergency management in case of floods and drought that summarise the preventive, operative and rehabilitation measures which are taken at the county and local level in emergency situations caused by those risks. These are likely to include:

- non-structural and passive measures on land management such as afforestation and agricultural practices which reduce runoff, relocation or creation of flood expansion areas;
- infrastructural measures to store/divert flood waters, in case non-structural measures would be insufficient.

Actions to address drought are likely to include:

- the recourse to economic instruments, discouraging excessive water abstractions in region suffering from water scarcity;
- the adoption of more efficient methods of using water, particularly in agriculture;
- the use of more drought tolerant crop species and those that achieve maturity outside the summer peak of water demand;
- afforestation of agricultural land and creation of forest belts;
- where justified on economic and environmental grounds, notably in areas at risk, the soil water reserve decreasing below the level from which plant wilting can recover, the creation and/or rehabilitation of water infrastructure, including innovative measures.

Concerning coastal erosion, actions to address coastal erosion will be undertaken in the framework of the Master Plan Coastal Protection and Restoration which aims to prevent coastal erosion, to rebuild coastline and restore coastal environment, to protect marine and coastal ecosystems, and to protect the economic and social interests from the impact of marine erosion.

### Prioritisation of risks

The main criterion for prioritizing the risks and identifying those eligible for funding, to be performed through the national risk assessment under preparation, is the average annual economic costs of the corresponding damages

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<sup>153</sup> 75% of the Romanian population (cca. 15 million inhabitants), 60-70% of fixed assets and 45% of critical infrastructure are exposed to some level of earthquake risk. The impacts of the last severe earthquake (4 March 1977) were: 1570 deaths; 11300 injured; 35000 displaced families; 32900 damaged buildings; over 2 billion USD in financial losses.

<sup>154</sup> Massive landslides took place in 1979, 1983, 1997 and 2000-2012. More than 35 municipalities, 80 small towns, 900 villages and 7 river basins cumulating 539,589 hectares (2.26% national territory) are assessed as being exposed to landslide risk.

<sup>155</sup> Approved by the Government Decision No. 846/2010

(included direct costs, economic costs and human losses) avoided, estimated by confronting the risks (intensity, frequency) against the identified vulnerable activities. Until the risk assessment is completed, with an overall view of the prioritized risks, ESI Funds support will be limited to risks for which the assessment has already been initiated, focusing to no regret projects.

After the fulfilment of the ex-ante conditionality, the results of the risk assessment project “Support for fulfilling ex-ante conditionality 5.1 – National Risk Assessment” will be used in order to prioritize the funding needs.

### Management of risks

Given the range of natural and man-made risks confronting Romania, it is not possible to completely eliminate the risk. Nevertheless, a more effective management<sup>156</sup> of risks could reduce the direct and indirect social and economic losses, as well as the need for external support. The impact of flood, in particular, has determined Romania to submit several requests for financial support from EU Solidarity Funds.

Therefore, Romania's approach to the management of risks comprises: coordination; assessment and mapping of risks; monitoring of risks; prevention and mitigation measures; developing and maintaining an adequate response capacity.

### Coordination

Romania has a functional National Emergency Management System<sup>157</sup> since 2004 which is coordinated by a National Centre for Emergency Management - It comprises the General Inspectorate for Emergency Situations (GIES) which is responsible for managing the response across all risks and relevant Line Ministries<sup>158</sup> which have responsibilities for risk assessment and risk prevention.

### Developing and maintaining response capacity

Romania's response capability comprises GIES coordinating input from different services (as the fire services, the police, the armed forces) via the Ministry of Internal Affairs, local authorities and volunteers in the affected areas. Taking into account the cross-border effect of certain risks (as floods, chemical accidents etc.), GIES may draw down international support organized through bilateral agreements with neighbouring countries, which may be enhanced in future under the Danube Strategy, and through international mechanisms such as the European Civil Protection Mechanism and the Euro-Atlantic Disaster Response Coordination Centre of NATO. At the same time, the responsibilities of Member States for public protection, reinforcing resilience to natural and man-made disasters and for disaster risk reduction are established under international treaty and European policy and legislation<sup>159</sup>.

Lessons learned from major incidents have highlighted situations where resources were over-stretched and could have been applied more effectively, based on a strong coordination system. Thus, it is necessary to create rapid response centres specialized in different types of missions by upgrading and improving the current specific intervention means needed for such missions. Development of the training system of professional personnel involved in emergency situations is one of the critical factors in the implementation of the strategy and achieving the vision.

Effective intervention also depends of the scale, dispersal and speed of response units. A large proportion of Romania's fleet of intervention vehicles are outdated, about 68% of intervention vehicles being more than 10 years old and almost 60% are more than 20 years. Some investments were made under the 2007-2013 programs, but those cover only 7% of the operational needs. The investments will cover modules specified in the EU legislation in the field of civil protection.

### Main development needs

The identified development needs are in line with the first results of the:

- National Strategy on Climate Change;
- Outcome of the future national risk assessment;
- National strategy for the prevention of emergency situations;
- National Strategy for Flood Risk Management in the medium and long term, developed taking into account the provisions of Directive 2007/60/EC on the assessment and management of flood risk;

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<sup>156</sup> Highlighted in Commission Services Position Paper (October 2012) p8.

<sup>157</sup> Established under Government Decision

<sup>158</sup> For example, Ministry for Regional Development is responsible in relation to earthquakes; Ministry for the Environment for air quality and flood etc.

<sup>159</sup> Including: Hyogo Framework for Action 2005-2015: Establishing a disaster resilience capacity of the nations and communities; Post-2015 Framework for Disaster Risk Reduction; the EU2020 Strategy; EU Internal Security Strategy in Action: Five steps towards a more secure Europe; European Territorial Cooperation; transnational cooperation in the framework of the Danube macro-regional strategy



- River Basin Management Plans ( for the 11 River Basins of Romania) elaborated by National Administration "Apele Romane", in accordance with the provisions of the Directive 2000/60/CE;
- Master Plan Coastal Protection and Restoration.

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), main development needs are:**

- Improving Romania's capacity to anticipate, to prevent and to respond to extreme natural and man-made emergencies;
- Improving Romania's adaptation and resilience to the negative consequences of climate change and, in particular, the increased incidence of extreme heat, drought and flooding events in the Framework of the National Climate Change Strategy;
- Improving Romania's adaptation and resilience to other natural and man-made risks;
- Increasing efficiency of water use in agriculture.

**Protecting the environment and promoting resource efficiency**

Romania's global objective for 2020 in the field of environment and resource efficiency is to improve the environment and living standards, in order to achieve a more competitive economy, a better environment and more balanced regional development, while focusing at the same time on meeting the environmental acquis.

**Water/Wastewater**

According to the River Basin Management Plans, the costs for basic and additional measures related to the implementation of the Water Framework Directive are around 21 billion Euros. The majority of these measures are related to drinking water quality and wastewater collection and treatment - 17.787 billion Euro, respective 5,6 billion Euro to drinking water quality and 12,187 billion Euro to wastewater collection and treatment. Until 2012 were invested so far a total value of about 5.173 billion Euro, respective 1,364 billion Euro to drinking water quality and 3,809 billion Euro to wastewater collection and treatment. Therefore, for 2014-2020 it is needed 4,236 billion Euro to drinking water quality and 8,378 billion Euro to wastewater collection and treatment. Although Romania obtained a transition period through the Accession Treaty, the implementation of the Drinking Water Directive (DWD) - until 2015 and Urban Waste Water Treatment Directive (UWWTD) - until 2018 continues to be a complex and difficult task. As a consequence, the extension and modernisation of the water and wastewater infrastructure continues to be one of the most important priorities in improving the living standards and in implementing the environmental Acquis, to be funded through European funds, complemented with other sources of funding (mainly national budget, which will follow the same procedures, indicators and rules applied in the frame of ESI Funds).

As regards the quality of drinking water, the main obligation under the DWD<sup>160</sup> is to meet the quality standards of drinking water provided by centralised systems. In Romania, in 2012, 56.7% of population (12,103,555 inhabitants) is connected to the centralised systems. Underground waters have an important role as supply sources for drinking water, and diffuse pollution of aquifers (with fertilisers and other pollutants) is a problem, especially in rural areas, where only 30% of population are connected to the centralised systems. The drinking water provided by small systems in rural areas is insufficiently monitored and individual water sources are monitored only sporadically. Investment needs for small systems in rural areas are estimated at more than 2 billion euro; a contribution to meeting these needs in agglomerations of less than 10,000 p.e. may be funded under the small scale rural infrastructure provisions of the EAFRD.

As regards the Accession Treaty, the compliance to the provisions of the UWWTD is gradual and monitored for collection of urban wastewater (61% in 2010, 69% in 2013, 80% in 2015) and treatment of urban waste water (51% in 2010, 61% in 2013 and 77% in 2015), where % represents the total biodegradable loads generated in urban areas. In Romania, in December 2013 the rate of connection to the sewage systems was 59.95% (comparing with 69%) and treatment 49.89% (comparing with 61%) (% from total biodegradable loads in p.e.) both of which need to be increased in the next programming period within all agglomeration above 2,000 p.e. Reflecting the provisions of the UWWTD and the fact that that Romania declared its entire territory as sensitive area (2005) all urban areas with more than 10,000 PE are required to undertake advanced treatment (tertiary treatment), especially regarding nutrient removal (nitrogen and phosphorus) by 2015. This obligation will require substantial additional investment. The declining population, especially in rural area, contributes to a significant increase in the number of agglomerations with less than 2000 p.e. In order to assure an "appropriate treatment" at the level of this kind of agglomerations financial support is needed, mainly due to the economic difficulties from these areas for the settlements that are part of the Master Plan level and are economically feasible. In rural areas, such developments

<sup>160</sup> Highlighted in Commission Services Position Paper (October 2012) p7; Romania's NRP commitments 2013 p5.



covering agglomerations of less than 10,000 p.e. may be funded under the small scale rural infrastructure provisions of the EAFRD.

A further important issue deriving from WFD relates to improving monitoring substances discharged into the waters. To this end, Romania has already made significant investment in improving its water monitoring capacity but the additional obligations under Directive 208/105/CE will require further investments.

On the other hand, in order to reach the environmental objectives of Water Framework Directive established in Water Management Plans the improvement of hydro-morphological conditions of water bodies have to take into account.

Concerning water pollution from agriculture, the use of agricultural fertilisers and pesticides decreased (the use decreased with more than 70% in 2005-2011 compared with 1989) leading to an improvement in the quality of the surface waters. However, given the levels of nitrates accumulated (Romania's territory designated as Nitrate Vulnerable Zones, increased from 58% to 100% of the territory), particularly in groundwater, further soil and water conservation measures will be needed, particularly by implementing good agricultural practices. This will be particularly important in the context of the transition to more intensive agriculture foreseen in the next period.

## Waste

Romania is in the process of developing waste management at European standard. In 2010, 70% of the population had access to municipal waste collection service. Under, the projects planned to be financed through SOP Environment 2007 – 2013 it is expected to provide 100% coverage for counties where integrated waste management systems are implemented.

Responsibility for separation and collection of waste rests with the public local authorities, who contract the services with private companies (sanitation companies). Until recently, there was mainly mixed waste collection with limited separation (by 2010, only 698 localities had implemented a selective waste collection system)<sup>161</sup>. Under Law no. 211/2011 on waste, Romania is providing the obligation for the public local authorities to introducing selective collection and sorting for at least in three fractions for public local authorities<sup>162</sup> and sets the waste management hierarchy. In this respect for future investments local authorities have to focus first of all on selective collection and afterwards to consider the other options of the waste hierarchy.

Following the Roadmap for Romania<sup>163</sup> there is an incomplete coverage of households with separate waste collection, especially in rural areas. Thus, there is a need to upgrade the existing infrastructure and to extend separate collection coverage in all counties to reach one hand the targets of the Waste Framework Directive which requires preparing for reuse and recycling of at least 50% of the paper, metal, glass and plastics from the household waste and similar by 2020 and preparing for reuse, recycling and other forms of recovery of at least 70% of construction and demolition waste and on the other the landfill Directive waste diversion requirements. Construction and demolition waste from households are managed by local authorities, while the others construction and demolition waste streams fall under the responsibility of the waste producers. In 2010, out of 5,325,810 tons of municipal waste collected by waste disposal operators (excluding construction and demolition waste), only 296,140 tonnes were recovered by material recycling or other recovery operations.

Concerning the costs for measures related to the implementation of the Directive 1999/31/CE on the landfill of waste are around 5 billion Euro. Romania has a transition period until July 2017 to phase out non-compliant landfills. New compliant landfills will be constructed as a part of the Integrated Waste Management System respecting the waste hierarchy. At the end of 2012, 72 non-compliant landfills, 33 compliant landfills and 51 waste transfer stations were operational.

Projects initiated under the 2007-2013 period will need to be continued and completed. Additional investments, or the upgrade of existing installations, will be needed to fully comply with the diversion obligations of the landfill directive, with the exact needs being identified through the dedicated on-going evaluation.

2020 recycling and waste reduction targets from the waste framework directive cannot be achieved through municipal investments and will require other policy measures. Mainstreamed measures, detailed in chapter 1.5.3 will also contribute to these objectives.

The 2007-2013 period has experienced serious implementation failure, mostly due to inadequate commitment and ownership from local authorities. In addition, the quality and effectiveness of selective collection is by far unsatisfactory, not allowing Romania to meet the recycling targets but also impeding the efficiency of the waste

<sup>161</sup> Highlighted in Commission Services Position Paper (October 2012) p8.

<sup>162</sup> Regulation GD 247/2011 on packaging and packaging waste management; Romania's NRP commitments 2013 p5 and p6.

<sup>163</sup> Support to MS in improving waste management based on assessment of MS' performance 070307/2011/606502/SER/C2, [http://ec.europa.eu/environment/waste/framework/pdf/RO\\_Roadmap\\_FINAL.pdf](http://ec.europa.eu/environment/waste/framework/pdf/RO_Roadmap_FINAL.pdf)

treatment installations (sorting and composting plants). Several initiatives have been engaged to remediate those difficulties, which will need to be overcome prior to further promoting waste infrastructures.

### **Biodiversity**

The EU Biodiversity Strategy to 2020 and the National Strategy and National Action Plan on Biodiversity Conservation 2013-2020 establish as general directions

- promotion of the innovative traditional knowledge, practices and methods and clean technologies as support measures for the conservation of biodiversity;
- integration of biodiversity conservation policy into all the sectoral policies;
- the restoration of degraded systems, along with protection against decline of biological diversity in genetic resources, species, ecosystems and landscape;
- the improvement of the communication and education in the field of biodiversity.

As a MS of the EU, Romania has to establish and strengthen the Natura 2000 network on the Romanian territory (383 sites of community importance - SCI) and 148 special protection areas - SPA). Other national protected areas declared by Romania are: Danube Delta Biosphere Reserve; 13 national parks; 15 natural parks, out of which two geo-parks; 925 scientific reserves, natural reserves and natural monuments. Given the multiple overlapping protected areas, a single administrator or custodian has been appointed to manage an area even though it is set on several types of protected areas. Presently 42 administrators and 289 custodians were appointed. They have in custody/administration 101 SPA's and 229 SCI's. By the end of July 2013, only 5 management plans and 11 management regulations have been approved, out of the total of 272 plans/regulations drafted through SOP ENV. For 21 management plans and 36 management regulations approval procedure is on-going and 38 management plans and 95 management regulations are under assessment procedure.

The main obstacles for adoption of Natura 2000 management plans/regulations identified are: very long and difficult approval process; need to rationalize and reorganize of decision-making process; increase administrative capacity of MECC; lack of resources engaged in assessing management plans; poor quality of some management plans; restrictive measures in protected areas are difficult to get accepted due to a lack of compensations for land owners. Subsequently, the major need is to improve and speed up the approval process of Natura 2000 management plans. In order to reduce considerably the approval time, MECC will organise a technical advisory inter-ministerial committee to examine the management plans; advising ministries will be represented on this Committee by the secretary of state and/or the general secretary and a technical expert. Urban areas are particularly affected by a loss of biodiversity from the impact of development. Consequently, it is necessary to promote a green infrastructure, through e.g. ecological corridors, green bridges and eco-ducts to re-connect natural areas that have been artificially divided, and by maintaining corridors and landscape elements that connect protected areas in order to form a functioning network.

According to the Prioritized Action Framework for Natura 2000 in Romania 2014- 2020, several priorities have been identified for ensuring an effective implementation of the management plans:

- finalizing the process of assigning the administrators for Natura 2000 sites;
- the implementation of the action included in the management plans, with a priority for the ones that support the management process;
- providing the resources for the management process including the infrastructure;
- the education of the population and raising awareness among the public.

Large areas, especially in the mountains and hills are threatened by the abandonment of agricultural activities which can affect both biodiversity and rural viability. Under the current RD program an area of 2,430,000 ha of UAA (representing 18.3% of total UAA) was identified as mountain area characterized by a considerable limitation in using the land for agricultural purposes, while 1,656,000 ha (representing 12.4% of total UAA) as areas facing natural and other specific constraints. By 2012, farmers holding a total area of 1.785.490 ha of the identified mountain areas mentioned above and 1,605,190 ha of areas facing natural and other specific constraints, received payments granted through EAFRD to support their undertaking to pursue farming activities and avoid abandonment.

Out of 2,400,000 ha of the High Nature Value (HNV) grassland identified, 1,191,588 ha have been protected under the current RD program by granting financial compensation to farmers who undertook commitments to apply management requirements. Besides HNV grassland protection, agricultural land management measures were designed and implemented with EAFRD financial support, covering an area of 84,313 ha, to protect a number of 4 threatened farmland bird species and 4 subspecies of butterflies. Although these populations of wild species and natural and semi-natural habitats appear to have remained stable over the last 25-30 years, there is a risk that new trends to enhance farming practices or abandonment of agricultural lands have a negative impact.

53% of the Romanian forests<sup>164</sup> are protected and different forest management regimes are applied according to their function. In the context of climate changes, measures need to be developed to enhance the value of forest protection function. Also, measures for the integrated management of mountain forests and watercourses need to be established (torrents correction, landslides mitigation, avoiding clogging of water course). In the same vein is needed to use sustainable forest management (SFM) approaches for sequestering carbon, such as sustainable management of production forests, sustainable management of protection forests - protected areas, and afforestation. These measures have direct contribution to mitigation and adaptation to climate change (e.g. afforestation projects - priority should be given to geographic areas where the activity can generate multiple benefits such as combatting desertification and improving degraded lands).

The marine environment of the Black Sea has been the focus of environmental policies (particularly in the Danube Basin) for the past 20 years and has experienced a slow but continuous recovery:

- reduced nutrient inputs has resulted in a reduction of algal bloom but this phenomena is still present;
- benthic species biodiversity has improved, increasing from 20 (in the 1990s) to almost 40 at present;
- zooplankton has been recovered particularly in offshore area, but is still vulnerable in the shallow;
- fish fauna is still in a critical situation (sardines, blue mackerel, bonito fish etc.) even if the Romanian fishing capacity decreased tremendous after 1990.

Romania aims to support the fishing sector and related activities in reducing its environmental impact. The use of selective fishing tools, gears and methods will contribute to the preservation of the aquatic habitat, accompanied by measures to strengthen the administrative capacity (especially activities regarding data collection, inspection and control in order to deter IUU fishing and to protect the environment).

With regard to aquaculture, both the preservation of aquatic eco-systems and the application of safety measures to prevent escapes from farms that could affect wild species biodiversity are taken into consideration.

Even if Romanian fisheries produces a low number of unwanted catches and discards, in order to further diminish the unwanted catches measures to support sustainable fishing activities are needed.

#### Air quality

Air quality remains a problem in Romania, particularly in urban and industrial areas. In order to improve air quality and to determine appropriate measures, the National Air Quality Monitoring Network was established consisting of 142 fixed stations, covering the whole of Romania. The additional provisions under Air Quality Directive 2008/50/EC require a new approach to air quality assessment, including the new pollutants which should be monitored (Heavy metals – As, Hg, Cd, Ni; PM2.5 and PAH). It will be necessary to upgrade and develop the National Air Quality Assessment System taking into consideration the following:

- some equipment has been working continuously over 10 years; many stations should be improved with the new equipment for measuring the new pollutants;
- the national air quality assessment that was prepared by the end of 2013 identify a need for more fixed stations, so it will be necessary to upgrade and extend the National Air Quality Network;
- development of a dynamic forecasting system for air quality;
- development of an unique and interactive system for inventory of the emissions of pollutants into the atmosphere in order to fulfil the requirements of INSPIRE Directive.

**Urban transport** - the sustainable development of Bucharest has to be addressed as for an European capital, in the context of urban agglomeration, in correlation with neighbouring areas. Besides the people that are living in Bucharest, there are 30,000-35,000 people/day that are in transit through the city, for business, tourism, and other activities, so that the capital reaches 2.3 mil people.

Bucharest metro network has to be developed for decongesting urban transport on the ground. All investments will contribute to low carbon economy and will aim at climate change adaptation. The metro network has 69 km, on 4 lines that provide a rapid movement of passengers at a big capacity, but they cover only a part of the inhabited area. Metrex ensures the transport for 20% of passengers that use public transport in Bucharest, even its share in transport public network is of 4%. In this respect, it is necessary to build new metro lines, in order to have not so high level of ground traffic and to have more environmental friendly urban transport system.

#### Soil

During 1950-1990, Romania's soil and water were heavily damaged by industrial and agricultural pollution, salinization, acidification, erosion, desertification, and landslides that today pose a major risk to human health and to the environment.

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<sup>164</sup>Total area of the Romanian national forest is 6,519,470 ha and represents 27.7% of the country - National Institute of Statistics

In 2008, in Romania were identified 1,628 potentially contaminated sites for the main sectors of activity, divided by type activities/sectors as follows: mining and metallurgy - 158; petrochemical industry - 839; chemical industry - 91; other activities on a large scale – 540. Most of these sites are abandoned and need rehabilitation. Remaining plants on these abandoned sites often contain hazardous substances that represent risks to human health and the environment. Currently MECC is upgrading the lists of contaminated sites together with the drafting of the National Strategy and National Action Plan for contaminated sites management. The prioritisation principles refer to: polluter's pay (limiting the support to sites where the initial polluter cannot be identified), protection of human health and the environment from the effects of contaminants resulting from human activities; remediation of contaminated sites.

Production potential of agricultural land is affected by different degradation processes. Average soil erosion has increased from 2.6 tons/ha/year in 2006 to 5.06 tons/ha/year. In 2010 water erosion, followed by wind erosion, were the main degradation processes that affected the agricultural soils, almost 9% of the total agricultural area being affected, most of it being arable land.

Actions that reduce the threat to water resources and combat soil degradation will continue to be important. Among these are agro-environment measures, which contribute significantly to reducing use of chemical fertilisers, preventing nitrate leaching by using green cover crops, improving of manure management, reducing the load of grazing livestock per unit area, reducing the use of mechanized equipment or increasing the water absorption of soil, which leads to a decreased risk of flooding. Afforestation of agricultural and degraded land will also contribute to water and soil conservation by maintaining water quality, preventing soil erosion and reduce the risk of floods.

### **Organic farming**

The area under organic farming more than doubled between 2007 and 2012 to stand at 300,000ha (representing 2.25% of UAA), while spontaneous flora cultures were collected over an area of approx. 538,000ha (representing 4.04% of UAA).

The number of operators registered in the organic farming system in 2012 was 15,373. It has increased threefold over the previous year in 2010 and twice in 2011. Besides its health benefices, organic farming will also add a valuable contribution to the reduction of negative impact on environment.

### **Main development needs**

The identified development needs are in line with the first results of the:

- The River Basin Management Plans;
- National Waste Management Strategy 2014-2020;
- The National Strategy and National Action Plan for the Management of Contaminated Sites;
- The National Strategy and National Action Plan on Biodiversity Conservation - for 2013-2020.

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), main development needs in relation to environmental protection and resource efficiency are:**

- Extend public access to water and wastewater services, in the context of the Water Framework Directive and its River Basin Management Plans;
- Facilitate transition of waste management to a market-led system based upon the waste hierarchy in the context of the Waste Framework Directive;
- Protection, conservation, restoration and sensitively exploitation of Romania's natural assets, including landscape, farmland, forests, inland and coastal waters, protected areas, biodiversity;
- Development and improvement of the air quality assessment and monitoring;
- Addressing the legacy of derelict and polluted sites and to manage current sources of pollution;
- Decrease abandonment of agricultural activities.

## **ADMINISTRATION AND GOVERNMENT CHALLENGE**

### **General**

The public administration domain is linked to quantified targets of Europe 2020 strategy, as indicated in the introductory section of the PA. Some of the links can be noticed across the targets, flagship initiatives and integrated guidelines. Others are more indirect and relate to administration creating an environment under which the private sector and other actors can operate in a fair, transparent and efficient manner. For Romania to achieve its planned contribution to Europe 2020, an efficient, predictable and coherent public administration is needed characterised by: high-quality decision-making; development and elaboration of policies (with a strong accent on rigorous, integrated and coherent strategic planning, including correlation with budget); the implementation of

measures adopted (focusing on the administrative capacity of the implementing institutions involved, at all levels, correlated with the allocated competences); monitoring systems (addressing both system design and capacity building for the collection, correlation and interpretation of data); and evaluation in order to identify deviations and their corrective measures in due time.

Headline targets of the Europe 2020 Strategy (especially those related to poverty, employment and education) require coordinated and collaborative efforts of the central and local levels. Accordingly, it is imperative to address administrative capacity in an integrated manner.

### Structural causes and main deficiencies

Efforts have been made to reform and modernize Romania's public administration in recent years, with support both from the national budget and from European funds. Extensive analyses, including by international bodies, acknowledge the progress made, but highlight the needs and challenges in an integrated approach to public administration reform in the coming years.

The deficiencies in national and local administrations highlighted in *The Socio-economic Analysis*<sup>165</sup> adopted by the Thematic Advisory Committee on Administration and Good Governance and *The Analysis on Structural Causes underlying the weak capacity of the Romanian public administration* are consistent with the Commission's findings (Country Specific Recommendations 2013 and Position of the Commission Services on the development of Partnership Agreement and programmes in Romania for the period 2014-2020). These will be addressed in an integrated manner within the Strategy for increasing the efficiency of public administration 2014-2020 which is currently under elaboration.

Analysis of **structural factors** reveals the following problems:

- **The politicization of the public administration.** The efficiency of governance is hindered by the excessive **politicization** of the public administration, a process characterized by a personalized approach to decision-making and institutional management, leading to constant reorganizations and reshuffling of public institutions.
- **The misallocation of public funds** and resources still represents a major issue affecting good and efficient governance.
- **Public administration is fragmented** and delegation of responsibilities is unclear, both at central and local levels. Fragmentation and lack of coherence is perceivable in terms of legislation (excess of normative acts, sometimes with contradictory/redundant provisions), budget allocation (across scattered policies and projects), institutional mandates, human resources management and use of IT&C tools (data-bases that are not inter-connected etc.)
- **Lack of trust** among political and administrative layers is not conducive to a real empowerment of professional civil servants, resulting in weak ownership and sense of accountability at the level of the administration. Politicization and personalization of public institutions, along with ambiguity in institutional mandates preserve a conservative administrative culture defined by **resistance to change and lack of initiative**. The general lack of trust and empowerment at the level of the administration results in **excessive bureaucracy** as a means of self-protection rather than taking responsibility for the given tasks. This is visible in extensive micro-management, the number of endorsements necessary for various administrative decisions, the large volume of paperwork, etc.
- **Lack of transparency** – the proper consultation needed to improve legislation at local and central level rarely takes place. Transparency is also a measure of the accountability of the public actors towards citizens, which is rather feeble at present and generates mistrust on the behalf of the civil society.
- **Deprofessionalization** – the pre-accession period has brought about an influx of young professionals into the public system and their skills were mainly used during the negotiation process with the EU. Once Romania joined the EU in 2007, a process of deprofessionalization started to occur, accentuated by the flow of professional civil servants leaving the administration to work either for EU institutions or in private consultancies.

The structural causes identified above, while not exhaustive, represent key elements in understanding some of the main deficiencies that affect the proper functioning of the public administration.

### Main cross-cutting deficiencies affecting the public administration

#### **1. Decision-making process and efficiency of public expenditures at all levels**

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<sup>165</sup> <http://www.fonduriadministratie.ro/pictures/analiza%20socio%20economica%20-%20CCT%20ABG.pdf>

Legal and institutional premises for building and implementing a robust decision making process are in place - laws have been passed, institutions established, and significant investments made in implementing a modern policy process supported by capable policy institutions. However, despite these changes, the above mentioned analyses reveal the following deficiencies:

- Inappropriate strategic planning systems within the public institutions leading to poor prioritisation;
- Poor usage of impact assessment for policy substantiation at all levels (including inefficient use of information, relevant data and modern IC&T tools) leading to ad-hoc decision-making and inefficient allocation of resources<sup>166</sup>;
- Weak institutional capacity related to policy coordination resulting in unclear mechanisms for monitoring and evaluating implemented policies, with a focus on rules and procedures rather than outputs and achieving performance;
- Lack of responsiveness in the planning, regulatory and legal systems;
- Lack of involvement of non-governmental stakeholders in the decision-making process at local and central level;
- Feeble financial management and insufficient financial autonomy at the local level due to frequent legislative modifications, resulting in a low level of tax collection;
- Low levels of transparency relating to the activity of public institutions (incomplete communication of information, deficiencies in promoting and implementing the legislation on the re-use of information from public institutions<sup>167</sup>, opaque public procurement system etc.).

Therefore, policy planning remains ad hoc and decision-makers are faced with a system that does not produce the quality of analysis that they need to make informed policy decisions, leading therefore to an overregulated environment and inefficient procedures with negative impacts on businesses and citizens. The administration is no longer focused on achieving performance but on keeping pace with the constant legislative changes. The consequences for Romania are the persistence of severe and chronic problems with the quality of public policy and public expenditure at all levels.

## **2. Human resources management**

Although the public administration contains dedicated and professional staff, the system does not function effectively due to the existing human resource policies and institutional framework in place, main deficiencies being related to politicization, the lack of unitary approach, rigidities in human resources management, the relative scarcity of high skilled professionals, and the difficulty in motivating and retaining those who do perform well.

The Functional Reviews conducted by the World Bank<sup>168</sup> identified several major deficiencies related to HR management, principal among which were:

- The absence of an integrated long-term policy concerning a coherent and unitary HR management in the public administration;
- Lack of performance management, from recruitment, evaluation, promotion, motivation and remuneration to professional development and acquiring of new skills;
- Lack of an integrated approach for the implementing and promoting ethics and integrity measures;
- Un-modernized organizational culture based on a procedural/bureaucratic approach and not oriented towards achieving performance measured against clear objectives and targets.

## **3. Bureaucracy**

Absence of single access point systems, underdevelopment of e-government systems and insufficient use of IT tools results in:

- Excessive bureaucracy for citizens and businesses;
- Excessive inter and intra-institutional bureaucracy;
- The existence of regulatory overlaps and over-regulation. Low planning capacity and ad-hoc decision-making without sound impact assessment generate a constant need to pass new or to modify existing legislation.

## **4. Capacity to deliver the public services**

Romania's public services are generally less developed than those available in the more developed EU countries. However, rather than the absolute level of service, the cause of greatest public dissatisfaction is the unevenness in the quality of and accessibility to services to which citizens are entitled to receive. Variation is particularly evident

<sup>166</sup> [http://www.sga.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08\\_Raport%20-%20cross-cutting%20issues.pdf](http://www.sga.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08_Raport%20-%20cross-cutting%20issues.pdf)

<sup>167</sup> Law no. 109/2007 on the re-use of information from public institutions (which transposes Directive 2003/98/EC on the re-use of public data)

<sup>168</sup> [http://www.sga.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08\\_Raport%20-%20cross-cutting%20issues.pdf](http://www.sga.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08_Raport%20-%20cross-cutting%20issues.pdf)

between urban and rural areas, but there are also some differences across the less developed regions. The insufficient administrative and financial capacity at the central and local government to meet the increasingly diversified needs of beneficiaries, especially in ensuring high quality public services, is caused by the following factors:

- Inconsistent regulation of public services through separate normative acts;
- Cost and quality standards have not been defined for all public services;
- Insufficient concern for the design and delivery of public services in partnerships with the stakeholders;
- Insufficient concern for the long-term implementation of management, monitoring and evaluation systems and tools for public services delivery.

#### **5. Lack of coordination and pronounced fragmentation**

There are clear deficiencies in coordination between ministries and entities that coordinate intra-sectoral responsibilities, institutional overlapping in terms of competencies and attributions, inefficient use of resources, fragmented administration with too many expensive structures.

The transfer of competencies from the central to local government (education, health, population registry, basic public services) was done without a proper assessment of the administrative and financial capacity of the local authorities. The transfer of responsibilities has been often incomplete or unclear/diffuse and decentralized public services delivered by local governments being, in many cases, underfunded.

The differences in administrative capacity among local governments have affected their ability to mobilize resources, to attract investments as well as to implement properly the developed strategies/plans. Fragmentation, including along political lines, has impeded cooperation between local authorities in view of developing initiatives and public services on economic and efficient basis. It has also constrained integrated development, through partial participation of rural municipalities surrounding urban growth poles and areas.

#### **Promotion of integrity, transparency and good governance**

Currently, Romania is implementing the National Anticorruption Strategy (NAS) 2012 -2015, a document of a medium-term strategic vision which provides the major coordinates of action in the support of promoting the integrity and the good governance at all the public institutions level. The document has a multidisciplinary character and it is addressed to all the public institutions which are representing the executive, legislative and judiciary powers, the local public authorities, the business environment and the civil society.

The purpose of the strategy is to reduce and to prevent the corruption phenomena through a rigorous application of an already developed legal and institutional framework. Therefore, NAS puts an emphasis on observing the integrity standards and effective implementation of the measures in force (such as declarations of assets, the management of conflicts of interest and incompatibilities, the whistle-blower protection, ethical counsellor, declaring gifts, transparency in the decision making process and access to information of public interest). Moreover, NAS incorporates the areas identified as priorities at the European Union level by the EC Anticorruption Communication such as recovery of proceeds of crime and protection of EU financial interests. In addition, several areas/sectors vulnerable to corruption are addressed: judiciary; financing political parties and electoral campaigns, parliament; public procurement; business environment; local public administration.

Since the adoption of NAS, the National Integrity Agency, National Anticorruption Directorate and High Court of Cassation and Justice continued to consolidate their track-records in combating corruption and a positive trend in terms of complexity of cases and range of persons investigated was maintained. However, there are still some challenges that need to be addressed and areas that require further attention:

- Increasing the level of anticorruption education for all public institutions' employees;
- Efficient implementation of the anticorruption preventive measures regulated by national legislation;
- Increasing the use of administrative control mechanisms;
- Adopting specific measures in the public sector with regard to preventing conflicts of interests in public procurement.

Based on regular progress reports, independent reviews and perception survey, corruption continues to be identified by the public as a barrier to quality public services at central and local levels, as a phenomenon that undermines the effective administration of public funds and obstructing justice, also affecting business environment. Internal and external indicators specialised in assessing the impact of corruption perception puts Romania under the EU member states average. The target of the National Anticorruption Strategy 2012-2015 is to increase these indicators so as to reach the EU average.

#### **Lessons learned**

During 2007 – 2013 programming period, the Operational Program Administrative Capacity Development played a special role in supporting public administration reform. Interventions sought to improve the basis for public policy elaboration, strategic planning process, performances measurement and evaluation, human resources management, as well as decentralization (e.g. education, health, population registry, basic public services).

PO DCA 2007- 2013 supported several important projects on analysing the cross-cutting issues on eleven sectors (agriculture, transport, pre-university and high education, public finance, competition, health, labour, environment, economy and regional development) in order to identify the deficiencies, needs and possible solutions.

Strategic projects, with large impacts on the system and with replication potential have not been generated in sufficient number during the current programming period<sup>169</sup> and some of the projects were delayed because of low capacity of the beneficiaries.

Many projects have also been promoted in a scattered manner, addressing symptomatic deficiencies but with limited effectiveness when unable to tackle the underlying structural causes.

Future capacity building interventions should be implemented through integrated strategic projects. These projects should cover a whole system that delivers public services (with all its levels) or a horizontal issue (e.g. general needs "public function") and should incorporate measures / monitoring and evaluation activities to ensure and highlight their effectiveness.

The opportunity to use **EU funds** as additional resources of increasing the financial autonomy of the administrative-territorial units and improving the quality of services provided to the beneficiaries was used inadequately.

In order to succeed on reforming the public administration, it is, also, necessary to continue the efforts already undertaken through the implementation of administrative capacity measures in the following ministries:

- Ministry of National Education<sup>170</sup>;
- Ministry of Labour, Family, Social Protection and Elderly<sup>171</sup>;
- Ministry of Public Finance<sup>172</sup>;
- Ministry of Economy<sup>173</sup>;
- General Secretariat of the Government;
- Ministry of Regional Development and Public Administration<sup>174</sup>;
- Ministry of Transport<sup>175</sup>;
- Ministry of Health<sup>176</sup>;
- Ministry for Environment and Climate Change<sup>177</sup>.

The action plans contain structural reform measures aimed at enhancing the administrative capacity of line ministries to support the achievement of the strategic goals of the Government (including the EU2020 targets). Currently, the Prime-minister's Chancellery is setting up a monitoring and evaluation system for structural reforms (including the action plans based on the functional reviews) capable of evaluating the impact of these reforms on the capacity of the administration to reach its strategic goals (including EU2020 targets).

The selection of the public institutions was based on:

- the responsibility regarding the elaboration and implementation of the horizontal reform programmes;
- the reduced administrative capacity on drafting sectoral public policy;
- relevant contribution in achieving the objectives foreseen in NRP.

It is important to underline that, in the action plans mentioned above there are measures in the responsibility of different stakeholders from all administrative layers.

The reinforcement capacity of the **Ministry of Public Finance** and the **Ministry of Economy** as well as of the main stakeholders in these sectors is essential for recovery of the economy and the financial system and for the improvement of the business environment in order to stimulate productivity, precondition for ensuring long-term economic growth.

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<sup>169</sup> *Analysis of Capacity Building Activities in the Public Administration, Final Report, World Bank*

<sup>170</sup> [http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/04\\_HEFR%20final%20report.pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/04_HEFR%20final%20report.pdf)

<sup>171</sup> [http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/06\\_MMFP%20FR-Final%20Volume%201\\_ENG.pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/06_MMFP%20FR-Final%20Volume%201_ENG.pdf)

<sup>172</sup> Ministry of finance implemented 5 projects derived from FR I ([http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/06\\_RO%20FR\\_Public%20Finance\\_%20Final%20Report.pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/06_RO%20FR_Public%20Finance_%20Final%20Report.pdf))

<sup>173</sup> [http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/03\\_MEC%20Review%20Final%20Report.pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/03_MEC%20Review%20Final%20Report.pdf)

<sup>174</sup> [http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/02\\_Regional%20Dev%20and%20Tourism%20FR%20Final%20Report%20\(English\).pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/02_Regional%20Dev%20and%20Tourism%20FR%20Final%20Report%20(English).pdf)

<sup>175</sup> Ministry of transport implemented 2 projects derived from FR I ([http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/07\\_RO%20FR\\_Transport\\_%20Final%20Report.pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/07_RO%20FR_Transport_%20Final%20Report.pdf))

<sup>176</sup> <http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/07-RO-FR-Health-Sector.pdf>

<sup>177</sup> [http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/05\\_ROMANIA%20FR%20Environment-Water-Forestry\\_Volume%201-Main%20Report\\_ENG-FINAL.pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/05_ROMANIA%20FR%20Environment-Water-Forestry_Volume%201-Main%20Report_ENG-FINAL.pdf)



As far as the **Ministry of Transport** and **Ministry of Environment and Climate Change** are concerned, these institutions are the main actors involved in elaborating and implementing the objectives of the Cohesion Fund. Special support will be provided for developing administrative capacity for the institution involved in the appraisal and adoption of Natura 2000 management plans, revising and simplifying the corresponding procedures and the Romanian Water National Administration, (enhancing their awareness and skills for designing and implementing non-structural measures). Considering EU2020 targets on the employment rate, (especially among youth), reducing the early school leaving rate, increasing the investments in research and development and reducing poverty and social exclusion, there is a need to offer constant and substantial support for the public institutions that are responsible with the elaboration and implementation of the public policy in this area: **Ministry of National Education, Ministry of Labour, Family, Social Inclusion and Elderly** and **Ministry of Health**, their subordinated and coordinated bodies as well as local governments.

Considering that administrative capacity represents an essential condition for the development and implementation of the policy reforms and for the improvement of the absorption of the European funds, it is necessary to support the efforts made by the **Ministry of Regional Development and Public Administration** and of the **General Secretariat of the Government through the Prime Minister Chancellery** regarding the improvement of the quality of regulations and human resource management, the reduction of the bureaucracy and the development of a performance-based management in public administration.

In terms of future steps, key findings on public administration system deficiencies are already envisaged to be addressed through the National Reform Program:

<i>Country Specific Recommendations 2013</i>	<i>Romania assumed major strands through NRP</i>
This recommendation refers to the <b>poor administrative capacity</b> which contributes to the low absorption of EU funds; therefore, the governance and quality of public administration needs to be strengthened.	<ul style="list-style-type: none"> <li>- Implementing strategic reforms to improve government efficiency, based on the functional analysis carried out by the World Bank;</li> <li>- Further measures aimed at better regulation at central government level;</li> <li>- Professionalization of civil servants;</li> <li>- Standardization of administrative procedures;</li> <li>- Increased absorption of Structural and Cohesion Fund support;</li> <li>- Modernisation of public administration through the application of ICTs;</li> <li>- Building capacity for regional development</li> </ul>

In order to remediate the identified deficiencies, as well as to respond to the structural causes that determined a reduced administrative capacity of Romanian public administration and to mitigate the structural effects, a **Strategy on strengthening the efficiency of public administration 2014-2020** is currently under elaboration. The Strategy will be elaborated in correlation with the up-dated Better Regulation Strategy aiming at strengthening the public policy formulation system.

### **Main development needs**

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), main development needs are:**

- **Improving decision-making process and the efficiency of public expenditures at all levels**
  - Developing and implementing systems and procedures for policy coordination;
  - Developing monitoring and evaluation mechanisms for the implemented policies;
  - Improve the budgetary and legislative process by streamlined in-depth impact assessments and effective consultation process;
  - Further implementation of the action plans derived from the functional reviews for public institutions;
  - Developing skills in the areas of strategic planning and budgetary programming, impact assessment and monitoring and evaluation (e.g. Training and methodologies, data-bases for indicators);
  - Strengthening participatory dimension, development of consultation and participation mechanisms in decision- making;
- **Reforming the human resources management in public institutions**
  - Create and implement an integrated strategic framework for human resources management in public sector
  - Raise the professionalism, effective independence and attractiveness of the public administration
- **Reducing bureaucracy for businesses and citizens**
  - Measuring **administrative burden**, transfer of know-how and best practices;
  - Actions to realise regulations and to reduce the burden of bureaucracy on businesses and citizens;

- **Opening the administration - enhanced transparency, integrity, accessibility and accountability of government and public services;**
- **Enhancing capacity at all levels for increasing quality and accessibility of public services throughout the territory of Romania**
  - Performance management, monitoring and evaluation systems and mechanisms for public services delivery;
  - Institution building;
  - Accessible and customers oriented public services;
  - Transfer of know-how and best practices;
  - Partnerships among public institutions and among them and stakeholders.
- **Enhancing administrative and financial capacity at national, regional and local level to implement actions in pursuit of Romania's development goals**
  - Developing modern management systems and tools for increasing performance in public institutions at all levels
- **Developing coordination mechanisms among public institutions for better coordination of reform actions both horizontally and vertically, including a clear definition of public institutions mandates, including coordination mechanism for implementing macroeconomic strategies (e.g. EUSRD and Integrated Maritime Policy).**

### The judicial system

The judiciary has evolved in the years since Romania's accession; the level of public trust in the judicial system has steadily increased. According to the latest Eurobarometer on Justice<sup>178</sup>, 44% of the Romanians trust the judicial system, which represents a major achievement as it shows an increase of more than 15% from the date of Romania's accession to the EU. However, Romania is still below the EU average public trust in the judiciary. Creating a modern justice system, involves both efficient and transparent legal and institutional framework and the implementation of management standards at the level of judicial institutions as to ensure quality of the act of justice.

For modernizing the judicial process, **new Civil and Criminal Codes were adopted in 2009, including the accompanying procedural codes**. The implementation process of the codes was established gradually, in order to ensure the tools for their smooth implementation (personnel, budget and infrastructure). The new Civil Code and the new Civil Procedure Code entered into force in 2011 and in 2013, while the Criminal Codes entered into force at the beginning of 2014. These Codes will have a decisive contribution to the modernization of the judicial system and will bring benefits for the efficiency, transparency and consistency of the judicial process.

Along with the adoption and implementation of the new codes other measures were taken and progress was made in order to sustain and naturally complement their implementation.

Thus, at the level of the judicial system there were several projects and analysis carried out which aimed at improving the performance and efficiency at its level. Thus, through a World Bank-funded project, ***Determining and implementing optimum workload of judges and court clerks***, carried out between October 2011 - May 2013, a new system for determining the optimum workload for judges and clerks was identified, as well as the appropriate tools for implementing and monitoring the respective system at the level of the management of the courts are to be further developed.

The judiciary also benefited in the period February 2012 - March 2013, along with other central Governmental institutions, of a ***functional review undertaken by the World Bank*** on the effectiveness of the organization and functioning of the judiciary in the context of the general concern for improving the administrative performance.

In order to further strengthen the reform, a **draft Strategy for the development of the judicial system** has been prepared through the common work of the relevant stakeholders at the level of the judiciary (the Ministry of Justice, Superior Council of Magistracy, Public Ministry with its specialized structures, namely the National Anticorruption Directorate and the Directorate for investigating organized crime and terrorism, High Court of Cassation and Justice). It is expected that the strategy will be adopted in the first part of 2014.

The Strategy sets the development directions of the judiciary for the next years also in accordance with the recommendations of the World Bank experts made on the recent project undertaken in the area of justice.

The Strategy's main objectives aim at further modernizing the judicial system by establishing strategic management at the level of the judiciary, efficient use of resources, innovative solutions to increase performance, greater

<sup>178</sup> Flash Eurobarometer 385 - Justice in the EU Report, November 2013, p. 14

transparency and integrity of the judiciary and its accessibility to the citizens. Achieving of all these targets sets the basis for an increased public trust in the institutions of the judiciary.

Based on the Strategy's main targets and objectives, through the support of national, ESI funds and other sources of financing, the Romanian judiciary **will aim at**:

### **1. Increasing the efficiency of justice as public service**

The conclusions and recommendations of the two World Bank projects (***Determining and implementing optimum workload of judges and court clerks and the Functional review***) stressed, in the context of ensuring a smooth implementation of the new codes, on the importance of implementing quality indicators and of optimum workload at the level of the courts, improvement of the judicial statistics, better coordination of actions between the key actors within the judiciary a to ensure a performing strategic management of the judicial system.

The new laws on the enforcement of criminal penalties and on the probation system will have a massive contribution in improving the effectiveness of the justice system. Nevertheless, the newly created **National Probation Directorate and the National Administration of Penitentiaries** require further capacity building support, in order to efficiently enforce the new criminal legislation.

Thus, the strategy aims at achieving the following **expected results**: A coherent vision of the strategic management at the level of the judiciary established; the implementation process of the new codes (civil / criminal, civil procedural / criminal procedural) finalized; the organization and functioning of courts and prosecutors' offices optimized; detention conditions improved and social reintegration of inmates increased.

### **2. Strengthening the institutional capacity of the judicial system**

The need of ensuring an adequate reform of the judiciary, as well as strategic measures at the level of the judicial system involves, necessarily, the **institutional strengthening** of key actors in the system in order to better serve their functions in accordance with their competence and thus ensure sustained reforms in the judicial system (the Ministry of Justice, Superior Council of Magistracy, High Court of Cassation and Justice, Prosecutor Office attached to the High Court of Cassation and Justice, National Anticorruption Directorate, Directorate for Investigating Organized Crime and Terrorism, National School of Clerks, National Institute of Magistracy, National Administration of Penitentiaries, National Trade Register Office, National Probation Directorate).

After setting up in 2011 the office for **assets recovery** in the Ministry of Justice, further steps for strengthening the overall efficiency of the national system for tracing, managing and recovering assets originating from crime were identified (independent audit carried out by Basel Institute for Governance as well as the peer review carried out by European Commission and EUROPOL) and are to be implemented on mid-term. These include better interagency coordination in enforcing the new legislation, as well as establishment of an asset management infrastructure.

Thus, the following **results are expected** to be achieved based on the Strategy: the legal framework strengthened; the institutional capacity at the level of the institutions within the justice system strengthened; the national asset recovery system and valorification of proceeds of crimes strengthened; the administrative capacity of courts and prosecutors' offices strengthened.

### **3. Ensuring the integrity at the level of the justice system**

At the beginning of 2012 (Law no.24/2012), Romania strengthened the legal basis for **judicial accountability**, by passing amendments in order to introduce.

In the area of judicial accountability, the **new disciplinary offences and sanctions** allow the **judicial inspection** to carry out more targeted, swift and pro-active disciplinary investigations, and develop a stronger advisory capacity within the inspectorate for shortcomings of judicial organisation, procedures and practice.

Also, stronger legislation to promote **integrity** within the judiciary itself and a law introducing extended confiscation of criminal assets have been adopted.

As regards **fighting corruption and promoting integrity**, it was acknowledged that Romania has made important progress in the prosecution and trial of high-level corruption cases and that the National Anti-Corruption Directorate (DNA) maintained its track record, with a significant increase in the number of indicted defendants and in the number of successful prosecutions.

In the area of the **accountability and transparency of the judiciary**, steady progress has also been registered in the enforcement of the **National Anticorruption Strategy (NAS) 2012-2015**.

However, financial support is still needed for the implementation of the **NAS** and of the **Strategy for strengthening the integrity within the judiciary 2011-2016**, whose purpose is to increase the confidence of the population in justice, while its final objective is to provide a high degree of competence of the judicial system. The targets expected to be achieved are: correct decisions, available to the public, proceedings carried out in an optimal period, incorruptible staff and unitary judicial practice. In this context, further support for DNA and other

institutions/agencies involved in fighting/preventing corruption should be ensured as to strengthen their capacity of intervention.

In this specific domain, the **expected results** are the following: the integrity of the judicial system strengthened by promoting anti-corruption measures and standards of professional ethics; the statute of legal professions related to justice system modernized in order to strengthen ethical standards: mediators, arbitrators, lawyers, experts, notaries, insolvency practitioners, bailiffs, translators and interpreters.

#### **4. Ensuring the transparency of the act of justice**

Since November 2013, intra-judicial information system **ECRIS** allows automatic access to the court decisions of all other courts of the country to all judges and court clerks, following a SCM decision. Moreover, all decisions of the HCCJ are now available on-line on its website in the form of summaries of the relevant decisions and integral text of the decisions rendered by the HCCJ. However, there is still a need to develop **one full electronic database where court decisions**, including the decisions of the High Court of Cassation and Justice, will be published on.

Besides, the latest CEPEJ report<sup>179</sup> raises the attention on the need to ensure citizens' **easy access to obtain practical information** about their rights or the courts' activity, or directly the forms enabling them to enforce their rights and as well as information regarding laws, procedures and courts, from official websites. In this context, financing is needed for the complete digitization of the judiciary in Romania, by implementing the **e-file**.

The following **expected results** are envisaged: relevant motivated judgments published; the mechanisms for providing information to parties and access to documents in the court in a timely manner improved, including through the development and access of the public to the e-file services.

#### **5. Ensuring the access to justice**

**Improving the access to justice**, especially in the context of enforcement of the new Codes, comprises a cluster of measures, starting with ensuring adequate courts premises (courtrooms, courts archives) and continuing with awareness campaigns on the major law changes, better legal aid services, increased online access to courts' activity and services by developing e-tools to this purpose.

**E-justice** projects are also needed for the key institutions of the judiciary such as the commercial courts, the National Trade Register Office as to fulfil their missions in relation to the business environment, as to sustain the enforcement of important pieces of legislation, such as the upcoming new insolvency legislation.

**Specialisation of courts** can also help to address particular blockages in the system and to support the business environment in Romania. Thus, in Bucharest, setting up of a Commercial Tribunal is planned for the near future. The law was adopted by the Parliament late in 2013, and the Tribunal is expected to start functioning in 2014. It will deal with all professional litigation as a specialised court on company law and insolvency, aimed at ensuring better quality and speed of court procedures.

Thus, the Strategy for the development of the judiciary aims at achieving the following **expected results**: the legal aid system strengthened; the communication at the level of the judiciary improved.

#### **6. Improving the quality of the act of justice**

As regards the **consistency of the judicial process**, important steps have been taken in terms of **unifying the jurisprudence**. Among the initiatives taken in this regard, one can mention the mechanisms provided by the new legislation such as: improvements of the appeal in the interest of the law, the preliminary ruling procedure etc. Also, measures have been taken in order to reduce the workload at the level of the courts such as encouraging the use of **mediation** as an alternative method for dispute resolution.

In the context of the adoption and implementation of the new codes, given the large number of revisions and changes that took place, the need for **training** of all practitioners involved in the justice system - judges, prosecutors, lawyers, clerks, staff from the probation/prison system etc. – has increased significantly. The training of the practitioners will improve their knowledge and will offer the opportunity for discussions on the new developments in legislation, as well as on relevant jurisprudence.

Therefore, initial and continuous training of the practitioners involved in the act of justice is a long term goal that requires substantial financial support.

Thus, the following **results are included** in the drafted Strategy: the length of judicial proceedings reduced; unified jurisprudence; interdisciplinary training of participants in the administration of the act of justice; the enforcement of judgments improved.

Last but not least, all these reform priorities cannot be implemented without adequate **physical infrastructure**, considering the new codes adoption and implementation and given the large revisions and modifications operated.

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<sup>179</sup> CEPEJ Studies no. 18, *European Judicial Systems*, Edition 2012

In this context, the **New Civil Procedure Code** provides for a new organization of the civil process involving a series of changes in the organization of the trial such as the separation of the public hearing held in courts of first instance in two stages (the Council Chamber stage and the courtroom stage). There are 233 courts in Romania, functioning in 206 buildings. Besides the investments needed for making the courts premises suitable for enforcing of the new codes, also other major investments in the court buildings have to be undertaken. For example, an analysis performed in May 2013 by the Ministry of Justice reveals that an estimated number of 75 buildings in which function 89 courts have to be energetically rehabilitated. Also, the penitentiary units have to be energetically rehabilitated as their physical infrastructure requires significant investments according to the European standards on imprisonment.

Moreover, out of total 206 court buildings, 48 are historical monuments and another 10 are situated in historic districts and thus being subject of limitation in terms of rehabilitation. Mention should be made that some of the monuments are located in representative urban centres that have a significant endowment of culturally important buildings.

### **ICT for modernizing the Judicial System**

The further development of ICTs in the justice system will make a significant contribution to improving strategic management, accountability, transparency and efficiency of the judiciary, and thereby enhancing access to justice. Investment is needed in order to further support the development of the use of the IT within the judiciary, in line with the strategic e-justice objectives and best practices applicable in the field.

### **Main development needs**

Based on the objectives and expected results of the strategy, in order to support the reforming process of the judiciary, financing is needed for strengthening the organisational and administrative capacity of the judiciary institutions, for the development of the human resources in terms of professional knowledge and capabilities, especially in the context of adoption and enforcement of the four new Codes, and for improving the access to justice. Support is also needed for enhancing integrity within judiciary through risk based analyses and tailor made preventive programs, as well as for strengthening the overall efficiency of the national system for tracing, managing and recovering assets originating from crime.

These measures need to be supported also by investments in the physical and IT infrastructure in order to achieve a sustainable development of the justice system.

Having in view all the above, the main development needs for the judiciary are:

- more efficient, transparent, accountable, accessible and consistent judicial system.

### **Cadastre and land registration system**

Romania is composed of 3181 territorial administrative units of which 2861 are Territorial Administrative Units UATs located in rural area (communes). The total number of immovable assets in Romania is estimated at 40 million land parcels of which 32 million land parcels are in rural areas and 8 million parcels in urban. Up to date only 9% of rural properties are registered in the cadastre and land book system managed by the National Agency for Cadastre and Land Registration.

The lack of reliable information on real estate rights is affecting the development of both rural and urban areas, with infrastructure, growth, social development, and environmental actions all affected. This situation impacts the preparation and implementation of structural investments financed by the European Union, as well as other development programs and infrastructure investments. The lack of information on property rights often leads to major delays and there is often significant effort required in order to investigate rights over the land identified as required for the project and ensuring that fair and just compensation is paid to those who lose property.

The lack of legal security of real estate rights also constrains farmers' ability to utilize funds under the EU's Common Agricultural Policy (CAP).

The system of cadastre and land book is an integrated electronic system (called eTerra) implemented and maintained by the National Agency for Cadastre and Land Registration. The eTerra system covers the entire country and ensures a system for the electronic registration of immovable assets and the management of the databases. For the purpose of achievement the systematic cadastre, the eTerra system need to be improved and some investments are needed in hardware, software, maintenance and licenses. As well as the system itself, assistance is required to support complex activities in different areas: technical (mapping, surveying), legal (collecting in the field the ownership deeds, analysing the legal deeds), social and communication (conducting awareness campaign in the local communities, interacting with local people and with vulnerable communities in the project areas).

Also, in the performance of the cadastre work there is the need for the participation of a number of different entities: local authorities, cadastre companies, counties offices for cadastre and land registration, local population. The staff of all institutions involved has to be trained in the specific activities necessary for development of the cadastre, as well as the top management in areas effecting the overall management, implementation and monitoring of the system.

The main problems caused by the incomplete property records are:

- *Constrained land market, access to credit, investment and revenues.* The high cost of registration and the formal resolution of succession encourages informality limits land market activity, blocks access to formal credit markets, discourages investment and limits property tax assessment and collection.
- *Difficulties in managing natural resources and responds to climate change.* Neither privately nor publicly held forest lands have been registered, which hinders their management and the lack of basic information constrains programs to address climate change and other environmental concerns.
- *Delays in social inclusion.* Many homes and farms of the poor and disadvantaged are held without legal rights (this is often the case with rural Roma settlements).
- *Agricultural land consolidation.* Preparation for farmland consolidation and agriculture land commercialization are hindered by the lack of reliable records on property and their ownership.

Registration, sporadically, on an as needed basis, has proven too inefficient and expensive for the majority of Romanians to access. This also applies to public lands, which are poorly demarcated, registered or designated within the public sector.

Since 1989, a large number of properties have gone through the process of restitution. This process was developed in the cooperativized areas (of the past socialist period) and has been slow but is now mostly completed (about 95% of claims for restitution have been settled) resulting in property deeds being provided to eligible owners, but this has not progressed to the registration of those deeds. These deeds are being registered sporadically and this will take a long time to complete the land books and register. In the non-cooperative areas (about 37% of the Romanian territory) a significant percentage of the current land owners have no legal documents (property deeds) for the land and buildings they possess. This delays farm restructuring and decreases farm competitiveness.

As a result of the registration of both private and public properties, the rural communes will meet one of the most essential conditions of accessing the EU programs in the field of local infrastructure development: the ability to undertake the development of public utilities networks, of street networks, and the rehabilitation of public interest building etc.

For the urban area, the registration of property is being considered to be done through a public services concession (Government Decision 448 of 4 July 2013).

### **Main development needs**

**Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (Annex I), the main development needs can be addressed by improved land registration services are:**

- Improving registration and mapping systems in rural areas for better land and credit markets and investments. Systematic registration of property rights will increase tenure security, facilitate improved land markets and access to institutional credit and thus improve the economic and social development of the rural population with a substantial increase in intangible property revenues.
- Improving resource mobilisation. The existing land records will form the basis for updating the rural land register and the cadastre and taxation records. These databases will be made available for PIAA, public authorities and institutions, public notaries etc., and will support better and more equitable collection of property taxes.
- Enhancing inclusion. Progressing systematic registration will include support services to identify and facilitate formalization of property possessed by legitimate occupants without valid legal documentation.

## **1.2 SUMMARY OF THE EX-ANTE EVALUATIONS OF THE PROGRAMMES OR KEY FINDINGS OF THE EX-ANTE EVALUATIONS OF THE PA**

Romania took the decision to contract ex-ante evaluation as an independent method to improve the coherence and quality of the PA. The ex-ante evaluators were asked to respond to three sets of questions revolving around (i) the internal and external coherence of the PA 2014 – 2020; (ii) the administrative capacity of authorities and beneficiaries; (iii) the electronic systems for the exchange of information between authorities and beneficiaries. This section concentrates on the first set of questions and will be updated once various versions of the evaluation reports are made available by the evaluation team.



During the period March 2013 – December 2013 the evaluation of the PA was conducted in three stages based on the following versions: PA consultative document (31<sup>st</sup> May), PA working document (August 2013), and PA first draft (October 2013). Throughout the programming process, with the support of evaluators a series of validation seminars were organized on the topics related to the internal coherence and fulfilment of the ex-ante conditionalities.

In order to facilitate the evaluation of internal and external coherence was used a logical matrix. Based on this the main findings of evaluators referred to: the relevance of statistical data included in the analysis of disparities corroborated with length of the section; the insufficient identification or illustrations of problems; not clear link between development needs and proposed funding priorities, or priorities not justified at all by the needs identified; the level of detail of development needs across the development challenges; correlation between the needs/opportunities and the integrated territorial approach proposed, not all NRP priorities are clearly target through the ESI Funds. At the end of third evaluation stage the evaluators appreciated that the new versions of the document were significantly improved, in terms internal and external coherence, and by including relevant statistical data the depth of analysis increased significantly. The clarity was improved, e.g. regarding the coherence with Europe 2020 objectives or Country Specific Recommendations. As well the link between of the development needs and proposed funding priorities was synchronised.

Presently, the evaluation of the second draft of PA is in progress. In support to prepare the new version of the document the evaluation was carried out on an iterative basis, with evaluators and participants in the PA drafting. The exercise allowed the identification of problematic areas and the immediate reaction in the implementation of recommendations.

As regard the *ex-ante evaluation of operational programmes*, the Ministry of European Funds has commissioned and is responsible for the management of evaluation for the following OPs: Large Infrastructure, Competitiveness, Human Capital, Administrative Capacity, Technical Assistance and Regional Operational Programme. The evaluations started in December 2013, with the exception of Large Infrastructure OP evaluation which was launched in February 2014.

Where relevant, the ex-ante evaluation includes the Strategic Environmental Assessment (SEA).

In order to refine and improve the draft operational programmes, the evaluation experts held a first round of joint discussion with the responsible in programme preparations for the following OPs: Large Infrastructure, Competitiveness, Human Capital and Technical Assistance. In the second part of March 2014 are scheduled meeting for the Regional Operational Programme and Administrative Capacity.

The evaluation for the National Rural Development Programme 2014-2020 is organised under the reasonability of Managing Authority for NRDP and commenced in January 2014. The first results of the evaluation are expected in March 2014. As regard the Operational Program for Fisheries and Maritime Affairs the start of the ex-ante evaluation is linked with the approval of the EMFF specific Regulation.

A summary of ex-ante evaluation for the operational programmes will be included in the final draft of the PA.

### 1.3 SELECTED THEMATIC OBJECTIVES, AND FOR EACH OF THE SELECTED THEMATIC OBJECTIVES A SUMMARY OF THE MAIN RESULTS EXPECTED FOR EACH OF THE ESI FUNDS

The analysis reveals Romania's continuing and, in some cases, widening disparities with the EU across a broad in spectrum of issues. Accordingly, in the 2014-20 period, Romania will make investments using ESI Funds resources under all 11 Thematic Objectives that relate to the EU2020 strategy.

The selection of Thematic Objectives relates to their alignment with and potential contribution to the five Challenges and the related main development needs:

<i>Development Challenge</i>	<i>Thematic Objective</i>
<b>COMPETITIVENESS AND LOCAL DEVELOPMENT</b>	1. Strengthening research, technological development and innovation
	2. Enhancing access to, and use and quality of, information and communication technologies
	3. Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector
	6. Preserving and protecting the environment and promoting resource efficiency
<b>PEOPLE AND SOCIETY</b>	2. Enhancing access to, and use and quality of, information and communication technologies
	8. Promoting sustainable and quality employment and supporting labour mobility
	9. Promoting social inclusion, combating poverty and any discrimination
	10. Investing in education, training and vocational training for skills and lifelong learning

<i>Development Challenge</i>	<i>Thematic Objective</i>
	11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration
<b>INFRASTRUCTURE</b>	2. Enhancing access to, and use and quality of, information and communication technologies
	7. Promoting sustainable transport and removing bottlenecks in key network infrastructures
	9. Promoting social inclusion, combating poverty and any discrimination
<b>RESOURCES</b>	4. Supporting the shift towards a low-carbon economy in all sectors
	5. Promoting climate change adaptation, risk prevention and management
	6. Preserving and protecting the environment and promoting resource efficiency
	7. Promoting sustainable transport and removing bottlenecks in key network infrastructures
	9. Promoting social inclusion, combating poverty and any discrimination
<b>GOVERNANCE</b>	
	2. Enhancing access to, and use and quality of, information and communication technologies
	11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration

Quantification of Romania's socio-economic needs and technical deficits undertaken as part of the analysis exercise makes clear that full absorption of ESI Funds can meet only a fraction of these in 2014-2020. However, factors from the analysis that have helped to determine the high level distribution of resources include:

- the limited absorption capacity of businesses and innovation providers reflecting the sectoral structure and size distribution of the business base, the focus on growth and jobs notwithstanding.
- the extent to which Romania's investment choices are pre-determined by the Acquis, and obligations to international funding institutions requiring a strong focus transport and water projects.

Additionally, distribution of resources is to some degree conditioned by the rules on thematic concentration and the disaggregation of the ESI Funds into five Funds.

Within the envelope of these constraints, Romania has made a positive choice to use the ESI Funds to move Romania's economy and society forward in a balanced manner, having particular regard to the territorial challenges in generating growth and jobs in the country's less developed regions:

- Some 19.34% of the national ERDF allocation will be allocated to TO1 - RTDI; TO2 - ICT; TO3 - Competitiveness. 0.76% EAFRD to TO1;
- Additionally, some 32.17% EAFRD will contribute TO3, respectively aiming to increase the competitiveness of the rural and fishing economy.
- TO4, concerned with low carbon transformation will be a major focus and will attract 29.57% of the national ERDF allocation. 4.73 % EARDF for TO4;
- For environment sector, around 6.9% of CF will be dedicated to TO5 and for TO6 both fund ERDF and CF will contribute, namely 4.83% ERDF and 39.41% CF. 30.8% EARDF for TO5 and TO6;
- Reflecting Romania's infrastructural deficit and its critical role in supporting growth, 23% of the total envelope of ESI Funds, will be dedicated to TO7 Sustainable Transport (31.39% of the national ERDF allocation and 53.69% of the CF allocation);
- Some 26.44% of the national ESF allocation will be devoted to TO8, Employment, and will contribute also to the achievement of the TO1 by strengthening skills in the research and development sector and TO2, by strengthening digital skills in the workforce. 6.61 % EARDF for TO8;
- Around 23.75% of the national ESF allocation will target TO9, Social inclusion, including social services and a further 25.04% TO10 Education. Supporting investments in social and educational infrastructure, will be made using ERDF with 8.43% contribution from the ERDF national allocation for these two objectives. 22.71% EARDF for TO9 and TO10.
- The allocation of ESF resources, around 18.05% from the national allocation, will be dedicated to TO11, Institutional capacity/efficiency and will be complemented by investments in e-government under TO2. 2.23% EARDF for TO11 (coming from technical assistance).



### **Development Challenge 1 “Competitiveness and local development”**

In order to tackle this challenge, a multi-dimensional approach will be followed for the interventions under the **TO 1, 2 and 3**.

The concept of competitiveness is applied both at the level of country in terms of maintaining or growing economic activity, and at the level of the business operating in the context of open markets for retaining or increasing their market share. In order to create new jobs it is necessary to improve the ability to drive innovation and research and development in products, services, business and social processes and models as well as improve business environment and the power to implement value chains on a large scale and therefore creating links within and outside the country.

#### **Thematic objective no. 1: Strengthening research, technological development and innovation**

Interventions from ESI Funds under this thematic objective have been set in order to contribute to achieve the main objective **to Improve the conditions for research and development, in particular with the aim of bringing combined public and private investment levels in this sector to 2 % of GDP**. This will be done by supporting innovation in enterprises and capacity-building for R&I excellence and technological change. In rural areas innovation and the knowledge base will be enhanced through cooperation between the agriculture, food and forestry sectors and other actors and the creation of clusters and networks and use of advisory services.

The RDI component of OP Competitiveness will be developed in synergy and complementarity with the National RDI Plan and also in synergy with the European RDI Programme Horizon 2020. The research financed by EAFRD will be in synergy with the European Research Policy Horizon 2020 which is becoming more focused on practical issues and will provide financial support for new interactive formats and extra practically, as well as thematic networks and multi-actors projects. In the framework of the National RDI Plan, the national budget will support fundamental and frontier research complementing ESI Funds targeting support for applied research and innovation in business. Synergy will also be ensured through common RDI actions with complementary eligibility criteria. A new type of financing "Partnerships for Knowledge Transfer" will be used in OP Competitiveness to link enterprises with innovation support services and to provide them with access to research facilities, including infrastructures developed or modernised in the 2007-13 period.

<b>Development needs</b>	<b>Proposed Priorities for Funding</b>
<ul style="list-style-type: none"><li>➤ The creation of a more compact and modern R&amp;D environment that is focused on business's needs, societal challenges and technologies where Romania has world class potential, informed by the principles of smart specialization and in order to increase the commercialization and internalization of research.</li><li>➤ The promotion of an enterprise and innovation culture throughout the education system and in business networked with all necessary forms of support, financial, managerial, technical, creative, in order to realise the latent potential in Romania's people and its businesses.</li></ul>	<ul style="list-style-type: none"><li>• Supporting private RDI investments and research partnerships between enterprises and research organisations in order to foster the transfer of knowledge, technology and personnel with RDI advanced skills and to enable the RDI-based development of products and services in economic sectors with growth potential</li><li>• Promoting financial instruments aimed to support the risk of private investment in research and innovation and to stimulate innovative start-ups and spin-offs</li><li>• Developing the public and private research infrastructure, both as part of existing/emerging clusters, centres of excellence and other types of research structures (national / regional / EU), and in specific areas identified as priorities, based on existing potential and/or competitive advantage, such as health</li><li>• Unlocking the potential for excellence in research and innovation by creating synergies with the RDI actions of the programme Horizon 2020.</li><li>• Creation and developing of innovation and technology-transfer support infrastructure in the public and private sectors, particularly in Romania's less developed regions, informed by the principles of smart specialization</li><li>• Advisory services to farmers, in order to improve the economic and environmental performance</li><li>• Encouraging the cooperation between farming /agri-business, forestry and food sectors, education, advisory and research in order to use the results in relation to pilot projects, development of new products, practices, processes and technologies, as applied solutions of research and innovation</li><li>• Adapting research activities to the needs of farmers and facilitating their access to research, innovation results and quality advisory services.</li><li>• Setting up operational groups (farmers, researchers, advisors), which will form part of the European Innovation Partnership for agricultural productivity and sustainability</li><li>• The establishment and use of advisory services for the fisheries sector</li></ul>

Development needs	Proposed Priorities for Funding
	<ul style="list-style-type: none"> <li>• Collaboration between fisherman/aquaculture farmers and scientists</li> </ul>

#### Synergy with other TOs:

The proposed priorities for funding under the **TO 1** will be synchronized primarily with the interventions addressing **entrepreneurship and business models** under **TO 3**, but also with the measures targeting **employment, education and skills** under **TO 8 and 10** and the measures covered by **Digital Agenda** addressed under **TO 2**.

**EAFRD through rural development priority 1 will contribute to this TO.**

#### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *Higher levels of investment in RDI, both in the public and private sectors; greater translation of research findings into commercial applications; an improved distribution of RDI activity across Romania's regions.*

**EAFRD:** *Increased number of cooperation actions and creation of Operational Groups for European Innovation Partnership for agricultural productivity and sustainability*

**EMFF:** *Improvement of economic and environmental performance through development of innovative products, practices, processes and technologies.*

#### Thematic objective no. 2 - Enhancing access to, and use and quality of, information and communication technologies

Development needs	Proposed Priorities for Funding
➤ Strengthening the digital business environment	<ul style="list-style-type: none"> <li>• Actions to promote ICT adoption by business, including e-commerce applications and innovation</li> <li>• Actions to develop e-government instruments for business and citizens (e-government 2.0)</li> <li>• Actions to develop cloud computing and social media collaboration technologies</li> <li>• Actions to provide modern online public services which ensure interoperability of different non-integrated systems, across sectors, regions and at national level, (increased coordination and efficiency of public resources to be promoted) and access to open standards for increasing transparency and administrative efficiency</li> <li>• Actions to ensure secure networks and systems</li> <li>• Actions to modernise the customs through improvement of IT systems and equipment</li> </ul>

#### Synergy with other TOs:

Priorities for funding under **TO 2** need to be synchronized with those addressing employment, education, and skills relating to the current and future workforce under **TO 1, 3, 10, and 11 and with TO 7** to increase the operability of the customs.

#### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *More dynamic and competitive markets across Romania, with associated gains for consumers, arising from increased use of e-commerce; Improvements to public services and reduced administrative burden, both on businesses and citizens, arising from the implementation of e-government 2.0;*

#### Thematic objective no. 3 - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector

Interventions from ESI Funds under this TO have been set in order to contribute **to increase competitiveness of SMEs**, as these represent the backbone of the economy and are key drivers of growth, job creation and cohesion. This will be done by supporting investment in entrepreneurship, investment in the commercial exploitation of new ideas and research results, providing business advisory services and support the development of web-tools. The interventions to enhance the competitiveness of the agricultural sector will help to secure viable food production in the EU and contribute to job creation and maintenance and growth in rural areas.

Development needs	Proposed Priorities for Funding
➤ The continued expansion and growth, including in	<ul style="list-style-type: none"> <li>• Actions to improve the productivity of SMEs and to provide to growth opportunities and innovation, including</li> </ul>

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>
<p>international market of Romania's competitive manufacturing and high value added services sectors, in particular, automotives; ICT products and services; food and drink processing.</p> <ul style="list-style-type: none"> <li>➤ The transformation of Romania's traditional sectors, - health/pharmaceuticals; tourism; textiles/leather; wood/furniture; creative industries; energy/environmental management and in agriculture, forestry and fishing where there is potential to grow, to increase added value or to sustain activity in the medium term through the exploitation of specialist niches or to increase competitiveness through innovation and market development.</li> <li>➤ The restructuring, consolidation and on farm diversification in order to improve their competitiveness and sustainability, alongside their adoption of modern and innovative agricultural and land management practices.</li> <li>➤ The improvement to the competitiveness and entrepreneurship in the fisheries and aquaculture</li> <li>➤ The radical improvement to the business environment in terms of the availability of investment finance, the transparency and predictability of policy, the proportionality of administration and regulation, including through improvement to government use of ICTs.</li> </ul>	<p>supporting advanced technological investments, the application of design and other creative skills, enhancing access to business planning support, to technical consultancy, international markets;</p> <ul style="list-style-type: none"> <li>• Actions to improve access to finance, including through the provision of an appropriate range of financial instruments;</li> <li>• Actions to network businesses, to enhance knowledge spillovers and to facilitate their participation in supply chains, including those of international scale;</li> <li>• Integrated actions - sites, skills, investment support - to attract investment into Romania's less developed regions.</li> <li>• Actions to improve economic performance of farms (including orchards), facilitate farm restructuring and modernization, increase market participation and orientation as well as diversification within agricultural sector, with particular focus on innovation and higher value-added (e.g. on farm renewable energy);</li> <li>• Actions to facilitate inter-generational change including encouraging the establishment of skilled young farmers;</li> <li>• Actions to improve and adapt the agricultural and forestry infrastructure such as access roads for agricultural and forestry holdings;</li> <li>• Attracting young people with the appropriate training in the agricultural sector;</li> <li>• Actions to increase the value added generated by the fruit-growing sector through an integrated approach across the value chain;</li> <li>• Actions to improve the economic performance of primary producers by better integrating them into the agri-food chain and short supply circuits;</li> <li>• Actions to support farm risk prevention and management, including through mutual funds;</li> <li>• Actions to support growth and modernization of the agri-food industry, enhancing its capacity in adding value to agricultural products, and in meeting European standards and consumer expectations;</li> <li>• Actions supporting local processing and marketing of agricultural products;</li> <li>• Actions to facilitate the access to finance through an appropriate range of financial instruments;</li> <li>• Investments in aquaculture: new units, modernization of existing units, diversification of species with demonstrated market potential, improvement of the potential of aquaculture sites;</li> <li>• Promotion of new sources of income complementary to the fisheries sector (environment, tourism, education activities);</li> <li>• Investment in fishing ports, shelters, landing sites and first sale sites;</li> <li>• Improvement of working conditions related to health and safety on board inland and marine fishing vessels;</li> <li>• Support for the establishment, organization and functioning of producers-processing-marketing chain;</li> <li>• Capacity building activities for the implementation of Marine Strategy Framework, Integrated Coastal Zone Management and Maritime Spatial Planning in the particular context of sustainable exploitation of marine waters and coastal zones in the Black Sea.</li> </ul>

## Thematic objective no. 6 - Preserving and protecting the environment and promoting resource efficiency

Development needs	Proposed Priorities for Funding
<p>➤ The attraction of investment into Romania's less developed regions and into its rural areas through an integrated approach spanning infrastructure, sites, skills, and investment support.</p>	<ul style="list-style-type: none"> <li>• Restoration and valorisation of cultural heritage, including valorisation of the local specific tourism potential, the rehabilitation of historical (urban) areas, sustainable capitalization of the cultural patrimony, measures for urban environment (including rehabilitation of industrial polluted sites, sport infrastructure/ multifunctional cultural centres);</li> <li>• Actions to enhance local development, based upon local cultural products and services, including through e-cultural tools.</li> </ul>

### Synergy with other TOs:

The proposed priorities for funding under the **TO 3** will be synchronized primarily with those addressing **employment, education and skills** relating to the current and future workforce under **TO 8 and 10**, and the energy **efficiency and low-carbon economy** measures under **TO 4**.

Not least, an important aspect is the complementarity with the **TO 11**, in order to reduce bureaucracy and administrative costs as impediments to economic operators.

The **EAFRD** rural development priority 2 and 3 will contribute to this TO.

### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *Sustainable growth of the Romanian economy, reflected in increased formal economic activity and employment across all of Romania's less developed regions; a higher proportion of employment in internationally competitive industrial and higher value-adding service sectors; an improved contribution to growth and employment from SMEs; increased international trade; improved environmental sustainability of the business sector.*

**EAFRD:** *Increased productivity and added value in agriculture, forestry and food sectors; reduction of polarisation in agricultural holdings; improved food security; increased share of farms managed by skilled young farmers.*

**EMFF:** *More economically sustainable and diversified fisheries sectors; increased volume and enhanced value added in production and processing; better connections with markets across Romania and beyond; improved standards in aquaculture and environmental compliance; increased safety on board inland and marine fishing vessels; consumer gains from improved variety and quality of offer.*

### Development Challenge 2 "People and society"

In order to tackle this challenge, a multi-dimensional approach will be followed for the interventions under **TO 8, 9 and 10**.

Assuring the availability of a "work ready" workforce to meet the needs of growing businesses and sectors and the attractiveness of areas as a location for investment will play a major role in promoting enterprise/self-employment, **having a direct impact on employment and labour mobility**.

Actions to develop of new businesses and social enterprises delivering public services, particularly in Romania's less developed regions and in rural areas, are expected to increase the **social inclusion and reducing poverty**.

**Regarding education and training** the availability of skills and expertise is fundamental to realising growth, particularly in knowledge intensive sectors, in the short and longer terms.

## Thematic objective no. 2 - Enhancing access to, and use and quality of, information and communication technologies

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving the system efficiency through the use of information and communication (IT&amp;C) technology instruments in the framework of e-health, e-social assistance</li> <li>➤ Exploiting ICT as a force for modernisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing e-inclusion and use of ICT in education and health by: <ul style="list-style-type: none"> <li>- improving education through IT based curricular and extra-curricular activity with the use of open access instruments such as OER and Web 2.0 social instruments</li> <li>- ensuring the interoperability of medical information systems and the introduction of accessible telemedicine systems to be used in the patient-doctor relations and</li> <li>- developing e-social assistance (upgrading of the SAFIR system + upgrading or development of two components (public &amp; restricted) of the register of service providers) ICT contributions (software, hardware) for enhancing data collection, monitoring and evaluation in the field of social assistance.</li> </ul> </li> </ul>

### Synergy with other TOs:

Priorities for funding under TO 2 need to be synchronized with those addressing education and skills relating to the current and future workforce, health and culture under TO 8, 9 and 10.

### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *Improved services in education, health*

## Thematic objective no. 11 Enhancing institutional capacity of public authorities and stakeholders and efficient public administration

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Reforming the human resources management in educational and health systems</li> </ul>	<ul style="list-style-type: none"> <li>• Building up the administrative capacity of professionals working in education sector at both central and local level in relation to quality assurance, monitoring and evaluation systems</li> <li>• Building the capacity of decision makers at national and local level in designing and implementing evidence based policies in the view of the progress of the health reform and decentralization process</li> </ul>

### Expected results:

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

**ESF:** *Better capacity in evaluating the impact of the education and health policies*

## Thematic objective no. 8: Promoting sustainable and quality employment and supporting labour mobility

Interventions from ESI Funds under this thematic objective have been set in order to contribute to achieve the main objective **to reach the 70% national employment rate assumed by Romania through NRP**. This will be done by addressing the employability issue in an integrated manner from the perspective of education, training and employment opportunities, as well as by focussing on the most affected target groups on the labour market (young people NEETs, elderly, women, rural population), according to the main development needs.

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Increasing employment opportunities</li> <li>➤ Sustainable integration into the labour market of young people not in employment, education or training (NEETs).</li> <li>➤ Access to employment for job-seekers and inactive</li> </ul>	<ul style="list-style-type: none"> <li>• Developing a multi-dimensional approach (e.g. designing carrier path, counselling, delivering personalized services, trainings, apprentices/ traineeships, job search mechanism, job matching profile etc.) to support re-integration of young people not in education, employment or training (NEETS) with education, training and employment opportunities.</li> <li>• Actions to boost youth employment, prioritising regions with particularly high youth unemployment, including mobility bonus, financial incentives, careers guidance and enterprise counselling.</li> </ul>

Development needs	Proposed Priorities for Funding
<p>people, focusing on women, youth and older workers, Roma, disabled and other vulnerable groups.</p> <ul style="list-style-type: none"> <li>➤ Reduce regional and territorial disparities and enhance labour mobility.</li> <li>➤ Improve alignment of employment and workforce development services with the changing needs of the labour market.</li> <li>➤ Diversifying the fisheries and aquaculture economy in order to attract employment and business creation in the field.</li> <li>➤ Modernizing the PES system and strengthening its administrative capacity to deliver active and preventive employment measures as well as quality services.</li> </ul>	<ul style="list-style-type: none"> <li>• A combination of targeted and mainstreaming actions to improve access to the labour market of long term unemployed, inactive, women, older workers, Roma people, disabled people and people with low levels of education and qualification, including those from rural areas;</li> <li>• Setting up active and preventive labour market measures by taking into account specific regional and territorial disparities.</li> <li>• Actions to enhance the adaptability and mobility of labour;</li> <li>• Supporting employability actions like individual counselling, work-based training, and encouraging entrepreneurship, taking into account the distinctive structure of employment in Romania;</li> <li>• Support for active aging measures;</li> <li>• Support for job-search mechanism and a frame for employability of people affected by industrial restructuring and, in particular, those from agricultural and fishing communities affected by the reduction in employment that is likely to accompany increased competitiveness.</li> <li>• Delivering employment and workforce development<sup>180</sup> services based on the changing needs of the labour market, with a particular focus on growth competitive sectors and/ or the traditional sectors with potential to grow, but also on regional/ local growth potentials (emphasised under the Regional Development Plans);</li> <li>• Supporting self-employment actions, entrepreneurship and business creation, including through financial instruments.</li> <li>• Creation of new processing units and marketing of agricultural products;</li> <li>• Creation of new small enterprises through business start-up aid for non-agricultural micro and small enterprises and development of non-agricultural activities in rural areas;</li> <li>• Diversification of the fisheries and aquaculture sector, by supporting the creation of new small enterprises and job creation in the field;</li> <li>• Promotion of new sources of income outside the sector (environment, tourism, education activities);</li> <li>• Strengthening the capacity of PES</li> </ul>

#### Synergies with other TOs:

The proposed priorities for funding under this TO will be synchronized primarily with the interventions for social inclusion and education under **TO 9 and 10**, together contributing to developing an inclusive human resource, with high level of qualification and competences, adapted to the labour market needs.

In the same time, this objective needs to be synchronized also with the **TO 1 and 3**, in order to address the sectors identified with growth potential.

Not least, very important for the successful of the proposed priorities is the complementarity with the **TO 11**, in order to benefit for the results of the e-government interventions under TO 11.

**EAFRD** through rural development priority 6 will contribute to this TO.

#### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF, ESF, EAFRD and EMFF:** *Increased economic activity and employment, particularly in Romania's less developed regions and rural areas.*

**ESF:** *Increased labour market participation, particularly in Romania's less developed regions and rural areas; better terms and conditions for employees arising particularly from growth competitive sectors and/or the traditional sectors with potential to grow and/ or regional/ local growth potentials and formal labour markets across Romania; better transition of young people between education and the world of work; improved position of disadvantaged groups in the labour market, particularly for women, older workers, LTU, inactive, Roma people; improved quality of PES services*

<sup>180</sup> Under the TO no. 8 are to be financed measures for workforce development targeted to long term unemployed/ inactive while under TO no. 10 (LLL) are to be financed measures for those employed

**EAFRD:** Increased share of secondary and tertiary sectors in the national economy

**EMFF:** Increased diversification of economic activity in fisheries sectors and within Romania's fisheries areas.

**Thematic objective no. 9 - Promoting social inclusion, combating poverty and any discrimination**

Interventions from ESI Funds will contribute towards the achievement of the goal assumed by Romania through the NRP which refers **to the reduction of the number of people at risk of poverty or exclusion by 580,000 people by 2020 compared to 2008.**

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Reducing the incidence of poverty and social exclusion experienced by the identified vulnerable groups.</li> <li>➤ Improving the accessibility and quality of social services, particularly in rural areas and in deprived urban areas, and enhancing their contribution to combating poverty, social exclusion and social problems.</li> <li>➤ Improving the basic infrastructure &amp; access to services in order to promote economic development and reduce poverty in rural settlements, including fisheries areas</li> <li>➤ Development of alternative types of services to the classic residential centres and to the transition from big capacity to the community – based services</li> <li>➤ Improving social inclusion of people living in rural areas or urban pockets facing high level of deprivation by using targeted approaches through applying LEADER or Community-led local development models</li> <li>➤ Improving health outcomes, particularly in relation to maternal and neonatal health and the five pathologies which account for the majority of adult morbidity.</li> <li>➤ Improving the system efficiency through the use of information and communication (IT&amp;C) technology instruments in the framework of e-health, e-social assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Developing an equitable, sustainable, affordable and high quality social assistance system, benefits and social services for all vulnerable groups, including preventive, integrated and innovative types of services in order to address poverty and social inclusion issues, spanning technical development and improving the skills and competences of professionals and practitioners in local government, in other public agencies and NGOs;</li> <li>• Integrated actions to address the needs of vulnerable persons, groups and communities, including actions to improve their educational participation, their integration in the labour market, their access to housing, social, health care and cultural services, and actions to combat discrimination;</li> <li>• Strengthen the capacity of public and private service providers to deliver quality community-based care services for children, persons with disabilities, people with mental problems and elderly (especially in lagging areas);</li> <li>• Exploiting innovative potential of social economy models (including sheltered employment for vulnerable persons) to address societal challenges and/ or to support labour market integration of vulnerable groups and their transition to the business models, the development of local services where market models fail to deliver, thereby creating employment and social inclusion;</li> <li>• Developing a pro-active, volunteer oriented and participative culture within general public and social assisted persons and encouraging partnership-based approaches in tackling poverty;</li> <li>• Enhancing access to quality health care and treatments, including emergency care, primary care, development of integrated medical and social care services, including at community level, with focus on the services provided in ambulatory settings and developing integrated primary health care specialist with telemedicine support;</li> <li>• Providing screening programmes for the main five pathologies (e.g.: cancer, cardiovascular diseases, diabetes, mental illness, rare diseases);</li> <li>• Enhancing public awareness, information and education on health and social issues, including discrimination against Roma, prevention of domestic violence, substance abuse and human trafficking;</li> <li>• Enhancing knowledge and skills within health professionals as a prerequisite to increase the quality of services;</li> <li>• Promoting social responsibility by enhancing public awareness, dissemination of information and good practices;</li> <li>• Development of social services infrastructure, focusing on community based infrastructure;</li> <li>• Supporting the transition from institutional to community-based care services (e.g.: protected homes, family homes, domiciliary care, day-care centres, integrated social and health community services, respite centres etc.), delivered by public and private social services providers including targeted support for infrastructure needed for integrated community care centres;</li> <li>• Investments in hospitals and other public health infrastructure (e.g. ambulatory/outpatient services, multifunctional centres )</li> <li>• Support for physical, economic and social regeneration of deprived communities in urban areas, including in the framework of Community-led Local Development, including support for social economy;</li> <li>• Fostering local development in rural areas through investments in small-scale infrastructure, and in setting up/improving local basic services for the rural population (e.g. social and educational infrastructure including those in the agricultural field and investments associated with the cultural heritage preservation);</li> </ul>

Development needs	Proposed Priorities for Funding
	<ul style="list-style-type: none"> <li>Promoting LEADER community-led local development strategies.</li> </ul>

### Synergies with other TOs:

The proposed priorities under this TO need to be synchronized with the measures addressing research, entrepreneurship and business models under **TO 1 and 3**, focusing on sectors with growth potential (where is the case), the measures for employment and education, under **TO 8 and 10** and interventions such as strengthening the capacity of local administration under **TO 11** and e-government financed under **TO 2**.

The investments in health infrastructure (refurbishment/rehabilitation) will be correlated with the measures foreseen under **TO 4** aiming to improve energy efficiency and costs reduction.

Regarding investments in small-scale infrastructure (roads, water supply and sewerage infrastructure) in rural areas, funded from EAFRD, (rural development priority 6 corresponding with TO 9) will be strategic oriented with investments in road infrastructure (under TO 7) and water infrastructure funded by CF. The investments in educational infrastructure in rural areas funded from EAFRD (under TO 9) will ensure the synergy with ESF and ERDF (under TO 10).

### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF and ESF:** *Improved health and social services, and better health outcomes, particularly in Romania's less developed regions; improved physical environment, economic infrastructure of deprived communities in urban areas*

**ESF:** *Substantial reduction in the incidence of poverty, particularly among children, Roma and other disadvantaged groups; better outcomes for formerly institutionalised people moving into the community; better job opportunities for deprived/ vulnerable persons*

**EAFRD:** *Increased share of rural population benefitting of improved infrastructure and services.*

### Thematic objective no. 10 - Investing in education, training and vocational training for skills and lifelong learning

Interventions from ESI Funds under this TO will contribute at enhancing the competences and skills of children, youth and adults in Romania, in order to continuously adapt to the individual interests and potential and to the LM needs. The goals set under this thematic objective aim to prevent and reduce the share of early school leavers down to 11.3%, to increase tertiary education participation, attainment and completion to 26.7%, and, to promote, diversify and increase the participation of adults in LLL up to 10%. These goals were assumed by Romania through the NRP.

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving the access, participation and good quality of ECEC.</li> <li>➤ Strengthening accessibility, quality and learning achievements in compulsory education.</li> <li>➤ Increasing the attractiveness of primary and secondary education, including IVET.</li> <li>➤ Intensive interventions to address the educational needs of groups at risk of exclusion (children from social and economic disadvantaged backgrounds, Roma, SEN, etc.)</li> <li>➤ Improving quality and relevance of VET (both IVET and CVT) and tertiary education to labour market needs.</li> <li>➤ Enhancing access to and supporting participation in tertiary education.</li> <li>➤ Enhancing access and quality of learning provision for</li> </ul>	<ul style="list-style-type: none"> <li>• Increase participation, affordability and quality of early childhood education and care (0-6 years old), particularly in the age group 0-3 years old, especially for groups at increased risk of ESL, focusing on rural areas and Roma;</li> <li>• Implementing preventive, intervention and compensation measures to reduce ESL, including individualised support for pupils at risk of ESL; integration of equal opportunities and inclusion measures, incorporating wrap-around support (mentoring, financial, etc.) to ensure its effectiveness;</li> <li>• Offering alternative education pathways, such as “second chance” education and training, focusing on rural areas and Roma; supporting intervention measures to address individual educational needs of groups at increased risk of ESL;</li> <li>• Improving competences of teaching staff in relation to quality assurance, innovative and personalised teaching methods;</li> <li>• Better matching initial and continuing VET with LM needs, ensuring relevance of the training offer, including through work based learning, giving priority to growth competitive sectors and/or the traditional sectors with potential to grow, but also on the regional/ local growth potentials (emphasised under the Regional Development Plans), promoting partnerships among relevant stakeholders for ensuring a better transition from school to work;</li> <li>• Enhancing curricula and better integration of ICTs to make learning attractive in schools and IVET, providing</li> </ul>



Development needs	Proposed Priorities for Funding
<p>adults, with focus on relevant basic and transversal skills.</p> <ul style="list-style-type: none"> <li>➤ Fostering lifelong learning and vocational training (short term/initial training) in the agriculture, and food sector</li> <li>➤ Exploiting ICT in education as a force for modernisation.</li> </ul>	<p>opportunities for young people enrolled in compulsory education to get acquainted with the future jobs;</p> <ul style="list-style-type: none"> <li>• Supporting non-traditional students particularly those from rural areas, Roma and other disadvantaged groups, as well as adults presently aged between 23 and 27 to access, participate and succeed in tertiary education;</li> <li>• Improve governance and management of higher education institutions to improve the quality of teaching and research; increasing relevance of higher education programmes for the LM needs and strengthening the partnerships between universities, business and research;</li> <li>• Modernising tertiary education through development of post-graduate studies and supporting internationalisation of higher education, including advanced research and mobility;</li> <li>• Supporting measures to promote quality and accessibility of VET, strengthening the capacity of IVT and CVT providers to deliver VET programs correlated with the LM demands;</li> <li>• Encouraging and facilitating the participation of employers in workforce development, including by involving them in the organization, implementation and assessment of practical stages /trainingships for students;</li> <li>• Developing human resources in public and Higher Education-based R&amp;D institutions; supporting higher level skills development in SMEs;</li> <li>• Development of LLL services, providing training and education in basic and transversal competences including digital skills, counselling and validation of prior learning, focusing on low skills and rural areas, including through the validation of non-formal and informal learning;</li> <li>• Support for information, vocational training (short term/initial training) and skills acquisitions for farmers and for those involved in food sector;</li> <li>• Support for demonstration activities to transfer knowledge about new practices in the agri-food sector;</li> <li>• Supporting the educational infrastructure and resources development in ECEC, primary and secondary education, particularly those from disadvantaged areas;</li> <li>• Supporting the educational infrastructure and resources development of tertiary education, particularly those which will assure a better linkage with research and/or cooperation with the business sector;</li> <li>• Supporting the educational infrastructure and resources development of IVET, focusing mainly on the growth competitive sectors and/or the traditional sectors with potential to grow, but also on the regional/ local growth potentials (emphasised under the Regional Development Plans).</li> </ul>

#### Synergies with other TOs:

Actions under this TO will contribute to related interventions under other TOs:

Interventions within Tertiary Education field - the investment priority oriented to improvement of the quality, efficiency and openness of the tertiary education, in order to increase the participation and attainment levels of tertiary education graduates - will be correlated with the interventions aiming at strengthening research, technological development and innovation (**TO 1**);

Interventions under **TO 2** – Enhancing access to, and use and quality of, information and Communication Technologies regarding the developing of ICT products and services, as *e-education*, respective the specific objective related to the fostering ICT training and certification both in the formal education systems and complementary to them. In **convergence with TO 3**, TO 10 will contribute to overcome some of the identified obstacles related to the poor level of the SMEs competitiveness, as the shortage of medium and highly skilled labour force and weak entrepreneurship, in particular in rural areas. The specific input of the objective 10 will be to encourage and increase LLL participation, improving labour force skills and competences. **Convergence with TO 4, 5 and 6** will be correlated with the interventions under TO 10, regarding improving the quality, efficiency and openness of the tertiary education and equivalent education; and encouraging and increasing LLL participation, improving

labour force skills and competences, and improving the relevance and quality of education and vocational training systems for the LM. **Convergence with TO 8.** The interventions within education and training will be closely co-ordinated with the activities promoting employment and supporting labour mobility, improving the match between skills supply and LM demands by promoting equal access to good quality education for the pupils and students, fostering creativity, problem-solving and entrepreneurial skills in order to ensure the acquisition of the key competencies crucial for their employability. **Convergence with TO 9.** All interventions under TO 10 will target education and training, also for disadvantaged communities and disadvantaged groups of learners (from early education to LLL), and will be closely correlated with the measures promoting other type of social inclusion and combating poverty support, education and training being acknowledged as one of the most powerful tools to escape from the vicious circle of poverty and social exclusion. **Convergence with TO 11.** The interventions within TO 11 will contribute to overcome some of the identified obstacles in the managerial and administrative capacity of the MoNE and subordinated structures representatives, targeting in particular the HR with decision authority in education policy making, at central, county and local level.

EAFRD through rural development priority 1 will contribute to this TO.

#### **Expected results:**

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *Improved educational facilities in ECEC and primary and secondary education, particularly those from disadvantaged areas; Improved educational facilities of tertiary education, particularly those which will assure a better linkage with research and/ or cooperation with the business sector; Improved educational facilities of VET, focusing mainly on the growth potential sectors underlined within the national competitiveness strategy.*

**ESF:** *Improved educational and training outcomes, including better transition of young people into the world of work; greater awareness and participation in education as route to social and economic well-being, particularly among Romania's disadvantaged groups and areas; reduced risk of digital exclusion, particularly in Romania's less developed regions and rural areas, reduced shortages of skilled researchers; improved staff retention in the research sector.*

**ESF and EAFRD:** *Increased skilled workforce becoming more flexible and able to meet the changing needs of a globalised economy.*

#### **Development Challenge 3 “Infrastructure”**

In order to tackle this challenge, interventions will be conducted under **TO 2 and 7.**

Regarding the ICT infrastructure, interventions from ESI Funds will contribute to achieve the objective assumed by Romanian authorities through the National Digital Agenda for Romania, in line with broadband targets of the Digital Agenda for Europe which will ensure **by 2020, access to speeds of above 30 Mbps for all Europeans, and subscription of internet connection above 100 Mbps for 50% or more of European households.**

In the transport sector, intervention from ESI Funds will contribute to promote sustainable, flexible, and safe transport that is an essential premise for economic development of Romania. Improving connections with European networks and with national/regional networks will lead to higher productivity of Romanian industry and services, to jobs creation, to higher economic growth, and better standards of living. Inter-modality and development of urban transport and of integrated urban transport systems will aim to gas emissions reduction and low carbon economy promotion. All these issues have to be based on more efficient spending of financial resources.

#### **Thematic objective no.2 Enhancing access to, and use and quality of, information and communication technologies**

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>
➤ Overcoming market failure in the provision of NGA infrastructure and related services in line with The Digital Agenda Strategy for Romania and with The National Plan for the Development of Next Generation Access Infrastructure.	<ul style="list-style-type: none"> <li>• Fast and ultrafast broadband infrastructure <ul style="list-style-type: none"> <li>- promoting NGN connections – for ensuring Internet access for high-tech ICT equipment, as well as the use of the most sophisticated online public services, in a uniform manner from a geographic point of view</li> </ul> </li> </ul>

#### **Synergies with other TOs:**

This TO has to be in synergy with the proposed priorities under **TO 3** “Enhancing the competitiveness of small and medium sized enterprises, the agricultural sector (for EAFRD) and the fisheries and aquaculture sector (for EMFF)”, aiming at providing adequate infrastructure to support e-services.

**Expected results:**

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *Extensive coverage of NGN, of at least 30 Mbps including in rural areas; high level of take-up of NGA broadband services both by business and domestic customers.*

**Thematic objective no. 7 Promoting sustainable transport and removing bottlenecks in key network infrastructures**

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving the accessibility of Romania and its regions and their connectivity with markets thereby significantly reducing the obstacles to their development and diversification in the context of the GTMP</li> <li>➤ Improving the sustainability of Romania's transport mix and the attractiveness alternatives to road-based transport</li> </ul>	<ul style="list-style-type: none"> <li>• Development of road infrastructure on core and comprehensive TEN-T network;</li> <li>• Development of rail infrastructure on core and comprehensive TEN-T network, including ERTMS equipment and rolling stock acquisition, especially through the completion on TEN-T corridors;</li> <li>• Supporting sustainable transport development through traffic safety and security improvement on TEN-T network, for all transport modes;</li> <li>• Modernization and development of inter-modal transport, having in view fluidization of freight flows that transit Romania and reducing carbon emissions in urban areas;</li> <li>• Modernization and development of maritime and waterway infrastructure on the Danube River and navigable canals, having in view the promotion of an environmental friendly transport system;</li> <li>• Development of airports where this is justified, for improving connectivity and supporting regional mobility;</li> <li>• Modernization of the customs, where justified, through improvement of customs infrastructure, in order to remove bottlenecks and transit waiting time</li> <li>• Increasing accessibility of areas located in proximity of TEN-T network, through construction, rehabilitation and modernization of secondary and tertiary connections to the network, including by-passes, having in view bottlenecks removing and traffic fluidization.</li> </ul>

**Synergies with other TOs:**

This TO has to be in synergy with the proposed priorities under TO 4 “Supporting the shift towards a low-carbon economy in all sectors”, TO 5 “Protecting the environment and promoting resource efficiency”, TO 9 “Promoting social inclusion and combating poverty” (concerning small scale infrastructure financed from EAFRD), and the “Connecting Europe Facility”. The “Connecting Europe Facility” is a mechanism that envisages investments acceleration within trans-European networks, aiming at better accessibility on the EU internal market and economic growth stimulation.

**Expected results:**

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

**CF:** *Improved connectivity with international markets; improved accessibility of Romania's less developed regions; a more sustainable transport mix arising from improved utilisation of the rationalised rail network and a greater share of freight being moved by rail and water.*

**ERDF and CF:** *Improved traffic safety, particularly on road and rail; reducing travel time.*

**ESF:** *Improved governance of the transport sector.*

**Thematic objective no. 9 - Promoting social inclusion, combating poverty and any discrimination**

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving the basic infrastructure &amp; access to services in order to promote economic development and reduce poverty in rural</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering local development in rural areas through investments in small-scale infrastructure (e.g. local</li> </ul>

settlements, including fisheries areas	roads). The small scale infrastructure related to roads will be targeted on improving connectivity to main road network and linked to economic development potential in order to reduce the rural poverty.
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#### Expected results:

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

**EAFRD: Improved accessibility of Romania's rural settlements**

#### Development Challenge 4 "Resources"

##### Thematic objective no. 4 - Supporting the shift towards a low-carbon economy in all sectors

Interventions from ESI Funds will contribute to achieve the objective assumed by Romanian authorities through the National Reform Plan which will ensure **by 2020, the reduction of greenhouse gas emissions by at least +19% compare to 2005 levels, increase the share of renewable energy in final energy consumption to 24%, and achieve a 19% (estimated 10Mtoe) increase in energy efficiency.**

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Promoting the production and distribution of energy from RES</li> <li>➤ Promoting the use of high-efficiency cogeneration based on useful heat demand</li> <li>➤ Improving energy efficiency by developing smart distribution systems</li> <li>➤ Assuring the sustainability of municipal district heating systems by reducing heat losses on the network</li> <li>➤ Enhancing energy efficiency in the residential and public building stock and the public realm, including in public lighting</li> <li>➤ Improving the energy efficiency of transport, including urban transport systems and the fishing vessels and processing units</li> <li>➤ Reducing greenhouse gas emissions in agricultural and forestry sectors</li> <li>➤ Enhancing carbon sequestration particularly in agriculture, forestry, fisheries and aquaculture</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting the production of electricity and thermal energy from renewable resources (biomass, geothermal, micro hydro);</li> <li>• Improving energy efficiency in enterprises by high efficiency low power cogeneration systems rated less than 8MW;</li> <li>• Implementation of smart energy distribution low voltage systems;</li> <li>• Developing systems to monitor the distribution of electricity and heat at industrial sites in order to increase energy efficiency;</li> <li>• Improving energy efficiency of residential stock, and to public buildings (building envelope, heat supply/network, lightning, smart metering etc.) to be prioritised on the basis of systematic appraisal taking into account the cost-efficient reduction of GHG emissions and societal benefits including addressing energy poverty, financed, where appropriate, through financial instruments and/or energy performance contracting;</li> <li>• Promoting investments for public transportation systems for the main municipalities from Romania within the framework of sustainable urban mobility plans, contributing to air quality and energy efficiency;</li> <li>• Replacing/improving lighting systems in the public realm, particularly in urban areas financed, where appropriate;</li> <li>• Improve the sustainability of municipal district heating systems by rehabilitating distribution networks where these are demonstrably financially sustainable correlated to the renovation thermal insulation of the corresponding buildings;</li> <li>• Facilitating the supply and use of renewable sources of energy in the agricultural and forestry sectors (by-products, wastes, residues and other non-food raw material);</li> <li>• Increasing energy efficiency by reduction the primary energy consumption in agriculture, forestry and food processing;</li> <li>• Enhancing carbon sequestration through: afforestation, climate-friendly forestry management, agri-environmental practices;</li> <li>• Reducing gas emissions in agriculture through: agri-environmental practices and organic farming (by lower use of nitrogen fertilisers, climate-friendly crop rotation, practices, etc.), improved livestock management</li> </ul>

- and treatment of animal wastes;
- Promoting investment in climate change mitigation/ improving energy efficiency of the fishing vessels and processing units

#### Synergies with other TOs:

Then priorities need to be synchronized with the financed intervention and with the measures for SME's under **TO 3**, the measures for environment protection under objective 6 and measures for promoting sustainable transport under **TO 7**. Also, this TO has to be in synergy with the proposed priorities under "Connecting Europe Facility". The "Connecting Europe Facility" is a mechanism that envisages investments acceleration within trans-European networks, aiming at better accessibility on the EU internal market and economic growth stimulation.

Overall, interventions which contribute to increased energy efficiency will be encouraged through horizontal criteria for assessing ESI Funds.

EAFRD through rural development priority 5, will contribute to this thematic objective.

#### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF, EAFRD and EMFF:** *Reduced greenhouse gas emissions and increased carbon sequestration; more sustainable urban transport and consequently reduced pollution; increased efficiency of energy use in the residential sector and the public realm, industry, agriculture, fisheries. Increased share of energy production and use from renewable sources; maintenance of Romania's low dependency upon imported energy.*

#### Thematic objective no. 5 - Promoting climate change adaptation, risk prevention and management

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving Romania's capacity to anticipate, to prevent and to respond to extreme natural and man-made emergencies.</li> <li>➤ Improving Romania's adaptation and resilience to the negative consequences of climate change and, in particular, the increased incidence of extreme heat, drought and flooding events in the Framework of the National Climate Change Strategy.</li> <li>➤ Improving Romania's adaptation and resilience to other natural and man-made risks.</li> <li>➤ Increasing efficiency of water use in agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Structural and non-structural measures in order to reduce risks and damage based on the risk assessment and in particular from flooding, drought and erosion;</li> <li>• Set-up and improve the risk monitoring and prevention systems in relation to identified risks;</li> <li>• Transnational cooperation in the framework of the Danube macro-regional Strategy and population awareness measures</li> <li>• Strengthen technical capacity of GIES;</li> <li>• Complete the national system of risk identification and management in the framework of the National Risk Assessment;</li> <li>• Agricultural practices to combat climate change through on-farm water storage zones, water-efficient cropping patterns and forest protection belts against erosion;</li> <li>• Promoting efficiency in water use in agriculture through investment in more efficient irrigation systems;</li> <li>• Conservation of soil and its carbon stock through land management practices such as low tillage, winter crops and afforestation;</li> <li>• Maintaining genetic diversity by supporting local crop varieties and livestock breeds.</li> </ul>

#### Synergies with other TOs:

The proposed priorities for funding need to be synchronized with the financed intervention and with the measures for ICT services and infrastructure under objective 2, measures to promote the good environmental practice in business under TO 3 and measures for agriculture, forestry and fisheries.

EAFRD through rural development priority 4, will contribute to this TO

#### Expected results:

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

**CF:** *Improved anticipation and management of risks, including improved public awareness and capacity for self-protection; improved coordination and speed of response when emergencies do arise; reduced coastal erosion.*

**CF and EAFRD:** *Reduced exposure of the Romanian population and territory to flood and drought risks; Increased measures that contributes to adaptation to climate change in agriculture and forestry and areas where adaption to climate change actions are applied*

**Thematic objective no. 6 - Preserving and protecting the environment and promoting resource efficiency**

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Extend public access to water and wastewater services, in the context of the Water Framework Directive and its River Basin Management Plans;</li> <li>➤ Facilitate transition of waste management to a market-led system based upon the waste hierarchy in the context of the Waste Framework Directive;</li> <li>➤ Protection, conservation, restore and sensitively exploit Romania's natural assets, including landscape, farmland, forests, inland and coastal waters, protected areas, biodiversity;</li> <li>➤ Development and improvement of the air quality assessment and monitoring;</li> <li>➤ Addressing the legacy of derelict and polluted sites and to manage current sources of pollution;</li> <li>➤ Decreasing abandonment of agricultural activities</li> </ul>	<ul style="list-style-type: none"> <li>• The extension and modernization of drinking water networks and waste water sewages and treatment systems, connection of the population to drinking water supply and waste water systems ( including in rural areas), monitoring of drinking water quality; modernization of laboratories in order to improving monitoring substances discharged into the waters; improvement of hydro-morphological conditions of water bodies;</li> <li>• The development of waste infrastructure and services based upon the waste hierarchy; new/upgraded investments to comply with the landfill directive increase the waste recycling ratio as well as promotion of a more efficient use of resources; promotion waste as secondary raw materials/by-products;</li> <li>• Protection of biodiversity through the development and implementation of management plans and investment in restoration and conservation actions;</li> <li>• Development and improvement of the National Air Quality Assessment in line with the requirements of Directive 2008/50/EC and of INSPIRE Directive;</li> <li>• Rehabilitating of derelict and polluted sites, including decontamination preparation for their economic re-use;</li> <li>• Preserving and enhancing ecosystems dependent on agriculture and forestry through organic farming, agri-environmental and climate actions, including High Nature Value farming;</li> <li>• Implementing measures to tackle the causes of abandonment of agricultural activities through payments granted to farmers in areas facing natural or other specific constraints (measures that will also contribute to soil preservation, carbon sequestration or other environmental benefits;</li> <li>• Restoration and conservation of marine and inland water biodiversity within sustainable fishing and aquaculture Promote sustainable fishing activities in marine and inland waters; sustainable activities in aquaculture farms;</li> <li>• Protecting and sustainable valorisation of natural sites including measures for urban environment through rehabilitation of industrial polluted sites.</li> </ul>

**Synergies with other TOs:**

Actions under TO 6 will complement measures to promote the good environmental practice in business under TO 3, measures for reduction of the carbon emission under TO 4, and broad range of measures for agriculture, forestry and fisheries.

EAFRD through rural development priority 4, 5 will contribute to this thematic objective

**Expected results:**

Within this development challenge, the results expected to be achieved through the ESI Funds are as follows:

**CF:** *Increased share of the population connected to the public drinking water supply and to sewerage systems; increased proportion of waste re-used and recycled.*

**CF, ESF, and EMFF:** *Reduced loss of biodiversity.*

**EAFRD:** *Increased area on which biodiversity is preserved, such as HNV delimited areas, protected species and habitats areas; Increased area on which abandonment of agricultural activities is tackled. Increased efficiency in water use by agriculture*

**EMFF:** *Reduce negative impacts upon the marine environment; fishing effort reductions, unwanted catches and discards reductions.*

**ERDF:** *Reduction in the area of derelict and polluted former industrial sites;*

## Thematic objective no. 7 Promoting sustainable transport and removing bottlenecks in key network infrastructures

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving energy efficiency by developing smart transmission systems</li> <li>➤ Improving a sustainable urban transport and consequently reduced pollution;</li> </ul>	<ul style="list-style-type: none"> <li>• Developing smart electricity transmission systems, in order to take over the RES energy;</li> <li>• Developing smart gas transmission systems;</li> <li>• Increasing urban mobility and services for passenger through development of urban transport in Bucuresti-Ilfov Region, with an accent on the subway chain.</li> </ul>

### Synergies with other TOs:

This TO has to be in synergy with the proposed priorities under “Connecting Europe Facility”. The “Connecting Europe Facility” is a mechanism that envisages investments acceleration within trans-European networks, aiming at better accessibility on the EU internal market and economic growth stimulation.

### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ERDF:** *Improved energy transmission.*

## Thematic objective no. 9 - Promoting social inclusion, combating poverty and any discrimination

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving the basic infrastructure&amp;access to services in order to promote economic development and reduce poverty in rural settlements, including fisheries areas</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering local development in rural areas through investments in small-scale infrastructure, including water supply and sewerage infrastructure.</li> </ul>

### Expected results:

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**EAFRD:** *Increased share of the population connected to the public drinking water supply and to sewerage systems.*

### Development Challenge 5 “Administration and Government”

Within this challenge, covered for in TO 11 and TO 2, investments under ESI Funds will be used to achieve optimal institutional environment and provision of quality public services by the administration and the judiciary, in support of the overall efforts to improve the economic growth, competitiveness and quality of life. As key elements, where the ESI Funds funds will be invested, the following have been outlined: transparency and integrity, efficiency and effectiveness of the administration and the judiciary, and orientation towards the needs of citizens and businesses, including reduction of the administrative burden; e-government and justice, capacity for development, coordination and implementation, monitoring and evaluation of policies at all levels of governance as well as the professionalism and motivation of human resources in the administration and the judicial system (institutional capacity).

The investments under ERDF will be used to support the development of the national cadastre and land registration system by broadening the geographical coverage and inclusiveness of property records in rural Romania and by improving the land registration services. Thus, will increase the efficiency and transparency of land transactions, stimulate the land consolidation and better management of agricultural land, encourage the local and regional investments, and allow the efficient use of funds.

## Thematic objective no. 11 Enhancing institutional capacity of public authorities and stakeholders and efficient public administration

Development needs	Proposed Priorities for Funding
<ul style="list-style-type: none"> <li>➤ Improving decision-making process and the efficiency of public expenditures at all levels</li> </ul>	<ul style="list-style-type: none"> <li>• Support the development and implementation of systems and procedures for strategic documents and policy coordination, with a particular focus on strategies and national policies;</li> <li>• Increasing the capacity of local administration to formulate and support local public policies;</li> </ul>

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>
<ul style="list-style-type: none"> <li>➤ Reforming the human resources management in public institutions</li> <li>➤ Reducing bureaucracy for businesses and citizens</li> <li>➤ Opening the administration - enhanced transparency, integrity, accessibility and accountability of government and public services;</li> <li>➤ Enhancing capacity at all levels for increasing quality and accessibility of public services throughout the territory of Romania</li> <li>➤ Enhancing administrative and financial capacity at national, regional and local level to implement actions in pursuit of Romania's development goals;</li> <li>➤ Developing coordination mechanisms among public institutions for better coordination of reform actions both horizontally and vertically, clear definition of public institutions mandates including coordination mechanism for implementing macroeconomic strategies (e.g. EUSR and Integrated Maritime Policy);</li> <li>➤ More efficient, transparent, accountable, accessible and consistent judicial system</li> <li>➤ Improved land registration services - integration of existing data and scaling up systematic registration in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>• Support the development for monitoring and evaluation mechanisms for the implemented strategies and policies;</li> <li>• Developing skills in the areas of strategic planning and budgetary programming, impact assessment and monitoring and evaluation (e.g. Training and methodologies, data-bases for indicators);</li> <li>• Strengthening participatory dimension, development of consultation and participation mechanisms in decision- making;</li> <li>• Developing, introducing and supporting the use of management, monitoring and evaluation systems and tools for an improved institutional and public services performance and change of organizational culture;</li> <li>• Training for improving skills in public policy process provided by public and private providers;</li> <li>• Create and implement an integrated strategic framework for human resources management in public sector and raise the professionalism and attractiveness of the public administration;</li> <li>• Support for measuring administrative burden, transfer of know-how and best practices;</li> <li>• Actions to rationalize, increase the quality of regulations and to reduce the burden of bureaucracy on businesses and citizens;</li> <li>• Increase capacity of public administration to introduce performance management, monitoring and evaluation systems and mechanisms for public services delivery including for those sub-contracted;</li> <li>• Promoting good practice related to the delivery of public services and encouraging exchange of experience/networking site between public and private entities providing public services, including stakeholders</li> <li>• Strengthen the participation mechanisms to deliver efficient public services at local level (e.g. diversification of service delivery through – co-operation with non-governmental bodies, inter-communitary cooperation mechanisms for citizens scrutinizing public service delivery performance );</li> <li>• Developing modern management systems and tools for increasing performance in public institutions at all levels (e.g. Develop and implement quality management in public institutions; Fiscal and financial management in view to increase public expenditure efficiency; Objectives and programs based management; Innovation in public administration);</li> <li>• Support to improve the organizational and administrative capacity of judicial institutions the human resources, IT system, the accountability and transparency of the judiciary and access to justice;</li> <li>• Developing the implementation of CISE at Black Sea;</li> <li>• Support for enhancing integrity and transparency within public administration through risk based analyses and tailor made preventive programs;</li> <li>• Support to improve the capacity of anti-corruption administrative national system and independent monitoring and evaluation mechanisms;</li> <li>• Support for enhancing integrity within judiciary through risk based analyses and tailor made preventive programs;</li> <li>• Strengthening the overall efficiency of the national system for tracing, managing and recovering assets originating from crime;</li> <li>• Developing and use of IT tools and applications to enhance institutional capacity and efficiency at all levels of public administration.</li> <li>• Developing a national cadastral system to provide certainty of title, promotion of land reform and effective land consolidation in support of Romania's development goals</li> </ul>

#### **Synergy with other TOs:**

Actions under this TO may contribute, if relevant, to related interventions identified under TO 2, aimed at access to ICT.

#### **Expected results:**

Within this TO, the results expected to be achieved through the ESI Funds are as follows:

**ESF:** *Improved ethics, transparency and integrity of decision – making and budget expenditures; improved public satisfaction regarding public administration and public services; increased quality and accessibility of public services; improved business satisfaction with the proportionality of administrative burden and regulation; an*



*integrated system for human resources management in place; Strengthened organizational and administrative capacity of the judiciary institutions and developed human resources, more rapid resolution of civil and criminal proceedings.*

**ERDF:** *Reduced obstruction to development and consolidation of agricultural holdings arising from land ownership disputes.*

**Thematic objective no. 2 Enhancing access to, and use and quality of, information and communication technologies**

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>
➤ Developing, introducing and supporting the use of ICT tools and open data concept	<ul style="list-style-type: none"> <li>• Implementation of Open Data at the level of all public institutions in order to improving online collaborative and electronic systems;</li> <li>• Increasing the use of e-government tools (including training for civil servants).</li> </ul>

**Synergy with other TOs**

Actions under this TO may contribute, if relevant, to related interventions identified under TO 11, aimed at improving public administration.

**Expected results:**

Within this TO, the results expected to be achieved through the ESI funds are as follows:

**ERDF:** *Improved efficiency of public administration arising from enhanced use of ICTs and e-government; improved public satisfaction with public administration and public services.*

## 1.4 THE INDICATIVE ALLOCATION OF SUPPORT BY THE UNION BY THEMATIC OBJECTIVE AT NATIONAL LEVEL FOR EACH OF THE ESI FUNDS, AS WELL AS THE TOTAL INDICATIVE AMOUNT OF SUPPORT FORESEEN FOR CLIMATE CHANGE OBJECTIVES

**Table No. 1.4.1. Indicative allocation of support by the Union by thematic objective at national level for each of the ESI Funds (EUR) (total Union support, including the performance reserve)**

EURO						
Thematic objective	ERDF	ESF	CF	EAFRD	EMFF*	Total
1. Strengthening research, technological development and innovation	797,872,340	0,00	0,00	61,022,979		858,895,319
2. Enhancing access to, and use and quality of, ICT	531,914,894	0,00	0,00	0,00		531,914,894
3. Enhancing competitiveness of the SMEs, as well as agriculture sector (for EAFRD) and fisheries and aquaculture sector (for EMFF)	744,680,851	0,00	0,00	2,578,401,691		3,323,082,543
4. Supporting the shift towards a low-carbon economy in all sectors	3,171,468,085	0,00	0,00	378,778,691		3,550,246,777
5. Promoting climate change adaptation, risk prevention and management	0,00	0,00	478,723,404	1,042,830,391		1,521,553,796
6. Preserving and protecting the environment and promoting resource efficiency	517,893,617	0,00	2,732,869,317	1,425,610,096		4,676,373,030
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures;	3,366,506,231	0,00	3,723,404,255	0,00		7,089,910,486
8. Promoting sustainable and quality employment and supporting labour mobility	0,00	1,262,058,145	0,00	529,921,383		1,791,979,528
9. Promoting social inclusion and combating poverty and any discrimination	531,914,894	1,133,855,426	0,00	1,802,959,787		3,468,730,106
10. Investing in education, training, and vocational training for skills and lifelong learning	372,340,426	1,195,398,944	0,00	17,770,298		1,585,509,667
11. Enhancing institutional capacity of public authorities and stakeholders and an efficient public administration.	319,148,936	861,765,957	0,00	0,00		1,180,914,894
12. Technical assistance	372,340,426	320,957,447	0,00	178,368,085		871,665,957
<b>Total</b>	<b>10,726,080,699</b>	<b>4,774,035,918**</b>	<b>6,934,996,977</b>	<b>8,015,663,402</b>		<b>30,450,776,996</b>

\*Not filed in since no specific regulation is in force and no country allocation

\*\* The ESF total amount of 4,774,035,918 includes the ESF matching funding for YEI

**Table: 1.4.2. Youth employment initiative for thematic objective No. 8 - "Promoting sustainable employment and supporting labour mobility"**

YEI specific allocation	105,994,315 (EUR)
ESF matching funding	105,994,315 (EUR)

**Table: 1.4.3. Allocation to Technical assistance, by category of regions, where applicable**

Fund	Category of regions to which applicable	Allocation to technical assistance (EUR)	Share of technical assistance of total allocation (by Fund and category of region where applicable)
ERDF	Less developed regions		
	Transition regions		
	More developed regions		

ESF	Less developed regions		
	Transition regions		
	More developed regions		
CF	NA		
EAFRD	NA		
EMFF*	NA		

*\*Not filed in since no specific regulation is in force and no country allocation*

**Under revision**

**Table: 1.4.4. The share of ESF of Structural Funds (ERDF and ESF)**

Share of ESF in the Structural Funds (ESF and ERDF) resources for the operational programmes for the convergence, regional competitiveness and employment objectives in the 2007-2013 programming period	29.1%
ESF minimum share in the Member State	30.8%
The share of the ESF in the Structural funds resources in the 2014 - 2020 programming period	30.8%

**Table No. 1.4.5.: Indicative amount of EU support for climate change objectives (EUR) (Total Union support, including the performance reserve)**

Thematic objectives	ERDF	ESF	CF	EAFRD	EMFF	Total
1. Strengthening research, technological development and innovation						
2. Enhancing access to, and use and quality of, ICT						
3. Enhancing competitiveness of the SMEs, as well as agriculture sector (for EAFRD) and fisheries and aquaculture sector (for EMFF)						
4. Supporting the shift towards a low-carbon economy in all sectors						
5. Promoting climate change adaptation, risk prevention and management						
6. Preserving and protecting the environment and promoting resource efficiency						
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures;						
8. Promoting sustainable and quality employment and supporting labour mobility						
9. Promoting social inclusion and combating poverty and any discrimination						
10. Investing in education, training, and vocational training for skills and lifelong learning						
11. Enhancing institutional capacity of public authorities and stakeholders and an efficient public administration.						
12. Technical assistance						
Total						

*This section will be filed in later on, based on the figures revealed by the operational programmes.*

## **1.5 THE APPLICATION OF HORIZONTAL PRINCIPLES AND POLICY OBJECTIVES FOR THE IMPLEMENTATION OF THE ESI FUNDS**

### **1.5.1 ARRANGEMENTS FOR THE PARTNERSHIP PRINCIPLE**

The partnership principle represents a key aspect in the programming and management of the ESI Funds for 2014-2020. It is a pre-requisite for developing realistic economic, social and territorial policies, directed towards sustainable, smart and inclusive growth.

The importance of partnership comes both from the need to ensure transparency of the programming and implementation process, as well as to provide a sense of 'ownership' at the level of all actors involved. To this aim, Romania will encourage collaboration of policymakers, experts and partners (the organisational types prescribed by Article 5 of CPR), as well as integrated actions at the relevant sector or territorial level, in order to improve the effectiveness of policy implementation.

With regard to the preparation and implementation of PA and programmes the partners will be involved in line with the principles set in European Code of Conduct on partnership in the framework of the ESI Funds.

### **Partnership in the preparation of the programming documents for 2014-2020**

The Memorandum approved by the Government on 13 July 2012 established the partnership framework in order to draw-up 2014-2020 programming documents (Figure 1 *Partnership framework diagram for programing*). The coordination is ensured by the MEF which also ensures the presidency of the Inter-institutional Committee for the PA (CIAP). CIAP's secretariat is provided by the MEF through the Directorate General for Analysis, Programming and Evaluation. Both, the under debated documents and the unique contact address (secretariat.ciap@fonduri-ue.ro), are published in a dedicated section on the MEF official website.

CIAP has 64 members, out of which 70% are representatives in decision-making of central and local public institutions and 30% are representatives of economic and social environment, trade unions, academic institutions, nongovernmental organisations and other representatives of the civil society.

Under CIAP were subsequently organized 12 Consultative Committees (10 sectoral and 2 regional/territorial) in the following thematic areas: transport; environment and climate changes; competitiveness and energy efficiency; communications and information technology; education and training; employment and social inclusion; health and social services; tourism, culture and cultural heritage; rural development, agriculture and fisheries; administration and good governance and regional development and territorial cohesion.

The membership of these committees follows the same principle as CIAP - 30% representation of partners (Annex II - List of social partners involved in programming process).

For the selection of the social partners involved in the working groups and thematic committees, the line ministries responsible with their coordination, published on their official sites the selection criteria (experience on the field, representativeness in relation to other similar organizations etc.) for the partners that submitted a letter of intension. The selection of partners for CIAP was based on the selected partners for the Consultative Committees and following additional criteria (active involvement in the Consultative Committee's activity, experience from 2007-2013 programming period etc.)

The Consultative Committees debate and confirm the documents drafted into several working groups on specific issues and propose the agreed elements to CIAP.

Within the framework of the consultative committees sectoral priorities were debated and following the members input, the analysis and recommendations were enhanced. The main recommendations stemming from the consultation process reflected the need for simplified procedures and programmes.

The programming documents, including the proposals formulated by each Consultative Committee are discussed within the CIAP, which, finally, validates these. In this way, the partnership aims to provide:

- the partners' agreement on the defined the main development needs, funding priorities as well as on the output indicators and the implementing arrangements;
- complementarity of the interventions financed by different public sources;
- participation and responsible involvement of the partners in the planning process and encouragement of their ownership of the interventions prioritised;
- transparency of the overall process;
- full use of the know-how and specialized expertise of the all actors involved.

In order to ensure a wider consultation framework on the programming documents, under the coordination of MEF, at national and regional level were organized several focus-groups. The meetings were attended especially by the representatives of the civil society, academic and cultural environment, etc.

Moreover, MEF organized bilateral meetings with all entities that were interested in programming stages, such as: National Chamber of Commerce of Romania, American Chamber of Commerce in Romania, UNICEF, Hopes and Homes for Children (HHC), Institute for Public Policy (IPP), World Wide Fund for Nature (WWF), NGOs working in the field of inclusion, and social protection of Roma and NGOs activating in the field of environment protection.

Following the public consultation on the programming documents (in various stages of development), all interested parties submitted comments to the CIAP secretariat through the unique contact address. All these comments and other observations, proposals were registrated and after an internal analyse, were integrated in the revised version of PA. Most comments were on *People and society*, *Resources* and *Administration and government* challenges.

### **Partnership in implementation**

In order to ensure the relevance of actions supported and the effective delivery of ESI Funds, the partnership framework will operate beyond the programming phase, and will be extended to the management,

implementation, monitoring and control. Institutional coordination for 2014-2020 involves three levels (see chap. 2.1) in which economic and social partners will represent 40%, the remaining 60% being represented by the central and local public authorities. Partners' selection will be made in a transparent way, including their experience of the 2007-2013 programming period and their involvement in 2014-2020 programming process.

In accordance with the requirement laid down in article 5 in the CPR, the partners will play an important role in (i) preparation, implementation, monitoring and evaluation of operational programs, including participation in the monitoring committees of the programs), and (ii) preparing the progress reports on the implementation of the PAPA in 2017 and 2019.

During the implementation, the partnership principle will continue to be applied when setting up the membership of the PA coordination mechanism, the Steering Committee (SCPA) and Thematic steering sub-committees (see chapter 2.1) ensuring the presence of institutions and organizations prior involved in programming process (members of CIAP and thematic committees). SCPA's secretariat will be also ensured by the MEF.

MFE as coordinator of ESI Funds management will ensure that the partnership principle is respected by all authorities involved and at all level of governance.

The MAs will engage the partners in monitoring, assessment of performance, evaluation and preparation of the annual implementation reports of the programs under the responsibility of the monitoring committees and, where appropriate, through specific working groups established by the monitoring committees for this purpose.

The Monitoring Committees proved poorly effective during the 2007-2013 period, with poor expertise and ownership of the members. Subsequently, the committees failed to be the place for constructive dialogue supporting the decision making process. The uneven composition of the committees overwhelmingly composed of public officials, largely explain such situation.

It is therefore envisage to review the composition of the committees, with more balanced participation of external stakeholders, representing, in a tailored manner, the most relevant partners that can affect/ or be affected by the program implementation, including at least regional, local and other public authorities, economic and social partners, non-governmental organizations, bodies representing environmental partners and socio-economic partners concerned by the programmes.. The representation of the social-economic partners could reach a rate up to 40% of the total members (e.g. Human Capital Operational Programme) by taking into account the structure of the relevant beneficiaries categories. When selecting the members the MAs will take into account as far as possible the relevant partners that have been involved in the preparation of the programs.

The committee members will also be associated permanently by the managing authorities, across the life cycle of the programmes and besides the formal meetings of the committees, on all relevant implementation and management issues.

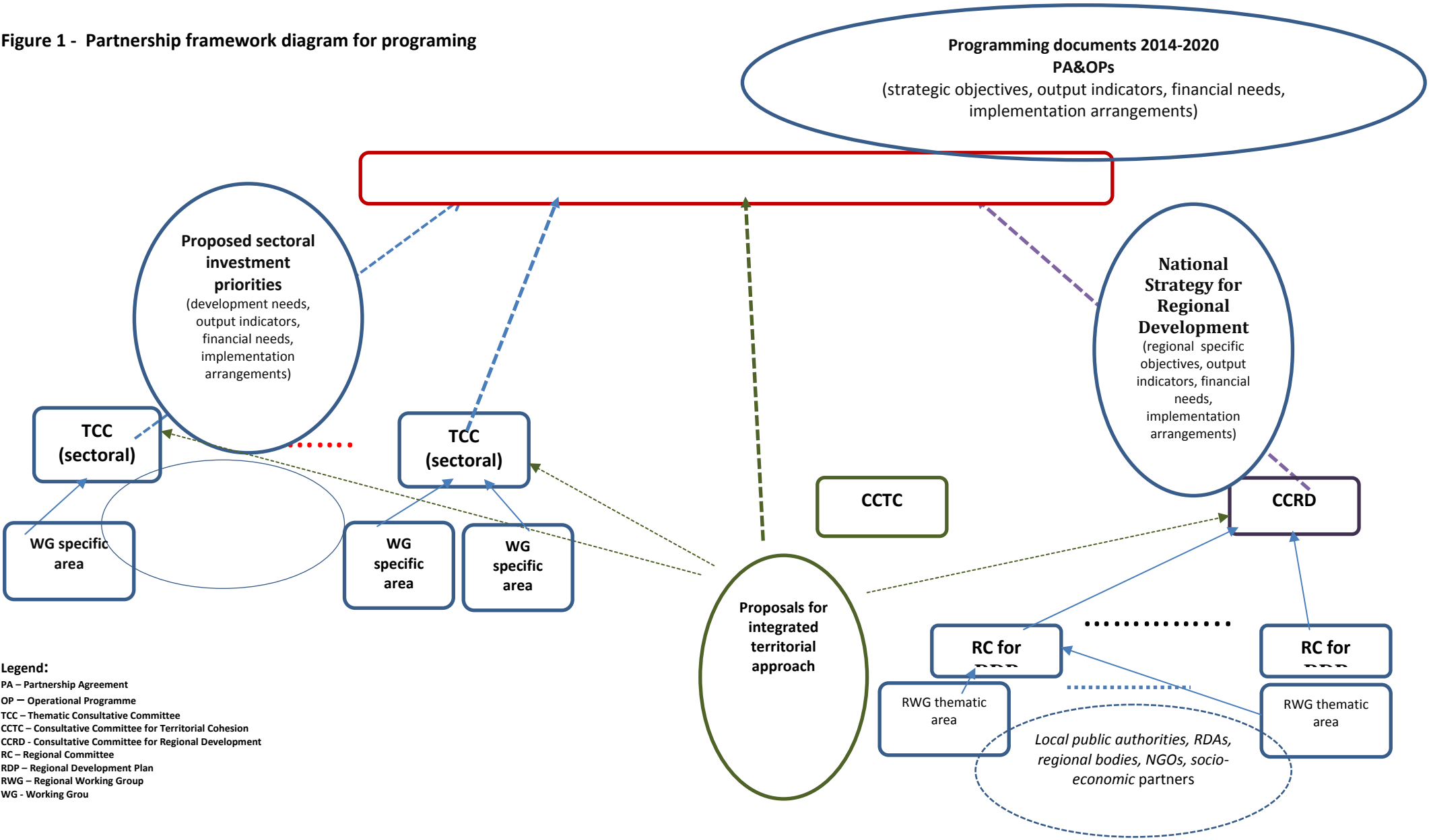
As mentioned in article 5.3 (d) of the CPR, the MAs will consult, where appropriate, the relevant partners in preparation of the calls for proposals, based on procedures set in advance, a particular attention will be given to the possible conflict of interest.

Concerning the partner's involvement in the preparation of progress reports in 2017 and 2019, this will be mainly realized through the monitoring committees and the coordination mechanism set at the level of the PA.

A major aspect when considering the partnership in different stages of preparation and implementation is the capacity-building of partners.

The technical assistance funds will be used to ensure that the partners received the necessary training to participate in preparation, implementation, monitoring and evaluation of the programs. The support will take the form of dedicated workshops, training sessions, preparation and support of networking platforms.

Figure 1 - Partnership framework diagram for programming



### 1.5.2 PROMOTION OF EQUALITY BETWEEN MEN AND WOMEN, NON-DISCRIMINATION AND ACCESSIBILITY (WITH REFERENCE TO ARTICLE 7 OF CPR)

The promotion of equality between men and women, non-discrimination and accessibility are cross-cutting themes that contribute to the achievement of the Europe 2020 Strategy.

In view of that, the approach in meeting the required principles during the implementation of ESI funds in Romania is twofold: (i) mainstreaming the horizontal themes across the preparation and implementation of programmes, including in relation to monitoring, reporting and evaluation; (ii) design and implementing targeted actions specifically designed to promote equality between men and women, prevent the discrimination based on racial or ethnic origin, religion or belief, disability, age or sexual orientation by paying particular attention to those facing multiple discrimination.

The *mainstreaming* approach involves the translation and systematic integration of horizontal principles in each stage of the operational programmes' life cycle, at all levels of governance, and across all actors involved, as well as their assimilation for all the programmes' objectives and through all the levels up to the individual projects.

To achieve this, an important pre-condition is the development of common understanding and recognition as regard the promotion of equality between men and women, non-discrimination and accessibility. In this respect, arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the applicable Union and national law in policy area are carried on as part of the process to fulfil of the general ex-ante conditionalities.

The *specific actions* are important in complementing the mainstreaming by directing objectives and resources to address the areas where is experienced the inequality and exclusion.

A series of particular issues is considered for a practical integration of horizontal themes related to equality between men and women, non-discrimination and accessibility at different stages of the programme cycle:

#### *Programme planning and implementation:*

- in all the programmes development will be considered and introduced equality horizontal principles. Particularly, those programmes addressing employment opportunities, education, training, business support, health, social integration will comprise specific actions targeting the equality between men and women, the non-discrimination and accessibility. In this respect, one of the elements that is going to be reviewed by the ex-ante evaluation of the operational programmes is the "the adequacy of planned measures to promote equal opportunities between men and women, to prevent discrimination and to promote sustainable development". As it is carried out in interaction with the establishment of the programme, the ex-evaluation will support the identification of those interventions that are intended to have a contribution to the promotion of equality and non-discrimination;
- in the preparation of programmes of particular importance will be the active engagement of national bodies responsible for the promotion of equal treatment and organisations representing the interests of equality groups. In this respect, the public consultations will offer to various stakeholders the opportunity to engage in developing the content of the programme;
- the dissemination of information and publicity will be essential activities to promote the equality principles. The actions to support accessibility for a range of groups include promotion of information on websites, printed materials, and through meetings, national, regional or local organisations and networks, with particular attention to the rural area and marginalised communities. The access to information may prevent the unfair disadvantage or exclusion from benefiting of ESI Funds opportunities;
- in order to extent the integration of equality principles from the programme to the project level, the MAs will provide guidance on how to take into account the equality principles in designing the project, and on how to set equality objectives and to measure them. In the selection process, a screening stage will be undertaken in order to avoid funding and implementation of any project with adverse or negative consequences for equality between men and women, non-discrimination and accessibility;
- the selection of projects comprising specific actions, which have as a principal objective the promotion of equality objectives will be based on pre-defined criteria, especially for those funded by ESF;
- the process of mainstreaming of equality principles will be supported during the programmes' implementation by an Operational Working Group ensuring that the themes are integrated at different stages (see chapter 2.1). The group will act as a forum for exchange of information and best practices in the field.

#### *Monitoring and evaluation of programmes:*

- the programmes will follow the implementation of actions and will assess the progress over time in relation to the translation of horizontal themes under the general monitoring and evaluation system, developing specific programme indicators for measuring the progress against equality objectives where appropriate. Whenever the nature of the assistance has an impact on the given horizontal themes data on individual participants, including a breakdown by gender, will be collected, recorded and stored in systems for the electronic data exchange (see chapter 4). The information about the participants will be managed in due compliance with the national rules on protection of personal data;
- the national authorities participating in the Thematic steering sub committees and Monitoring Committees of the operational programmes will oversee the horizontal themes' integration and will monitor their integration during the programme implementation. The arrangements for the setting up of these structures will comprise also involvement of bodies responsible for the promotion of equal treatment (see chapter 2.1);
- the specific actions undertaken to promote equality principles will be reported in the programme implementation reports according to art. 111 (4)(e);
- as respect to evaluation, two approaches will be followed: (i) conducting separate evaluations of the equality consideration in all programmes or different priority axis, and (ii) through the integration of the equality dimension in the programme specific evaluations.

According to article 96 of CPR all the Operational Programmes, except the Technical Assistance one, will include a description of the specific actions undertaken during the preparation, design and implementation of the programme and in particular in relation to access to funding, taking account the promotion of equality and non-discrimination, in particular the requirements to ensure accessibility for persons with disabilities.

#### **1.5.3 SUSTAINABLE DEVELOPMENT (WITH REFERENCE TO ARTICLE 8 OF CPR)**

The commitment to preserve and protect the environment from potential harmful effects of interventions and ensure results in net social, environmental and climate benefits will be further emphasised and better integrated over the course of the 2014-2020 programming period through (i) *vertical measures* by setting out investment priorities under TO 4, 5, 6 and 7, and integrating activities dedicated to environmental protection, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience, and risk prevention and management into other thematic objectives and (ii) horizontal measures by application of the principle of sustainable development in accordance with Article 8 of CPR.

The mainstreaming of sustainable development into ESI Funds involves that the principle being recognised and taken into consideration in all aspects and phase of the operational programmes lifecycle. In this respect, the process of preparation and implementation of the PA and OPs include:

- the ex-ante evaluation of each programme will assess the adequacy of planned measures to promote sustainable development, in particular, the *Strategic Environmental Assessment (SEA)* as part will assess the likely effects of programmes prior to their approval;
- the MAs will use a series of tools so that to ensure a portfolio of projects in line with sustainability principle. These will be introduced for directing the investments towards the most resources –efficient and sustainable options; avoiding investments that may have a significant negative environment or climate impact, and supporting actions to mitigate any remaining impacts; promote a proactive approach to risk management; increase use of green procurements (in addition to the cases where the legislation imposes, e.g. Government Ordinance 40/2011 Promotion of non-polluting and energy efficient transport vehicles);
- in the selection process, all projects will be assessed from an environmental perspective to determine if the impact of the operation is limited or insignificant. For the operations where the environmental impact is expected to be significant it will be performed the Environmental Impact Assessment (EIA). For the major investment projects a CBA and risk assessment will be performed;
- by applying minimum requirements the project proposals will be expected to address the use of energy and other raw materials more efficiently, and to switch from non-renewable to renewable sources, to implement cost savings recommendations through waste minimisation and water management, notable for support economic and construction operations;
- the MAs will ensure awareness-raising and provide support to beneficiaries to deal with the environmental issues in all phases of their projects. The sustainable development principle will be integrated in the training programmes for the beneficiaries, including in relation to the green procurement.



In Romania, the *polluter pays principle* is set out in the Law on environmental protection (Law nr.256/2006 approving the Government Emergency Ordinance no. 195/2005) and Water Act no. 107/1996, as subsequently amended and supplemented, a section of this Act is dedicated to protection of soil and subsoil. The law provides the obligation of landowners and operators to maintain a clean environment and requires payment for any environmental damage through pollution.

In the table below are presented a series of measures envisaged in application of sustainable development principle. The information not exclusive and according to article 96 of CPR all the Operational Programmes, except the Technical Assistance one will include a description of the specific actions to take into account environmental protection requirements, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management, in the selection of operations.

### 1.5.3 SUSTAINABLE DEVELOPMENT (WITH REFERENCE TO ARTICLE 8 OF CPR)

<i>SD principle</i>	<i>TO/ actions</i>	<i>Measures envisaged</i>
<b>Polluter pays principle</b>	<b>TO6 environmental protection and resource efficiency:</b> <ul style="list-style-type: none"> <li>- investments in the water sector: extension and modernisation of drinking water networks and waste water sewages and treatment systems;</li> <li>- investment in the waste sector: development of waste infrastructure;</li> <li>- rehabilitation of polluted sites</li> </ul>	<ul style="list-style-type: none"> <li>- the fees for services (tariffs) will be fixed in compliance with the polluter-pays and the full-cost recovery principles taking into account affordability limitation</li> <li>- the principle will be used operationalised in the Cost-Benefit Analysis and taken into account when determining the funding gap for water and waste projects;</li> <li>- the support to rehabilitation of polluted sites will limited to orphaned and abandoned sites;</li> </ul>
<b>Reduction of waste generation</b>	<b>TO01 research and innovation</b> <ul style="list-style-type: none"> <li>- creation/ developing of research/ innovation infrastructure</li> </ul> <b>TO3 competitiveness for SMEs</b> <ul style="list-style-type: none"> <li>- construction/ modernization and expansion of the area for production / service of SMEs;</li> <li>- actions to improve the productivity of SMEs: support for acquisition of equipment, machines, installations</li> </ul> <b>TO6 environmental protection and resource efficiency</b> <ul style="list-style-type: none"> <li>- investments in the water sector: extension and modernisation of drinking water networks and waste water sewages and treatment systems;</li> <li>- investment in the waste sector: development of waste infrastructure;</li> </ul> <b>TO7 sustainable transport</b> <ul style="list-style-type: none"> <li>- development of road/ rail infrastructure;</li> <li>- modernisation and development of maritime and waterway infrastructure;</li> <li>- development of airports</li> </ul> <b>TO9 social inclusion and poverty reduction (ERDF)</b> <ul style="list-style-type: none"> <li>- development of social infrastructure;</li> <li>- investments in small-scale infrastructure (e.g. local roads)</li> </ul> <b>TO10 education, skills and lifelong learning (ERDF):</b> supporting educational infrastructure <b>ERDF</b> Art. 17 supports actions (sub-measure 4.1) – notably investments in farm waste storage/ management facilities and the processing of agricultural wastes into bioenergy	<ul style="list-style-type: none"> <li>- the project proposal must contain recommendations concerning construction waste reduction or re-use;</li> <li>- considered as criteria for selection when evaluating projects of economic operators: assessment of the extent to which the project address the minimisation/ recycling of waste;</li> <li>- promoting support to innovation focusing on clean technologies or environmental protection.</li> </ul>
<b>Air quality</b>	<b>TO6 environmental protection and resource efficiency</b> <ul style="list-style-type: none"> <li>- investments in the water sector: extension and modernisation of drinking water networks and waste water sewages and treatment systems;</li> <li>- investment in the waste sector: development of waste infrastructure;</li> </ul> <b>TO7 sustainable transport</b> <ul style="list-style-type: none"> <li>- development of road/ rail infrastructure;</li> <li>- modernisation and development of maritime and waterway infrastructure</li> </ul> <b>ERDF</b> <ul style="list-style-type: none"> <li>- the investments in farm waste storage/ management facilities under Art. 17 (sub-measure 4.1) can</li> </ul>	<ul style="list-style-type: none"> <li>- ensuring compliance with environmental legislation;</li> <li>- taken into account the design of urban projects;</li> <li>- use conclusions of the Environmental Impact Assessment to show what the project impact is and what needs to be done to minimise the impact.</li> <li>- eligibility criteria to ensure compliance with minimum environmental standards</li> </ul>

	<p>be relevant e.g. for reducing odours from animal wastes, such as pig slurry; The investments in afforestation on agricultural and non-agricultural land under art 22 are also relevant for air quality.</p>	
<b>Ressource efficiency</b>	<p><b>TO3 competitiveness for SMEs:</b></p> <ul style="list-style-type: none"> <li>- actions to improve the productivity of SMEs: support for acquisition of equipment, machines, installations</li> </ul> <p><b>TO9 social inclusion and poverty reduction (ERDF)</b></p> <ul style="list-style-type: none"> <li>- development of social infrastructure;</li> <li>- investments in small-scale infrastructure (e.g. local roads);</li> </ul> <p><b>TO10 education, skills and lifelong learning (ERDF)</b></p> <ul style="list-style-type: none"> <li>- supporting educational infrastructure</li> </ul> <p><b>TO 1 research and innovation</b></p> <ul style="list-style-type: none"> <li>- actions financed for RDI in SMEs</li> </ul> <p><b>EARDF</b></p> <p>Art. 17 (sub-measure 4.1) supports investment in more energy efficient farm buildings and crop storage facilities</p> <p>Art. 17 (sub-measure 4.2) supports investments for increasing the efficiency of water and energy consumption in the processing and marketing of agricultural products</p> <p>Art. 17 (sub-measure 4.3) supports investments in equipment and farm infrastructure that will promote more efficient irrigation on farms – including the collection, storage and recycling of water.</p>	<ul style="list-style-type: none"> <li>- assessment of the extent to which the energy-efficiency measures been planned: insulation, lighting, natural ventilation, efficient equipment, efficient cooling/heating, use of renewable technologies for heat or power, where appropriate to local conditions;</li> <li>- compliance with norms for the thermic insulation of buildings;</li> <li>- promoting/ raise awareness for the implementation green procurement; encouraging emas registration/ eco-labelling;</li> <li>- considered as criteria for selection when evaluating projects: reduction of energy/ water consumption, reduction GHG emissions;</li> <li>- promoting support to innovation focusing on energy saving technologies/ reduce energy consumptions;</li> <li>- promoting of the life-cycle of resource efficiency approach;</li> </ul> <p>In accordance with Art. 46: a) all investments in irrigation must be in line with the river basin management plan (as prepared according to Directive 2000/60/EC); b) water metering must be in place or included as part of the investment, and; c) estimated minimum water savings from the investment must be 5 - 25%.</p>
<b>Disaster resilience</b>	<p><b>TO6 environmental protection and resource efficiency</b></p> <ul style="list-style-type: none"> <li>- investments in the water sector: extension and modernisation of drinking water networks and waste water sewages and treatment systems;</li> <li>- investment in the waste sector: development of waste infrastructure;</li> </ul> <p><b>TO7 sustainable transport</b></p> <ul style="list-style-type: none"> <li>- development of road/ rail infrastructure;</li> <li>- modernisation and development of maritime and waterway infrastructure;</li> <li>- development of airports</li> </ul>	<ul style="list-style-type: none"> <li>- ensuring compliance with technical norms applicable to construction works;</li> <li>- development of „disaster proofing” infrastructure</li> </ul>
<b>Biodiversity and ecosystem protection</b>	<p><b>TO6 environmental protection and resource efficiency</b></p> <ul style="list-style-type: none"> <li>- investments in the water sector: extension and modernisation of drinking water networks and waste water sewages and treatment systems;</li> <li>- investment in the waste sector: development of waste infrastructure;</li> <li>- rehabilitation of polluted sites</li> </ul> <p><b>TO7 sustainable transport:</b></p> <ul style="list-style-type: none"> <li>- development of road/ rail infrastructure;</li> <li>- modernisation and development of maritime and waterway infrastructure.</li> </ul> <p><b>EARDF</b></p> <p>Art 22 supports investment in afforestation on agricultural and non-agricultural land</p>	<ul style="list-style-type: none"> <li>- ensuring compliance with the EU and national legislation for protected areas;</li> <li>- use conclusions of the Environmental Impact Assessment to show what the project impact is and what needs to be done to minimise the impact;</li> <li>- eligibility criteria to ensure compliance with minimum environmental standards</li> </ul>

	<p>Art. 28 supports a suite of packages offering compensatory payments for the maintenance of traditional farming practices and associated biodiversity on “High Nature Value” farmland. This includes specific packages for maintaining the breeding habitats and feeding areas of bird / butterfly species of national / international conservation importance e.g. <i>Crex crex</i>, <i>Lanius minor</i> and <i>Branta ruficollis</i></p> <p>Art. 29 supports compensatory payments for conversion to and / or maintenance of organic farming methods for arable and perennial crop production</p> <p>Art. 31 supports payments for farmers in mountain areas to compensate for the natural constraints upon their production, thereby tackling the causes of abandonment and risk of losing some semi-natural mountain ecosystems of biodiversity value</p>	
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## 1.5.4 HORIZONTAL POLICY OBJECTIVES

### Accessibility of the achievements of ESI Funds

All products, goods, services and infrastructures that are co-financed by the ESI Funds will be accessible to all citizens, including those with disabilities. In particular, accessibility to the physical environment, transport, information and communication technologies in order to achieve inclusion for disadvantaged groups, including persons with disabilities has to be ensured. Managing authorities will undertake actions throughout the programme lifecycle to identify and remove existing accessibility barriers or prevent new ones.

### Addressing demographic change

The challenges resulting from demographic change will be taken into account in all phases of ESI Funds implementation.

The current PA enhances job opportunities for the elderly and young people and includes investments in leaving standards, including health infrastructures, drinking water, waste etc. In addition, it creates facilities family-friendly aspects by supporting child raising (investments in nurseries) and support vulnerable groups to integrate in the labour market.

### Climate change mitigation and adaptation

Climate change mitigation and adaptation is now a priority for the Cohesion Policy implementation in Romania and the aspects related to the climate changes are integrated in the preparation of the PA and will be followed up during all phases, programming, implementation, monitoring and evaluation of all funds.

The visibility of contributions towards the goal of a spending of at least 20% of the allocation on climate change mitigation is ensured. An adequate share of funds is in fact committed to measures which envisage climate change mitigation and adaptation, for example promoting energy efficiency, renewable energy, clean transport, risk management, enhancing the competitiveness of small and medium-sized enterprises etc.

Also, operational programmes financed in the period 2014-2020 will take into account interventions to ensure that investments in all the sectors take climate change into consideration in more direct, explicit and integrated ways, thus ensuring that ESI Funds are spent on climate change resilient projects.

## 1.6 THE LIST OF THE PROGRAMMES UNDER THE ERDF, THE ESF, THE COHESION FUND, EXCEPT THOSE UNDER THE EUROPEAN TERRITORIAL COOPERATION GOAL, AND OF THE PROGRAMMES OF THE EAFRD AND THE EMFF, WITH THE RESPECTIVE INDICATIVE ALLOCATIONS BY ESI FUND AND BY YEAR

Programme title	ESI Fund	Total	2014	2015	2016	2017	2018	2019	2020
Large Infrastructure OP	ERDF								
	CF								
Human Capital OP	ESF								
YEI									
Administrative Capacity OP	ESF								
Competitiveness OP	ERDF								
Technical Assistance OP	ERDF								
Regional OP	ERDF								
National Rural Development Programme	EAFRD								
	Total								

*The information presented in the Partnership Agreement will be updated at the submission of the last programme to maintain consistency between the Partnership Agreement and programmes.*

**Under revision**

## 1.7 REQUEST FOR TRANSFER OF STRUCTURAL FUNDS' ALLOCATIONS BETWEEN CATEGORIES OF REGIONS, WHERE APPLICABLE (ARTICLE 93 OF THE CPR) – not applicable

## 1.8 TRANSFER FROM THE EUROPEAN TERRITORIAL COOPERATION GOAL TO THE INVESTMENT FOR GROWTH AND JOBS GOAL WHERE APPLICABLE (ARTICLE 85A OF THE CPR) - not applicable

## 1.9 REQUEST FOR A TRANSFER OF TECHNICAL ASSISTANCE TO THE EUROPEAN COMMISSION, WHERE APPLICABLE (ARTICLE 22 BIS OF THE CPR) - not applicable

## 1.10 INFORMATION ON THE ALLOCATION RELATED TO THE PERFORMANCE RESERVE, BROKEN DOWN BY ESI FUND AND, WHERE APPROPRIATE BY CATEGORY OF REGION, AND ON THE AMOUNTS EXCLUDED FOR THE PURPOSE OF CALCULATING THE PERFORMANCE RESERVE (ARTICLE 14 (1) (A) (VII) OF THE CPR)

The special allocation for the Youth Employment Initiative is excluded from the calculation and the application of the performance reserve. For the remaining Funds, the amounts excluded for the purpose of calculating the performance reserve and the allocation related to the performance reserve is set out in the table below.

1.	2.	3.	4.	5.	6.	7.	8.
			Amounts excluded for the purposes of the calculation of the performance reserve				
Fund	Category of region	Total Union support (EUR)	Matching ESF support to YEI (EUR)	CAP transfers	Union support subject to the performance reserve (EUR)	Performance reserve (EUR)	Performance reserve as a share of the Union support subject to the reserve
ERDF	More developed regions						
	Transition regions						
	Less developed regions						
	Special allocation to outermost or sparsely populated regions						
ESF	More developed regions						
	Transition regions						
	Less developed regions						
TOTAL ESF							
EAFRD	NA			N/A			
CF	NA						
EMFF*	NA						
<b>TOTAL (All Funds)</b>							

\*Not filed in since no specific regulation is in force and no country allocation

**Under revision**

## 2. ARRANGEMENTS TO ENSURE EFFECTIVE IMPLEMENTATION ARTICLE 14(1) (B) CPR

### 2.1 ARRANGEMENTS FOR COORDINATING EU AND NATIONAL FUNDING INSTRUMENTS

In order to ensure the best use of ESI funds, Romania proposed in the Partnership Agreement a series of interventions designed in a combined manner in order to address the main challenges and development needs identified.

The areas where there is a strong focus of interest and the complementary approach of the ESI Funds are related to the competitiveness, employment, education, social inclusion, environment protection, resources efficiency and climate change.

The most evident area where the ESI Funds will be put to work together is among the investments made to *enhance competitiveness and innovation*. Measures for business support, RDI investments, and promoting ICT under ERDF are designed in a complementary manner with the actions to support the restructuring and consolidation of agricultural holdings and investments in the fisheries sector under EARDF, respectively EMFF. In addition, it will be ensured the financing of education and skills through ESF.

ESF and YEI investments for *employment and labour mobility* will be complemented by the initiatives funded from ERDF for infrastructure. The EARDF initiatives related to rural economy diversification will be completed by ESF through investments in human resources. The EMFF initiatives are oriented towards the diversification of aquaculture sector.

The investments in *education, skills and lifelong learning financed* will be formally provided through ESF. These will complement the measures addressing the entrepreneurship, ICT development supported by ERDF and those supporting the vocational training and skills on the agriculture and forestry sectors from EARDF. The support for infrastructure investments through ERDF will contribute to the success of ESF implementation.

There are close linkages across the programmes as regard the *social inclusion and reduction of poverty* financed through ESF and the development of infrastructure of social service and public health and ICT with the ERDF support, the improvement the quality of life and attractiveness of rural areas by using the EARDF funds. As well the ESF interventions in the area of social integration of the most deprived persons will be complemented by the non-financial assistance provided through FEAD.

Measures for *environment protection, resources efficiency and climate change* will be provided through ERDF and CF, including measures promoting the good environmental practice in business. The EAFRD will complement activities in this area by integrating climate change adaptation in actions to support the GHG emissions in agriculture and forestry.

The complementarities identified among ESI Funds require an effective coordination during the planning and implementation of the ESI Funds in order to avoid the overlaps between actions.

Based on the lessons learned in 2007-2013 and the new challenges raised by the ESI Funds architecture in Romania, a coordination mechanism with structures on three levels (strategic committee, thematic inter-institutional, operational), will be set up in order to ensure the coherence of the interventions, complementarities and synergies in the programming and implementation stages. The coordination mechanism will function in parallel with the institutional framework designed for implementation (see section 2.5), and will bring together experts, operational staff, decision makers from the MAs and IBs, decision makers from other institutions responsible for national policies in Romania and the socio-economic partners.

**The institutional coordination mechanism, proposed for next programming period, implies a number of levels presented below:**

**Level 1 – Management of Partnership Agreement Steering Committee (MPASC) will be set up as a committee under the responsibility of Ministry of European Funds.**

<i>Role</i>	Strategic coordination of the implementation of the PA/ ESI Programs
<i>Composition</i>	Line ministries responsible with policy areas covered by Partnership Agreement, socio-economic partners
<i>Meetings</i>	Twice a year
<i>Representation</i>	Policy makers at ministry level
<i>Secretariat</i>	Directorate General for Analysis, Programming and Evaluation of the Ministry of European Funds

**Level 2 – Thematic steering sub-committees**

There will be five thematic sub-committees, according to the five national funding priorities, set up under the coordination of the Ministry of European Funds, namely:

1. Promoting economic competitiveness and local development
2. Improving human capital through higher employment and better social inclusion and education policies
3. Developing modern infrastructure for growth and jobs
4. Optimising the use and protection of natural resources and assets
5. Modernisation and reinforcement of the national administration and of judiciary

<i>Role</i>	<ul style="list-style-type: none"> <li>Identifying developments/changes within various policy areas and their impact on the strategy of the Partnership Agreement and Operational Programmes</li> </ul>
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	<ul style="list-style-type: none"> <li>• Examination of continuous relevance of the Partnership Agreement</li> <li>• Overseeing meeting the ex-ante conditionalities</li> <li>• Ensuring synergy and coherence of ESI funds by <ul style="list-style-type: none"> <li>o examination of (proposed) projects eligibility and selection criteria</li> <li>o examination of calendar for request of proposals and its observance</li> <li>o examination of coherence in time of projects appraisal and contracting</li> <li>o examination of financial, output and result indicators, both committed and achieved</li> <li>o identifying the main bottlenecks in implementation</li> <li>o examination of evaluation results and follow-up of recommendations</li> </ul> </li> <li>• Ensuring coherence with other EU and national instruments</li> </ul>
<i>Composition</i>	line ministries responsible with policy area, responsible MAs, International Financial Institutions together with representatives of the Ministry of Public Finance, representatives of partners which are members of the Programmes Monitoring Committees according to Art.42 CPR, other socio-economic partners
<i>Reports to</i>	Steering Committee for Partnership Agreement
<i>Meetings</i>	Twice a year
<i>Representation</i>	Decision makers at (general) director level
<i>Secretariat</i>	Directorate General for Analysis, Programming and Evaluation of the Ministry of European Funds

### **Level 3 – Functional Working Groups**

There will be four functional working groups set up under the coordination of the Ministry of European Funds, as follows:

1. *Operational FWGs* spanning the following indicative area of interest
  - Simplification: administrative burden, one-stop shop, simplified options and global grants
  - Operational procedures, audit, irregularities and frauds
  - Electronic systems and data exchange
  - Communication
  - Public procurement (co-chaired by ANRMAP and MFE)
  - Technical assistance and human resources
  - Horizontal principles
  - State aid
2. *Performance Assessment FWG* with the coverage suggested below
  - Performance framework
  - Evaluation
  - Reporting
  - Statistics and indicators
  - Financial Management and Forecasting
3. *Territorial coherence and European territorial cooperation FWG*
  - European territorial cooperation
  - Implementation of EUSDR objectives
4. *New approaches FWGs* covering
  - Financial instruments
  - Urban development
  - Integrated territorial investments
  - Community local led development

<i>Role</i>	Harmonisation of approaches, guidance and capacity building in each identified field, including coordination of networks wherever appropriate
<i>Composition</i>	Experts in MEF and MAs and other experts if the case may be including socio-economic partners
<i>Reports to</i>	Thematic steering sub-committees
<i>Meetings</i>	Each three months, or whenever necessary
<i>Representation</i>	Level of experts
<i>Secretariat</i>	Directorate General for Analysis, Programming and Evaluation of the Ministry of European Funds

The 2007-2013 operational programmes implementation has revealed difficulties of the beneficiaries in understanding what opportunities are available to fund their investment projects, when they could access funding. The beneficiaries of EU funds also found difficult to access easily the information relevant to their interests, to deal with different procedures on different grant schemes, the administrative burden.



The access to consistent information and the effective support to beneficiaries will continue to be provided through the national network of the Structural Instruments Information Centre (41 county centres and Bucharest), managed by MEF, and technical assistance will be provided through the Technical Assistance Operational Programme and TA Axis from the Human Capital OP.

For the use of resources in the best interest of Romania, the complementarity requires that ESI Funds will not be used solitary, but with regard to other national or European instruments. This means to correlate funds from different sources for actions that are carried out in a related or consecutive manner, with the final purpose to avoid the double financing or adoption of investment schemes that are contradictory to ESI Funds objectives.

The investments from ESI Funds and other national or European instruments can directly support the achievement of objectives established in areas such as environment, climate action, education and employment.

Complementarities will be ensured between ESI Funds and *HORIZON 2020 programme*, the EU Framework Programme for Research and Innovation. The demarcation line is set by the design of the instruments as mainly consists of: the non-territorial approach and transnational approach of Horizon 2020 against the place based interventions of ESI Funds; focus on individual R&I projects against the focus on R&I capacities and systems for ESI Funds; competitive calls addressed to international groupings in the case of Horizon 2020 and policy prioritisation to individual firms, consortia.

Possible complementarities will be created in order to unblock the excellence potential at national level, including *ERA* chairs initiatives, support to actors to participate in Horizon 2020, support to access in international networks, support excellence centres to connect with similar centres in other member states, support cross border networks, institutional development for coordination at national level.

*Connecting Europe Facility* offers a good opportunity to enhance complementarities in three areas of digital infrastructure, energy and transport infrastructure. In the transport sector, CEF shall support projects of common interest for removing bottlenecks, enhancing rail interoperability, improving cross-border sections links, ensuring sustainable and efficient transport systems, enabling all transport modes to have low carbon emissions, supporting the integration and interconnection of transport modes. The main demarcation between CEF and ESI Funds is given by the fact that the CEF concept, the investments will concentrate on cross-border infrastructure project ensuring connectivity with other states.

The interventions funded from ESI Funds addressing to SMEs have a high potential to create synergies and complementarities with *COSME* the Competitiveness of Enterprises and Small and Medium Enterprises Programme. It provides funding to improve access to finance, improve access to market, and improve the framework conditions for competitiveness and sustainability of the enterprises and promoting entrepreneurship and entrepreneurial culture.

Special attention will be given to coherence with *ERASMUS* programme which has a number of areas of intervention, where overlapping should be avoided, and complementarities could be sought: employment, research and innovation, industry and enterprise.

*LIFE* programme through the "Environment" strand covers three priority areas: environment and resource efficiency; nature and biodiversity; and environmental governance and information. The "Climate Action" strand covers climate change mitigation; climate change adaptation; and climate governance and information.

With regard to EAFRD coordination with European Agriculture Guarantee Fund, Romanian authorities will not make transfer between the two pillars of the CAP. The synergies between pillar I and pillar II are ensured by demarking the viticulture national programme and the apiculture national program.

The Black Sea Region Strategy is in preparation and cooperation of the six bordering countries regarding marine protection, marine environment, Maritime Spatial Planning and Integrated Maritime Surveillance will be envisaged. The complementary with all the three priority areas of the *Danube Strategy* will facilitate the innovation and competitiveness, as well as to develop the knowledge society through research, to invest in people and skills, and to manage the environmental risks.

A significant source of funding in Romania is the 2009-2014 grant scheme EEA and Norway grants. The grants are available in four large areas of intervention: (i) research and green industry innovation, (ii) promoting gender equality, work life balance, children and young people at risk, social inclusion, public health initiatives, (iii) biodiversity and ecosystems, reducing pollution, energy efficiency, renewable energy, adapting to climate change, (iv) strengthening the development of the civil society enhanced contribution to social justice, combating cross border organised crime, etc. The programme is in implementation and the managing authority located in the MEF, which will facilitate cooperation with relevant MAs and policy makers for coherence of interventions.

At the present stage of programming, the most important links are shown in Table 1. Similarly to previous programming period, during 2014-2020, EIB financing instruments will be necessary.

The implementation of the operational programmes in 2007-2013 experienced situations when in parallel with the EU funded schemes the Romanian Government run similar grant schemes with more favourable or less demanding procedures competing in an counterproductive way, e.g. Environment Fund Administration which managed schemes for water infrastructure, renewable energy investments, SMEs grant schemes and entrepreneurship grant schemes managed by the SMEs Agency (at present being a directorate in the Ministry of Economy). To avoid such situation and remediate the consequences, Romania will align the conditions of the concerned national funding schemes with those ruling access to ESI Funds, in terms of policy conditions (regionalisation framework in water and waste sector), the quality of the technical and economic evaluation of projects and the financing rates. In environment sector, this alignment can be achieved by mainstreaming the national support in the programmes, through lower co-financing rates depending on the beneficiary's financial capacity.

The PA Steering Committee created for the strategic coordination of the ESI Funds 2014-2020 will have a key role in ensuring the coherence with other Union policies' instruments and in the same time with the Romanian national investments programmes.

**Table 1 – Correlation table**

COMPETITIVENESS (TO 1, 2, 3, 4, 8, 10, 11)					
<i>Thematic objective</i>	<i>Correlation (according to PA, chapter 1.3)</i>	<i>Policy area</i>	<i>ESI Programmes</i>	<i>EU instruments</i>	<i>National indicative programmes and foreign assistance</i>
<b>1.</b> Strengthening research, technological development and innovation	Need to be synchronized with the financed measures addressing entrepreneurship and business models under <b>TO 3</b> , the measures for employment, education, and skills under <b>TO 8 and TO 10</b> and the measures covered by <b>Digital Agenda under TO 2</b> .	RDI ICT Labour Education Enterprises Agriculture Aquaculture and Fisheries Public administration Energy Environment	COMP OP HC OP AC OP NRDP OP FMA ETC Programs ROP	Horizon 2020 <sup>181</sup> European Innovation Partnership Erasmus for All programme the EU Programme for the Competitiveness of Enterprises and SMEs COSME	<ul style="list-style-type: none"> <li>- National Programmes for RDI</li> <li>- Mihail Kogalniceanu Program for SMEs, de minis program for SME,</li> <li>- Multiannual national program to support crafts and handicrafts</li> <li>- Program for modernization of product marketing activities and market services and Romanian Swiss programme for SME managed by Ministry of Economy/Department for SME, Business Environment and Tourism</li> <li>- State aid schemes and program for guarantee the SME credits managed by the Ministry of Public Finance</li> <li>- National Beekeeping Programme</li> <li>- National support programs for the wine sector of Romania, 2014-2018</li> <li>- Program for development or updating of regional planning documentation for areas with historical monuments entered in the World Heritage List</li> <li>- Co-financing program for landslides risk maps</li> <li>- Housing programmes</li> <li>- National programme for local development</li> <li>- Socio-cultural and sport programmes</li> </ul> <p><b>Bilateral aid</b></p> <ul style="list-style-type: none"> <li>▶ <b>2009-2014 EEA and Norway grants<sup>182</sup></b> (fields supported/ to be supported: <i>Research in the priority sectors, Green Industry Innovation</i>)</li> <li>▶ <b>Swiss – Romanian Cooperation Programme</b> (areas financed from this contribution: <i>promoting private sector with a particular focus to improving of the business environment and the access to financing for SMEs, improving the regulations in the financial sector and strengthening of the financial markets and institutions, as well as the private sector development and promoting of SMEs exports and standard</i>)</li> </ul>
<b>3.</b> Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector	Need to be synchronized with the financed measures addressing administrative burden on SMEs under <b>TO 11</b> ; employment, education, and skills under <b>TO 8 and TO 10</b> ; the energy efficiency measures and low-carbon economy under <b>TO 4</b> .	Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)			

<sup>181</sup> complementarity consists in supporting by ESI funded programmes the Romanian players to participate in Horizon 2020, by significant RDI capacity building

<sup>182</sup> The programming process of the EEA and Norwegian Financial Mechanisms has complied with the need to ensure complementarity and avoid overlap with the structural and cohesion funds (2007-2013). Within the priority areas, funding gaps were identified and the need for support has been thoroughly justified.

PEOPLE AND SOCIETY (TO 1, 2, 3, 8, 9, 10, 11)					
Thematic objective	Correlation (according to PA, chapter 1.3)	Policy area	ESI Programmes	EU instruments	National indicative programmes and foreign assistance
<b>8.</b> Promoting sustainable and quality employment and supporting labour mobility	Need to be synchronized with the financed intervention with the measures addressing entrepreneurship and business models under <b>TO 1 and TO 3</b> , focusing on sectors with growth potential, the measures for social inclusion and education under <b>TO 9 and TO 10</b> , and interventions such as e-government financed under <b>TO 11</b> .	Employment RDI Enterprises Social assistance Education Governance ICT Agriculture Aquaculture and Fisheries Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)	HC OP COMP OP AC OP ROP NRDP OP FMA ETC programmes	<ul style="list-style-type: none"> <li>- Marie Skłodowska-Curie Actions</li> <li>- Erasmus for All programme</li> <li>- Material assistance operational programme</li> <li>- Social inclusion operational programme</li> <li>- Asylum and Migration Fund</li> <li>- Programme for Social Change and Innovation</li> <li>- Creative Europe</li> <li>- Social Change for innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Program to stimulate the establishment and development of micro enterprises by young entrepreneurs</li> <li>- Program to develop entrepreneurial skills among young people and facilitating their access to funding START</li> <li>- Program for entrepreneurial culture among women managers in the SME sector</li> <li>- Ministry of Labour programmes</li> <li>- Ministry of Education programmes</li> </ul>
<b>9</b> Promoting social inclusion, combating poverty and any discrimination	Need to be synchronized with the financed intervention with the measures addressing entrepreneurship and business models under <b>TO 1 and TO 3</b> , focusing on sectors with growth potential, the measures for employment and education, under <b>TO 8 and TO 10</b> and interventions such as e-government financed under <b>TO 2</b> .				<b>Bilateral aid</b> <ul style="list-style-type: none"> <li>▶ <b>2009-2014 EEA and Norway grants</b> (fields supported/ to be supported: <i>Promoting gender equality and balance between work and personal life, Children and young people at risk and local and regional initiatives to reduce national inequalities and to promote social inclusion, Scholarship Fund; Public Health Initiatives</i>)</li> <li>▶ <b>Swiss – Romanian Cooperation Programme</b> (areas financed from this contribution: <i>human resources and social development</i> with an aim to strengthening of academic exchange between Switzerland and Romania. With this purpose, a <b>Scholarship Fund</b> and a <b>Research Funds</b> are to be created. A special focus will be put on promoting social inclusion of Roma population and other vulnerable groups)</li> </ul>
<b>10.</b> Investing in education, training and vocational training for skills and lifelong learning	Need to be synchronized with the financed intervention with the measures addressing entrepreneurship and business models under <b>TO 1 and TO 3</b> , focusing on sectors with growth potential, the measures for employment and social inclusion, under <b>TO 8 and TO 9</b> and interventions such as e-government financed under <b>TO 2</b> .				

<b>INFRASTRUCTURE (TO 1, 2, 3, 4, 6, 7, 8, 9, 10, 11)</b>					
<i>Thematic objective</i>	<i>Correlation (according to PA, chapter 1.3)</i>	<i>Policy area</i>	<i>ESI Programmes</i>	<i>EU instruments</i>	<i>National indicative programmes and foreign assistance</i>
<b>2.</b> Enhancing access to, and use and quality of, information and communication technologies	Need to be synchronized with the financed intervention and with the measures addressing innovation under <b>TO 1</b> , entrepreneurship and business under <b>TO 3</b> , measures for employment under <b>TO 8</b> , measures for inclusion under <b>TO 9</b> , measures for education and skills <b>TO 10</b> and measures for enhancing institutional capacity under <b>TO 11</b> .	Transport RDI ICT Enterprises Energy Environment Employment Education Governance	LI OP COMP OP ROP HC OP AC OP OP FMA ETC	Connecting Europe Facility  "Smart, Green and Integrated transport" Challenge of Horizon 2020	
<b>7.</b> Promoting sustainable transport and removing bottlenecks in key network infrastructures	Need to be synchronized with the financed intervention and with the measures for supporting the shift towards a low-carbon economy in all sectors under <b>TO 4</b> and measures for protecting the environment under <b>TO 6</b> .	Aquaculture and Fisheries Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)			

<b>RESOURCES (TO 3, 4, 5, 6, 7)</b>					
<i>Thematic objective</i>	<i>Correlation (according to PA, chapter 1.3)</i>	<i>Policy area</i>	<i>ESI Programmes</i>	<i>EU instruments</i>	<i>National indicative programmes and foreign assistance</i>
<b>4.</b> Supporting the shift towards a low-carbon economy in all sectors	Need to be synchronized with the financed intervention and with the measures for environment protection under <b>TO 6</b> and measures for promoting climate change in <b>TO 5</b> and sustainable transport under <b>TO 7</b> .	Environment Energy Enterprises	LI OP COMP OP NRDP PO FMA ETC	LIFE programme NER300 Programme	<ul style="list-style-type: none"> <li>- Environmental and water management multiannual priority program</li> <li>- Risks mitigation</li> <li>- Water management priority investments</li> <li>- Integrated control of nutrients pollution</li> <li>- Forestry road reconstruction</li> <li>- Thermal rehabilitation programme</li> </ul>
<b>5.</b> Promoting climate change adaptation, risk prevention and management	Need to be synchronized with the financed intervention and with the measures for ICT services and infrastructure under <b>TO 2</b> , measures to promote the good environmental practice in business under <b>TO 3</b> and <b>measures for agriculture, forestry and fisheries</b> , as well as measures for supporting the shift towards carbon under <b>TO 4</b> , environment protection under <b>TO 6</b> and sustainable transport under <b>TO 7</b> .	Transport Agriculture  Aquaculture and Fisheries  Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)			<b>Bilateral aid</b> ► <b>2009-2014 EEA and Norway grants</b> (fields supported/ to be supported: <i>Biodiversity and ecosystem services, Environmental monitoring and integrated planning and control, Reducing the use of dangerous substances, energy efficiency, renewable energy, adapting to climate change, Conservation and Revitalisation of Cultural and Natural Heritage; Promotion of Diversity in Culture and Arts within European Cultural Heritage</i> )
<b>6.</b> Preserving and protecting the environment and promoting resource	Need to be synchronized with the financed intervention and with the measures to promote the good environmental practice in business under <b>TO 3</b> , measures for				

efficiency	reduction of the carbon emission under <b>TO 4</b> , and <b>measures for agriculture, forestry and fisheries</b> , as well as measures for promoting climate change in <b>TO 5</b> .				<p>► <b>Swiss – Romanian Cooperation Programme</b> (areas financed from this contribution: <i>Environment</i> with a focus on <i>contributing to the renewable energy management in municipalities</i>)</p>
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<b>GOVERNANCE (TO 2, 11)</b>					
<i>Thematic objective</i>	<i>Correlation (according to PA, chapter 1.3)</i>	<i>Policy area</i>	<i>ESI Programmes</i>	<i>EU instruments</i>	<i>National indicative programmes and foreign assistance</i>
<b>11.</b> Enhancing institutional capacity of public authorities and stakeholders and efficient public administration	Actions under this thematic objective may contribute, if relevant, to related interventions identified under <b>TO 2</b> , aimed at access to ICT.	Public Administration ICT Justice Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)	AC OP COMP OP TA OP ETC		<p><b>Bilateral aid</b></p> <p>► <b>2009-2014 EEA and Norway grants</b> (fields supported/ to be supported: <i>Strengthening the development of the civil society and an enhanced contribution to social justice, democracy and sustainable development (NGO Fund), Schengen Cooperation and Combating Cross-border and Organised Crime, including Trafficking and Itinerant Criminal Groups; Capacity-building and Institutional Cooperation, Judicial Capacity-building and Cooperation, Correctional Services, including Non-custodial Sanctions</i>)</p> <p>► <b>Swiss – Romanian Cooperation Programme</b> (areas financed from this contribution: <i>security, stability and support for reforms (border security, management capacity at local and regional levels, modernization of the judicial system, etc.)</i>)</p>

## 2.2 EX-ANTE VERIFICATION OF COMPLIANCE WITH THE RULES ON ADDITIONALITY

Romania, although is not a member of the Monetary Union, supported the new economic governance promoted by the EC. Romania joined the "Treaty regarding the stability, coordination and governance in the economic and monetary union" ("Fiscal Pact"), engaging to continue the fiscal consolidation process as to ensure the public finance stability.

A key concept used by the Stability and growth pact and with a growing role in the configuration of the future national budgetary policies following the adoption of the Fiscal Pact is „medium-term budgetary objective" (MTO) specific for each country.

MTO for Romania is -1%, which means that the structural budgetary deficit should not exceed 1% from GDP in the medium term. Romania undertook the commitment according with Convergence Program to achieve this objective from 2015.

A second European provision which can influence the future evolution of the indicators of additionality analysis is the one regarding the dynamics of the budgetary costs that do not have to exceed the one regarding the GDP.

Romania has demonstrated his commitment for the stability of the public finances scrolling with success 2 agreements with EC and IMF and has managed to reduce significantly the budgetary deficit.

After the macroeconomic stabilization, the next stage for Romania is the implementation of the measures to ensure the sustainable economic growth and the implementation of the structural measures, as is provided in the new precautionary agreement discussed with EC and IMF. This action requires the significant investments in economy, including from European funds financing.

Consequently, is estimated that until 2020, in the context of reducing the share of expenditures of the general government in GDP, the budgetary effort with the gross fixed capital formation will increase its share in GDP. This evolution will be recorded given that the medium-term budgetary objective it will be -1% starting with 2015.

In November 2013, it was processed a budgetary adjustment and a new budget projection for 2014 was agreed with the IMF and EC.

As a consequence, the budget deficit targets were adjusted upwards with 0.2 percent of GDP for the years 2013 and 2014 and the total budget expenditure as share in the GDP were adjusted accordingly.

The increasing of costs for the projects with EU co-financing involves a share public GFCF over 5% of GDP, both in the medium term, and in 2017-2020 period.

	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenditure of the General Government as a share of GDP (TE)</b>	34.9	35.3	35.1	34.9	34.6	34.4	34.2	34.0
<b>Gross Fixed Capital Formation as a share of GDP (P51)</b>	4.7	5.1	5.0	5.3	5.5	5.6	5.7	5.8

At national level, the less developed regions cover more than 99% of total population.

## 2.3 SUMMARY OF THE ASSESSMENT OF THE FULFILMENT OF APPLICABLE EX-ANTE CONDITIONALITIES

It is well known that ex-ante conditionalities are an essential part of the preparations for the next programming period. They represent pre-conditions that Romania will have to fulfil and are linked to the effective and efficient use of ESI Funds. Starting with November 2012 Romania identified the applicable ex-ante conditionalities (specific and general), made its first assessment of the ex-ante conditionalities fulfilment and determined their degree of fulfilment of the all criterias. For the ex-ante conditionalities or criterias not fulfilled, Government of Romania adopted in February/March 2012 action plans in order to establish the actions to be taken, the bodies responsible and the timetable for the implementation of those actions in order to fulfil it no later than 31 December 2016.

Following the last version of the Guidance of ex-ante conditionalities circulated by the Commission, Romania started the second self-evaluation of the ex-ante conditionalities fulfilment and in February 2014 the action plans for the ex-ante conditionalities were up-dated.

**The ANNEX VI** will present a summary of all applicable general and thematic/fund-specific ex-ante conditionalities at national level and action plans for the ex-ante conditionalities or criterias not fulfilled.

## 2.4 THE METHODOLOGY AND MECHANISM TO ENSURE CONSISTENCY IN THE FUNCTIONING OF THE PERFORMANCE FRAMEWORK IN ACCORDANCE WITH ARTICLE 20 OF THE CPR

The “performance framework” is as a tool to stimulate the effective delivery of operational programmes in attaining the results planned by applying the mechanism of rewarding the progress towards the achievement of programme objectives (through allocation of performance reserve) and amending the failure in effective use of EU funds (through financial correction at the end of programming period).

Performance framework tables are developed for each OP and they establish a set of indicators, milestones and targets that will be used to measure the progress towards the achievement of programme objectives.

*The configuration of the performance frameworks (PFs) includes several stages, including selection of indicators, and setting milestones for 2018 and targets for 2023.*

The development of the performance framework is based on an institutional partnership by working closely with the Managing Authorities.

The development of the PFs is done in accordance with the ESI specific fund regulations (including EARDF and EMFF), the Implementation Act regulating the application of art.22 of the CPR regarding the application of performance framework, as well as the relevant EU guidelines developed in the field.

The main responsible body in designing the conceptual framework for selecting appropriate suite of indicators and setting targets is the MEF – DG APE, in collaboration with the ex-ante evaluators.

The coherence approach in planning the performance framework is assured through a Technical Working Group (TWG), bringing together experts from all the MAs, covering all the funds.

During the OP preparations the TWG will meet regularly with the aim to examine and to ensure the consistency in the selection of indicators and setting of milestones and targets across different operational programmes and across different priorities. The suite of indicators in the performance framework will derive among the indicators already defined at the level of operational programmes, common and specific programme indicators. Considering the indicators measurability and availability of data in the reporting period, key implementation steps will be defined where necessary. In order to include a limited number of indicators in the performance framework it is necessary to identify those indicators that can be used for monitoring the progress of multiple investment priorities. In this respect, to the extent possible the list of indicators recommended for all the operational programmes and the key implementation steps will be harmonised with the support of the ex-ante evaluations.

As regard EAFRD the methodology for the performance framework will be in compliance with the fund specific rules, the mandatory common indicators provided by the Commission, as well as the NRDP indicators plan, setting up the targets and milestones for the performance framework. In this respect a pre-defined list of 20 common performance indicators (financial and output indicators) derived from the Indicators Plan and applied at priority level will be used.

An important element of the planning process of performance framework is linked with the identification of realistic targets and milestones. The ex-ante evaluation for programmes funded by ERDF, ESF and CF will support the process by providing methodological proposals for each programme and advising on the selection of appropriate milestones and targets.

During the preparation of the operational programmes, the Ministry of European Funds, through the DG APE, will ensure the continuous assessment of the consistency for the preparation of performance framework across similar priorities based on the examination of the ex-ante evaluators as regard the selection of appropriate indicators, setting milestones and targets across programmes and priorities.

The establishment of the best forecast of the values of the milestones and targets will be based among others on the analysis of the experience of the 2007-2013 interventions based on the historical data available in the monitoring systems and evaluations; benchmarking against other member states interventions (if relevant); surveys on methodologies of setting targets, and the plausibility checks for each sector with competent experts in the field.

Details on the selection of indicators and justification of the values identified for the milestones and targets will be included in each operational programme document.

The effectiveness of the PFs application depends as well on the *ongoing monitoring of the progress*, assessments and follow up remedial actions when needed. The tracking of the progress against the milestones and targets set will be part of the general monitoring system of the operational programmes and ESI funds. The data collection and aggregation will be assured through the electronic data exchange systems (see chapter 4).

Recognising that 2018 is a late reference date for remedial measures to be implemented in order to rectify a possible failure in 2023, a forecasting tool will be developed for the indicators included in the performance



framework, whenever possible, based on experience gained and using, at least for the first years of implementation, datasets related to the 2007-2013 programming period. If significant differences appear between forecasted values and the milestones and targets of the performance framework, an ad-hoc evaluation will be triggered to identify the causes and issue recommendations for their alleviation. Each MA will be responsible for the use of the tool, to identify the problems and take remedial actions. The instrument is applicable for the programmes funded from ERDF, CF and ESF.

The progress on the PFs indicators will be reported annually in the Annual Implementation Reports. Self-assessment of the progress in achieving the targets will be presented twice a year to the OP Monitoring Committee and to the PA Steering Committee. The MFE will provide assistance in monitoring of performance framework through a dedicated Functional Working Group (FWG) composed of the representatives of all Mas (see chapter 2.1). The FWG will analyse and debate the state of implementation, the solutions to the problems identified, the implementation of the recommendations and follow-up actions to overcome possible delays in achieving the targets.

## 2.5 MEASURES TO REINFORCE ADMINISTRATIVE CAPACITY

### Assessment of the needs for reinforcing the administrative capacity of the authorities and beneficiaries

Since April 2011 the Romanian Government has been implementing the Priority Action Plan for increasing the capacity to absorb Structural and Cohesion funds (PAP), whose overall objective is to address the problems and deficiencies that affect the most the implementation process of structural and cohesion funds aiming at removing or reducing significantly of the obstacles to absorption.

With the view to secure the absorption objectives and to prepare the future programming period, the PAP is under revision in order to include other measures that are targeted for both programming periods with a focus on strengthening the administrative capacity of the public authorities responsible with EU funds management, the project implementation assistance for beneficiaries, and the preparation of institutional architecture for the management and implementation of European Structural and Investments Funds 2014-2020. The Plan will be submitted to the EC by the end of March 2014.

The main needs for improving the administrative capacity of the authorities and beneficiaries were based on the conclusions of an assessment performed on the administrative capacity of the institutions with responsibilities in the management of CSF funds which are presented in summary below and that refers both to the authorities responsible with the management of European funds and beneficiaries.

#### Main weaknesses in the administrative capacity of the authorities

##### ✓ ***Low authority of the management and coordinating bodies and low stability of structures and overall framework***

For the 2007-2013 programming period, the institutional setup, the allocation of responsibilities, and the establishment of the internal rules comply with the requirements of the regulations, but **the proper functioning of the institutions and of the whole system is a key issue.**

The experience of the current programming period indicates **a rather low authority of the management and coordinating bodies, and a low stability of the organisations' structures and of the overall framework.** The coordinating bodies (e.g. ACIS) and a number of the MAs have not proved sufficient authority to ensure consistent approaches, simple and coherent procedures, the avoidance of overlaps of responsibilities, and the effective implementation of action plans across institutions in order to resolve the key problems.

Inter-institutional cooperation represented a major bottleneck against a smooth implementation of the operational programmes.

##### ✓ ***Adequate HR policy and practices***

A significant number of organisations in the system had **difficulties in ensuring the adequate human resources both quantitatively and qualitatively.** The austerity measures undertaken in 2010 blocked the resourcing that was required by the volume of work and the increasing number of contracts in implementation. The significant salaries cuts in the whole public system generated a high turnover, high vacancy rates and resultant increased workloads on the existing staff.

##### ✓ ***Professional ethics for staff involved in the management of European funds***

The occurrence of irregularities, some of which were of a systemic nature, and mainly in the public procurement processes, required urgent measures to be imposed to **strengthen the management and control systems especially in what concerns the ethics rules, notably on conflict of interests and the departure of the staff to**

**private sector. The mechanisms for anti-fraud and anti-corruption prevention and mitigation were not at the expected level of effectiveness.** The legal base which regulates these aspects is the GO 66/2011, art.13, align 1, although it remains poorly applicable, in the absence of effective monitoring mechanisms.

✓ **Heavy and birocratic implementation system**

The system for implementing the operational programmes in 2007-2013 could be defined as an overregulated system, characterised by (i) excessively complicated administrative procedures and multiple changes of the procedural framework, (ii) long administrative deadlines, compounded by inconsistencies in terminology, difficulties in communication with applicants/beneficiaries, (iii) unjustified differences of implementation (procedures, guidelines) in the Managing Authorities.

The complicated and unclear procedures, inconsistency in the different programs (e.g. SOP Environment and ROP) – in respect of sequence of interventions/actions that have to be followed, the lack of predictability and stability in legal and administrative environment lead to an excessive bureaucracy and high administrative burden has slowed down and even blocked the processes, mainly at the expense of the beneficiaries.

**Main weaknesses in the administrative capacity of the beneficiaries**

Reference to the difficulties stemming from the legal uncertainty, filed by inconsistent approach and guidelines between managing authorities, audit authorities and procurement institutions.

They also suffer from the imposition of bureaucratic procedures from managing authorities (complex guide for applicants, excessive justification required for payment claims, disproportionate reporting obligations)

✓ **Identification and preparation of projects/applications capacity**

The programming period 2007-2013 was a **challenge for the beneficiaries**, due the new rules that were significantly different than those applied for the pre-accession period, the larger sizes of the projects, and due to the fact that in some cases involvement of the same entity in more projects. Nevertheless, the level of performance of the operational programmes and individual projects indicate the need for improvements in all types of beneficiaries.

However, the a series of actions for capacity building were taken, including the **creation and strengthening of dedicated units** for project development and implementation, development of competences through formal training and through learning by doing. In the case of private beneficiaries, who are accessing funds for their own businesses the capacity for project development and implementation relies mostly on outsourcing the services to consultancy companies.

✓ **Project implementation capacity**

**Public procurement, project management skills**, continues to be a need for improvement. Evaluations have indicated **limited technical capacity** in specific areas and a **low quality of the technical documentation** mainly for infrastructure projects. There has also been indicated **staffing difficulties, shortages of skills, and project managers or consultants** in the case of specific beneficiaries or specific sectors, (e.g. public administration in smaller localities and rural areas or specific sectors which have benefitted less from public investments in the past, such as waste management).

✓ **Co-financing capacity**

An important factor influencing the implementation of EU funded projects and the absorption capacity is the limited capacity of the beneficiaries to mobilise financial resources for co-financing and the cash-flow, but also financial corrections. The beneficiaries encountered additional difficulties due to, heavy access to pre-financing, bank loans and changing loan conditions between the application and the contracting date, corroborated with delays in reimbursement. **The limited capacity to mobilise the financial resources was a key issue and risk factor for programmes performance.**

**National response to address weaknesses in the capacity of authorities and beneficiaries based on the lessons learned from 2007-2013**

***Redesign of the institutional framework strengthening the management and coordination functions***

The redesign of the institutional framework aims at strengthening the management and coordination function. A centralisation process has already started with the creation of the Ministry of European Funds, a structure dedicated to the coordination of the implementation system, with sufficient power over the structures involved in the management of European funds located in other ministries, thus observing full ownership of the relevant line ministries and governmental agencies during implementation.

The 2014-2020 Romanian institutional frameworks will concentrate the function of operational programmes management functions in three core line ministries that have already demonstrated good administrative capacity: the Ministry of Regional Development and Public Administration; the Ministry of Agriculture and Rural Development; and the Ministry of European Funds.

The need for a new architecture was deemed by the weaknesses resulted from the administrative capacity assessment and other difficulties encountered during programming period 2007-2013, mainly due to low efficiency and effectiveness of the previous system, less than fully satisfactory methodological environment, lack of accountability and initiative at the institutional level.

With a centralized approach, Romanian authorities expect benefits both in terms of management and overall coordination, some of them being listed below:

- ✓ Better coordination of funds through unitary management decision over programming/implementation of the funds. Under current programming period overall coordination of the funds has been provided at national level by MEF; still, at detailed level there have been different approaches from one Managing Authority to another leading in certain cases to significant discrepancies. For the next programming period, better coordination it is expected while decision chain is shorter under single management and over various sectors inter-correlated.
- ✓ Synergy: Structures will not be replicated many times, for each Managing Authorities. Thus, while some units will be dedicated to each MA, it is envisaged common structures will perform some of Managing Authorities tasks.
- ✓ Shorter administrative deadlines.
- ✓ A unitary approach for implementation with standardized and comprehensive rules.
- ✓ The Ministry of European Funds was built on the previous structures for coordination (former ACIS) and implementation (former AM EX-ISPA) benefiting from experience and expertise of the personnel employed which ensure the efficient and effective management and coordination, mainly in terms of programming and projects selection.
- ✓ Improved quality assurance is expected while experience from various operational programmes can be easily transferred throughout organization as lessons learned.

The Ministry of European Funds will accommodate the MAs for a number of OPs for which management and coordination strengthening has proved to be needed (competitiveness, human capital and infrastructure). The Ministry will also be responsible for the coordination of the system for the management and implementation of ESI Funds; the line-ministries continue to be in charge with the policy areas.

A new measure proposed for EU funds implementation system is to create an Unit at the level of MEF that will have the task to perform based on an unitary approach for all the cases regarding financial correction.

The Ministry of European Funds is designated as Managing Authority for Competitiveness Operational Programme and also for Human Capital Operational Programme.

For Competitiveness Programme the current IBs will remain operational.

For Human Capital, MLFSPE through current Bucuresti –Ilfov IB will perform the task of IB for 2014-2020 period.

The existing regional structures, Intermediate Bodies for Human Capital OP will be used to ensure close contact with beneficiaries at all territorial levels and avoiding the creation of new structures. These regional units will have delegated function from MAs, will receive application and perform administrative/eligibility verification, the technical verification and conformity checking remaining to be done at central level. Within level 2 of coordination, described in Chapter 2.1 it can be ensured a correlation of intervention in order to create synergies and complementarities of actions.

A smooth transition is envisaged, the system being built on the same accredited structures maintaining the personnel and expertise. In order to keep the expertise accumulated, and to avoid the duplication of system, a first strategic measure taken by MEF was to take over the MA for Competitiveness and Human Capital (EGO 9/2014) starting with the current programming period (meaning to take over the structure with afferent staff). These two integrated structure maintain their responsibilities and receive new tasks for 2014-2020 period.

For 2014-2020 MEF will take over the function of MA for transport, environment and energy sector. For transport and environment the Managing Authority will work with sectoral line ministries, Ministry of Transport and Ministry of Environment and Climate Change as Intermediate Bodies, which maintain the expertise accumulated so far and being responsible for implementation of their specific policy.

For energy sector the current IB will perform the same task so the expertise is maintained.

Ministry of Regional Development and Public Administration will perform the tasks of Managing Authority for Regional, Administrative Capacity and European Territorial Cooperation programmes and will encourage a clear

accountability of actual Regional Development Agencies acting further as IB with a high level of expertise in terms of personnel.

The Ministry of Agriculture and Rural Development will remain responsible for the implementation of National Rural Development Programme and for the mechanism of direct payments.

Based on the NRDP 2007-2013 lessons learned regarding the lack of correlation between the local infrastructure projects within the objectives of regional development or sectoral strategies, we will delegate the implementation for rural infrastructure projects to MRDPA, which will work as Intermediate Body. Therefore, the Intermediate Body will cover in a better way the strategic approach of the connectivity of the whole infrastructure, by targeting in a coherent way the interventions related to infrastructure projects funded by various ESI Funds. The implementation manner of these projects will be detailed in national implementation framework.

Audit Authority, the same entity, respectively Audit Authority within Romanian Court of Accounts will be maintained to perform de audit function in 2014-2020 period.

The Certifying Authority within the Ministry of Public Finance will continue to be responsible for certifying the expenditure in 2014-2020.

#### ***A horizontal policy for human resources involved in the management of the EU funds and support for introduction of effective HR practices***

The human resources play an important role in building an efficient system for the management of European funds. A shift from a competences and process based approach to a **“results based” performance management one is needed to better orient efforts toward the OPs performance targets.** The new approach will be to implement training modules on horizontal level and in an integrated manner to reinforce the capacity and the skills of the personnel.

The training function has to ensure **the continuous development of the staff** in all areas and **in specific interventions for the critical areas expertise identified**, e.g. state aid, environment regulations, risk management, internal audit, public procurement, financial management and control, EU and national legislation and management skills.

The World Bank will assist the MoEF in developing a performance appraisal system for individual job functions. The indicators will include a list of both qualitative and quantitative indicators for job functions including targets to measure performance and will cascade from overall objectives for these institutions and results indicators for the OPs defined by the GoR.

At the end of 2013, the Government of Romania adopted the decision that the staff from Managing Authorities to have the same salaries as those of the Ministry of European Funds staff, this measure aiming to lead to an equitable remuneration system. MEF intends to do in 2014 the same for Intermediate Bodies.

These two measures are aimed to prevent the staff turnover and to limit more effectively staff departure to private sector, and to better implement ethic rules and avoidance of conflict of interest.

The TA will be used to support the effective implementation of the HR policy including creation of the capacity, development of the tools and implementation. The measures will be coherent with and enhanced by the interventions undertaken within the entire public administration system to improve the administrative capacity, and management system regarding the ethic rules, conflict of interest.

The TA will be also used for ensuring the necessary independent expertise where needed.

#### ***More efficient systems and tools at all levels of implementation***

Implementation system will be streamlined including the reduction of the administrative burden on the European Structural and Investment Funds beneficiaries, according to the results of an evaluation, that is currently in implementation.. The application of the options for simplified costs and setting up of global grants are also envisaged to be utilised whenever appropriate, especially in the case of ESF, mainly for employment, training and social inclusion. Preparations are on-going for moving towards a paperless system for exchange of information between authorities and also between authorities and beneficiaries. Simplification is also expected following the implementation of the World Bank recommendations included in the study regarding „Improving the National Framework for Preparing and Implementing Public Investment Projects”.

With regards to the major projects methodology, the provisions of CPR - Art. 102 *“Decision on a major project”*, paragraph 2 will be applicable.

Revision of the mechanisms and further development of tools aimed at ensuring increase of transparency and avoidance of conflicts of interests in the implementation of operational programmes is underway.

The regulations for the 2014-2020 programming period offer greater flexibility for managing authorities when designing programmes, both to choose between delivering investments through grants and financial instruments, and to select the most suitable financial instrument.

Romania considers the use of tailor made financial instruments following an ex ante assessment which will be performed in order to identify the financing needs of the beneficiaries the amount of funding, the most appropriate financial products corresponding to each type beneficiary.

<b><i>More effective technical assistance and financial support for beneficiaries in parallel with a reduction in administrative burden</i></b>
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Among the envisaged measures of the PAP are a number of initiatives dedicated to address the weaknesses outlined by the assessment of the beneficiaries' capacity. Among them, are the following:

- Elaboration of a comprehensive guide of good practices and avoidance of the main risks in public procurement, under the authority of ANRMAP
- Continuation of the process for standardisation of procurement documents
- Centralised help desk and assistance for project implementation
- Implementation of annual training programmes for EU Funds beneficiaries, staff in management system and members of Monitoring Committees
- Assure common set of guidance and interpretations, through regular coordination mechanisms between managing authorities, MEF, audit authorities and procurement bodies
- Effective use of the instruments encouraged by the regulation for larger outreach of funds and closer to final beneficiaries needs - global grants, joint action plan, results-based approach
- Clear procedures / instruments for ethic rules, anti-fraud and anti-corruption measures

In present, a collaboration Protocol is force with National Agency for Integrity, any allegation referred by Managing Authorities being solved with priority.

Medium and long-term mechanism is comprehensive and will provide the National Agency for Integrity with the competencies needed in order to verify the conflict of interest for all awarding procedures, the public procurement contracts and implementation and operationalization of an integrated information system in order to prevent and detect potential conflicts of interest, which will be developed, managed and administered by the National Integrity Agency. The integrated information system will process data and information so that National Agency for Integrity will issue integrity warnings to all involved stakeholders, while ensuring monitoring of their implementation, in order to prevent conflicts of interest, without blocking procurement procedures and without affect project management. Relevant data and information from the integrated information system will be available for the institutions with verification responsibilities (National Authority for Regulating and Monitoring Public Procurement, Central Unit for Coordination and Verification of Public Procurement, Fight Against Fraud Department, etc.). In terms of financial resources, it should be noted that a new financial support mechanism has been introduced allowing for the reimbursement to be made directly to the provider of the invoiced expenditures. An evaluation of the pre-financing mechanism has also taken place proposing an optimised scheme for the use of pre-financing per type of beneficiary and type of projects that will be considered for the next programming period.

Another positive measure was to increase the buffer fund trash hold at 4 billion lei, aspect agreed also by IMF, which is not counted in the deficit and can be run by treasury in shortage of funds.

## **2.6 ACTIONS PLANNED IN THE PROGRAMMES TO ACHIEVE A REDUCTION IN THE ADMINISTRATIVE BURDEN FOR BENEFICIARIES**

### **Administrative burden**

The actions envisaged by Romania for reducing administrative burden for beneficiaries rely on their general definition, as additional administrative work and costs necessary for the beneficiaries to receive and use ESI funds. EC have analysed in the study "Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds (ERDF and Cohesion Funds)" the administrative burden for the various types of funded actions for the EU27 in 2007-2013 as well as the impact of the legislative changes of the regulatory framework for the next period of programming 2014-2020. According to the mentioned study, the total aggregate administrative burden for the present period of programming corresponds to approximately 2% of the total ERDF and CF contribution. This analysis was based on interviews and in depth case studies carried out for 22 operational programs in 10 Member States, including Romania. This selection covered all three different types of implementation systems (centralized, regionalized, mixed) and provides a good balance between old and new Member States. Two operational programs were selected for each Member State balancing different factors which

have been identified as crucial i.e. financial volume, thematic orientation and geographical coverage. From Romania 2 large sectoral programs, Environment and Transport OPs, were considered.

Taking into account that the abovementioned study covered only two Romanian OPs, Ministry of European Funds contracted an evaluation study for analysing the administrative burden on beneficiaries of Structural and Investment Funds. The study has as first assignment identifying information obligations of the beneficiaries of structural and cohesion funds and of the EU Common Agricultural Policy due to the application of European legislation at national level and the administrative activities to be undertaken to meet these obligations.

Based on this analysis, administrative costs will be calculated. Taking into account that the main purpose of this evaluation study is to identify measures to reduce the administrative burden, the cost calculation will be based on a simplified methodology (using mainly the time parameter), and will be focused on administrative costs for private beneficiaries of structural funds.

Evaluators will make a selection of the most burdensome information obligations based both on size of administrative tasks to be undertaken and on perceptions of interviewed beneficiaries. The analysis will be performed on each operational program taking into account the financial size of projects and the types of contracts and expenses (works, supplies, services, etc.).

The evaluation will also analyze the impact of changing requirements from the General Regulation 1303/2013 on administrative costs and administrative burdens related to the implementation of European Structural and Investment Funds. This should include not only the cost reduction estimation but a qualitative analysis of these changes. The report will provide recommendations and simplification tools for reducing administrative burdens accompanied by an estimation of the administrative costs reduction.

In the end of March a first evaluation report will be provided containing the administrative burden identified and general simplification proposals to be included in the Partnership Agreement.

The final evaluation report will include more specific proposals to reduce administrative burdens detailed at a level of each operational program and also specific proposals for setting up a most appropriate “one-stop shop” system for Romania.

In order to ensure the implementation and improvement of simplification actions proposed by the evaluators, at the level of Partnership Agreement, a functional working group for simplification will be set up, under the coordination of the Ministry of European Funds. At the level of each operational programme the stage of implementation of the simplifications actions will be close monitored by the Monitoring Committee. The analyses of results of the implementation of the simplification actions will be performed within an update evaluation that will be scheduled in the Evaluation Plan.

During the last part of the year 2013, Ministry of European Funds has already taken measures for reduction the administrative burden on beneficiaries, such as:

- setting clear timeframe, 20 days, for processing payment claims;
- establishment of a settlement mechanism of payment claims for all project beneficiaries, that allows the direct settlement of invoices from suppliers of funds allocated from the State Treasury;
- elimination of the artificial constraints imposed for purchases made by private sector beneficiaries;
- elaboration of a Guide on the main risks identified in public procurement;

Evaluators from the above-mentioned study will analyze the results of these actions and make proposals for improvement, whenever is the case.

Considering the simplified cost options presented in the Regulation, the Ministry of European Funds contracted a study for identification of the areas and operations where unit costs could be used and the design of related calculation methodology. Related to the flat rates for indirect costs, payments based on indirect costs could be too complex for some beneficiaries (e.g. local authorities, universities) and irrelevant for others (e.g. large infrastructure projects). However, in the case of smaller projects, flat rates are expected to reduce administrative costs related to project preparation and managing the support documents for payment claims. Use of lump sums will be also considered whenever appropriate.

Romania intends, along with the use of simplified cost options, to consider:

- *measures for simplification, predictability and greater stability in the legal and regulatory environment;*
- *improving communications with beneficiaries* that will be facilitated both through extension of the existing user network and further investment in better help-desk support.
- *improving quality and simplifying the written guidance;*
- *continuing simplification of procedures* of the MAs and IBs in relation to the appraisal and, selection of projects, as well as of the requirements and checks during project implementation.

- *streamlining of monitoring and evaluation requirements*. Forms and processes for the 2014-20 period will be proofed for *utility*) and for *proportionality*
- *shifting to paperless systems* using electronic exchange of data between authorities and beneficiaries.
- *further harmonizing requirements of various structures, eliminating overlapping and unnecessary checks*.
- *a progressive mainstreaming of risk-based management*, with the concentration of checks and audit in areas where risk is assessed to be greatest, in terms of:
  - the technical aspects of projects.
  - the financial scale of projects.
  - the capacity / track record of the beneficiary.
  - potential for default and fraud.

Further to that, Romania pay attention to the results of the study "Improving the National Framework for Preparing and Implementing Public Investment Projects" implemented by the World Bank.

### 3. INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT SUPPORTED BY THE ESI FUNDS OR A SUMMARY OF THE INTEGRATED APPROACHES TO TERRITORIAL DEVELOPMENT BASED ON THE CONTENT OF THE PROGRAMMES (ARTICLE 14(2) (A) CPR)

The diversity of Romanian territory, highlighted by the analysis of disparities, makes it necessary to adapt measures to territorial specific features thus **there are certain categories of territories for which specific policies are to be elaborated**. For example, in sparsely populated territories, that are also facing a high degree of isolation (Danube Delta, some higher mountainous areas), the main objective of policies will be to maintain the population within the area. Also, for territories such as the **coastal area, mountainous areas, cross-border areas, rural peripheral areas**, that are facing specific problems **need to be treated in an integrated manner**.

Following these strategic elements, the potential identified and the territorial disparities, the following **territorial development priorities** are set out for 2014 – 2020 period:

- **Improving the quality of life for local and regional communities in order for Romanian regions to become more attractive places to live in, leisure, invest and work.**

Having in mind that each region has its own economic and development potential and specific characteristics, the main objective being to fully maximize this potential in order to contribute to national economic. It is thus important to improve the economic and social performance of each region, by counteracting factors and elements that hinder economic performance and promote development opportunities in each region.

- **Promoting rural-urban partnerships**

The Romanian territory is essentially rural (almost 90 % of the total national area belongs to rural administrative units), therefore the future interventions aim to ensure the acceleration of restructuring and modernizing processes in rural space, for an economic integrated and sustainable development of the rural areas, taking into account the typology of these areas. In the same time, priority will be given to ensure complementarity between different sectoral interventions and rural development interventions.

- **Consolidating the urban network by polycentric development and territorial specialization**

Development often requires economies of scale and scope and large markets, usually enabled by large cities. Romanian large cities, like other economic centres in the world, are not separated with surrounding rural areas, but are part of larger systems. These cities have expanded outward in the last two decades, and now forming functional economic areas that exceed the administrative boundaries, creating employment opportunities and promoting the development of education, business and leisure

- **Increasing accessibility and connectivity**

**Increasing the accessibility to the large urban agglomeration and improving accessibility between major urban agglomerations and smaller towns in the proximity or in the area of influence** are priority objectives, in order to ensure increasing mobility of people (for better access to jobs and services) but also of food products and of other goods.

There are numerous implications of the transport network on territorial development. At sub regional level, an inadequate transport network hinders the development of small and medium towns and of rural settlements, major investments are needed to overcome natural barriers (Carpathians, Danube) but also to get out of the relative isolation all areas affected, with a special attention to investments in railway in order to support the intermodal transport, in correlation with the investments made to consolidate the major cities.

- **Equitable access to services of general interest**



Promoting social inclusion of marginalised communities is particular important for combating poverty and social cohesion in urban areas.

The connection of rural areas to the major transport network and to the public utilities of higher (urban) level is generally low and is a major problem for development opportunities. This is why it is necessary to ensure a territorial balance concerning the access to services of general interest, given the clear discrepancies between more developed territories and less developed ones, as well as between densely populated and sparsely populated areas. Ensuring equitable access to services of general interest is also the most important component of the combat against poverty and also contributes to prevent the expansion of this phenomenon.

### 3.1 THE ARRANGEMENTS TO ENSURE AN INTEGRATED APPROACH FOR THE TERRITORIAL DEVELOPMENT OF SPECIFIC SUB-REGIONAL AREAS

#### 3.1.1 COMMUNITY-LED LOCAL DEVELOPMENT / LEADER LOCAL DEVELOPMENT

The Community Led-Local Development is an important tool for Romania to reduce the territorial unbalances through the involvement of local communities to take concrete steps towards economic development.

The local partners will have to design and implement integrated strategies by taking into consideration the local needs and potential and to include innovative features in the local context.

LEADER 2014-2020 will highly contribute to a smart development of the **rural areas**, addressing mainly local development needs in terms of business, agriculture, health, social services and related infrastructure, culture and the environment, enabling the implementation of integrated projects with an innovative multi-sectoral and cross cutting approach in the future rural development program, thus meeting the needs of the rural population and fulfilling the targets of the Europe 2020 Strategy.

Although LEADER will be entirely programmed under RDP priority 6 which contributes to TO 9, it will also contribute also to other thematic objectives such as TO 1, 2, 3, 4, 5 and 8. As part of the LEADER approach, territorial cooperation projects will be envisaged complementary to other territorial cooperation initiatives.

Given the small size of the projects and the specific bottom-up approach of LEADER and based on the **experiences/lessons learned** from the implementation of the NRDP 2007-2013, it will be relevant to finance operations to capitalize on local resources and promote local specificity either through classical measures or specific measures needed to maintain the innovative character of LEADER.

In order to avoid deficiencies in reaching the targets of the local development strategy well skilled, trained and LEADER motivated people, as members of the Local Action Group, are one of the main preconditions for success.

For the next programming period it is envisaged to capitalize on the existing experience related to the LEADER axis, by granting additional attention to the local development strategies that envisage measures to support minorities and to the local partnerships that include at least one organisation of the local minorities, including the Roma people.

Support to the Roma population can be channelled through actions aimed at stimulating the specific and traditional activities of this community (crafts, etc.), supporting the artisans craft associations of the Roma minority to practice their occupations, organization of campaigns to stimulate and raise the awareness of the Roma minority about the financing opportunities and of the employers interested in hiring Roma people.

The main objective of **CLLD in fisheries areas** will be to increase the employment and territorial cohesion for fisheries and aquaculture. Fishing local action groups (FGLAGs) have an important role in the development of fishing communities. So far 14 FLAAGs have been selected covering a total area of 22,659.73 square kilometres and a population of 884.435 inhabitants. However, it is necessary to support existing FLAAGs and to focus on the creation of new partnerships.

**In urban areas CLLD** will aim to increase social inclusion and to reduce the poverty among disadvantaged communities within Romanian cities. The most relevant criteria for defining those communities are **human capital, employment and housing quality**<sup>183</sup> having as result three main types of urban disadvantaged communities:

- communities with poor access to infrastructure, located particularly in houses situated at the city periphery, poorly endowed with utilities and without modern roads. This type of urban communities may be found both at the level of locality (mainly the newly administratively declared towns or the agricultural small towns) and at the intra-city level (usually peripheral neighbourhood, but not only) within the middle and large cities of the country.
- communities that are economically disadvantaged, located particularly in (small) mono-industrial or agricultural towns, formerly dependent on a large state enterprise or an agricultural cooperative. The

<sup>183</sup> Based on the methodology developed within a project aiming at poverty mapping, implemented by World Bank in cooperation with MRDPA



majority of these settlements are (rural) communes that only administratively were declared towns, most often being poorly endowed with urban utilities (thus falling also under type 1 above). The own revenues to the local budget are very low, also being dependent on the redistribution mechanism from the central budget.

- isolated poor zones located in small areas within a city that consist of groupings of houses or blocks of flats, which cumulate all types of disadvantages. For identifying poor zones, measures (indicators) at the locality level are not useful or are even misleading, since these often consist of small isolated poor areas within relatively developed cities and towns in Romania.

**The CLLD will be important to be implemented in order to target the local communities needs limiting within the following types of territories:**

- **For rural areas** (as defined in the National Rural Development Programme and small towns with a population of up to 20,000 inhabitants) will increase the integrated actions – sites skills, investment support – in order to attract investments into Romania's rural areas and to combat low access to employment and employment opportunities together with the lack of education resources (under TO9 - In the context of ESI Funds 2014-2020, LEADER contributes to the thematic objective 9 - promoting social inclusion and combating poverty - translated into the Union priority 6 for rural development - promotion of social inclusion, poverty reduction and economic development in rural areas - and the focus area 6 (b) - fostering local development in rural areas);
- **For deprived areas within urban centres** (towns/cities from Romania with deprived areas/neighbourhoods) for example, CLLD can reduce the risk of poverty or exclusion, especially for vulnerable groups, decrease the number of people living in poverty particularly in regions and territory facing high rate of poverty and to increase the number of participants gaining qualification in social services upon leaving the ESF funded operations (under TO9), topic that can be further developed within the Operational Programmes considering the relevant criteria for disadvantaged communities;
- **For fisheries and coastal areas where there are fisheries activities and aquaculture farms**, CLLD will be used to strengthen the link between agriculture, fisheries, aquaculture, forestry and research and innovation, to increase the potential of aquaculture sites, to promote new sources of income, inside the sectors (processing, marketing activities) and outside the sector (environment, tourism, education activities), to protect and encourage biodiversity, to encourage the establishment, organization and functioning of producing-processing-marketing chain. CLLD will also be used in order to combat, poor working conditions related to health and safety on board inland and marine fishing vessels and the risk of poverty or exclusion for people living in disadvantaged regions and territory (under TO3 and TO9).

The **coordination and administrative set-up for CLLD** is concerned, as well as the specific role the local action groups (LAGs), Romania has the following options:

- In case of **CLLD for urban areas**, (as defined in the National Rural Development Programme) and small towns with a population of up to 20.000 inhabitants), a multi-fund financing for integrated development strategies will be used considering a Common Selection Committee (ERDF + ESF) for such type of strategies, committee established between relevant Managing Authorities.
- For **rural areas**, LEADER funding through the National Rural Development Programme (RDP) will be provided for EAFRD and is determined on the basis of the Regulation on support for rural development to a minimum mandatory allocation of 5%. A new competition process for the **LAGs** will be financed using the experience already achieved through LEADER in respect of local development.
- Fisheries Local Actions Groups (**FLAG**) will be supported to draft local strategies for the next programming period in coastal areas, Danube River, Danube Delta and inland fisheries and aquaculture areas. Also, a call for expression of interest will be launched for new partnerships to help them in the process of drafting local strategies in fisheries areas.

The complementarity of LAG and FLAG regarding CLLD will be ensured considering that local territorial strategies drafted by the LAGs can identify projects that can be financed by various funds but in the framework of NRDP the financing of the actions/operations will be mono fund solely. In this respect, the coordination of the strategies will be ensured through dedicated working groups between relevant stakeholders under the coordination of MEF, together with the establishment of an appropriate mechanism for coordination and cooperation at the level of the future operational programmes. In order to ensure coherence and quality of the local development strategies for urban or rural areas **preparatory support** will be provided through future operational programme.

### 3.1.2 INTEGRATED TERRITORIAL INVESTMENT

The Integrated Territorial Investments (ITIs) will use the place-based approach, stimulating the integrated development and the cross-sectoral cooperation at sub-regional level, thus leading to synergies between ESI Funds and other financing sources (e.g. national or local budget) and avoiding the funding of divergent or disparate projects. ITI is an instrument promoting the integrated use of Funds and has the potential to lead to a better aggregate outcome for the same amount of public investment.

Romania will use ITI instrument in the **Danube Delta Biosphere Reserve** (a unique territory with very specific features: sparse and isolated population, economical specialisation and vulnerability, poor access to services, etc.); the elaboration of the integrated strategy for this area has started with World Bank expertise together with the local relevant authorities; the strategy will be implemented through an Action Plan elaborated also with World Bank expertise, that will include the proposed interventions and the mechanisms of implementation.

### 3.1.3 SUSTAINABLE URBAN DEVELOPMENT

Sustainable urban development approach provided under article 7 of the ERDF Regulation will be implemented by establishing a priority axis within Regional Operational Programme 2014-2020 combining relevant investment priorities and thematic objectives in accordance with point (c) of the first subparagraph of Article 96(1) of Regulation (EU) No. 1303/2013.

**The principles** for urban areas to be identified for the promotion and implementation of integrated actions for sustainable development are the following:

- The contribution of the cities to socio-economic development of regions;
- Promotion of an integrated policy approach to local development;
- The administrative capacity of local authorities to implement integrated urban development strategies.

During the financial period 2014-2020 the support for the growth poles will be continued similar with 2007-2013 approach benefiting for a ring fenced estimated allocation. In addition to the support for the growth poles, other territorial development approach (such as urban development poles, regional development centres etc.) will be sustained.

**From the urban development perspective, priority measures are: improving environmental quality in urban areas, supporting the development of basic infrastructure and urban mobility for Romanian cities and regeneration and revitalization of urban areas.**

Romania's development strategies (Spatial Development Strategy and National Strategy for Regional Development), aim to ensure **a balanced and sustainable development of the national territory, to increase competitiveness in the growth areas**, while **ensuring social and environmental protection**, emphasizing the role of regions in promoting national growth taking into account their potential.

**The main policy lines regarding integrated territorial development** are in accordance with National Spatial Development Strategy and World Bank study *"Competitive cities. Reshaping the economic geography in Romania"* and imply the following actions:

- stimulating the competitiveness of main urban agglomerations as development engines of the regions and supporting their access to global flows and markets (national/international level);
- ensuring better connections of the less developed areas to the development engines and stimulating the cooperation of cities with their hinterland in order to concentrate the available resources and to allow the lagging areas to benefit as much as possible from the spill-over effects (regional level);
- ensuring the equitable access to services of general interest and supporting the deprived communities (local level), in order to increase the quality of life in all the cities and regions.

In order to ensure a better urban development investments in the following areas needs to be done: increase of energy efficiency in cities, encouraging the use of renewable energy in order to ensure the quality of the environment and the reduction of CO<sub>2</sub> emissions, increasing of green areas in public spaces and promoting of non-motorized mobility in order to reduce air pollution, renovation and modernization of historic centres and public spaces, development/rehabilitation/modernization sports infrastructure and multifunctional centres.

The economy of the cities is based on the mobility of persons and goods together with the state and quality of physical urban infrastructure. The essential conditions for an optimal functioning of cities are: accessibility to labour market, attractiveness for business environment, tourism, culture, etc., all influenced by the existence and quality of public infrastructure. Despite investments in recent years, the basic infrastructure of cities is still in an inappropriate shape, a series of actions and measures will be undertaken for: development, modernization and promotion of the sustainable public urban transport, promotion of social inclusion including disabled persons in

Romanian cities, increasing the quality of public space and ensuring an attractive urban landscape, elaboration and implementation of urban development integrated strategies, focused and adapted to local specific conditions as a tool for inclusion of marginalized communities. In terms of objectives that are to be financed in all types of cities these are: improving the thermal insulation of residential stock buildings and of public buildings, promoting urban transport, investments in public lightning, urban revitalization and regeneration.

An integrated approach for sustainable urban development will be obtained through an investment correlation mechanism defined at the level of ROP 2014-2020 priority axis. This will ensure the complementarity of investments with other operational programs through financing prioritization of the projects that are part of integrated urban development strategies, through the coordination levels presented in chapter 2.1.

An integrated approach will look not only at geographic coverage, but also at functional coverage and sectoral synergies. Institutional frameworks governing functional urban areas and implementation and monitoring of IDPs, will be better addressed for ensuring enhanced capacity building. Better policy correlations with economic development policies having a territorial dimension will be considered.

### 3.1.4 TERRITORIAL COOPERATION

#### Macro regional strategies: EU Strategy for Danube Region

Due to its geographical position, Romania has a specific predestination for interfacing, mediating, connecting worlds, cultures, businesses. This is one of the main reasons why Romania together with Austria initiated the EU Strategy for Danube Region (EUSDR). Romania's understanding of the macro regional strategies is that above the traditional European territorial cooperation instruments, macro regional strategies create a new platform of cooperation more consistent and substantial. Development resources of the cooperating countries are considered together in a complementary, integrated way for a more inclusive, more intelligent and more sustainable development of the Danube region and each country itself. Implementation of the Romanian development strategy can be leveraged by the implementation of EUSDR objectives, and vice versa.

In this respect the thematic objectives and investment priorities will be in close correlation with the objectives and targets set in the EUSDR Action Plan, foreseeing an alignment of policies and funding, based on the integrated EUSDR approach. The interventions will take into consideration the following areas: **transport infrastructure** (bridges or other possibilities of crossing river; rehabilitation of port infrastructure and development of intermodal and logistic nodes), **investments in education, training, lifelong learning, promoting investments for prevention and risk management, development of electronic services, settlements network** (connection between Danube River and Bucharest; facilitation of cross-border cooperation between pair cities along Danube), **environment** (preservation and protection of the rural protected areas along the Danube River, especially in the Danube Delta), **social issues** (improving social infrastructure – education and healthcare- in the Danube adjacent counties), **economy** (valorization of agricultural, energy and tourism potential of the Danube area), and promotion of the **tourism and culture**. It is also important to mention the future Danube transnational cooperation program that will be funded from ERDF, IPA and ENI. The content of this program will be completed in the course of 2014 his role is **to finance the preparation of small and medium sized projects with a macro regional impact** within Danube Strategy. Romania's programming of ESI Funds in 2014-20 has been designed to make a substantial contribution to the achievement of the objectives of the EUSDR. The threading of the EUSDR through the Romania's Partnership Agreement relative to Pillars and the Priority Areas of the EUSDR is detailed in Annex III.

The system of EUSDR recommendation letters of the future projects will create a specific pressure on the activity of the EUSDR steering groups, for the 3 priority areas in which Romania is designated as priority area coordinator (PA1.1 Navigability - together with Austria, PA3 Tourism, culture, people to people - together with Bulgaria and PA5 Environmental risks/together with Hungary) Romania is prepared to:

- Create a proper information and communication ICT instrument to facilitate generation and promotion of EUSDR relevant projects. This will be built and operated in Romania and proposed for adoption in the EUSDR European level governance structures and is currently financed from the Romanian Competitiveness OP.
- Prepare proper communication between the EUSDR governance structures and the OP management authorities trough the coordination structures and mechanism proposed for ESI funds.
- Support the efforts aiming to institutionalize the cooperation mechanisms necessary to implement transnational objectives adopted in EUSDR. In order to build proper capacity, competencies of the staff working in EUSDR governance structures shall be considered the same to those needed for ESI funds management.

**Strategy for the Black Sea region**, following the resolution of the European Parliament in January 2011, is in preparation involving cooperation between the six countries bordering the Black Sea. Reflecting the resolution of

the Parliament, the themes of the strategy are expected to be: security and surveillance, democracy and human rights, energy, transport environment, economic social and human resources development.

While the Parliament envisages the allocation of dedicated funding for the Black Sea Strategy initiative, Romania's programming of ESI Funds for 2014-20 is potentially complementary to this agenda in numerous areas illustrated in Annex IV.

**The EU Integrated Maritime Policy of Blue Growth** highlights the potential contribution of the marine and maritime sectors towards the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth. With its location on the Danube and the Black Sea Coast, many of the sectors and the focus areas within the Blue Growth strategy have high or medium relevance in the context of Romania's national and local development.

Romania has recognised maritime clusters in four of its eight regions<sup>184</sup> although these are presently moderate in scale, connectedness and the extent of spillovers. North East, Central and South Muntenia are each home to "One Star" maritime clusters employing between 5,000 and 10,000 people each. South East region, in which the port of Constanta is located, has a "Two Star" maritime cluster employing 12,500. Appraisal of Romania's research and innovation capacity in the context of smart specialisation<sup>185</sup> reveals competences in many areas that are relevant to the blue growth sectors or focus areas.

Romania's programming of ESI Funds in 2014-2020 has been designed to make a substantial contribution to Blue Growth. Romania's Partnership Agreement contains:

- specific Funding Priorities addressing Blue Economy Sectors or Blue Economy Focus Areas identified as high relevance in the table from Annex V. Examples relate to promotion of Aquaculture with EMFF support and the promotion of Inland Waterway Transport with Cohesion Fund Support.

- general Funding Priorities of potential relevance to Blue Economy Sectors or Blue Economy Focus Areas identified as medium relevance in the table below. These are dependent on projects being prioritised from the bottom up, for example, the scope for support for tourism under the Regional Operational Programme (ERDF) may be expected to result in a project proposal for marina development that would contribute to the Coastal Tourism and the Yachting and Marinas Sectors and to the Blue Growth Focus Area of Coastal Tourism. (Complementarity of ESI funds with the Blue Growth Strategy in Annex V).

The Ministry of European Funds will facilitate dialogue across relevant ministries, agencies and stakeholder groups to determine whether further, dedicated, coordination is appropriate in the context of the Integrated Maritime Strategy.

### European territorial cooperation

European territorial cooperation (ETC) is particularly important both from political and economic point of view, focusing on common priorities within specific territories, therefore bringing added value to reach a balanced regional development at the EU level. The cooperation programmes have a significant contribution towards targeting the territorial integration in cross-border and transnational areas, which represents one of the territorial challenges of Romania.

The agreement on the areas to be financed under these programmes follows the decision-making procedure specific to the ETC objective, aiming for a better **coordination** between the ESI Funds, especially in case of the regional programmes and other EU financing instruments, in order to create and exploit synergies, at all levels of cooperation. Thus, measures are envisaged for the future cooperation programmes both in **planning and implementation** phases.

For 2014-2020, Romania is involved in the following cooperation programmes:

- 7 programmes belonging to the cohesion policy: 2 cross-border cooperation programmes, between Romania and Bulgaria and between Romania and Hungary, 1 transnational cooperation programme (Danube), and 4 interregional cooperation programmes (INTERREG EUROPA, URBACT III, INTERACT III, ESPON 2020);
- 1 IPA cross-border cooperation programme between Romania and the Republic of Serbia;
- 4 cross-border cooperation programmes belonging to the neighbourhood policy, namely Romania and the Republic of Moldova, Romania and Ukraine, at the border between Hungary-Slovakia-Romania-Ukraine, and the Black Sea Basin programme.

Nevertheless, joint actions under these programmes will target: improve research and innovation, the development of tourism and promotion of cultural heritage in the border areas, strengthening cooperation

<sup>184</sup> Source: European Clusters Observatory.

<sup>185</sup> Source: Ove Arup & Partners Ireland, "Analysis and Evidence Base of the R&D&I Market in Romania" (2013), ordered by the Ministry of National Education and financed by Jaspers.

between the relevant communities, supporting the development and improvements of infrastructure, removing the bottlenecks related to cross-border transport flows, waste and water treatment, developing and implementing common solutions to joint difficulties, which are often caused by natural environmental conditions, in fields as climate change impacts, risk prevention and risk/disaster management.

Development of maritime potential (marine knowledge, protection of marine environment, Maritime Spatial Planning and Integrated Maritime Surveillance) may also be addressed through joint actions.

In addition, specific actions will be designed in order to enhance cooperation in the energy sector, in order to increase energy efficiency and reduce pollution, as well as to promote the production, use and distribution of renewable energy sources.

### **3.1.5 THE INTEGRATED APPROACH TO ADDRESS THE SPECIFIC NEEDS OF GEOGRAPHICAL AREAS MOST AFFECTED BY POVERTY OR OF TARGET GROUPS AT HIGHEST RISK OF DISCRIMINATION OR SOCIAL EXCLUSION, WITH SPECIAL REGARD TO MARGINALIZED COMMUNITIES, PERSONS WITH DISABILITIES, LONG TERM UNEMPLOYED AND YOUNG PEOPLE NOT IN EMPLOYMENT OR TRAINING**

In Romania, the extent of poverty and social exclusion is far greater than in most EU Member States, with 40.3% of the population that were exposed to such risks in 2011, compared to an EU average of approximately 24%. In 2011, 4,74 million from the total Romanian population were at risk of poverty (with an income lesser than 60% of the average disposable income), 6,28 million were under severe material deprivation and 1,14 million were living in households with very low work intensity.

Romania has the EU largest share of population living in rural areas (45% of the total population) and, according to the NIS data for 2010, the risk of extreme poverty is 4 times higher in the rural areas (8.8%) compared to the urban areas (2.2%).

In terms of regional disparities, the regional analysis reveals that regions with the highest rates of persons being at risk of poverty and social exclusion are: North-East, South West Oltenia, South-East and South Muntenia. At the opposite side, we find the West and the Bucharest-Ilfov regions. Moreover, the West region is also characterized by a relatively stable rate, while South West region had an obvious negative trend concerning the evolution of the rate, from 55.4% (2007) to 21% (2011).

#### **Persons at risk of poverty or social exclusion (%)**

<i>Indicator</i> <i>Area</i>	<i>2007 - 2011</i>		
	<i>2007</i>	<i>2011</i>	<i>Growth rate 2007 – 2011 (%)</i>
<b>Romania</b>	<b>45.9</b>	<b>40.3</b>	<b>-3.3</b>
Nord-West	38.3	34.3	-2.8
Center	37.6	28.5	-6.9
Nord - East	55.1	51.2	-1.8
South - East	51	50	-0.5
South - Muntenia	50.3	43.1	-3.9
Bucharest - Ilfov	35.1	28.4	-5.3
South – West - Oltenia	55.4	21.0	-5.3
West	34.2	33.1	-0.8

Source: Eurostat

The urban areas affected by poverty include small cities confronting demographic ageing and depopulation, mono-industrial (e.g. mining cities), agricultural cities or newly established cities. Small cities concentrate poverty due to poor physical infrastructure (transport, health, education), in addition, they were heavily affected by industrial restructuring and are very vulnerable to industrial and economic reform which has as a main effect low employment rate and thus instable and poor income.

Isolated localities in mountainous areas or in the regions along the Danube corridor are subject to the same negative trends, due mainly to their difficult geographical positioning and the limitations in terms of activities and employment. The poverty level is very high in these territories and an integrated approach is needed in order to respond to their complex development needs.

The mapping of poverty in rural and urban areas shows a lower risk of poverty in rural localities which are close a large city. In areas where there are no urban centres, or on the periphery of small or underdeveloped cities, the tendency is for poverty to increase.

In Bucharest-Ilfov, North East and Centre regions the registered rates are under the national average concerning the share of persons who live in households with very low work intensity. The southern Regions of Romania,

namely South-West, South Muntenia and South-East, along with North-West region are those in which the share of persons who live in households with very low work intensity, in 2007-2011, is above the national average.

At the national level, in 2007-2011, the weight of people affected by the severe material deprivation varied from 36.5% (in 2007) to 29.4% (in 2011), having a constant negative trend in the above mentioned period of time. At the regional level, the regions with the highest rates of the people affected by the severe material deprivation are North-East region, South-East and South-Muntenia regions and South-West-Oltenia region, at the opposite side being regions Center, West and North West.

#### Rate of severe material deprivation

Indicator Area	2007 - 2011		
	2007	2011	Growth rate
<b>Romania</b>	<b>36.5</b>	<b>29.4</b>	<b>-5.4</b>
Nord-West	28.8	23.9	-4.7
Center	27.2	17.4	-11.2
Nord - East	42	38.1	-2.4
South - East	42.3	37	-3.3
South - Muntenia	42	33.4	-5.7
Bucharest - Ilfov	32.6	26.1	-5.6
South – West - Oltenia	44.1	30.2	-9.5
West	25.2	19.7	-6.2

In the rural areas, the main problem is represented by traditional poverty, associated with deprivation in terms of housing and the lack of basic utilities (sewerage and running water):

- 76.7 % from the population in absolute poverty was located in rural areas in 2010, the risk at absolute poverty being four times major in rural areas (8.8%), than in urban areas (2.2%);
- The risk of relative poverty is three times major in rural areas by comparison with urban areas (27% from 9%), also for rural population there is a small percentage of higher education graduates (3% from occupied population, by comparison with 23% in urban areas);
- Demographic aging is more pronounced in rural areas and poorer areas, this tendency will continue and is anticipated that some regions will lose up until 50% from population until 2050.

#### Approach concerning deprived communities

Two main types of approach regarding the deprived communities are envisaged for 2014 – 2020 programming period:

- The use of **integrated plans** which will entail beside compulsory measures concerning social houses the complementary measures in the fields of education, health, social services and employment addressing the specific needs for deprived communities in urban areas identified as such (under the form of CLLD);
- Soft measures targeting people in need and which are not included in the integrated plans addressed to deprived communities.

The goal of the complementary measures is to create the basis for **increasing the employment**, by ensuring some pre-requisites such as: **an adequate health status**, a **minimum level of professional competences**, **awareness about the people rights**, **better levels of communication etc.**

Regarding the deprived communities in mountainous areas, Romania elaborated at national level the **National Strategic Orientation for the Sustainable Development of the Carpathian Region**, which has two objectives: ensuring a common financing framework of this area, as well as including the financing priorities for the mountain area within the future EU Programmes.

**The role and the contribution of the ESI Funds in the implementation of the integrated approach to address the specific needs of geographical areas most affected by poverty or target groups at highest risk of discrimination or social exclusion.**

Specific target group or geographical area	Short description of the needs	ESI funds that will be used	Main types of planned actions which are part of the integrated approach	Programme
<ul style="list-style-type: none"> <li>▪ single parent households and households with three or more children</li> <li>▪ people who are</li> </ul>	<ul style="list-style-type: none"> <li>▪ lack of decent housing/decent living conditions;</li> <li>▪ lack of stable and constant source income;</li> </ul>	<b>ESF</b>  <b>and</b>	<ul style="list-style-type: none"> <li>▪ actions to address the needs of vulnerable groups in order to improve their educational participation, their integration in the labour market, their access to</li> </ul>	<b>Human Capital Operational Programme</b>

<p>jobless or have low incomes</p> <ul style="list-style-type: none"> <li>▪ elderly people</li> <li>▪ Roma people</li> <li>▪ people with disabilities</li> <li>▪ people suffering from addictions, affected by domestic violence and human trafficking, persons deprived of liberty or on probation</li> <li>▪ children (from poor families, with parents working abroad, in residential or family-based child care institutions)</li> </ul>	<ul style="list-style-type: none"> <li>▪ combating long term unemployment;</li> <li>▪ reducing low educational attainment;</li> <li>▪ early school leaving;</li> <li>▪ lack/low level of professional qualifications;</li> <li>▪ improve access to health and social services, particularly in rural areas and in deprived urban areas for identified vulnerable groups;</li> <li>▪ lack of social insertion of the persons belonging to the deprived categories</li> <li>▪ reducing the incidence of poverty and social exclusion experienced by vulnerable groups</li> </ul>	<p><b>ERDF</b></p>	<p>housing, health care and social services;</p> <ul style="list-style-type: none"> <li>▪ developing an equitable, sustainable, affordable and high quality social assistance system, benefits and social services for all vulnerable groups, including preventive, integrated and innovative types of services in order to address poverty and social inclusion issues;</li> <li>▪ supporting the transition from the institutional care models to family and community-based care for children, persons with disabilities and elderly;</li> <li>▪ exploiting potential in social economy models to support labour market integration of vulnerable groups thereby creating social inclusion;</li> <li>▪ enhancing access to quality health care and treatments, including emergency care, primary care, development of integrated medical and social care services, including at community level, with focus on the services provided in ambulatory settings and developing integrated primary health care specialist with telemedicine support;</li> <li>▪ development of social economy entities infrastructure;</li> <li>▪ development of social services infrastructure, focusing on community based infrastructure</li> <li>▪ support for physical, economic and social regeneration of deprived communities in urban areas, including in the framework of Community-led Local Development</li> </ul>	<p><b>and</b></p> <p><b>Regional Operational Programme</b></p>
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## 4. ARRANGEMENTS TO ENSURE EFFICIENT IMPLEMENTATION OF THE PARTNERSHIP AGREEMENT AND PROGRAMMES (ARTICLE 14(2) (B) CPR)

### 4.1 ASSESSMENT OF THE EXISTING SYSTEMS FOR ELECTRONIC DATA EXCHANGE AND SUMMARY OF THE ACTIONS PLANNED TO GRADUALLY PERMIT ALL EXCHANGES OF INFORMATION BETWEEN BENEFICIARIES AND AUTHORITIES RESPONSIBLE FOR MANAGEMENT AND CONTROL OF PROGRAMMES TO BE CARRIED OUT BY ELECTRONIC DATA EXCHANGE'

The assessment of the existing systems for electronic data exchange, including an overview of electronic services already available for beneficiaries, has been provided within the ex-ante evaluation of the Partnership Agreement. The methodology adopted combined documentary analysis with the most appropriate qualitative and quantitative methods, consultations and plausibility checks with all stakeholders and sector experts.

The documentary analysis was based on the new regulations, the procedures and regulations that are in force and the documentation on the electronic systems for data exchange. Information collected from interviews with administrators or coordinators of the electronic systems were added to the results of the documentary analysis.

The evaluators prepared an efficient checklist covering the full range of factors that are relevant to the question related to electronic systems. The list covers: ease of use, reduced administrative burden, data aggregation, data quality, research options, data availability in due time, data security etc. The full data collection needed for the completion of the check list was achieved by additional tools like on-line questionnaires and a focus group.

Concerning the comprehensiveness of the existing electronic systems for the 2007-2013 programming period, the evaluators underlined the following findings:

- SMIS is a web-based system used only by authorities for 6 OPs (OP ACD, OPTA, ROP, SOP E, SOP IEC, SOP T) covers the entire project life cycle and includes additional dedicated modules for programming, evaluation and audit.
- MySMIS is a web-based system that allows data exchange between beneficiaries or potential beneficiaries and authorities. It is designed for 6 OPs (OP ACD, OPTA, ROP, SOP E, SOP IEC, SOP T), is developed and tested, but not used yet. MySMIS is integrated with SMIS and covers the entire project life cycle.
- ActionWeb is a web-based system that allows data exchange between beneficiaries or potential beneficiaries and authorities, used for SOP HRD. It covers the entire project life cycle and is complemented by "ASEP", a web-based application used for the evaluation of the proposed projects. Data is transferred electronically from ActionWeb to ASEP. It is also complemented by "SIMPOSDRU", a system that incorporates a reporting tool allowing generation of various predefined or custom reports for the use of authorities. It extracts the needed data from the database of ActionWeb.
- MIS-ETC is used only by authorities, for all four ETC OPs. It covers the entire project life cycle and includes additional dedicated modules for programming, evaluation and audit. It is complemented by "MIS-ETC Web Application", an integrated web-based extension comprising three modules:
  - e-Submission – for potential beneficiaries – developed, but not used yet;
  - e-Evaluation – for evaluators of proposed projects;
  - e-Monitoring – for input of data by beneficiaries, about their expenditures within the project – developed, but not used yet.
- SPCDR is used only by authorities, for rural development, covering the entire project life cycle
- SIMPOP is used only by authorities, for fisheries, covering the entire project life cycle.

#### Conclusions related to comprehensiveness of existing electronic systems

- In terms of fulfilling minimum requirements stemming from the new Regulations of the European Commission for the programming period 2014-2020, the only area of concern remains the specific e-Cohesion requirement – for "full implementation of the electronic data exchange between beneficiaries and authorities". At present, with the existing electronic systems, this area is practically uncovered. The exceptions are few and extremely limited.
- The MySMIS system that was developed recently and that has just undergone the testing stage, promises to solve most issues of that problem. For the 6 OPs the system was designed for, MySMIS would fulfil entirely the e-Cohesion requirements.
- Since rural development and fisheries are not covered by the minimal requirements of e-Cohesion, only SOP HRD and the 4 OPs for ETC (would) remain uncovered. For SOP HRD, the ActionWeb system is successfully used since 2008, but its scope is still limited at present, not covering all e-Cohesion requirements. MIS-ETC has



implemented e-Monitoring, a module of MIS-ETC Web Application, but this module is even more limited, dealing only with the beneficiary's expenditures, out of the whole area of data.

The Focus Group confirmed, with minority of different opinions, that MySMIS should be the one system developed further and used as the only system responding to the e-cohesion requirements.

As regards the national legal framework that should support the fulfillment of the e-cohesion requirements, all key pieces are in place, being regulated by the Romanian laws relating to electronic signature, archiving of electronic documents, electronic time stamping of documents or protection of personal data.

In terms of quality of the existing electronic systems, the results of this evaluation show that many improvements are needed in various aspects. As a general image, the electronic systems are in place, they fulfill the minimum requirements, but they do not excel. The area where most of the systems could be improved relates to satisfying the users' needs (predefined reports, revision in terms of features and data content as such to become more user oriented).

Key recommendations made by the evaluation report are relating to finalizing implementation of MySMIS and extending it to meet the needs of the ETC and ESF type programmes.

### **Preparation for 2014-2020**

The new programming period represents an opportunity to consolidate the experience of 2007-2013 in the preparation of new improved electronic systems that will fully respond to article 63(4) of the CPR regarding the exchanges of information between MS and COM, as well as to the article 112(3) of the CPR (e-cohesion).

In this sense, four systems for data exchange will be developed at national level taking also into account the improvements underlined by the ex-ante evaluation.

- SMIS 2014+ / MySMIS - will cover six operational programmes (ROP, AC OP, LI OP, COMP OP, HC OP, TA OP) under the responsibility of MEF;
- an information system for the European Territorial Cooperation under MRDPA responsibility;
- an information system for NRDP and one for OP FMA, under the responsibility of MARD.

### **SMIS 2014+**

SMIS 2014+ will assure the exchanges of information with COM (SFC2014) and will contain the relevant information, rules and controls for ERDF, CF and ESF as specified in the general regulation and in the delegated and implementing acts.

The relevant information is related to programming/monitoring/evaluation/financial management/ verification and audit and will cover only the programmes funded by ERDF, CF and ESF, except those under the European Territorial Development goal.

MySMIS (e-cohesion) has been developed recently and was designed to facilitate the electronic information exchange with beneficiaries. MySMIS is fully integrated the main regulatory elements<sup>186</sup> of the e-cohesion related to "technical characteristics for functioning of the computer system and to reduce the administrative burden for beneficiaries", "only once encoding principle", "interoperability" and "all exchanges of information".

### **Summary of actions planned**

- Elaboration of the system concept based on the new institutional and procedural framework and contracting the software application development services for SMIS 2014+ / MySMIS 2014+ (January-December 2014)
- Developing of the electronic management system (January-December 2014)
- Testing phase and enter into production of the SMIS2014+ (September-December 2014)
- Training for SMIS 2014+ /MySMIS 2014+ users (September-December 2014)
- Launching use SMIS 2014+ /MySMIS 2014+ (December 2014).

### **Information system for the European Territorial Cooperation Programmes (PROETC2014)**

Due to obsolete technology of the older MIS for ETC, a new electronic data management system will be developed and implemented. The new system will be based on the lessons learnt during 2007-2013 period and will ensure simplification of the European territorial cooperation programs / projects management.

The new electronic data management system (PROETC2014) will be developed for Romanian-Bulgaria Cross-border Cooperation Programme 2014-2020. This system will be used as pilot for the other cross-border programmes financed through IPA or ENI for which Romania fulfil Managing Authority function. It will enable interoperability with the other 3 systems for Investment for growth and jobs goal.

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<sup>186</sup> In accordance with Implementing act on the rules concerning electronic information exchange with beneficiaries

The system will provide to potential beneficiaries on line access in order to ensure the electronic exchange of information related to projects submitted (front office). For the Managing Authorities the system will be a tool to process the information recorded by beneficiaries and manage the programme. In this way the management and implementing process of the programmes will be simplified and the administrative burden reduced.

From the technical point of view the system will be developed based on the recent technologies available (open source). The main characteristics of the future system are “user friendly”, simplification, reduced administrative burden for beneficiary and managing authority’s users, upgrading facilities, data integrity and confidentiality, authentication of the users based on multi-level access, audit trail, searching information etc.

The modules and basic functions of the system:

- online user registration function, module management / security of access rights and users;
- programming module with the following functions: data visualization of the program, configuration function of the calls for proposal;
- project module with the following functions: online registration of the calls for proposal, function for recording online the contracts and invoices, online registration function for reimbursement claims;
- project management module with the following functions: validation projects, project appraisal process, selection and contracting projects, monitoring function of the reimbursement claims / progress reports;
- cash flow module: function payments, debit function, function for monthly declaration of expenditure, function generation for declaration of expenditure to the EC, the management function of the loaded document;
- report generation module etc.

#### **Summary of actions planned**

- Elaboration of the system concept and contracting the technical assistance (November 2013)
- Developing and implementation of the management system (December 2014)
- Testing phase and enter into production of the PROETC2014 (March 2015)

#### **Information system for Rural Development Programme**

In the actual common framework, the payments from EAFRD are made by 2 paying agencies PARDF and PIAA. SPARD (System for Processing Applications for Rural Development) is designed for the investments projects submitted under NRDP and is managed by PARDF. The system is based on a couple of large categories of workflows for management of the NRDP measures and horizontal workflows for the implementation of NRDP.

The informatic system is modular, designed to enable its further expansion and integration with other informatic systems. The architecture of the system is compliant with the internal working procedures and the legislative framework in force at the time of implementation. The flexibility and modularity characteristics of the system allow to be adapted to the procedural and legislative changes in a relatively short time and with minimal development effort. For efficient information system infrastructure management, centralized mechanisms are implemented in terms of operation and management. The users can access the system from the workstations in the county, regional and central offices.

IACS (Integrated Administration and Control System) is the informatic system managed by PIAA for NRDP axis 2 area related payments. Under Community legislation, the management of Community funds (EAGF and area related EAFRD measures) and supporting control applications submitted by farmers must be used as a binding instrument of the IACS. This system ensures the security and eliminates possibilities of fraud, requires specialized personnel, equipped with computers and office equipment suitable for the process of submission of applications by farmers.

In case of National Rural Development Programme, due to the specificity of its beneficiaries (the lack of computers, computer operating knowledge and internet coverage in rural areas), a mandatory electronic data exchange system between beneficiaries and responsible authorities will not be set up for the next programming period (also having in view that for EAFRD this requirement is not compulsory).

The current systems applicable for investment projects and area related payments will be updated based on the new design of the programme and the implementation flow set-up for each measure. The system will record key information on each operation and beneficiary selected for funding, as well as on key stages of the project implementation needed for monitoring, control and evaluation

**Summary of actions planned** in this respect are:

- Analysis of the procedural influences over the actual functionalities developed in the information systems;
- Development of the requirements in view of updating the actual information systems;
- Testing and implementation of the updated information systems.

In terms of administrative burden reduction the following actions are envisaged:

- availability of electronic financing and payment forms (which also have areas of automatic calculations);
- the possibility to submit electronic progress reports for monitoring purposes;
- for area related measures, on-line submission of payment applications is introduced;
- PIAA has already signed agreements with commercial banks therefor payments for natural persons will be made only through information systems.

In addition, a sustained campaign for awareness and information of the target groups is intended in view of a gradual transition to usage of information systems in the relation with authorities.

An important step is the interface between the two paying agencies, responsible with the implementation and payment within the programme and other administrative bodies with different roles in providing certifications, approvals and authorizations for the beneficiaries projects that will ensure some degree of simplification and reduction in administrative burden for both beneficiaries and authorities.

#### **Information system for Fisheries and Maritime Affairs Operational Programme (MISFMAOP2014-2020)**

The current information system MISFOP2007-2013 is designed to provide data regarding the programming, monitoring implementation, financial management, audit checks and evaluation of the programme. The main users of MISFMAOP are Management Authority, Certification Authority, Audit Authority and Paying Agency. The information for beneficiaries are provided through [www.madr.ro](http://www.madr.ro) and [www.ampeste.ro](http://www.ampeste.ro) (the progress of appraisal process, contracted projects, FOP implementing status, etc.).

The architecture of the informatic system is structured by modules and cover the entire project life cycle starting with the appraisal process (project application registration, checks of the compliance criteria and eligibility, selection of the eligible applications), contracting, payments authorization (reimbursement claims registration, verification and authorization for payment, generation of the payments, issuing the authorized payments, import in the accounting system).

The system could generate reports and statistics related to irregularities, debit register, funds flow from Managing Authority to Certifying Authority and to European Commission.

There have been also developed a module dedicated for the management of the project submitted within FLAG which follow the same information flow adapted to the particular feature of FLAG application.

The system ensures the data integrity, security and confidentiality for all users due to the multi-level granted access, and recovery management of the data base.

For the future programming period technical assistance will be contracted in order to prepare the Fisheries and Maritime Affairs Operational Programme 2014-2020. This assistance will include also an analysis of the MISFOP2007-2013 in order to identify the compliance of the system with new regulations requirements and develop the system accordingly.



## **ANNEXES**



## SWOT ANALYSIS and SMART GROWTH

A SWOT analysis has been used to distil the full Needs Analysis and to crystallise the key **strategic issues**. Whereas socio-economic analysis examines issues in isolation, the SWOT analysis explores how issues interact and the implications for making progress under the strategy. Furthermore, the SWOT Analysis is an aid to identifying high-level priorities and facilitates consideration of their relative weighting.

Table 1 set out the summary of strategic issues<sup>187</sup>. As the SWOT analysis is classically used in a competitiveness context, the generic directions of development explored are typically on the following lines:

- Increase number of businesses.
- Grow / Improve performance of existing business base.
- Develop new areas of business.
- Attract mobile investment.
- Attract visitor expenditure.
- Expand exporting.

Collectively, these six directions of development broadly conform to the possibilities under the concept of **Smart Growth**. This has been complemented in this context with consideration of **Sustainable Growth** and **Inclusive Growth**.

The distribution of strategic issues seen in Table 2 and the following discussion makes clear:

- Sustainable Growth is essentially about the manner in which Smart Growth is pursued.
- Inclusive Growth is primarily concerned with addressing weaknesses.

TABLE 1: SWOT ANALYSIS: SUMMARY OF STRATEGIC ISSUES	
<b>Strengths</b>	<b>Weaknesses</b>
S1: Competitive Sectors provide a small proportion of employment S2: Large population and consumer base S3: Large workforce with good initial education. S4: Public Research Infrastructure With Competences Relevant to Growth Sectors S5: Good quality natural and cultural assets S6: Improving external connectivity. S7: Endowment of energy assets and security of supply. S8: Strong NGOs with social economy potential.	W1: Less competitive sectors account for a large proportion of employment. W2: Low business density W3: Low rate of formation of growth oriented businesses. W4: Low level of business investment W5: Low level of investment in R&D and weak linkage between R&D base and business. W6: Business financial services market failure W7: Low employment density W8: Weak performance in education and transition to the world of work W9: Low intensity of skills and skills shortages W10: High energy intensity of industry and low energy efficiency in domestic and business sectors. W11: Weak Internal connectivity W12: Incomplete broadband availability and low level of computer literacy W13: Weak environmental infrastructure and services. W14: Weak administrative and governance capacity W15: Gross deficits and spatial disparities in public service provision. W16: Dispersal and spatial concentration of weakness in human resource and economic activity W17: Low disposable income
<b>Opportunities</b>	<b>Threats</b>
O1: Potential for relatively strong manufacturing and high value added services companies SMEs to penetrate dynamic markets O2: Market potential for SMEs in existing and emerging international markets O3: Potential for SMEs to exploit new product and service markets and new marketing channels arising from technological innovation. O4: Potential for SMEs to exploit new product and service markets arising from environmental awareness. O5: Market potential for SMEs in social and local services. O6: International mobility of capital. O7: Agricultural rationalisation and reform O8: e-government, e-health and e-education	T1: Increased exposure to international competition. T2: Growth trend in European and World markets. T3: International mobility of capital T4: Market liberalisation T5: Rising energy prices T6: Climate change, related impacts and regulation T7: International competition for skills T8: Mass Internal Migration T9: Romania's International Obligations

TABLE 2: ASSESSMENT OF INTERACTION OF STRATEGIC ISSUES					
<b>Fundamental Characteristics of National / Regional Economy</b>	<b>Potential Directions of Development</b>	<b>Relevant Exploitable Strengths</b>	<b>Relevant Opportunities</b>	<b>Critical Internal Constraints (Weaknesses)</b>	<b>Critical External Constraints (Threats)</b>
S2: Large population and consumer base W2: Low business density. W3: Low rate of formation of growth oriented businesses. W7: Low employment density. W14: Weak	<b>Increase number of businesses</b>	S2, S8	O1, O2, O3, O4, O5, O7, O8	W6, W9, W14, W16, W17	
	<b>Grow / Improve performance of existing business base</b>	S1, S2, S4, S7	O1, O2, O3, O4, O5, O7, O8	W1, W4, W5, W6, W9, W10, W11, W12, W14, W16, W17	T1, T3, T5, T6
	<b>Develop new areas of business</b>	S4, S8	O3, O4, O5, O9	W1, W5, W6, W9, W12, W14	T7, T9
	<b>Attract mobile investment</b>	S2, S3, S6, S7	O6	W9, W17	T1, T2, T3
	<b>Attract visitor expenditure</b>	S5, S6	O1, O2	W4, W6, W9	
	<b>Expand exporting</b>	S1, S4, S6	O2, O7	W6, W9	T1



administrative and governance capacity. W16: Dispersal and spatial concentration of weakness in human resource and economic activity.	<b>Sustainable growth</b>	S1, S5	O4, O8	W1, W10, W11, W13	T6, T9
	<b>Inclusive growth</b>	S8		All of W1-W17	T7
<p>S1: Competitive Sectors provide a small proportion of employment</p> <p>S2: Large population and consumer base</p> <p>S3: Large workforce with good initial education.</p> <p>S4: Public Research Infrastructure With Competences Relevant to Growth Sectors</p> <p>S5: Good quality natural and cultural assets</p> <p>S6: Improving external connectivity.</p> <p>S7: Endowment of energy assets and security of supply.</p> <p>S8: Strong NGOs with social economy potential.</p> <p>W1: Less competitive sectors account for a large proportion of employment.</p> <p>W2: Low business density.</p> <p>W3: Low rate of formation of growth oriented businesses.</p> <p>W4: Low level of business investment.</p> <p>W5: Low level of investment in R&amp;D and weak linkage between R&amp;D base and business.</p> <p>W6: Business financial services market failure.</p> <p>W7: Low employment density.</p> <p>W8: Weak performance in education and transition to the world of work.</p> <p>W9: Low intensity of skills and skills shortages.</p> <p>W10: High energy intensity of industry and low energy efficiency in domestic and business sectors.</p> <p>W11: Weak Internal connectivity.</p> <p>W12: Incomplete broadband availability and low level of computer literacy.</p> <p>W13: Weak environmental infrastructure and services.</p> <p>W14: Weak administrative and governance capacity.</p>			<p>W15: Gross deficits and spatial disparities in public service provision.</p> <p>W16: Dispersal and spatial concentration of weakness in human resource and economic activity.</p> <p>W17: Low disposable income.</p> <p>O1: Potential for relatively strong manufacturing and high value added services companies SMEs to penetrate dynamic markets.</p> <p>O2: Market potential for SMEs in existing and emerging international markets.</p> <p>O3: Potential for SMEs to exploit new product and service markets and new marketing channels arising from technological innovation.</p> <p>O4: Potential for SMEs to exploit new product and service markets arising from environmental awareness. O5: Market potential for SMEs in social and local services.</p> <p>O6: International mobility of capital.</p> <p>O7: Agricultural rationalisation and reform.</p> <p>O8: e-government, e-health and e-education.</p> <p>T1: Increased exposure to international competition.</p> <p>T2: Growth trend in European and World markets.</p> <p>T3: International mobility of capital.</p> <p>T4: Market liberalisation.</p> <p>T5: Rising energy prices.</p> <p>T6: Climate change, related impacts and regulation.</p> <p>T7: International competition for skills.</p> <p>T8: Mass Internal Migration.</p> <p>T9: Romania's International Obligations</p>		

### ***Smart Growth 1: Increasing the Number of Businesses***

This direction of development directly confronts two distinctive weaknesses in Romania's economy: low business density (W2) and the low rate of formation of growth oriented businesses (W3).

Romania has limited exploitable strengths to assist in this direction. The potential in the large population and consumer base (S2) is constrained by the low level of disposable income (W19), reflecting the small number of salaried jobs in the economy.

A range of opportunities is potentially available to new start businesses. In the period of analysis, value added services (O3) have been relatively more buoyant than manufacturing (O1). New starts are less likely to address export markets (O2).

Many of the opportunities identified are connected with regulatory and social reform, notably environmental markets (O4), social and local services (O5), agricultural rationalisation and reform (O7) e-government, e-health and e-education (O8). This suggests that government can play an important role in stimulating new business development from the way that it deploys public expenditure and procures public goods and services. In this context, the availability of NGOs with social economy potential (S8) may be an important channel.

The internal weaknesses that constrain new business development are low consumer disposable income (W17) and its spatial distribution (W16) which suggest that progress will be harder to achieve in certain regions, in rural and geographically disadvantaged areas. This underlines the important role of government as a source of demand and stimulation of new businesses, particularly in locations where the market is weaker. The most serious technical obstacles to new business development are business financial services market failure (W6) which tends to be more significant for new businesses and which in the 2007-13 period was imperfectly addressed by public policy which restricted support for new businesses. Low availability of skills (W9), particularly in growing sectors is a further constraint, but equally affects existing businesses. A further general disincentive, but which may particularly deter the formation of new businesses is the excessive administrative and regulatory burden (W14).

There are no external constraints identified representing a critical and specific restriction upon business start-ups.

### ***Smart Growth 2: Growing and / or Improving the Performance of the Existing Business Base***

Promoting this direction of development may involve exploiting relatively strong sectors (S1) or improving the performance of relatively weak sectors (W1). This is generally one of the most feasible directions of development insofar as it is concerned with treatment of businesses that already exist within the development area. However, in Romania, the latitude for action is considerably limited by the relatively small number of businesses and absorption potential in competitive sectors (S1) and the large proportion of the business base which is a low priority for public intervention (especially those businesses in retail and near to retaining that account for an above average share of the businesses in the Romanian economy). This is further compounded by disparities in business and consumer activity (W16 and W17).

Romania's large population and consumer base (S2) represents an important opportunity for internal market development, but its potential is limited in the short-medium term by its lack of spending power (W17). The knowledge resources in Romania's Higher Education and Public Research Institutions (S4) can be exploited to improve existing and to create new goods and services, although the system is less than fully adapted to commercial needs (W5). The endowment of energy assets (S7) may provide a resource advantage for certain forms of business.

The full range of market opportunities O1-O8 potentially applies to existing businesses. New markets O3 and O4 may provide an appropriate route for businesses facing declining demand in their existing markets. As with new businesses, government expenditure and procurement has important potential as a source of demand, particularly in locations where the market is weak (W16 and W17)

Two critical weaknesses are identified as being characteristic of the existing business base: low levels of general investment (W4) and investment in R&D (W5), with high energy intensity (W10) being a lesser issue. However, there are a larger number of general weaknesses in the Romanian business environment are identified which hinder progress, notably access to finance (W6) access to skills (W9) weak internal connectivity (W11) over-regulation (W14), while incomplete broadband availability and a low level of computer literacy (W12) represent constraints for a subset of businesses.

The existing business base is subject to a number of identified threats. International mobility of capital (T3) and exposure to increased international competition (T1) have combined since 2007 to displace domestically owned and controlled businesses, the furniture sector being a case in point. Rising energy prices (T5) and regulation of emissions (T6) represent a particular threat to Romania's highly energy intensive industries (W10).

### ***Smart Growth 3: Developing Entirely New Areas of Activity***

This is normally a more speculative and higher risk direction for development, however, in addition to the exploitation of technological innovation (O3) Romania's reform process has potential to provide additional impetus to the development of new activity.

Romania's environmental obligations (T9) as well as consumer awareness (O4) will channel expenditures and create markets in the 2014-20 period. Obligations in relation to inclusivity and territoriality will channel expenditures towards social and local services (O5). Obligations towards public sector reform and increased efficiency will channel resources towards electronic delivery (O8). These reforms will create business opportunities in areas that are new in Romania and will potentially stimulate business and social innovation.

Exploitable strengths exist in Romania's Public Research infrastructure (S4) where distinctive competencies exist for certain technologies, including ICTs, although its capacity in relation to social innovation is less clear. In this context social economy models (S8) may provide suitable channels. However, the orientation of the purchasing Government Departments and the procurement culture that they operate (W14) will be critical to the results obtained.

The critical weaknesses in this regard are the limited capacity in competitive sectors of the Romanian economy (W1) allied to a present low level of investment in R&D by businesses and weak linkage between R&D institutions and the business base (W5). Access to finance (W6), shortage of skills (W9) and the loss of indigenous talent to overseas competition (T7) may also be constraining factors. As regards the potential of e-government, e-health and e-learning, limited gaps remain to be filled in broadband coverage. However, more serious limitations are likely to be the low levels of broadband take-up and computer literacy (W12).

#### ***Smart Growth 4: Attracting Mobile Investment***

This direction of development could provide an injection of activity to Romania's economy and could potentially contribute to addressing its deficit in employment in competitive businesses (W1) its low business density (W2) and its low employment density (W7).

However, a number of factors limit the extent upon which Romania can rely upon mobile investment to stimulate growth (O6). Firstly, Asia has proved more competitive than Europe in manufacturing mobile investment for the past decade; within the EU countries such as Germany and the UK have retained competitiveness in services mobile investment (T3). This has been compounded by the recession which has seen significant reductions in overall investment flows (T2).

Mobile investment is not all good news. Rather than providing growth, there is a risk that it may simply displace indigenous businesses in the Romanian market (T1) although there should nevertheless be some consumer gain from competition.

Accepting that the attraction of mobile investment has limited potential, Romania nevertheless has some exploitable strength. As with other opportunities, there is the scale of the consumer base (S2) although its spending power in the developing regions is limited (W17). Romania has an adequate workforce to absorb sizable investments (S3) although training may have to be provided as part of a support package to address skills shortages (W9). Romania has improving external connectivity (S6) and, since 2007, unrestricted access to the European Single Market. For certain investors, availability of competitively priced energy and a secure supply (S7) may be attractions.

Until now, the vast majority of mobile investment has taken place in Bucharest-Ilfov (W16). Improvements to transport infrastructure, particularly roads, (W11) are likely to play an important role in ensuring that mobile investment contributes to growth in Romania's less developed regions.

#### ***Smart Growth 5: Attracting Visitor Expenditure***

This direction of development involves exploiting a particular niche in dynamic and international markets (O1 and O2). It has potential to disperse benefits and, thereby, to contribute to solving Romania's spatial challenges (W16).

Romania possesses exploitable strengths in its endowment of natural and cultural assets (S5) and its improving external connectivity (S6). However, although the domestic market has seen recent growth, the analysis suggests that Romania has limited profile in the international leisure market and, as a result of comparatively lower levels of recent investment (W4) has a less competitive offer than other countries in the region (T1).

General weaknesses, such as access to finance (W6) and availability of skills (W9) are likely to impinge on tourism as they do on other business activity.

This mode of development is subject to a range of external constraints in addition to competition. International visitor numbers are susceptible to variation in response to the economic cycle (T2) and fuel costs (T5). In the longer term, the sustainability of high volume, low cost air travel is in question (T6).

#### ***Smart Growth 6: Expanding Export Activity***

This direction of development principally involves exploiting of existing and emerging international markets (O2). Given the limited potential from Romania's internal market in the short-medium term (W16, W17), exporting is likely to be an important source of growth. It is also attractive insofar as it is one of the most straightforward directions of development to pursue.

Exporting can be relevant to all forms of business, but is likely to be most relevant to existing businesses in manufacturing and service sectors that are internationally competitive (S1), prospective new sectors and mobile investors who may make Romania a base from which to address the European market. However, the development of e-commerce is also lowering barriers to international activity by relatively new businesses.

As regards development of exporting activity per se, Romania's strengths lie primarily in its competitive sectors (S1), automotives, food and drink, leather and textiles, ICTs. It can build on improving external connectivity (S6) and accessibility of the Single European Market. Further export potential may be realised by better exploiting of innovation assets (S4) and through improving the competitiveness of agriculture (O7).

The main internal obstacle to achieving growth from exporting is the limited proportion of the business base that is internationally oriented and is, or has potential to become internationally competitive (S1). Even some of Romania's relatively strong sectors, such as furniture, leather and textiles, are mature and low-medium value adding and are susceptible to attrition by international competition from lower cost / higher productivity locations (T1). Some weaknesses, such as access to finance (W6) and availability of skills (W9) are likely to impinge on exporting as they do on business activity more generally.

Aside from competition, the main threat to exporting is the variability of demand from international customers (T2), but this applies to all countries.

### ***Sustainable Growth***

At the present time, only a relatively small proportion of employment is in competitive sectors (S1). This is not compatible with sustainable development. To provide greater security for its people, Romania needs to secure economic growth, but to do so in a fashion that is sustainable in economic, social and environmental terms.

As environmental costs become more fully reflected in price of goods and services, business opportunities in environmental goods and services will emerge (O4) and the market will support the transition towards sustainable development and will support growth in business and jobs.

Currently, the greatest environmental threat confronting Romania is climate change and its associated impacts (T6). Romania already has a mixed energy sector and a good endowment of energy assets (S7) but Romania's international obligations (T9) will require a further and quite rapid shift in the mix towards renewable sources.

Nevertheless, improvements to the generation of power will be insufficient. Both the business and, particularly the household sector have considerable scope to improve energy efficiency (W10) requiring action on an individual and collective level (e.g. housing insulation schemes, co-generation schemes, etc.).

Sustainable development requires a broad efficiency in resource use and not just energy efficiency. There is considerable scope to improve the efficiency and effectiveness of government and public services (W15, W16) through the adoption of electronic delivery (O8).

Economic growth will entail more intensive use of transport. Romania's external connectivity is already good (S6) but internal transport will require considerable investment (W11) including in road transport. Improving the sustainability of transport will principally require improvements in logistical efficiency and investment which favours a shift in the modal balance towards rail and water transport.

Despite having a large population (S2) only a fraction is presently covered by modern waste and waste water services (W13). Romania's obligations under treaty (T9) will require a sustained investment programme for the next two decades to close the gap with European standards. Nevertheless, this will create new business opportunities and substantial numbers of new jobs.

Romania possesses significant natural and cultural assets (S5) including vast areas with agricultural potential. Many of these assets can be more fully exploited in a manner that is consistent with sustainable development, but this will require active management, mitigation and conservation policies working in parallel with development.

### ***Inclusive Growth***

While Romania has experienced significant growth over the past decade, the benefits have been unequally distributed by location and across the more and less privileged groups in Romanian society (W16, W17). This is manifest in the capital region, Bucharest-Ilfov now having a GDP per capita above the EU average while the remaining seven development regions lag far behind.

Most of Romania's identified weaknesses (W1-W17) have an intensely territorial character with regional and, in particular, urban-rural inequalities being prominent.

The distribution of activity in Romania's competitive (S1) and less competitive (W1) business sectors is subject to significant disparities. Investments in transport (W11), telecommunications (W12), R&D (W5) environmental (W13) and social (W15) infrastructures need to be directed with regard to their consequences for regional competitiveness. As noted above, the role of Government as a major purchaser should be levered more effectively to stimulate business investment (W4) and new business formation (W3) in locations where the market is weak.

Romania has a low overall employment rate (W7) with just under half of the 8.3m jobs in the economy being salaried. This is compounded by significant spatial disparities. While the smart growth perspective favours concentration of investment in Romania's competitive sectors, the urgent need for entry level salaried jobs in Romania's less developed regions suggests that less competitive sectors (W1) and social economy models (S8) will have a role to play.

The gross deficit in jobs (W7) creates a dilemma for investment in skills (W9), particularly in the adult workforce. In a depressed labour market, investment in skills for stock has proved unsuccessful. There is a need to align skills development and employment development in integrated packages.

The analysis makes clear the intimate association of educational participation, transition into employment (W8) skills development (W9) and poverty and, moreover their strong regional and urban-rural character. Investing in improving equality of access to education and to social services as well as their quality will play an important role in enhancing the attractiveness of Romania's less developed regions as places to live and to invest.

Romania has been subject to mass migration for more than a decade as young people with transferable skills have responded to opportunities abroad (T7). If opportunity is not enhanced in Romania's development regions there is a high risk that in the coming years significant numbers of people will relocate to more buoyant centres of activity within Romania, the capital region in particular. This would be accompanied with significant additional stresses on environmental infrastructure (W13) and social services (W15).

## LIST OF SOCIAL PARTNERS

1. Academic Foundation *Petre Andrei*
2. Academy of Agricultural and Forestry Sciences *Gheorghe Ionescu SISESTI*
3. Academy of Economic Studies
4. Academy of Scientists
5. ACCESS Oltenia
6. Accreditation Association Romania
7. ActiveWatch - Media Monitoring Agency
8. Acvaculture Association – Banart Sturio
9. ADEPT Foundation
10. Administrations of Protected Natural Areas Association
11. Agency for Implementation of Projects and Programmes for SMEs
12. Agricultural Economics Institute of the Romanian Academy
13. Alba Iulia Caritas- European Community Development
14. Alliance for Health in Romania
15. Alliance of Roma in Galati County
16. Alt Art Fundation
17. American Chamber of Commerce in Romania
18. Amphitheatre Fundation
19. Apollo Resource Center
20. Associate of literary works and publications
21. Association AGROM-E - Learning Center for Agriculture
22. Association Alliance to fight against alcoholism and drug addiction
23. Association COLFASA
24. Association *Culture, traditions, identity and success*
25. Association for Consumer Protection in Romania
26. Association for Implementing Democracy
27. Association for Industrial Waste Management and Contaminated Sites Management
28. Association for Sustainable Development
29. Association for the Development and socio-economic Promotion *Catalactica*
30. Association for Urban Transition
31. Association *Most beautiful villages*
32. Association of Agricultural Machinery Manufacturers and Importers of Romania
33. Association of Communes of Romania
34. Association of consultants for accessing EU funds in Romania
35. Association of cultural operators
36. Association of Ecotourism in Romania
37. Association of Hungarian Farmers from Romania
38. Association of Management Consultants in Romania
39. Association of Municipalities of Romania
40. Association of Operators in Organic Agriculture -BIO Romania
41. Association of Pork meat Producers from Romania
42. Association of Processors, importers and traders of fish in Romania
43. Association of Regional Development Agencies in Romania
44. Association of Towns in Romania
45. Association of Vrancea county communes
46. Association of Women and Families in Rural Areas
47. Association of Writers and Artists
48. Association of Young Entrepreneurs in Romania - YEAR
49. Association RISE Romania
50. Association *Together for you*

51. Babes-Bolyai University, Cluj-Napoca
52. BDG
53. Body Access Experts European Structural and Cohesion Funds
54. Bucharest National Opera
55. Business Association in Romania
56. C4C Association – Communication for Community
57. Caritas Romania Confederation
58. Center for European Studies and Rural Cooperation
59. Center for Professional Training in Culture
60. Center of European Studies –*Alexandru Ioan Cuza University, Iasi*
61. Centre for Research and Consultancy on Culture
62. Centro de Estudio Infer SL Murcia
63. Chamber of Commerce and Industry of Romania
64. Chamber of Commerce, Industry and Agriculture
65. CIROM
66. Civil Society Development Foundation
67. Civitas Foundation for Civil Society
68. Cluster Association in Romania - Regional Cluster Products and Food Industry-AGROFOOD,
69. CNS Cartel Alfa
70. CO2 Club Association
71. Coalition of the independent cultural sector
72. Commercial Fishermen's Association from the Black Sea - Ropescador
73. Confederation of Democratic Trade Unions of Romania
74. Continuity Training Center and Competency Assessment in Social Work - CFCECAS
75. Corona Foundation
76. Delta Cultural Foundation
77. Dunarea de Jos University of Galati
78. ECO EDEN Association
79. ECO PRO & Scientia
80. Ecological University
81. Economic and Social Council
82. Ecopolis Centre for Sustainable Policies
83. ECOROM
84. ECOTIC
85. Educatia 2000 + Centre
86. Employers Association of training providers in Romania
87. Employers Organization Constanta port operator
88. Estuary Foundation
89. Europe Association for Human Development
90. European Association for Economical Oppozition
91. Faculty of Forestry University Stefan cel Mare
92. Farmers and Processors Association of Romania
93. Farmers' Federation
94. Federation of Processors of Fish from the Danube Delta
95. Federation of Associations for Touristic promotion of Romania
96. Federation of fishermen associations in the Black Sea
97. Federation of Local Authorities in Romania
98. Federation of NGOs for Children
99. Federation of sheep and goats breeders from Romania
100. Federation Philanthropy
101. Fish Farmed Association
102. Forest Research and Management Institute
103. Foundation for Civil Society Development
104. Foundation for Inclusion and Social Cohesion
105. Foundation for Promotion of SMEs

106. Foundation Hope and Homes for Children Romania
107. Foundation of Young Managers
108. Foundation PACT
109. Foundation *Policy Center for Roma and Minorities*
110. Foundation *Pro friendship*
111. Foundation Roma Education Fund - Romania
112. Foundation Romtens
113. Foundation Social Entrepreneurship
114. Foundation to prepare citizens for European integration
115. General Union of Industrialists in Romania
116. Gheorghe Lazar National College of Sibiu
117. Gregory Antipas Museum
118. HABITAT Liga
119. Humanitarian Foundation Romanian Angel Appeal
120. *Impreuna* Agency
121. Initiative Group Association *Radu Anton Roman*
122. Institute for Human Resource Development
123. Institute for Public Policy
124. Institute for Social Policy Association
125. Intercommunity Development Association
126. Intercultural Institute of Timisoara
127. Ivan Patzaichin Association - Mila 23
128. Junior Chamber International Romania Federation
129. League of Associations of Agricultural Producers of
130. League of irrigation water users in Romania
131. Lifeguard and Rescue Service
132. Materials Manufacturers Association of Romania
133. Media Monitoring Agency
134. Metropolitan Agency for Sustainable Development
135. Metropolitan areas and conurbations Federation of Romania
136. Motivation Romania Foundation
137. Mountain Farmers Federation *Dorna*
138. Multimedia Foundation for Local Democracy
139. National Association Fruit Vegetables
140. National Association of bakery industry in Romania
141. National Association of Fisheries Producers
142. National Association of Manufacturers in Romania
143. National Association of Professional Divers Romania
144. National Association of Rural Women
145. National Association of Rural, Ecological and Cultural Tourism
146. National Association of Tourist Resorts in Romania
147. National Center for Roma Culture
148. National College of Social Workers in Romania
149. National Confederation of Romanian Employers
150. National Coordinating Council Regional Pacts for Employment and Social Inclusion
151. National Council of Disability Federation of Romania
152. National Council of Private Small and medium enterprises in Romania
153. National Credit Guarantee Fund for Small and Medium Enterprises
154. National Federation Alma Mater
155. National Federation of Local Action Groups in Romania
156. National federation of Trade Unions in Agriculture, Food, Tobacco, Domains and Related Services
157. National Federation of Trade Unions in the Food Industry
158. National Foundation of Young Managers
159. National Heritage Institute
160. National Institut for Cultural Heritage



161. National Institute for Research and Development for Soil Science, Agro-chemistry and Environment Protection
162. National Institute for Research and Development in Constructions, Urban Planning and Sustainable Territorial Development "URBAN-INCERC"
163. National Institute for Research and Development in Tourism
164. National Institute of Statistics
165. National Inter-professional Organization -Vitivinicola
166. National Library of Romania
167. National Marine Research and Development Institute *Grigore Antipa - Constanta*
168. National Mountain Rescue Association in Romania
169. National Museum *George Enescu*
170. National Museum of Art
171. National Museum of the Romanian Peasant
172. National network of Romanian Museums
173. National Opera in Bucharest
174. National Organization of Disabled People in Romania
175. National Organization of Romanian Scouts
176. National Patronage of Vine and Wine
177. National Research and Development Institute *Delta Dunarii* - Tulcea
178. National Research and Development Institute for Environmental Protection
179. National School of Political and Administrative Studies
180. National Trade Union Bloc
181. National Trade Union Confederation -MERIDIAN
182. National Trade Union of Romanian peasants, the landlords, home and Shareholders of Agriculture
183. National Union of County Councils of Romania
184. National Union of Environment
185. National Union of Road Carriers from Romania
186. National Union of Students in Romania
187. National Union of the Conservationists of the historical monuments in Romania
188. Noi Orizonturi Foundation
189. Northwest Regional Pact for Employment and Social Inclusion
190. Oradea Metropolitan Area
191. Order of Architects of Romania
192. Order of General Nurses, Midwives and Nurses
193. Organization for the Promotion of alternative transport in Romania
194. OSB Consulting GmbH Austria – Romanian Branch
195. Ovidiu Rom Association
196. Ownership and Professional Organization REMAT
197. PACT Foundation
198. Pakiv Association
199. Partnership for Equality Center
200. PartNET Association - Partnership for Sustainable Development
201. Patronage of the National Association of Travel Agencies
202. People Development Foundation
203. Pro Armonia Fundation
204. Pro Democracy Association
205. Pro Do Mo
206. Pro Vobis Association
207. Professional Association of Producers and Distributors of electricity and heat in cogeneration
208. Professional Association of Roads and Bridges in Romania
209. Professional Association of Social NGOs
210. PROFOREST Association
211. Projects Implementation Center for Human Resource Development
212. Red Cross National Society in Romania
213. Research and Development Institute for Aquatic Ecology, Fishing and Acvaculture

214. Research Development Station for Fish
215. Research Institute of the quality of life
216. Resource Center for Roma Communities
217. Roma Civic Alliance of Romania
218. Roma Secretariat Foundation
219. Romani Criss Centre
220. Romania Association of Blind People
221. Romanian Academic Society
222. Romanian Agency Consulting
223. Romanian Association Against
224. Romanian Association for Environment
225. Romanian Association of Banks
226. Romanian Association of Construction Entrepreneurs
227. Romanian Association of Fire Safety Engineers
228. Romanian Association of Sanitation
229. Romanian Banking Institute
230. Romanian Bureau of Legal Metrology
231. Romanian Center for Education and Human Development
232. Romanian Center for European Policies
233. Romanian Center Initiative Association
234. Romanian Employers from Milling Industry, Bakery
235. Romanian Fisheries Patronage
236. Romanian National Patronage
237. Romanian Patriarchate
238. Romanian Patronage from of Dairy Industry
239. Romanian Regional Science Association
240. Romanian Scouts Organization
241. Romanian Social Development Fund
242. Romanian Tourism Employers' Federation
243. Romanian Water Association
244. ROREG Association
245. Ruhama Foundation
246. Rural Credit Guarantee Fund
247. Rural Net
248. Samusocial Association of Romania -Mobile Social Emergency Relief Service
249. Save Danube and the Danube Delta Association
250. Save de Children Organization
251. SC Adecco Resurse Umane SRL
252. SC Diacostampet SRL
253. SC Dialfa Security Ltd
254. SC Edu-Tim ADVICE European SRL
255. SC Euro Jobs SRL Petrosani
256. SC Formprof Services Ltd T argument Mures
257. SC Global Commercium Development SRL – GCD
258. SC MIBA Consulting SRL
259. SC Stef Management Consulting SRL
260. SERA Romania Foundation
261. Soros Foundation Romania
262. SOS Children's Villages Romania
263. Standards Association of Romania
264. State Inspection for Control of Boilers, Pressure Vessels and Hoisting
265. Studio Video Art
266. Technical University of Civil Engineering Bucharest
267. *Telefonul Copilului* Association
268. Terra Ecologica

- 269. Terra Millennium III
- 270. The Centre of Professional Training in Culture
- 271. The Romanian Academy
- 272. The Romanian Ornithological Society
- 273. Trade Union Federation of Railway Transport of Romania
- 274. *Un Copil, O Speranta* – Romania Foundation
- 275. UNICEF
- 276. Union of Agricultural Producers in North – West Romania
- 277. Union of Romanian cinematographers
- 278. University of Agronomic Sciences and Veterinary Medicine
- 279. University of Architecture and Urbanism *Ion Mincu*
- 280. University of Bucharest
- 281. University of Craiova
- 282. University of Medicine and Pharmacy Carol Davila
- 283. Urban Planners Professional Association of Romania
- 284. Urbconnet SRL
- 285. Veterinary Medicine
- 286. *Viata si Lumina* Foundation
- 287. Video Art Studio
- 288. *Viitorul Romilor* Association
- 289. World Vision Foundation
- 290. World Wide Fund for Nature
- 291. Young Entrepreneurs in Romania



## Correlation of the Priorities of EUSDR and the Challenges and Funding Priorities Identified in Romania's Partnership Agreement

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
1) To improve mobility and multimodality	<b>Inland waterway transport</b> <ul style="list-style-type: none"> <li>• <b>Improvement of infrastructure and economic performance of waterway navigation</b> <ul style="list-style-type: none"> <li>○ Complete implementation of <b>TEN-T Priority project 18</b> on time</li> <li>○ Invest in <b>waterway infrastructure of Danube and its tributaries</b> and develop the interconnections</li> <li>○ Modernize the <b>Danube fleet</b> in order to improve environmental and economic performance</li> </ul> </li> <li>• <b>Improvement of the organizational framework and HR for inland waterway navigation</b> <ul style="list-style-type: none"> <li>○ <b>Coordinate national transport policies</b> in the field of navigation in the Danube basin</li> <li>○ Support Danube Commission in finalizing the process of <b>reviewing the Belgrade Convention</b></li> <li>○ Develop ports in the Danube river basin into <b>multimodal logistics centers</b></li> <li>○ To improve comprehensive <b>waterway management</b> of the Danube and its tributaries</li> <li>○ To promote <b>sustainable freight transport</b> in the Danube Region</li> <li>○ To implement harmonized <b>River Information Services (RIS)</b></li> <li>○ To invest in <b>education and jobs in the Danube navigation sector</b></li> </ul> </li> </ul>	Infrastructure	TO 7	<b>Large Infrastructure OP</b> <ul style="list-style-type: none"> <li>• Supporting sustainable transport development through traffic safety improvement on TEN-T network, for all transport modes</li> <li>• Modernization and development of waterway infrastructure on the Danube River and navigable canals, having in view the promotion of an environmental friendly transport system</li> </ul>
	<b>Road, rail and air transport</b> <ul style="list-style-type: none"> <li>• <b>Improvement of access and connectivity</b> <ul style="list-style-type: none"> <li>○ Bring to completion the <b>TEN-T priority projects</b> crossing the Danube Region, overcoming the difficulties and bottlenecks, particularly in the cross-border sections</li> <li>○ Implement the <b>Rail Freight Corridors</b> forming part of the European rail network for competitive freight</li> <li>○ Enhance <b>cooperation between air traffic stakeholders</b> in order to prepare a plan to implement <b>shorter plane routes</b></li> <li>○ To ensure <b>sustainable</b></li> </ul> </li> </ul>	Infrastructure	TO 7	<u><b>Actions for Improving connectivity</b></u> <b>Large Infrastructure OP</b> <ul style="list-style-type: none"> <li>• Development of <b>road infrastructure on TEN-T network</b></li> <li>• Development of <b>rail infrastructure on core TEN-T network</b>, especially through the completion on TEN-T corridors</li> <li>• <b>Development of airports</b> where this is justified, for improving connectivity and supporting regional mobility</li> </ul> <b>Regional Operational Program</b> <ul style="list-style-type: none"> <li>• Increasing accessibility of urban areas located in proximity of TEN-T network, through</li> </ul>

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Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<p><b>metropolitan transport systems</b> and mobility</p> <ul style="list-style-type: none"> <li>○ Improve the <b>regional/ local cross-border infrastructure</b> and access to rural areas</li> </ul> <p>• <b>Multimodal links</b></p> <ul style="list-style-type: none"> <li>○ To develop further <b>nodal planning for multimodality</b></li> <li>○ To develop further <b>Intelligent Traffic Systems</b> by using <b>environmental-friendly technologies</b>, especially in <b>urban regions</b></li> </ul>			<p><b>construction and modernization of secondary and tertiary connections to the network, including by-passes</b>, having in view bottlenecks removing and traffic fluidization</p> <p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>• Fostering local development in rural areas through investments in small-scale infrastructure, including <b>local roads</b>. The small scale infrastructure related to roads will be targeted on improving connectivity to main road network and linked to economic development potential in order to reduce the rural poverty.</li> </ul> <p><u>Actions for promoting Multimodal links</u></p> <p><b>Large Infrastructure OP</b></p> <ul style="list-style-type: none"> <li>• Modernization and development of <b>inter-modal transport</b>, having in view fluidization of freight flows that transit Romania and reducing carbon emissions in urban areas</li> <li>• Supporting sustainable transport development through <b>traffic safety</b> improvement on TEN-T network, for all transport modes</li> </ul> <p><b>Regional Operational Program</b></p> <ul style="list-style-type: none"> <li>• Actions to rehabilitation and renewal of mass transit systems within the framework of <b>sustainable urban mobility plans, where these will make significant contribution to air quality and energy efficiency</b></li> </ul>
2) <u>To encourage more sustainable energy</u>	<p><b>Energy Systems</b></p> <ul style="list-style-type: none"> <li>• <b>Energy infrastructure</b> <ul style="list-style-type: none"> <li>○ Develop a joint position of the region regarding the <b>changes which could be introduced in the framework of the TEN-E policy</b> review and the modalities of the new Energy Security and Infrastructure Investment, especially regarding the energy infrastructure gaps</li> </ul> </li> </ul>	Resources	TO 4	<p><u>Energy Infrastructure</u></p> <p><b>Large infrastructure OP</b></p> <ul style="list-style-type: none"> <li>• Promoting the production of electricity and thermal energy from renewable resources (biomass, geothermal, micro hydro)</li> <li>• Developing smart electricity transmission systems, in order to take over the RES energy</li> <li>• Developing smart gas</li> </ul>

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> <li>○ Ensure that actions are coherent with the <b>general approach of the Energy Community</b> and explore <b>synergies</b> between the Energy Community and the Danube Strategy process</li> <li>○ Enforce regional cooperation with a view to develop and implement the <b>North-South gas interconnection projects</b></li> <li>○ Develop <b>gas storage capacities</b></li> <li>● <b>Energy markets</b> <ul style="list-style-type: none"> <li>○ To tap possible <b>cooperation opportunities with the Energy Community</b></li> <li>○ Cooperate to implement the <b>Regional network integration</b> and the NETS in line with the FS</li> <li>○ Build a working <b>relationship</b> with the Central Eastern European Forum for Electricity Market Integration (this can be enlarged to neighboring countries)</li> </ul> </li> </ul>			transmission systems
	<p><b><u>Energy efficiency and renewable energy</u></b></p> <ul style="list-style-type: none"> <li>● Extend the <b>use of biomass, solar energy, geothermal, hydropower and wind power</b></li> <li>● Reinforce the <b>Carpathian Convention</b> to share best practices on using biomass for energy purposes</li> <li>● Implement the <b>National Renewable Energy Action Plans</b> and prepare a <b>Danube Region Renewable Energy Action Plan</b></li> <li>● Explore the possibility to have an <b>increased energy production, originating from local RES</b> to increase energy autonomy</li> <li>● Develop a comprehensive action plan for the sustainable development of the <b>hydropower generation potential</b> of the Danube Region and its tributaries</li> <li>● Develop and set-up <b>pre-planning mechanism</b> for the allocation of suitable areas for <b>new hydro power projects</b></li> <li>● <b>Promote energy efficiency and use of RES</b> in buildings and heating systems, incl. by renovating heating and combined heat and power facilities</li> <li>● Encourage the Energy Community members/ observers in adopting and implementing the <b>Renewable Energy Directive</b></li> </ul>	Resources	TO 4	<p><b>Large Infrastructure OP</b></p> <ul style="list-style-type: none"> <li>● Promoting the production of electricity and thermal energy from renewable resources (biomass, geothermal, micro hydro)</li> <li>● Implementation of smart energy distribution low voltage systems</li> <li>● Developing smart electricity transmission systems, in order to take over the RES energy</li> <li>● Improving energy efficiency in enterprises by high efficiency low power cogeneration systems</li> </ul> <p><b>Regional Operational Program</b></p> <ul style="list-style-type: none"> <li>● Improving energy efficiency of residential stock, and to public buildings (building envelope, heat supply/network, lightning, smart metering etc.) to be prioritised on the basis of systematic appraisal taking into account the cost-efficient reduction of GHG emissions and societal benefits including addressing energy poverty, financed, where appropriate, through financial instruments and/or energy performance contracting.</li> </ul>

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Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> <li>Facilitate networking and cooperation between national authorities in order to <b>promote awareness and increase the use of RES</b></li> <li>Provide local authorities, businesses and citizens in the Danube Region <b>consultative support with issues relating to mitigation of climate change and energy efficiency</b></li> </ul>			<b>National Program for Rural Development</b> <ul style="list-style-type: none"> <li><b>Facilitating the supply and use of renewable sources</b> of energy in the agricultural and forestry sectors (by-products, wastes, residues and other non-food raw material)</li> <li><b>Increasing the energy efficiency</b> by reduction the primary energy consumption in agriculture, forestry and food processing</li> </ul>
3) To promote culture and tourism, people to people contacts	<u>Cultural heritage</u> <ul style="list-style-type: none"> <li>Build on <b>cultural diversity</b> as strength of the Danube Region</li> <li>Enhance cooperation and contacts between people of different origins, <b>to encourage creativity and provide a driving force for cultural innovation and economic development</b>, based on heritage, traditions and tourism</li> </ul>	Resources	TO 6	<b>Regional Operational Program</b> <ul style="list-style-type: none"> <li>Protecting and sustainable valorisation of natural sites including measures for urban environment through rehabilitation of industrial polluted sites and sport infrastructure/ multifunctional cultural centres.</li> </ul>
		People and Society	TO 9	<b>Competitiveness OP</b> <ul style="list-style-type: none"> <li>Development of <b>e-culture</b>, e-social assistance</li> </ul> <b>National Rural Development Programme</b> <ul style="list-style-type: none"> <li>Promoting LEADER <b>community-led local development strategies</b></li> </ul>
	<u>Tourism</u> <ul style="list-style-type: none"> <li>Develop the <b>Danube region as a European brand</b></li> <li>Establish the Danube Region as important <b>European tourist destination</b></li> <li>Promote <b>short-stay weekend tourism and recreation</b>, as well as longer stays</li> <li>To further develop the <b>navigation and port system</b> for Danube river cruise ships and private yachts</li> <li>To further develop and <b>intensify Activity Tourism</b></li> <li>To further enhance <b>interconnection and cooperation in education and scientific and research activities for tourism</b></li> <li>To improve <b>planning and infrastructure for tourism</b></li> <li>Support the improvement of the <b>quality of tourism products</b></li> <li>Promote <b>wellness tourism</b> in the Region</li> <li><b>Collect existing data on cultural</b></li> </ul>	Resources	TO 6	<b>Regional Operational Program</b> <ul style="list-style-type: none"> <li>Protecting and sustainable valorisation of natural sites including measures for urban environment through rehabilitation of industrial polluted sites and sport infrastructure/ multifunctional cultural centres</li> </ul>
		Competitiveness	TO 3	<b>Regional Operational Programme</b> <ul style="list-style-type: none"> <li><b>Integrated actions - sites, skills, investment support</b> - to attract investment into Romania's less developed regions</li> </ul> <b>OP for Fisheries and Maritime Affairs</b> <ul style="list-style-type: none"> <li>Promotion of new sources of income, inside the sector (processing, marketing activities)</li> </ul>
		People and Society	TO 9	<b>National Rural Development Programme</b> <ul style="list-style-type: none"> <li>Promoting LEADER <b>community-led local development</b></li> </ul>



EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<p>activities and establishing a comprehensive database giving an overview of cultural activities in the Danube Region</p> <ul style="list-style-type: none"> <li>Promote <b>cultural exchange and exchange in the arts</b></li> </ul>			<b>strategies</b>

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
<b>4) To restore and maintain the quality of waters</b>	<ul style="list-style-type: none"> <li>To implement fully the <b>Danube River Basin Management Plan</b></li> <li>To greatly strengthen <b>cooperation at sub-basin level</b></li> <li>To continue to invest in and support <b>information collection systems already developed by ICPDR</b></li> <li>To continue boosting <b>major investments in building and upgrading urban water treatment facilities</b> across the Danube Basin, including measures to build capacity at the regional and local level for the design of such infrastructure</li> <li>Establish <b>buffer strips along the rivers to retain nutrients</b> and to promote <b>alternative collection and treatment of waste in small rural settlements</b></li> <li>To foster and develop an active <b>process of dialogue and cooperation</b> between authorities responsible for agriculture and environment to ensure that measures are taken to <b>address agricultural pollution</b></li> <li>To <b>legislate</b> at appropriate level to limit the presence of <b>phosphates in detergents</b></li> <li>To <b>treat hazardous substances and contaminated sludge</b> with the newest and best available technology and to develop and <b>promote remediation measures</b> for hazardous producing or abandoned industrial sites and waste deposits</li> <li>To assure the <b>proper control and progressive substitution of substances that are considered problematic</b> for the Danube Region</li> <li>To <b>reduce existing water continuity interruption for fish migration</b> in the Danube river basin</li> <li>To promote measures to <b>limit water abstraction</b></li> <li>To strengthen <b>general awareness and facilitate exchange of good practice</b> in integrated water management issues in</li> </ul>	<b>Resources</b>	<b>TO 6</b>	<p><b>Large Infrastructure OP</b></p> <ul style="list-style-type: none"> <li>The extension and modernization of drinking water networks and waste water sewages and treatment systems and connection of the population to drinking water supply and waste water systems, including in rural areas, monitoring and drinking water quality; modernization of laboratories in order to improving monitoring substances discharged into the waters; improvement of hydro-morphological conditions of water bodies</li> <li>The development of waste infrastructure and services based upon the waste hierarchy; new/upgraded investments to comply with the landfill directive increase the waste recycling ratio as well as promotion of a more efficient use of resources; promotion waste as secondary raw materials/by-products</li> </ul> <p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Promoting efficiency in water use in agriculture through investment in more efficient irrigation systems on farms</li> </ul>

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<p>the Danube Basin among decision-makers at all levels and among the population of the Region</p> <ul style="list-style-type: none"> <li>To promote measures aimed at <b>reducing knowledge deficits</b>, developing and transferring tools, methods and guidelines concerning the <b>safeguarding of drinking water supply</b></li> <li>To further strengthen <b>Integrated Coastal Zone Management (ICZM)</b> and <b>Maritime Spatial Planning (MSP) practices</b> on the Western shores of the Black Sea</li> </ul>			
5) To manage environmental risks	<ul style="list-style-type: none"> <li>To develop and adopt one single <b>overarching floods management plan</b> at basin level or a set of flood risk management plans coordinated at the level of the international river basin</li> <li>To support <b>wetland and floodplain restoration</b> as an effective mean of enhancing flood protection, and more generally to analyse and identify the best response to flood risk (including "green infrastructure")</li> <li>To <b>extend the coverage of the European Floods Alert System</b> to (EFAS) system to the whole Danube river basin, to step up preparedness efforts at regional level (including better knowledge of each other's national systems) and to further promote joint responses to natural disasters and to flood events in particular, including early warning systems</li> <li>To <b>strengthen operational cooperation</b> among the emergency response authorities in the Danube countries and to improve the interoperability of the available assets</li> <li>To continuously <b>update the existing database of accident risk spots</b> (ARS Inventory), contaminated sites and sites used for the storage of dangerous substances</li> <li>To develop <b>rapid response procedures</b> and plans in case of industrial accidental river pollution</li> <li><b>Anticipate regional and local impacts of climate change</b> through research</li> <li>To develop <b>spatial planning and construction activities</b> in the context of <b>climate change</b> and increased threats of floods</li> </ul>	Resources	TO 5	<p><b>Large Infrastructure OP:</b></p> <ul style="list-style-type: none"> <li>Complete the <b>national system of risk identification and management</b> in the framework of the National Risk Assessment.</li> <li>Set-up and improve the <b>risk monitoring and prevention systems</b> in relation to identified risks. <b>Enhance professional emergency response services</b> at national level in order to respond to major national and international emergencies, including transnational cooperation in the framework of the Danube macro-regional Strategy</li> <li>Structural and non-structural measures in order to <b>reduce risks and damage from flooding, drought and erosion</b></li> <li>Strengthen <b>institutional and technical capacity of ESMNS</b> through collaborative solutions between different authorities</li> </ul> <p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Sustainable water management systems and practices to combat climate change through on-farm water storage zones, water-efficient cropping patterns and forest protection belts against erosion.</li> </ul>
6) To preserve biodiversity, landscapes	<p><u><b>Preservation of biodiversity and landscapes</b></u></p> <ul style="list-style-type: none"> <li>To contribute to the <b>2050 EU vision and 2020 EU target for biodiversity</b></li> </ul>	Resources	TO 6	<p><b>Large Infrastructure OP</b></p> <ul style="list-style-type: none"> <li>Protection of biodiversity through the development of</li> </ul>

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
and the quality of air and soils	<ul style="list-style-type: none"> <li>To manage <b>Natura 2000 sites</b> and other protected areas effectively</li> <li>To protect and restore most valuable <b>ecosystems and endangered animal species</b></li> <li>To explore together the appropriateness of reviewing the Convention Concerning Fishing in the Waters of the Danube</li> <li>To develop <b>green infrastructure</b> in order to connect different bio-geographic regions and habitats</li> <li>To <b>reduce the spread of invasive alien species (IAS)</b></li> <li>To <b>decrease the input of pesticides</b> into the environment of the Danube Region</li> <li>To <b>remove safely obsolete pesticides</b> and other obsolete chemicals in the area of Danube Region</li> <li>To prepare and implement <b>transnational spatial planning</b> and development policies for functional geographical areas (river basins, mountain ranges etc.)</li> </ul>			<p>management plans and investment in restoration and conservation actions</p> <p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Preserving and enhancing ecosystems dependent on agriculture and forestry through organic farming, agri-environmental and climate actions, including High Nature Value farming</li> </ul> <p><b>OP for Fisheries and Maritime Affairs</b></p> <ul style="list-style-type: none"> <li>Restoration and conservation of marine and inland water biodiversity within sustainable fishing, aquaculture and data and control activities</li> <li>Promote sustainable fishing activities in marine and inland waters; sustainable activities in aquaculture farms</li> </ul>
	<p><u><b>Preservation and improvement of the quality of soils</b></u></p> <ul style="list-style-type: none"> <li>To ensure appropriate <b>treatment of solid waste</b></li> <li>To <b>create standardised and compatible information on land cover</b> on transnational basis</li> <li>To raise <b>awareness about soil protection</b></li> </ul>	Resources Resources Resources	TO 4	<p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Actions to support the reduction in greenhouse gas emissions in agriculture and forestry, notably through the <b>exploitation of land management</b> and carbon sequestration potential</li> </ul>
			TO 5	<p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Conservation of soil and its carbon stock through land management practices such as low tillage, winter crops and afforestation</li> </ul>
			TO 6	<p><b>Large Infrastructure OP</b></p> <ul style="list-style-type: none"> <li>Rehabilitating of derelict and polluted sites, including decontamination preparation for their economic re-use</li> </ul> <p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Implementing measures to tackle the causes of abandonment of agricultural activities</li> </ul>
	<p><u><b>Improvement of air quality</b></u></p> <ul style="list-style-type: none"> <li>To <b>decrease air pollutants</b></li> </ul>	Resources	TO 4	<p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Actions to support the <b>reduction in greenhouse gas emissions in agriculture and</b></li> </ul>

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				<b>forestry</b> , notably through the exploitation of land management and carbon sequestration potential
			TO 6	<b>Large Infrastructure OP</b> <ul style="list-style-type: none"> <li>Development and improvement of the <b>National Air Quality Assessment</b> in line with the requirements of Directive 2008/50/EC and taking into consideration the requirements of INSPIRE Directive</li> </ul>
	<u><b>Education of people on the value of natural assets, ecosystems and the services they provide</b></u> <ul style="list-style-type: none"> <li>To <b>raise awareness</b> of the general public, by acknowledging and promoting <b>the potentials of natural assets</b> as drivers of sustainable regional development</li> <li>To <b>educate children and young people</b></li> <li>To <b>build capacities of local authorities</b> in the environment-related matters</li> </ul>			

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
<b>7) To develop the knowledge society through research, education and IT</b>	<ul style="list-style-type: none"> <li>To cooperate in <b>implementing the flagship initiative “Innovation Union of the Europe 2020 Strategy”</b> in the Danube Region countries</li> <li>To coordinate better national, regional and EU funds to <b>stimulate excellence in research and development</b>, in research areas specific for the Danube Region</li> <li>To <b>strengthen the capacities of research infrastructure</b></li> <li>To <b>strengthen cooperation among universities and research facilities</b> and to upgrade research and education outcomes by focusing on <b>unique selling points</b></li> <li>To develop and <b>implement strategies to improve the provision and uptake of ICT</b> in the Danube Region</li> <li>To draw up <b>internet strategies</b></li> <li>To <b>use e-content and e-services</b> to improve the efficiency and effectiveness of public and private services</li> <li>To <b>stimulate the emergence of innovative ideas</b> for products and services and their wide validation in</li> </ul>	<b>Competitiveness</b>	<b>TO 1</b>	<b>Competitiveness OP</b> <ul style="list-style-type: none"> <li>Supporting private RDI investments and research <b>partnerships between enterprises and research organisations</b> in order to foster the transfer of knowledge, technology and personnel with RDI advanced skills and to enable the RDI-based development of products and services in economic sectors with growth potential</li> <li>Promoting financial instruments aimed to support the risk of private investment in research and <b>innovation and to stimulate innovative start-ups and spin-offs</b></li> <li>Developing the <b>public and private research infrastructure</b>, both as part of existing/emerging clusters, centres of excellence and other types</li> </ul>

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Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	the field of the Information Society, using the concept of Living Labs			<p>of research structures (national / regional / EU), and in specific areas identified as priorities, based on existing potential and/or competitive advantage, such as health</p> <ul style="list-style-type: none"> <li>Unlocking <b>the potential for excellence in research and innovation</b> by creating synergies with the RDI actions of the EU framework programme Horizon 2020.</li> </ul> <p><b>Regional Programme</b></p> <ul style="list-style-type: none"> <li>Creation and Ddeveloping of innovation and technology-transfer support infrastructure in the public and private sectors, particularly in Romania's less developed regions, informed by the principles of smart specialization</li> </ul>
			TO 2	<p><b>Competitiveness OP</b></p> <ul style="list-style-type: none"> <li>Actions to promote <b>ICT adoption by business, including e-commerce</b> applications and innovation;</li> <li>Actions to develop <b>e-government instruments</b> for business and citizens (e-government 2.0);</li> <li>Actions to develop cloud computing and social media collaboration technologies</li> <li>Actions to provide <b>modern online public services</b> which ensure interoperability of different non-integrated systems, across sectors, regions and at national level, (increased coordination and efficiency of public resources to be promoted) and access to open standards for increasing transparency and administrative efficiency.</li> </ul>
8) To support the competitiveness	<ul style="list-style-type: none"> <li>To foster cooperation and exchange of knowledge between SMEs, academia and the public</li> </ul>	Competitiveness	TO 3	<p><b>Competitiveness OP</b></p> <ul style="list-style-type: none"> <li>Actions to <b>improve the productivity of SMEs and</b></li> </ul>

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
of enterprises, including cluster development	<p>sector in areas of competence in the Danube Region</p> <ul style="list-style-type: none"> <li>To improve <b>business support to strengthen the capacities of SMEs for cooperation and trade</b></li> <li>To support enterprises through <b>high performing training and qualification schemes</b></li> <li>To prioritise the effective implementation of measures provided for under the <b>Small Business Act for Europe</b></li> <li>To improve the <b>competitiveness of rural areas and in particular of the agricultural sector</b></li> <li>To <b>eliminate cross border barriers and bottlenecks to people and business</b> - Seamless Europe for a livable Danube Region</li> <li>To <b>improve framework conditions for SMEs</b> in areas where competitive infrastructure is missing</li> </ul>			<p><b>to provide to growth opportunities</b> and innovation, including supporting advanced technological investments, promoting creative industries, enhancing access to business planning support, to technical consultancy, international markets, to exporting advice and support.</p> <ul style="list-style-type: none"> <li>Actions to <b>improve access to finance</b>, including through the provision of an appropriate range of financial instruments.</li> <li>Actions to <b>network businesses</b>, to enhance knowledge spillovers and to facilitate their participation in supply chains, including those of international scale.</li> <li><b>Integrated actions - sites, skills, investment support</b> - to attract investment into Romania's less developed regions</li> </ul> <p><b>National Rural Development Programme</b></p> <ul style="list-style-type: none"> <li>Actions to improve economic performance of farms (including orchards), facilitate farm restructuring and modernization, increase market participation and orientation as well as diversification within agricultural sector, with particular focus on innovation and higher value-added (e.g. on farm renewable energy).</li> <li>Actions to facilitate inter-generational change including encouraging the establishment of skilled young farmers Actions to improve and adapt the <b>agricultural and forestry infrastructure</b>.</li> </ul> <p>Actions to improve the economic performance of primary producers by better integrating them into the agri-</p>

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				food chain and short supply circuits <b>OP for Fisheries and Maritime Affairs</b> <ul style="list-style-type: none"> <li>Investments in aquaculture: new units, modernization of existing units, diversification of species, improvement of the potential of aquaculture sites.</li> <li>Promotion of new sources of income, inside the sector (processing, marketing activities) Investment in fishing ports, shelters, landing sites and first sale sites.</li> <li>Improvement of working conditions related to health and safety onboard inland and marine fishing vessels;</li> <li>Support for the establishment, organization and functioning of producers-processing-marketing chain.</li> </ul>
			TO 11	<b>Administrative Capacity OP</b> <ul style="list-style-type: none"> <li>Actions to rationalize regulation and to reduce the burden of bureaucracy on businesses and citizens</li> </ul>
		People and society	TO 10	<b>Human Capital OP</b> <ul style="list-style-type: none"> <li>Better matching initial and continuing VET with LM needs, ensuring relevance of the training offer, giving priority to growth competitive sectors and/ or the traditional sectors with potential to grow, but also on the regional/ local growth potentials (emphasised under the Regional Development Plans), promoting partnerships among relevant stakeholders.</li> </ul>
9) To invest in people and skills	<ul style="list-style-type: none"> <li>To enhance performance of education systems through closer cooperation of education institutions, systems and policies</li> <li>To foster cooperation between key stakeholders of labour market, education and research policies in order to develop learning regions and environments</li> </ul>	People and society	TO 8	<b>Human Capital OP</b> <ul style="list-style-type: none"> <li>Supporting employability actions like individual counselling, work-based training, intermediate labour markets and encouraging entrepreneurship, taking into account the distinctive</li> </ul>

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> <li>To support <b>creativity and entrepreneurship</b></li> <li>To support the mobility of workers, researchers and students through <b>implementing the European Qualification Framework</b></li> <li>To jointly <b>analyse implementation gaps in lifelong learning (LLL)</b> policies and exchange best practices in implementation</li> <li>To improve <b>cross-sector policy coordination</b> to address <b>demographic and migration challenges</b></li> <li>To <b>fight poverty and social exclusion of marginalised communities</b> in the Danube Region, especially the Roma communities</li> <li>To implement the <b>actions undertaken in the Roma Decade</b> and to establish further actions to be implemented</li> </ul>			<p>structure of employment in Romania</p> <ul style="list-style-type: none"> <li>Supporting <b>the active aging measures</b>;</li> <li>Supporting self-employment actions, entrepreneurship and business creation, including through financial instruments</li> <li>A combination of targeted and mainstreaming actions to improve access to the labour market of long term unemployed, inactive, women, older workers, Roma people, disabled people and people with low levels of education and qualification, including those from rural areas</li> </ul> <p><b>National Development/Regional Operational Programme</b></p> <ul style="list-style-type: none"> <li>Creation of new small enterprises through business start-up aid for non-agricultural micro and small enterprises and development of non-agricultural activities in rural areas in relation with the development of small scale infrastructure</li> </ul> <p><b>OP for Fisheries and Maritime Affairs</b></p> <ul style="list-style-type: none"> <li>Diversification of the fisheries and aquaculture sector, by supporting the <b>creation of new small enterprises</b> and job creation in the field</li> </ul>
			TO 9	<p><b>Human Capital OP</b></p> <ul style="list-style-type: none"> <li>Integrated actions to address the needs of vulnerable persons, groups and communities, including actions to improve their educational participation, their integration in the labour market, their access to housing, social, health care and cultural services, and actions to combat discrimination.</li> <li>Exploiting innovative</li> </ul>



EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				potential of social economy models (including sheltered employment for vulnerable persons) to address societal challenges and/ or to support labour market integration of vulnerable groups and their transition to the business models, the development of local services where market models fail to deliver, thereby creating employment and social inclusion
			TO 10	<b>Human Capital OP</b> <ul style="list-style-type: none"> <li>• Improve governance and management of higher education institutions to improve the quality of teaching and research; increasing relevance of higher education programmes for the LM needs and <b>strengthening the partnerships between universities, business and research;</b></li> <li>• Better matching initial and continuing VET with LM needs, ensuring relevance of the training offer, giving priority to growth competitive sectors and/ or the traditional sectors with potential to grow, but also on the regional/ local growth potentials (emphasised under the Regional Development Plans), promoting partnerships among relevant stakeholders.</li> <li>• Modernising tertiary education through development of post-graduate studies and supporting internationalisation of higher education, including <b>advanced research and mobility</b></li> <li>• Supporting measures to promote quality and accessibility of VET, strengthening the capacity of IVT and CVT providers to</li> </ul>

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				deliver VET programs correlated with the LM demands.

EU Strategy for the Danube Region Pillar 4: Strengthening the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
10) To step up institutional capacity and cooperation	<ul style="list-style-type: none"> <li>To combat institutional capacity and public service related problems in the Danube region</li> <li>To improve the trust of citizens and stakeholders in political authorities</li> <li>To establish a <b>Danube Civil Society Forum</b></li> <li>To ensure <b>sufficient information flow and exchange</b> at all levels</li> <li>To facilitate the <b>administrative cooperation of communities</b> living in border regions</li> <li>To build <b>Metropolitan Regions</b> in the Danube Region</li> <li>To <b>review bottlenecks relating to the low absorption rate of EU funds and to ensure better coordination of funding</b></li> <li>To support the development of <b>local financial products</b> for business and community development</li> <li>To examine the feasibility of a <b>Danube Investment Framework</b></li> </ul>	Administration and Government	TO 11	<b>Administrative Capacity OP</b> <ul style="list-style-type: none"> <li>Create and implement an integrated strategic framework for human resources management in public sector and raise the professionalism and attractiveness of the public administration;</li> <li>Developing, introducing and supporting the use of management, monitoring and evaluation systems and tools for an <b>improved institutional and public services performance and change of organizational culture</b></li> <li>Support to improve the organisational and administrative capacity of judicial institutions the human resources, IT system, the accountability and transparency of the judiciary and access to justice.</li> <li>Support for enhancing integrity within judiciary through risk based analyses and tailor made preventive programs;</li> <li>Strengthening the overall efficiency of the national system for tracing, managing and recovering assets originating from crime;</li> </ul>
			TO 2	<b>Competitiveness Operational Programme</b> <ul style="list-style-type: none"> <li>Implementation of Open Data at the level of all public institutions in order to improving <b>online collaborative and electronic systems</b>.</li> <li>Increasing the use of e-government tools (including training for civil servants)</li> </ul>

		Competitiveness	TO 3	<b>Regional Operational Programme</b> <ul style="list-style-type: none"> <li>• <b>Actions to improve access to finance</b>, including through the provision of an appropriate range of financial instruments.</li> </ul>
<b>11) To work together to promote security and tackle organized and serious crime</b>	<ul style="list-style-type: none"> <li>• To support the Danube states in the <b>administrative cooperation and improvement of qualifications of law enforcement</b>, judicial authorities and other services</li> <li>• To improve target <b>collection and share key criminal information</b>; to draw a picture of the most significant threats in the countries involved; to produce a Serious and Organised Crime Threat Assessment (OCTA) for the Danube Area</li> <li>• To strengthen the <b>cooperation of Europol with Southeast European Co-operative Initiative</b> – Regional Centre for Combating Trans-border Crime</li> <li>• To develop further well-functioning <b>border-management systems</b></li> <li>• To intensify the prosecution of <b>Internet crime</b> (cybercrime)</li> <li>• To explore possibilities to extend the current pilot project on exchanges of <b>advanced customs information</b> in the Region</li> <li>• To address the topic of <b>better managing migration issues</b> in the Danube Region</li> <li>• To continue <b>demining</b> in the mine-suspected areas of the Danube area</li> <li>• To improve <b>food security</b></li> <li>• To establish standardised operational procedures for joint activities in case of <b>trans boundary technical-technological water traffic accidents</b></li> </ul>	Administration and Government	TO 11	<b>Administrative Capacity OP</b> <ul style="list-style-type: none"> <li>• Support to improve the organisational and <b>administrative capacity of judicial institutions</b> the human resources, IT system, the accountability and transparency of the judiciary and access to justice.</li> </ul>
		Competitiveness	TO 2	<ul style="list-style-type: none"> <li>• Modernization of the border points, where justified, through improvement of customs infrastructure, including IT systems and equipment, in order to remove bottlenecks and transit waiting time</li> </ul>

## Correlation with the Black Sea Strategy initiative:

<i>The Black Sea Strategy initiative: Potential Complementarity with Romania's ESI Funds Programming</i>	
Theme	Potential Relevance to ESI Funds Programming
security and surveillance	<ul style="list-style-type: none"> <li>Capacity building activities for the implementation of Marine Strategy Framework, Integrated Coastal Zone Management and Maritime Spatial Planning in the particular context of sustainable exploitation of marine waters and coastal zones in the Black Sea.</li> <li>Enhancement of professional emergency response services at national level in order to respond to major national and international emergencies, including transnational cooperation in the framework of the Danube macro-regional strategy.</li> </ul>
democracy and human rights	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
energy	<ul style="list-style-type: none"> <li>Potential investment in energy networks.</li> </ul>
transport	<ul style="list-style-type: none"> <li>Investment in inland waterways transport linking to short sea services.</li> <li>Investment in port infrastructure.</li> <li>Wider TENT-T investments which will improve surface connections of the Black Sea bordering countries with Europe.</li> </ul>
environment	<ul style="list-style-type: none"> <li>Environmental acquis-related and sustainable farming investments which reduce discharges into the Black Sea.</li> <li>Management of coastal zones and control of coastal erosion.</li> <li>Restoration and conservation of marine and inland water biodiversity within sustainable fishing, aquaculture and data and control activities</li> <li>Promote sustainable fishing and aquaculture activities</li> <li>environmental monitoring including monitoring of coastal erosion.</li> </ul>
economic social and human resources development	<ul style="list-style-type: none"> <li>Integrated development strategy for the Danube Delta</li> </ul>

## Complementarity with the Blue Growth Strategy

<i>Blue Growth: Relevance to Romania's ESI Programming</i>			
<i>Blue Economy Sectors</i>	<i>Relevance</i>	<i>Focus Areas</i>	<i>Relevance</i>
Coastal Tourism	Medium	Aquaculture	Low
Offshore Oil and Gas	Low	Coastal Tourism	Medium
Deepsea Shipping	Low	Marine Biotechnology	Medium
Short Sea Shipping	Medium	Ocean Energy	Low
Yachting and Marinas	Medium	Seabed Mining	Low
Passenger Ferry Services	Low		
Cruise Tourism	Low		
Fisheries	High		
Inland Waterway Transport	High		
Coastal Protection	High		
Offshore Wind	Low		
Monitoring and Surveillance	High		
Blue Biotechnology	Medium		
Desalination	Low		
Aggregates Mining	Low		
Marine Aquatic Products	Low		
Marine Mineral Mining	Low		
Ocean Renewable Energies	Low		

