



National Report

Regional Sustainable Development

Romania



Authors:

Tania Mihu, National Centre for Sustainable Development, Bucharest

Carmen Nastase, National Centre for Sustainable Development, Bucharest

REGIONET – Thematic Network: Strategies for Regional Sustainable Development, An Integrated Approach beyond Best Practice, EU 5th Framework Programme



National Centre for Sustainable Development

15, Alexandru Philippide Str., Sector 2, Bucharest, Romania
Tel: (021) 201 1410
Fax: (021) 201 1402
<http://www.sdn.ro>
e-mail: office@sdnp.ro

Introduction

This National Report on regional sustainable development in Romania has been written as part of the REGIONET project. REGIONET (Strategies for Regional Sustainable Development: An Integrated Approach beyond Best Practice) is a research project funded under the EU's 5th framework programme for research. The main objective of the project was to provide an integrated and interdisciplinary approach to support the implementation of sustainable development in regions across Europe.

The project team of REGIONET consisted of sixteen partners coming from fourteen different European countries (current and new Member States). Early on in the project's running time, the idea came up to use this opportunity and develop a comprehensive study about regional sustainable development in Europe. The high number of project partners (plus associated partners) allowed us to have seventeen storylines and a comprehensive picture of regional sustainable development policy-making across Europe.

In order to ensure comparability, the project team developed a concept for analysis. This concept was used by each national team as a template to carry out the review about regional sustainable development in their country. Out of the project's general objectives, the following main sections are covered within each National Report:

- *National background on regional development:* this includes not only the history of regional development in the country but also the political and administrative system and hierarchies as these are of major importance in giving a framework for policy-making. This section also includes a reflection about national initiatives for sustainable development.
- *Regional sustainable development:* in here, the National Reports reflect upon national and regional initiatives for regional sustainable development. An important aspect, too, is the role of Structural Funds in fostering sustainable development at the regional level and what the experiences of the regions are with Structural Funds programmes and Community Initiatives.
- *Multi-Level governance:* this section elaborates on the involvement of the different political/administrative levels in policy-making – from the EU, to the national and regional level – as well as the multi-level interaction between the different stakeholders. Additionally, it is analysed how cross-sector policy integration in regional sustainable development is carried out by the different levels.
- *Evaluation methods and tools for regional sustainable development:* the current evaluation methods, tools and indicators are described in this section. It also reflects upon the different types of measurements for regional sustainable development, and if a harmonization of the various methods and tools already takes place in Europe.
- *Analysis of regional sustainable development:* summarizes the practical experiences with regional sustainable development across Europe. This section also evaluates the general trade-offs, top-down and bottom-up relations as well as the future of European regional policy for the period after 2006 when new Structural Funds regulations will be implemented.

Therefore, this National Report of Romania gives a comprehensive overview of regional sustainable development. Together with the other reports, it makes up what is the first comparative study of regional sustainable development in Europe. In 2004, a book publication which will include all National Reports, together with an introduction and conclusion chapter, is planned. Please find further information and ordering details about this forthcoming book on the REGIONET project homepage: www.iccr-international.org/regionet.

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2. List of abbreviations

MDP – Ministry of Development and Prognosis

MEI – Ministry of European Integration

RDA – Regional Development Agency

NBRD – National Board for Regional Development

NARD – National Agency for Regional Development

RDB – Regional Development Board

ESA – European System of Account

NDP – National Development Plan

SMEs – Small and Medium Enterprises

NPAA – National Plan for the Adoption of Acquis

PEP – PreAccession Economic Programme

LA 21 – Local Agenda 21

CSF – Community Support Framework

NCSD – National Centre for Sustainable Development

Chapter 1: National background on regional development

a) Political and administrative system and hierarchies

Covering a total of 237 500 sq km, Romania is the largest country in the Balkans. Its longest border of 608 km is shared with Bulgaria to the South. A 450 km along the Prut River with the Republic of Moldova splits its 531 km northern border with the Ukraine. To the northwest lies a 476 km border with Yugoslavia while its western border with Hungary stretches 443 km.

Romania also has 245 km of Black Sea coastline, providing it access to the Mediterranean Sea through Turkey's Sea of Marmara.

a 140-seat Senate and a 345-seat Chamber of Deputies. The two bodies wield equal powers. Parliamentarians are elected through a proportional system at the national level by direct, popular vote to serve four-year terms. Elections are held every four years at the same time for both houses. The most recent elections were held in November 2000.

After the 2000 elections, the Social Democratic Party (PSD) has as a majority of seats in parliament. The Government is formed by the PSD and the Humanist Party of Romania (PUR), is supported by the Democratic Union of Hungarians in Romania (UDMR).

In accordance with the constitution adopted in 1991, Romania is a parliamentary republic. Its bicameral parliament consists of



Comparative Indicators

ROMANIA – EUROPEAN UNION

Nr. crt.	INDICATORS	MU	YEAR	ROMANIA	EUROPEAN UNION
1.	Population (1 January)	Thou. pers	2000	22.455,5	376.455*
2.	Total are	Km2	2000	238.391	3.191.000
3.	Population density	Inhab./km2	2000	94,1	118 ¹⁾
4.	Population change	%	2000/1999	-0,1	2,6 ¹⁾
5.	Structure of total population by age:	%	2000	100,0	100,0 ¹⁾³⁾
	-0-14 years	%	2000	18,5	17,4
	-15-64 years	%	2000	68,3	67,0
	-65 years and over	%	2000	13,2	15,6
6.	GDP	Bill. EUR	2000	39,9	7.974 ¹⁾
7.	GDP/capita	EUR/capita.	2000	1.779	21.238 ¹⁾
8.	Employment structure:	%	2000	100,0	100,0 ¹⁾
	-agriculture	%	2000	41,4	4,5
	- industry/constructions	%	2000	27,3	29,3
	-services	%	2000	31,3	66,2
9.	Unemployment rate ²⁾	%	2000	7,1	9,2 ¹⁾
10.	Infant mortality rate	‰	2000	18,6	5,5 ⁴⁾
11.	Life expectancy rate				
	-male	years	2000	67,0	74,6 ³⁾
	-female	years	2000	74,2	80,9 ³⁾
12.	Education level 25-59 years	%	2000	100	100 ¹⁾
	-low	% of total	2000	23,8	36
	-medium	% of total	2000	64,6	43
	-high	% of total	2000	11,6	21
13.	Inflation rate	%	1999	45,8	2,0

Sources: National Institute for Statistics; Eurostat Yearbook 2001; Unity, solidarity, diversity for Europe, its people and its territory 2001, Human Development Report 2000, Enlargement of the EU, June 2001

Notes: 1) – 1999; 2) – according to ILO methodology; 3) – 1998; 4) – 1997; * - estimated data.

Statistics	1998	1999	2000	2001
GDP per head (\$ at PPP)	4281	4299	4472	4827
GDP (% real change pa)	-4.82	-1.20	1.80	5.30
Government consumption (% of GDP)	7.10	5.69	6.94	6.34
Budget balance (% of GDP)	-2.78	-2.50	-3.60	-3.10
Consumer prices (ave. 5 annual change)	59.10	45.80	45.75	34.48
Public debt (% of GDP)	32.31	32.72	31.55	32.00
Labor costs per hour (USD)	0.65	0.55	0.56	0.58
Recorded unemployment (%)	10.42	11.84	10.45	8.59
Current-account balance/GDP	-6.93	-3.64	-3.69	-5.92
Foreign-exchange reserves (m\$)	2867	2687	3922	5442

Source: The Economist on site <http://www.oxfordbusinessgroup.com/country>, accessed January 5th 2003

The territorial-administrative structure of Romania comprises 263 towns (of which 84 municipalities) and 2,688 communes, representing the basic administrative level and corresponding to the NUTS IV statistical level. They are organized in 41 counties (judets) plus Bucharest, the capital of the country, corresponding to the NUTS III statistical level. Mayors and members of county, municipals and local councils are elected by popular vote.

The government authority responsible for relations with local government is the Ministry of Public Administration through the offices of county prefects. At national level the umbrella organizations for elected local officials are the Romanian Federation of Local Authorities and the Romanian Association of Municipalities. Municipal reform in Romania, like in most other Central European countries, was basically modelled after the European Charter of Local Self-governance.

During 1998-1999, a complex institutional framework for regional development was created with Phare assistance. On the basis of the provisions of Law No.151/1998 on regional development, 8 development regions have been established in Romania through voluntary association of neighbouring judets. These regions correspond to the NUTS II statistical level and represent the framework for the implementation of regional development policies; however, the regions are not territorial administrative units and have no legal personality.

According to the same law no.151, a Regional Development Board, as deliberative body, and a Regional Development Agency, as executive body, were established for each of the 8 regions. At the same time, at central level, a National Regional Development Board and a National Agency for Regional Development were established with deliberative and executive powers respectively. This institutional framework was meant to observe the objectives of the Government programme for economic and social development, as well as the principles and procedures used for the

allocation and management of Structural Funds in the EU Member States.

In the meanwhile, the former National Agency for Regional Development became the Ministry of Development and Prognosis (MDP) in 2001, representing the central institution in charge with coordinating the RDA's activities – in fact, being in charge with the real management of EU and Romanian funds for regional development. As well, the MDP is the institution responsible for the elaboration of the National Development Plan, incorporating the 8 regional development plans and strategies elaborated by the RDAs.

Although the Regional Development Agencies were to become programming, implementing and paying agencies for regional development projects to be funded from both pre-accession and government funds, their NGO status on the one hand, and their real capabilities on the other hand, prevented them from fully accomplishing their initial role. Thus, the Romanian RDAs do create the regional development plans, but the decentralization of funds and power/competencies is still far.

Ministry of Development and Prognosis

RDA 6 NORTH-WEST

director Claudiu COSIER

Cluj Napoca, Str. Sextil Puscariu, nr.2,
cod 3400, O.P.1, C.P.221
tel. mob.: 0744.574.468
tel./fax: 064-43.15.50
064-43.92.22
e-mail: adrnv@mail.dntcj.ro

RDA 7 CENTER

director Simion CRETU Alt

str. Decebal nr.12, cod 2500
tel. mob. 0744648031
tel 61.86.16
tel./fax: 0258-81.86.13
adcentru@abx.logicnet.ro

RDA 5 WEST-Romania

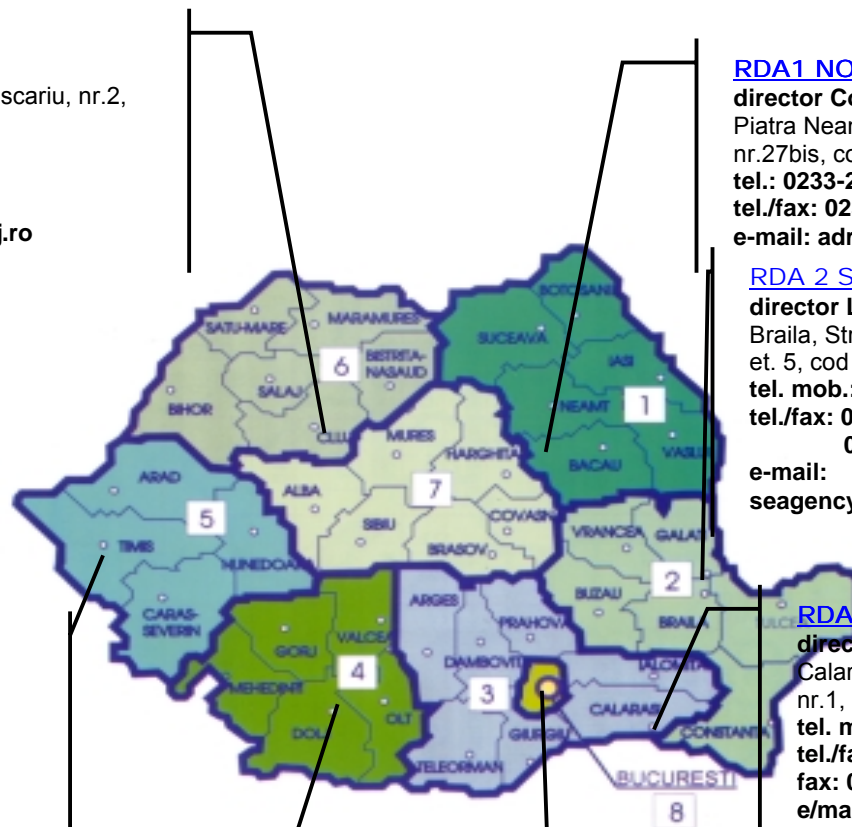
director Sorin MAXIM

Timisoara, Str. Proclamatia de la
Timisoara nr.5, cod 1900
tel. mob. 0722.306.236
tel.: 0256-19.19.23
tel./fax: 056-19.19.81
e-mail: office@adr5vest.ro

RDA 4 SOUTH-WEST Oltenia

director Marilena BOGHEANU

Craiova, Str. Unirii, nr.19, cod 1100
tel. mob. 0722.239.686
tel. 0251-41.49.04
tel./fax: 051-41.94.96
e-mail: adr4oltenia@icnet.ro



RDA1 NORTH-EAST

director Constantin APOSTOL

Piatra Neamț, Str. Alexandru cel Bun
nr.27bis, cod 5600
tel.: 0233-21.80.71
tel./fax: 0233-21.80.72
e-mail: adrnordest@adrnordest.ro

RDA 2 SOUTH-EAST

director Luminita MIHAILOV

Braila, Str. P-ta Independentei nr.1,
et. 5, cod 6100
tel. mob.: 0744.384.847
tel./fax: 0239-61.10.86
0239-62.34.03
e-mail:
seagency_ro@cibnet.flex.ro

RDA 3 SOUTH-Muntenia

director Ion MANOLE

Calarasi, Str.1 Decembrie 1918,
nr.1, cod 8500
tel. mob.: 0722.656.574
tel./fax: 0242-33.17.69
fax: 0242-31.31.67
e/mail:adr3sud@nex.ro

RDA 8 BUCURESTI-ILFOV

director Dan NICULA

București, Calea Victoriei nr.16-20, scara A,
et. 2, sector 1
tel. mob.: 0723.208.100
tel. 021-315.96.59
tel/fax : 021-315.96.65
e-mail: adrbi@home.ro

b) History of regional development

Context

During the communist decades, the centrally enforced model of economic development had the objective to fill the development gaps between judets by forced industrialization of all judets and a substantial diminution of territorial disparities, while economic efficiency criteria were totally neglected. The process resulted in a contradictory picture: an over-diversified industrial base established in all judets, complemented by the emergence of many localities heavy dependent on a single small or large industrial enterprise, usually operating in the heavy, chemical or engineering industry.

As a consequence, Romania ended up in a unique economic and social situation compared to the other CEE countries. The negative outcomes of the economic policy promoted by the single communist party were felt as early as the 1970s. The problems worsened over the 1980s and were exacerbated after 1990. These consequences are still felt today, when all the country's judets (NUTS III) are facing economic, social and environmental problems connected to the industrial restructuring process.

In the context of the political and socio-economic transformations that took place after 1989 all over Central and Eastern Europe, as well as in Romania, the EU concept of "regional development" progressively became an important component of the Romania Government policy, as it also represents a step in the overall process of accession to the EU structures.

Legal and institutional framework

With the support of the European Commission through Phare financing, the concept of "regional development" started to take form in Romania after 1990. The first Romania official initiative was the "Law on Regional Development" (Law 151/98) that took effect on the 16th July 1998 and specified the establishment of eight development regions and the creation of a Regional Development Board (RDB) and a Regional Development Agency (RDA), in each

such region, which will be responsible for the identification of regional development activities for their support through Regional Development Funds. At the national level, a National Board for Regional Development (NBRD), chaired by the Prime Minister, has been established, together with the National Agency for Regional Development (NARD), which one of the responsibilities is the management of the National Fund for Regional Development.

The Law No.151/1998 defines the objectives of the regional policy, the institutional framework, the competencies of the different institutions involved and the specific instruments of the regional development policy in Romania. According to the law, the objective of the regional development policy is to reduce the existing regional disparities and to prevent the emergence of new imbalances, by co-ordinating Government sectoral policies with the local and regional initiatives and resources, with a view to attaining sustainable economic, social and cultural development of all regions.

On the basis of the previous of Law No.151/1998 on regional development, the 8 development regions were established in Romania through voluntary association of neighbouring judets. These regions correspond to the NUTS II statistical level and represent the framework for the implementation of regional development policies.

Nevertheless, apart from the fact that these regions are not territorial administrative units and have no legal personality, they also do not correspond to the historical regions.

Indeed, historically Romania is divided into six distinct regions. Transylvania, the country's largest and most diverse province, extends throughout central and north-western Romania and includes most of the country's mountains, the Transylvanian Plateau, and the north-western plain. Bucovina, north-east of Transylvania, is a densely forested region in the Moldavian Carpathian Mountains. Moldova, Valahia and Banat share a similar physical makeup, where the landscape changes from mountains to hills and then to plains as one heads south. Finally, Dobrogea is a small plain where the Danube River ends its 2800

km journey through Europe north of Romania's largest Black Sea port, Constanta.

Even today, after 4 years since the country was divided into the 8 development regions, the majority of Romanians are not aware of this system. The MDP and the Regional Development Agencies have not been able to increase the level of regional identity as it stands today. On the other hand, people feel closer to the old historical division of the country in the 6 regions mentioned above. Thus, the public recognition of the new 8 development regions, as well as the Government will to decentralized power and funds to the Regional Development Agencies, are still key issues in the near future of regional development in Romania, in the context of pre-accession to the EU structures.

In accordance with the new calculation methodology of regional accounts stipulated by the European System of Accounts (ESA) 1995, the National Institute of Statistics has calculated the comprehensive data series for the Gross Added Value and Regional GDP for the period 1998-2000. These data series are published in the Statistical Yearbook of Romania - 2003. The eight development regions correspond to the statistical level NUTS II. They have a GDP per capita less than 75% of EU average (expressed in purchasing power parities), and are characterized by a number of critical economic indicators:

- Low levels of investment
- A higher than average unemployment rate
- Lack of services for people and businesses
- Poor basic infrastructure.

The existing data confirm that the economy is registering a positive trend, but there are considerable regional disparities. GDP per capita increased by 35.1% in 2000 compared to 1995 and the figures confirm that GDP is increasing in all regions, but some are increasing faster than the others.

Regarding the income, the North-East Region is at the lowest level and Bucharest at the higher level of the income ranking list, the average income

in Bucharest being 2 times higher than the average for Romania.

The explanations for these disparities trotted off by statistics are the following:

- the rapid increasing of the financial, banking, insurance and consultancy activities in the region Bucharest-Ilfov, these services contributing to enterprises support;
- the high rate of employment of persons highly educated (high school and higher education) favouring the development of services sector;
- the large scale investments in the telecommunication sector (especially at ROMTELECOM).

Bucharest - Ilfov Region has increased its share of GDP, Center Region has managed to maintain its share whilst all other regions have seen a decline of their share of GDP.

About 2 thirds (65 %) of enterprises (local units) actively engaged in economic activities in Romania function in the trade sector. A much higher proportion, higher than average, is reported for North-East, South-East, South and South-West Regions, whilst a lower proportion reported for West, North-West, Center and Bucharest - Ilfov Regions is in between.

Almost 15% of all enterprises in Romania work in manufacturing, 5 in transport and communication and 8 in financial business services. Bucharest - Ilfov Region is widely associated with the growth of enterprises in the financial and business services sector, while North - West and Centre Regions have a relatively higher proportion of manufacturing enterprises.

In terms of value added, however, we have a different picture of development. Manufacturing contributed for about 30 % of Gross Value Added (income creation) in Romania whilst the figure for the trade sector was only around 15 %. The corresponding figure for agriculture, as well as for the sectors of transport and communications taken together, was about 10-12 %. Most interesting is the relatively high figure for the financial, banking and insurance sector, which accounted for about 15% of Gross Value Added in Romania and in Bucharest - Ilfov Region this figure reached a high record (27 %). Also West and North-West Regions had a relatively high share of

value added by financial and business sector.

Seen from the demand side the gross investments appear to have played a leading role in manufacturing in North-East and Center. Gross investments in the energy sector have played a leading role in South-East, South-West and North-West. Investments in telecommunication were high in Bucharest - Ilfov.

The presence of SMEs in the economy of the regions is relatively similar and relatively low, the number of SMEs per 1,000 inhabitants ranging between 12.18 and 19.41. In Bucharest–Ilfov region (in fact, Bucharest Municipality) their presence is more numerous, being twice as much compared to the rest of the country (35.47).

In 2001, approximately 11% of the total active SMEs were operational in industry, especially in the regions located in the western, northern and central parts of Romania – Center Region (15% of the total economically active SMEs in the region), North-West Region (14%), West Region (13%) and North-East Region (11%). This situation is due to the fact that agriculture is preponderant in the southern regions, the industrial sector lacking the necessary conditions in order to develop an efficient activity (raw materials, in principal).

The agricultural and construction sectors are not attractive enough for the SMEs field, less than 4% of the total SMEs operating in these sectors. At regional level, the distribution of SMEs is relatively uniform in these sectors.

According to their size, most of the SMEs are micro enterprises (92.5% at national level and between 90 and 94% at regional level of the total active SMEs in 2001), only 6% at national level and between 6% and 19.7% at regional level of the total SMEs being small enterprises and 1.7% at national level and between 6.5 and 18.9% at regional level of the total SMEs being medium sized enterprises.

The National Development Plan Romania's National Development Plan (NDP) represents a programming instrument necessary in order to achieve the complex objective of social and economic cohesion. The NDP is a

document expressing Romanian's efforts to adopt the best European practice in the field of regional development, being coherent and compatible with the planning and programming documents used by the EU Member States.

The NDP 2000-2002 was elaborate in accordance with the National Programme for the Adoption of Acquis (NPAA), with the provisions of the Law no.151/1998 on regional development in Romania and with those of the EC Regulation no. 1266/99 on co-ordinating aid to the applicant countries in the framework of the pre-accession strategy. This document was endorsed by the National Board for Regional Development and approved by the Government of Romania, according to the legal procedures in force.

This was the first programming document that was elaborated in Romania in market economy conditions and it was designed on the basis of both information coming from the territory through the Regional Development Plans drafted by the Regional Development Agencies, and the plans and strategies elaborated at national level by ministries and other institutions involved in regional development.

The concept of NDP content and role has evolved, compared to the approach of the NDP 2000-2002, resulting from particularly through economic and social analyses undertaken at the sectoral and regional levels.

The process of preparing the NDP 2002-2005 included several stages of consultations, both with ministries and with Regional Development Boards, through their executive bodies – the Regional Development Agencies (RDAs). Additionally, it included unprecedented meetings between ministries and the Regional Development Boards, which represent a first step toward correlating sectoral with regional plans.

National Development Plan contains five sections:

- I. Romania's Economic Strategy
- II. Sectoral And Regional Analyses And The Identification Of The Priority Issues

- III. The Development Strategy
- IV. Implementation Of The Ndp's Development Sectoral And Regional Measures And Programs
- V. Financial Programming By Development Axes

I. ROMANIA'S ECONOMIC STRATEGY

This section summarises the development strategic framework promoted by Romania's Medium – Term National Strategy of Economic Development, updated and further developed by Pre-accession Economic Programme (PEP) elaborated in September 2001. In fact, PEP represents the basis on which NDP was set and abroad framework in which the NDP's development priority objectives will be achieved, by implementing sectoral and regional national programs and projects.

II. SECTORAL AND REGIONAL ANALYSES AND THE IDENTIFICATION OF THE PRIORITY ISSUES

This section includes a description of the current situation, namely an *analysis* based on recognized and justifiable data sources. This analysis:

- Places the situation in Romania within the global and EU contexts;
- Examines and analyses current conditions at national and regional levels;
- Identifies the priority issues for the period 2002-2005 and
- Points a way forward into the period of the next national plan cycle in line with the policies of the Government.

The sectoral analyses part approaches economic fields of national importance: industrial activities, SMEs, tourism, transports and other types of infrastructures, human resources, agriculture and rural development, environment, research, technological development, innovation and IT.

These analyses underpin the SWOT analyses. Among the strong points identified, the most important are: qualified labour force, the basic infrastructure existing in the former

industrialized areas, SMS's high absorption potential. Among the weak points identified, the most relevant are the delay in the privatisation and the restructuring process, weak infrastructure endowment, old and polluting technologies, emigration of high-qualified young people.

Regional analyses point out that the disparities within the Regions, between the counties, towns and communes, are much larger than those between the Regions themselves. Each Development Region comprises both relatively developed and underdeveloped areas. The counties where the most difficult problems may be encountered are those currently affected by the impact of the industrial restructuring process and those predominantly agricultural.

The existence of large number of areas with problems related to economic restructuring and underdeveloped makes it difficult the zoning process in Romania. The process is nevertheless necessary, in order to priorities and address the urgent issues facing certain territories – high unemployment, low incomes, substantial emigration flows, depopulation etc., so as to prevent the deepening of territorial discrepancies.

The zoning exercise resulted in the identification of three types of zones: industrial restructuring zones, which also have potential for economic growth, disadvantage zones and assisted zones. The criteria used for zoning process, as well as the characteristics of the identified zones are described in NDP.

The analyses carried out were used to

- Identify the problems that need to be overcome i.e. the *needs*;
- Determine the strategic axes that should be used to priorities activity;
- Show further detailed "*priority direction*" and "*objective*";
- Determine broad "*measures*" in line with the priority directions and objectives;
- Formulate "*actions*" such as "*programme*" and "*projects*" that can be carried out *consistent with the level of available resources*;
- Draw up a detailed process of implementation, management, monitoring and evaluation.

III. THE DEVELOPMENT STRATEGY

Strategy Formulation. MDP used SWOT analyses prepared by Ministries and Regions, in conjunction with the own analysis, to identify priorities for action in the form of *strategic axes*. The MDP sought to achieve consistency between sector and regional positions by close liaison and consultation. The strategic axes are intended to guide the detailed policies, strategies and objectives of the Ministries, Regions, Local administrations and others as appropriate.

The adopted strategy of the NDP for the period 2002-2005 was articulated according to the following priority development axes:

- Axis 1. Developing the productive sector and related services, strengthening competitiveness of economic activities and promoting the private sector
- Axis 2. Improving and developing the infrastructure
- Axis 3. Strengthening human resources potential, workforce ability to adapt to market demands and improving the quality of social services
- Axis 4. Supporting agriculture and rural development
- Axis 5. Protecting and improving the quality of the environment
- Axis 6. Stimulating scientific research and technological development, innovations, communications, information technology and setting up an information society
- Axis 7. Improving the economic structure of the regions

The first 6 priority axes practically reflect all the facets of the 'sustainable development' concept. The importance that Government sets on regional policy is highlighted by the establishment of the 7th axis. Within the individual regional strategies, the first 6 strategic priorities will be applied as a way of prioritising activity at regional level. In this way, NDP respects the recommendation of the EC, namely the regional priorities to be integrated with the national ones, and resources to be geographically concentrated, in order to get a positive impact.

IV. IMPLEMENTATION OF THE NDP'S SECTORAL AND REGIONAL DEVELOPMENT MEASURES AND PROGRAMS

This section describes the role of the institutions involved in the implementation of sectoral and regional policies and the basic principles that must be respected: partnership principle, geographical concentration of funds, as well as the EU policies like competition policy, environment protection and equality of chances.

V. FINANCIAL PROGRAMMING BY DEVELOPMENT AXES

This section includes the programming of financial resources, necessary in carrying out the priorities established by the National Development Plan. It illustrates the two-fold purpose of the NDP, namely: a) an instrument for substantiating and financing the sectoral and regional development measures and programmes, carried out through funds from the State Budget, including state-secured loans; b) an instrument for substantiating Romania's access to financial assistance from EU Structural and Cohesion Funds, within the framework of the Accession Partnership.

The financial programming of sectoral and regional objectives, measures and/or programmes emerging from the sectoral and regional strategies, was prepared in close connection with the process of working out the State Budget for 2002 and with national budgetary guidelines for the 2003-2005 period. The financial tables distinctly point out the domestic and the foreign financing sources, by field of action and by development objective, development measures and/or programmes, included in the sectoral and regional strategies.

The financial programming of priorities at the level of Regions is more comprehensive than the one devised in the previous NDP. It is an attempt to identify, within Development Regions, as numerous as possible of economic and social programmes, irrespective of financing source: national budget, local budgets, private sources and foreign financing sources, including the pre-accession assistance funds PHARE, ISPA and SAPARD.

c) National initiatives on sustainable development

The reform and modernization process in Romania has been largely driven by the demands of a difficult transition from a totalitarian communist system and a centrally planned command economy to pluralistic democracy and functional market economy. As a result of incremental steps, the basic legislative and institutional framework for mature democracy and market economy are now in place. Further refinements are currently being introduced toward improving secondary legislation and regulatory mechanisms, reducing bureaucratic red tape, and enhancing the professional effectiveness and democratic accountability of central and local administration with a greater emphasis on the application of the principles of sustainable development, decentralized decision making, and good governance.

On the conceptual side, a **National Strategy for Sustainable Development** with a time horizon to 2020 was developed starting 1997 and endorsed by the Government in 1999. A National Centre for Sustainable Development was established in 1997 with UNDP support to act as a specific entity for the coordination of relevant activities countrywide. An early draft of the Medium-term National Development Strategy was produced in 2000, followed in 2001 by a more comprehensive Action Plan, with clear responsibilities and deadlines, outlining the Government's goals and priorities for the duration of its political mandate. Parallel to that, a Government Strategy for the acceleration of public administration reform at central and local level was developed in 2001 and was followed by relevant legislative and regulatory action.

According to the Romanian National Sustainable Development Strategy, sustainable development means "progressive improvement and preservation of the population's well-being, paired with rational use of natural resources and conservation of ecosystems". Its fundamental objective is an increased standard of living and prosperity for individuals and society as a

whole at the national level, as well as economic development within the sustainability limits determined by the natural capital in a way that guarantees the quality of life for future generations.

Furthermore, Romania will need to earmark sustainability larger financial resources to protect the environment, develop the administrative capacity required to implement the necessary measures and would also have to harmonize its legislation with that of the European Union. These laws require a massive investment and considerable efforts on the part of administrative bodies – full compliance with the European norms could be guaranteed in the long-run.

The present strategy allows to Romania to gradually eliminate most of the deficiencies and in the long run to satisfy the European requirements and standards, which implicitly means to meet requirements for a sustainable development, including an adequate legislative framework.

The main objectives of the National Development Strategy are the following:

- To guarantee the public health. To ensure complementarity and correlation among all economic and social sectors for the purpose of sustainable human development.
- To establish those sectors that could potentially be competitive as priorities for sustainable development in the context of the overall international trends and in accordance with the international commitments Romania has made.
- To adjust the size of social and economic structures, to reshape them and to transform them into a sustainable system. To ensure the continuous and stable improvement of the standard of living in accordance with the requirements of EU integration.
- To stop the deterioration of the country's natural capital and to start rebuilding it.
- To develop a coherent legislative and institutional framework, compatible with that of the EU countries, and to

consolidate the democracy by encouraging civic participation.

- To create human resources meeting the international scientific, technological and information standards in all social and economic sectors.
- To ensure continuous monitoring and evaluation of economic, social, ecological performance within a system of quantitative indicators.

The consultation process leading to the formulation of the National Sustainable Development Strategy and subsequent action plans encompassed participants from all categories of stakeholders, including political parties, central government ministries and specialized agencies, trade unions, employers federations and professional business associations, the academic community, and a large number of NGOs.

Among the problems identified in the process of preparing the National Sustainable Development Strategy was the fact that several working sessions had to be devoted to the clarification of basic definitions of concepts that the drafting committee was suppose to operate with. That proved to be a sound investment enabling more effective work in the subsequent stages.

Indeed, various associations of the civil society and business community have limited knowledge about the principles of sustainable development. That accounts for their timidity and lack of confidence that they can really make a difference within the community. The scarcity of proper, user-friendly manuals and other documentation material is largely responsible for this situation. Sporadic and not very professional coverage of subjects related to sustainable development by the media is also a factor. The media also appears to be notoriously reluctant to report on the obvious success stories.

However, some changes are noticeable: the concept of “sustainable development” can be now found in key documents such as the Phare Fishes for 2001 and 2002 for “Economic and social cohesion”. Furthermore, as mentioned above, the first 6 priority axes of the National

Development Plan also reflect the different sides of sustainable development: economic, social, environmental, etc. Nevertheless, although the National Sustainable Development Strategy and the corresponding Action Plan exist, the relevant national, regional or local stakeholders did not make significant steps for transforming the theoretical concepts in practice.

Chapter 2: Regional sustainable development

a) National initiatives linked to regional sustainable development

As mentioned above, a National Sustainable Development Strategy with a time horizon of 20 years was elaborated starting 1997. The draft was subject to public debates, after which the final document was elaborated, based on the recommendations and suggestions of the participants to the debates. Endorsed by the Romanian Government in 1999, the elaboration of the strategy was a result of a UNDP project coordinated by the National Centre for Sustainable Development, and involved different actors both at national and local level from the public, private and civil sectors.

However, at the time, the regional development system – meaning the legal and institutional framework at regional and national level – was only beginning. The importance of the two concepts of “sustainable development” and “regional development” was just starting to emerge in Romania. Therefore, regional development was not a key part of the national strategy for sustainable development. Nevertheless, the Strategy makes reference to the ex-NARD (presently MDP).

The creation of an institutional framework to allow the implementation of the National Strategy for Sustainable Development presupposes an adaptation of the public authority structure at executive level and a permanent co-operative and partnership relation to all segments of the society.

The government will survey the implementation of the strategy through ministries, governmental agencies, and autonomous organisms and will co-ordinate the elaboration of strategies in different fields. An important role will be played by the National Regional Development Agency, which, by proposing concepts tested in 8 development regions, will provide the framework for the implementation and assessment of a sustainable development policy in a regional context”

For the time being, though both concepts were mentioned in national documents on regional development and sustainable

development respectively, they were not yet recognized as complements.

b) Regional initiatives linked to regional sustainable development

As already mentioned, the regional development concept and system are new for Romania, as they appeared as a pre-requisite for its accession to the EU structures. Therefore, regional initiatives linked to regional sustainable development are yet hard to be officially recognizable. Without necessarily knowing the notion of “sustainable development”, the 8 development regions are nonetheless aiming for such an impact through their plans and actions in the form of programmes and projects.

However, action has been taken at local level, continuing the national initiative of the strategy on sustainable development (SD). Experience in other countries has shown that Local Agenda 21 (LA21) strategies are important mechanisms for encouraging sustainable development, both in terms of the concrete outputs and the process. Again with the UNDP support, the project “Building Local Capacities to Implement Local Agenda 21 in Romania” started in January 2000 and was implemented by the National Centre for Sustainable Development. The project has as main objective to enhance the capacities of local authorities, to foster a participatory and multi-sectoral development planning process and to contribute to the implementation of the national SD strategy through the preparation of Local Agenda 21s and strategic action plans addressing priority sustainable development concerns of their respective constituencies.

LA21 initiatives were launched in 9 pilot cities:

- Iasi – Development Region 1 North-East
- Galati – Development Region 2 South-East
- Giurgiu – Development Region 3 South- Muntenia
- Ploiesti – Development Region 3 South-Muntenia

- Ramnicu Valcea – Development Region 4 South – West Oltenia
- Baia Mare – Development Region 6 North West
- Oradea – Development Region 6 North West
- Targu Mures – Development Region 7 Center
- Miercurea Ciuc – Development Region 7 Center

The project was prepared following consultations with the concerned government agencies (National Agency for Regional Development, National Agency for Small and Medium Enterprises, Agencies for Environment Protection, Local branches of Romsilva etc.) and local authorities (Municipalities and Local Governments), non-governmental organizations (CENTRAS, Pro Democratia, People and Environment, Centre for Public Administration, Association of Employers) and international organizations (International Institute for Sustainable Development-IISD, Ws Atkins UK) and bilateral donors active in Romania.

The project ends in January 2003. At local level, with some exceptions, the concept and the principles of sustainable development proved to be totally ignored, as strategies and actions are based on sectoral non-integrated approaches. There was no active cooperation among actors participating in local governance. In addition, there was a complete lack of involvement and active participation of the population to the decision-making mechanism. This is partly due to lack of information and understanding of democratic principles and the prevalent attitude that there cannot be any public influence within the decision-making system.

Under these circumstances, the LA21 process ensures that an integrated approach for local development will be adopted rather than planning along sectoral lines. Second, it ensures greater participation of the public in the decision making process. LA21 provides a framework for analysis and a focus for debate on sustainable development (including the three integrated pillars: economic, social and environment). It enhances the process of negotiation,

mediation and consensus building on priority issues. The project establishes bonds of “horizontal decentralization” among relevant actors, such as NGOs, neighbourhood authorities, private sector, academic institutions, professional association, etc. to form partnerships for “civic engagement”.

This has been achieved through support in the following selected key areas:

- Development of a framework for debates and integrated formulation of policies on sustainable development;
- Introduction of sustainable development concept and its principles at all levels of formal and informal education;
- Enhancement of the awareness, knowledge and capacity of local media and the civil society to understand and to communicate on local sustainable development challenges and opportunities.

Considering the excellent results of the pilot phase and the accumulated experience of teamwork with adequate methodologies and techniques, the Government of Romania decided to expand the Local Agenda 21 program nationwide to 40 more municipalities over the period 2003-2007. An Agreement to that effect was signed, on 29 August 2002, by the Ministry of Public Administration, Ministry of Waters and Environment Protection, Ministry of Public Works, Transport and Housing, Romanian Federation of Local Authorities, and the UN Development Programme. In view of the importance of local development planning for the design of regional development schemes according to the EU standards, the Ministry of Development and Prognosis also decided to participate in the expanded LA 21 program. The commitment of the main actors was further confirmed through practical actions involving Cabinet Ministers and other high Government officials.

In 2003 thirteen Romanian cities: Arad, Bolintin Vale, Campina, Falticeni, Medias, Pitesti, Sibiu, Sighisoara, Slatina, Targoviste, Targu Jiu, Vatra Dornei and Zimnicea started the implementation of LA21.

c) Structural Funds and sustainable development

The European Union, through its *Phare* Programme, has started a programme of support to the Government of Romania, the intention of which is to assist the Romanian authorities in the formulation of a modern approach to regional policy, and to prepare for receiving assistance from the Structural Funds when becoming a member of an enlarged EU.

The first steps, in this respect, were taken by the Phare Regional Policy Analysis and Development Project during the period 1996-1998. This project produced the "Green Paper on Regional Development" which outlined a potential framework for the Government of Romania to introduce and pursue regional development actions. On the basis of the acceptance of the recommendations contained in the Green Paper, by the Government of Romania, the EU indicated a wish to provide further assistance in the area of regional development.

This emerged in the form of the 1997 Phare Regional Development Institution Building Programme (RDIPB), which provided technical assistance to the Government of Romania to set up "core" institutions for regional development purposes. This is how the Law No. 151/1998 came into being, establishing the legal and institutional framework for regional development in Romania.

Ever since, the European Union is supporting in a very consistent way to establishment and strengthening of the regional development institutions as key actors in charge with the elaboration of the regional strategies and plans and their implementation through regional development funds for investment projects. Thus, the Regional Policy and Cohesion Sub-Programme of the 1998 Phare National Programme built upon and developed the approach adopted by the EU by providing:

- Around 18 million Euro investment funds to finance investment projects for industrial restructuring, human resources development and rural development;
- Around 15 million Euro of technical assistance to develop management experience in relation to the pre-accession instruments and to prepare

projects to be financed as soon as the pre-accession instruments are available for the associated countries (starting with 2000).

The Phare 1998 National Programme is now closed, whereas Phare 2000 – the Economic and Social Cohesion (ESC) Sub-Programme is still under contracting and Phare 2001 is beginning. All Phare funds for regional development are oriented towards two main components: institution building and investments, while the measures and projects to be financed under each component may vary from one Sub-Programme to the next, according to the National Development Plan on one hand; and to the strategies and development priorities of each region on the other. Although the concept was new until recently (see above), already from the Phare Fiche 2001 and 2002, "sustainable development" appears as a desirable impact.

In agreement with the EU Commission, beginning with 2001, Phare funds for regional development will be concentrated in the identified 11 industrial restructuring zones with growth potential, excepting the large infrastructure projects, which will be financed in all regions, on condition of meeting the eligibility criteria. The Contracting Authority for Phare ESC is the Ministry of Development and Prognosis.

ISPA (Instrument for Structural Policies for pre-Accession) is the second non-reimbursable financial instrument to assist the candidate countries in the preparation for the EU accession. ISPA provides financial support for investment in the areas of environment and transport, in order to speed up the compliance in accession countries with European legislation in these two sectors. By its nature, ISPA finances investments in infrastructure projects only if the relevant documentation (feasibility studies) proves that the estimated overall economic, environmental and social impact is in accordance with the principle of sustainable development.

According to the European Commission, Romania will be granted between 240-270 million euro per year, Romania being the second largest recipient, after Poland.

For ISPA –transport, the priority is given to investments related to the integration of the Romanian transport system with that of the EU and the future Trans European Network (TEN). Priority is also given to improve transport links with other candidate countries, as well as to improve the national transport system by eliminating missing links.

The main priority for the ISPA-environment is to assist Romania to comply European environmental legislation. Priorities are in particular given to drinking water, waste water treatment and solid waste disposal. The National Environmental Action Plan (NEAP), drawn up in 1995 (latest version 1999), was updated in compliance with the National Plan for the Adoption of the Acquis Communautaire in order to provide a key instrument for setting the measures within the European integration process.

In August 1998, by Governmental Decision, an Inter-Ministerial Committee has come into existence in order to implement the NEAP, which requires the integration of environmental policies within those of other sectors (industry, agriculture, transport, physical planning and health). In November 1999 the new version of the NEAP was prepared the NEAP – the updated version authorized by Government Decision in late 1999, includes 286 projects, out of which 233 priority projects on the list for short term and 53 on the list for medium term. The total value of the priority projects included on the list for short term is estimated at 2276.5 million EURO. The Romanian Government is expecting to provide some of the finances for these priority projects, and indeed is in the process of establishing a National Environmental Fund as a co-financing facility. However it will be necessary for international sources of funds to play an important part in their implementation. ISPA is recognized as a key funding source, and all projects selected to apply for ISPA funding are incorporated within the NEAP. At the moment, 13 projects, with a total ISPA grant value of 358,405,550 Euro, for the rehabilitation of drinking water, sewerage and wastewater treatment facilities in 13 cities are approved and being implemented. Other projects are on the pipe-line, ready to be financed.

The Contracting Authorities for ISPA are

the two Romanian ministries for Environment and for Transports respectively.

SAPARD (*The Special pre-Accession Programme for Agriculture and Rural Development*) is the third non-reimbursable financial instrument that aims at helping candidate countries deal with the structural reform in their agricultural sectors and rural areas, as well as in the implementation of the *acquis communautaire* concerning the CAP (Common Agricultural Policy) and related legislation.

For the period 2000-2006, Romania is to receive 150 million Euro / year, being the second largest recipient after Poland. Additionally, 50 million euro is provided by the Romanian Government. SAPARD finances major agricultural and rural development projects. Romania has identified four priority measures to be financed under this programme:

- Improving processing and marketing of the agricultural and fishery products;
- Development and improvement of rural infrastructure;
- Development of the rural economy (Investment in agricultural holdings: Economic diversification: Forestry);
- Development of rural resources (Improving of the vocational training: Technical assistance, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns).

The Contracting Authority is the SAPARD Agency, a relatively new institution striving to produce the procedures for contracting, monitoring and paying projects financed under SAPARD. According to the Emergency Ordinance No.142/2000, the SAPARD system is following the regional structure for development as defined by Law 151/1998. Thus, there are a central SAPARD Agency and 8 regional offices implementing the programme in each of the 8 development regions, following the regional development plans and strategies as mentioned above. The first implementation exercise of the SAPARD Agency in Romania is based on two investment measures: 'Improvement of the processing and marketing of the agriculture and fish products', and 'Development and improvement of rural structure'.

Chapter 3: Multi-level Governance

- a) Regional issues and cases which involve EU, national and sub-national coordination

Co-ordination

The Ministry of European Integration (according to Government Decision No 1075/25.10.2001 establishing its organisation and functioning) co-ordinates the preparation of the strategy for Romania's accession to the European Union and ensures the co-ordination of the pre-accession instruments and of the external assistance programmes.

The Ministry of Public Finance (according to Government Decision No 18/4.01.2001 establishing its organisation and functioning, amended by GD No 318/15.03.2001) is authorised to manage the financial contribution of the European Community under the conditions established through the Agreement Memoranda concerning the establishment of the National Fund and the establishment of the PHARE Central Finance and Contracting Unit as well as through the Financing Memoranda concluded or agreed upon between the European Commission and the Romanian Government, based on the framework agreement.

The Ministry of Development and Prognosis (according to Government Decision No 16/2001 establishing its organisation and functioning, amended by GD No 340/2.03.2001) is responsible with promoting and co-ordinating the regional development policy at national and regional levels. To this purpose, the Ministry of Development and Prognosis fulfils the following attributions:

- drawing up the draft National Development Plan and submitting it to the NCRD for endorsement and to the Government for approval;
- drawing up the regional development programmes and proposing them to the NCRD for financing; elaborating the necessary criteria, priorities and procedures for financing the programmes and projects in its field of activity;
- providing the financial and technical management of the NFRD;

- it is the Implementing and Payment Agency for the Phare – Economic and Social Cohesion Component, ensuring the financial and technical management of the sub-programmes;
- it is the Implementation Authority for the Phare – Cross-Border Co-operation Programme (at the Romanian-Hungarian border and the Romanian-Bulgarian border), ensuring the identification and programming of the projects on the basis of the priorities agreed upon, their compliance and framing in the accession strategy and the sectoral programmes, the implementation of these programmes as well as their procedural and administrative management.

The Ministry of Labour and Social Solidarity (according to Government Decision No 4/4.01.2001 on its organisation and functioning) has attributions in ensuring and co-ordinating the enforcement of the governmental social strategy and policies in the field of labour, social protection and solidarity, in drawing up the National Action Plan for Employment. In this respect, the MLSS:

- draws up policies, programmes and national plans in the fields of employment, professional training and equal opportunities on the labour market, and exercises control on the way in which they are carried out by the National Agency for Employment and the National Council for Adults Vocational Training;
- draws up employment and vocational training programmes for labour integration of disadvantaged persons;
- promotes programmes, proposes agreements and implements international collaboration projects in the fields of employment and equal opportunities on the labour market and attracts financing resources for them.

The National Agency for Employment (according to Law No 145/1998 regarding its establishing, organisation and

functioning, amended by Government Emergency Ordinance No 294/2000) has as main objectives the enforcement of strategies in the field of employment and vocational training and measures of social protection for the unemployed persons. By Government Decision No 260/2001 amending GD No 4/1999 on the approval of the status of the National Agency for Employment and Vocational Training, this institution has also been assigned the role of implementing ESF programmes.

The Ministry of Agriculture, Food and Forestry (according to Government Decision No 12/4.01.2001 regarding its organisation and functioning, amended by GD No 440/3.05.2001) has attributions in:

- preparing the national strategy for agriculture and rural development and the national fishing strategy;
- assuring the co-ordination of technical and financial implementation of the special pre-accession instrument for agricultural and rural development – the SAPARD Agency.

The Ministry of Public Works, Transport and Housing (MPWTH) - (according to GD No 3/4.01.2001 regarding its organisation and functioning) has attributions in drawing up the national strategy for the development of the transport infrastructure. As an ISPA co-ordinator in the field of transports, the MPWTH, through its specialised direction, has as main attributions:

- drawing up the ISPA financing and implementing strategy;
- co-ordinating the ISPA programming process;
- co-ordinating the implementation of the ISPA external financing projects by the implementing agencies (Regie Autonome National Roads Administration and “CFR” National Company SA);
- checking all documents related to the ISPA financing projects, whenever it considers it necessary.

The Ministry of Waters and Environmental Protection (according to GD No 17/4.01.2001 regarding its establishing, organisation and functioning, amended by GD No 352/4.04.2001) has attributions in:

- drawing up the national strategy for environmental protection;
- updating the national strategy for implementing the ISPA Environment and co-ordinating the implementation of the projects approved.

The Ministry of Education and Research (according to GD No 23/04.01.2001 regarding its organisation and functioning) has attributions related to substantiation, elaboration as well as co-ordination of the implementation of policies and strategies in the fields of education and scientific research, technological development and innovation.

In the field of research, the Ministry of Education and Research has attributions in:

- prognosis, planning, allocation, monitoring and evaluating the use of necessary resources for implementing policies in the fields of scientific research, technological development and innovation;
- drawing up, monitoring, evaluating and financing national programmes for research, development and innovation; stimulating and monitoring Romania's participation in international programmes and projects, at Community and bilateral levels, in the field of scientific research, technological development and innovation.

During September 2001 - May 2002, with a view to achieving the objectives envisaged by the relevant programming documents referring to the accession process to EU, the efforts have been focused on the following directions:

- Completion of the legal framework for the implementation of the regional development policy and specific principles and mechanisms required by the assistance through the structural instruments;

- Implementation of the regional development policy for diminishing existing regional imbalances, supporting a well-balanced development, preventing new imbalances, revitalizing disadvantaged areas, stimulating national and international inter-regional co-operation;
- Strengthening the administrative capacity of the bodies responsible for the management of the regional policies;
- Drawing up the Position Paper on Chapter 21 - Regional policy and co-ordination of structural instruments and launching negotiations on this chapter with the European Union (the negotiations have been opened within the Intergovernmental Accession Conference Romania - EU on the 21 of March 2002).

In order to complete the legal framework needed for implementing the regional policy and creating the specific mechanisms of structural instruments (Position Paper commitment), there have been adopted the following legal acts:

- *GD no. 161/2002* (OJ no. 159/05.03.2002) on organising and functioning of the Ministry of Development and Prognosis (MDP) stipulates that the activities specific to MDP are developed at central level only, the Regional Development Territorial Offices being eliminated.
- *EO no. 6/2002* (OJ no. 70/31.01.2002) amending and completing the EO no. 63/1999 on the management of the non-reimbursable funds allocated to Romania by the European Community, as well as of the related co-financing funds, approved by Law no. 231/2002 (OJ nr. 296/30.04.2002), stipulates the organisation and exercising of the internal public audit and preventive financial control at all the implementing structures. By this regulation, the Ministry of Public Finance is empowered to endorse the specific Methodological Norms for organizing and exercising the internal public audit over the operations financed from EU financial assistance, to evaluate at all the implementing structures the modality of applying these norms, as well as to perform

inspections at all the implementing structures.

- Through *GD no. 1317/2001* (OJ no. 19/15.01.2002) amending and completing the GD no. 4/2001 on the organisation and functioning of the Ministry of Labour and Social Solidarity (MMSS) this institution has been entrusted with the role of Managing Authority, having responsibilities of managing, coordinating and monitoring the implementation of programmes financed through the European Social Fund.
- The role of Implementing Authority and Paying Authority for programmes financed through the European Social Fund the has been assigned to the National Agency for Employment through *GD no. 1318/2001* (OJ no. 19/15.01.2002) amending and completing the GD no. 4/1999 on the Statute of the National Agency for Employment.

During September 2002 – May 2003, Romania has continued to develop the necessary legislative framework for an effective and efficient management of the Structural Instruments after accession. The most important regulations elaborated in this respect, are:

- Law no. 256/10.06.2003 (MO no. 429/18.06.2003) *on the approval of GO no. 27/30.01.2003* (OJ no. 62/01.02.2003) *amending and completing the Law no.151/1998 on regional development in Romania.* This normative act establishes the obligativity of endorsing the organising and functioning statute of the ADRs by MDP and introduces the responsibility of the County Councils and of the local ones, including the Bucharest Municipality, to adopt decisions regarding the implementation of the Regional Development Councils decisions within 30 days starting from the date of its communication. According to the attributions resulted from the utilization of the funds allocated by the state budget for regional development, as well as for the statute of Implementing Agency for Phare Programme – „Social and Economic Cohesion”, MDP is appointed to audit the administration

of the Regional Development Fund by the ARDs. At present, the Law for approving the GO no. 27/2003 is in promulgation procedure.

- GD no. 1555/18.12.2002 (OJ no. 70/03.02.2003) *regarding the nomination of the institutions and bodies responsible for co-ordinating, implementing and managing community financial assistance provided under the Structural Instruments*. This legal act establishes the legal framework necessary to allow the involved institutions in the management and implementation of the future structural programmes to define specific attributions and responsibilities, as well as the necessary measures to be taken for developing the proper institutional and administrative capacity, in accordance with the EU Regulations.
- GD no. 1323/20.11.2002 (OJ no.898/11.12.2002) *regarding the elaboration in partnership of the National Development Plan*, which establishes the role and the tasks of the institutions and bodies involved in the elaboration of the NDP. This normative act provides the legal basis for creating and developing the inter-institutional relations and the partnership structures at national and regional level, as well as establishing more clearly the role of the ministries, ADRs and other institutions involved in drafting the NDP.
- Law no. 672/19.12.2002 *on Public Internal Audit* (OJ no. 953/24.12.2002) brings new provisions related to the organisation and carrying on of the public internal audit in Romania.
- Law no. 84/2003 (OJ no. 195/26.03.2003) *amending and completing the Government Ordinance no.119/1999 on internal control and financial preventive control*.

With a view to preparing the implementation of the future assistance granted through EU structural instruments, it has been launched the process of drawing up a detailed plan and timetable for the further harmonization of national legislation with the *acquis communautaire* and for the development of the institutional infrastructure required for its implementation.

As Romania is expecting that upon accession, all its territory will be eligible for the Objective 1, the implementation of Structural Funds will be achieved on the basis of the Community Support Framework (CSF), which will be negotiated on the date of accession. Up to now, Romania has identified the necessity of including in the CSF three Sectorial Operational Programmes and one Regional Operational Programme, which will be implemented through 8 regional sub-programmes.

The institutional structure that Romania creates in order to fulfil the commitments assumed in the Position Paper, is the following:

- at the CSF level: Managing Authority – MDP, through its department responsible for the Plan elaboration and negotiation and a Monitoring Committee for CSF implementation;
- for the Regional Operational Programme: Managing Authority – MDP, through his current General Directorate for Regional Development, which will be set up as a distinct department from the department responsible with management of CSF, 8 Regional Coordination Committees, one for each sub-programme, a Paying Authority for ERDF, which will be functioning within MDP through a distinct department (according to the principle of separation of functions) and a Monitoring Committee;
- for the Sectorial Operational Programme for agriculture and rural development and fisheries: a Managing Authority, the Payment and Intervention Agency fulfilling the Paying Authority role for EAGGF and FIFG and a Monitoring Committee;
- for the Sectorial Operational Programme concerning social policy and employment: Managing Authority – Ministry of Labour and Social Solidarity, Paying and Implementation Authority – the National Agency for Employment, and a Monitoring Committee;
- for the Sectorial Operational Programme for research, technological development and innovation: Managing Authority – Ministry of Education and Research and a Monitoring Committee;
- Co-ordination of the preparation and supervision of the implementation of

the Operational Programme financed out of the INTERREG Community initiative will be ensured by a department specialized in the management of cross-border cooperation programmes within the MDP;

- for the programmes financed through the Cohesion Fund: a Coordinator and a Payment Agency for the Cohesion Fund and the implementation of measures in the field of transport and environment will be carried out by the Ministry of Public Works, Transports and Housing, by the Ministry of Waters and Environment Protection and, as well, by the structures assigned by these ministries.

The present institutions created for the implementation of the regional development policy and the use of pre-accession funds represent the core of the institutional framework required by the implementation of the structural policy. During the pre-accession period, the support granted through the pre-accession financial instruments Phare, ISPA and SAPARD, is also used for developing the knowledge and the skills of the existing structures staff in order to ensure an effective management of the Structural Instruments, after accession. The objective of the pre-accession instruments is to complement the national efforts for the preparation for the Structural Instruments use.

In order to establish a co-ordinated and coherent regional statistical system, 8 General Directorates for Regional Statistics have been set up through EO no. 75/2001 (OJ no. 283/31.05.2001), amending and supplementing GO no. 9/1992 on organising official statistics in Romania. The main tasks of these directorates are related to the collection, processing, stocking and analysis of data, dissemination of the statistical research outputs and setting up the statistical territorial data base comprising economic, financial, social, demographic, legal information required for the drawing up of economic and social policy, for ensuring the accuracy of data provided by economic and social agents, public services, governmental and non-governmental bodies, established or carrying out their activities within the respective development region. The elaboration of documents related to the

annual activity programme set out by the National Institute of Statistics (INS) and publishing and dissemination of statistical data represent, as well, tasks of the new created structures. A Regional Statistics Service has been set up within every of these directorates with the goal to ensure collection of data and statistical information required to follow up the economic and social phenomena at the regional development level. Currently, there have been established the flow charts for collection, aggregation and dissemination of regional statistics. A decision was made on the setting up of a centralized regional statistical system in which INS will exercise direct authority on the whole statistical services in the regions.

In this context, a number of activities have been launched, with Phare assistance, aiming at ensuring the elements required for the IT infrastructure, at drawing up methods and practical instruments for collection, processing and dissemination of regional statistical data, at identifying statistical data sources and their aggregation to the regional NUTS 2 level, as well as at setting up a statistical data base in each statistical regional unit, connected to INS central statistical data base and grounding on the system of indicators in compliance with the EU norms and standards.

With a view to carry on the institutional preparation and *strengthening of the administrative capacity for implementing the structural instruments*, in November 2001 there have been launched, within the Twinning Project RO-0007.01.01 "Support for National Development Plan Implementation, activities aiming mainly at:

- strengthening MDP role of regional development co-ordinator;
- developing human resources involved in the co-ordination and implementation of the regional development policy, by improving vocational training strategies;
- improving Romania's position within the negotiations on Chapter 21, with direct impact on the adoption of the key principles of the EU Structural Funds management (The negotiations for Chapter 21- Regional policy and coordination of the Structural Instruments have been

opened in the framework of the Inter-Governmental Accession Conference EU - Romania of the 21st of March, 2003.).

- *establishing partnerships at national level and between the national and regional level*, aiming at setting up the Regional Policy Roadmap.

In order to achieve the commitments assumed under the Position Paper regarding the Chapter 21 “Regional Policy and Coordination of the Structural Instruments” and to prepare the premises for establishing until the accession date of a functional institutional framework, the Romanian Government has designated through the GD no. 1555/2002 the institutions and bodies responsible for co-ordinating, implementing and managing community financial assistance provided under the Structural Instruments.

The institutions designed by this normative act to fulfil the role of managing and paying authorities for the administration of Structural Instruments are the ones denominated in the Position Paper, with two alterations:

- The Ministry of European Integration has been designated as the Managing Authority for the Community Support Framework, with the role to provide the co-ordination of community financial assistance implementation provided under the Structural Funds. In this manner, the continuity of present responsibilities regarding the national co-ordination of pre-accession funds is ensured, thus taking advantage of the already established background experience and the training of the involved staff. At the same time, it is ensured the necessary authority over the Managing Authorities for Operational Programmes in order to accomplish their actual co-ordination and the transfer of funds between Operational Programmes, when requested.
- For the financial management of the funds granted under the Structural Instruments it has been designated the National Paying Agency, within the Ministry of Public Finance. Through the designation of a single National Paying Agency to fulfil the attributions of Paying Authority for each Structural Fund as well as for the Cohesion Fund, the simplification

of the financial flow has been accomplished by activities gathering in a single responsible body, also by accurate and non-bureaucratic co-ordination, involvement of a specialized staff and continuously trained personnel. The National Paying Agency is to be established as close as possible to the accession date, mentioning that the agency will take over the specific structure of the pre-accession instruments existing at that time, in order to ensure a specialized staff and its coherent and uniform training continuity.

Also, the GD no. 1555/2002 more accurately defines and completes the institutional structure established through the Position Paper, namely:

- The Ministry of Development and Prognosis is designated as Co-ordination Unit for the Cohesion Fund, responsible for ensuring the coherence of Cohesion Fund utilisation priorities with objectives and priorities established by the National Development Plan, as well as the responsibility of co-ordination of financing the transport network development projects with the environmental protection projects.
- For each Operational Programme, Implementing Authorities have been designated, as follows:
 - The Regional Development Agencies for the implementation of the regional sub-programs,
 - The National Centre for Programmes Management for the implementation of the Sectoral Operational Programme for research, technological development and innovation,
 - The National Agency for Employment for the implementation of the Sectoral Operational Programme for social policy and employment,
 - The Paying and Intervention Agency for the implementation of Sectoral Operational Programme for agriculture, rural development and fishery.

The GD no. 1555/2002 stipulates specific attributions, in accordance with the provisions of the EC Regulations for the Management Authority for CSF, for the Management Authorities for Operational

Programmes, as well as for the Implementing Authorities.

In order to implementing the GD no.1555/2002 provisions and to developing an adequate administrative capacity, all designated ministries, under the co-ordination of the Ministry of European Integration, have to set up until June 2003, action plans and concrete measures. The Ministry of European Integration coordinates the process of establishing the stages and the agenda of implementing the provisions of the above-mentioned Government Decision, thus ensuring the coherence of overall process.

The process of drawing up the action plans is in the final stage, the involved ministries taking into account the following aspects:

- the accurate definition of the role, responsibilities and functions of each designated authority, both at the national and regional level, and also the relations between these and other bodies involved in ensuring the working of the Structural Instruments system;
- specifying the ways of transformation/integration of the current structures established for the utilisation of the pre-accession funds into specific structures of the Structural Instruments;
- establishing the precise agenda regarding the creation, organisation and functioning of these structures within the designated institutions and organizations
- identifying the resources (material and human) requested for the efficient functioning of these structures
- defining the training strategy for the staff involved in management and implementation of the Structural Instruments
- specifying the inter-institutional cooperation mechanisms, at the national and the regional level, and the transfer procedures between the Management Authorities and the implementing bodies on the one hand, and the National Paying Agency and the implementation bodies on the other hand
- systems and procedures development with a view to ensuring the execution of the Structural Funds fundamental principles: co-ordination,

programming, partnership, subsidiarity, additionality, with the stress on programming, implementation, evaluation, monitoring, and financial control of the assistance granted under the Structural Funds

- establishing the agenda of drafting, developing and accrediting of the systems and procedures necessary for an efficient management of these funds
- specifying the necessary alterations regarding the legal framework in force in order to ensure the compliance with the *acquis communautaire* and the implementation of the Structural Instruments, as well as the agenda of adopting this legislation.

Referring to the complexity of these aspects, the ministries are drafting their own action plans within a process of inter-ministries consultation and under direct coordination of the MIE. Thus, MIE has elaborated a matrix for an integrated approach of the content of these plans, requesting explanations on the key elements of the institutional capacity development in the field of programming, management, implementation, monitoring, evaluation, financial management and control (including payments) and audit, necessary for the implementation of the financial assistance granted under the Structural Instruments after accession.

At present, the Ministry of Education and Research has not an institutional structure dedicated for the implementation of some components financed from the pre-accession instruments. Therefore, in order to initiate, support and develop the necessary actions for the preparation for the future Management Authority for Sectoral Operational Programme for research, technological development and innovation, it has been established a working group dedicated to these activities, through Minister Order no. 7099/24.04.2003.

Also, on May 29th 2003, there were amended the GDs regarding the organisation and operation of the ministries designated through the GD no.1555/2002 to co-ordinate, implement and manage community financial assistance provided under the Structural Instruments, as follows:

- GD no. 599/2003 on amending and completing of the GD no. 1075/2001 regarding organisation and operation of the Ministry of European Integration (OJ no. 378/2.06.2003);
- GD no 600/2003 on amending and completing of the GD no.758/2002 regarding organisation and operation of the Ministry of Development and Prognosis (OJ no.378/2.06.2003);
- GD no. 601/2003 on amending and completing of the GD no.267/2003 regarding organisation and operation of the Ministry of Public Finance (OJ no. 378/2.06.2003);
- GD no. 602/2003 on amending and completing of the GD no. 4/2001 regarding organisation and operation of the Ministry of Labour and Social Solidarity (OJ no. 378/2.06.2003);
- GD no. 603/2003 on amending and completing of the GD no. 362/2002 regarding organisation and operation of the Ministry of Agriculture, Foods and Forests (OJ no. 378/2.06.2003);
- GD no. 604/2003 on amending and completing of the GD no. 23/2001 regarding organisation and operation of the Ministry of Education and Research (OJ no. 378/2.06.2003);
- GD no. 605/2003 on amending and completing of the GD no. 17/2001 regarding organisation and operation of the Ministry of Water and Environment Protection (OJ no. 378/2.06.2003).
- GD no. 606/2003 on amending and completing of the GD no. 3/2001 regarding organisation and operation of the Ministry of Public Works, Transport and Dwellings (OJ no. 378/2.06.2003).

These legal acts settle the internal structures through which the attributions granted through the GD no 1555/2002 are to be accomplished, settle the year the new structures became operational (2004/2005) and stipulate the necessary number of staff estimated for 2004 and 2005.

The *GD no. 1323/2002* regarding the elaboration in partnership of the National Development Plan provides the legal basis for creating and developing the inter-institutional relations and the partnership structures at national and regional level, establishing, also, more clearly the role of the ministries, ADRs and other institutions involved in drafting

the NDP. The newly created partnership structures for drafting the NDP are:

- The *Inter-institutional Committee for drafting the NDP (CIP)*: the membership consists of representatives from ministries, ADRs, central public institutions, research institutes and higher education institutions, as well as representatives of economic and social partners; In the ICP is represented also the regional level, the ICP being not only an inter-ministerial, but also inter-institutional coordination body. This makes possible the correlation within this structure of the sectoral development objectives with the regional ones. The ICP represents the wide partnership framework of the CNDR, the deliberative body at national level in regional policy, set up according to the Law nr.151/1998. The ICP has a consultative role, draws up recommendations and proposals to the CNDR regarding NDP content.
- *Regional Committees for drafting the Regional Development Plans (CRP)*: the membership consists of representatives from the ADRs, the Prefectures, the County Councils, the decentralized services of central public institutions, representatives of research institutes and of higher education institutions, as well as representatives of the economic and social partners. The CRPs represents the wide partnership framework of the RDBs, the deliberative bodies at regional level in regional policy, set up according to Law nr.151/1998. The CRPs have a consultative role, drawing up recommendations and proposals regarding RDPs content. The CRPs are represented in the CIP by their coordinators, having the possibility of presenting and debating the main development objectives of the regions included in the RDPs, in order to be included in the NDP. They take part directly and effectively to the analysis and debate of the sectoral development priorities and to the harmonization of the regional objectives with the sectoral ones, as well as to the entire process of achieving the consensus between the involved partners on the development priorities set up in the NDP.

The newly created partnership structures shall operate through *thematic working groups* and through *plenary meetings*, as well as, in a format which will ensure a balanced representation of the central and local public administration and public and private partners.

For the purpose of identification and *establishing the Regional Inspectorates of Environment Protection*, the Ministry of Water and Environment Protection, with support of a technical assistance project within Phare 2000, has achieved an assessment of the institutional capacity and of the endowment of the County Inspectorates of Environment Protection laboratories through the submitting to the territory level of two questionnaires. In partnership with the ministries carrying on programmes with regional impact and with the Environment Protection Inspectorates, the Ministry of Water and Environment Protection has achieved an analyse of scenarios on the criteria of selection and emplacement of the Regional Inspectorates of Environment Protection headquarters. There were made proposals to settle the monitoring zones of the environmental conditions alterations, on current delimitation of development regions. The process of analysis and selection are to be finalised until the end of 2003.

With a view to *increasing the institutional capacity and strengthening the administrative capacity for Structural Instruments implementation*, the training of the staff involved in the implementation of the pre-accession instruments has carried on. Training courses focused on the preparation for Structural Funds.

Within the framework of the national twinning project „Support to National Development Plan Implementation”, staff of MDP attended training courses in the field of the Structural Funds, policy of regional development and EU enlargement, financial control and internal audit, strategy and management of human resources development, courses provided by the British experts. Also, 5 study tours in the United Kingdom have been organised and 23 MDP's employees are attending the pilot course of English language, financed by the British Council. At the same time, the National Administration Institute has provided 21 training courses for a number of 32 civil servants.

In the framework of regional twinning projects, each Member State partner has organised training courses for the staff of the ADR's, as well as for the members of the Regional Development Board (in Romania and in the Member State twinning partner).

Through the Order of the Minister of Development and Prognosis no. 371/13.11.2002 has been established the Compartment for Human Resources (training and vocational training), within the Regional Programmes Directorate of the MDP. An action plan for 2003 has been submitted for validation to the MDP management and the Strategy for the development of the Human Resources Compartment has been elaborated. In parallel, the implementation at national and regional level of the Strategy and Training Programme for Regional Development 2001-2005 are carried on. The mentioned Strategy and Programme were elaborated within the twinning project RO98/IB/SPP/01 and updated through the twinning project within Phare 2000. At the regional level, through the 8 twinning projects within Phare 2000, have been elaborated the regional training strategies.

Also, a database regarding training courses attended during 2001-2003 by the staff of MDP and ADR's involved in the regional development programmes has been created.

In order to facilitate the access of all employees of MDP to comprehensive information regarding the regional development and requirements of the acquis, at present, a specialty library is in process of organisation.

During August 2002 a first round of analyses of the most propitious structure and of the legal framework necessary for setting up the Payment and Intervention Agency for managing the Common Agriculture Policy funds was initiated. Consultations between experts of the *Ministry of Agriculture, Food and Forests (MAAP)* and of the Ministry of Public Finance has been initiated, in order to establish the necessary legal and institutional framework. In order to draft the fundamental legal framework for managing the Common Agriculture Policy funds, within the MAAP, on the basis of the Minister Order no. 575/6.12. 2002, was established the working group which

drew up a draft of legal act. SAPARD Agency and the General Directorate of Rural Development, as well as MAAP are carrying on training programmes with a view to increasing the institutional capacity, both for SAPARD Programme and for Structural Funds implementation (Phare 2000/IB/AG 01-02 vocational training component).

Until June 2003, the *Ministry of Public Works, Transport and Dwellings* (MLPTL) benefited of technical assistance for a clear definition of the role, functions and responsibilities of institutions and staff currently in charge with the management and monitoring of pre-structural funds and which will be responsible for the management of funds granted under the Cohesion Fund. The operational system for managing and monitoring of the pre-structural funds is now being revised and adapted to the responsibilities required by the managing of the Cohesion Fund. During September 2002 – May 2003, implementation guides for ISPA – Transports projects have been elaborated, with a view to EDIS accrediting. Also, in order to increasing the administrative capacity, 3 seminars regarding the financing through ISPA instrument have been organised. The seminars were attended by a number of 18 representatives of the Ministry of Public Works, Transports and Dwellings, the National Administration of Roads and the Romanian Railways.

Through the twinning programme “Strengthening the institutional capacity on internal audit and financial control”, starting with February 2002, the *Ministry of Public Finance* provided training courses for internal auditors. Also, with the support of technical assistance provided through RO 006.06.01 Europe Aid/13655/D/SV/RO programme and Deloitte & Touche, during January 2003-October 2003, the public internal auditors benefit of preparation in order to get IIA certificate.

Starting with October 2002, the MDP, as Phare – Economic and social cohesion Implementing Agency, as well as the ADRs as Implementing Authorities, initiated the *process of preparing the documentation required for EDIS accreditation*. Currently, the Ministry for Development and Prognosis benefits from the technical assistance project „Support for monitoring and evaluation of

regional development projects” (Phare Project RO 0007.02.04.09) for training its employees on EDIS procedures. In respect of a realistic and professional evaluation of the administrative capacity of the ADRs, with the aim of advancing to EDIS, besides the specific activities run through the 8 regional twinning projects, a Phare 2000 technical assistance component, dedicated to the regional level (ADRs) has among its objectives the evaluation of the stage of development of the administrative capacity of the ADRs, including proposals for ensuring a minimal and unitary structure at the level of the ADRs, that should be able to ensure the fulfilment of the Implementing Authorities attributions.

On April 21 2003, the first results of the evaluation carried out have been brought to the ADRs and MDP consideration. The report revealed the fact that the Regional Development Agencies were made strategic progress on the way to developing an institutional structure consistent with the aims of Economic and Social Cohesion Policy. However, the institutional capacity to manage the Structural Funds/Cohesion Fund will require years of determined efforts and resources. ADRs are growing properly, some faster, some slower, but all in the right way in the areas of programming, developing partnership, developing the project pipeline and connecting the Phare ESC to the project pipeline. The 8 ADRs are in most operational respects, in compliance with the minimum requirements for the implementation of EDIS, as described in the Council Regulation (EC) No. 1266/1999 of June 21, 1999 and “Preparing for Extended Decentralisation of the Phare and ISPA Programmes”, Commission Services Working Document, excepting the following:

- The ADRs do not meet yet the requirement of having a well-defined system for managing the funds with internal rules and procedures, clear institutional and personal responsibilities
- The ADRs do not meet yet the requirement of effective internal controls including an independent audit function and an effective accounting and reporting system that complies with internally accepted audit standards.

The above-mentioned discrepancies may be overcome within a period of 8 to 18 months, with the condition of a sound coordination of the whole system at the national level.

In May 2003, the MDP has launched a technical assistance project financed from Phare "Economic and Social Cohesion" 2001, aim to support the MDP and the 8 ADR's, through technical assistance and training, in achievement the second stage in the process of EDIS accreditation ("plugging the gaps"), respectively implementation of the teams of experts recommendations that assessed the MDP and ADR's in the first stage.

Having in view the Parliament Decision no. 16/2003 regarding the modification of the Government structure, published in the Official Journal, Part I, no. 463 in June 19, 2003, as well as the Emergency Government Ordinance establishing the measures of setting up, organizing and re-organizing or functioning of structures within the Government cabinet, ministries, other specialized institutions of central public administration and public institutions, the Ministry of European Integration took over from the former Ministry of Development and Prognosis the activities and programmes, in the field of regional development and cross-border co-operation.

The new Government Decision regarding organizing and functioning of Ministry of European Integration transposes the GD no. 1555/2002 provisions, on the designation of the institutions and bodies responsible for co-ordinating, implementing and managing community financial assistance provided under the Structural Instruments. Thus, in its structure are organized the Managing Authority for Community Support Framework, the Managing Authority for Regional Operational Programme and Co-ordination Unit for Cohesion Fund, entities to be operational starting with 2004.

In compliance with the provisions of the above-mentioned legal act, the Ministry of European Integration has the following attributions and responsibilities in the field of regional development and coordination of Structural Instruments:

- Elaborating of the National Development Plan, in accordance with the regional development strategies and plans and with the

sector strategies and programmes elaborated by the authorities of the central public administration, substantiating on this basis the structural-type funds, allocated to Romania by the European Union in the pre-accession stage and the structural and cohesion funds after accession;

- Targeting of the achievement of the social and economic cohesion objectives, with a view to reducing the gaps in the development of the regions and areas of the country and to strengthen the competitive capacity of every region;
- Ensuring of the co-ordination of the implementation of the national development policy in the entire country, by regions and areas;
- Analysing and making proposals to the National Regional Development Board on the financing of the regional development programmes and projects; elaborating support programmes for the regions, in order to acquire the necessary means for restructuring, modernization and development;
- Ensuring the technical and financial management of the National Fund for Regional Development and of the structural-type funds for achieving social and economic cohesion, in compliance with the National Development Plan;
- Collaborating with the Ministry of Foreign Affairs for the achievement of the objectives of the external co-operation of the development regions in the field of cross-border, inter-regional or euro-region activities;
- Ensuring the presidency and the secretariat for the National Board for Regional Development;
- Co-ordinating the programming and ensuring the monitoring of the Instrument for Structural Policies for Pre-accession (ISPA).

b) Multi-level interaction among different stakeholders

THE PARTNERSHIP PRINCIPLE

The drawing up of the preliminary NDP and especially of the 2002-2005 NDP was accomplished on the basis of some precise methodological orientations, in

the framework provided by a large partnership - ministries involved in the management of different funds and programmes, implementing institutions, regional development agencies, local authorities, trade-unions and employers' organisations, non-governmental organisations or other institutions with a relevant activity in the field of environment, rural development, combating poverty, providing equal opportunities to all the citizens. NDP has been drawn up by a double approach: "top-down", by taking into consideration the sectoral plans and strategies elaborated at national level as well as "bottom-up", by using the information transmitted through the Plans for Regional Development, elaborated by the Regional Development Agencies, and approved by the Councils for Regional Development. Consequently, most of the proposals included in this document are a result of a systematic dialogue on issues such as economic growth and social cohesion, dialogue carried out at local, regional and central level.

The MDP undertakes the responsibility of promoting an enhanced partnership and of participating to the improvement of the programming and monitoring exercise. Consultation of all partners will be done from the initial phases of the programme and subsequently, in the implementation stage, by their involvement in Monitoring Committees created at different levels. To strengthen the partnership in regional development policies, the MDP will initiate a promotion campaign in order to raise awareness among the potential partners on the role and benefits they obtain by taking part in the process of preparation and implementation of the regional development policy.

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obtain by taking part in the process of preparation and implementation of the regional development policy.

In Romania there is already a number of inter-institutional partnerships functioning complementary to the structures for the implementation of regional policy established through the Law 151/1998:

- At national level - the *working group for PND elaboration*, within which there are represented line ministries and other central public administration institutions, the Councils for Regional Development represented by their executive bodies - the Regional Development Agencies, NGOs having relevant activity for the national economic development and/or for the regional development, as well as economic and social partners. In order to enhance and develop this partnership, a legal act aiming at institutionalising the present collaboration between the institutions involved in updating the PND is under preparation
- At regional level - *regional consortia* within which key organisations are represented at regional level, in order to ensure the correlation of the measures for regional development with the policy in the area of the initial and ongoing technical vocational education and training (TVET). The regional consortia have the following composition: the Regional Development Agency (ARD), the County Committees for the development of the social partnership in the VET system, the County Councils and the County School Inspectorates. The regional consortia are led by the ARDs, have a consulting role and fulfil tasks in selecting the schools and the resource centres of the TVET system (in the 11 priority areas), in the identification of the professional training needs at a regional level, in selection of the qualifications to be developed within the project, in the identification of the specific equipments necessary for the delivery of the training for the qualifications identified at national level, in offering support and guidance to the Regional Development Boards on the needs and priorities for professional training at the regional level.

- *The inter - ministerial working group* created by February 2002 aiming at improving the activity and operational character of the National Regional Development Board, at enhancing the participative-type implication of regional partners in the elaboration and implementation of economic and social development programmes and at extending the dialogue and collaboration between central and regional level. The eight ARDs, represented at managerial level, are integrated in the group, participating actively in the accomplishment of its objectives.

The entering into force of the GD no. 1323/2002 on elaboration in partnership of the National Development Plan has accelerated the process of carrying out the national and regional partnerships for drafting the NDP 2004-2006. The working groups at county/regional level and at national level have become operational.

With the support of the regional twinning projects, at the ADRs level, the main local actors interested in the regional development policy elaboration and implementation have been identified, data bases revealing „contacts” have been created and public meetings has been initiated at the counties level, in view of informing about the partnership building process and advertising on the necessity and opportunity of establishing a regional network of economic and social partners. Thus, it was possible to make a first assessment on local public institution potential and willingness to participate within the process of regional consultation and dialogue, initiating the process of creating and strengthen the regional partnership.

With the support of the foreign experts involved in the twinning projects, the ADRs have taken important steps in *building the partnership structures for elaboration of the Regional Development Plans 2004-2006*. The degree to which these partnership structures have developed differs from one region to another, but they represent a real progress in the evolution of co-operation between actors at the regional level and in establishing an efficient and constant dialogue between them. Meetings MDP-ADRs are organised on a permanent basis to ensure the coherence and

consistence of the whole planning and programming process.

With a view to approximating the national legislation with the *acquis communautaire* in the field of financial management and control, with the support of the twinning projects: „National Development Plan Implementation” and „Strengthening of the internal audit and financial control”, in March 2003, an inter-ministerial working group has been established, gathering experts of the Ministry of Development and Prognosis and of the Ministry of Public Finance. The working group envisage the *elaboration of the Roadmap for compliance with the Structural Funds financial Regulations*. Following the meetings between the specialists of the two ministries, it has been drawn up a matrix containing the financial aspects of the EU Regulations, the corresponding provisions of the Romanian legislation, gaps and tasks to be accomplished for completing the legislation gaps still existing in this field. The results of the activity of the working group should greatly assist the preparation of action plans for the implementation of GD. 1555/2002.

Concomitantly with MDP activities regarding the setting up of the partnership structures, within the framework of the twinning programme Phare RO 2000/IB/AG01-02 „Agriculture and rural development policy at national and regional level” the first steps have been undertaken towards putting in an institutional framework the cooperation of the Ministry of Agriculture, Foods and Forests with the NGO's in the field. Thus, during November 2002 – February 2003, meetings between the leadership of the General Directorates of Agriculture and Food Industry and the NGO's from each country took place, and in April 2003, the national conferences with groups of counties took place.

In order to promote and strengthen the partnership, there were continued the activities stipulated in the national and regional twinning projects, aiming to raising the awareness of the potential partners on their role and benefits by participating to the process of elaboration and implementation of the regional development policy. In this purpose, there were identified the most relevant local stakeholders, there were created the data

basis for “contacts” and there were initiated public meetings at counties level, with a view to inform about the partnership building process and to promote the necessity and the opportunity for creating regional networks of economic and social partners. Thus, it was possible to make a first assessment on local public institution potential and willingness to participate within the process of regional consultation and dialogue, initiating the process of creating and strengthen the regional partnership.

Also, with a view to improving the inter-ministries co-ordination, the transparency and the extension of the partnership principles concerning the process of programming, implementation and monitoring of social and economic cohesion programmes, in July was established the National Coordination Committee of PHARE Programme – “Social and economic cohesion” component, on the basis of Order no. 191/11.07.2002 of the Minister of Development and Prognosis.

The main goals of this Committee are to supervise the implementation of social and economic cohesion programmes, through:

- Ensuring the coherence of programming process of investment and development of institutional capacity projects;
- Providing for the concordance of implemented actions within the programmes of social and economic cohesion with the provisions of the National Development Plan and the provisions of relevant strategies;
- Granting support for procedures of selection and implementation of investment projects and development of institutional capacity, as well as playing an active role within each stage;
- Participating in monitoring the programmes for investment and institution building (within PHARE Programme – social and economic cohesion component);
- Bringing up a point of view on the programmes evaluation criteria (interim and ex post evaluation);
- Participating in interim and ex post evaluations;
- Consultation following the conclusions of evaluations on

strategically guidelines to be followed within the programmes.

The National Coordination Committee of Phare Programmes – “Social and economic cohesion” component, is supported in carrying out its activities by working groups established in view to focusing on each component of Regional Development Programmes.

PROGRAMMING

MDP is currently drawing up the National Development Plan (NDP) 2004-2006 (deadline December 2003). The draft NDP 2004-2006 has taken into account the strategic objectives set out in the Pre-accession Economic Programme 2002, which has a time span until 2005. If PEP 2003, also currently being drafted and having a time span until 2007, will bring adjustments to the strategic objectives, in answer to the dynamics of the international situation, NDP 2004-2006 will be adjusted accordingly.

The strategic objectives of regional development in Romania envisage:

- Promoting market mechanisms in all the regions of the country in order to improve competitiveness and to accomplish a permanent economic growth;
- Promoting harmonious spatial and localities network development
- Enhancing the capacity of the regions to sustain their own development process;
- Ensuring equal opportunities to access information, technological research and development, education and continuous;
- Promoting differentiated policies, according to the particular characteristics of the areas;
- Reducing the disparities between counties, between rural and urban areas, between central and peripheral areas;
- Preventing the development of problem areas.

In line with the conclusions of the economic and social analyses, with key problems and identified trends, the development strategy adopted in the National Development Plan for the period

2004-2006 embraces the following development axes:

Axis 1 Developing the productive sector and related services, strengthening competitiveness of economic activities and promoting the development of the private sector

Axis 2 Improving and developing infrastructure

Axis 3 Strengthening human resources potential, workforce ability to adapt to market demands and improving the quality of social services

Axis 4 Support for agriculture and rural development

Axis 5 Protecting and improving the environment quality

Axis 6 Stimulating scientific research and technological development, innovation, communications, information technology and setting up an information society

Axis 7 Balanced and sustainable regional development

In partnership with ministries and ADR's, have been identified the priorities and sectoral measures within these axes.

These indicative priorities, as well as the related measures, may still undergo changes, as they are currently discussed in partnership structures. Once agreed upon, the priorities of Axis 7 will provide the basis for the Phare 2004-2006 Programming document.

The commitment on improving the planning of economic and social activity at national and regional level is achieved through applying the provisions of the GD no. 1232/2003 have been identified regarding the drafting in partnership of the NDP.

The above mentioned GD stipulates special tasks for the *Ministry of Public Finance*, the main responsible for the financial programming of multi-annual development priority objectives and measures set out in the NDP in order to ensure the coordination of planning process of the development with the planning process of the state budget, as well as the multi-annual budgetary planning and programming tables.

In order to ensure a good substantiation, a bottom-up type, of the budgetary planning, the GD stipulates the collaboration between the MFP - MDP -

ADRs and with the ministries that carry out the programming documents.

For drafting the NDP 2004-2006, was sent to all partners involved in the process of drafting the NDP, the *Working Plan for drafting the planning documents for the NDP 2004-2006*, which contains the stages of drafting the NDP and their deadlines was sent to all partners involved in the process of drafting the NDP.

According to the Work Plan, the stage of preparing the economic and social analyses SWOT analyses, identification of key regional and sectoral issues have been completed. As for the drafting of development strategies, an initial identification of sectoral and regional priorities and measures has been accomplished, under the 7 national development axes set out in NDP.

The NDP Department has had several meetings with line ministries responsible for the elaboration and implementation of one or more sectoral policies. These meetings had brought to the experts from the ministries, clarifications regarding the role of the sectoral policies in the implementation of the national strategy and their contribution, along with regional policy, to the reduction of interregional disparities on the one hand, and to the reduction of development differences between Romania and the Member States on the other hand.

MDP already enjoys an efficient cooperation with the MFP, built in the course of time, due to the latter's particular role in the process of NDP elaboration. MFP is responsible for the financial programming of development priority objectives and measures set out in the NDP, as well as for the drawing up of multi-annual financial tables of this document. In accordance with EU Regulations and with GD no.1323/2003 provisions, MFP together with MDP ensures the financial programming of development priority objectives set out in the NDP, in close relation with the drawing up of the state budget for 2004 and with the budgetary guidelines for 2005 and 2006. Within the Twinning projects of the two ministries informal and formal meetings have been held in order to achieve the correlation between the financial regulations of the Romanian legislation and the EU financial regulations for Structural Funds, and to

prepare the new budgetary planning exercise for the period 2004-2006.

The state budget for 2004 and the *budgetary guidelines for 2004-2007* are in the process of drawing up. For this purpose, the MFP asked the line ministries to assess their budgetary needs taking into account their own sectoral strategies and the sectoral and regional development objectives included in the NDP, objectives set up within wide national and regional partnerships.

In the process of correlating the National Development Plan with the National Action Plan for Employment, MDP experts involved in the elaboration of NDP and regional development programmes cooperate with experts from the Ministry of Labours and Social Solidarity involved in the elaboration of NAPE. This process benefits from the support of the Twinning project "Support for the implementation of the NDP".

ISPA - Environment strategy was revised taking into consideration the commitments assumed by Romania under the Position Paper for Chapter 22 - "Environment Protection", regarding the implementation of the EU Directives in the field of water management, waste administration and air quality. Having in view the current situation of the environment in Romania in the three sectors: water, waste and air, taking into account the provisions of the Council Regulation CE no.1267/1999 regarding the applying of ISPA programme and of the main strategic documents in the field of environment protection, as well as of the projects selection criteria, a list with the priority projects has been drawn up. These priority projects are to be developed during 2003-2006.

With a view to materialize the concern for the preparation and the implementation of the measures of European Social Fund type, it was approved the National Action Plan

for Employment (NAPE) by GD no. 759/2002 (OJ no. 637/29.08.2002).

In order to define the responsibilities of the institutions involved at the central and regional level in the elaboration of the NDP and to stimulate the partnership, it is now in the final stage the elaboration of a draft Government Decision concerning the framework and the co-operation

relationship between the institutions involved in the elaboration of the NDP.

In July 2002 it was established the Coordination Group of the Management Information

System (MIS), as a joint activity of the national and regional twinning projects, in order to implement together with the users, a transparent, computerized reporting system, between the RDAs and the national core of the management information system from the MDP. The Coordination Group of the MIS, that will become operational starting with September 2002, gathers representatives of the MDP, the RDAs and IT experts.

The system will be correlated with the national legislation and the PHARE procedures requirements and will be based on the Structural Funds practice. At present it is carried out an estimation of the administrative capacities necessary for the implementation of such a system.

THE ADDITIONALITY PRINCIPLE

Romania will observe the principle of additionality in using assistance from the Structural Funds. In this respect, Romania will provide the relevant data required in checking out the compliance with the additionality principle.

The institutions designated to manage the Structural Funds and the Cohesion Funds will also assure the data collection and their insertion in the Development Plan. By 2003, an IT system for the collection, updating and processing of the pre and post-accession data will be defined within the Ministry for Development and Prognosis.

Similarly to the Structural Funds the EU Member States benefit from, which follow the additionality principle, the Phare, ISPA and SAPARD Community assistance is meant to supplement and not substitute the national effort. For each of these programmes, for the investments component, the value of the Romanian co-financing has been foreseen.

Chapter 4 Evaluation methods and tools

MDP acts as the Implementing and Paying Agency for the economic and social cohesion measures (financed out Phare Economic and Social Cohesion Programme), having administrative and financial responsibilities for the entire technical implementation of these measures.

In its position of Implementing Agency, MDP, through a regional framework contract, delegates responsibilities for the technical management of projects to ARDs (functioning as implementing authorities). In compliance with the current legislation on regional development in Romania, ARDs are responsible for the technical and administrative management of the funds allocated for economic and social cohesion at regional level, while the Ministry of Development and Prognosis is responsible at national level for the financial management of these funds.

Taking into account the large number of projects that are to be selected and contracted within the grant schemes, as well as the decentralised approach at regional level, determined by the extended geographic coverage of these programmes, the EC Delegation in Romania has suggested, in December 2001, that MDP extends its role in the management of the grant schemes mentioned above, so as to ensure the fulfilment of certain attributions that the EC Delegation is currently carrying out, as well as the co-ordination and the adequate supervising of the accomplishment of the responsibilities that belong to ARD.

On May 23rd 2002, the EC Delegation had approved the improvement of the selection procedure, in order to ensure an adequate management and a satisfactory control of these grant schemes, taking into account the increasing volume of Phare funds allocated to investments within the Economic and Social Cohesion component.

This extension of the role of the MDP, as Implementing Agency, can be considered as an initial stage of process of transferring responsibilities of the EC Delegation towards the national authorities, a first stage of carrying out an extended decentralised implementation system of the PHARE programmes (EDIS).

In December 2001, with technical assistance support, there was carried out within MDP a data processing application for monitoring grant projects, which is going to be integrated into the application of monitoring payment projects. This application has been submitted to ARDs for analysis and, based on the drawn conclusions, a single integrated system of projects monitoring will be developed, component of the future Management Informational System.

An ex-ante appraisal of PND for the period 2002 – 2005 has been carried out under the twinning project RO0007.01.01, mentioned above. The outcome of this appraisal was under discussion in partnership, on April 17th 2002, within the Extended Inter-ministerial Working Group. Carrying out of the *ex – ante evaluation* of the next version of PND is aiming at developing PND and Phare programming into a Community Support Framework with operational programmes.

An independent consultant firm conducted a *first ex-post evaluation for the Phare 1998 Programme, during December 2001*. At present, within MDP an internal ex-post evaluation of the Phare 1998 Programme is being conducted. The outcomes of this evaluation will be submitted to the Government for analysis.

In the second half of 2002, the *Informational Management System Co-ordination Group* has been established in the Ministry of Development and Prognosis, in view of implementing, with final users cooperation of a transparent computerized report system, between the Regional Development Agencies and national core of the Informational Management System (MIS) functioning in the Ministry of Development and Prognosis. The Group of MIS Co-ordination includes representatives of the Ministry of Development and Prognosis and the Regional Development Agencies as well as IT short term assigned experts, at the national and regional level. The system has to respond to the Phare monitoring procedures and in the future, also the specific principles of the programmes financed under the Structural Funds. The „System” will include the regional sub-programmes and will ensure the communication between

the Management Authorities, Implementation Authorities and Paying Authority regarding the control of programmes from technical and financial point of view. The System will be implemented as the future foundation for monitoring and evaluating the Structural Funds utilization.

In this context, it has been concluded a technical assistance contract with Dominus firm for MIS improvement - system of managing information for monitoring the regional development projects/programmes.

With the support of technical assistance program and in connection with the activities and support of the national and regional twinning projects, the establishing of the „System” architecture is in progress. Until now the necessary fields to allow implementation, monitoring, payments and the National Development Plan indicators has been established. Also, the evaluation of the administrative capacity necessary for the implementation of such a system is in progress.

In September 2002, contracts were concluded with the Internet provider, with a view to establishing an “Intranet” system between the ADR’s and the MDP. In May 2003 an IT compartment was established, exclusively dedicated to the operational programmes. The IT compartment aims to coordinate in an integrated and coherent manner the activity of implementing a recording and monitoring information system, both within the MDP and at the regional level, with IT attributions specific to Phare programmes and preparing with a view to implement the future Regional Operational Programme and of the eight regional sub-programmes.

Also, in view of *ensuring the financial resources necessary to fulfil the tasks of the implementation authority* for Phare Programs - “Economic and Social Cohesion” Component, an amount of 2 mil. Euro has been allocated from the national co-financing contribution, for the *financial support of the Regional Development Agencies*, based on contracts concluded by the Ministry of Development and Prognosis as an implementing agency, with each of the Regional Development Agencies.

In this contractual relation, the ADR’s obligations are as follows:

- to support the grant beneficiaries in the implementation of their projects
- to ensure the monitoring and the evaluation of the grant projects that are financed under Phare 2000 ESC - investment component
- to promote the grant schemes, as well as contracting, implementation, monitoring and evaluation of the grant projects that are financed under Phare 2001 ESC -investment component.

The financial support of ADRs are focused on three main areas:

- contracting the grant projects (including site visits for the selected/approved projects)
- monitoring and control (support for project monitoring including support for developing systems for assessing the impact of each measure/ activity)
- evaluation (support for on going evaluation of the projects, follow up of project implementation, for taking decisions and corrective actions to fulfill the indicators stated in the projects, as well as recording data in a monitoring database).

The *contract format* has been agreed upon with the Regional Development Agencies, and together with the *selection, contracting and monitoring procedures* was submitted for study and approval to the EC Delegation in Bucharest.

The contract stipulates the following ADRs obligations:

- to establish an annual site-visit programme to the grant beneficiaries;
- to verify the beneficiaries’ reports, respectively their accuracy and legality;
- to verify the mode and the degree of achieving the proposed activities by the grant beneficiary;
- to verify the eligibility of the expenses made by the grant beneficiary and if the money is spent with respect to the law of Romania and the procedures of EU;
- to perform at least one site-visit during the period of implementation of the project and compulsory for all projects, one site visit at the end of the project, but before effecting the final payment;
- to counsel and help the beneficiaries as regard to specific issues occurred

during the implementation of the project;

- to analyse and approve, case by case, the addendums elaborated by the beneficiaries;
- to report to the MDP and the National Steering Committee for ESC about the way and the degree of implementation of the projects financed.

Also, the MDP's obligations are the following:

- to supervise the monitoring activity of the ADRs
- to verify the reports sent by IAs, the attached documents, and also the degree of achievement of the indicators stipulated in Phare Fiche.
- to perform site-visits (for a number of projects up to 5% of the total value of the projects financed)
- to undertake all necessary measures notified by ADRs
- to analyse and approve, and by case to endorse the addendum requested by the beneficiaries, through the ADRs
- to report to „National Steering Committee for ESC”, the status of the project implementation and the necessary taken measures.

On the basis of Order no. 191/11.07.2002 of the Minister of Development and Prognosis, it has established the *National Steering Committee for Phare Programme - „Economic and Social Cohesion” component*, involved in monitoring and evaluation of investment and institutional capacity building programmes within the Phare Programme - „Economic and Social Cohesion”-Component and advising also on strategic directions for the Programme follow up.

Regarding the evaluation, *ex-ante evaluation of the NDP 2004-2006* is carried out by an independent evaluator (which has also accomplished the *ex-post* evaluation of the NDP 2002-2005) within the twinning project “Support for the National Development Plan implementation”.

EC Delegation requested the assistance of the European Training Foundation to carry out a specific *ex-post evaluation of the human resources development projects, financed under Phare 1998 „Regional Policy and Cohesion”*. The objective of the *ex-post* evaluation was to

analyse the adequate selection criteria for programme's objectives, the level of consistency in their application, the relevance, efficiency, effectiveness and sustainability of the human resources development projects financed with public funds.

The conclusions and recommendations resulted from the evaluation are intended to be used by the Ministry of Development and Prognosis and the EC Delegation for the planning, design and implementation of future human resources development funding schemes in Romania.

On January 27th, 2003, MDP in collaboration with the EC Delegation organised a seminar with relevant stakeholders, to present the main findings and recommendations of the evaluation report. The key conclusion of the evaluation is that the human resources development projects had a positive impact on the development of local implementation capacity in human resources, and that they were useful for the local areas where implemented in. They contributed to the improvement of knowledge on entrepreneurship, IT, management, a better involvement of the community in solving local problems, higher interest of public and private institutions in developing their own human resources capital, development of institutions capable of raising funds and investing in human resources. Being the first programme of this type and in the absence of technical assistance, this is a significant achievement for the MDP and ADRs. It constitutes a good basis upon which future human resources development projects can be built, so that to genuinely contribute to integrated development of the regions.

5. Analysis of Regional Sustainable Development

Regional development in Romania is a new concept that aims at stimulating and diversifying economic activities, stimulating investments in the private sector, contributing to decreasing unemployment and, last but not least, a concept that would lead to an improvement in the living standards.

In order to apply the regional development strategy, eight development regions were set up, spreading throughout the whole territory of Romania. Each development region comprises several counties. Development regions are not territorial-administrative entities, do not have legal personality, being the result of an agreement between the county and the local boards.

Regional development policy is an ensemble of measures planned and promoted by the local and central public administration authorities, having as partners different actors (private, public, volunteers) in order to ensure a dynamic and lasting economic growth, through the effective use of the local and regional potential, in order to improve living conditions.

The main areas regarded by the regional policies are: development of enterprises, the labor market, attracting investments, development of the SMEs sector, improvement of infrastructure, the quality of the environment, rural development, health, education, culture.

Rural development has a very distinct place within regional policies, and deals with the following aspects: removal/reduction of poverty in the rural areas; balancing of economic opportunities and social conditions between the urban and rural areas; stimulating local initiatives; safeguarding of the spiritual and cultural patrimony.

The development region, constituted as a freewill association of neighbor counties represents the implementation and assessment framework of the regional development policy. The development region **is not a territorial-administrative entity** and does not have legal personality.

The main objectives of the regional development policies are as follows:

- to reduce the existing regional disparities, especially by stimulating the well-balanced development and the revitalization of the disadvantaged areas (lagging behind in development) and by preventing the emergence of new imbalances;
- to prepare the institutional framework in order to comply with the integration criteria into the EU structures and to ensure access to the financial assistance instruments (the Structural Funds and the Cohesion Fund of the EU);
- to correlate the governmental sector development policies and activities at the level of regions by stimulating the inter-regional, internal and international, cross-border cooperation which contributes to the economic development and is in accordance with the legal provisions and with the international agreements to which Romania is a party;

The principles that the elaboration and the application of the development policies are based on are:

- Decentralization of the decision making process, from the central/governmental level to the level of regional communities;
- Partnership among all those involved in the area of regional development;
- Planning – utilization process of resources (through programs and projects) in view of attaining the established objectives;
- Co-financing – the financial contribution of the different actors involved in the accomplishment of the regional development programs and projects.

The development regions in Romania

This development brought about the implementation of a statistical system for the monitoring of regional differences which was unprecedented in the Country, and which is still subject to further improvement and refinement. The existing statistical evidence, with all its shortcomings, shows that Romania entered the transition process with a degree of regional economic disparities relatively low when compared to other

market economies or Candidate Countries, but that these have been rapidly increasing first and foremost between the Bucharest region and the rest of the country and to a lower extent between regions themselves. As table shows in relative terms interregional disparities within Romania have reached levels broadly comparable to France and Italy, while in absolute terms when compared to the EU average differences still are relatively low.

Inter-regional disparities within the EU and the Central and East European candidate countries according to regional GDP in 2000

No.	Country	Regions with maximum GDP	Relative GDP	Regions with minimum GDP	Relative GDP	Report max/min
1	Great Britain	Inner London	246.3	Mersyside	71.6	3.43
2	Belgium	Brussels	223.1	Hainaut	71.8	3.11
3	France	Ile -de-France	154.1	Reunion	50.9	3.02
4	Germany	Hamburg	183.4	Dessau	63.2	2.9
5	Cheque Rep.	Prague	121.6	Sredni Cechy	48.5	2.51
6	Hungary	Kozep -Magyaroszag	72.4	Eszak -Alfold	32.5	2.23
7	Italy	Lombardia	136.1	Calabria	61.9	2.22
8	Spain	Madrid	108.1	Extremadura	50.3	2.15
9	Austria	Viena	150.6	Burgenland	70.9	2.12
10	Poland	Mazowieckie	55	Lubelskie	27.6	1.99
11	Portugal	Lisabona	101.1	Acores	52.2	1.94
12	Romania	Bucuresti -Ilfov	35.3	Nord-est	19.1	1.85
13	Finland	Uusima	137.2	Ita-suomi	74.9	1.83
14	Holland	Utrecht	143.4	Flevoland	81.3	1.76
15	Greece	Stereia Ellada	81.5	Ipeiros	47.3	1.72
16	Bulgaria	Yugozapaden	34	Severozapaden	22.2	1.53
17	Sweden	Stockholm	133.9	Vastsverige	89.9	1.49

Source: EC 2002, The first report on economic and social cohesion and other calculus

More importantly, there still are major differences within individual regions where heavily agricultural counties coexist with more developed areas. This phenomenon has been even made worse by the highly concentrated impact of economic restructuring in given areas with monocounty towns typically been affected by labour market shocks due to the shutting down of unprofitable State enterprises. Other factors with an impact on regional development traditionally include border regions and the Danube with regions bordering Moldova and Ukraine and regions along the Danube more under developed than the others. The paragraphs below will provide a brief overview of the main regional development issues as a support to the strategy detailed below, while a more detailed review of the sectoral aspects has been carried out in the relevant sections of the plan.

The growing importance of Bucharest in development terms

One of the most striking features of Romania's economic growth over the last ten years has been the growing importance of the Bucharest area in development terms. This is in line with a well-known trend affecting all transition economies, but it is even more evident here due to the large size of the country in both population and territory terms. With some 5.4% of the population Bucharest accounts for 21% of the Country's GDP and 20% of all Romanian SMEs are registered there and the capital has attracted 51.1% of total foreign investment. Bucharest is also one of the few areas experiencing substantial positive internal migration. The share of Romanian University Students making

their degrees in the capital has increased from 354,448 in the school year 1996/1997 to 582,221 in the school-year 2001/2002 and research and development opportunities are increasingly to be found there. Significantly enough Bucharest development has not had any significant spill-over in neighbouring counties. Some of Romania's most underdeveloped counties are still to be found in the immediate surroundings of the capital city.

The dynamics of unbalanced growth

Apart from Bucharest whose location is at any rate quite peculiar within the Country, economic growth has followed a broad

west-east direction with proximity to western markets acting as a growth spurring factor. Although statistical data show some vagaries over time due to peculiarly local factors it can be observed how economic growth has had a significant geographical component with underdevelopment concentrated in the NE bordering Moldova and in Southern regions along the Danube. Underdevelopment appears as strictly correlated with unemployment and the importance of rural activities, as well as with FDI attraction capacity. Table below provides an overview of regional development summarising key information on economic variables.

Some indicators of regional development in Romania (national average = 100)

Region	Per capita GDP		Unemployment		FDI per capita		SMEs per capita		Rural population	
	1998	2000	1998	2001	1998	2001	1998	2001	1998	2001
1. North-East	79.8	70.0	133.7	120.5	:	14.9	68.7	68.3	123.9	124.7
2. South-East	100.1	88.9	112.5	111.4	:	74.6	102.5	101.5	94.7	95.4
3. South	85.8	81.5	97.1	101.1	:	69.9	78.1	74.4	129.0	128.6
4. South-West	90.0	83.8	104.8	118.2	:	34.1	92.3	85.0	120.8	120.3
5. West	100.9	102.6	101.9	108.0	:	98.6	86.7	95.9	83.8	82.4
6. North-West	95.5	93.0	84.6	77.3	:	55.6	107.1	107.8	104.9	104.2
7. Centre	105.9	107.1	98.1	97.7	:	57.8	99.2	102.7	87.1	87.7
8. Bucharest	162.2	206.8	47.1	53.4	:	503.5	195.3	197.1	24.8	23.8

Source: Statistical Yearbook of Romania, National Office of Trade Register.

More in particular the North-East region suffers from both its traditional heavy dependence on agriculture and its proximity to the border with Moldova and Ukraine. The same to a large extent applies also to the South region also heavily depending on agriculture and hindered by the Danube acting as a barrier to cross-border trade. The western and central parts of the country have benefited more from their proximity to western markets and from their historically lower dependence on the primary sector. So far they have also benefited comparatively more from foreign direct investment.

This differentiated path of economic growth has resulted in a self-reinforcing phenomenon also through fiscal policy mechanisms. The total capital investment in regions/areas lagging behind has substantially decreased as shown in table below also due to substantial decline in public expenditure due to fiscal problems. This in turn has hit investment in public

infrastructure hindering the upgrade and maintenance of basic public utilities. As shown in table below the number of Romanian localities with access to water and public sewerage has not substantially increased over the last few years. On the contrary a number of small and medium towns in Romania still have difficulties in providing basic public utility services which is a non negligible obstacle to any business attraction strategy.

The evolution in the number of localities connected to drinking water networks by regions

Region	Number of localities connected to drinking water							
	1998	% in total localities in the region	1999	% in total localities in the region	2000	% in total localities in the region	2001	% in total localities in the region
North - East	310	12.52	324	13.08	344	13.89	357	14.41
South - East	520	34.95	536	36.02	568	38.17	572	38.44
South	448	21.61	454	21.90	454	21.90	475	22.91
South - West	293	13.87	299	14.16	299	14.16	286	13.54
West	260	18.96	281	20.50	269	19.62	278	20.28
North - West	736	39.61	729	39.24	731	39.34	743	39.99
Centre	313	16.71	343	18.31	342	18.26	359	19.17
Bucharest	31	29.52	31	29.52	22	20.95	22	20.95
Romania	2,911	21.79	2,997	22.44	3,029	22.68	3,092	23.15

Source: Statistical Yearbooks of Romania 1999-2002

If we compare the number of localities with drinking water networks (357) and the ones with sewerage (131), in North-East region we can observe a big

discrepancy in the sense that more than half of these do not have sewerage systems, which leads to environment pollution.

Evolution of the public sewerage by regions

Region	Number of localities with sewerage						
	1998	% in total localities in the region	1999	% in total localities in the region	2000	% in total localities in the region	2001
North - East	104	4.20	110	4.44	128	5.17	131
South - East	75	5.04	79	5.31	83	5.58	86
South	95	4.58	95	4.58	93	4.49	94
South - West	54	2.56	56	2.65	56	2.65	53
West	73	5.32	74	5.40	80	5.84	80
North - West	108	5.81	106	5.71	106	5.71	108
Centre	104	5.55	110	5.87	108	5.77	111
Bucharest	23	21.90	24	22.85	20	19.05	19
Romania	636	4.76	654	4.90	674	5.05	682

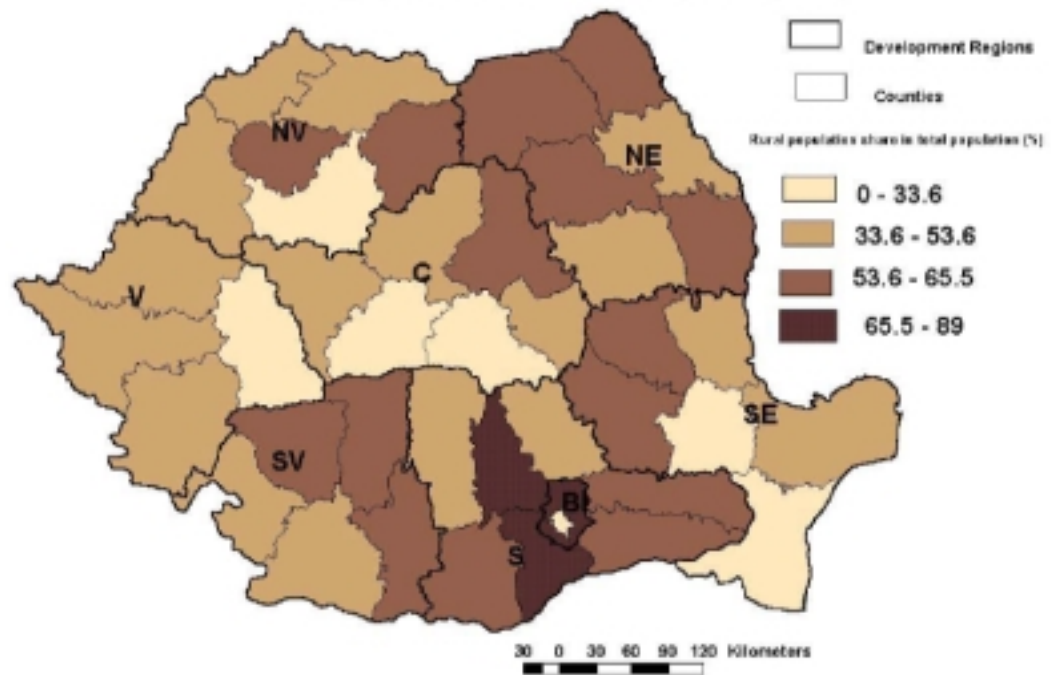
Source: Statistical Yearbooks of Romania

Infra-regional disparities and urban networks

One of the peculiarities of regional development in Romania is the mosaic-like structure of economic development at the sub-regional level. In practically all the

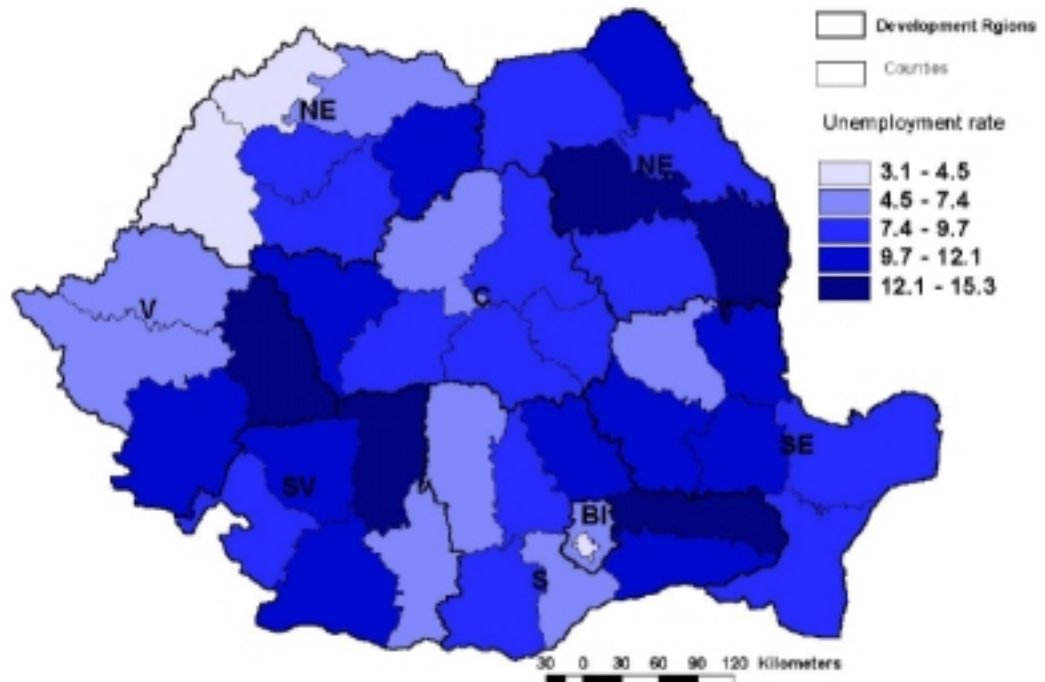
regions fairly developed counties co-exist with rather underdeveloped ones. Figures below respectively show the present level of counties' dependence on agriculture, as well as their current unemployment.

Rural population share at county level (2001)



Source: Ministry of European Integration

The unemployment at county level



Source: Ministry of European Integration

This indicates an overall poor integration of economic systems at the regional level. In fact, although Romania has a dense urban network which could represent potential poles of economic growth at the

regional level, there are little economic links between these urban centres and the surrounding areas, as the development path of the two were conceived independently from each other.

Also the transport system at the local level is not always perfectly suitable to fostering contacts and economic relations between counties. As a result even today there is little such thing as a regional market for labour which partly explains why a labour market shock in a given monocounty town has often resulted in either migration to rural areas within the same county to undertake subsistence farming or directly to Bucharest and has not resulted into migration to higher level urban centres at the same regional level. Only recently have local labour market systems started to appear, as a consequence of the increasing specialisation of manufacturing production. However, apart from obvious consequences on training needs, future monitoring is required to fully appreciate its possible wider consequences on regional development.

The differentiated geographical impact of industrial restructuring

The highly differentiated nature of sub-regional development in Romania is bound to remain highly volatile in the near future. As figure below details, there still are a significant number of counties where a single economic activity, typically a State-owned company likely to undergo restructuring, accounts for a disproportionate share of local non-primary employment. This represents a serious risk of future labour market shocks.

Key issues:

The main problems of regional development:

- The growing importance of Bucharest
- Unbalanced growth between west and east of the country
- Economic growth has followed a broad west-east direction with proximity to western markets acting as a growth spurring factor
- Underdevelopment concentrated in the NE bordering Moldova and in Southern regions along the Danube
- Infra-regional disparities reflect the mosaic-like structure of economic development: within regions the fairly developed counties co-exist with rather undeveloped ones

- The urban decline of small and medium size towns
- Strong negative impact of industrial restructuring in mono-industrial localities.

Post-2006

In the view of Romania's integration in the EU, planned in January 2007 we assume that till that moment Romania will provide that full compliance with the Community legislation in areas such as regional policy, environmental protection, public procurement and financial management and control is ensured. In these conditions after that date Romania can benefit from Structural Funds as the other 10 new member states benefits starting with January 2004.

Solidarity among the peoples of the European Union, economic and social progress and reinforced cohesion form part of the Community's overall objectives of "reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions", as laid down in the Treaty establishing the European Communities. The instruments of solidarity, the structural funds and the cohesion fund have a major impact on the competitiveness of regions and contribute significantly to improving the living conditions of their citizens, particular in the poorer regions. Most of the funding is spent through multi-annual development programmes, managed jointly by the Commission services, the Member States' and regional authorities. It is to be stressed that the selection of projects to be co-financed by these programmes is the competence of national, regional and local authorities, in application of the subsidiarity principle.

The strategy adopted will be built on a Community Support Framework (CSF) based on the following Romania's priorities:

- increasing the competitiveness of the productive sector
- promoting employment and human resource development
- improving transport infrastructure and protecting the environment
- strengthening regional and local potential
- technical assistance.

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