

MINISTRY OF EUROPEAN FUNDS

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

Second Draft

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LIST OF ABBREVIATIONS

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

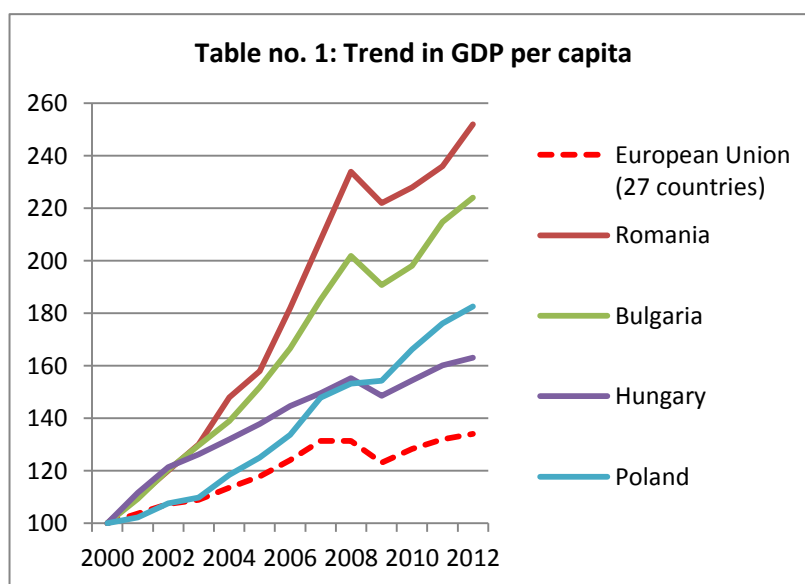
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
OP FMA	Operational Programme for Fisheries and Maritime Affairs
PA	Partnership Agreement
PARDF	Payments Agency for Rural Development and Fisheries
PES	Public Employment Service
RDA	Regional Development Agencies
RDI	Research,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

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

OVERVIEW

Romania is the seventh largest country in the EU in terms of population (20.12 million¹) and the second largest from the group of New Member States, after Poland.

During the period 2001-2008, the Romanian economy expanded by an average of 5-6 percent per year, representing one of the fastest growth rates in the European Union.



During 2009-2012, the GDP of Romania had an oscillating trend. After a +7.2% average annual growth in 2006-2008, a sharp contraction of 6.6% was experienced in 2009, due to the economic downturn. Growth returned in 2011 (+2,5%) but slowed 2012 (+0.7%), due to the combined impacts of a severe summer drought affecting agricultural output and the Eurozone crisis. A

modest economic recovery is forecast with 1.6% GDP growth in 2013 and 2.2% in 2014.²

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

Macro-economic policy

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

Romania negotiated with the EC and the IMF a precautionary economic adjustment programme in 2011. After the successful completion of the programme in June 2013, in July 2013 Romania requested a new precautionary financial assistance from EU and IMF. The joint mission from EC, IMF and WB during July 17-31, 2013 reached an agreement at staff

¹ According to final results of population and houses census – 2011, NIS

² National Commission for Prognosis, Spring Forecast 2013

http://www.cnp.ro/user/repository/prognoza_teritoriala_primavara_%202013.pdf

level on the economic programme that could be supported by a 24-month Stand-By Arrangement with the IMF for an amount of 1751.34bn SDR (approx. 2bn EUR) and Balance of Payments (BoP) assistance from the EU in an amount of 2bn EUR. The main objectives of the programme are safeguarding sound public finances, continuing monetary and financial sector policies that preserve buffers and increase resilience against external shocks, and reducing bottlenecks to growth through structural reforms. The programme was presented to the IMF Board in September 2013, and to EU EFC and ECOFIN in October 2013.

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

Macroeconomic perspective

Based on the Convergence Programme of Romania 2013-2016, the growth trend is expected to move closer to its sustainable potential, in the region of an average by 2.5% growth in GDP annually. This scenario relies on an improvement in all sectors, in particular the performance of industrial sectors with high export potential, and the construction sector where planned infrastructure investment represents significant potential for growth. Domestic demand will be the driver of performance. **The current account deficit** will remain within a range between 5.4 – 6.9 billion Euros, representing 3.9% of GDP in 2013 and 4.1% in 2016, being fully covered, throughout this period, from autonomous non-interest bearing sources. **Inflation** will continue to decline in 2014-2016, reaching 2.3% in 2016, with an annual average of 2.5%. **Employment**, according to national accounts, will increase in 2014 – 2016 at an annual average rate of 1.2%, with the number of employees augmented by 0.9%. **Labour productivity** will improve due to a more rapid increase of GDP relative to the increase in employment. The **ILO unemployment rate** will reduce to 6.6%, with the employment rate among the population aged 20 to 64 simultaneously increasing to 65%.

Table no. 1 – Macroeconomic projections for Romania

	2012	2013	2014	2015	2016
	<i>Percentage Changes %</i>				
Real GDP	0.7	1.6	2.2	2.4	3.0
Private consumption expenditures	1.1	1.5	2.0	1.7	1.8
Public consumption expenditures	1.7	1.6	1.4	1.3	1.4
Gross Fixed Capital Formation	4.9	5.0	6.0	6.7	7.3
Exports of goods and services	-3.0	1.2	3.4	5.1	6.3
Imports of goods and services	-0.9	3.0	5.1	5.9	6.4

Source: Convergence Programme of Romania 2013-2016

Challenges for national growth

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

The competitiveness challenge

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

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

The people and society challenge

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

Romania has a very low density of employment, especially in rural area³ (In 2012, Romania's the rural area extended to 207,522 km² (87.1% of the territory of Romania), was inhabited by 45.0% of the Romanian population. (Source: National Institute of Statistics 2012). The rural area is defined in Law 350/2001 regarding territorial planning and urbanism and Law no. 351/2001 regarding the approval of the Plan for the National Territorial Planning. The rural area is defined though the designation of communes (NUTS5 units) as rural and statistics relating to the rural area are aggregated from that level). Large areas of the country lack a functioning labour market and consequently large numbers of young people are not in employment, in education or training.

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

The infrastructure challenge

Romania is hampered in pursuing growth by underdeveloped and outdated infrastructure. Although Romania sits on important routes connecting Central Europe with the Black Sea and the Caucasus, its *transport infrastructure* is underdeveloped relative to the volume of goods and passengers that transit Romanian territory, and accessibility remains a major

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

barrier to regional growth. Connectivity via all transport modes is suboptimal due to the backlog of investments, as well as administrative deficiencies in the maintenance and operation of the infrastructure. As regards *ICT infrastructure*, basic broadband should be universally available by 2015 as a result of existing initiatives, although take-up remains low. However, Romania faces particular challenges in extending New Generation Access in rural areas where, in the absence of public intervention, it is estimated that by 2020 less than 50% of households will be covered with speeds over 30Mbps.

The resources challenge

Romania is well endowed with *energy resources*, a significant proportion of which is from renewable sources and has potential for further extension. It has a much lower reliance on imported energy (21.7% in 2010) than in the EU27 (52.7%). The efficiency of Romania's electricity generation, transmission and distribution systems (from renewable sources such as wind, solar and on the other hand nuclear and gas turbines) is close to the EU average. The efficiency in energy use is poor, notably as a result of badly insulated residential and public buildings combined with inefficiency in the district heating transmission and distribution systems.

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

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

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

The administration and government challenge

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

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

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

Taking into account the macroeconomic situation and policies, together with the highlighted bottlenecks to national growth, the Government of Romania has established the funding priorities for the use of European Structural and Investment Funds in the 2014-2020

Partnership Agreement with the global objective *to reduce the economic and social development disparities between Romania and the EU Member States.*

The large inflow of funds from the EU over the next years will determine an impact at macroeconomic level. The prospective effects that may be generated by ESI Funds through investments in infrastructure, human capital or direct aid to private sector could be estimated with application of economic modelling.

By using the R-GREM model, Romania will have the potential to examine the responsiveness of the economy to the financial injection during the period 2012-2020, the impact on GDP trends being emphasised. The model will also project the influence of other key macroeconomic parameters, including employment in tradable (manufacturing) and non-tradable (services) sectors and gross capital formation (investments).

The analysis will be carried out in terms of the comparison of a "without EU funds" baseline scenario relative to "with EU funds" scenario. The distinction is that "with EU funds" scenario will be based on the funds scheduled in the Partnership Agreement 2014-2020, undertaking sensitivity analysis based on different rates of absorption.

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

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

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

<i>National EU 2020 targets</i>	<i>Current situation</i>	<i>Development challenges</i>				
		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>
70 % of the population aged 20-64 to be employed	63.8 % (2012)	*	*			*
2 % of GDP to be invested in R&D	0.48 % (2011)	*	*	*		*
Reduction of greenhouse gas emissions with 19% (compared to 1990 level)	51.84 % (2011)	*		*	*	*
24 % of total energy consumption from renewable sources	20.79 % (2012)	*		*	*	*
Reduction of 10 Mtoe (19%) in the primary energy consumption	16.6 % (2012)	*		*	*	*
Less than 11.3% of children should leave school at an early age	17.4 % (2012)		*	*		*
At least 26.7% of 30-34-year-olds should complete third level education	21.8 % (2012)		*	*		*
580,000 less people should be at risk of poverty or exclusion (compared to 2008 levels)	240,000 (2011)		*	*		*

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

<i>Country Specific Recommendations</i>	<i>Development challenges</i>				
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>
Implementation of the precautionary programme	*	*	*	*	*

Sustainable public finances and taxation system	*	*	*	*	*
Health sector reform	*	*			*
Improved labour market, youth unemployment and poverty	*	*	*		*
Education reform	*	*			*
Better public administration					*
Better business environment	*				*
Efficiency in energy and transport	*		*	*	

1.1 ANALYSIS OF DISPARITIES, DEVELOPMENT NEEDS AND GROWTH POTENTIALS

1.1.1 Analysis of disparities and identification of the main development needs

THE COMPETITIVENESS CHALLENGE

General

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

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

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

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

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

Romania Competitiveness Scoreboard - Distance from EU Average (standard deviations)							
	-3	-2	-1	0	+1	+2	+3
Innovative Industrial Policy							
Labour productivity per hour worked (2010), ,		x					
Labour productivity per person employed (2011)		x					
Labour productivity per person in manufacturing (2009)			x				
% of employees in manufacturing with high educational attainment (2011)			x				

Tertiary graduates in science and technology (2010)					x		
R&D performed by businesses (2010)		x					
Share of high-tech exports in total exports (2011)			x				
Sustainable Industry							
Energy intensity in industry and the energy sector (2010)	x						
Environmental protection expenditure in Europe (2009)						x	
Exports of environmental goods (2011)			x				
Business Environment / Entrepreneurship							
Time required to start a business (2010/11)				x			
Business environment score (2010/11)			x				
Enterprise survival rate after two years (2009)					x		
Business churn (2008)				x			
Share of high-growth enterprises (2009)		x					
Early stage financing (2011)		x					
Access to bank lending for SMEs (2011)				x			
Duration of payments by public authorities (2011)							
Service Sectors					x		
Electricity prices for medium size enterprises (2011)					x		
Infrastructure expenditures (2010)			x				
Satisfaction with quality of infrastructure - rail, road, port and airport - (2011-12)	x						
% of broadband lines with speed above 10 MBps (2011)						x	
Public Administration							
Legal and regulatory framework (2011)			x				
Burden of government regulation (2011-12)			x				
E-government usage by enterprises (2010)	x						
Data are presented so that positive (negative) figures are always better (weaker) than the EU average							

Challenging market conditions

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

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

There is a profound **territorial** character to economic activity in Romania. Growth over the past decade has been heavily skewed in favour of Bucharest-Ifov which has become a mainstream functioning market economy with a mix of manufacturing and service employment and a GDP per capita which exceeds the EU average. However, in the other seven regions, development growth and diversity of economic activity is much lower and the prospects for business growth are much more challenging:

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

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

Low business density

Romania has the second lowest density of businesses in the EU27⁴. In 2011, the population of companies stood at 452,010, with an overall density per 10,000 population of 204. SMEs contribute 53% of GVA, five percentage points below the EU average.

In terms of **territoriality**, across Romania's development regions there are significant variations in business density⁵. Bucharest-Ilfov is a significant outlier with almost 2.5 the average density of businesses. Four regions, North West, Central, South East and West are clustered around the average business density (within around 12%). However, three regions, North East, South Muntenia and South West Oltenia have significantly lower rate than average business density (62%-70% of the average).

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

A small number of strong sectors

The draft of the National Competitiveness Strategy identifies competitive industrial and value-adding service sectors which have demonstrated recent growth⁶ and good export performance:

- automotive is high value adding, comprises some 500 large and medium companies, including manufacturing and assembly by Ford and Renault; involvement in their supply chains has improved the productivity and competitiveness of Romanian companies; highly export oriented.
- food and drink is medium-high value-adding and medium technology; the sector includes some large companies, but has a long tail of some 7,000 SMEs, its focus is primarily the Romanian internal market; at present, export orientation is currently modest. Its future growth strongly depends on development of domestic agricultural raw material supply.

⁴ Source: Eurostat Statistics in Focus 31/2008.

⁵ Highlighted in Commission Services Position Paper (October 2012) p7.

⁶ There is a high degree of commonality in the findings of studies on recent growth and relative sector strength, notwithstanding use of different data sources including FGB et al 2013, Socio-economic Needs Analysis and ARUP 2013: Analysis and Evidence Base of the R&D&I Market in Romania. Less research is available on future potential, but Cojanu (2012) New directions of industrial policy and needed structural change concluded that Transport Equipment and Agri-food have greatest development potential and included motor vehicles, food and beverages, and leather and textiles as having strong growth potential alongside, on a smaller scale tobacco, machinery and equipment, electrical equipment and decontamination service.

- in agriculture, organic primary production is highly export oriented. Some 70% of Romania's production of maize, barley and wheat is exported as a raw commodity, without value being added.
- textiles and leather is lower value-adding and low-medium technology but may represent scope to increase productivity and added-value through innovation; the sector comprises some 4,000 SMEs and has a high export orientation.
- information and communications technology is internationally competitive, but mainly focused on outsourcing for foreign clients rather than on Romania's internal production system.
- financial services is mainly internal market focused.

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

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

Overdependence upon low value-adding activities

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

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

Within this Tourism directly supports about 193,000 jobs (2.3% of total employment) while its contribution maintaining employment in related sectors is estimated to be more than twice as high. Sub-sectors of tourism with higher added-value are health tourism and ecotourism. Romania has around a third of the natural mineral springs in Europe offering diverse treatments. As well as attracting foreign visitor revenue, the sector has a contribution to make in addressing active ageing and health⁷. Romania has an outstanding natural asset base for ecotourism being the only country with 5 out of the 11 biogeographic regions of Europe⁸. Recent entrepreneurial and public sector activity confirm a strong growth trend, delivering highly dispersed local and rural development.

Agriculture, forestry, fisheries and aquaculture account for almost 30% of employment, almost five times the average for the EU. The contribution to GDP is relatively small at just under 7%, but is nevertheless three times the EU27 average. Labour productivity in agriculture is less than a quarter of the average for all sectors in Romania and a quarter of the European average in agriculture.

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

Higher value adding services - Information and communications, Financial and insurance, Real estate, Professional and administrative services are underrepresented relative to EU

⁷ Source: Romania National Tourism Masterplan 2007-2026.

⁸ Source: National Development Strategy for Ecotourism in Romania, Phase I

average, accounting for just over 8% of jobs but generate almost a quarter of Romania's GDP.

The Public sector is relatively small in Romania, reflecting the present capacity of the economy to generate tax revenues and to support public services.

In the period 2008-11 overall employment reduced by 4.4% the extractive and energy sectors experienced a sharp contractions in employment as did the construction sector. Most retailing and related sectors saw only a small reduction in employment, perhaps due to the prevalence of self-employment and family businesses. Real estate was badly affected and continuing reform saw the loss of large numbers of jobs in the public sector. Tourism is reported to have demonstrated resilience and having contracted since 2008 to have grown sharply in 2012⁹.

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

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

The potential in agriculture, is constrained by particular development challenges relating to a polarised structure of holdings. Large and medium farms which are potentially competitive but need to modernise and meet European standards account for just 7% of holdings but manage some 70% of utilised agricultural area (UAA). Some 93% of holdings of less than 5ha comprise the remaining 30% of UAA and are operated on a subsistence basis, but represent an important buffer in Romanian society. As a result, skills, innovation, productivity and incomes within these small units are low. An inevitable consequence of improving the market orientation and productivity within the small units is that they will support far fewer jobs than at present. Accordingly, diversification and the generation of alternative sources of employment, including through development of local processing and marketing activities, is critical to more sustainable rural development. In 2010 fewer than 1% of holdings derived more than 10% of their income from activities outside farming. As elsewhere, in Europe, Romania's agricultural workforce is ageing with a particular problem of intergenerational change among farm managers.

The fruit sector has declined continuously since 2000, the area of orchards decreasing by about 38% (2000-2011) and some 55% of orchards are now over 25 years of age. Fruit storage capacity is also reduced, covering only 14% of production capacity, affecting the sector's ability to provide fresh fruits all year round and raw materials for processing units.

Beyond the farm gate, Romania's high potential to grow exports into the European Food system is presently limited by lack of investment in primary processing and its alignment with European standards and consumer expectations.

Although making a modest contribution to Romania's GDP, fisheries and aquaculture, with fish processing and trade in fish and fish products are present in all regions. In isolated areas, notably the Danube Delta, the Danube Plain and the Danube Gorge, fishing activity is an important source of employment and income for the local population. Aquaculture has a wider value for Romania through food resources produced and its role in creating and maintaining wetlands and biodiversity of many fish and bird species.

⁹ Source: WTTTC.

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

Although Romania has a large surface of aquaculture ponds, the competitiveness of inland fisheries is hindered by lack of investment in vessels, the exploitation of viable ponds and in infrastructure. The range of species farmed is narrow and could be better aligned with market demand. Management, including environmental management is weak; aquaculture production is underreported. Processing and marketing are inefficient, with a high reliance on direct selling.

Marine aquaculture doesn't benefit from favourable geographic and weather conditions, only four areas for developing shell farming have been identified.

The development potential of Romania's Black Sea fisheries is ultimately constrained by the sustainable fish stock. Overfishing has led to a low diversity and quantity of high value fish. Nevertheless, Romania maintains that aspects of the Black Sea management regime do not provide for fair competition.

In order to increase the competitiveness of Romanian fisheries, within the context of sustainable exploitation, investment is needed to modernise and to better equip vessels and to improve fishing-related infrastructure. Skills in business management and among operatives need to be strengthened to facilitate the adoption of innovation and good environmental practice,

As with agriculture, better organisation of processing, distribution and marketing, should improve the competitiveness of the sector as a whole.

Sources of new business activity

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

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

Both churn and survival rates in Romania are close to the EU average¹⁰. In the period since 1995, the one year survival rate has remained between 60% and 70% with the exception of 2008, when it fell to 51%¹¹.

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

Foreign direct investment. Given the underdevelopment of domestic enterprise culture, foreign direct investment continues to play an important role in the development of Romania's economy, both in industry and higher value adding services. It represents an opportunity to integrate Romanian companies into international supply chains and to support improvements to their quality and productivity. FDI enterprises have a positive

¹⁰ Source: DG ENTR Competitiveness Scoreboard.

¹¹ Source: *New Companies and the Profile of Entrepreneurs in Romania (2013)*.

¹² Source: *New Companies and the Profile of Entrepreneurs in Romania (2013)*.

impact on foreign trade of Romania, contributing to total exports - 71.4% in 2011. In manufacturing, 17 of the 23 industrial sectors are dominated by multinationals¹³.

In the period to 2011, Romania received €55.1bn in foreign direct investment¹⁴. The distribution by sector is significantly aligned with Romania's strong sectors. Manufacturing industry has accounted for 31.5% of the total, within which Chemicals and plastics, automotives and transport equipment, Metal processing and Food and drink have been prominent. Other large sectors include financial services (11.5%), construction/real estate (10.7%) and utilities (7.9%). ICTs account for just over 5%, underlining the contribution of domestic companies to the sector's growth.

The strongest FDI inflows were between 2004 and 2008 when privatisation was a strong contributory factor. Flows have reduced markedly during the recession¹⁵. Nevertheless, in 2012, Romania was rated in the top quartile of European countries in terms of their attractiveness for investment in the next three years¹⁶.

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

During 2003-2011, 3 regions, South-Muntenia, West and Bucharest-Ilfov, registered an increase in the volume of FDI, while 4 regions, North-East, North-West, South-East and Center, registered, in 2009, a significant decrease. The decline continued in 2 regions, South-West and South-East between 2009 and 2011. Of the 8 regions, North-East is the least attractive region for foreign investors, while South-West has potential to attract a bigger volume of foreign investments¹⁷.

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

The opportunity for greenfield investment has been an attraction for some investors and such

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

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

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

¹³ Source: Central Bank of Romania, Annual Report on Foreign Direct Investment.

¹⁴ Source: National Bank of Romania.

¹⁵ Highlighted in Commission Services Position Paper (October 2012) p.4.

¹⁶ Source: Ernst and Young, 2012, European Attractiveness Report.

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

exports in the period 2007-11 demonstrates that Romania has sectors that can compete internationally.

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

An insufficiently supportive business environment

According to the World Economic Forum, the most problematic factors for doing business in Romania are corruption, tax rates, government bureaucracy and inefficiency, access to finance, tax regulations, inadequate infrastructure, inflation, policy instability and an inadequately educated workforce¹⁸.

Bureaucracy. Despite progress the Romanian business environment is still confronted by excessive bureaucracy, notably in relation to fiscal management and the complexity and duration of procedures¹⁹. Regulation lacks proportionality. Administrative, accounting and reporting requirements are common to large and to micro businesses. This contributes to maintaining a high rate of activity outside the formal economy.

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

In order to address these issues, the National Competitiveness Strategy proposes “a better regulatory framework for the business environment” in line with the European Council Recommendations concerning promotion of administrative transparency and legal certainty. Additionally, the existing regulatory framework for SMEs (the Law No 346/2004) has been amended and completed according in line with Small Business Act principles under the National Reform Programme 2011 – 2013²⁰. The development of e-government services is seen to have considerable potential in reducing the administrative burden. Similarly, there is potential to improve trade flow by removing customs administration and infrastructure bottlenecks.

Access to finance. Access to business finance remains problematic²¹ and recent surveys contain mixed messages on whether the situation is improving. On one hand in 2011, 15% of Romanian SMEs reported access to finance as their most pressing problem - in line with EU average - reduced from 27% in 2009²². On the other, against an improving trend across the EU27, Romanian SMEs reported a deteriorating position in the previous 6 months in relation to availability of finance from banks (13%) public support (47%) trade credit (25%) equity (40%).

Research carried out by EIF²³ published in 2009 highlighted difficulties in accessing finance faced by SMEs, and new starts in particular. Bank finance was identified as the main source of external financing. Relatively few propositions are of a scale where private equity becomes economic; limited personal asset values constrain access to bank-based loan finance on commercial terms.

The JEREMIE Fund (€100m) is the largest financial instrument implemented in 2007-2013. Although approved in 2008, it was not until 2011 that the first financial intermediaries were

¹⁸ Source: *The Global Competiveness Report 2012-2013*, World Economic Forum, pg. 302

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

²⁰ *National Reform Programme 2011-13 Progress Report*

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

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

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

contracted for the “Portfolio Guarantee” product (€68m) which had in June 2013 an estimated portfolio around of €160m. The €17.5m Catalyst Fund providing risk capital made its first investment in June 2013. However, microfinance initiatives have so far been more successful than other financial instruments. Experience has also highlighted the negative impact of the reimbursement model on investment, and which resulted in approved investment projects not proceeding.

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

Take-up in 2007-13 of guarantee schemes designed as non-State Aid schemes has been disappointing compared to subsidised loan schemes used under SAPARD, during the pre-accession period. These guarantee schemes have not overcome the barrier of accessibility to funding due to the last years' economic situation influencing lending policies of financial institutions. Among the vulnerabilities associated by lenders to the rural area we mention the average area of agricultural exploitation under the level of economic viability, low profit margin when investing in smaller businesses, doubled by insufficient information on rural economy. An additional burden affecting beneficiaries relates to the cost of the schemes. Appropriate design of instruments, balancing State Aid, ease of implementation, bank and beneficiary requirements is therefore key to their success. The ex-ante assessment required before implementation should identify the types of financial instrument needed to cover the market gaps, optimize allocation and results.

Access to support. A further lesson from 2007-13, relates to provision of information and other support for business. In this area fragmentation and the complexity of processes has also been a disincentive to take-up, resulting in reduced effectiveness. In order to address these issues, a web-based platform, will provide information and referral on all business support while funding rules will be simplified where possible.

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

Constrained availability of skills. Businesses in Romania seeking to grow face considerable competition for skilled personnel, including for entrepreneurial skills. Skills gaps exist in all regions and are not confined to sectors that have experienced recent growth in employment²⁴. Analysis by occupational group reveals the highest vacancy rates for skilled workers and related workers (3%), plant and machine operators and assemblers of machinery and equipment (2.5%) and skilled workers in agriculture and fishing (1.8%). Recruitment difficulties were highlighted particularly in occupations requiring TVET qualifications.

²⁴Source CEDEFOP Survey 2011.

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

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

ICTs and competitiveness

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

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

As regards e-commerce, however, there is a clear deficit²⁵ both on the supply side (only 5% of SMEs with 10 - 250 employees selling online, compared with 13% at an EU level) and on the demand side (5% all individuals and 11% internet users buying online compared with 45% and 59% for the EU27 in 2012)²⁶. Although the large company share of turnover from e-commerce has doubled in three years, at 6% it is less than a third of the EU average.

The low trust of citizens in electronic systems is identified as a significant barrier to the adoption of e-commerce²⁷. In addition to improving internet access and stimulating computer use, development of the digital marketplace in Romania will require consumer confidence to be built in the security of personal data and financial transactions and also consumer law around online purchase of goods and services. This needs to be complemented by development of the regulatory framework on cross-border e-commerce, online payment and delivery and will be supported by a framework dedicated to easy resolution of the abuses and disputes specific to e-commerce.

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

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

²⁵ Highlighted in Commission Services Position Paper (October 2012) p7.

²⁶ Source: Digital Scoreboard 2012.

²⁷ Source: Ministry for the Information Society.

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

Main development needs

In response to the foregoing analysis, investment in 2014-20 will be prioritised within the framework of the National Competitiveness Strategy, the National RDI Strategy, the National Agricultural Strategy²⁸, the Regional Development Plans and informed by the principles of smart specialisation. These conclude that the clearest potential for growth resides in Romania's internationally competitive sectors: in particular automotives; ICT products and services; food and drink processing. However, these sectors account for a limited proportion of total employment and their growth potential is insufficient to overcome Romania's vast employment gap in the medium term.

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

For a sustainable increase of national competitiveness, it is necessary for investments in these sectors to be given priority at national level and to receive most support from ESI Funds. At the same time, Regional Development Plans can identify, at local level, other sectors with growth potential that may be a secondary focus for investment.

Growth potential as well as potential to contribute to social progress and transformation towards low carbon economy also resides in public sector markets. With a weak private market in the developing regions, public sector expenditure (RO National + ESI funds) is a very important component of aggregate demand. Across central and local government, routine public expenditure can be used more effectively to stimulate new markets (e.g. environmental goods and services), to deliver public services (e.g. through use of intermediate labour market models) and to lever development gains.

Analysis by sector and region highlights where regions enjoy comparative advantage²⁹, variously on the basis of natural resource and other factor endowments, relative accessibility to markets and supply chains in Western Europe, etc. Future investments will seek to consolidate the resulting local and regional specialisation, in order to ensure efficient use of regional development resources including by promotion of clusters. Regional comparative advantages are identified in relation to:

- higher technology industrial sectors - chemistry and oil processing industry (South region) and automotive industry (South, South-West, West and Center regions), energy (South-West, West and South-East regions).
- lower technology industrial sectors - textile and clothing industry (North-East, South-East and Center regions), leather and footwear industry (North-West region) and wood processing and furniture industry (North-East, North-West and Center regions).
- high value-added service sectors - ICTs (Bucharest-Ilfov, West and North-West regions), financial and insurance activities (highly concentrated in Bucharest-Ilfov region, reflecting the major importance of the capital city for the entire Romanian economy).

²⁸ Currently in preparation by the World Bank.

²⁹ Regional competitive advantages were identified from the analysis made on regional economies in National Regional Development Strategy, Regional Development Plans and National Strategy for Competitiveness.

- tourism (South-East, South West and North East are identified as possessing comparative advantage, but tourism is highlighted as a priority in all Regional Development Plans).

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

In pursuing local growth, the direction of Regional Development funds will take into account both national sectoral priorities and regional strengths.

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

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

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

RESEARCH, DEVELOPMENT AND INNOVATION (RDI) ACTIVITY IN SUPPORT OF COMPETITIVENESS

General

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

- enhancement of the added-value in products and services, thus supporting higher returns to businesses and skills.

- the achievement and retention of competitiveness in an increasingly globalised marketplace.
- approaches to many of the big challenges confronting society.

The Europe 2020 Strategy aims to foster smart growth by supporting sustained investment in innovation. In 2011, Romania invested only 0.48% of GDP in R&D, with more than 80% accounted for by the Romanian public sector. A step change in behaviour is needed to achieve the **Europe 2020 target** of 2% of GDP by 2020³⁰. Some studies point to a relatively high level of innovation in Romanian businesses nevertheless³¹, and suggest a need to look beyond formal R&D expenditure in order to fully comprehend the situation.

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

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

In 2011, Romania's Business Sector invested only 825m lei in R&D, 17.1% of the total. Growth in private sector R&D between 2007 and 2011 was only 11.8%, just over a third of the growth rate for all R&D expenditure³². This pattern is attributable to structural and other factors.

The innovation potential in business is closely linked to Romania's economic structure³³:

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

At present, investment in R&D is extremely concentrated in high and medium technology companies which represent a small proportion of the total³⁴. The large proportion involved in low or medium-low technology activities, generate a low demand for innovation support. Innovation potential also reflects the focus of activity. As discussed above, Romania's company base is skewed towards low value-adding activities. Almost half of the total is in retailing or close-to-retailing activities.

However, beyond the structural factors which suggest that a very modest proportion of the business base represents a realistic target for innovation support, additional factors have been identified as constraining private investment in research and innovation³⁵:

- the negative impacts of the international economic crisis which have increased risk aversion, reduced liquidity and had a significant effect on SME access to finance, including to fund R&D³⁶.

³⁰ Highlighted in Commission Services Position Paper (October 2012) p7; European Council Recommendations on Romania's National Reform Programme (June 2013) p8.

³¹ For example, DG ENTR, 2011, SME Access to Finance Survey.

³² Source: National Institute for Statistics.

³³ Source: INS and Study The role of private sector in the development of competition in R & D and innovation system.

³⁴ The turnover of high and medium-tech companies was 30% of the total industry turnover in 2011, increasing from 24% in 2008. Source: "Noi direcții de politică industrială și modificările structurale necesare" (Cojanu et al, 2012).

³⁵ "Evaluarea Intermediară a Strategiei Naționale și a Planului Național CD & I 2007-13" (Technopolis Group, 2012), "Noi direcții de politică industrială și modificările structurale necesare" (Cojanu et al, 2012), "Rolul sectorului privat în dezvoltarea competiției în sistemul cercetării-dezvoltării și inovării" (2012).

- lack of venture capital generally, but more specifically an absence of venture capital funds dedicated to R&D driven technological innovation.
- disruption in national public support to RDI activities since 2009 (National Programme calls become irregular and the calls' budgets decreased sharply).
- the complexity of rules concerning access and implementation of publicly supported RDI projects.
- decrease in the number of R&D employees in the private sector.
- many of the foreign-owned companies (including former state companies) do not include research activities within their operations in Romania.
- weak connections between academia and Romanian private sector R&D, and the poor practical applicability of the research results generated by the public sector.
- high costs of patent registration at European level. Romanian institutions are determined to patent at national level.

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

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

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

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

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

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

Based on the analysis of the RDI market in Romania³⁷ and according to the methodological guidelines specified in the European "Guide for Research and Innovation Strategies based on Smart Specialisation"(RIS3) the National RDI Strategy identifies the following thematic priorities for the public RDI investments in the period 2014-2020:

- bio-economy (agriculture and forestry, fisheries and aquaculture, food, biotechnologies and bio-pharmaceutics);
- ICT;
- energy and environment;
- eco-technologies (transport vehicles, pollution-control technologies and waste management, intelligent city);
- health.

Fragmented public R&D poorly linked with business

³⁶ The overall number of innovators in 2010 decreased by almost 40% relative to 2006. Process innovators, which represent the majority of innovators, registered the worst decline (almost 50%). The number of companies that introduce new or significantly improved products declined by almost a third compared to 2008.

³⁷ In order to establish a National RDI Strategy for Smart Specialisation, the Romanian Ministry of National Education commissioned JASPERS to produce an analysis of the RDI market consistent with the RIS3 Guide. Both the priority economic sectors identified by the Competitiveness Strategy and the thematic priorities for public RDI investment identified by the National RDI Strategy have this analysis as a common basis.

Romania has an extensive public R&D infrastructure comprising 54 universities, 47 National Research and Development Institutes, the Romanian Academy with 66 Institutes and Research Centres, the Academy of Agricultural and Forestry Sciences with 17 Institutes, Research Centres and a network of field research units. In terms of **territoriality**, although represented in all regions, there is particular concentration in Bucharest, followed by Iasi and Cluj. However, the Romanian R&D and academic environments have been found to be characterized by fragmentation, inconsistent quality, excessive standardization, inefficient use of resources and the absence of strategy for developing research-intensive institutions³⁸.

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

The R&D institutes are under assessment and classification according to their R&D activity performance³⁹. The main evaluation criteria are the quality of research results, the quality of human resources, the quality of the infrastructure and its level of exploitation, managerial efficiency, the quality of the institutional development plan.

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

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

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

These strengths are well aligned with the sectors that are demonstrating growth and export potential under the competitiveness strategy (e.g. automotives, ICTs, food), with second tier opportunities where innovation could extend the life of mature product lines and support related diversification (e.g. wood and textiles) and with major societal challenges confronting Romania (notably climate change adaptation, and environmental remediation). However, while much of the research undertaken in Romania is impressive, it is largely driven by academic curiosity rather than commercial considerations. Connections between education, research and the business sector remain weak⁴⁰, with the result that few ideas are transferred and commercialised⁴¹. Such collaborative activity as exists tends to be between R&D institutions and large companies. There is limited participation by SMEs, although this to some degree reflects the relatively small scale and sectorial structure of the SME base. The public research institutions have not developed special management and

³⁸ Highlighted in Commission Services Position Paper (October 2012) p7; National Reform Programme 2011-13 Progress Report (March 2013) p12.

³⁹ In line with Government Decision No 1062/2011.

⁴⁰ Source: QualityBarometer, 2010, The Quality of Higher Education in Romania.

⁴¹ Highlighted in Commission Services Position Paper (October 2012) p7.

personal capacity dedicated to better commercialisation of research results, better management of IPR, stronger dialogue with enterprises in support of their needs.

Weak Systems for Protecting and Sharing Intellectual Property

Linkage between business and the Romanian research base is further impeded by the framework of ownership and sharing of intellectual property⁴² arising from research. The present low level of patent registration and the fact that more than half of applications are filed by individuals rather than businesses, universities and research institutes has militated against the development of systems of IPR protection needed in an open innovation environment. With a low level of use, the technology transfer and commercialisation channels, including IPR advisory assistance are very weak. Moreover, filing and maintenance costs of patents at international level are prohibitive for individual researchers lacking corporate backing.

A proposal to amend Romania's IPR legislation is presently before the Parliament and is intended to clarify income sharing rights from commercialised IP among innovating employees, their employers and collaborating research institutions. This will incentivise innovative behaviour among these groups and should enable public support for IPR protection to be much more efficient.

Shortage of research skills

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

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

Main development needs

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

For the agriculture sector, knowledge transfer, innovation support and research that is well correlated to the practical needs of farmers will be important for increasing farm competitiveness and performance. In order to facilitate the introduction of new

⁴² Highlighted in Commission Services Position Paper (October 2012) p7.

technologies, a focusing of research units on practical applications at farm level in the context of partnership agreements for innovation will be essential.

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

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

Lessons Learned

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

- the gross deficiency of demand in Romania's developing regions which impedes the development of enterprise and market economy.
- the financial instruments less adapted to the needs of SMES and to the rules of state aide/ de minimis
- the fragmentation of the research environment and the inadequacy of its connection with the needs of business growth and societal challenges.
- the absence of the financial instruments tailored to the needs of R&D sector and its connection with the productive sector/technologic transfer.
- the importance of the simplified rules regarding access and implementation of projects.

THE PEOPLE AND SOCIETY CHALLENGE

Employment and labour mobility

General

Romania is confronted by a complex of issues in the labour market. Principal among these is a gross deficiency in demand which is reflected in a low employment rate⁴³ domestically and in massive migration to take advantage of better opportunities internationally. This creates a very poor platform for progressive labour market policy. In such a situation of very low demand:

- employees are "price takers" both in terms of remuneration and the terms and conditions of employment.
- employers cherry pick the most skilled and adaptable workers; there is little investment by employers in skills development.
- there is low job mobility; people in employment hold onto positions and it is difficult to break into the market.

⁴³ Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p10, p10; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

- there is reduced scope for improving the position of people who are disadvantaged in the labour market - women (particularly in terms of progression), young people with no prior experience, older workers, disabled people, ethnic minorities, people lacking in education and skills.

Against this background, to be effective, Romania's *National Employment Strategy* will have to work in parallel with other policies. It is critically dependent upon progress under the *Competitiveness Challenge* in generating increased demand for labour. It needs to work alongside education policies in aligning the supply of skills with growing demand and changes in the composition of demand. It needs to work alongside social inclusion policies to ensure that expanded opportunities are also accessible to groups that are presently subject to high levels of disadvantage and exclusion from the labour market. This will be the work of a generation and to succeed will require a sustained period of economic growth.

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

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

Objective 2020	UE 27 Targets (%)	Romania assumed targets through National Reform Program (%)	Romania current situation - (%)
Employment rate (age group 20 – 64)	75	70	63.8 (2012) 71.4 male 56.3 female

A gross deficiency in demand for labour

Romania has a significantly lower employment rate (63.8% for age 20-64 in 2012) compared with the average for the EU27 (68.5%), although activity in the informal economy⁴⁴ may mean that official figures understate actual employment. The informal economy has been estimated as representing as much as 29.6% of GDP (2012) much in the form of under-reporting of earnings by people identified as in employment⁴⁵. As a result of the crisis, the employment rate decreased by 1.6% during 2008 to 2012.

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

⁴⁴ Highlighted in *National Reform Programme 2011-13 Progress Report (March 2013) p10; European Council Recommendations on Romania's National Reform Programme (June 2013) p6*

⁴⁵ Schneider, 2012.

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

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

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

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

Important disparities were registered also between unemployment rates in 2012 among Romania's regions, with a range of 5.9% between the region with the highest unemployment rate (South-East: 10.2%) and that with the lowest (North-East: 4.3%). However, it should be noted that regions with higher unemployment rates were often those with more dynamic labour markets and those with the lower unemployment rates dominated by the "unsalaried" as identified above (i.e. North East region). The level of employment, and the unemployment rates do not correlate with the disparity and poverty in the regions⁴⁶.

The reduction in the employment rate through the recession was concentrated in rural areas, while urban employment continued to grow. To here was also some migration from salaried employment into unremunerated family labour (mainly in the large agricultural sector) as the recession took hold.

Nevertheless the rural employment rate (65.7%, 2012) remained above that in urban areas (62.5%).

Romania still has a high share of employment in subsistence and semi-subsistence agriculture, although its productivity and contribution to GDP remain at very low levels. Lack of investment in agriculture and a deficit in adaptable skills among ex-farmers is a barrier to turning low-productivity employment into steady-income employment, while making agriculture a sustainable engine of growth.

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

A Lack of Enterprise Culture

Entrepreneurship - in the sense of motivation to establish and grow a business as distinct from self-employment - has important benefits, both economically and socially. It creates employment and wealth while contributing to personal fulfilment and the achievement of social objectives. In Romania, entrepreneurship is still weak and in rural areas is almost non-existent. In recent research⁴⁷, 74% of Romanian respondents would prefer to open a

⁴⁶ Further detailed under section 3.1.5 "Geographical areas most affected by poverty"

⁴⁷ Source: Flash Eurobarometer 354, 2012, Entrepreneurship in the EU and beyond.

business, compared to 8% who would like to be employed. Only 25% of respondents had initiated the process of starting a business, the low percentage being explained by a number of barriers, of which the most important are: difficulty of accessing finance (93 %) and fear of going bankrupt (56 %). According to the study, about a quarter of Romanian businesses have disbanded after three years.

Young People Face Barriers in Breaking into the Workforce

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

Moreover, in 2012, the share of young people not in employment, education, or training (NEETs)⁴⁸ was 3.6% above the EU average (16.8% in Romania, against 13.2 % in EU 27) and among young women was 18.6% compared to 13.5% in EU27.

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

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

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

The Romanian Government's response to this situation is *the National Plan for Boost Youth Employment 2013*, which includes measures and programs such as Youth Guarantee (mobility bonuses, financial incentives, professional and career guidance and entrepreneurship counselling, business simulation, internships, apprenticeships, partnerships between schools, universities, and companies and other organizations and start-ups created by young persons).

A pilot scheme of "Youth Guarantee" is also under implementation, financed from the Sectoral Operational Programme Human Resources Development 2007-2013 (HRD 2007-2013), in order to create a model and to identify the most appropriate measures, adapted to national specificities, on which will be projected Youth Guarantee scheme 2014-2020.

Low employment among women and older workers

Romania's low employment rate is strongly correlated with gender and age⁴⁹.

Women

⁴⁸ Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p10, p10; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

⁴⁹ 2013 World Bank Report: Europe 2020 Romania: Evidence based policies for productivity, employment, and skills enhancement

The disparity between male and female employment in 2012 was 2.9% wider in Romania than the EU average. In 2012, in Romania, the male employment rate for the 20-64 age group stood at 71.4% compared with 56.3% for women. Although gender segregation by industry appears less in Romania than the European average⁵⁰, earnings data suggest that more women are involved in lower paid jobs.

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

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

Older Workers

The employment rate decreases rapidly with age. Skills obsolescence and perceptions of reduced productivity disadvantage older workers in competing in a labour market where there is a general shortage of employment opportunities. In 2012, the employment rate among those aged 55-64 stood at 41.4%, compared with 63.8% in the 20-64 age range. This is 7.5% lower than the EU-27 average for the same year. In terms of **territoriality**, there are notable regional disparities with 23.8% difference between Bucharest - Ilfov (32.4%) and North-East (56.1%). In part this reflects the relative stability of (self) employment in the agricultural sector / rural areas; salaried employment which is more prevalent in urban areas appears to be more subject to age-related disadvantage.

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

A Significant Number of Long-term Unemployed

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

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

Vulnerable groups are grossly disadvantaged in a competitive labour market

Given the general shortfall of jobs in the Romanian labour market, groups facing particular disadvantages struggle to compete⁵¹. The overall position of vulnerable groups is examined under *Social Inclusion* below; here the focus is limited to assessment of their labour market position.

⁵⁰ Eurostat, 2013.

⁵¹ Highlighted in Commission Services Position Paper (October 2012) p6

*Roma people*⁵² occupy a precarious position in the Romanian labour market explained by multiple disadvantages including low literacy, education and skills levels, as well as discrimination in the labour market. In 2011, the Roma employment rate was only 36%, while a further 36% were in search of a job and 28% were inactive⁵³. Involvement in the informal economy is high, however. Only one in ten Roma has had a stable job in the past two years, and 52% declare that they haven't found work at all over that period. Most Roma employed are own-account working in unskilled occupations; only 10-15% of them are salaried.

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

Persons with disabilities. Approximately 1.4 million Romania people have limited work capacity (persons with disabilities and persons with invalidity)⁵⁴. Only 12.7% Romanian persons with disabilities were employed in June 2013, 56% report that they have never worked and the employment rate is particularly low among disabled women over 50 years old. This is a notably low level of disabled employment in European terms and underlines how low demand for labour in the Romanian economy further marginalises the vulnerable. The situation is exacerbated by the education system having failed many disabled people, among whom attainment in compulsory education is much below the average for the overall population. Accordingly this group face a double disadvantage in the labour market.

A Lack of Flexibility and Mobility of Labour

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

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

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

Overcoming Mismatch of Supply and Demand for Skills

⁵² Highlighted in Commission Services Position Paper (October 2012) p6

⁵³ Tarnovschi (ed.), 2012, SOP HRD Project

⁵⁴ Ministry of Labour, Family, Social Protection and Elderly

Complex changes in the Romanian economy mean that a different mix of workforce skills will be needed in the future⁵⁵. This is manifest in the opening of skills gaps early in the economic recovery with shortages of skilled workers are identified, particularly in areas of manufacturing and agro-food with growth potential. Recent research⁵⁶ indicates particular shortages in occupations for which TVET type qualifications are needed. The majority of current vacancies at the time of study required such qualifications, with notable demand in the textile and leather, mechanical engineering and construction industries.

The analysis under the *Competitiveness Challenge* above highlighted existing trends in sectoral growth and the conversion anticipated in future of presently labour-intensive sectors, agriculture and fisheries in particular. Between 2008 and 2011 cyclical factors saw a significant diminishing in demand for skills in the extractive and energy sectors, construction, hotels and restaurants, real estate and the public sector. Economic recovery will see skills demand in these sectors recover significantly. However, low value manufacturing, agriculture and fisheries can be expected to lose employment over the medium term as they restructure, although in the case of agriculture and fisheries, some substitution can be expected as more value is added in processing and distribution. Employment in higher value-added services grew through the recession with logistics, ICTs, financial services and business services all experiencing increases while professional and scientific services experienced a below-average reduction.

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

Romania has the lowest share of its total employment in creative and cultural industries, as a nation it ranks 14th in Europe and the capital region of Bucharest ranks 34th of all European regions whilst being home to 42.6% of the nation's creative and cultural industries employees⁵⁷.

These complex trends have implications for alignment of the education system with the needs of the future workplace and this is considered below under *Education*. For employment policy, these same trends place a premium on facilitating effective job transitions, labour mobility and adaptation as the Romanian economy moves towards a higher productivity and higher skills equilibrium.

The provision of employment services will be informed by the appraisal of trends and the key sectors targeted under the *National Competitiveness Strategy* of smart specialisation. At the same time, employers will be encouraged to invest in workforce development through CVT and LLL to improve productivity and resilience and to address the present low participation in adult learning⁵⁸ which stood at only 1.4% in 2012⁵⁹.

Low administrative capacity of the Public Employment Service

The changes in the socio-economic context and in the structure of the labour market have resulted in an increased number of job seeking and unemployed clients for the PES and increased demand for PES services, particularly information and guidance, mediation and vocational training. However, a continuous decline in investment in active employment

⁵⁵ Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

⁵⁶ CEDEFOP, 2011.

⁵⁷ Priority Sector Report: Creative and Cultural Industries, European Cluster Observatory March 2010

⁵⁸ Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

⁵⁹ Eurostat, 2012

measures from 0.16% of GDP in 2003 to 0.02% in 2011 has reduced the scale and quality of services provided⁶⁰.

A strategic and multi-faceted approach is needed to better match PES services with client needs. Strengthening administrative capacity of PES and assuring an adequate level of resources for active measures is crucial in order to increase the quality and the personalisation of the services offered⁶¹ and to improve their effectiveness. This need is identified under the Administration and Government Challenge and will be addressed under TO11.

Main development needs

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

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

- ***Increasing employment opportunities***
- ***Sustainable integration into the labour market of young people not in employment, education or training (NEETs).***
- ***Access to employment for job-seekers and inactive people, focusing on women, youth and older workers over 45 years old, Roma, disabled and other vulnerable groups.***
- ***Reduce regional and territorial disparities and enhance labour mobility.***
- ***Improve alignment of employment and workforce development services with the changing needs of the labour market.***
- ***Attracting young people & developing skills in the agricultural sector, through appropriate training***
- ***Conversion into non-agricultural activities, diversification of rural economy and job creation***
- ***Diversifying the fisheries and aquaculture economy in order to attract employment and business creation in the field***

⁶⁰ National Agency for Employment

⁶¹ Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

Social inclusion and poverty

General

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

- extensive poverty and social exclusion.
- high levels of deprivation in rural areas and urban pockets.
- social problems and antisocial behaviour, which particularly affect the poor and deprived.
- low quality and unequal access to health and social services.

Poverty and social exclusion, which predominantly affect Romania's less developed regions, have their roots in⁶²:

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

A fundamentally poor situation has been exacerbated by the impact of the financial and economic crisis, which has seen a trend of improvement in the proportion of the population at risk of poverty and social exclusion (AROPE)⁶³ stagnate and more recently reverse⁶⁴.

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

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

Extensive Poverty and Social Exclusion

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

⁶² Highlighted in Commission Services Position Paper (October 2012) p6.

⁶³ Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p17; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

⁶⁴ Eurostat, December 2013

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

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

With 41.7% of the population falling within this definition, Romania has the second highest AROPE rate in the EU⁶⁵. Under the National Reform Programme, Romania aims to reduce its AROPE population by 580,000 (c.6.5% of the 2012 level) by 2020 as its contribution to the Europe wide EU2020 target.

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

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

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

Target Groups. The groups most affected by poverty and social exclusion⁶⁶ are as follows:

Children represent a significant vulnerable group.

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

*Children in residential or family-based child care institutions*⁶⁷. Through the development of family-based services, the number of children in public and private placement centres reduced more than halved from a peak of 57,181 in December 2000 to 22,532 in June 2013. Integrating young people in the society in view of active living, as well as enabling their entire potential to ensure the quality of life represent essential elements for reducing the risk of social exclusion and providing the premises for sustainable development. In November 2011, there were registered 1,432 children ages 16-18, about to leave the child protection system and 1,541 young people 18+ at risk of exclusion.

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

Single Parent Households and Households with Three or More Children. Whilst the relative poverty rate of childless households has dropped slightly in recent years, in households with children it has

⁶⁵ Eurostat.

⁶⁶ Highlighted in Commission Services Position Paper (October 2012) p6.

⁶⁷ National Reform Programme 2011-13 Progress Report (March 2013) p10, p18; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

risen. Among these, in 2013 were registered single-parent families (51,776 families, representing around 20% beneficiaries) and households with three or more children (50,425 households of which 29,035 with both parents) are faced with a risk of poverty that is 1.5-2 times greater.

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

People who are jobless or who have low incomes⁶⁸. For working-age population, unemployment is the main cause of poverty. In 2011 the monthly unemployment rate for the active population aged 15-64 was 7.7%. The risk of poverty in the unemployed is almost six times higher (and rising) than in employees. During the crisis, the number of salaried workers has dropped by more than 15% or nearly 730,000 people. People living in households with very low work intensity account for 6.7% of the population in 2011 and almost one in ten children and one in ten people aged 18-59 live in households where no one has a job. Even so, employment does not always provide a way out of poverty. According to Eurostat, the in-work poverty rate in Romania is the highest in Europe. At the same time, self-employed farmers face an even higher poverty risk than the jobless. It has been estimated that 31% of the employed work in the informal sector, many in unstable jobs, seasonal or temporary employment that provides low and irregular incomes (often in kind) and most households are facing fuel poverty. This type of unstable employment is often all that is accessible to vulnerable groups, and compounds their exclusion, not being covered by the social insurance, health and unemployment systems. Another category is represented by homeless people; most of the people become homeless when leaving placement centres or another institution (either upon turning/completing their education or in other circumstances), or after losing their house. According to administrative data, in 2011 the number of marginalised persons (including homeless) without a house/apartment, owned or rented is 41,085.

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

Roma people⁶⁹. Two-thirds of Roma live in poverty and half of them are exposed to extreme poverty. While some 619,000 people (3.2% of the population)⁷⁰ are declared Roma, social research by national and international bodies suggests an actual number of Roma that is much higher.

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

- 82.4% of Roma children of school age attend school.
- 6.9% have interrupted their education (85.7% of their parents cite poverty-related factors - lack of resources for the collateral costs of education, or the necessity for the child to partake in income generating activities for the household; only 14% declared that school drop-out is due to the lack of importance of education).
- 8.9% have never been enrolled in the education system (69.2% of parents cite a lack of resources for clothing and shoes; 7.7% that the children had to get involved in income generating activities – 7.7%, or had to participate in primary care for their younger siblings – 7.7%).

⁶⁸ Source: Ministry of Labour, Family, Social Protection and Elderly, *A Socio-Economic Analysis for the 2014-2020 Structural Funds Programming Period – Social Affairs and Social Inclusion, 2012*

⁶⁹ Highlighted in Commission Services Position Paper (October 2012) p6,p10; European Council Recommendations on Romania's National Reform Programme (June 2013) p6.

⁷⁰ Census 2011.

- Roma girls face disproportionately high risks of early school leaving and early motherhood.

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

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

For ensuring an effective implementation of the *Strategy of the Government of Romania for the inclusion of the Romanian citizens belonging to the Roma minority* for the period 2012-2020 and for a better complementarity and coordination of all interventions, the administrative capacity of the National Agency for Roma is to be strengthened. In this respect, there is envisaged the intension that the coordination of the agency to be ensured at the vice-premier level. This approach could facilitate an integrated approach of all the interventions targeting Roma population and a better involvement of the key stakeholders. As currently the National Agency for Roma is under the General Secretariate of the Government (GSG), it could strengthen its capacity by being considered by the GSG when implementing the actions attached to the functional reviews.

Persons with disabilities. In 2013, the number of persons with disabilities in Romania was 700,736, a ratio of 3.71 persons per 100 inhabitants⁷¹. Of these, 61,043 (8.8%) are children under 18 and 639,693 are adults (91.2%). The vast majority (683,921, 97.6%)⁷² are in the care of their families and/or are living an independent life. 16,815 (2.4%) live in public or accredited private social assistance specialised residential care institutions. The number of private residential services has decreased over the past 5 years with private provision now primarily concentrated in the more developed regions.

As noted above, persons with disabilities are grossly disadvantaged in the labour market. Moreover, they are confronted with limited access to health and social services which are not well adapted to their special needs or their financial capacity. Persons with disabilities have limited access to quality health care, including to routine medical treatment. Although an increase in both numbers and types of community-based services has taken place, more than doubling in the past five years with diversification into centres for training for an independent life, respite centres, crisis centres and protected houses for persons with disabilities remain underdeveloped, especially in rural areas, and are not always of good quality.

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

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

⁷¹ Directorate for the Protection of Persons with Disabilities, June 2013.

⁷² http://www.mmuncii.ro/j3/images/buletin_statistic/hand_sem_1_2013.pdf

Romanian nationals feature prominently among the *victims of human trafficking*, primarily for sexual exploitation, identified in other EU Member States⁷³. The number of identified victims in Romania has increased since 2009 and is attributed in part to the economic crisis pushing unemployed people to take greater risks⁷⁴. Women, (mainly those aged between 14 and 26 years) are more vulnerable to trafficking in human beings than men. Average education (lower secondary, vocational or high school) and material and financial poverty are triggering factors for exploitation and trafficking.

At the end of 2012, some 31,817 *adults were held in detention facilities* countrywide and 2,185 children and young people were in specialised prisons or juvenile detention centres⁷⁵. These numbers have been increasing in recent years.

As regards adult prisoners, 89% have a final conviction, the majority of them being sentenced to 1-5 years. Less than a quarter of adult prisoners had completed a professional or vocational qualification prior to their detention. Resources are insufficient to ensure that all prisoners and those who have served custodial sentences are involved in good quality rehabilitative actions.

Alternatives to detention - community service, probation - are underdeveloped and this compounds the social exclusion of ex-offenders and their probability of re-offending. Those who have served a custodial sentence are significantly disadvantaged in the labour market and may find their opportunities restricted to informal work and thereby excluded from social security and health insurance.

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

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

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

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

Social Problems and Antisocial Behaviour

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

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

⁷³ UNODC, 2009, *Global Report on Trafficking in Persons*

⁷⁴ National Agency against Trafficking in Persons

⁷⁵ National Administration of Penitentiaries, 2013.

SOCIAL ASSISTANCE SYSTEM

Social services

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

One of the major reforms undertaken in the social assistance system has been the closing down of big institutions and developing small or community based services. Therefore, an important part of the social services provision for children and persons with disabilities are in smaller scale centers or with families and other community-based provision.

The monitoring process led by the European Commission⁷⁶ has highlighted that Romania has greatly improved the system of social services, but it is still lagging behind many EU Member States in terms of employment in the sector (4% versus 9.6% in the EU). The application of current legislation concerning the development of primary social services is hindered by lack of flexible forms of employment (for example, part-time), a very reduced share of social service expenditure in the GDP (Romania ranks bottom in the EU for this indicator), and the headcount and training of human resources.

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

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

A recent commissioned study⁷⁷ concludes that the social protection system is still faced with many gaps and inconsistencies, being unevenly developed especially in rural areas.

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

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

The MoLFSPE currently has an electronic register of social services providers but it is limited in its application and usability. In order to facilitate the access of vulnerable persons to social services the system requires the upgrading or development of two components, one for public use - providing

⁷⁶ Romania has to submit twice a year to the European Commission administrative and statistical information alongside monitoring reports on social service developments based on the European Commission Recommendation on the active inclusion of people excluded from the labour market (2008).

⁷⁷ Ministry of Labour, Family, Social Protection and Elderly, *A Socio-Economic Analysis for the 2014-2020 Structural Funds Programming Period – Social Affairs and Social Inclusion*, 2012.

information about social services - and the other to provide restricted data about services and beneficiaries for the relevant institutions. At the same time, it should allow a link with the social assistance benefits component, in order to allow the integration of the two components for a comprehensive intervention to the benefit of vulnerable persons, as well as justification for public policies elaboration.

Social benefits

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

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

The social economy

One of the most important issues regarding the role of social economy at society level is the ability of the sector to find innovative solutions to economic, social and environmental challenges by creating and developing jobs, implementing social inclusion activities / actions, improving services at local level, fighting against poverty and community development⁷⁸. Social economy aims at increasing employment opportunities for Roma people, persons with disabilities or other vulnerable groups exposed to the risk of social exclusion by developing social economy enterprises and using the existing labour force at local level and especially in disadvantaged areas which is unemployed due to a very small range of employment opportunities.

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

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

⁷⁸ EU Commission (2010) *EUROPE 2020, A European Strategy for Smart, Sustainable, and Inclusive Growth*

The social economy employed over 100,000 people at end of 2010, representing 1.1% of all employment and about 1.7% of salaried employment in Romania.⁷⁹ The draft Law for social economy in Romania was recently adopted by the Government and sent to the Parliament. However, its application will require an extensive effort to build capacities in this sector and to promote and support the social economy structures including the investment in equipment and infrastructure.

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

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

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

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

Social responsibility

In order to elaborate the framework for defining the concept of social responsibility, the *National Strategy to Promote Social Responsibility 2011 – 2016*⁸⁰ was drafted, considering that the reduction of poverty is also an issue of ethics and responsibility. Therefore, raising awareness at national level and promoting good practices for social responsibility can contribute significantly to social inclusion and poverty reduction.

High Levels of Deprivation in Rural Areas and Urban Pockets

As noted above, poverty is significantly concentrated in Romania's rural areas, where it is paired with housing deprivation mostly related to poor sanitation⁸¹ (restroom, bathroom, running water). Although investment in basic infrastructure (roads, water supply and sewerage infrastructure) and services in rural areas has been supported both by national and EU funds, it is still underdeveloped, hampering economic growth, employment, attractiveness to investment⁸² and having a negative impact on quality of life of the rural population.

Since 1990, urban areas have witnessed the emergence of territorially compact pockets of extreme poverty and precarious housing. These areas contain a concentration of people who are excluded from the official labour market and exploited on the informal labour market, poorly connected to information and communication channels and with poor quality of services (education, health, and infrastructure). Even if many of these districts are characterised by poverty rather than ethnicity, Roma tend to be subject to greater exclusion than other residents. In all these areas, children and young people make the majority (over 60%), while the population aged 60+ accounts for less than 10%.

⁷⁹ According to the Press Release no. 130 of June, the 14th 2011 of INS on employment and unemployment

⁸⁰ Source: General Secretariate of the Government, <http://www.sgg.ro/nlegislativ/docs/2011/05/2x4bdfjnswkv89h17pza.pdf>

⁸¹ Highlighted in Commission Services Position Paper (October 2012) p8.

⁸² Highlighted in Commission Services Position Paper (October 2012) p7.

Many residents of deprived areas live in sordid buildings, some structurally unsound, lacking utilities. Sanitation is appalling due to a lack of running water and sewerage. Electricity and heating is undersupplied and more than half of households suffer from cold permanently. Moreover, homes are overcrowded and often two or more families/people share one room.

Pockets of social exclusion can be identified in every Romanian town⁸³. Important types are: communities near landfills, semi-rural areas (houses at the outskirts of town), “old town” areas (old houses in the centre of the town), “ghetto” areas (former workers’ homes, uncertain legal status, crime-affected districts), brownfield sites (former apartment buildings built for workers in former mono-industrial towns), peri-rural areas (close to a village but with different spatial organisation), “autonomous” areas (belonging to a territorial administrative unit yet independent of it from a physical and community standpoint).

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

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

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

- the functional classification of towns devised by the territorial unit of the Ministry of Regional Development and Public Administration.
- the relevant Regional Development Strategies and related needs mapping.
- the scale of the affected populations.
- existing and potential capacity in communities to engage in their own regeneration.

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

Underdeveloped Health Services and Poor Health Outcomes

Across most health indicators, Romania has substantial disparities with the EU average and records the worst or close to worst performance. The overall mortality rate which was better than the European average prior to 1980 has diverged sharply thereafter and in recent years has been around 12 deaths per thousand population compared to an EU average of 9.7⁸⁴. Deaths from cardiovascular disease and cancers are twice the average for EU⁸⁵. Although significantly improved, infant mortality remains three times the EU average⁸⁶. Life expectancy has been improving but in 2011, was 6.4 years less for men and 5.1 years less for women than the corresponding European averages⁸⁷.

There is a strong **territorial** character to health performance and a high correlation with poverty factors⁸⁸. Health outcomes are generally very much better in Bucharest Ilfov than any other region and worst in the poorest regions Northeast and Southeast. Outcomes are substantially worse in

⁸³ Rughiniş (2000); Stănculescu and Berevoescu (coord., 2004); Sandu (2005); Berescu et al. (2006); Berescu et al. (2007); PCSDRA (2009); Stănculescu (coord., 2010); Botonogu (coord., 2011). The findings presented in the text are confirmed by all these studies, with some statistical differences according to the researched area(s).

⁸⁴ WHO.

⁸⁵ Eurostat

⁸⁶ WHO European Health for All Database

⁸⁷ Eurostat.

⁸⁸ Variousy INS, WHO, Eurostat

rural areas than in the urban locations in the same region, with the poor or old population being more vulnerable.

The causes of poor health performance are variously:

- very low expenditure on health - in 2010, Romanian health expenditure represented 3.6% of GDP compared with 7.5% in the EU27 (a quarter of EU average); this was doubled with poor allocative efficiency (about 6% of the total health budget was dedicated to PHC in the past years), low funding inputs are still the norm for long term care or prevention services.
- underdeveloped and often outdated infrastructure and equipment, mostly located within urban areas and with weak outreach capacity⁸⁹;
- a shortage and uneven distribution of health staff (services follow the historic pattern of being provided mostly within hospitals and less at community level)
- inappropriate hospital settings for responding at regional level to major emergencies;
- uneven distribution of PHC/ community care settings generating lower level of geographical access in rural settings, doubled with poverty, physical isolation and ethnicity factors
- low development of the long term care component (including residential homes as well as home care services for the dependent population)
- poor information infrastructure developed in a piecemeal approach with low level of data interconnectedness
- poor planning / weak management and low cost effectiveness within the health sector⁹⁰.

The proposals for funding under the structural funds 2014-2020 are following the strategic and integrative directions of the Strategy for Health 2014-2020. The definition of the strategy followed all necessary steps for assessing the health needs of the population, defining the most appropriate evidence based services that would result in better health gain, prioritise and propose directions of action to be covered by different funding streams. As the strategic thinking was mainly driven by the needs of the population, the main health issues that were defined as a priority were the ones for which health indicators where Romania lags behind the European average, such as maternal and infant mortality, cervical screening cancer, etc. Another input into the decision making was the coverage with appropriate services (quality services) that would effectively meet the priority health need.

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

Given the low development of community care whereas services for the elderly or services for surveillance of communicable diseases are not deployed at grass roots level due to low level of community care staff and infrastructure, there is an obvious need to enable the development of

⁸⁹ INS

⁹⁰ Highlighted in National Reform Programme 2011-13 Progress Report (March 2013) p19; European Council Recommendations on Romania's National Reform Programme (June 2013) p5, p10.

these services within the most remote areas of Romania. The regions and counties with the highest poverty rates shall be considered for this exercise (coverage of their needs shall stand as main priority for the deployment of both infrastructure development as well as human resources).

Enabling access to 24 hours primary health care services especially in rural remote areas (i.e. counties of Suceava, Botosani, Vaslui, etc.) need access to infrastructure such as Continuous Care Provision Centres for ensuring 24 hours provision of family doctors services.

Continuous education programs for both nurses / social workers are needed to strengthen system's capacity to effectively address key health priorities such as: maternal and child health, ensuring immunization coverage, monitoring chronic vulnerable patients-such as mental health, patients with disabilities, needs of vulnerable groups such as roma, etc); training of family doctors working in communities for internalizing clinical guidelines on prevention / monitoring of resources-intensive chronic diseases generating high disease burden (diabetes/ blood hypertension, COPD) represent a critical investment in increasing their capacity of gate keeper whilst providing a better quality of care.

Ambulatory services represent one segment of the health care delivery that is strongly emphasized within the Health Strategy. Whilst today most of the clinical ambulatory services are basic ones, the strategy envisions a higher role for this level of care and the development of specialized ambulatory centers. The needed infrastructure and equipment update as well as the training for specific staff represent a must if the more expensive and resource intensive hospital based services utilization is to be reduced during the strategy implementation

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

Regional and county level emergency hospitals

Regionalization of care and specifically the definition of county and regional health action plans require the infrastructure development of regional and county level emergency hospitals. Whilst there is clear evidence of the need for primary health services at community level, there is complementary a clear need for developing the county and regional emergency hospital infrastructure (sometimes more than 100 years obsolete). Noticeable examples are in deficient North-East and North West Regions (i.e. North East - the third poorest NUTS II region in the EU, where eight, below-average income, counties are served by a single university hospital, currently located in 25 separate buildings in the city of Iasi). These types of old structures not only do not meet the EU standards, but are energy inefficient and require the duplication of human and material resources and lack many basic specialities needed for an integrated approach to patients with poly-trauma and critical complex cases, thus potentially increasing the risk of inducing vulnerability amongst the beneficiaries of such services.

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

Long term care/ palliative care

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

Competitiveness/ research

Development of institutional cluster-based research is seen as a main focus of the health research agenda aiming to improve research capacity with a view to increase the quality of the services in research outcomes in specific fields such as oncology, transplant, etc.

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

In order to **increase the healthy life expectancy / quality of life and productivity and to decrease avoidable hospitalization**, through developing specialized ambulatory services, the following criteria for selection will be used: low access of the population to high level quality of specialized ambulatory services; areas with small ineffective hospitals that need reorganization/ rationalization; areas with high density population and high levels of avoidable hospitalization.

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

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

In order to **increase capacity for the provision of community care services**⁹¹, through the rehabilitation of community care centers/ multifunctional units, priority will be given according to: the level of poverty of the region/ county/locality; the level of pre-existent access to community care services; the level of vulnerability of the population (high rates of ethnic minorities, high dependency ratios, etc).

Increasing institutional capacity

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

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

Rural small scale infrastructure

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

⁹¹ The needs for infrastructure at this level is high, but more accessible to funding from local authorities

In rural areas, small scale infrastructure (basic infrastructure, educational, social and cultural infrastructure) have a key role in improving quality of life and attractiveness of rural settlements. Even if, in the recent years the basic infrastructure in rural areas (roads, water supply and sewerage infrastructure) was supported both by national and EU funds, it is still underdeveloped, hampering the economic growth and employment. In this respect, until now, in NRDP 2007-2013 are envisaged to be modernized and built 3,846 km of communal roads, that represent approximately 12% of total communal roads.

Regarding the distribution of drinking water in rural areas, at this moment, about 4.4% of total length of the network for distribution of drinking water (2,909 km of pipelines for water supply) are expected to be realized through NRDP-2007-2013. Also, the centralized sewerage network supported by NRDP 2007-2013, about 17.6% (4,355 km) are envisaged to be built and modernized.

The **educational infrastructure** also lacks the capacity to support a decent standard of living. In this context, pre-school education is faced with a major deficit in terms of infrastructure, the percentage of kindergartens coverage in the rural area being of only 7.44% of the number registered at national level in the school year 2012-2013. **In this respect, a special focus should be oriented on educational infrastructure especially for agriculture.**

In comparison with the large number of farms, Romania has a low number of trained farmers, an aspect strongly influenced by the decrease of the agriculture school graduates. A number of agricultural high schools have closed down and their number decreased during the last 15 years by over 80%. In 2011 there were 34 rural agricultural high schools. Lack of specialized training in the context of practicing agriculture in rural areas leads to poor farm management and the deepening of poverty that rural areas are already experiencing.

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

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

Sustainable economic and social development of the rural areas is critically dependent on improving the existing rural infrastructure and basic services. Looking to the future, rural areas need to position themselves to compete effectively for investment while providing adequate community life standards and related social services for the local population.

Lesson learnt from the perspective of NRDP 2007-2013

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

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

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

Widespread Exclusion from Cultural Life

Ensuring effective access to and participation in cultural activities for all is an essential dimension of promoting an inclusive society as it is reflected also by different studies⁹²: building skills and self-confidence, enhancing self-esteem and identity, overcoming cultural diversity and discrimination, creating employment opportunities, increasing access to information and services.

Cultural activities and services make a substantial contribution to the quality of life. Most cultural services have the quality of "pure public goods" which the market will not deliver at a socially optimal level. Many of Romania's cultural collections and services are centred in Bucharest and not readily accessible to the majority of Romanians

Alongside the enhancement of cultural activities and services at local and regional level, the application of ICTs to cultural services has considerable potential to enhance the inclusion of citizens in Romania's cultural life. Under the Digital Agenda, Romania has a target to contribute 750,000 items to the European Digital Library, which was only 4.6% met in 2011. Romania's cultural assets and its considerable contribution to the arts and science are generally unrecognised nationally and on the international stage. Investment in *e-culture* has potential to enrich Romanian education and tourism promotion, to improve public access to cultural resources and to stimulate the creative digital sector by creating a new market for digital and multimedia services.

Main development needs

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

- *Reducing the incidence of poverty and social exclusion experienced by the identified vulnerable groups.*
- *Improving the accessibility and quality of social and cultural services, particularly in rural areas and in deprived urban areas, and enhancing their contribution to combating poverty, social exclusion and social problems.*
- *Improving the basic infrastructure & access to services in order to promote economic development and reduce poverty in of rural settlements, including fisheries areas*
- *Improving the accessibility and quality of health services, particularly in rural areas and in deprived urban areas.*
- *Improve research capacity with a view to increase the quality of the services in research outcomes in specific fields of health*
- *Improving health outcomes, particularly in relation to maternal and neonatal health and the five pathologies which account for the majority of adult morbidity.*
- *Improving the system efficiency through the use of information and communication (IT&C) technology instruments in the framework of e-health, e-social assistance*
- *Exploiting ICT as a force for modernisation.*

Education and training

General

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

- presently limited availability and consequent low participation in early childhood education and care.

⁹² *The Role of Culture in Preventing and Reducing Poverty and Social Exclusion*

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

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

- very low expenditure. In 2009 Romania spent 4.24% of GDP compared to an EU27 average of 5.41%. Allied to Romania's below average GDP, this translates to an absolute level of spending per capita (per pupil/student) of €2,386 compared to the EU27 average of €6,504⁹³.
- unattractive facilities, low levels of equipment.
- teaching skills, methods and curricula need to be adapted to an education approach more related to the labour market needs.
- weak linkage between employers and the education and training system.
- labour market demand largely derived from low skills and low productivity sectors.

In response to this situation, the 2011 Law on Education initiated a systematic process reform in all areas of the education and training system, placing an important role to building up the administrative capacity and policy making, promoting effective quality assurance mechanisms and improving the skills and competences of graduates for the labour market (LM) needs. However, this major reform that set a long-term agenda for upgrading the quality of education at all levels is not yet fully operational⁹⁴.

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

Objective 2020	UE 27 targets (%)	Romania assumed targets through National Reform Program (%)	Romania current situation (2012) (%)
Early school leaving	10	11.3	17.4
Tertiary education	40	26.7	21.8
<i>Adult population (ages 25-64) participating in lifelong learning activities</i> ⁹⁵ .	15%	10%	1.4
Country Specific Recommendations: <ul style="list-style-type: none"> - to speed up the education reform, including the building up of administrative capacity at both central and local level and evaluating the impact; - to step up the reforms in VET; - to align tertiary education with the needs of the LM and to improve the access for 			

⁹³ Source: EUROSTAT Educational expenditure statistics

⁹⁴ Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p7,p10.

⁹⁵ Education and Training 2020

- | |
|---|
| disadvantaged people;
- to implement a national strategy on ESL focusing on better access to quality early childhood education, including for Roma children. |
|---|

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

Limited Availability and Low Participation in Early and Preschool Education

In 2011, only 2% of children aged 0-3 years were enrolled in nurseries, the overwhelming majority of children up to 3 years being under parental or family care. At the present time there is a gross shortage of affordable nursery care⁹⁶.

A hitherto improving trend in participation in preschool education by those between the age of 4 and the age for starting compulsory education stagnated at 82.1% in 2010 (significantly below the EU27 average of 92.3% and well short of the EU2020 benchmark of 95%)⁹⁷.

There are significant ethnic⁹⁸ and territorial disparities in participation. More than a third of Roma children (38.5%) do not attend kindergarten, compared with 13.3% of children from non-Roma households⁹⁹. Participation is also notably lower in rural areas.

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

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

High non-enrolment and High Early Leaving Rates in Compulsory Education

Romania has a poor record with school enrolment and attendance in primary and secondary school. Non-enrolment in school is around 1.5-2% in the case of children at age 8, rising to 5-6% at age 10¹⁰⁰. Dropout rates are higher in the case of upper secondary level and in rural areas and also for the Roma students.

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

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

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

⁹⁶ Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p7,p10.

⁹⁷ Source: Eurostat (UOE), 2013

⁹⁸ Highlighted in Commission Services Position Paper (October 2012) p6;; European Council Recommendations on Romania's National Reform Programme (June 2013) p6, p10.

⁹⁹ Source: Agentia Impreuna, 2012, The Roma in Romania

¹⁰⁰ Source: NIS

Early school leaving (ESL) remains a persistent issue in Romania¹⁰¹, with a negative trend relative to the EU2020 target since the onset of the economic recession, despite programmes developed at national or local level. Children and young people from disadvantaged backgrounds, students from rural areas (especially boys in 11-14 age group), the Roma and those who have special educational needs (SEN) are categories at highest risk. There are considerable regional variations, with rates exceeding 20% in Central, South-East and South Muntenia Regions. However, high intra-regional disparities are also observed, counties with lower economic development and high share of rural population being particularly affected. The underdeveloped systems of educational and vocational guidance and counselling are additional causes for ESL phenomenon.

Enrolment and participation in Initial VET (IVET)

Restructuring of the IVET system in Romania due to low enrolment and poor infrastructure has seen the progressive closing of schools of arts and trades since 2009. Those that remain are still generally considered unattractive due to the quality of facilities, equipment and staff. This has resulted in a continued reduction in enrolment rates.

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

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

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

Prioritisation: Domestic and ESI Funds will be allocated in line with the National Strategy to Reduce ESL. The strategy will strengthen the evidence base on ESL and the monitoring and evaluation of relevant interventions. It will propose measures and good practice reflecting identified needs by target group and territory; training programmes for teaching staff, skills updating and the introduction of innovative and personalised teaching methods will also be a priority.

Attainment Levels in Compulsory Education Behind European Averages

Assessments by the World Bank and the OECD¹⁰² reveal that, in spite of recent progress, the average Romanian student has considerable deficits to his peers in science, in maths, and in reading and comprehension. In 2009, between 40% and 47% of Romanian students were classed low achievers across these key skills - more than twice the EU average and far removed from the Europe 2020 benchmark of 15%.

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

Studies examining the underlying causes of the attainment levels (IEA 2012¹⁰³) pointed out the need for improvement of quality and effectiveness of school governance and management – including

¹⁰¹ Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p15; European Council Recommendations on Romania's National Reform Programme (June 2013) p7 and p10.

¹⁰² OECD PISA 2006 and PISA 2009.

¹⁰³ International Association for the Evaluation of Educational Achievement: Education and Training Monitor 2012

policy monitoring and evaluation systems, curriculum and developing specific skills (like interpretation, applying and reflection on information in different life contexts). Different national programmes for piloting innovative models of teaching, learning and assessment of key skills in language and communication, mathematics and science, with the participation of researchers and teachers in further training programmes, are from this perspective a priority.

The low basic skills and competences of students in Romania measured by national and international assessments are also correlated with the general poor quality of education and its dependency on limited funding sources.

Low participation in Tertiary Education and Very Low participation in Adult Lifelong Learning

Tertiary Education

In 2011, 20.4% of the Romanian population aged 30-34 had tertiary education¹⁰⁴, increasing significantly from the 2007 level of 13.9%. Female participation is some 13% higher than for males, although the gender gap is around half of that at EU level. However, enrolment in higher education from high school has fallen sharply from 53.6% in 2007/2008 to 35.2% in 2011/ 2012.

Despite the steps made in improving the national policy and legal framework, higher education and research activities have faced funding constraints affecting the universities capacity to undertake reform. Higher education received only 1.4% of GDP in 2010, and in the following years a declining trend has continued¹⁰⁵. A new performance-based funding policy and multiannual study grants have been stated as a priority but are not yet systemically implemented.

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

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

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

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

Mobility of students to and from Romania is another challenge for an attractive and quality tertiary education. While the proportion of Romanian students attending university in another EU country increased from 4% in 2007 to 7% in 2010, this remains half of the level aspired to in the relevant EU2020 benchmark. In parallel, enrolment of students from other EU Member States in Romania's higher education institutions also remains very low (0.2% in 2007 and 0.4% in 2010).

Prioritisation: Domestic and ESI Funds will be allocated in line with the priorities of the National Strategy for Tertiary Education, with a special focus on measures for: improving the governance and management of Higher Education institutions; improving the quality and labour market relevance of teaching and research; strengthening of partnership between universities, business and research; modernizing tertiary education through the development of post-graduate studies; and the internationalization of higher education.

¹⁰⁴ Highlighted in Commission Services Position Paper (October 2012) p6; National Reform Programme 2011-13 Progress Report (March 2013) p16.

¹⁰⁵ Source: The Report of the National Funding Council for Higher Education, April, 2013

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

Life-long Learning

Education rates in the working age population are low and reduce with age along with employment. Only 1.6% of the adult workforce participated in formal education and training in 2011¹⁰⁶, an improvement of only 0.3 percentage points since 2007 and less than a fifth of the EU27 average¹⁰⁷. Moreover, the gap between this rate and the one assumed by Romania through NRP (to increase *the participation in LLL* up to 10%) remains high and even higher compared with EU target, 15% according to "Education and Training 2020".

Participation in training is particularly low among people with low level of education and professional qualification, among those working in micro businesses and among those aged over 40 years. In terms of **territoriality**, participation rates are lower in rural areas. Most of the farmers do not have the necessary skills to develop a viable economic activity. The farm managers rely solely on their practical experience, only 2.5% of them having a basic or full agricultural training¹⁰⁸, highly below the European average (29.4%). The lifelong learning is in an early stage of development, which positions Romania on a lower place in the EU 27 (1.6% in 2011 compared to 8.9% EU27). Low levels of education and training among farm managers is another factor hampering competitiveness. The study on skills mismatch in Europe¹⁰⁹ shows that in Romania only one third of the workers matched their skills with the current job.

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

Of the adult learning that does take place, most is job-related, in line with the EU27 average, however the actual participation in informal learning, was the lowest in Europe (18.8%) and just over two-fifths of the EU27¹¹⁰. The informal learning that does take place is generally not accredited or recognised towards formal qualifications. Career counselling and skills assessment can provide the opportunity for trust deficit recovery, especially for employees who have experienced failure in formal education. The skills assessment centres network is still geographically limited and the institutional and personnel capacity of the centres for skills assessment and certification requires further strengthening.

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

Prioritisation: Domestic and ESI Funds will be allocated in line with the priorities of the National Strategy for Lifelong Learning. The strategy will strengthen social partnership in LLL and will increase the relevance of IVET and VET to labour market needs in terms of basic and transversal skills.

Slow Insertion into the Labour Market following Completion of Education and Training

People leaving all levels of education in Romania experience a slow rate of insertion to the labour market. The rate of insertion increases with level of education. It is slowest among lower secondary

¹⁰⁶ Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p6, p10.

¹⁰⁷ Source: Eurostat (LFS)

¹⁰⁸ Source: The Observatory for Permanent Learning Development, 2011

¹⁰⁹ Source: CEDEFOP, 2010

¹¹⁰ Source: Eurostat (AES)

school graduates, primary school graduates or those who have not completed any form of education. In 2009, only 14.6% of this group were in work one year after leaving the education system. The one-year insertion rate is greatest among higher education graduates (60.9%) and post-secondary graduates (technical or specialized craftsmen - 50%). An adverse evolution between 2006 and 2011 leaves Romania 11.6 percentage points short of the EU2020 benchmark of 82% graduate employment within three years of completing education and training.

The overall low demand for labour, low job mobility and competition from established workers limits the opportunities available to new entrants to the Romanian labour market. However, it is also clear that the education and training system is failing to equip students to compete¹¹¹. Where low achievers are concerned, compulsory education is failing to deliver basic employability skills¹¹². However, higher unemployment rates among tertiary education graduates¹¹³ aged 20-24 than secondary education graduates of the same age demonstrates mismatch between the skills and competencies developed in tertiary education study programmes and labour market needs¹¹⁴.

Modernisation under risk due to Low Digital Literacy

Computer skills are central to Romania's transition to a knowledge economy, to educational reforms such as "second chance" and lifelong learning and to the successful deployment of electronic public services. However, in 2011, Romania had highest share of population between 16-74 years old with no computer skills (61%) in the EU27¹¹⁵.

While 43% Romanians aged 16-74 used the internet at least weekly in 2012, 48% of all Romanians have never used a computer. There is a clear generational and educational divide in computer skills, positively correlated with age and educational level. Use of ICT in the classrooms is limited by the age and quality of the equipment, particularly in Romania's less developed regions¹¹⁶. There are few interactive whiteboards and data projectors in Romanian schools at any grade. The National Competitiveness Strategy strand "Preparing Generation 2050" prioritises further investment in ICT hardware and software in Schools.

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

Prioritisation: Improvement to the availability and quality of ICT hardware and software in schools will be prioritised in the context of the National Competitiveness Strategy strand Preparing Generation 2050. The further development of *e-education* will enhance access to LLL, "second chance" education and to training for those who are not provided with opportunities in their workplace. to training for those who are not provided with opportunities in their workplace.

Outdated Education and Training Infrastructure that Constrains Reform¹¹⁷

Romania is part of the way through a process of rationalising and restructuring the school and initial VET network aimed at increasing the efficiency of the system¹¹⁸. However, much of the education infrastructure continues to be outdated and unattractive and constrains the effectiveness of existing policies concerned with improving the quality of education and ensuring regular attendance. Of particular concern are rural schools and isolated schools in disadvantaged areas that have poor sanitary conditions (a third of rural schools in do not meet the requirements of sanitary authorities), lack a proper water supply (almost half of rural primary schools), are not connected to

¹¹¹ Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

¹¹² Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

¹¹³ Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p7.

¹¹⁴ Highlighted in Commission Services Position Paper (October 2012) p6; European Council Recommendations on Romania's National Reform Programme (June 2013) p7,p10.

¹¹⁵ Source: Eurostat, Information Society Statistics

¹¹⁶ National Agency for Quality Assurance in Preuniversity Education (ARACIP) research findings

¹¹⁷ Highlighted in Commission Services Position Paper (October 2012) p22.

¹¹⁸ The Law of Education (no.1/2011) provisions

sewerage with consequent risks to health (a fifth of rural schools), are inadequately heated (more than half of the schools in rural areas, and more than one third in urban areas, the most serious situation being recorded in primary schools).

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

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

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

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

Investment in the higher education estate will be prioritised in line with the National Strategy for Tertiary Education, having regard to the EU2020 targets for tertiary education attainment and graduate insertion to the labour market. Accordingly, infrastructural support will complement measures aiming to improve the access to, participation in and attainment of disadvantaged people in higher education, and measures to align higher education with labour market needs. Further investment in higher education infrastructure and equipment will target the modernisation and internationalisation of the most important universities and their related research facilities.

Main development needs

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

- ***Improving the access, participation and good quality of ECEC.***
- ***Strengthening accessibility, quality and learning achievements in compulsory education.***
- ***Increasing the attractiveness of primary and secondary education, including IVET.***
- ***Intensive interventions to address the educational needs of groups at risk of exclusion (children from social and economic disadvantaged backgrounds, Roma, SEN, etc.)***
- ***Improving quality and relevance of IVET, VET and tertiary education to labour market needs.***
- ***Enhancing access to and supporting participation in tertiary education.***
- ***Exploiting ICT in education as a force for modernisation.***

Lessons learned

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

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

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

Complementarity between the investments in educational infrastructure projects financed within ROP and NRDP 2007-2013 and the projects financed within HRD SOP was not ensured, leading to reduced effectiveness and sustainability of the ESF projects dedicated to education and training. Launching of future investments in infrastructure should be coordinated with relevant ESF projects; *There was a lack of coordination between the resources allocated to the main areas of interventions and the expected impact of investments* (e.g. some interventions were under-financed, in allocating resources to doctoral and post-doctoral students, no appraisal was made of the prospective benefits, including their potential to influence Romania's position on international market);

Over-elaborate administrative and other technicalities impeded also the strategic focus at all levels of implementation. The system is overloaded at central level with an emphasis on administrative technicalities and 'auditing' / accounting without a parallel focus on strategic issues regarding the development of the labour market, education, training and so on. This is evidenced in many areas including duplication of effort, heavy reporting requirements, 100% checks, and a lack of substantial reporting on overall achievement and impact associated with a lack of impact indicators etc.

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

INFRASTRUCTURE CHALLENGE

ICT infrastructure

General

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

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

Objective 2020	EU Targets	Current¹¹⁹ situation RO
Covered by broadband	100% by 2013	89.8% (2012)
Covered by broadband above 30 Mbps	100% by 2020	63.7% (2013)
Subscriptions to fixed broadband above 100 Mbps	50% by 2020	18.9% (2013)
Population to buy online	50% by 2015	5% (2012)
Population to buy online cross-border	20% by 2015	1% (2012)
SMEs to make online sales	33% by 2015	5% (2012)

¹¹⁹ Sources: <http://ec.europa.eu/digital-agenda/en/scoreboard/romania>; ANCOM

Difference between roaming and national tariffs	to approach zero by 2015	
Regular internet usage overall	75% by 2015	43% (2012)
Among disadvantaged people	60% by 2015	24% (2012)
Population that has never used the internet	15% by 2015	48% (2012)
Citizens using e-Government	50% by 2015	37% (2012)
Returning completed forms	25% by 2015	4% (2012)
Key cross-border public services, online	100% by 2015	N/A
Public investment in ICT R&D	doubled to €11bn by 2020	€27.3m (2011)
Energy use of lighting (%)	reduced by 20% by 2020	N/A

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

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

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

Basic broadband and new generation access

Romania has been addressing market failure in the provision of basic broadband¹²⁰ through the National Broadband Strategy 2007, RoNet initiative and under a specific sub-measure financed by EAFRD. By 2012, basic broadband covered 89.8% of homes in Romania (compared 95.5% in the EU). Coverage of basic broadband should be complete (100% of territory covered) in 2015, with ERDF & EAFRD assistance from the 2007-13 period.

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

The recent heavy investment in telecommunications infrastructure in Romania, including under the RoNet initiative has resulted in considerable progress in installing Next Generation Access capable of providing at least 30 Mbps download. In 2012, this was available to 63.7% of homes (compared with 53.8% in the EU). However, presently thin markets, combined with the dispersed pattern of settlement in Romania represent a significant obstacle to the extension of NGA access, particularly in Romania's rural areas.

Recent consultations with operators¹²¹ concerning the existence of infrastructure and the intention to invest in a total of 12,487 rural localities resulted in the identification of 2,268 localities where there are no broadband networks either in the local loop area, or in the backhaul area, and where there is no justified intention to invest expressed by private operators.

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

- with limited exceptions, the market will deliver the Digital Agenda targets in urban areas, with 90% of households will be covered by fixed NGA infrastructure affording 100Mbps access.

¹²⁰ Highlighted in Commission Services Position Paper (October 2012) p7.

¹²¹ Source: ANCOM, 2013.

- there will be significant market failure in rural areas¹²² and less than 50% of households will be covered with speeds over 30Mbps while the percentage of households with access at speeds over 100Mbps will not exceed 20%.

Public investment in 2014-20 will take place in the framework of the National Plan for Development of NGA Infrastructure, targeting areas subject to market failure and informed by GIS-based mapping of the existing communications infrastructure to be completed by ANCOM in 2014¹²³.

Broadband take-up

The level of broadband take-up in Romania (16.6 connections per 100 population) is much lower than the EU 27 average¹²⁴ (28.8) reflecting the country's low level of digital literacy (48% of Romanians have still never used a computer). The resulting thinness in market demand continues to be a major factor in market failure in the delivery of broadband services.

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

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

Main development needs

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

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

Transport

General

Even though Romania, due to its geographical position, is an important European traffic node for passengers and goods, facilitating the connectivity among the Central Europe, the Black Sea and the Caucasian–Caspian area, it has undeveloped and less modernized transport infrastructure in comparison to goods and passengers volume that transit the Romanian territory, that being a major barrier in its development and economic growth.

Romania has potential to become a major trading partner of EU countries due to Constanta port which is the largest port on the Black Sea and the fourth-largest in Europe. If this potential will be better exploited, Romania's export market would expand and diversify, strengthening its capacity to attend growth.

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

Moreover, the lack of a strategy for the development of the infrastructure based on an analysis of the needs and on a realistic prognosis of the goods and passenger volume has generated an

¹²² According to ANCOM's biannual reports the demand for broadband internet services increased starting from 2006 with respect to both fixed and mobile technologies (http://www.ancom.ro/statistici-comunicatii_2003) and according to data provided by significant market players within the workshops dedicated to drafting the NGA National Plan was estimated the developing potential.

¹²³ In accordance with Law no. 154/2012

¹²⁴ Highlighted in Commission Services Position Paper (October 2012) p7.

unsystematic development, existing still bottlenecks on the network, which lead to increased travel times and to the existence of accessibility disparities among the Romanian regions.

Accessibility is closely linked to economic and social development. Underdeveloped transport network and low quality of services is a barrier to the development process of small and medium towns, villages and communes. The negative effects are highlighted in low labour mobility and, consequently, the lack of exploitation of labour, and limited access to basic services, high costs and long journeys, all of them preventing competitiveness.

Romania has accessibility constraints due to poor quality of the road infrastructure, reduced number of highways, high incidence of accidents involving victims and inadequate quality for some sections of roads, TEN-T gaps in connectivity between east and west of the country, the slow progress in the rehabilitation of railway and low speed of passengers and freight trains. Some parts of the country are severely disadvantaged, in particular the northern regions along the borders to Ukraine and Moldova and the Danube Delta.

Furthermore, the geography of Romania creates natural barriers blocking the connectivity between the centre - west part with the east and south – east parts of the country, due to the Carpathians, by limiting the access points from one region to another and hampering regional mobility and accessibility. The Danube River also divides the south east of the country from the rest. The logistic difficulties generated by all these put a major pressure on the state budget due to the fact that the investments in the transport infrastructure that crosses these natural barriers are very big.

According to the “Global Competitiveness Report 2012-2013”, Romania ranked the last position among the EU member states from the point of view of the quality of overall infrastructure, the quality of roads infrastructure and the quality of railway infrastructure. The lack of quality transport infrastructure in Romania places additional cost burdens on the private sector impeding integration with the EU markets and reducing productivity.

Romania is currently elaborating the General Master Plan for Transport for 2020 and 2030 period, which takes a multimodal approach to transport modelling and investment in order to justify the interventions in the sector. The conclusions of the GTMP will be available starting with April 2014, but during its elaboration process various reports have been issued, also on sector’s problems which are taking into account in this Partnership Agreement and will support the sectoral operational programme elaboration.

Country Specific Recommendation 2013: a comprehensive long-term transport plan

Analysis

Road Transport

Road transport has an important market share for persons and goods transport. Although there has been significant investment in the last years, the Romanian road network has insufficient capacity in comparison to existing traffic, having as result that the movement of persons and freight is relatively slow and inefficient. This is a significant impediment to regional development and to attraction of investments.

According to the data provided by Ministry of Transport, in 2012, the length of the road network was 84,185 km, out of which 16,887 km represent national roads, 550 km motorways and about 80% are county and communal roads. The motorways length resulted through summarization of sections of different motorways, the connection between HU-RO border and Constanta not being finalized.

TEN-T network has 5,091 km, out of which 2,518 km are on TEN-T core network. During 2007-2012 there were constructed 258 km of motorways on core network and 42 km on comprehensive network and 703 km of national roads were rehabilitated/modernized.

As regards the county roads, it is obvious that development, job opportunities and living standards of people often depend on a large extent on connectivity area with transport routes. In 2012 Romania had about 34,400 km of county roads, out of which 2,100 km of dirt roads and 7,150 km of macadam roads. Quantitative investment efforts during 2007-2013 programming period represent a serious starting point for future interventions: the differences has been seen in the decrease of dirt roads, with nearly 300 km, and especially of macadam county roads, with over 2,200 km, while the asphalt medium and heavy type increased by 50%, from 5,100 km to 7,640 km.

The main problems of secondary roads network are: lack of ring roads in most of towns and villages leading to increased travel time, increased fuel consumption, pollution levels and hence transport costs, reduced carrying capacity (less than 20 tonnes trucks supported on large majority) with immediate effect on attraction of flows of goods and passengers.

Moreover the insufficient and even inadequate signalling gives rise to large disruptions in the normal traffic flow with a high risk of accidents, high percentage of non-upgraded roads with bridges in immediate risk of collapse.

The custom infrastructure has an important impact on foreign trade flows, its improvement conducting to trade facilitation, therefore to economic growth. Imported goods during 2011-2014 period have an increasing average of 3.9% and, for the same period, exported goods have an increasing average of 0.8%. A one hour stop in a custom is equivalent with a covered distance of 70 km. A stop of 3-4 hours could be quantify as 210-280 km covered, so the freight transports arrive with delays at destinations, with negative effects on foreign trade flows.

The old customs infrastructure generates long waiting time and traffic bottlenecks. Romania provides security for more than 2,040 Km of the combined EU external border (road, sea, river, rail and air).

Queuing of trucks could be noticed at some border points, but the National Model could be used to get an overall estimate view of benefits of shorter waiting times, special surveys at the border points would be needed to assess the location and frequency of bottlenecks.

Border delays are a common occurrence in rail transport where there are changes from electric to diesel traction. Also, there are delays due to single track sections and to the requirement for periodic inspections of old rolling stock. The waiting time could be up to 35 hours.

Even though during the past years significant financial resources were meant to ensure the security and safety at the EU external border, the modernisation of Romanian customs and border crossing points is still necessary in order to achieve an appropriate balance between two key objectives of customs, namely "trade facilitation" and "regulatory control".

Rail transport

The transition to more sustainable transport is obstructed by the unreliability and poor consumer experience in Romania's rail sector. In 2012, the national railway network had a length of 15,871 km interoperable and 4,206 km non-interoperable, a reduction from previous years. Some 23.6% of the total railways length is on core TEN-T network and 44.1% is on the comprehensive TEN-T network.

The condition of the railway network has been deteriorating since 1990, and this, in addition to old rolling stock (approx. 70%), leads to increased journey times. Some 5,919 km of the current railway network is assessed as life expired. Traffic speed is approx. 59 km/h for passengers' trains and approx. 39 km/h for freight trains. At the end of 2012, the total length of the operable railway network was of 10,777 km, of which 4,020 was electrified. Inadequate maintenance of railway infrastructure, due to funding constraints, has reduced the efficiency of the network, causing speed restrictions and increased travel times and resulting in passengers choosing to use other modes of transport.

Between 2007 and 2012 rail traffic has reduced by 11%, from 95.7mil. train-km in 2007 to 85.2 mil. train-km in 2012. The reduction of traffic in the rail transport sector is mainly linked to the low quality of current services and not to an inherent unattractiveness of rail travel.

The issue of rail network dimension which can be efficiently maintained and operated will be addressed within the Master Plan. Although there are contributing factors such as increasing car ownership and aggressive competition from bus transport, the current situation of declining of passenger flows and poor services is unsustainable. A core railway network, which will be useful for passenger and freight needs and where investments will be concentrated, will be a key output of the GTMP.

Since 2011 a process of rationalising the rail network has been under way: under the terms of the Stand-by Agreement with the IMF and the EC, around 1,000 km has been closed. Of the remaining network CFR will place 15,500 km directly with the rail operators.

In coming years, it is also planned to rent another 1,500 km of non-interoperable railway, through tendering.

In order to streamline the rail sector, more than 400 railway stations have been closed since 2001. Most of the remaining 932 are in need of rehabilitation to improve the quality of services; traffic volume will be an important element in their prioritization. Significant investment will be required, prioritised within the framework of the GTMP, to enable rail to compete effectively with road within the inter-regional passenger and freight transport market.

Romania will introduce ERTMS on re-habilitated lines, in particular on former TEN-T Corridor no. 22, when the signalling system will be renewed. The introduction of ERTMS must be linked to investments in modern rolling stock, which is ERTMS fitted.

According to Romanian ERTMS deployment plan the fully functional ERTMS system will be required to be used on Curtici – Constanta corridor by 2020.

Traffic safety

Road transport is the main transport mode in Romania, for persons and goods even it is more polluting than other transport modes and causes a big number of accidents. So, it is necessary to be identified the „black points”, the main causes of accidents, and to identify and implement preventive investments to increase road safety.

Road transport increased from 1 million vehicles in 1990 to 5.42 million at the end of 2010. Road accident fatalities in European countries (not including Romania) are decreasing at a rate of 2.93% per year. Until 2003, the number of fatalities caused by road accidents in Romania remained below the average of the rest of the EU. But Romania rose above the average of all other EU countries in fatality rates after 2004. Starting with 2009 the number of fatal accidents decreased from 2,796 in 2009 to 2,377 in 2010. Over the 20 year period from 1991 to 2011, the long term trend in the number of fatalities in Romania is decreasing, at a rate of 1.5% per annum. But this is much lower than the EU average decrease of almost 5% per annum. In terms of fatalities per capita, Romania is almost 50% above the European average. Moreover, Romania is on top 3 countries in Europe in relation to number of deaths per one million inhabitants (143 deaths per one million inhabitants compared with the EU average of 78 deaths per one million inhabitants). In 2011, 43% of the total number of accidents occurred on national roads and 34% on roads within cities.

Regarding railway transport, during 2011 there were 192 accidents that involved rolling stock and persons. The number of accidents' victims decreased from 441 in 2008 to 251 in 2011, but during 2005-2008 the increase was fast (from 51 in 2005 to 441 in 2008).

The decreasing of number of accidents in roads and railway sector could be done through proper investments in signalling, railway level crossing, motorways and ring roads construction, as well as improving people self-awareness in order to respect traffic rules.

Water transport

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

Danube – Black Sea Canal between Cernavoda and Constanta Port (64.4 km), while a section connects Poarta Alba and Midia Navodari (32 km).

Constanta port is Romania's main maritime port and is located in the south - east of the country on the Black Sea. Constanta is a well located port, strategically situated to feed freight into the heartland of Central and Eastern Europe and is now home to the largest container port in the Black Sea. Constanta Port has also terminals that handle ores, coal, crude oil, oil products, grain, chemicals, metal products, containers, general cargo, liquid and dry bulk, cereals and fertilizers and a modern passenger terminal. There has been a steady increase of traffic in Constanta port since 2009, although the rate of increase has slowed in last years. In 2012 the total freight traffic was of aprox. 50.5 million tonnes, while in 2011 it was of aprox. 46 million tonnes. Constanta serves both Romania and neighbouring countries via its railway network and the Danube River. Moreover, the Danube River and the Black Sea connecting canals are an important route for freight movement.

The port of Constanta is linked to the Danube River by the Danube – Black Sea Canal which is an important route for freight movement. With a share of 20% from total freight transport, in 2011, water transport (inland and maritime) lags behind its effective potential, especially concerning Danube traffic.

The full potential of Constanta port is not being realised due to some parts of the port that need rehabilitation and due to general lack of intermodal infrastructure, that have to allow smooth transfer of containerized goods among ships, trucks and railway wagons. Others problems are linked by relatively slow journey times by road, rail and water to destinations in the hinterlands and especially destinations beyond Romania. So, the competition from other ports on the Adriatic Sea and other locations is quite big and data show that Constanta port is losing market share.

Romania has 30 ports located on the Danube River and navigable canals. The ports of Galati, Cernavoda, Giurgiu, Calafat and Drobeta Turnu Severin are core TEN-T ports. The ports of Sulina, Braila, Călărași, Oltenița, Moldova Veche and Medgidia are comprehensive TEN-T ports. All these ports together with ports like Bechet, Corabia and Orsova serve the needs of the Romanian local communities and industries. The port infrastructure is quite old but it is intended for all ports to be kept in an operational status and to be modernized according to the priorities and the intentions of private operators to develop businesses in these ports. The potential of these ports is mostly given by the industry situated in Craiova area and by the cereal producers situated in the south part of Romania.

The Danube River offers large potential for transport of freight from Constanta port to Romania and Central Europe. Water transport could be six times cheaper than road transport, and three times cheaper than rail transport, but in Romania it suffers from poor reliability.

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

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

The canals between the Danube River and the Black Sea are an important part of the inland waterways system and are in poor condition. The main section between Cernavoda and Constanta Port carries on the main part of traffic and needs investments to continue to operate efficiently.

In the context of future development of export markets for agricultural products and other bulk commodities, the Danube represents an important opportunity to connect the country to the European markets and to reduce the pressure of road transport that is more polluting. The inland water navigation needs to be developed stressing on the minimum conditions for navigation on the Danube River, modernization of ports infrastructure and their hinterland connections, finalization of works on the navigable canals and further implementation of the River Information Services.

Having in view that Romania and Bulgaria have a common sector of 470 km of Danube, it was set up an inter-ministerial committee for sustainable development of inland waterway transport in the common RO-BG section of the river and for improving the connectivity of the region.

Inter-modality

In accordance to the Strategy for inter-modal transport 2020, elaborated in 2011, in Romania there are 26 rail terminals of 10,500 TEU and 19 private terminals that have as activity loading/unloading of containers. The terminals that are used for inter-modal transport have old equipment, from 1970-1980, the buildings and access roads being not in a proper shape. So, they cannot be exploited in good conditions.

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

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

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

The use of intermodal freight reached its recent peak in 2007 when 912,509 containers (1.41m TEU) were handled through the Constanta port. Since then the effects of the economic downturn, and competition from other Black Sea ports, have affected the sector quite considerably. The volume had dropped to 353,711 containers (557K TEU) in 2010, 39% of the 2007 level but has increased slightly since then. The port statistics show that 25% of all handled containers are empty and that the volume of imported loaded boxes versus exported loaded boxes is reasonably balanced. Data from the port show that empty running vehicles are currently at the 37%, the percentage being higher than 25%, which is in many Western European countries, suggesting that there is inefficiency in the current system.

The development of inter-modal transport has the capacity to re-launch the freight transport in Romania, to reduce the effect of economic crisis by stimulating commercial transport and to improve the beneficiary's accessibility.

Air transport

International air services between Romania's main cities and the European hubs play an important role in supporting businesses, attraction of foreign investment and economic integration of Romania within the EU. The international and regional airports that are on TEN-T core and comprehensive network have an important role in increasing regional mobility and connectivity.

Regional airports have an important role in the economic development of regions and tourism, but the needed investments are costly and cannot be made solely of airport funds.

Air transport services are at a low level represented 3% from passengers' traffic and 1% from freight traffic. Romania ranked on 86 position from 237 countries from the airports number point of view. 11 airports are on TEN-T comprehensive network and 2 airports are on TEN-T core network. Domestic air transport accounts for 43.6% of the Romanian air market, while international transport accounts for 56.4%.

In 2011, the number of passengers that had transited Henri Coanda airport was over 7.3 mil. passengers, meanwhile 1.2 mil. passengers had transited Timisoara airport, 1 mil. passengers had transited Cluj Napoca airport, 327,746 passengers transited Bacau airport, 176,906 passengers transited Sibiu airport, and 184,311 passengers transited Iasi airport.

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

The figures from 2012 show an increasing demand of passengers traffic: 7.8 mil. passengers had transited Henri Coanda airport, 1.4 mil. passengers had transited Timisoara airport, and 170.640 passengers had transited Iasi airport. The forecasted traffic for 2013 shows, an increasing trend of number of passengers for Henri Coanda airport, Timisoara, Cluj Napoca, Iasi and Baia Mare.

Based on the analysis, Bucharest, Timisoara, and Cluj Napoca airports can be highlighted as key airports for domestic and international air traffic for passengers, meanwhile Bucharest, Cluj Napoca, and Arad are important freight nodes.

The traffic data show an important increase in freight traffic, in 2011 versus 2010, with 53% for Henri Coanda airport and 67% for Cluj Napoca airport.

To further improve growth international and regional airports in Romania are in need of investments in safety and security equipment in order to meet the EU standards and the international aeronautical regulations, like CMA (Continuous Monitoring Approach).

Regional airports don't have proper navigational and de-icing equipment, so the operations in winter are restricted. In 2012 – 2013 winter, less than 40% of scheduled flights were able to land on regional airports. The strength of runways and taxiways also limits the size of aircrafts which can land. However, alternatives have to be carefully assessed, and the reporting requirements for state aid need to be respected in all cases.

The proposed investments in international and regional airports will be determined based on the transport model provided by GTMP, having in view the necessity to reduce travel time to all Romania's regions and to enhance connectivity.

In order to meet its climate change mitigation obligations, Romania has to adapt the increase of air traffic services to the essential needs of economic development.

Urban transport

Urban transport in Romanian cities is largely aged and reliant on buses and minibuses services. The rehabilitation and renewal of urban transport systems is expected to be a feature of integrated sustainable urban development projects in several cities and to ensure a coordinated implementation of infrastructure projects, within the EU core network, that critically contributed to the effectiveness of the overall EU transport system, according to Europe 2020 flagship initiative: "Resource efficient Europe". This will make a significant contribution to air quality increasing and energy efficiency in addition to place competitiveness. Urban transport needs to be developed and modernized and new vehicles will be purchased, taking into account the increasing number of persons that benefit from this transport type.

The sustainable development of Bucharest has to be addressed as for an European capital, in the context of urban agglomeration, in correlation with neighbouring areas. Besides the people that are living in Bucharest, there are 30,000-35,000 people/day that are in transit through the city, for business, tourism, and other activities, so that the capital reaches 2.3 mil people.

Bucharest metro network has to be developed for decongesting urban transport on the ground. All investments will contribute to low carbon economy and will aim at climate change adaptation. The metro network has 69 km, on 4 lines that provide a rapid movement of passengers at a big capacity, but they cover only a part of the inhabited area. Metrorex ensures the transport for 20% of passengers that use public transport in Bucharest, even its share in transport public network is of 4%. In this respect, it is necessary to build new metro lines, in order to have not so high level of ground traffic and to have more environmental friendly urban transport system.

The lack of ring roads for most of the towns determines high travel time and increases pollution, in this respect, the design and implementation of urban mobility plans will have to take in consideration the bypass construction, as a mean to diminish congestion and pollution.

Implementing issues

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

Performance Contracts will replace existing Contracts signed between Ministry of Transport and CNCFR / CNADNR, and will set up clear objectives for the companies, both for investment and maintenance (stemming from the GTMP), securing the afferent funding sources. This will improve the visibility of the companies, making them more efficient and accountable.

Performance contracts templates for CFR and CNADNR were delivered by the World Bank on 19.04.2013 and 12.08.2013, under the consultancy contract "Support for the implementation of an overall strategy in the transport sector and infrastructure".

Ministry of Transport and Department for Investment Projects and Foreign Investments agreed an implementation date for the performance contracts, after the completion of the GTMP, and in line with the state budget for 2014.

Lessons learned

An amount of 5.7 billion EUR was allocated for development of the transport sector in Romania, for 2007-2013 period, which represents about 23% of the overall allocated funds for NSRF for Romania over the said period. Out of these, 4.57 billion EUR represent the Community financial support, while national co-financing will amount to about 1.09 billion EUR. The Community funding was provided by the Cohesion Fund and the European Regional Development Fund.

Lack of strong policy and strategy framework, as well as the lack of the transport master plan, deficient preparation of projects and governance deficiencies in the management of the agencies conducted to a low absorption rate, even the development needs of the sector are huge.

Projects must have economic and financial viability, quality of their preparation needs strengthening, with high quality feasibility studies, EIA/SEA documents to be adequate to required standards. Furthermore, it is necessary to increase the capacity building, to provide more professional and administrative support to beneficiaries, to have standardized procedures, contracts, and other needed documents. Permits issued by local authorities were sometimes delayed for reasons that are not under beneficiary's control and some conditions stipulated by them were unreasonable.

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

The beneficiaries' capacity needs to be improved in order to have projects better prepared and to accelerate the implementation process. The governance reforms should create a proper framework for reinforcement of authorities' capacity, for all transport modes.

Main development needs

For 2014-2020 period, the development of all projects, for each transport mode, will be based on the General Transport Master Plan, that has a vision for the development of transport sector in Romania by 2030. The GTMP takes a multi-modal approach to transport modelling and investment, which means that the impact of investment in different modes of transport is taken into account in cost-benefit analysis and justification for each project. The result should be an investment programme where the projects are complimentary. Also, during 2014-2020 period it will be annually allocated 2% of GDP for maintenance and investment projects in the transport sector. Also, a special unit within the Ministry of Transport will be set up, for monitoring the GTMP implementation. The Regional Development Plans will be consistent with the GTMP, taking into account justified regional and local transport infrastructure needs, in order to, in order to assure connectivity needs and economic development promotion.

The development and modernisation of the TEN-T and national roads network, including by-passes and connections with TEN-T network are priorities for 2014-2020 period. In addition, the county and communal roads have to be developed and modernized, for improving regional mobility and development opportunities. Road safety needs tailored strategies and special efforts for improving its quality.

Traffic bottlenecks from customs control need to be removed through better infrastructure and management. The projections of customs traffic show that this will increase and there are investments needs in this sector, such as investments in customs infrastructure, IT systems, and equipment at Romania's borders and also mobile equipment in customs within Romania, located on the TEN-T network, investments aiming to decrease by 35% the time needed for passing through the custom. Investments in infrastructure will be focused at the busiest locations after a detailed assessment of the corresponding costs and benefits. In addition to this, there are needs of implementing soft measures like reducing the excessive bureaucracy in procedures and training of personnel.

The increasing of operational hours in some of the Danube ports' customs could be required.

The modernization and upgrading of railway network on TEN-T core and comprehensive network, the modernization of railway stations, and the modernisation of rolling stock, will facilitate the increasing of services. The investments will aim to increase the traffic speed to 160 km/h for passenger trains and to 120 km/h for freight trains and to reduce travel time, in order to improve mobility and accessibility. The railways network rehabilitation could have effect on short and medium term and could balance the transport flows on ground transport modes. The restructuring of the main railway companies, as CFR Marfa, CFR Calatori, CFR Infrastructure, is crucial, having in view the need to reduce losses and to have and an efficient railway transport system. So, the railway transport system will sustain in a better manner the economic development of the country. A special attention will be accorded to inland water transport and to the Danube and its canals, which has 1,075 km from the border to the Black Sea. RO-BG common sector of the Danube and Constanta port are among the most important development needs. The modernization of ports infrastructure, including the berths modernization as well as road and rail networks within the ports and the connection with the hinterland will contribute to the increase of the cargo transport on the river by 20% by 2020 compared to 2010. Also, the river ports will be develop as multimodal logistics centers, the infrastructure needs for multimodal platforms being under preparation for the ports Galati and Giurgiu. The implementation of harmonised River Information Services (RIS) on the Danube and its navigable tributaries will continue and the international exchange of RIS data will be ensured.

The port of Constanta will continue its development as a main hub at the Black Sea and for the East part of the European Union. The port infrastructure needs consist in the improvement and

systematization of road and rail infrastructure within the port, consolidation, stabilization and arrangement of Constanta port's shore, modernization of the distribution networks for the water and energy supply within the port area, acquisition of specialized ships (for dredging, maintenance, fire and pollution fighting) as well as greener transport and energy technologies.

Inland navigation stands far below its actual potential, mainly on the Danube, and intermodal transport is underdeveloped. Water transport infrastructure should be developed in compliance with environmental objectives and with low impact on ecosystem resilience and biodiversity. The investments will be in line, also, with the European Union Danube Region Strategy objectives.

Prioritized international and regional airports that can be associated to TEN-T core and comprehensive network need to be developed and modernized, including investments in airport infrastructure and traffic safety and security, taking into account environment protection and state aid rules. All these investments will lead to a better mobility and connectivity among Romanian regions and among Romania and other MS (based upon the final provisions of the EU regulations 2014-2020).

Urban transport needs to be reorganised and modernized in accordance with urban mobility plans, management of public transport companies has to be improved, given the need to reduce agglomerations and costs.

Public transport has to be encouraged, as a viable alternative of individual cars that are more polluting. Municipalities have to promote integrated transport systems, to reorganize public transport network with an accent on the electric public transport, including rolling stock acquisition. A special attention will be accorded to subway chain of Bucharest metro.

The road infrastructure needs to introduce new road safety items, rehabilitation of routes, implementing accountability projects for drivers, a better traffic monitoring and elimination of existing dangerous points through better signaling, separation of road directions, aboveground crosswalk. Due to the fact that the intermodal freight transport is underdeveloped and most of the intermodal movements are concentrated only in Constanta port (80%) it is necessary to modernize and develop intermodal transport nodes. It is also necessary to create platforms for intermodal connections for passengers and cargo, to modernize the rolling stock and to develop better systems of online information.

During the master-planning process for transport sector it became evident that new investments alone cannot bring major changes in the sector unless they are accompanied by other measures, like reforming the management of rail infrastructure and operation companies as well as measures for improving administrative capacity of all beneficiaries. The performance contracts are tools at the disposal of the Romanian authorities to achieve reform in the management of transport beneficiaries. The performance contracts will include the performance indicators and will be signed with the companies that manage the transport infrastructure. The operational and investment subsidies will be awarded to infrastructure managers/operators based on these performance indicators.

The identified development needs are in line with the General Transport Master Plan, the Strategy for National Transport System, and the Regional Development Plans.

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

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

- Improving and modernization of urban transport, having in view de-congestion of urban agglomerations.

RESOURCES CHALLENGE

Energy and climate change mitigation

Renewable energy generation and transmission

Romania has a wide range, but reducing quantity of fossil primary energy resources and minerals: oil, natural gas, coal and uranium as well as significant potential in renewable resources. Romania presently has a much lower reliance on imported energy (21.7% in 2010) than in the EU27 (52.7%). The renewable energy sources and fossil fuels represent the main resources available to sustain the electricity supply for domestic consumers and businesses in the coming decades. Romania's position relative to the targets established under the Europe 2020 Strategy is summarised in the following table:

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

Romania is close to meeting its **National 2020 target** of 24% of final energy consumption from renewables (having reached 20.79%, 2012) ¹²⁵. The Romanian Energy Strategy for 2007-2020, updated in 2011, estimates the national potential of renewable energy at 14,718 ktoe, higher than Romania's imports of primary energy in 2010 (11,239 ktoe). The current annual total production of renewable energy sources is about 6,550 ktoe. The remaining unused technical potential is about 8,000 ktoe, with the following shares ¹²⁶:

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

According to National Agency for Energy Regulation (NAER) in 2012, the production of electricity from RES which benefited by the green certificate promotion system is 3,365,035 MWh and has the

¹²⁵ NIS data mentioned into the draft of the Progress Report for 2011-2012 according to Directive 2009/28/EC

¹²⁶ Data presented are in line with National Strategy 2007-2020

following structure: 78.45% wind energy, hydropower 16.64%, 4.67% energy from biomass and 0.24% solar (electricity produced in hydropower plants with installed capacity above 10 MW are excluded). Total installed power capacity at the end of 2012 E-RES accredited production units was 2327.76 MW (2028.755 MW of electricity generation license and permit establishment 299.005 MW), with the following structure: 78.22 % wind 18.34% hydro, biomass 1.24%, 2.20% solar.

In terms of green certificates, Law no.220/2008¹²⁷ has undergone a major change which temporarily postpone the granting of a number of green certificates and approving measures to reduce the number of green certificates until 2017. Over time this will bring the installed renewable energy capacity into line with the targets set in the National Renewable Energy Action Plan (NREAP) in correlation with Romania's 2020 target for the share of energy produced from renewable energy sources in final energy consumption. This amendment concerns the postponement and not cancellation of green certificates and the possibility to recover these amounts in accordance with a schedule monitored by NAER. Currently the reduction of the number of green certificates does not show signs that a potential decrease in the interest for RES production will threaten the Romanian EU 2020 target on renewables

In 2012, progress in installing wind and solar energy capacity was ahead of the schedule in NEAP. However, less progress had been made in installing micro hydro energy and biomass¹²⁸, reflected in the small contribution of these energy resources to reaching intermediate and 2020 targets, justifying public intervention.

Data relating to geothermal energy in Romanian strategic documents refer to deep geothermal energy and do not specifically take into consideration shallow geothermal energy and its potential. Although only a few new geothermal projects were completed during the period 2007-2012 due to economic difficulties, the possibility of using geothermal energy for heating and especially district heating should be further explored.

Given the expected power flows, taking into account a wind power installed capacity of about 2500-3500 MW (depending on location, especially in Dobrogea and Moldova), in order to avoid unsafe loads on the system, it is necessary to strengthen the electricity transmission network through important investments. Consequently, the transmission and system operator estimates a financing deficit which could create pressure on the tariff¹²⁹.

The share of RES electricity production in total gross electricity consumption is relatively close to the national target (35% in 2015 and forecasted 38% in 2020), but there is a need to identify solutions in order to compensate fluctuations due to RES energy production, especially by encouraging energy storage solutions. In this way, the excessive charge/load of the electroenergetic system in certain areas will be avoided.

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

At present, the Gas National Transmission System (GNTS) is inadequately configured to match future sources of supply and demand and to ensure security of supply. The GNTS operator is engaged in several projects concerned with interconnectivity with the natural gas transport systems from neighboring countries (Hungary, Bulgaria, Moldova). A series of technical investments in the NTS will be to facilitate collaboration with these countries, including natural gas compression stations, upgrading of sections of pipe and construction of new sections, ensuring adequate

¹²⁷ Law no.220/2008 on establishing the promotion system of energy production from renewable energy sources

¹²⁸ see NREAP, table 5.7

¹²⁹ Source: Perspective Plan of Electricity Transmission Grid 2010-2014 and guidance -2019.

pressure regimes for bidirectional operation of interconnections. However, in the context of EU approaches to ensure new sources of natural gas supply, as well as new routes, the GNTS operator envisages investing in sourcing and circulating to areas of internal or external consumption biogas from AGRI project implementation and / or from off-shore mining in the Black Sea.

The efficiency of the district heating transmission and distribution systems is very poor, threatening the sustainability of the systems in many cities. In 2010 the average heat losses in the distribution networks were 29%¹³⁰. To be sustainable, the system should not have higher heat losses than about 10%. Bringing the losses to that level would save about 400 ktoe/a primary energy.

The public heat supply in Romania based upon power plants and distribution systems that provide heat for a town, city or district area. Current systems are characterized by outdated equipment with low yields (the co-generation) and losses in transportation and distribution of heat (between 10 and 50% in some cases). The low efficiency is due to the disappearance of parallel industrial use of steam and hot water that has lowered service quality, resulted in increased user charges, and has imposed an unsustainable burden on local budgets.

Electricity and natural gas for households was liberalized¹³¹ on 1 July 2007, in Romania and 12 other EU countries. In Romania the deregulation of electricity prices is to be accomplished in six stages for industrial sector and ten stages for households by July 2017. Pricing of gas will be deregulated for industrial sector and for households by December 2018. The Law for electricity and natural gas (Law 123/2012) established the calendar for deregulation step by step in order to avoid the negative effects especial for households.

Energy consumption and efficiency potential

According to Eurostat, in 2010 the average energy intensity of the economy of EU-27 countries was 152.1ktoe/1000€. The Romanian economy is now about 2.6 times as energy intensive as the EU-27 average¹³².

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

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

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

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

Romania is committed to a **National 2020 target** limiting greenhouse gas emissions to +19% for non-ETS sectors over the 2005 level (with an overall 2011 emissions level of almost 13% compared to 2005). Projected growth of the economy will generate increased demand for energy and hence, energy efficiency measures are an important pathway to controlling GHG emissions. To this end Romania is committed to a **National 2020 target** of 19% increase in energy efficiency¹³³.

Energy efficiency is being pursued within the framework of the National Energy Efficiency Action Plan (NEEAP). The NEEAP describes the planned energy efficiency measures to reach an indicative savings target of 9% (compared to average 2001-05) by 2016. The national target for 2016 was set

¹³⁰Challenges and opportunities for centralized supply of heating in Romania, PwC 2011

¹³¹Highlighted in European Council Recommendations on Romania's National Reform Programme (June 2013) p9

¹³² Highlighted in Commission Services Position Paper (October 2012) p7; European Council Recommendations on Romania's National Reform Programme (June 2013) p9

¹³³ Highlighted in Commission Services Position Paper (October 2012) p5, p7; National Reform Programme 2011-13 Progress Report (March 2013) p15.

at 13.5% of average final consumption taken from the period 2001-2005 (with a 2010 target of 4.5%).

In line with Directive 2006/32/EC on energy end-use efficiency and energy services, an assessment of energy savings at the final consumption using top-down indicators was performed during the preparation of the second NEEAP in 2011.

The result of the assessment shows that the total annual energy savings achieved by the end of 2010 (2,222 ktoe) exceeded by far the intermediate target for 2010 of NEEAP (940 ktoe) and is relatively close to the target assumed by Romania for 2016 (2,800 ktoe), but these values are to a great extent attributed to the reduction of energy use due to the recession and partly attributed to sustainable increase of energy performance.

Although investments in energy efficiency can deliver significant climate mitigation and macroeconomic benefits contributing to sustainable development at relatively low cost, Romania will face difficulties in accessing finance. Regulatory frameworks and policies alone will not be able to deliver investments at the required scale, unless access to finance is made easier. At an early stage of development of capital and energy efficiency markets, more public funding is needed to provide liquidity and assurance to investors¹³⁴.

As a consequence, tailoring financing instruments to national circumstances (economic situation, demographics, and energy prices) and the targeted sector are important to securing energy efficiency investments on the required scale, in addition to appropriate regulatory and institutional frameworks. However, the mechanism, structure of financial instruments, types of financial products and envisaged grants will be specified based on an ex-ante assessment of the financial instruments following art. 32(2) of the General Regulation.

GO no. 22/2008 (transposition of the ESD into national law) specifies the need for energy audits performed for high energy consumers.

In 2011 there were 262 energy managers and 201 energy auditors approved by the Romanian state. A survey was made concerning the activity of the authorised energy managers. The analysis showed that the respective economic agents registered energy savings of approximately 33 ktoe/year by the implementation of the energy efficiency measures.

The annual synthesis of the activity developed by 14 energetic auditors, legal persons authorised by RERA, showed that they made 81 energetic balances ended with measures leading to an energy saving of 172 ktoe/year.

Industry

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

Cogeneration is the most effective method of reducing the consumption of fossil fuels, with a direct impact on reducing carbon emissions. Directive 27/2012 confirms the significant potential for primary energy savings of high-efficiency cogeneration. According to the Romanian Energy Strategy 2007-2020 updated measures should be introduced to promote cogeneration rated less than 20 MW, to boost energy distributed generation.

Systems monitoring distribution of electricity and heat in industrial processes provide detailed information on the efficiency of energy devices and power supply networks. Most of the energy losses in the industry are identified in this way. Implementation of monitoring enables the impact of energy efficiency measures to be quantified and increases their visibility.

¹³⁴ Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 (LIDEA) Year 2 – 2012, Task 1: Financial engineering, Romania - Report to the European Commission DG Regional Policy p13

Services

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

Residential and non-residential buildings

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

More than 75% of Romania's residential stock was built following World War II. In particular, Romania owns the largest number of blocks of flats in the Central Europe. Some 2.4 million apartments were built before 1985 and are in need of renovation thermal insulation¹³⁵.

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

During the communist era, public buildings and blocks of flats were constructed to low energy efficiency standards and the renovation of the existing stock was neglected. Until the 1990's measures to reduce energy consumption was limited to a disconnection of energy supply. Minimum requirements for energy efficiency started to be applied only from January 1998. Transposition of the Directive 2010/31/EC on the energy performance of buildings is completed (Law 159/2013).

The residential and tertiary building sector (offices, commercial spaces, hotels, restaurants, schools, hospitals, sports halls, etc.) are the highest energy end-use consumers when heating, lighting, household appliances and equipment are taken into account. As regards to the energy performance of non-residential buildings the energy consumption is higher than of residential buildings¹³⁶.

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

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

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

Intelligent power distribution has become a priority for ANRE, based on the provisions of Law 123/2012 electricity and natural gas, which has launched a public consultation on the adoption of a law designed to regulate the deployment of smart metering nationally by 2020. The positive effects of implementing smart distribution are reducing losses in electricity grids and a better management of consumption as the final consumers.

Lighting for public space

Lighting for public space accounts for a large proportion of public energy use in every locality, especially in cities. Reduction of energy consumption could be achieved by the application of innovative technologies or different approaches to public lighting with a significant impact on total energy use and, therefore, on CO2 emissions.

Romania has a number of 2861 communes and 423 cities. Most of them provide public lighting and the service is either organised at local level (1621 communes/cities) or is provided by the electricity supplier. National statistical data suggest that the electricity consumption for public lighting during the period 2008 – 2011 varied from 640 to 734 GWh/year (including consumption in the public buildings), marking a decreasing trend between 2009 and 2011 . However, assuming that the

¹³⁵ Highlighted in Commission Services Position Paper (October 2012) p5,p7; National Reform Programme 2011-13 Progress Report (March 2013) p15; European Council Recommendations on Romania's National Reform Programme (June 2013) p9.

¹³⁶ This conclusion was drawn from a Jaspers project implementation with the Ministry of Regional Development and Public Administration.

electricity consumption in the public buildings represent maximum 15% of the total, the electricity consumption for public lighting (without the public buildings) represent between 544 and 624 GWh/year.

As far as Romania is concerned, the savings potential is variable, from one city to another and from measure to measure applied. According to information provided within the NEEAP the scale of the savings was estimated from 10% to 40%, but also 63% is mentioned. If a conservative average savings potential of 30% is used, the annual energy savings obtained by improving energy efficiency in public lighting will represent at least 187 GWh/year and would result in at least 76 ktCO₂ emissions reductions annually.

District heating

In terms of district heating there are 7 projects (Bacău, Botoșani, Focșani, Iași, Oradea, Râmnicu Vâlcea și Timișoara) recipient of Environment SOP funding from 2007-2013, under Priority Axis 3 - "Reduction of pollution and mitigation of climate change through rehabilitation of district heating, to achieve the energy efficiency targets in the identified priority areas" (projects for the rehabilitation / modernization of CHPs). Beneficiaries of these projects were six local councils and a county council (Râmnicu Vâlcea).

In order to ensure optimization of centralized heating systems (rehabilitation / upgrading networks) in 6 of these localities is needed to continue to finance them in 2014-2020 (estimated value 120 mil. euro).

Transport

Across the EU, the transport sector continues to remain the sector with the greatest scale-up in terms of GHG emissions, reflecting growing demand for passengers and goods transportation, as well as the preference of using road transportation instead of other less polluting solutions of transportation¹³⁷.

The most recent "*National GHG Inventory of Romania*", released in 2013, reveals that since year 1989 to year 2011 the GHG emissions from the transport sector increased by 92.46%. Urban transport in Romanian cities is largely aged and reliant on bus and minibus services¹³⁸. The rehabilitation and renewal of urban transport systems, potentially covering trams, trolley buses and the introduction of intelligent transport, is expected to be a feature of integrated sustainable urban development projects in several cities. In the sustainable mobility plans, in parallel, will be taken measures to discourage car use. Such developments will make a significant contribution to socio-economic objectives, climate change, and air quality increasing and energy efficiency in addition to place competitiveness.

Agriculture, forestry and fisheries

Agriculture and forestry plays an important role in the fight against climate change, a phenomenon that occurs increasingly stronger in recent years, in particular through high temperatures, long droughts and floods. This phenomenon affects the yield of agriculture and forestry, valuable habitats and ecosystems as well as local communities.

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

The main sources are enteric fermentation (methane emissions (CH₄ – 45.14%), manure management (CH₄ and N₂O – 6.86%), rice cultivation (CH₄ - 0.11%), agricultural soils (N₂O –

¹³⁷ Highlighted in Commission Services Position Paper (October 2012) p7; European Council Recommendations on Romania's National Reform Programme (June 2013) p9.

¹³⁸ Highlighted in Commission Services Position Paper (October 2012) p7.

47.07%) and combustion residues from agriculture (CH₄, N₂O, NO_x and CO - 0.83%). The main factors in the reduction of GHG emissions from agriculture are the reduction of livestock, the decreasing rice crop area and fertiliser use. Other significant factors contributing to a low level of GHG emissions in the agriculture sector are the low level of mechanization in Romanian agriculture together with small areas covered by greenhouses.

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

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

Regarding adaptation to climate change will be addressed actions related to improving knowledge transfer and information on: energy efficiency in agricultural equipment, adaptation tools including environmentally sustainable new practices, climate change risks. Also, organic farming measure is generally beneficial to adaptation by using locally adapted solutions, which compensate the yield disadvantage towards conventional agriculture.

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

Lessons learned

Energy

Regarding renewable energy projects although requests for financing from structural funds have exceeded their initial allocation, a number of beneficiaries claimed financial problems because of the deduction provision related to the green certificate scheme. For the next period complementarity must be ensured between national and Community funds to get the best results on Economic Growth.

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

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

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

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

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

Other lessons learned refer to the need:

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

Main development needs

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

- Promoting the production and distribution of energy from RES
- Promoting the use of high-efficiency cogeneration based on useful heat demand
- Improving energy efficiency by developing smart distribution systems
- Further investments to upgrade the heating systems (networks) in the 6 localities that received funding under PA3 Environment SOP
- Enhancing carbon sequestration particularly in agriculture, forestry, fisheries and aquaculture
- Enhancing energy efficiency in the residential and public building stock and the public realm, including in public lighting
- Improving the energy efficiency of transport, including urban transport systems and the fishing vessels and processing units
- Improving energy efficiency by developing smart transmission systems

Climate change adaptation, risk prevention and management

Romanian territory has an ample exposure to climate change being affected differently by climate-related extreme events. Romanian regions have distinct physical, environmental, social, cultural and economic characteristics that result in different sensitivities to climate change. The key risks associated to climate changes are floods and drought. The main areas affected by floods are located along the main rivers, Danube and the Romanian Plain and the Banat-Crisana Plain Rivers. Also, another risk connected to climate changes is the drought which is more evident in southern and eastern Romania (areas most affected are the Oltenia Plain and the Bărăgan Plain) where regions that are currently dry are expected to be affected by desertification in the future.

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

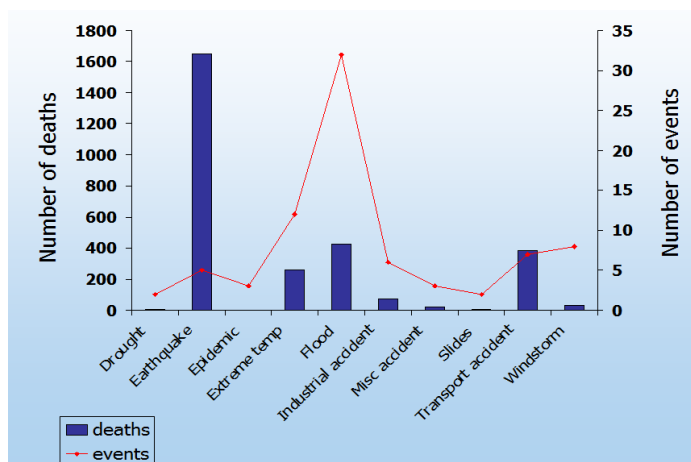
- reduction of greenhouse gas emissions and depletion of the soil carbon stock.
- adaptation to the negative effects of climate change through actions at national§oral level.

The Romanian global objective for 2020 in the risks management sector is to further reduce the vulnerability to all risks, while improving the access of people in need to quality emergency services. Romania seeks to achieve this aim by completing the national risk assessment and by improving its administrative capacity to respond to disasters in order to gain a substantial reduction of disaster

losses, in lives and in the social, economic and environmental assets of communities. The vision to be achieved has as starting point the process of accurate identification of the problems to be solved in the established timeframe, by completing the national risk assessment. While promoting a holistic approach on risks, the focus will be on the risks generated as effect of climate change, such as floods, and drought, coastal erosion and forest fire.

The responsibilities of Member States for public protection, reinforcing resilience to natural and man-made disasters and for disaster risk reduction are established under international treaty and European policy and legislation¹³⁹.

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



Hazard incidence and no. of deaths 1974 – 2010

Floods¹⁴⁰. In Romania approximately **1.3 million hectares** are subject to natural potentially affecting approximately **500,000 inhabitants**. In terms of **territoriality**, the main areas affected are located along the main rivers, Danube and the Romanian Plain (Siret, Buzau County; Arges, Olt, Jiu Rivers) and the Banat-Crisana Plain (Somes Cris, Mures rivers) rivers.

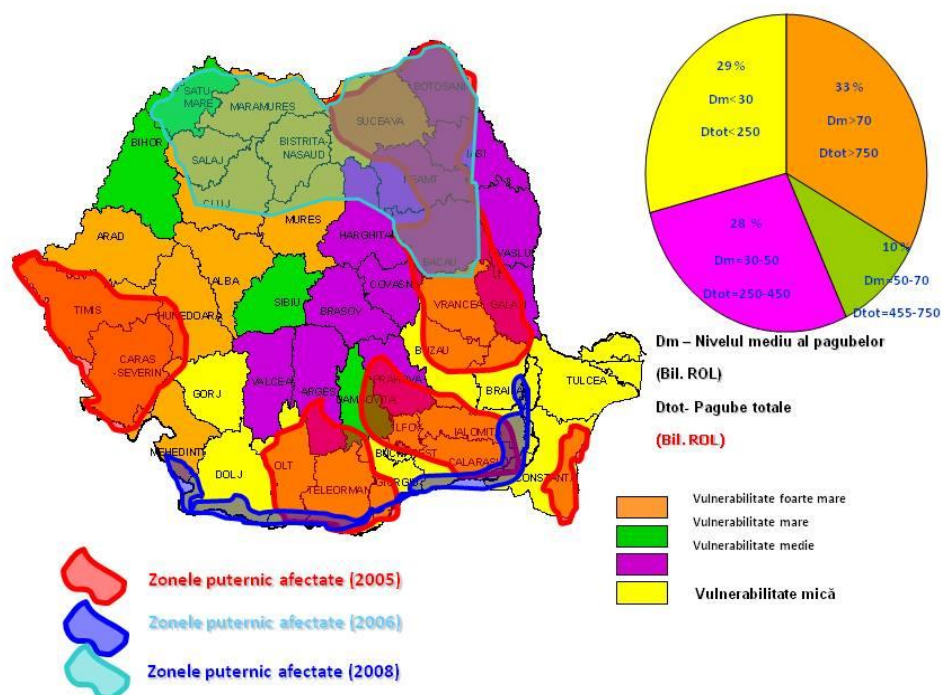
In mountainous and hilly areas where river beds are steeply sloping (100-200 m/km) and in narrow floodplains, powerful floods may be accompanied by intensive erosion of river banks, resulting in landslides that may bar valleys.

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

¹³⁹ Including: Hyogo Framework for Action 2005-2015: Establishing a disaster resilience capacity of the nations and communities; Post-2015 Framework for Disaster Risk Reduction; the EU2020 Strategy; EU Internal Security Strategy in Action: Five steps towards a more secure Europe; European Territorial Cooperation; transnational cooperation in the framework of the Danube and Black Sea macro-regional strategies

¹⁴⁰ Highlighted in Commission Services Position Paper (October 2012) p8.

Gradul de vulnerabilitate la nivelul regiunilor în perioada 1992-2004 și inundațiile din 2005, 2006, 2008



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

Drought¹⁴¹. The frequency and severity of drought in close relation to climate change are projected to increase significantly. In southern and eastern Romania, a reduction of 20% in water resource has been estimated. Regions that are currently dry are expected to become drier and could be affected by desertification in the future.

In terms of **territoriality**, areas most affected are the Oltenia Plain and the Bărăgan Plain which are today the most vulnerable areas to water scarcity (delimited by the red line in Figure 1) and where approx. 40,6% (7.740.510 persons) of country population lives¹⁴². The Bărăgan Plain is Romania's main agricultural area and the climate change effects could affect food security. Average yields of various crops in drought years are only 35-60% of the potential. In 2011-2012 drought strongly impacted about 5.9 million hectares, with the level of losses varying over different area and culture. The scale of the losses covered a wide range -18.6%, for wheat yields, -80.2% for rape, and -46.1% for corn yields. This had a severe impact upon farm incomes.

¹⁴¹ Highlighted in Commission Services Position Paper (October 2012) p8.

¹⁴² Source regarding the number of population: NIS, 2011

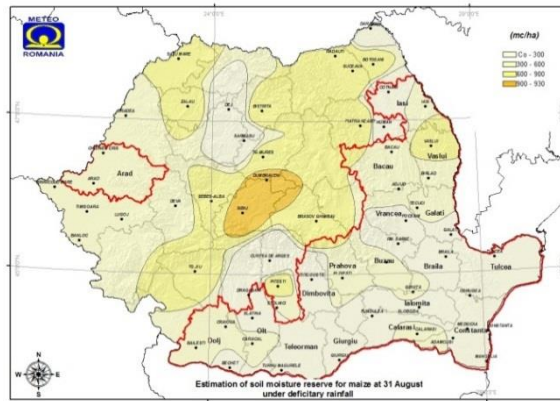


Fig. 1 - Estimations of the zonal distribution of soil moisture reserve in Romania in the context of predictable climate change

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

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

Additionally, higher temperatures in Romania due to climate change significantly impacts on health condition (with increased incidence of fainting, vertigo, stroke, hypertension, cardiopathy, pulmonary edema) especially in urban areas where the urban heat island adds effects to heat wave influences.

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

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

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

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

Constanta and Tulcea counties have 458,000 residents situated in the coastal area and potentially affected. Investment in 2014-2020 to protect the population, tourism and transport assets will be prioritised in the framework of the Master Plan on Coastal Protection and Restoration.

Also, Romania has **earthquake**¹⁴³ and **landslides**¹⁴⁴ which are one of the most prominent natural hazards in Romania, with potential for significant casualties and damage to buildings and infrastructure.

At the same time, Romania is subject to potential **nuclear/radiological, chemical or dangerous substances accidents**.

Concerning those three last risks, it is needed to increase the public information, prevention and response in the case of risk manifestation.

Prioritisation of risks

In addressing funding needs for combating risks, until the finalization of the national risk evaluation Romania has in view the disaster impact and frequency in the last decades. Also, will be taken into account the degree of maturity of the specific risk assessment, giving first priority to emergency risk assessments that have already been initiated, in order to decrease as soon as possible the impact of these risks and to contribute to a sustainable economic growth. In scenarios proposed for funding will be financed no regret projects which will take into consideration the impact (human losses, financial and economic aspects). Having in mind those criteria, Romania intends to finance floods (a special attention will be given to non-structural measures as green infrastructures, ecosystem based measures), coastal erosion and rapid response and training centres.

After the fulfilment of the ex-ante conditionality, the results of the risk assessment project „Support for fulfilling ex-ante conditionality 5.1 – National Risk Assessment” will be used in order to prioritize the funding needs.

Management of risks

Given the range of natural and man-made risks confronting Romania, it is not possible to completely eliminate the risk. Nevertheless, a more effective management¹⁴⁵ of risks could reduce the direct and indirect social and economic losses, as well as the need of external support. The impact of flood, in particular, has determined Romania make several requests for financial support from EU Solidarity Funds.

Therefore, Romania's approach to the management of risks comprises:

- coordination;
- assessment and mapping of risks;
- monitoring of risks;
- prevention and mitigation measures;
- developing and maintaining an adequate response capacity.

Coordination. Romania has a functional National Emergency Management System¹⁴⁶ since 2004 which takes a holistic approach regarding disaster management. During emergencies, a National Centre for Emergency Management assesses the situation and coordinates the intervention. It comprises personnel from the General Inspectorate for Emergency Situations (GIES), as well as experts and specialists from ministries and central public institutions that provide support functions. Responsibilities for risk assessment and risk prevention are spread over relevant Line Ministries¹⁴⁷. GIES is responsible for managing the response across all risks.

Assessment and mapping of risks. A set of working instruments for national risk assessment will be developed under the project „Support for fulfilling ex-ante conditionality 5.1 – National Risk

¹⁴³ 75% of the Romanian population (cca. 15 million inhabitants), 60-70% of fixed assets and 45% of critical infrastructure are exposed to some level of earthquake risk. The impacts of the last severe earthquake (4 March 1977) were: 1570 deaths; 11300 injured; 35000 displaced families; 32900 damaged buildings; over 2 billion USD in financial losses.

¹⁴⁴ Massive landslides took place in 1979, 1983, 1997 and 2000-2012. More than 35 municipalities, 80 small towns, 900 villages and 7 river basins cumulating 539,589 hectares (2,26% national territory) are assessed as being exposed to landslide risk.

¹⁴⁵ Highlighted in Commission Services Position Paper (October 2012) p8.

¹⁴⁶ Established under Government Decision

¹⁴⁷ For example, Ministry for Regional Development is responsible in relation to earthquakes; Ministry for the Environment for air quality and flood etc.

Assessment". This project will provide also a first report on the risks confronting Romania, including a prioritisation of risks.

The project will build upon the substantial progress made in recent years with support from Structural Funds in assessing and mapping specific risks. Figure 2 summarises the level of maturity and preparation for tackling the main risks highlighted above.

Main risk	RISK ASSESSMENT							
	Risk identification				Risk analysis		Risk evaluation	Risk mapping
	Hazard identification	Exposure	Scenario description	Vulnerability	Estimation of likelihood	Estimation of impact		
Earthquake	on going	on going	on going	on going	on going	on going	on going	
Floods	on going	on going	on going	on going	on going	on going	on going	
Landslides	on going	on going	on going	on going	on going	on going	on going	
Nuclear/radiological	on going	on going	on going	on going	on going	on going	on going	
Chemical accidents	on going	on going	on going	on going	on going	on going	on going	
Drought	on going	on going	on going	on going	on going	on going	on going	
Hazmat Transport	on going	on going	not addressed	not addressed	not addressed	not addressed	not addressed	
Forest fire	on going	on going	on going	on going	on going	on going	on going	
Epidemics	on going	on going	on going	on going	on going	on going	on going	
Epizootics	on going	on going	on going	on going	on going	on going	on going	

Legend: mature (green), on going (yellow), initiated (orange), not addressed (red)

Fig. 2 - Risk Assessment: State of Maturity

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

However, a National Working Group for Risk Assessment (GLERN) is to be established, consisting of experts in risk assessment from central authorities and independent experts from the academic and private sectors. GLERN will have responsibility for coordinating government efforts in risk assessment, analysing and integrating the results, preparing and submitting of periodic reports to the ECon risk reduction measures identified to PNNRD and on the progress of Romania made in this field.

Monitoring of risks. Monitoring of risks is carried out by a centre within each of the Line Ministries with responsibility for a given risk. These centres feed into GIES which is responsible for informing local authorities which has statutory responsibility for informing and protecting the population.

The monitoring systems vary in extent and sophistication. For example, a seismic sensory system has been developed in cooperation with Bulgaria along the Danube corridor. The need for further extension / upgrading of this and other early-warning and monitoring systems will be assessed and prioritised under the National Risk Assessment.

Prevention and mitigation measures. Prevention measures are the responsibility of the competent Line Ministries for each given risk. Prevention measures span over education, non-structural measures such as construction standards, preparedness measures such as training and exercises. Romania has the National strategy for the prevention of emergency situations and will create the national platform for RRD which will establish the necessary objectives and actions to be implemented.

In order to improve the local flood management, the Ministry of Environment and Climate Change developed manuals for emergency management in case of floods and drought. These manuals summarise the preventive, operative and rehabilitation measures which are taken at the county and local level in emergency situations caused by floods and drought. These manuals were distributed in the territory and in the period March - May 2013 a training campaign was held in all counties.

Actions to address flood risk will also take into account the National Strategy for Flood Risk Management¹⁴⁸ which defines a framework for coordinated, inter-sectorial action in order to prevent and reduce flood consequences on socio-economic activities, life and health and the environment. These are likely to include:

- non-structural and passive measures on land management such as afforestation and agricultural practices which reduce runoff, relocation or creation of flood expansion areas.
- infrastructural measures to store / divert flood waters, in case non-structural measures would be insufficient.

Actions to address drought are likely to include:

- the recourse to economic instruments, discouraging excessive water abstractions in region suffering from water scarcity
- the adoption of more efficient methods of using water, particularly in agriculture.
- the use of more drought tolerant crop species and those that achieve maturity outside the summer peak of water demand.
- where justified on economic and environmental grounds, notably in areas at risk, the soil water reserve decreasing below the level from which plant wilting can recover, the creation and / or rehabilitation of water infrastructure, including innovative measures.

Adaptation to climate change will be also addressed in agricultural sector by actions related to improve knowledge transfer and information on: energy efficiency in agricultural equipment, adaptation tools, including environmentally sustainable new practices, climate change risks information . Development of organic farming will also contribute to adaptation to climate change by using locally adapted crops and extensive agricultural methods.

Actions to address coastal erosion will be undertaken in the framework of the Master Plan Coastal Protection and Restoration which aims to prevent coastal erosion, to rebuild coastline and restore coastal environment, to protect marine and coastal ecosystems, and to protect the economic and social interests from the impact of marine erosion.

Developing and maintaining response capacity. Romania's response capability comprises GIES coordinating input from different services (as the fire services, the police, the armed forces) via the Ministry of Internal Affairs, local authorities and volunteers in the affected areas. Taking into account the cross-border effect of certain risks (as floods, chemical accidents etc.), GIES may draw down international support organised through bilateral agreements with neighbouring countries, which may be enhanced in future under the Danube Strategy, and through international mechanisms such as the European Civil Protection Mechanism and the Euro-Atlantic Disaster Response Coordination Center of NATO.

Coordination of a major incident places a premium on information, command and control, not least to protect the well-being of the first responders. Lessons learned from major incidents have highlighted situations where resources were over-stretched and could have been applied more effectively. Accordingly, an upgrading of the Incident Command System and associated IT systems is seen as a priority.

Effective intervention also depends of the scale, dispersal and speed of response units. A large proportion of Romania's fleet of intervention vehicles are outdated, about 68% of intervention vehicles being more than 10 years old and almost 60% are more than 20 years old further development of the capacity to provide a timely access to emergency response services, including by a centralized program aimed to replace the intervention equipment and vehicles, is needed. Some investments were made under the 2007-2013 programmes, but those cover only 7% of the operational needs. The investments will cover modules specified in the EU legislation in the field of civil protection.

¹⁴⁸ Approved by the Government Decision No. 846/2010

Investment will be prioritised in line with the findings of the risk assessment and is likely to include the creation of rapid response centres specialized in different types of missions by upgrading and improving the current specific intervention means needed for such missions.

Development of the training system of professional personnel involved in emergency situations, including by development of training centres is one of the critical factors in the implementation of the strategy and achieving the vision.

Main development needs

The identified development needs are in line with the first results of the:

- National Strategy on Climate Change;
- Outcome of the future national risk assessment;
- National strategy for the prevention of emergency situations;
- National Strategy for Flood Risk Management in the medium and long term, developed taking into account the provisions of Directive 2007/60/EC on the assessment and management of flood risk;
- River Basin Management Plans (for the 11 River Basins of Romania) elaborated by National Administration "Apele Romane", in accordance with the provisions of the Directive 2000/60/CE;
- Master Plan Coastal Protection and Restoration.

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

- Improving Romania's capacity to anticipate, to prevent and to respond to extreme natural and man-made emergencies.
- Improving Romania's adaptation and resilience to the negative consequences of climate change and, in particular, the increased incidence of extreme heat, drought and flooding events in the Framework of the National Climate Change Strategy.
- Improving Romania's adaptation and resilience to other natural risks.
- Exploiting public investment in climate change adaptation to create new markets potentially available to SMEs and social enterprises, particularly in Romania's less developed regions and in rural areas.

Protecting the environment and promoting resource efficiency

Romania's global objective for 2020 in the field of environment and resource efficiency is to improve the environment and living standards, in order to achieve a more competitive economy, a better environment and more balanced regional development, while focusing at the same time on meeting the environmental acquis. The goal is to decrease Romania's environmental infrastructure gap with the EU both in respect of quantity and quality. Biological diversity, natural habitats, wild species of fauna and flora will be conserved and protected areas, including Natura 2000, effectively managed. In order to achieve these aims, investments will be oriented mainly towards environmental infrastructure, ecological rehabilitation, Natura 2000 management plans and efficient management structures for environmental services.

Water / Wastewater

According to the River Basin Management Plans, the costs for basic and additional measures related to the implementation of the Water Framework Directive are around 21 billion Euros. The majority of these measures are related to drinking water quality and wastewater collection and treatment - 17.16 billion Euros during the period 2007-2027 (under SOP Environment 2007 - 2013 are invested so far a total value of about 5.8 billion Euro). Although Romania obtained a transition period through the Accession Treaty, the implementation of the Drinking Water Directive (DWD) - until 2015 and Urban Waste Water Treatment Directive (UWWTD) - until 2018 continues to be a

complex and difficult task. As a consequence, the extension and modernisation of the water and wastewater infrastructure continues to be one of the most important priorities in improving the living standards and in implementing the environmental Acquis.

As regards the quality of drinking water, the main obligation under the DWD¹⁴⁹ is to meet the quality standards of drinking water provided by centralised systems. Underground waters have an important role as supply sources for drinking water, and diffuse pollution of aquifers (with fertilisers and other pollutants) is a problem, especially in rural areas, where only 30% of population are connected to the centralised systems. The drinking water provided by small systems in rural areas is insufficiently monitored and individual water sources are monitored only sporadically. Outdated and insufficient laboratory equipment for monitoring drinking water quality at the regional and county level is the main impediment to adequate analysis. Investment needs are estimated at more than 2 billion euro.

As regards the Accession Treaty, the compliance to the provisions of the UWWTD is gradual and monitored for collection of urban wastewater (61% in 2010, 69% in 2013, 80% in 2015) and treatment of urban waste water (51% in 2010, 61% in 2013 and 77% in 2015), where % represents the total biodegradable loads generated in urban areas. In Romania, in December 2013 the rate of connection to the sewage systems was 59.95% and treatment 49.89% (% from total biodegradable loads in p.e.) both of which need to be increased within agglomeration above 2,000 p.e. Reflecting the provisions of the UWWTD and the fact that Romania declared its entire territory as sensitive area (2005) all urban areas with more than 10,000 PE are required to undertake advanced treatment (tertiary treatment), especially regarding nutrient removal (nitrogen and phosphorus) by 2015. This obligation will require substantial additional investment, considering that the current functioning wastewater treatment plants (WWTPs) provide secondary treatment only, while a fraction of the necessary plants providing tertiary treatment are presently under construction.

The declining population, especially in rural area, contributes to a significant increase in the number of agglomerations with less than 2000 p.e. In order to assure an “appropriate treatment” at the level of these kinds of agglomerations financial support is needed, mainly due to the economic difficulties from these areas for the settlements that are part of the Master Plan level and are economically feasible, but it is obvious that priority will be given to larger agglomerations.

A further important issue deriving from WFD relates to improving institutional capacity for monitoring substances discharged into the waters. To this end, Romania has already made significant investment in improving its water monitoring capacity but the additional obligations under Directive 208/105/CE will necessitate the development of a National Laboratory dealing with water analysis.

On the other hand, in order to reach the environmental objectives of Water Framework Directive established in Water Management Plans the improvement of hydro-morphological conditions of water bodies have to take into account. The investments related to implementation of hydro-morphological measures are evaluated at Euro 1.3 bn.

Concerning water pollution from agriculture, reduction in the use of agricultural fertilisers and pesticides has seen an improvement in the quality of the Romania's surface waters (fertiliser use in 2005-11 was on average more than 70% reduced from 1989). However, given the levels of nitrates accumulated (Romania's territory designated as Nitrate Vulnerable Zones, increasing from 58% to 100% of the territory), particularly in groundwater, further soil and water conservation measures will be needed, particularly by implementing good agricultural practices. This will be particularly important in the context of the transition to more intensive agriculture foreseen in the next period.

¹⁴⁹ Highlighted in Commission Services Position Paper (October 2012) p7; Romania;s NRP commitments 2013 p5.

Waste

Romania is in the process of developing European standard waste management. In 2010, 70% of the population had access to municipal waste collection service. However, the projects planned under the SOP Environment 2007 – 2013 are expected to provide 100% coverage.

Responsibility for separation and collection of waste rests with the public local authorities, which may contract the necessary services from private companies (sanitation companies). Until recently, there was mainly mixed waste collection with limited separation (by 2010, only 698 localities had implemented a selective waste collection system)¹⁵⁰. Under Law no. 211/2011 on waste, Romania is introducing selective collection in three fractions for public local authorities¹⁵¹. However, there is a need to upgrade the existing infrastructure and to extend separate collection coverage in all counties to reach one hand the targets of the Waste Framework Directive which requires recycling of at least 50% of household waste by 2020 and recycling recovery of at least 70% of construction and demolition waste and on the other the landfill Directive waste diversion requirements. Construction and demolition waste from households should be managed by local authorities, while the others will fall under the responsibility of the waste producers. In 2010, out of 5,325,810 tons of municipal waste collected by waste disposal operators (excluding construction and demolition waste), only 296,140 tonnes were recovered by material recycling or other recovery operations. Romania's obligations under treaty will require a sustained investment programme for the next decades to close the gap with European requirements and achievement of the 2020 recycling target.

Romania has a transition period until July 2017 to phase out non-compliant landfills. New compliant landfills will be constructed as a part of the Integrated Waste Management System respecting the waste hierarchy. At the end of 2012, 72 non-compliant landfills, 33 compliant landfills and 51 waste transfer stations were operational.

The EU aims to reduce reliance on landfill for the disposal of waste¹⁵² and has a proposal for an aim towards an increased share of renewable energy¹⁵³. The EU's approach for energy and climate under the last 10-15 years have been directed towards decreasing the emissions of greenhouse gases, increasing the share of renewable energy and to decrease the dependency on imported energy. These three objectives go hand-in-hand when energy is recovered from waste. At present, Romania has negligible capacity to recover energy from waste compared with the 35 to 50% processed in waste to energy facilities in countries such as the Netherlands, Germany, Austria, Belgium, Denmark, and Sweden¹⁵⁴. Investments are needed taking into account technical and economical point of view.

Romania's obligations under treaty will require a sustained investment programme for the next two decades to close the gap with European requirements. Experience in current programming period shows it does seem possible to implement good projects in the environment sector, both on time and within the allocated budget. The fact which makes the difference appears to be the quality of the projects, the skills and capacity within the beneficiary authorities. On the other hand the implementation phase encountered major problems, namely the extensive time spent on tender procedures, which ultimately put at risk the implementation process inside eligibility period.

Thus, taking into account the achievements of the SOP ENV 2007-2013, but especially targeted objectives through 2020 Strategy, Waste Framework Directive, landfill Directive, and not only, develop/upgrade the waste infrastructure and services based upon the waste hierarchy, promote the efficient use of resources through waste prevention, use of secondary raw materials/by-

¹⁵⁰ Highlighted in Commission Services Position Paper (October 2012) p8.

¹⁵¹ Regulation GD 247/2011 on packaging and packaging waste management; Romania's NRP commitments 2013 p5 and p6.

¹⁵² Directive 1999/31/EC on the landfill of waste.

¹⁵³ Directive 2009/28/CE on the promotion of energy from renewable sources.

¹⁵⁴ Source: Eurostat.

products and increase the waste recycling ratio are envisaged in the next programming period. Also, it is foreseen to increase ownership, institutional capacity and awareness of local public authorities and beneficiaries and to liaise with all major stakeholders in regulation/implementation of public procurement.

Biodiversity

The EU Biodiversity Strategy to 2020 and the National Strategy and National Action Plan on Biodiversity Conservation 2013-2020 establish as general directions

- promotion of the innovative traditional knowledge, practices and methods and clean technologies as support measures for the conservation of biodiversity.
- integration of biodiversity conservation policy into all the sectorial policies.
- the restoration of degraded systems, along with protection against decline of biological diversity in genetic resources, species, ecosystems and landscape.
- the improvement of the communication and education in the field of biodiversity.

As a MS of the EU, Romania has to establish and strength the Natura 2000 network on the Romanian territory (383 sites of community importance - SCI) and 148 special protection areas - SPA). Other national protected areas declared by Romania are: Danube Delta Biosphere Reserve; 13 national parks; 15 natural parks, out of which two geo-parks; 925 scientific reserves, natural reserves and natural monuments. Given the multiple overlapping protected areas, a single administrator or custodian has been appointed to manage an area even though it is set on several types of protected areas. Presently 42 administrators and 289 custodians were appointed. They have in custody/administration 101 SPA's and 229 SCI's. By the end of July 2013, only 5 management plans and 11 management regulations have been approved, out of the total of 272 plans/regulations drafted through SOP ENV. For 21 management plans and 36 management regulations approval procedure is on-going and 38 management plans and 95 management regulations are under assessment procedure.

In this context, the main obstacles for adoption of Natura 2000 management plans/regulations refer to: very long and difficult approval process; need to rationalize and reorganize of decision-making; increase administrative capacity; lack of resources engaged in assessing management plans; poor quality of some management plans (low level of understanding on how to apply the legislation, how to elaborate a management plan); restrictive measures in protected areas are difficult to get accepted due to a lack of compensations for land owners. Urban areas are particularly affected by a loss of biodiversity from the impact of development. Consequently, it is necessary to promote a green infrastructure, through e.g. ecological corridors, green bridges and eco-ducts to re-connect natural areas that have been artificially divided, and by maintaining corridors and landscape elements that connect protected areas in order to form a functioning network.

According to the Prioritized Action Framework for Natura 2000 in Romania 2014- 2020, several priorities have been identified for ensuring an effective implementation of the management plans:

- finalizing the process of assigning the administrators for Natura 2000 sites;
- the implementation of the action included in the management plans, with a priority for the ones that support the management process;
- providing the resources for the management process including the infrastructure;
- the education of the population and raising awareness among the public

Large areas, especially in the mountains and hills are threatened by the abandonment of agricultural activities which can affect both biodiversity and rural viability. Under the current RD program an area of 2,430,000 ha of UAA (representing 18,3% of total UAA) was identified as mountain area characterized by a considerable limitation in using the land for agricultural purposes, while 1,656,000 ha (representing 12.4% of total UAA) as areas facing natural and other specific constraints. By 2012, farmers holding a total area of 1.785.490 ha of the identified mountain areas

mentioned above and 1,605,190 ha of areas facing natural and other specific constraints, received payments granted through EAFRD to support their undertaking to pursue farming activities and avoid abandonment.

Out of 2,400,000 ha of the High Nature Value (HNV) grassland identified, 1,191,588 ha have been protected under the current RD program by granting financial compensation to farmers who undertook commitments to apply management requirements. Besides HNV grassland protection, agricultural land management measures were designed and implemented with EAFRD financial support, covering an area of 84,313 ha, to protect a number of 4 threatened farmland bird species and 4 subspecies of butterflies. Although these populations of wild species and natural and semi-natural habitats appear to have remained stable over the last 25-30 years, there is a risk that new trends to enhance farming practices or abandonment of agricultural lands have a negative impact.

53% of the Romanian forests¹⁵⁵ are protected and different forest management regimes are applied according to their function. In the context of climate changes, measures need to be developed to enhance the value of forest protection function. Also, measures for the integrated management of mountain forests and watercourses need to be established (torrents correction, landslides mitigation, avoiding clogging of water course). In the same vein is needed to use sustainable forest management (SFM) approaches for sequestering carbon, such as sustainable management of production forests, sustainable management of protection forests - protected areas, and afforestation. These measures have direct contribution to mitigation and adaptation to climate change (e.g afforestation projects - priority should be given to geographic areas where the activity can generate multiple benefits such as combatting desertification and improving degraded lands).

The marine environment of the Black Sea has been the focus of environmental policies (particularly in the Danube Basin) for the past 20 years and has experienced a slow but continuous recovery:

- reduced nutrient inputs has resulted in a reduction of algal bloom but this phenomena is still present.
- benthic species biodiversity has improved, increasing from 20 (in the 1990s) to almost 40 at present.
- zooplankton has been recovered particularly in offshore area, but is still vulnerable in the shallow.
- fish fauna is still in a critical situation (sardines, blue mackerel, bonito fish etc.) even if the Romanian fishing capacity decreased tremendous after 1990.

Romania aims to support the fishing sector and related activities in reducing its environmental impact. The use of selective fishing tools, gears and methods will contribute to the preservation of the aquatic habitat, accompanied by measures to strengthen the administrative capacity (especially activities regarding data collection, inspection and control in order to deter IUU fishing and to protect the environment).

With regard to aquaculture, both the preservation of aquatic eco-systems and the application of safety measures to prevent escapes from farms that could affect wild species biodiversity are taken into consideration.

Air quality

Air quality remains a problem in Romania, particularly in urban and industrial areas. In 2010 the ambient air quality remained constant in zones and agglomerations where levels of pollutants were below the limit values for human health protection. At the rural background stations no exceeding of the critical level for vegetation protection was recorded for NO₂, SO₂, O₃ and CO. The concentration of particulate matters (PM₁₀) remains high in agglomerations, but air quality management programs were developed and the concentration of particulate matters (PM_{2.5}) the annual average concentration in 2010 was below the limit plus the tolerance. Regarding the

¹⁵⁵Total area of the Romanian national forest is 6,519,470 ha and represents 27.7% of the country - National Institute of Statistics

concentration of NH₃ in the ambient air, exceeding of the maximum allowable daily concentration were recorded in some counties.

In order to improve air quality and to determine appropriate measures, the National Air Quality Monitoring Network was established consisting of 142 fixed stations, covering the whole of Romania. The additional provisions under Air Quality Directive 2008/50/EC require a new approach to air quality assessment, including the new pollutants which should be monitored (Heavy metals – As, Hg, Cd, Ni; PM_{2.5} and PAH). It will be necessary to upgrade and develop the National Air Quality Assessment System taking into consideration the following:

- reinvestment will be required in the national network where some equipment has been working continuously over 10 years; many stations should be improved with the new equipment for measuring the new pollutants;
- should the national air quality assessment that will be prepared by the end of 2013 identify a need for more fixed stations, so it will be necessary to upgrade and extend the National Air Quality Network;
- development of a dynamic forecasting system for air quality;
- development of an unique and interactive system for inventory of the emissions of pollutants into the atmosphere in order to fulfil the requirements of INSPIRE Directive.

Soil

During 1950-1990, Romania's soil and water were heavily damaged by industrial and agricultural pollution, salinization, acidification, erosion, desertification, and landslides that today pose a major risk to human health and to the environment.

A major problem facing Romania is contamination of soil and groundwater as a result of intense industrial activities carried out prior to 1990. In 2008, in Romania have been identified 1,628 potentially contaminated sites for the main sectors of activity, divided by type activities/sectors as follows: mining and metallurgy - 158; petrochemical industry - 839; chemical industry - 91; other activities on a large scale – 540. This inventory can be considered a first step, indicating the main sectors involved. Most of these sites are abandoned and need rehabilitation. Remaining plants on these abandoned sites often contain hazardous substances that represent risks to human health and the environment. The restoration of degraded areas requires in most cases, decontamination of soil, groundwater and land brought closer to its natural state or ground water at a higher quality, and restoring biodiversity by restoring their related ecosystems. To implement recovery measures degraded areas due to contamination or other factors/processes, and sustainable management of land, Romania needs financial support to enhance efforts to restore contaminated sites and to improve the integration of land use in coordinated and integrated decision-making, involving all relevant levels of public authorities. Currently MECC is upgrading the lists of contaminated sites, which is to be approved by the end of 2013 when the National Strategy and National Action Plan for contaminated sites management is to be also promoted. The prioritisation principles based on which the projects will be developed refer to: polluter's pay (in order to limit the the support to sites where the initial polluter cannot be identified), protection of human health and the environment from the effects of contaminants resulting from human activities; remediation of contaminated sites, so that a proper condition could be reached for future local development and socio-economic re-use.

Production potential of agricultural land is affected by different degradation processes. Average soil erosion has increased almost two folds from 2.6 tons / ha / year in 2006 to 5.06 tons /ha /year. In 2010. Water erosion, followed by wind erosion, were the main degradation processes that affected the agricultural soils, almost 9 % of the total agricultural area being affected, most of it being arable land.

Actions that reduce the threat to water resources and combat soil degradation will continue to be important. Among these are agro-environment measures, which contribute significantly to reducing use of chemical fertilisers, preventing nitrate leaching by using green cover crops, improving of manure management, reducing the load of grazing livestock per unit area, reducing the use of mechanized equipment or increasing the water absorption of soil, which leads to a decreased risk of flooding. Afforestation of agricultural and degraded land will also contribute to water and soil conservation by maintaining water quality, preventing soil erosion and reduce the risk of floods.

Organic farming

The area under organic farming more than doubled between 2007 and 2012 to stand at 300,000ha (representing 2.25% of UAA), while spontaneous flora cultures were collected over an area of approx. 538,000ha (representing 4.04% of UAA).

The number of operators registered in the organic farming system in 2012 was 15,373. It has increased threefold over the previous year in 2010 and twice in 2011. At present, the domestic market for organic products is expanding, organic products being sold directly at the farm gate, in markets, specialized stores and large chain stores.

Besides its health benefices, organic farming will also add a valuable contribution to water and soil resources protection.

Cultural heritage and natural sites

Romania has a well-diversified and balanced tourism potential, mainly concentrated in the Carpathians, the Black Sea coast and within areas with cultural traditions. An important feature is that the undeveloped areas possess the most important tourist attractions. These areas can be revitalized by exploiting the natural and cultural tourism potential. Most of Romania's mineral springs remain undeveloped. Health tourism is considered one of the market segments with the highest potential, both in terms of Romania's resource position and worldwide trends. Underinvestment in tourist accommodation and treatment facilities within health and spa tourism resorts represent an important issue to be solved in order to induce local development.

In Romania, cultural heritage is in crisis. The physical condition of monuments is gradually worsening and losses are higher than in other European countries. A consensus in favour of protecting and preserving the cultural heritage is needed.

The built environment represents the most widely distributed aspect of cultural heritage in urban centres, and includes historic houses and buildings used for business purposes. Religious buildings also serve as important cultural landmarks. All of the major cities (Bucharest, Brasov, Cluj, Iasi, Craiova) have a significant endowment of culturally important buildings.

Main development needs

The identified development needs are in line with the first results of the:

- The River Basin Management Plans.
- National Waste Management Strategy 2014-2020.
- The Sludge Management Strategy.
- The National Strategy and National Action Plan for the Management of Contaminated Sites.
- The National Strategy and National Action Plan on Biodiversity Conservation - for 2013-2020.
- The Strategy for Culture and Patrimony 2014 – 2020.

Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (**Annex I**), **main development needs in relation to environmental protection and resource efficiency are:**

- Extend public access to water and wastewater services, in the context of the Water Framework Directive and its River Basin Management Plans;
- Facilitate transition of waste management to a market-led system based upon the waste hierarchy in the context of the Waste Framework Directive;

- Protecting, conservation, restoration and sensitively exploitation of Romania's cultural heritage and natural assets, including landscape, farmland, forests, inland and coastal waters, protected areas, biodiversity;
- Development and improvement of the air quality assessment;
- Addressing the legacy of derelict and polluted sites and to manage current sources of pollution;
- Exploiting public investment in environmental protection to create new markets potentially available to SMEs and social enterprises, particularly in Romania's less developed regions and in rural areas.
- Decrease abandonment of agricultural activities.

ADMINISTRATION AND GOVERNMENT CHALLENGE

General

The Europe 2020 Strategy aims to promote a competitive and efficient economy (in terms of use of the resources), based on smart, sustainable and inclusive growth in the context of the existing global challenges. In this respect, the recovery of the economy and the financial system as well as the improvement of the business environment in order to stimulate productivity in a sustainable and inclusive manner, is seen as a precondition for ensuring long-term economic growth. Public Administration plays a key role in the governance, regulation, promotion and implementation of policy and action that creates the environment under which this long-term economic growth can be achieved.

The public administration domain is directly linked to quantified targets of Europe 2020 strategy, as indicated in the introductory section of the Partnership Agreement. Some of the links are very direct and can be noticed across the targets, flagship initiatives and integrated guidelines whereas others are more indirect and relate to the administration creating the environment under which the private sector and other actors can operate in a fair, transparent and efficient manner as national and EU level growth strategies can only be implemented with the help of effective public administrations. Therefore, in order to ensure the framework for the implementation of measures leading to achievement of the pillars and headline targets of the Europe 2020 Strategy, it is necessary to have in place an efficient, predictable and coherent public administration capable of delivering high-quality decision-making: development and elaboration of policies (with a strong accent on rigorous, integrated and coherent strategic planning, including correlation with budget), the implementation of measures adopted (focusing on the administrative capacity of the implementing institutions involved, at all levels, correlated with the allocated competences), monitoring system (addressing both system design and capacity building for the collection, correlation and interpretation of data) and evaluation in order to identify deviations and their corrective measures in due time.

Due to the fact that some of the headline targets of the Europe 2020 Strategy (especially those related to poverty, employment and education) involve the harmonisation and joint efforts of the central and local level, according to the subsidiarity principle, it is imperative to address the administrative capacity in an integrated manner.

Therefore, it is important to offer constant and substantial support for the public institutions that are responsible with the elaboration and implementation of the public policy related to the EU 2020 targets.

Structural causes and main deficiencies

Efforts to reform and modernize the public administration and enhance the administrative capacity in Romania have been undertaken over the last years, with support both from national budget and European funds. Internal and external, overall and sectorial analyses acknowledge the progresses, needs and challenges, guiding thus an integrated approach for public administration reform actions for the next years.

The symptoms and structural causes witnessed within national and local administrations, mainly identified through *The Socio-economic Analysis*¹⁵⁶ elaborated in a participatory institutional framework and adopted by the Thematic Advisory Committee on Administration and Good Governance (TAC AGG) and *The Analysis on Structural Causes underlying the weak capacity of the Romanian public administration* are consistent with the Commission's findings (*Country Specific Recommendations 2013* and *Position of the Commission Services*) and will be addressed in an integrated manner within the *Strategy on strengthening the efficiency of public administration 2014-2020* which is currently under elaboration. The analysis of the structural causes reveals the following problems:

- **The politicization of the public administration.** The efficiency of governance is hindered by the excessive **politicization** of the public administration, a process characterized by a personalized approach to decision-making and institutional management, leading to constant reorganizations and reshuffling of public institutions.
- **The misallocation of public funds** and resources still represents a major issue affecting good and efficient governance. It represents both a cause and an effect for **the conflicting mandate of the public administration**. The process implies breaking the rules that govern the fair allocation of these funds and resources for transparently debated and substantiated policies meant to promote the public good.
- **The public administration is fragmented** and delegation of responsibilities is unclear, both at central and local levels. Fragmentation and lack of coherence is perceivable in terms of legislation (excess of normative acts, sometimes with contradictory/redundant provisions), budget allocation (across scattered policies and projects), institutional mandates, human resources management and use of IT&C tools (data-bases that are not inter-connected etc.)
- **Lack of trust** among political and administrative layers is not conducive to a real empowerment of professional civil servants, resulting in weak ownership and sense of accountability at the level of the administration. Politicization and personalization of public institutions, along with the ambiguity related to institutional mandates preserve a conservative administrative culture defined by **resistance to change and lack of initiative**. The general lack of trust and empowerment at the level of the administration results in **excessive bureaucracy** as a means of protecting oneself rather than taking responsibility for the given tasks. This is visible in the extensive micro-management, the number of endorsements necessary for various administrative decisions, the large volume of paperwork, etc.
- **Lack of transparency** – proper consultation that should improve legislation at local and central level is rarely taking place. Transparency is also a measure of the accountability of the public act towards the citizens, which is rather feeble at present and generates mistrust on the behalf of the civil society.
- **Deprofessionalization** – the pre-accession period has brought about an influx of young professionals into the public system and their skills were mainly used during the negotiation

¹⁵⁶ <http://www.fonduriadministratie.ro/pictures/analiza%20socio%20economica%20-%20CCT%20ABG.pdf>

process with the EU. Once Romania joined the EU in 2007, a process of deprofessionalization started to occur, accentuated by the flow of professional civil servants leaving the administration to work either for EU institutions or in private consultancies.

The structural causes identified above, while not exhaustive, represent key elements in understanding some of the main deficiencies that affect the proper functioning of the public administration.

Main cross-cutting deficiencies affecting the public administration

1. Decision-making process and efficiency of public expenditures at all levels

Legal and institutional premises for building and implementing a robust decision making process are in place - laws have been passed, institutions established, and significant investments made in implementing a modern policy process supported by capable policy institutions. However, despite these changes, the above mentioned analyses reveal the following deficiencies:

- Inappropriate strategic planning system within the public institutions leading to poor prioritisation;
 - Poor usage of impact assesment for policy substantiation at all levels (including inefficient use of information, relevant data and modern IC&T tools) leading to ad-hoc decision-making and inefficient allocation of resources¹⁵⁷;
 - Weak institutional capacity related to policy coordination resulting in unclear mechanisms for monitoring and evaluating implemented policies, with a focus on rules and procedures rather than outputs and achieving performance;
 - Lack of involmnet of non-governmental stakeholders in the decision-making process at local and central level;
 - Feeble financial management and insufficient financial autonomy for the local level due to frequent legislative modifications, generating a low level of tax collection;
- Low levels of transparency related to the activity of public institutions (incomplete communication of information, deficiencies in promoting and implementing the legislation on the re-use of information from public institutions¹⁵⁸, opaque public procurement system etc.).In this respect, a significant and most marking benefit is that of significant improvement of transparency and supervision of administrative act. Also, another representative benefit is the improvement of the interaction with citizen and attraction of its involvement in the improvement of the performance of public administration/ business environment, and quality of public service. The publication of data helps both the citizens and business to discover and understand the governmental services and to use them easier and more efficient.

Therefore, policy planning remains ad hoc and decision makers are faced with a system that does not produce the quality of analysis that they need to make informed policy decisions, leading therefore to an overregulated environment and inefficient procedures with negative impact on businesses and citizens, mainly from the economic perspective. The administration is no longer focused on achieving performance but on keeping pace with the constant legislative changes. The consequences for Romania are the persistence of severe and chronic problems with the quality of public policy and public expenditure at all levels.

2. Human resources management

Although the public administration contains dedicated and professional staff, the system does not function effectively due to the existing human resource policies and institutional framework in place, main deficiencies being related to politicization, lack of unitary approach, rigidities in human resources management, the relative scarcity of high skilled professionals, and the difficulty in motivating and retaining those who do perform well.

¹⁵⁷ http://www.saq.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08_Raport%20-%20cross-cutting%20issues.pdf

¹⁵⁸ Law no. 109/2007 on the re-use of information from public institutions (which transposes Directive 2003/98/EC on the re-use of public data)

The Functional Reviews conducted by the World Bank¹⁵⁹ identified several major deficiencies related to HR management, such as:

- The absence of an integrated long-term policy concerning a coherent and unitary HR management in the public administration;
- Lack of performance management, from recruitment, evaluation, promotion, motivation and remuneration to professional development and acquiring of new skills;
- Lack of an integrated approach for the implementing and promoting ethics and integrity measures;
- Un-modernized organizational culture based on a procedural/bureaucratic approach and not oriented towards achieving performance measured against clear objectives and targets.

3. Bureaucracy

The necessity to operationalize one stop shop system and e-government systems in order to reduce bureaucracy is ever present:

- Excessive bureaucracy for citizens and businesses;
- Excessive inter and intra-institutional bureaucracy;
- The existence of regulatory overlappings and over-regulation. Low planning capacity and ad-hoc decision-making without sound impact assessment generate a constant need to pass new legislation or modify the existing one;
- Insufficient use of IT tools;

4. Capacity to deliver the public services

Romania's public services are generally less developed than those available in the more developed EU countries. However, rather than the absolute level of service, the cause of greatest public dissatisfaction is the unevenness in the quality of and accessibility to services to which citizens are entitled to receive. Variation is particularly evident between urban and rural areas, but there are also some differences across the less developed regions. The insufficient administrative and financial capacity at the central and local government to meet the increasingly diversified needs of beneficiaries, especially in ensuring high quality public services, is caused by the following factors:

- Inconsistent regulation of public services through separate normative acts;
- Cost and quality standards have not been defined for all public services;
- Insufficient concern for the design and delivery of public services in partnerships with the stakeholders;
- Insufficient concern for the long-term implementation of management, monitoring and evaluation systems and tools for public services delivery.

5. Lack of coordination and pronounced fragmentation

The differences in administrative capacity among local governments have affected their ability to mobilize resources, to attract investments as well as to properly implement the developed strategies/plans. Fragmentation, including along political lines, has impeded cooperation between local authorities in view of developing initiatives and public services on economic and efficient basis. It has also constrained integrated development, through partial participation of rural municipalities surrounding urban growth poles and areas.

- Deficiencies in coordination between ministries and entities that coordinate intra-sectoral responsibilities, institutional overlappings in terms of competencies and attributions, inefficient use of resources, fragmented administration with too many expensive structures;
- The transfer of competencies from the central to local government (education, health, population registry, basic public services) was done without a proper assessment of the administrative capacity of the local authorities. The transfer of responsibilities has been

¹⁵⁹ http://www.sqg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-I/08_Raport%20-%20cross-cutting%20issues.pdf

often incomplete or unclear/diffuse and decentralized public services delivered by local governments being, in many cases, underfunded;

- Inefficient fulfilment of tasks assigned for a great number of administrative-territorial units (especially communes) due to administrative-territorial fragmentation incurring unjustified functional costs.

The **deficiencies** mentioned above are also reflected in the Position of the Commission Services on the development of Partnership Agreement and programmes in Romania for the period 2014-2020, section “**Weak administration and public governance**”:

- An overregulated environment and cumbersome and inefficient procedures, prejudices the business environment and the attractiveness of the Country but also the public investment capacity;
- Lack of policy making capacity, combined with poorly skilled and empowered sectorial policy units, unable to design policy vision and strategic documents, lack of management skills and ineffective strategic and operational policy coordination;
- Structural governance deficiencies, witnessed within national and local administrations, generating in turn an aversion for risk;
- Substantial external assistance granted since the pre-accession process failed to turn into sustainable endogenous improvements and **scattered e-government initiatives** proved poorly effective as these were not mainstreamed in comprehensive ministerial modernisation schemes.

Similar difficulties are encountered in **the judicial system**, for which the monitoring made under the Cooperation and Verification Mechanism highlights its lack of effectiveness and accountability. The inability of the national legal and institutional set-up to efficiently cope with fraud or conflict of interests has raised concerns. These difficulties are treated on judicial system chapter.

Management of EU funds

Compared with other MS, Romania has struggled to absorb the EU Structural and Cohesion support in 2007-2013. By 31 December 2013, the absorption rate stood at 33.47%. The reasons are manifold, but prominent among these have been:

- failure to maintain an adequate pipeline of projects in a high state of development and with no significant outstanding issues;
- a lack of responsiveness in the planning, regulatory and legal systems,
- chronic problems in concluding procurement which has blighted infrastructure projects and has restricted access to external expertise;
- high workload on personnel and staff turnover.

In order to avoid the loss of a significant amount of Structural and Cohesion Funds, at the beginning of year 2011, the Romanian Government approved the **Plan of Priority Measures for strengthening the capacity to absorb structural and cohesion funds (PAP)**, whose overall objective was to address the problems and deficiencies that affect the most the implementation process of structural and cohesion funds with a view to removing or reducing significantly of the obstacles to absorption.

This plan represented a roadmap which the Romanian Government was committed to implement, in close cooperation with the EC, in order to significantly speed up the absorption of SCF considering seven main directions, out of which two of them were oriented towards administrative capacity of the bodies responsible for OPs implementation and capacity and ownership of beneficiaries.

Even though most of the measures included in the PAP have been implemented, the absorption rate was still below expectations. Consequently, in November 2012, the EC has proposed the development of a new action plan for improving the administrative capacity for EU funds management.

The new plan takes over the measures still in progress from the PAP and includes new measures comprising development of procedures, methodologies and protocols to strength the administrative capacity of the public authorities responsible with EU funds management, project implementation assistance for beneficiaries, and the preparation of institutional architecture for the management and implementation of European Structural and Investments Funds 2014-2020. Based on Government Emergency Ordinance no 96/2012 , actions for more effective coordination and management of structural instrument was carried out at central public administration level, the most important measure consisting in the setting up of the Ministry of European Funds.

At this stage the new plan is under revision and it will be proposed to the EC at the end of the current year.

2014-2020 support will be targeted towards improving the administrative capacity to implement EU funds, given the importance played by such funds to promote economic growth and cohesion.

A plan was elaborated in this regard, including short term measures related to creation of a new civil servants category and tools for measuring staff and structures performance, measures for the next period 2014-2020 focusing on the institutional and procedural aspects.

A special attention will have to be paid to improving the coordination function of the management of the implementation of EU funds, in order to improve efficiency and effectiveness of the interventions, as well as to eliminate bottlenecks and increase absorption. In the context of approaching the EAFRD and EMFF under the same umbrella with Structural Instruments, ensuring an efficient coordination of the funds will be of outmost importance, as to create efficient systems to correlate the interventions and avoid overlapping, as well as to create synergies and complementarities.

Additionally, a new monitoring system for the interventions financed by EU funds will be implemented, aimed at ensuring a consistent and effective follow-up of the implementation process and strengthening the coordination process.

Actions will also target strengthening the capacity of the beneficiaries to develop and implement projects co-financed by EU funds, through the development of specifically tailored mechanisms at regional or local level.

Lessons learned and future steps

During 2007 – 2013 programming period, a special role in solving the needs of public administration reform had the Operational Program Administrative Capacity Development 2007-2013 through which were taken into consideration interventions regarding the basis for public policies elaboration process, strategic planning process, performances measurement and evaluation, human resources management, as well as measures on decentralization (e.g. education, health, population registry, basic public services).

Involvement and consultation with partners in all phases of initiation, development and implementation of programming documents;

It is essential that the analysis underpinning future interventions to strengthen institutional capacity to identify and differentiate the needs of public administration in Romania horizontal and specific needs of each sub-system that delivers a public service;

PO DCA 2007- 2013 supported several important projects on analysing the cross-cutting issues on eleven sectors (agriculture, transport, pre-university and high education, public finance, competition, health, labour, environment, economy and regional development) in order to identify the deficiencies, needs and possible solutions to overcome them;

Future capacity building interventions should be implemented through integrated strategic projects. These projects should cover a whole system that delivers a public service (with all its levels) or a horizontal issue (eg general needs "public function") and should incorporate measures / monitoring and evaluation activities to ensure and highlight their effectiveness.

Strategic projects, with large impacts on the system and with replication potential have not been generated in sufficient number during the current programming period¹⁶⁰;

Some of the projects were lacking behind because of low capacity of the beneficiaries, particularly those with poor and inconsistent management, the lack of sufficiently consistent vision as well as the long period for public procurement process;

The Managing Authority for Administrative Capacity Operational Program should continue the approach to support beneficiaries in developing project ideas that contribute to the objectives of the program, given the success rate of 68.4% (a total of 197 of the 288 projects submitted have obtained a score above the minimum of 60 points) in the current programming period.

The opportunity to use **EU funds** as additional resources of increasing the financial autonomy of the administrative- territorial units and improving the quality of services provided to the beneficiaries was used inadequately. The low capacity of potential beneficiaries, the poor and inconsistent management of the national funds, the lack of sufficiently consistent vision of the role and mechanisms of regions in the absorption of structural funds and the low interest in accessing and implementing the projects represent elements that have also limited the process of absorption and should be taken into account for future programming.

In order to succeed on reforming the public administration, it is, also, necessary to continue the efforts in implementing the measures foreseen into the action plans, results of the functional reviews, especially for the following ministries:

- Ministry of National Education¹⁶¹;
- Ministry of Labour, Family, Social Protection and Elderly¹⁶²
- Ministry of Public Finance¹⁶³
- Ministry of Economy¹⁶⁴
- General Secretariat of the Government
- Ministry of Regional Development and Public Administration¹⁶⁵
- Ministry of Transport¹⁶⁶
- Ministry of Health¹⁶⁷
- Ministry for Environment and Climate Change¹⁶⁸

The action plans contain structural reform measures aimed at enhancing the administrative capacity of line ministries to support the achievement of the strategic goals of the Government (including the EU2020 targets). Currently, the Prime-minister's Chancellery is setting up a monitoring and evaluation system for structural reforms (including the action plans based on the functional reviews) capable of evaluating the impact of these reforms on the capacity of the administration to reach its strategic goals (including EU2020 targets).

The selection of the public institutions was based on:

- the responsibility regarding the elaboration and implementation of the horizontal reform programmes,
- the reduced administrative capacity on drafting sectoral public policy;

¹⁶⁰ Analysis of Capacity Building Activities in the Public Administration, Final Report, World Bank

¹⁶¹ http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/04_HEFR%20final%20report.pdf

¹⁶² http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/06_MMFP%20RO-FR-Final%20Volume%201_ENG.pdf

¹⁶³ Ministry of finance implemented 5 projects derived from FR I (http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/02_RO%20FR_Public%20Finance_%20Final%20Report.pdf)

¹⁶⁴ http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/03_MEC%20Review%20Final%20Report.pdf

¹⁶⁵ [http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/02_Regional%20Dev%20and%20Tourism%20FR%20Final%20Report%20\(English\).pdf](http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/02_Regional%20Dev%20and%20Tourism%20FR%20Final%20Report%20(English).pdf)

¹⁶⁶ Ministry of transport implemented 2 projects derived from FR I (http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/07_RO%20FR_Transport_%20Final%20Report.pdf)

¹⁶⁷ <http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/07-RO-FR-Health-Sector.pdf>

¹⁶⁸ http://www.sgg.gov.ro/docs/File/UPP/doc/rapoarte-finale-bm/etapa-II/05_ROMANIA%20FR%20Environment-Water-Forestry_Volume%201-Main%20Report_ENG-FINAL.pdf

- relevant contribution in achieving the objectives foreseen in NRP.

It is important to underline that, in the action plans mentioned above there are measures in the responsibility of different stakeholders from all administrative layers.

The reinforcement capacity of the **Ministry of Public Finance** and the **Ministry of Economy** as well as of the main stakeholders in these sectors is essential for recovery of the economy and the financial system and for the improvement of the business environment in order to stimulate productivity, precondition for ensuring long-term economic growth. In terms of short key priorities of the EU 2020, there is a need for restoring the financial sector in order to create a solid and stable system, able to finance the economy. From this perspective, the Ministry of Public Finance along with other national institutions, MS and EU relevant institutions must ensure the implementation of the reforms in: the financial sector supervision, governance of financial institutions or policies for preventing and managing potential financial crises.

As far as the **Ministry of Transports** and **Ministry of Environment and Climate Change** are concerned, these institutions are the main actors involved in elaborating and implementing the objectives of the Cohesion Fund. Thus it is extremely important to increase their capacity for policy planning and monitoring in order to achieve sustainable growth and competitiveness.

Having in mind that EU 2020 targets also refer to increasing the employment rate, (especially among youth), reducing the early school leaving rate, increasing the investments in research and development and reducing poverty and social exclusion, there is a need to offer constant and substantial support for the public institutions that are responsible with the elaboration and implementation of the public policy related to the EU 2020 targets: **Ministry of National Education, Ministry of Labor, Family, Social Inclusion and Elderly** (including strengthening the administrative capacity of PES) and **Ministry of Health**, their subordinated and coordinated bodies as well as local governments.

Despite the projects developed in the recent years, Romania is still characterized by a reduced administrative capacity of public institutions. Considering that administrative capacity represents an essential condition for the development and implementation of the policy reforms and for the improvement of the absorption of the European funds, it is necessary to support the efforts made by the **Ministry of Regional Development and Public Administration** and of the **General Secretariat of the Government through the Prime Minister Chancellery** regarding the improvement of the quality of regulations and human resource management, the reduction of the bureaucracy and the development of a performance-based management in public administration.

The existence of high-quality public institutions will have a positive impact on the competitiveness of the business sector, building the necessary infrastructure, facilitating the integration of disadvantaged groups and ensuring a balanced regional development based on appropriate use of local growth potential. Therefore, all administrative layers should promote state institutions that work efficiently and transparently.

In terms of future steps, key findings on public administration system deficiencies are already envisaged to be addressed through the National Reform Program:

<i>Country Specific Recommendations 2013</i>	<i>Romania assumed actions through NRP</i>
This recommendation refers to the poor administrative capacity which contributes to the low absorption of EU funds; therefore, the governance and quality of public administration needs to be strengthened.	<ul style="list-style-type: none"> - Implementing strategic reforms to improve government efficiency, based on the functional analysis carried out by the World Bank; - Further measures aimed at better regulation at central government level; - Professionalization of civil servants; - Standardization of administrative procedures; - Increased absorption of Structural and Cohesion Fund

	support; - Modernisation of public administration through the application of ICTs; - Building capacity for regional development
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In order to remediate the identified deficiencies, as well as to respond to the structural causes that determined a reduced administrative capacity of Romanian public administration and to mitigate the structural effects, a **Strategy on strengthening the efficiency of public administration 2014-2020** is currently under elaboration, aiming to prioritize them and to offer a coordinated and integrated approach of reform measures regarding administrative capacity consolidation, sound decision-making and improvement of quality and access to public services, accompanied by a rigorous planning and allocation of responsibilities, and a mechanism for monitoring and evaluation. Addressing the structural causes and structural effects, there are some possible strategic lines along which solutions can be designed, respectively:

STRUCTURAL CAUSES	STRATEGIC LINES
Containing politicization In order to limit and contain the negative effects of politicization measures as the following are needed: <ul style="list-style-type: none"> • A clear definition of the mandate of public institutions; • A clear, stable and transparent recruitment system for the civil servants based on a main set of competencies. 	Changing the administrative culture <ul style="list-style-type: none"> • Improving the transparency of decision making and budget expenditures – gradually the public administration should start to use performance budgets that are more transparent and accessible to the civil society than the current type of budgets (based solely on functions and economical chapters); • Empowering the technical level of the administration to make decisions by defining clear roles and responsibilities for civil servants; • Reducing bureaucracy by clear delegation of responsibilities.
A coherent and coordinated vision for the public sector and the country: <ul style="list-style-type: none"> • Assuring long term stability of the structure of public institutions (based on functional reviews); • A unitary system for the management of human resources; • Legislative simplification; • Institutional and territorial consolidation at the level of the local administration. 	Increasing the effectiveness of the public administration <ul style="list-style-type: none"> • Gradually changing the decision-making process from a purely legalistic one to a process based on a coherent and coordinated policy planning, with clear and measurable objectives and connected to performance budgets; • Introducing a monitoring and evaluation system for strategic documents and policy documents; • Reforming the public procurement system.

The administrative capacity and the efficiency of public administration are core issues for both absorbing funds and exercising the competences at all administrative levels in an efficient and coordinated manner. The Strategy will be elaborated in correlation with the up-dated Better Regulation Strategy aiming at strengthening the public policy formulation system. A special role in solving the needs of public administration reform will have future of Operational Program Administrative Capacity 2014-2020.

Main development needs

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

- **Improving decision-making process and the efficiency of public expenditures at all levels**
 - Developing and implementing systems and procedures for policy coordination;
 - Developing monitoring and evaluation mechanisms for the implemented policies;
 - Improve the budgetary and legislative process by streamlined in-depth impact assessments and effective consultation process;
 - Further implementation of the action plans derived from the functional reviews for public institutions;
 - Developing skills in the areas of strategic planning and budgetary programming, impact assessment and monitoring and evaluation (**eg.** Training and methodologies, data-bases for indicators);
 - Strengthening participatory dimension, development of consultation and participation mechanisms in decision- making;
- **Reforming the human resources management in public institutions**
 - Create and implement an integrated strategic framework for human resources management in public sector
 - Raise the professionalism and attractiveness of the public administration
- **Reducing bureaucracy for businesses and citizens**
 - Developing and promoting the implementation of one stop shop system and e-government systems;
 - Measuring **administrative burden**, transfer of know-how and best practices;
 - Actions to realise regulations and to reduce the burden of bureaucracy on businesses and citizens;
 - Developing, **introducing and supporting the use of IT&C tools** (IT systems – developing of software and data-bases);
- **Opening the administration - enhanced transparency, integrity, accessibility and accountability of government and public services;**
- **Enhancing capacity at all levels for increasing quality and accessibility of public services throughout the territory of Romania**
 - Performance management, monitoring and evaluation systems and mechanisms for public services delivery;
 - Institution building;
 - Accessible and customers oriented public services;
 - Transfer of know-how and best practices;
 - Partnerships among public institutions and among them and stakeholders.
- **Enhancing administrative and financial capacity at national, regional and local level to implement actions in pursuit of Romania's development goals**
 - **Developing modern management systems and tools for increasing performance in public institutions at all levels** (**eg.** Develop and implement quality management in public institutions; Fiscal and financial management in view to increase public

expenditure efficiency; Objectives and programs based management; Innovation in public administration).

- **Developing coordination mechanisms among public institutions for better coordination of reform actions both horizontally and vertically, including a clear definition of public institutions mandates;**

The judicial system

The judiciary has evolved in the years since Romania's accession, the level of public trust in the judicial system has steadily increased. According to the latest Eurobarometer on Justice¹⁶⁹, 44% of the Romanians trust the judicial system, which represents a major achievement as it shows an increase of more than 15% from the date of Romania's accession to the EU. However, Romania is still below the EU average public trust in the judiciary. Hence, in order to further strengthen the reform, leading also to an increased level of trust of the citizens in the judiciary, a common **Strategy for the development of the judicial system**, as well as an associated **Action Plan** is being prepared. The strategy will set the development directions of the judiciary for the next years also in accordance with the recommendations of World Bank experts made on the recent projects undertaken in the area of justice (Functional Review Analysis of the Justice Sector in Romania and Determining and implementing optimum workload of judges and court clerks).

One of the specific objectives of the judicial system is ensuring a better access to justice to all citizens, especially in the context of enforcement of the new Codes. Improving the access to justice comprises a cluster of measures, starting with ensuring adequate courts premises (courtrooms, courts archives) and continuing with awareness campaigns on the major law changes, better legal aid services, increased online access to courts' activity and services by developing e-tools to this purpose. Besides, the latest CEPEJ report¹⁷⁰ raises the attention on the need to ensure citizens easy access to obtain practical information about their rights or the courts, or directly the forms enabling them to enforce their rights and as well as information regarding laws, procedures and courts, from official websites.

For modernizing the judicial process, in 2009 and 2010, new Civil and Criminal Codes were adopted, including the accompanying procedural codes, but the implementation process was established gradually, in order to ensure the tools for their smooth implementation (personnel, budget and infrastructure). By this moment, only the new Civil Code and the new Civil Procedure Code entered into force, the criminal codes being scheduled for entering into force in 2014. Once implemented, these Codes will have a decisive contribution to the modernization of the judicial system and will bring benefits for the efficiency, transparency and consistency of the judicial process.

Another legislative measure that improved the consistency and efficiency of the judicial process was the "Small Reform Law", which entered into force in 2010.

Legislation was also amended to strengthen the accountability of the judiciary and to reform appointments to the High Court of Cassation and Justice. Such measures provide the opportunity to address public concerns about the objectivity of judicial appointments and the disciplinary process in the judiciary.

As regards the consistency of the judicial process, important steps have been taken since 2007 in terms of unifying the jurisprudence. Among the initiatives taken in this regard, one can mention the mechanisms provided by the new legislation already in force (improvements of the appeal in the interest of the law, the preliminary ruling procedure from the new Civil procedure Code), or by the future legislation (the Criminal Code and the Criminal procedure Code, the new laws on the enforcement of criminal penalties, the new law on the probation system etc.).

¹⁶⁹ *Flash Eurobarometer 385 - Justice in the EU Report, November 2013, p. 14*

¹⁷⁰ *CEPEJ Studies no. 18, European Judicial Systems, Edition 2012*

Also, there is no one full electronic database where the court decisions, including decisions of the High Court of Cassation and Justice, to be published on. The main judicial database (ECRIS) does not allow the judges to compare court ruling nationwide. The publication of the relevant court decisions is needed in order to ensure the unification of the jurisprudence

At the level of the judicial system there were several projects and analysis carried out which aimed at improving the performance and efficiency at its level. Thus, through a World Bank-funded project, Determining and implementing optimum workload of judges and court clerks, carried out between October 2011 - May 2013, a new system for determining the optimum workload for judges and clerks was identified, as well as the appropriate tools for implementing and monitoring the respective system at the level of the management of the courts were developed.

The judiciary also benefited in the period February 2012 - March 2013, along with other central Governmental institutions, of a functional review undertaken by the World Bank on the effectiveness of the organization and functioning of the judiciary in the context of the general concern for improving the administrative performance.

At the beginning of 2012 (Law no.24/2012), Romania strengthened the legal basis for judicial accountability, by passing amendments in order to introduce new disciplinary offences and strengthening existing sanctions.

The judicial inspectorate can carry out more targeted, swift and pro-active disciplinary investigations, and to develop a stronger advisory capacity within the inspectorate for shortcomings of judicial organisation, procedures and practice.

An important step in improving the accountability of the High Court of Cassation and Justice was the improved appointment procedures to the High Court of Cassation and Justice at the end of 2012 (GEO no.81/2012 by adopting more transparent and objective procedures which allow for a more comprehensive and objective independent assessment of the merit of candidates.

As regards *the fighting corruption* and promoting integrity, it was acknowledged that Romania has made important progress in the prosecution and trial of high-level corruption cases, the National Anti-Corruption Directorate (DNA) proving to be an impartial prosecutor..

Stronger legislation to promote integrity within the judiciary itself, and a law introducing extended confiscation of criminal assets, has been adopted.

As regards the enhancement of the accountability and transparency of the judiciary, steady progress has been registered in the implementation of the National Anticorruption Strategy (NAS) 2012-2015. However, financial support is still needed for the implementation of the NAS and of the Strategy for strengthening the integrity within the judiciary 2011-2016, whose purpose is to increase the confidence of the population in justice, while its final objective is to provide a high degree of competence of the judicial system with all the corollaries: correct decisions, available to the public, proceedings carried out in an optimal period, incorruptible staff and unitary judicial practice.

Last but not least, all these reform priorities cannot be implemented without adequate physical infrastructure, considering the new codes adoption and implementation and given the large revisions and modifications operated.

In this context, the New Civil Procedure Code provides for a new organization of the civil process involving a series of changes in the organization of the trial such as the separation of the public hearing held in courts of first instance in two stages (the Council Chamber stage and the courtroom stage). There are 233 courts in Romania, functioning in 206 buildings. Besides the investments needed for making the courts premises suitable for enforcing of the new codes, also other major investments in the court buildings have to be undertaken. For example, an analysis performed in May 2013 by the Ministry of Justice reveals that an estimated number of 75 buildings in which function 89 courts have to be energetically rehabilitated.

Moreover, out of total 206 court buildings, 48 are historical monuments and another 10 are situated in historic districts and thus being subject of limitation in terms of rehabilitation. Mention should be made that some of the monuments are located in representative urban centers that have a significant endowment of culturally important buildings.

ICT for modernizing the Judicial System

The further development of ICTs in the justice system will make a significant contribution to improving strategic management, accountability, transparency and efficiency of the judiciary, and thereby enhancing access to justice. Investment further support the development of the use of the IT within the judiciary, in line with the strategic e-justice objectives and best practices applicable in the field.

Main development needs

In order to support the reforming process of the judiciary, financing is needed for strengthening the organisational and administrative capacity of the judiciary institutions, for the development of the human resources in terms of professional knowledge and capabilities, especially in the context of adoption and enforcement of the four new Codes and for improving the access to justice. These measures need to be supported also by investments in the physical and IT infrastructure in order to achieve a sustainable development of the justice system.

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

- more efficient, transparent, accessible and consistent judicial system

Cadaster and land registration system

Romania is composed of 3181 territorial administrative units of which 2861 are Territorial Administrative Units UATs located in rural area (communas). The total number of immovable assets in Romania is estimated at 40 million land parcels of which 32 million land parcels are in rural areas and 8 million parcels in urban. Up to date only 9% of rural properties are registered in the cadastre and land book system managed by the National Agency for Cadastre and Land Registration.

The lack of reliable information on real estate rights is affecting the development of both rural and urban areas, with infrastructure, growth, social development, and environmental actions all affected. This situation impacts the preparation and implementation of structural investments financed by the European Union, as well as other development programs and infrastructure investments. The lack of information on property rights often leads to major delays in confirming that land is available for infrastructure projects and there is often significant effort required in order to investigate rights over the land identified as required for the project and ensuring that fair and just compensation is paid to those who lose property.

The lack of legal security of real estate rights also constrains farmers' ability to utilize funds under the EU's Common Agricultural Policy (CAP). Increasing the coverage of legal real estate registration would improve the efficiency and transparency of real estate market transactions, stimulate agricultural land consolidation, trigger new investments, and allow greater and more efficient use of EU funds in Romania. The clear and complete inventory of properties will create the information for the better management of land, the improved assessment and collection of property taxes, and encouraging improved investment and economic growth.

The system of cadastre and land book is an integrated electronic system (called eTerra) implemented and maintained by the National Agency for Cadastre and Land Registration. The eTerra system covers the entire country and ensures a system for the electronic registration of immovable assets and the management of the databases. For the purpose of achievement the

systematic cadastre, the eTerra system need to be improved and some investments are needed in hardware, software, maintenance and licenses. As well as the system itself, assistance is required to support complex activities in different areas: technical (mapping, surveying), legal (collecting in the field the ownership deeds, analysing the legal deeds), social and communication (conducting awareness campaign in the local communities, interacting with local people and with vulnerable communities in the project areas).

Also, in the performance of the cadastre work there is the need for the participation of a number of different entities: local authorities, cadastre companies, counties offices for cadastre and land registration, local population. The staff of all institutions involved have to be trained in the specific activities necessary for development of the cadastre, as well as the top management in areas effecting the overall management, implementation and monitoring of the system.

Romania is in the process of preparing a coherent and comprehensive property registration system (i.e. the Cadaster and Land Register) including all properties, private and public and is implementing various initiatives to broaden the geographical coverage and inclusiveness of real records, which currently cover only about 15% of properties.

The main problems caused by the incomplete property records are:

- *Lack of development and access to EU financing programs in rural Romania.* Preparation and implementation of structural investments financed by the EU, farmland consolidation and agriculture commercialization are hindered by the lack of reliable records on property and their ownership.
- *Constrained land market, access to credit, investment and revenues.* The high cost of registration and the formal resolution of succession encourages informality limits land market activity, blocks access to formal credit markets, discourages investment and limits property tax assessment and collection.
- *Difficulties in managing natural resources and responds to climate change.* Neither privately nor publicly held forest lands have been registered, which hinders their management and the lack of basic information constrains programs to address climate change and other environmental concerns.
- *Delays in social inclusion.* Many homes and farms of the poor and disadvantaged are held without legal rights (this is often the case with rural Roma settlements).

Romania, in order reach sustainable long-term economic development, needs to invest programmatically to a coherent and efficient real property registration system. The reforms initiated by the Romanian Government in the field of agricultural policy mainly target the completion of real property restitution, the development of the agricultural sector, the development of agricultural markets and institutional consolidation. The systematic completion of the property records represents one of the instruments that underpins these objectives. The government is committed to establishing a coherent and comprehensive property registration system in the medium term and has adopted the objective of *enhancing the geographical coverage and inclusiveness of property records (Cadaster and Land Register) of all the 2,794 rural UATs in Romania where systematic registration has not been undertaken.*¹⁷¹ *In the period to 2023 it is proposed that systematic registration be implemented in 1,000 UATs and vector base mapping undertaken in the other 1,794 UATs. This base mapping will improve the efficiency of sporadic registration in these UATs and facilitate a simplified systematic registration process as some time in the future.*

The systematic registration of property rights provides an efficient, and tested, methodology for securing property rights and preparing reliable information on landownership. Registration,

¹⁷¹ Romania is composed of 3,181 administrative territorial units (UATs,) out of which 320 are City Halls and Municipalities and 2,861 are rural communes and systematic registration has been initiated in 67 communes.

sporadically, on an as needed basis, has proven too inefficient and expensive for the majority of Romanians to access. This also applies to public lands, which are poorly demarcated, registered or designated within the public sector.

The preparation and implementation of land use plans will greatly benefit from systematic registration. Authorities can use land information to regulate and guide individual land-use decisions in order to avoid environmentally and socially harmful outcomes, and to internalize externalities, for example, through zoning regulations and planning laws. This is particularly important for climate change policy, which requires concerted policies to mitigate and adapt to these major agro-ecological changes.

The challenge in numbers:

- The biggest concern on achieving covering property record is the large number of properties. Out of the estimated 32.000.000 rural land parcels, only about 9% are registered at the moment.
- Out of about the estimated 40,000,000 parcels in the whole country only about 15% have been formally registered to date to the Land Book¹⁷².

Since 1989, a large number of properties have gone through the process of restitution. This process was developed in the cooperativized areas (of the past socialist period) and has been slow but is now mostly completed (about 95% of claims for restitution have been settled) resulting in property deeds being provided to eligible owners, but this has not progressed to the registration of those deeds. These deeds are being registered sporadically and this will take a long time to complete the land books and register. In the non-cooperative areas (about 37% of the Romanian territory) a significant percentage of the current land owners have no legal documents (property deeds) for the land and buildings they possess. This delays farm restructuring and decreases farm competitiveness. As a result of the registration of both private and public properties, the rural communes will meet one of the most essential conditions of accessing the EU programs in the field of local infrastructure development: the ability to undertake the development of public utilities networks, of street networks, and the rehabilitation of public interest building etc.

For the urban area, the registration of property is being considered to be done through a public services concession (Government Decision 448 of 4 July 2013).

Main development needs

Informed by the findings of the analysis of Development Challenges and the SWOT Analysis (*Annex I*), the main development needs can be addressed by **improved land registration services** are:

- Improving registration and mapping systems in rural areas for better land and credit markets and investments. Systematic registration of property rights will increase tenure security, facilitate improved land markets and access to institutional credit and thus improve the economic and social development of the rural population with a substantial increase in intangible property revenues.
- Better land information for land and natural resources management. The information generated in systematic registration and base mapping will support many uses including: the preparation of rural development strategy plans, the development of tourism and agricultural tourism programs, the development of national infrastructure programs, etc.
- Improving resource mobilisation. The existing land records will form the basis for updating the rural land register and the cadastre and taxation records. These databases will be made available for PIAA, public authorities and institutions, public notaries etc., and will support better and more equitable collection of property taxes.

¹⁷² Literally: the Integrated System of Cadaster and Land Book facilitated by the eTerra ICT system.

- Enhancing inclusion. Progressing systematic registration will include support services to identify and facilitate formalization of property possessed by legitimate occupants without valid legal documentation.

1.1.3 Territorial challenges and disparities

The main territorial challenges for Romania identified refer to improvement of accessibility conditions, need for more balanced polycentric development, use of integrated urban and territorial development, improving the quality of the life in the under-developed rural areas, territorial integration in cross-border and transnational functional areas and managing the effects of demographic changes: accessibility challenge, achieving a balanced polycentric development, under-development of rural areas and demographic challenge.

Romania's territory has a rich diversity, facing significant disparities in several fields. The most important differences are listed below:

- the national territory has a high diversity in population density. Densely-populated territories are located in the area around Bucharest, in Moldova on Siret axis and the center of Transylvania, while low densities can be identified in the Danube Delta, most of the Carpathian Mountains and a large part of Dobrogea and Bărăgan;
- in accordance with traditional differences of demographic characteristics, the North and North-East areas have better demographic resources, whereas rural areas in South-West and West have generally an older population, usually associated with lower birth rates and negative natural balance;
- concerning the economic development, several areas of concentration can be identified, in particular Bucharest area and the Western and Central part of the country. The North-Eastern part and most of the South (whereas also benefiting of the Romanian general economic development between 2000-2008) are still lagging behind the main development areas;
- the national transport network (TEN-T core and comprehensive) has a visible concentration towards Bucharest, and the regional transport links are concentrated to main regional centers, also, there are rural peripheral areas where accessibility issues are significant and there is a need for local roads rehabilitation;
- the percentage of people occupied in agriculture is significant throughout the national territory, with some differences: regions such as North-East, South and South-West have a share of almost 50 % of population (in 2005) meanwhile, the more developed region of București-Ilfov have only 9 % of the people. The big share of people working in agriculture, combined with the lack of occupational diversity, is one of the causes of lower incomes and poverty that affect these areas;
- in the field of high education the polycentrism is accentuated, with traditional university centers offering varied opportunities for higher education, similar to Bucharest, while other university centers offer unique specializations (e.g. Constanța – navigation; Brașov – forestry; Ploiești – oil and gas; Galați – shipyards). There are, as well, smaller university centers completing the national high education system;
- regarding the other services of general interest there are significant disparities between rural and urban areas. For example, in rural areas there are two times less doctors per inhabitants, there are difficulties for children to get access to schools with an influence on the education quality, rural areas being disadvantaged because of lower quality of constructions. Differences concerning the access to water supply, sewer systems and other amenities are rather evident;
- on urban areas, poverty is concentrated in small towns, mainly because the infrastructure is deficient, often being dependent on one enterprise and generally lacking a local private

sector. In particular two categories of small urban centers were affected by poverty: (mono)industrial towns with industry in decline, where many people are unemployed, and towns currently depending on agriculture, whereas the main employer are agricultural companies and most people are occupied in the primary sector. In rural areas, poverty is less expanded in areas close to the urban centers that provide job opportunities and more services, being more frequent in areas with no access to urban centers.

- the existence of different systems of property registration: in the old regions of Transylvania, Banat and North-Moldova, representing about 50% of the Romanian territory, properties have been registered in the land books that were opened at the end of 18th century and registration in these registers continues even today. These records have to be updated with new cadaster measurements and with information that records the actual owners. In the other regions of Romania registrations regarding properties was recorded in registers of transcription inscriptions based on the legal deeds. In 1999 these regions started to apply the national registration system though the land books as provided under Law no. 7/1996, law on cadaster and land registration.

The Danube region is characterized by its linguistic and cultural diversity, created after historic stratified influences which are proven by the variety of cultural heritage elements and by the formation of creative models that have distributed in the Danube Basin. For Romania, the Danube River is at the same time, an important transport axis and an element of special tourist and economic potential.

From the EU Danube Region Strategy perspective, two types of strong economic and social disparities can be defined: at macro-regional level between Romanian regions and other regions from the Danube River Basin, especially with those from the Central part of Europe; The Danube crosses areas whereas EU 2020 objectives are expected to be rapidly achieved (Austrian and German regions), but also regions where EU2020 targets will be harder to achieve (Hungary, Romania, Bulgaria), and, on the other hand, at national level between Danube-adjacent counties of Romania and the surrounding counties.

Taking into account Romania's geographical position and the length of her internal (EU) and external borders, European Territorial Cooperation (ETC) is extremely important, both from a political and economic point of view.

By their nature, borders usually result in a barrier to economic, social and cultural interaction and Romania's borders are no exception from this rule. They impede the flows of goods and services and development of market critical mass and for this reason, border areas tend to be under-developed.

Cross-border cooperation, as demonstrated also by the 2007-2013 experience, holds the prospect of overcoming the constraints imposed by the national boundary and securing better development of the border area, by using a well-planned strategic approach in a sustainable manner. Actions in this field contribute to the sustainable development of the border area, as well as to the harmonious development of the regions concerned.

Interregional cooperation is particularly important because of its focus on reinforcing the effectiveness of the Cohesion Policy, by encouraging exchange of experience and pilot type actions. Its objective distinguishes it from the other types of ETC. By encouraging the exchange of experience between different regions and cities and fostering cooperation between different actors involved, especially in the area of research and innovation, this type of cooperation can contribute to economic and social development in a sustainable manner.

Romania is benefiting from access to expertise that is not otherwise available through transnational cooperation. Research and innovation, environmental management, security anti-corruption and capacity building represent areas of particular relevance for Romania.

1.2 SUMMARY OF THE EX-ANTE EVALUATIONS OF THE PROGRAMMES OR KEY FINDINGS OF THE EX-ANTE EVALUATIONS OF THE PARTNERSHIP AGREEMENT

Romania took the decision to contract ex-ante evaluation as an independent method to improve the coherence and quality of the Partnership Agreement. The ex-ante evaluators were asked to respond to three sets of questions revolving around:

- the internal and external coherence of the PA 2014 – 2020;
- the administrative capacity of authorities and beneficiaries;
- the electronic systems for the exchange of information between authorities and beneficiaries.

This section concentrates on the first set of questions and will be updated once various versions of the evaluation reports are made available by the evaluation team and pass the quality control criteria of the evaluation commissioner. Presently, the first version of the evaluation report on the internal and external coherence of the PA is under the Contractor's revision, based on a quality assessment carried out by the Evaluation Central Unit of the Ministry of European Funds.

In terms of the formative character of the evaluation process, it merits to be underlined that programmers have been supported by the evaluation team to improve the quality of the second version of the Partnership Agreement through:

- suggesting an annotated table of contents for the chapters 1.1 and 1.3 of the Partnership Agreement, which takes into account the EC draft template and guidelines on the content of the partnership agreement (Version 3 – 21.05.2013);
- performing a systematic analysis on the coherence between problems/needs and strategic response included in the first version of the Partnership Agreement that clearly revealed which are the specific elements needing improvement. The analysis (so called coherence tables) has been discussed with programming experts within five thematic workshops relating to the main challenges to be addressed by ESI funds.

1.3 SELECTED THEMATIC OBJECTIVES, AND FOR EACH OF THE SELECTED THEMATIC OBJECTIVES A SUMMARY OF THE MAIN RESULTS EXPECTED FOR EACH OF THE ESI FUNDS

The analysis reveals Romania's continuing and, in some cases, widening disparities with the EU across a broad in spectrum of issues. Accordingly, in the 2014-20 period, Romania will make investments using ESIF resources under all 11 Thematic Objectives that relate to the EU2020 strategy.

The selection of Thematic Objectives relates to their alignment with and potential contribution to the five Challenges and the related main development needs:

<i>Development Challenge</i>	<i>Thematic Objective</i>
COMPETITIVENESS	1. Strengthening research, technological development and innovation
	2. Enhancing access to, and use and quality of, information and communication technologies
	3. Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector
PEOPLE AND SOCIETY	8. Promoting sustainable and quality employment and supporting labour mobility
	9. Promoting social inclusion, combating poverty and any discrimination
	10. Investing in education, training and vocational training for skills and lifelong learning
INFRASTRUCTURE	2. Enhancing access to, and use and quality of, information and communication technologies
	7. Promoting sustainable transport and removing bottlenecks in key network infrastructures
RESOURCES	4. Supporting the shift towards a low-carbon economy in all sectors
	5. Promoting climate change adaptation, risk prevention and management
	6. Preserving and protecting the environment and promoting resource efficiency
GOVERNANCE	11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration
	2. Enhancing access to, and use and quality of, information and communication technologies

Quantification of Romania's socio-economic needs and technical deficits undertaken as part of the analysis exercise makes clear that full absorption of ESIF can meet only a fraction of these in 2014-2020. However, factors from the analysis that have helped to determine the high level distribution of resources include:

- the limited absorption capacity of businesses and innovation providers reflecting the sectoral structure and size distribution of the business base, the focus on growth and jobs notwithstanding.
- the extent to which Romania's investment choices are pre-determined by the Acquis, and obligations to international funding institutions requiring a strong focus transport and water projects.

Additionally, distribution of resources is to some degree conditioned by the rules on thematic concentration and the disaggregation of the ESIF into five Funds.

Within the envelope of these constraints, Romania has made a positive choice to use the ESIF to move Romania's economy and society forward in a balanced manner, having particular regard to the territorial challenges in generating growth and jobs in the country's less developed regions:

- some 22.64% of the national ERDF allocation will be allocated to TO1 - RTDI; TO2 - ICT; TO3 - Competitiveness.
- additionally, some 38.98% EAFRD and 45% EMFF resources will contribute TO3, respectively aiming to increase the competitiveness of the rural and fishing economy.
- TO4, concerned with low carbon transformation will be a major focus and will attract 25.30.% of the national ERDF allocation.
- For environment sector, around 7.50% of CF will be dedicated to TO 5 and for TO 6 both fund ERDF and CF will contribute, namely 9.17% ERDF and 31.46% CF.
- Reflecting Romania's infrastructural deficit and its critical role in supporting growth, 20.82% of the total envelope of ESIF, will be dedicated to TO7 Sustainable Transport (19.92% of the national ERDF national allocation and 61.04% of the CF allocation).
- Some 31.96% of the national ESF allocation will be devoted to TO8, Employment, and will contribute also to the achievement of the TO1 by strengthening skills in the research and development sector and TO2, by strengthening digital skills in the workforce.
- Around 20% of the national ESF allocation will target TO9, Social inclusion, including social services and a further 31.96% TO10 Education. Supporting investments in social and educational infrastructure, will be made using ERDF with 12.97% contribution from the ERDF national allocation for each of these two objectives.
- The largest allocation of ESF resources, around 14.12% from the national allocation, will be dedicated to TO11, Institutional capacity / efficiency and will be complemented by investment in e-government under TO2.

Development Challenge 1 “Competitiveness”

In order to tackle this challenge, a multi-dimensional approach will be followed for the interventions under the **Thematic Objectives 1, 2 and 3**.

The concept of competitiveness is applied both at the level of country in terms of maintaining or growing economic activity, and at the level of the business operating in the context of open markets for retaining or increasing their market share. In order to create new jobs it is necessary to improve the ability to drive innovation and research and development in products, services, business and social processes and models as well as improve business environment and the power to implement value chains on a large scale and therefore creating links within and outside the country.

Thematic objective no. 1: Strengthening research, technological development and innovation

Interventions from ESI Funds under this thematic objective have been set in order to contribute to achieve the main objective **to *Improve the conditions for research and development, in particular with the aim of bringing combined public and private investment levels in this sector to 2 % of GDP***. This will be done by supporting innovation in enterprises and capacity-building for R&I excellence and technological change. In rural areas innovation and the knowledge base will be enhanced through cooperation between the agriculture, food and forestry sectors and other actors and the creation of clusters and networks and use of advisory services

The RDI component of OP Competitiveness will be developed in synergy and complementarity with the National RDI Plan and also in synergy with the European RDI Programme Horizon 2020. In the framework of the National RDI Plan, the national budget will support fundamental and frontier research complementing ESI Funds targeting support for applied research and innovation in business. Synergy will also be ensured through common RDI actions with complementary eligibility criteria. A new type of financing "Partnerships for Knowledge Transfer" will be used in OP Competitiveness to link enterprises with innovation support services and to provide them with access to research facilities, including infrastructures developed or modernised in the 2007-13 period.

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	Programme
<p>➤ The creation of a more compact and modern R&D environment that is focused on business's needs, societal challenges and technologies where Romania has world class potential, informed by the principles of smart specialization and in order to increase the commercialization and internalization of research.</p> <p>➤ The promotion of an enterprise and innovation culture throughout the education system and in business networked with all necessary forms of support, financial, managerial, technical, creative, in order to realise the latent potential in Romania's people and its businesses.</p>	<ul style="list-style-type: none"> • Supporting private RDI investments and research partnerships between enterprises and research organisations in order to foster the transfer of knowledge, technology and personnel with RDI advanced skills and to enable the RDI-based development of products and services in economic sectors with growth potential • Promoting financial instruments aimed to support the risk of private investment in research and innovation and to stimulate innovative start-ups and spin-offs • Developing the public and private research infrastructure, both as part of existing/emerging clusters, centres of excellence and other types of research structures (national / regional / EU), and in specific areas identified as priorities, based on existing potential and/or competitive advantage, such as health • Unlocking the potential for excellence in research and innovation by creating synergies with the RDI actions of the EU framework programme Horizon 2020. 	Competitiveness OP
	<ul style="list-style-type: none"> • Developing technology-transfer support infrastructure in the public and private sectors, particularly in Romania's less developed regions, informed by the principles of smart specialization. 	Regional Operational Programme
	<ul style="list-style-type: none"> • Developing human resources in public and Higher Education-based R&D institutions; supporting higher level skills development in SMEs. 	Human Capital OP
	<ul style="list-style-type: none"> • Advisory services to farmers, in order to improve the economic and environmental performance. • Encouraging the cooperation between farming /agri-business, forestry and food sectors, education and research in order to use the results in relation to pilot projects, development of new products, practices, processes and technologies, as applied solutions of research and innovation. • Setting up operational groups (farmers, researchers, advisors), which will form part of the European Innovation Partnership for agricultural productivity and sustainability. 	National Rural Development Programme
	<ul style="list-style-type: none"> • The establishment and use of advisory services; • Collaboration between fisherman/aquaculture farmers and scientists 	OP for Fishing and Maritime Affairs

Synergy with other thematic objectives

The proposed priorities for funding under the **thematic objective no. 1** will be synchronized primarily with the interventions addressing **entrepreneurship and business models** under **thematic objectives no. 3**, but also with the measures targeting **employment, education and skills** under **thematic objectives 8 and 10** and the measures covered by **Digital Agenda** addressed under **thematic objectives no. 2**.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF: Higher levels of investment in RDI, both in the public and private sectors; greater translation of research findings into commercial applications; an improved distribution of RDI activity across Romania's regions.

ESF: Reduced shortages of skilled researchers; improved staff retention in the research sector.

EAFRD: Improved alignment of research with the needs of farmers; a high level of adoption and application of agricultural innovation; improved economic and environmental performance in farming.

EMFF: Improvement of economic and environmental performance through development of innovative products, practices, processes and technologies.

Thematic objective no. 2 - Enhancing access to, and use and quality of, information and communication technologies

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
➤ Strengthening the digital business environment	<ul style="list-style-type: none"> • Actions to promote ICT adoption by business, including e-commerce applications and innovation; • Actions to develop e-government instruments for business and citizens (e-government 2.0); • Actions to develop cloud computing; • Actions to provide modern online public services which ensure interoperability of different non-integrated systems, across sectors, regions and at national level, (increased coordination and efficiency of public resources to be promoted) and access to open standards for increasing transparency and administrative efficiency. 	Competitiveness OP

Synergy with other thematic objectives

Priorities for funding under **thematic objective no. 2** need to be synchronized with those addressing employment, education, and skills relating to the current and future workforce under **thematic objective 1, 3, 10, and 11**.

Expected Results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF: More dynamic and competitive markets across Romania, with associated gains for consumers, arising from increased use of e-commerce; Improvements to public services and reduced administrative burden, both on businesses and citizens, arising from the implementation of e-government 2.0.

Thematic objective no. 3 - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector

Interventions from ESI Funds under this thematic objective have been set in order to contribute **to increase competitiveness of SMEs**, as these represent the backbone of the economy and are key drivers of growth, job creation and cohesion. This will be done by supporting investment in entrepreneurship, investment in the commercial exploitation of new ideas and research results, providing business advisory services and support the development of web-tools. The interventions to enhance the competitiveness of the agricultural sector will help to secure viable food production in the EU and contribute to job creation and maintenance and growth in rural areas.

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ The continued expansion and growth, including in international market of Romania's competitive manufacturing and high value added services sectors, in particular, automotives; ICT products and services; food and drink processing. ➤ The transformation of Romania's traditional sectors, - health/pharmaceuticals; health-tourism and ecotourism; textiles/leather; wood/furniture; creative industries; energy/environmental management and in agriculture, forestry and fishing where there is potential to grow or to sustain activity in the medium term through the exploitation of specialist niches or to increase competitiveness through innovation and market development. ➤ The restructuring, consolidation and diversification of agricultural holdings in order to improve their competitiveness and sustainability, alongside their adoption of modern and innovative agricultural and land management practices. ➤ The radical improvement to the business 	<ul style="list-style-type: none"> • Actions to enhance enterprise culture and to raise awareness of the option and potential support in starting business. • Actions to improve the productivity of SMEs and to provide to growth opportunities and innovation, including supporting advanced technological investments, the application of design and other creative skills, enhancing access to business planning support, to technical consultancy, international markets, to exporting advice and support. • Actions to improve access to finance, including through the provision of an appropriate range of financial instruments. • Actions to network businesses, to enhance knowledge spillovers and to facilitate their participation in supply chains, including those of international scale. • Integrated actions - sites, skills, investment support - to attract investment into Romania's less developed regions 	Regional Operational Programme
	<ul style="list-style-type: none"> • Actions to improve economic performance of farms (including orchards), facilitate farm restructuring and modernization, increase market participation and orientation as well as diversification within agricultural sector, with particular focus on innovation and higher value-added (e.g. on farm renewable energy). • Actions to facilitate inter-generational change including encouraging the establishment of skilled young farmers. 	National Rural Development Programme

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<p>environment in terms of the availability of investment finance, the transparency and predictability of policy, the proportionality of administration and regulation, including through improvement to government use of ICTs.</p> <p>➤ The liberalisation of public sector markets and their exploitation as a means to stimulate new markets, new business formation, social economy and increased economic activity, particularly in Romania's less developed regions.</p> <p>➤ The attraction of investment into Romania's less developed regions and into its rural areas through an integrated approach spanning infrastructure, sites, skills, and investment support.</p>	<ul style="list-style-type: none"> • Actions to improve and adapt the agricultural and forestry infrastructure. • Actions to increase the value added generated by the fruit-growing sector through an integrated approach across the value chain. • Actions to improve the economic performance of primary producers by better integrating them into the agri-food chain and short supply circuits, • Actions to support farm risk prevention and management, including through mutual funds. • Actions to support growth and modernization of the agri-food industry , enhancing its capacity in adding value to agricultural products, and in meeting European standards and consumer expectations. • Actions supporting local processing and marketing of agricultural products. • Actions to facilitate the access to finance through an appropriate range of financial instruments. 	
	<ul style="list-style-type: none"> • Investments in aquaculture: new units, modernization of existing units, diversification of species with demonstrated market potential, improvement of the potential of aquaculture sites. • Promotion of new sources of income, inside the sector (processing, marketing activities). • Investment in fishing ports, shelters, landing sites and first sale sites. • Improvement of working conditions related to health and safety onboard inland and marine fishing vessels; • Support for the establishment, organization and functioning of producers-processing-marketing chain. • Capacity building activities for the implementation of Marine Strategy Framework, Integrated Coastal Zone Management and Maritime Special Planning in the particular context of sustainable exploitation of marine waters and coastal zones in the Black Sea. 	OP for Fishing and Maritime Affairs
	<ul style="list-style-type: none"> • Actions to rationalize regulation and to reduce the burden of bureaucracy on businesses 	Administrative Capacity OP

Synergy with other thematic objectives

The proposed priorities for funding under the **thematic objective no. 3** will be synchronized primarily with those addressing **employment, education and skills** relating to the current and future workforce under **thematic objectives no. 8 and 10**, and the energy **efficiency and low-carbon economy** measures under **thematic objectives no. 4**.

Not least, an important aspect is the complementarity with the **thematic objective 11**, in order to reduce bureaucracy and administrative costs as impediments to economic operators.

Expected Results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF: Sustainable growth of the Romanian economy, reflected in increased formal economic activity and employment across all of Romania's less developed regions; a higher proportion of employment in internationally competitive industrial and higher value-adding service sectors; an improved contribution to growth and employment from SMEs; increased international trade; improved environmental sustainability of the business sector.

EAFRD: Increased productivity and added value in agriculture, forestry and food sectors; reduction of polarisation in agricultural holdings; improved food security.

EMFF: More economically sustainable and diversified fisheries sectors; increased volume and enhanced value added in production and processing; better connections with markets across Romania and beyond; improved standards in aquaculture and environmental compliance; increased safety on board inland and marine fishing vessels; consumer gains from improved variety and quality of offer.

Development Challenge 2 “People and society”

In order to tackle this challenge, a multi-dimensional approach will be followed for the interventions under **Thematic Objectives 8, 9 and 10**.

Assuring the availability of a "work ready" workforce to meet the needs of growing businesses and sectors and the attractiveness of areas as a location for investment will play a major role in promoting enterprise / self-employment, **having a direct impact on employment and labour mobility**.

Actions to develop of new businesses and social enterprises delivering public services, particularly in Romania's less developed regions and in rural areas, are expected to increase the **social inclusion and reducing poverty**.

Regarding education and training the availability of skills and expertise is fundamental to realising growth, particularly in knowledge intensive sectors, in the short and longer terms.

Thematic objective no. 2 - Enhancing access to, and use and quality of, information and communication technologies

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
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<ul style="list-style-type: none"> ➤ Improving the system efficiency through the use of information and communication (IT&C) technology instruments in the framework of e-health, e-social assistance, e-culture ➤ Exploiting ICT as a force for modernisation. 	<ul style="list-style-type: none"> • Increasing e-inclusion and use of ICT in education, health and culture by <ul style="list-style-type: none"> - improving education through IT based curricular and extra-curricular activity with the use of open access instruments such as OER and Web 2.0 social instruments - ensuring the interoperability of medical information systems and the introduction of accessible telemedicine systems to be used in the patient-doctor relations and - developing cultural digital archives of Romania and enhancing the local businesses based on local digital cultural products and services - developing e-social assistance (upgrading of the SAFIR system + upgrading or development of two components (public & restricted) of the register of service providers) ICT contributions (software, hardware) for enhancing data collection, monitoring and evaluation in the field of social assistance. 	<p>Competitiveness OP</p>
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Synergy with other thematic objectives

Priorities for funding under thematic objective no. 2 need to be synchronized with those addressing education and skills relating to the current and future workforce, health and culture under thematic objective 8, 9 and 10.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:
ERDF: Improved services in education, health and culture.

Thematic objective no. 4 - Supporting the shift towards a low-carbon economy in all sectors

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Improving the accessibility and quality of health services, particularly in rural areas and in deprived urban areas. 	<ul style="list-style-type: none"> • Investments in hospitals and other public health infrastructure 	<p>Regional Operational Programme</p>

Synergies with other thematic objectives

The proposed priorities under this thematic objective need to be synchronized with the measures addressing social and health services under **thematic objective 9**.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF and ESF Improved public satisfaction with Romania's health and social services, and better health outcomes, particularly in Romania's less developed regions.

Thematic objective no. 8: Promoting employment and supporting labor mobility

Interventions from ESI Funds under this thematic objective have been set in order to contribute to achieve the main objective **to reach the 70% national employment rate assumed by Romania through NRP**. This will be done by addressing the employability issue in a integrated manner from the perspective of education, training and employment opportunities, as well as by focussing on the most affected target groups on the labour market (young people NEETs, elderly, women, rural population), according to the main development needs.

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Increasing employment opportunities ➤ Sustainable integration into the labour market of young people not in employment, education or training (NEETs). ➤ Access to employment for job-seekers and inactive people, focusing on women, youth and older workers over 45 years old, Roma, disabled and other vulnerable groups. ➤ Reduce regional and territorial disparities and enhance labour mobility. ➤ Improve alignment of employment and workforce development services with the changing needs of the labour market. ➤ Attracting young people & developing skills in the agricultural sector, through appropriate training ➤ Conversion into non-agricultural activities, diversification of rural 	<ul style="list-style-type: none"> • Developing a multi-dimensional approach to support re-integration of young people not in education, employment or training (NEETS) with education, training and employment opportunities. • Actions to boost youth employment, prioritising regions with particularly high youth unemployment, including mobility bonus, financial incentives, careers guidance and enterprise counselling. • A combination of targeted and mainstreaming actions to improve access to the labour market of women, older workers, Roma people, disabled people and people with low levels of education and qualification. • Setting up active and preventive labour market measures by taking into account specific regional and territorial disparities. • Actions to enhance the adaptability and mobility of labour. • Supporting employability actions like individual counselling, work-based training, intermediate labour markets and encouraging entrepreneurship, taking into account the distinctive structure of employment in Romania. • Support for active aging measures. • Support for job-search mechanism and a frame for employability of people affected by industrial restructuring and, in particular, those from agricultural and fishing communities affected by the reduction in employment that is likely to accompany increased competitiveness. • Maintaining intelligence on the changing needs of the labour market in terms of employment and workforce development services, with a particular focus on the sectors with growth potential highlighted in the National Competitiveness Strategy. 	<p>Human Capital OP</p>

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
economy and job creation ➤ Diversifying the fisheries and aquaculture economy in order to attract employment and business creation in the field	<ul style="list-style-type: none"> Supporting self-employment actions, entrepreneurship and business creation. 	
	<ul style="list-style-type: none"> Creation of new processing units Creation of new small enterprises through business start-up aid for non-agricultural micro and small enterprises and development of non-agricultural activities in rural areas in relation with the development of small scale infrastructure 	National Rural Development Programme
	<ul style="list-style-type: none"> Support for the creation of new small enterprises through business start-up aid in urban areas. 	Regional Operational Programme
	<ul style="list-style-type: none"> Diversification of the fisheries and aquaculture sector, by supporting the creation of new small enterprises and job creation in the field Promotion of new sources of income outside the sector (environment, tourism, education activities) 	OP for Fishing and Maritime Affairs

Synergies with other thematic objectives

The proposed priorities for funding under this thematic objective will be synchronized primarily with the interventions for social inclusion and education under **thematic objectives 9 and 10**, together contributing to developing an inclusive human resource, with high level of qualification and competences, adapted to the labour market needs.

In the same time, this objective needs to be synchronized also with the **thematic objectives 1 and 3**, in order to address the sectors identified with growth potential.

Not least, very important for the successful of the proposed priorities is the complementarity with the **thematic objective 11**, in order to assure a strengthened administrative capacity for PES system and to benefit for the results of the e-government interventions under thematic objective 11.

EAFRD through rural development priority 6 will contribute to this thematic objective

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF, ESF, EAFRD and EMFF: *Increased economic activity and employment, particularly in Romania's less developed regions and rural areas.*

ESF: *Increased labour market participation, particularly in Romania's less developed regions and rural areas; better terms and conditions for employees arising from more competitive and formal labour markets across Romania; better transition of young people between education and the world of work; improved position of disadvantaged groups in the labour market, particularly for women, older workers, LTU, inactive, Roma people.*

EAFRD: *Increased diversification of economic activity, beyond the agriculture and forestry sectors and in Romania's rural areas.*

EMFF: *Increased diversification of economic activity in fisheries sectors and within Romania's fisheries areas.*

Thematic objective no. 9 - Promoting social inclusion, combating poverty and any discrimination

Interventions from ESI Funds will contribute towards the achievement of the goal assumed by Romania through the NRP which refers **to the reduction of the number of people at risk of poverty or exclusion by 580,000 people by 2020 compared to 2008.**

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Reducing the incidence of poverty and social exclusion experienced by the identified vulnerable groups. ➤ Improving the accessibility and quality of social and cultural services, particularly in rural areas and in deprived urban areas, and enhancing their contribution to combating poverty, social exclusion and social problems. ➤ Improving the basic infrastructure & access to services in order to promote economic development and reduce poverty in of rural settlements, including fisheries areas ➤ Improving the accessibility and quality of health services, particularly in rural 	<ul style="list-style-type: none"> • Developing an equitable, sustainable, affordable and high quality social assistance system, benefits and social services for all vulnerable groups, including preventive, integrated and innovative types of services in order to address poverty and social inclusion issues, spanning technical development and improving the skills and competences of professionals and practitioners in local government, in other public agencies and NGOs • Integrated actions to address the needs of vulnerable persons, groups and communities, including actions to improve their educational participation, their integration in the labour market, their access to housing, social, health care and cultural services, and actions to combat discrimination. • Supporting the transition from the institutional care models to family and community-based care for children, persons with disabilities, people with mental problems and elderly. • Exploiting potential in social economy models to support labour market integration of vulnerable groups and their transition to the business models, the development of local services where market models fail to deliver, thereby creating employment and social inclusion. • Developing a pro-active, volunteer oriented and participative culture within general public and social assisted persons and encouraging partnership-based approaches in tackling poverty. • Enhancing access to quality health care and treatments, including emergency care, primary care, development of integrated medical and social care services, including at community level, with focus on the services provided in ambulatory settings and developing integrated primary health care specialist with telemedicine support. • Enhancing public awareness, information and education on health and social issues, including discrimination against Roma, prevention of domestic violence, substance 	<p>Human Capital OP</p>

<p>areas and in deprived urban areas.</p> <p>➤ Improve research capacity with a view to increase the quality of the services in research outcomes in specific fields of health</p> <p>➤ Improving health outcomes, particularly in relation to maternal and neonatal health and the five pathologies which account for the majority of adult morbidity.</p>	<p>abuse and human trafficking.</p> <ul style="list-style-type: none"> • Enhancing knowledge and skills within health professionals as a prerequisite to increase the quality of services • Promoting social responsibility by enhancing public awareness, dissemination of information and good practices. 	
	<ul style="list-style-type: none"> • Development of social services infrastructure, focusing on community based infrastructure • Supporting the transition from institutional to community-based care services, including targeted infrastructure support for integrated community care centres. • Development of social economy entities infrastructure • Investments in hospitals and other public health infrastructure • Support for physical, economic and social regeneration of deprived communities in urban areas, including in the framework of Community-led Local Development. 	Regional Operational Programme
	<ul style="list-style-type: none"> • Development of the clusters in health 	Competiveness OP
	<ul style="list-style-type: none"> • Fostering local development in rural areas through investments in all types of small-scale infrastructure, including (eg local roads, water supply and sewerage infrastructure), and in setting up/improving local basic services for the rural population (eg. educational and social infrastructure). The small scale infrastructure related to roads will be targeted on improving connectivity to main road network and linked to economic development potential in order to reduce the rural poverty. • Promoting LEADER community-led local development strategies. 	National Rural Development Programme

Synergies with other thematic objectives

The proposed priorities under this thematic objective need to be synchronized with the measures addressing research, entrepreneurship and business models under **objective 1 and 3**, focusing on sectors with growth potential (where is the case), the measures for employment and education, under **thematic objectives 8 and 10** and interventions such as strengthening the capacity of local administration under **thematic objective 11** and e-government financed under **thematic objective 2**.

Regarding investments in small-scale infrastructure (roads, water supply and sewerage infrastructure) in rural areas, funded from EAFRD, (rural development priority 6 corresponding with thematic objective 9) will be strategic oriented with investments in road infrastructure (under thematic objective 7) and water infrastructure funded by CF. The investments in educational infrastructure in rural areas funded from EAFRD (under thematic objective 9) will ensure the synergy with ESF and ERDF (under thematic objective 10).

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF and ESF Improved health and social services, and better health outcomes, particularly in Romania's less developed regions.

ESF Substantial reduction in the incidence of poverty, particularly among children, Roma and other disadvantaged groups; better outcomes for formerly institutionalised people moving into the community.

EAFRD: Fostering the development of areas benefitting of better infrastructure and services .

Thematic objective no. 10 - Investing in education, skills and lifelong learning

Interventions from ESI Funds under this thematic objective will contribute at enhancing the competences and skills of children, youth and adults in Romania, in order to continuously adapt to the individual interests and potential and to the LM needs. The goals set under this thematic objective aim to prevent and reduce the share of early school leavers down to 11.3%, to increase tertiary education participation, attainment and completion to 26.7%, and, to promote, diversify and increase the participation of adults in LLL up to 10%. These goals were assumed by Romania through the NRP.

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Improving the access, participation and good quality of ECEC. ➤ Strengthening accessibility, quality and learning achievements in compulsory education. ➤ Increasing the attractiveness of primary and secondary education, including IVET. ➤ Intensive interventions to address the educational needs of groups at risk of exclusion (children from social and economic disadvantaged backgrounds, Roma, SEN, etc.) ➤ Improving quality and relevance of IVET, VET and tertiary education to labour market needs. ➤ Enhancing access to and supporting participation in tertiary education. ➤ Enhancing access and quality of learning provision for adults, with focus on relevant basic and transversal skills. 	<ul style="list-style-type: none"> • Increase participation, affordability and quality of early childhood education and care (0-6 years old), particularly in the age group 0-3 years old, especially for groups at increased risk of ESL, focusing rural areas and Roma. • Implementing preventive, intervention and compensation measures to reduce ESL, including individualised support for pupils at risk of ESL; integration of equal opportunities and inclusion measures, incorporating wrap-around support (mentoring, financial, etc.) to ensure its effectiveness; • Offering alternative education pathways, such as “second chance” education and training, focusing on rural areas and Roma; supporting intervention measures to address individual educational needs of groups at increased risk of ESL; • Improving competences of teaching staff in relation to quality assurance, monitoring and evaluation systems, innovative and personalised teaching methods. • Better matching initial and continuing VET with LM needs, ensuring relevance of the training offer, giving priority to sectors with growth potential, promoting partnerships among relevant stakeholders. • Enhancing curricula and better integration of ICTs to make learning attractive in schools and IVET, providing opportunities for young people enrolled in compulsory education to get acquainted with the future jobs • Supporting students from rural areas, disadvantaged groups and non-traditional students to access, participate and succeed in tertiary education; • Improve governance and management of higher education institutions to improve 	<p>Human Capital OP</p>

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Fostering lifelong learning and vocational training in the agriculture, forestry sectors ➤ Exploiting ICT in education as a force for modernisation. 	<p>the quality of teaching and research; increasing relevance of higher education programmes for the LM needs and strengthening the partnerships between universities, business and research;</p> <ul style="list-style-type: none"> • Modernising tertiary education through development of post-graduate studies and supporting internationalisation of higher education, including advanced research and mobility; • Supporting measures to promote quality and accessibility of VET, strengthening the capacity of IVT and CVT providers to deliver VET programs correlated with the LM demands. • Encouraging and facilitating the participation of employers in workforce development • Development of LLL services at community level, providing training and education in basic and transversal competences including digital skills, counselling and validation of prior learning, focusing on low skills and rural areas, including through the validation of non-formal and informal learning; 	
	<ul style="list-style-type: none"> • Support for information, vocational training and skills acquisitions for farmers and for those involved in forestry; 	National Rural Development Programme
	<ul style="list-style-type: none"> • Supporting the educational infrastructure and resources development in ECEC, primary and secondary education, tertiary education and VET to improve the education and training quality and relevance for the LM. 	Regional Operational Programme

Synergies with other thematic objectives

Actions under this TO will contribute to related interventions under other TOs:

- Interventions within Tertiary Education field - the investment priority oriented to improvement of the quality, efficiency and openness of the tertiary education, in order to increase the participation and attainment levels of tertiary education graduates - will be correlated with the interventions aiming at strengthening research, technological development and innovation (**Thematic Objective 1**);
- Interventions under **Thematic objective 2** – Enhancing access to, and use and quality of, information and Communication Technologies regarding the developing of ICT products and services, as *e-education*, respective the specific objective related to the fostering ICT training and certification both in the formal education systems and complementary to them;

- In **convergence with Thematic objective 3**, TO 10 will contribute to overcome some of the identified obstacles related to the poor level of the SMEs competitiveness, as the shortage of medium and highly skilled labour force and weak entrepreneurship, in particular in rural areas. The specific input of the objective 10 will be to encourage and increase LLL participation, improving labour force skills and competences;
- **Convergence with Thematic objectives 4, 5 and 6** will be correlated with the interventions under TO 10, regarding improving the quality, efficiency and openness of the tertiary education and equivalent education; and encouraging and increasing LLL participation, improving labour force skills and competences, and improving the relevance and quality of education and vocational training systems for the LM;
- **Convergence with TO 8**. The interventions within education and training will be closely co-ordinated with the activities promoting employment and supporting labour mobility, improving the match between skills supply and LM demands by promoting equal access to good quality education for the pupils and students, fostering creativity, problem-solving and entrepreneurial skills in order to ensure the acquisition of the key competencies crucial for their employability;
- **Convergence with Thematic objective 9**. All interventions under TO 10 will target education and training, also for disadvantaged communities and disadvantaged groups of learners (from early education to LLL), and will be closely correlated with the measures promoting other type of social inclusion and combating poverty support, education and training being acknowledged as one of the most powerful tools to escape from the vicious circle of poverty and social exclusion;
- **Convergence with Thematic objective 11**. The interventions within TO 11 will contribute to overcome some of the identified obstacles in the managerial and administrative capacity of the MoNE and subordinated structures representatives, targeting in particular the HR with decision authority in education policy making, at central, county and local level.
- EAFRD through rural development priority 1 will contribute to this thematic objective.

Expected Results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF and ESF: *Good quality education and training at all levels, delivered in an attractive environment.*

ESF: *improved educational and training outcomes, including better transition of young people into the world of work; greater awareness and participation in education as route to social and economic well-being, particularly among Romania's disadvantaged groups and areas; reduced risk of digital exclusion, particularly in Romania's less developed regions and rural areas.*

ESF and EAFRD: *A workforce that is progressively more skilled, more flexible and able to meet the changing needs of a globalised economy.*

Development Challenge 3 “Infrastructure”

In order to tackle this challenge, interventions will be conducted under Thematic Objectives no.2 and no.7.

Regarding the ICT infrastructure, interventions from ESI Funds will contribute to achieve the objective assumed by Romanian authorities through the National Digital Agenda for Romania, in line with broadband targets of the Digital Agenda for Europe which will ensure **by 2020, access to speeds of above 30 Mbps for all Europeans, and subscription of internet connection above 100 Mbps for 50% or more of European households.**

In the transport sector, intervention from ESI Funds will contribute to promote sustainable, flexible, and safe transport, that is an essential premise for economic development of Romania. Improving connections with European networks and with national/regional networks will lead to higher productivity of Romanian industry and services, to jobs creation, to higher economic growth, and better standards of living. Inter-modality and development of urban transport and of integrated urban transport systems will aim to gas emissions reduction and low carbon economy promotion. All these issues have to be based on more efficient spending of financial resources.

Thematic objective no.2 Enhancing access to, and use and quality of, information and communication technologies

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Overcoming market failure in the provision of NGA infrastructure and related services in line with The Digital Agenda Strategy for Romania and with The National Plan for the Development of Next Generation Access Infrastructure. 	<ul style="list-style-type: none"> • Fast and ultrafast broadband infrastructure <ul style="list-style-type: none"> - promoting NGA connections – for ensuring Internet access for high-tech ICT equipment, as well as the use of the most sophisticated online public services, in an uniform manner from a geographic point of view 	<p>Competitiveness OP</p>

Synergies with other thematic objectives

This Thematic Objective has to be in synergy with the proposed priorities under TO 3 “Enhancing the competitiveness of small and medium sized enterprises, the agricultural sector (for EAFRD) and the fisheries and aquaculture sector (for EMFF)”, aiming at providing adequate infrastructure to support e-services.

Expected Results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF: Extensive coverage of NGA broadband, of at least 30 Mbps including in rural areas; high level of take-up of NGA broadband services both by business and domestic customers.

Thematic objective no. 7 Promoting sustainable transport and removing bottlenecks in key network infrastructures

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Improving the accessibility of Romania and its regions and their connectivity with markets thereby significantly reducing the obstacles to their development and diversification in the context of the GTMP ➤ Improving the sustainability of Romania's transport mix and the attractiveness alternatives to road-based transport ➤ Improving and modernization of urban transport, 	<ul style="list-style-type: none"> • Development of road infrastructure on TEN-T network • Development of rail infrastructure on core TEN-T network, especially through the completion on TEN-T corridors • Supporting sustainable transport development through traffic safety and security improvement on TEN-T network, for all transport modes • Increasing urban mobility and services for passengers through development of urban transport in Bucharest-Ilfov Region, with an accent on the subway chain. • Modernization and development of inter-modal transport, having in view 	

having in view de-congestion of urban agglomerations	fluidization of freight flows that transit Romania and reducing carbon emissions in urban areas <ul style="list-style-type: none"> • Modernization and development of maritime and waterway infrastructure on the Danube River and navigable canals, having in view the promotion of an environmental friendly transport system • Development of regional mobility through modernization of rail transport, including investment in infrastructure and rolling stock acquisition • Development of airports where this is justified, for improving connectivity and supporting regional mobility • Modernization of the border points through improvement of customs infrastructure, including IT systems and equipment, in order to remove bottlenecks and transit waiting time 	Large Infrastructure OP
	<ul style="list-style-type: none"> • Increasing accessibility of urban areas located in proximity of TEN-T network, through construction and modernization of secondary and tertiary connections to the network, including by-passes, having in view bottlenecks removing and traffic fluidization; 	Regional Operational Program

Synergies with other thematic objectives

This TO has to be in synergy with the proposed priorities under TO 4 “Supporting the shift towards a low-carbon economy in all sectors”, TO 5 “Protecting the environment and promoting resource efficiency”, TO 9 “Promoting social inclusion and combating poverty” (concerning small scale infrastructure financed from EAFRD), and the “Connecting Europe Facility”. The “Connecting Europe Facility” is a mechanism that envisages investments acceleration within trans-European networks, aiming at better accessibility on the EU internal market and economic growth stimulation.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

CF: Improved connectivity with international markets; improved accessibility of Romania's less developed regions; a more sustainable transport mix arising from improved utilisation of the rationalised rail network and a greater share of freight being moved by rail and water.

ERDF and CF: Improved traffic safety, particularly on road and rail; reducing travel time, more sustainable urban transport and consequently reduced pollution.

ESF: Improved governance of the transport sector.

Development Challenge 4 “Resources”

Thematic objective no. 4 - Supporting the shift towards a low-carbon economy in all sectors

Interventions from ESI Funds will contribute to achieve the objective assumed by Romanian authorities through the National Reform Plan which will ensure **by 2020, the reduction of greenhouse gas emissions by at least +19% compare to 2005 levels, increase the share of renewable energy in final energy consumption to 24%, and achieve a 19% (estimated 10Mtoe) increase in energy efficiency.**

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Program</i>
<ul style="list-style-type: none"> ➤ Promoting the production and distribution of energy from RES ➤ Promoting the use of high-efficiency cogeneration based on useful heat demand ➤ Improving energy efficiency by developing smart distribution systems ➤ Further investments to upgrade the heating systems (networks) in the 6 localities that received funding under PA3 Environment SOP ➤ Enhancing carbon sequestration particularly in agriculture, forestry, fisheries and aquaculture. ➤ Enhancing energy efficiency in the residential and public building stock and the public realm, including in public lighting ➤ Improving the energy efficiency of transport, including urban transport systems and the fishing vessels and processing units 	<ul style="list-style-type: none"> • Promoting the production of electricity and thermal energy from renewable resources (biomass, geothermal, micro hydro) • Improving energy efficiency in enterprises by high efficiency cogeneration systems • Implementation of smart energy distribution low voltage systems • Developing systems to monitor the distribution of electricity and heat at industrial sites in order to increase energy efficiency 	Large Infrastructure OP
	<ul style="list-style-type: none"> • Improving the thermal insulation of residential stock, and to public buildings to be prioritised on the basis of systematic appraisal taking into account the cost-efficient reduction of GHG emissions and societal benefits including addressing energy poverty. • Promoting investments for public transportation systems for the main municipalities from Romania within the framework of sustainable urban mobility plans, where these will make significant contribution to air quality and energy efficiency • Replacing/improving lighting systems in the public realm, particularly in urban areas • Further investments to upgrade the heating systems (networks) in the 6 localities that received funding under PA3 Environment SOP (thermal power Bacău, Botoșani, Focșani, Iași, Oradea, Râmnicu Vâlcea și Timișoara) 	Regional Operational Program
	<ul style="list-style-type: none"> • Facilitating the supply and use of renewable sources of energy in the agricultural and forestry sectors (by-products, wastes, residues and other non-food raw material) • Increasing energy efficiency by reduction the primary energy consumption in agriculture, forestry and food processing • Enhancing carbon sequestration through: afforestation, climate-friendly forestry management, agri-environmental practices • Reducing gas emissions in agriculture through: agri-environmental practices 	National Program for Rural Development

	and organic farming (by lower use of nitrogen fertilisers, improved livestock management, climate-friendly crop rotation) and treatment of animal wastes	
	<ul style="list-style-type: none"> Promoting investment in climate change mitigation/ improving energy efficiency of the fishing vessels and processing units 	OP for Fishing and Maritime Affairs

Synergies with other thematic objectives

Then priorities need to be synchronized with the financed intervention and with the measures for SME's under objective 3, the measures for environment protection under objective 6 and measures for promoting sustainable transport under thematic objective 7. Also, this TO has to be in synergy with the proposed priorities under "Connecting Europe Facility". The "Connecting Europe Facility" is a mechanism that envisages investments acceleration within trans-European networks, aiming at better accessibility on the EU internal market and economic growth stimulation.

Overall, interventions which contribute to increased energy efficiency will be encouraged through horizontal criteria for assessing ESI Funds.

EAFRD through rural development priority 5, will contribute to this thematic objective.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF, EAFRD and EMFF: Reduced greenhouse gas emissions; more sustainable urban transport and consequently reduced pollution; improved efficiency of energy use in industry, agriculture, fisheries, the residential sector and the public realm. Increased share of energy generation from renewable sources; maintenance of Romania's low dependency upon imported energy.

Thematic objective no. 5 - Promoting climate change adaptation, risk prevention and management

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Improving Romania's capacity to anticipate, to prevent and to respond to extreme natural and man-made emergencies. ➤ Improving Romania's adaptation and resilience to the negative consequences of climate change and, in particular, the increased incidence of extreme heat, drought and flooding events in the Framework of the National Climate Change Strategy. ➤ Improving Romania's adaptation and resilience to other natural and man-made disasters risks. 	<ul style="list-style-type: none"> Structural and non-structural measures in order to reduce risks and damage from flooding, drought, erosion and forest fire Set-up and improve the risk monitoring and prevention systems in relation to identified risks: Enhance professional emergency response services at national level in order to respond to major national and international emergencies, including transnational cooperation in the framework of the Danube and Black Sea macro-regional strategies Strengthen institutional and technical capacity of ESMNS through collaborative solutions between different authorities 	<p>Large Infrastructure OP</p> <p>+ Competitiveness OP (for the last bullet)</p>
	<ul style="list-style-type: none"> Complete the national system of risk identification and management in the framework of the National Risk Assessment. Build a national culture of disaster risk reduction 	Administrative Capacity OP + Human Capital OP
	<ul style="list-style-type: none"> Sustainable water management systems and practices to combat climate change 	National Rural

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Exploiting public investment in climate change adaptation to create new markets potentially available to SMEs and social enterprises, particularly in Romania's less developed regions and in rural areas. 	<p>through on-farm water storage zones, water-efficient cropping patterns and forest protection belts against erosion.</p> <ul style="list-style-type: none"> • Conservation of soil and its carbon stock through land management practices such as low tillage, winter crops and afforestation. • Maintaining genetic diversity by supporting local crop varieties and livestock breeds. 	Development Programme

Synergies with other thematic objectives

The proposed priorities for funding need to be synchronized with the financed intervention and with the measures for ICT services and infrastructure under objective 2, measures to promote the good environmental practice in business under objective 3 and measures for agriculture, forestry and fisheries.

EAFRD through rural development priority 4, will contribute to this thematic objective

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

CF: Improved anticipation and management of risks, including improved public awareness and capacity for self-protection; improved coordination and speed of response when emergencies do arise; reduced coastal erosion.

CF and EAFRD: Reduced exposure of the Romanian population and territory to flood and drought risks; Increased adaptation to climate change in agriculture and forestry.

Thematic objective no. 6 - Preserving and protecting the environment and promoting resource efficiency

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Extend public access to water and wastewater services, in the context of the Water Framework Directive and its River Basin Management Plans; ➤ Facilitate transition of waste management to a market-led system based upon the waste hierarchy in the context of the Waste Framework Directive; ➤ To protect, conserve, restore and sensitively exploit Romania's cultural heritage and natural assets, including landscape, farmland, forests, inland and 	<ul style="list-style-type: none"> • The extension and modernization of drinking water networks and waste water sewages systems and connection of the population to drinking water supply and waste water systems, including in rural areas, monitoring and drinking water quality. • The development of waste infrastructure and services based upon the waste hierarchy - reuse, recycling, energy recovery and disposal • New/upgraded investments for the waste to energy sector; reducing the natural resource consumption by increasing the waste recycling ratio as well as promotion of a more efficient use of resources; promotion waste as secondary raw materials/by-products • Protection of biodiversity through the development of management plans and investment in restoration and conservation actions • Development and improvement of the National Air Quality Assessment in line with the requirements of Directive 2008/50/EC and taking into consideration the requirements of 	Large Infrastructure OP

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
coastal waters, protected areas, biodiversity; ➤ Development and improvement of the air quality assessment; ➤ To address the legacy of derelict and polluted sites and to manage current sources of pollution; ➤ Exploiting public investment in environmental protection to create new markets potentially available to SMEs and social enterprises, particularly in Romania's less developed regions and in rural areas. ➤ Decreasing abandonment of agricultural activities	INSPIRE Directive (metadata of air quality and air emissions) <ul style="list-style-type: none"> • Rehabilitating of derelict and polluted sites, including decontamination preparation for their economic re-use 	
	<ul style="list-style-type: none"> • Preserving and enhancing ecosystems dependent on agriculture and forestry through organic farming, agri-environmental and climate actions, including High Nature Value farming. • Implementing measures to tackle the causes of abandonment of agricultural activities through payments granted to farmers in mountain areas and other areas facing natural or other specific constraints (in order to compensate farmers for additional costs and income foregone related to the constraints for agricultural production in the area concerned), measures that will also contribute to soil preservation, carbon sequestration or other environmental benefits. • Promoting efficiency in water use in agriculture through investment in more efficient irrigation systems on farms 	National Rural Development Programme
	<ul style="list-style-type: none"> • Restoration and conservation of marine and inland water biodiversity within sustainable fishing and, aquaculture data and control activities fishing effort reduction, tackling unwanted catches and discards • Promote sustainable fishing activities in marine and inland waters; sustainable activities in aquaculture farms 	OP for Fishing and Maritime Affairs
	<ul style="list-style-type: none"> • Protecting and sustainable valorisation of natural sites, restoration and valorisation of cultural heritage, including valorisation of the local specific tourism potential, the rehabilitation of historical (urban) areas, sustainable capitalization of the cultural patrimony, measures for urban environment (including rehabilitation of industrial polluted sites) 	Regional Operational Program

Synergies with other thematic objectives

Actions under TO6 will complement measures to promote the good environmental practice in business under TO 3, measures for reduction of the carbon emission under TO 4, and broad range of measures for agriculture, forestry and fisheries.

EAFRD through rural development priority 4,5, will contribute to this thematic objective

Expected results

Within this development challenge, the results expected to be achieved through the ESI Funds are as follows:

CF: Increased share of the population to connected to the public drinking water supply and to sewerage systems; increased proportion of waste re-used and recycled.

CF, ESF, EAFRD, and EMFF: Reduced loss of biodiversity.

EAFRD: Preserving biodiversity of grassland on HNV delimited areas, protecting species and habitats, reducing abandonment of agricultural activities and increasing efficiency in water use by agriculture.

EMFF: Reduce negative impacts upon the marine environment; increase in the diversity of species farmed in aquaculture, fishing effort reductions, unwanted catches and discards reductions.

ERDF: Reduction in the area of derelict and polluted former industrial sites; increasing the visitor’s number.

Thematic objective no. 7 Promoting sustainable transport and removing bottlenecks in key network infrastructures

<i>Development needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
➤ Improving energy efficiency by developing smart transmission systems	• Developing smart electricity transmission systems, in order to take over the RES energy	Large Infrastructure OP
	• Developing smart gas transmission systems	

Synergies with other thematic objectives

This TO has to be in synergy with the proposed priorities under “Connecting Europe Facility”. The “Connecting Europe Facility” is a mechanism that envisages investments acceleration within trans-European networks, aiming at better accessibility on the EU internal market and economic growth stimulation.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

ERDF: Improved energy transmission.

Development Challenge 5 “Administration and Government”

Within this challenge, covered for in TO 11 and TO 2, investments under ESIF will be used to achieve optimal institutional environment and provision of quality public services by the administration and the judiciary, in support of the overall efforts to improve the economic growth, competitiveness and quality of life. As key elements, where the ESIF funds will be invested, the following have been outlined: transparency and integrity, efficiency and effectiveness of the administration and the judiciary, and orientation towards the needs of citizens and businesses, including reduction of the administrative burden; e-government and justice, capacity for development, coordination and implementation, monitoring and evaluation of policies at all levels of governance as well as the professionalism and motivation of human resources in the administration and the judicial system (institutional capacity).

- The investments under ERDF will be used to support the development of the national cadastre and land registration system by broadening the geographical coverage and inclusiveness of property records in rural Romania and by improving the land registration services. Thus, will increase the efficiency and transparency of land transactions, stimulate the land consolidation and better management of agricultural land, encourage the local and regional investments, and allow the efficient use of funds.

Thematic objective no. 11 Enhancing institutional capacity of public authorities and stakeholders and efficient public administration

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
<ul style="list-style-type: none"> ➤ Improving decision-making process and the efficiency of public expenditures at all levels ➤ Reforming the human resources management in public institutions ➤ Reducing bureaucracy for businesses and citizens ➤ Opening the administration - enhanced transparency, integrity, accessibility and accountability of government and public services; ➤ Enhancing capacity at all levels for increasing quality and accessibility of public services throughout the territory of Romania ➤ Enhancing administrative and financial capacity at national, regional and local level to implement actions in pursuit of Romania's development goals; ➤ Developing coordination mechanisms among public institutions for better coordination of reform actions both horizontally and vertically, including a clear definition of public institutions mandates; ➤ More efficient, transparent, accessible and consistent judicial system 	<ul style="list-style-type: none"> • Support the development and implementation of systems and procedures for policy coordination; • Support the development for monitoring and evaluation mechanisms for the implemented policies; • Strengthening the administrative capacity of PES • Improve the budgetary and legislative process by streamlined in-depth impact assessments and effective consultation process; • Developing skills in the areas of strategic planning and budgetary programming, impact assessment and monitoring and evaluation (eg. Training and methodologies, data-bases for indicators); • Strengthening participatory dimension, development of consultation and participation mechanisms in decision- making; • Developing, introducing and supporting the use of management, monitoring and evaluation systems and tools for an improved institutional and public services performance and change of organizational culture; • Create and implement an integrated strategic framework for human resources management in public sector and raise the professionalism and attractiveness of the public administration; • Developing and promoting the implementation of one stop shop system and e-government systems; • Support for measuring administrative burden, transfer of know-how and best practices; • Actions to rationalize, increase the quality of regulations and to reduce the burden of bureaucracy on businesses and citizens; • Developing, introducing and supporting the use of IT&C tools (IT systems – developing of software and data-bases); • Support performance management, monitoring and evaluation systems and 	<p>Administrative Capacity OP</p>

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
	<p>mechanisms for public services delivery;</p> <ul style="list-style-type: none"> • Promoting good practice related to the delivery of public services and encouraging exchange of experience/networking site between institutions/bodies providing public services; • Strengthen the participation mechanisms to deliver efficient public services at local level (eg. diversification of service delivery through – co-operation with non-governmental bodies, inter-communitary cooperation); • Developing modern management systems and tools for increasing performance in public institutions at all levels (eg. Develop and implement quality management in public institutions; Fiscal and financial management in view to increase public expenditure efficiency; Objectives and programs based management; Innovation in public administration); Support to improve the organisational and administrative capacity of judicial institutions the human resources, IT system, the accountability and transparency of the judiciary and access to justice; • Developing and use of IT tools and applications to enhance institutional capacity and efficiency at all levels of public administration. 	
<p>➤ Improved land registration services - integration of existing data and scaling up systematic registration in rural areas</p>	<ul style="list-style-type: none"> • Developing a national cadastral system to provide certainty of title, promotion of land reform and effective land consolidation in support of Romania's development goals 	<p>Regional Operational Programme</p>

Synergy with other thematic objectives

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective 2, aimed at access to ICT.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI Funds are as follows:

All Funds: A high absorption of ESI Funds and more effective use of Technical Assistance.

ESF: Improved ethics, transparency and integrity of decision – making and budget expenditures; improved public satisfaction regarding public administration and public services; increased quality and accessibility of public services; improved business satisfaction with the proportionality of administrative burden and regulation; an integrated system for human resources management in place; Strengthened organizational and administrative capacity of the judiciary institutions and developed human resources, more rapid resolution of civil and criminal proceedings.

ERDF: Reduced obstruction to development and consolidation of agricultural holdings arising from land ownership disputes.

Thematic objective no. 2 Enhancing access to, and use and quality of, information and communication technologies

<i>Developments needs</i>	<i>Proposed Priorities for Funding</i>	<i>Programme</i>
➤ Developing, introducing and supporting the use of ICT tools and open data concept	<ul style="list-style-type: none"> • Implementation of Open Data at the level of all public institutions in order to improving online collaborative and electronic systems. • Increasing the use of e-government tools (including training for civil servants) 	Competitiveness OP

Synergy with other thematic objectives

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective 11, aimed at improving public administration.

Expected results

Within this thematic objective, the results expected to be achieved through the ESI funds are as follows:

ERDF: Improved efficiency of public administration arising from enhanced use of ICTs and e-government; improved public satisfaction with public administration and public services.

1.4 THE INDICATIVE ALLOCATION OF SUPPORT BY THE UNION BY THEMATIC OBJECTIVE AT NATIONAL LEVEL FOR EACH OF THE ESI FUNDS, AS WELL AS THE TOTAL INDICATIVE AMOUNT OF SUPPORT FORESEEN FOR CLIMATE CHANGE OBJECTIVES

The financial allocation set out must comply with the thematic concentration requirements set out in the Common Provision Regulation and in Fund-specific Regulations and ensure appropriate focus and critical mass of interventions, taking into account the total allocation available.

During 2014-2020, Romania's allocation from ESIF is around € 29¹⁷³bn current prices, (net amount without the Performance Reserve and Connecting Europe Facility. Having in mind that the negotiation on YEI and Food for Deprived are still in progress, the amounts to be allocated to these two programmes are not excluded from the total allocation above)

The ESIF are the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). The allocation for EMFF was estimated taking into account the Romanian allocation for 2007-2013.

1.4.1 The indicative allocation of support by the Union by thematic objective at national level for each of the ESI Funds, as well as the total indicative amount of support foreseen for climate change objectives (% to total allocation)

TO	ERDF	ESF	CF	EAFRD	EMFF	TOTAL (%)
1. Strengthening research, technological development and innovation	3.49%					3.64%
2. Enhancing access to, and use and quality of, information and communication technologies	1.73%					1.80%
3. Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)	2.72%				0.34%	13.11 %
4. Supporting the shift towards a low-carbon economy in all sectors	8.87%				0.02%	9.48%
5. Promoting climate change adaptation, risk prevention and management			1.66%			3.61%
6. Preserving and protecting the environment and promoting resource efficiency	3.22%		6.95%		0.21%	14.76 %
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures	6.99%		13.49 %			20.47 %
8. Promoting sustainable and quality employment and supporting labour mobility	0.33%	5.21%			0.15%	8.47%
9. Promoting social inclusion, combating poverty and any discrimination	2.34%	3.26%				10.50 %
10. Investing in education, training and vocational training for skills and lifelong learning	2.21%	5.21%				7.63%
11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration	1.73%	2.30%				4.03%

¹⁷³ the amount values/percentages presented into this chapter are informative.

TO	ERDF	ESF	CF	ERDF	EMFF	TOTAL
Technical Assistance	1.45%	0.32%		0.69%	0.04%	2.50%
TOTAL	35.06%	16.30%	22.10%	25.78%	0.76%	100%

The indicative allocations are calculated based on the net allocation, meaning the financial allocation out of which is extracted the performance reserve (7%). These figures can suffer modifications, due to negotiations carried out between Council and the European Parliament on performance reserve quota.

1.5 THE APPLICATION OF HORIZONTAL PRINCIPLES AND POLICY OBJECTIVES FOR THE IMPLEMENTATION OF THE ESI FUNDS

1.5.1 Arrangements for the partnership principle

Partnership in the preparation of the Partnership Agreement for 2014-2020

The partnership principle represents a key aspect in the programming and management of the ESIF for 2014-2020. It is a pre-requisite for developing realistic economic, social and territorial policies, directed towards sustainable, smart and inclusive growth.

The importance of partnership comes both from the need to ensure transparency of the programming and implementation process, as well as to provide a sense of 'ownership' at the level of all actors involved. To this aim, Romania will encourage collaboration of policymakers, experts and partners (the organisational types prescribed by Article 5 of CPR), as well as integrated actions at the relevant sector or territorial level, in order to improve the effectiveness of policy implementation.

The Memorandum approved by the Government on 13 July 2012 established the partnership framework in order to draw-up 2014-2020 programming documents (*Annex II - Partnership framework diagram*). The coordination is ensured by the MFE and the MFE ensure the presidency of the Inter-institutional Committee for the Partnership Agreement (ICPA).

CIAP has 64 members, out of which 70% are representatives in decision-making of central and local public institutions and 30% are representatives of economic and social environment, trade unions, academic institutions, nongovernmental organisations and other representatives of the civil society. CIAP were subsequently organized 12 thematic committees in the following thematic areas: transport; environment and climate changes; competitiveness and energy efficiency; communications and information technology; education and training; employment and social inclusion; health and social services; tourism, culture and cultural heritage; rural development, agriculture and fisheries; administration and good governance and regional development and territorial cohesion.

The membership of these committees follows the same principle with CIAP - 30% representation of partners (*Annex III - List of social partners*). The thematic Committees debate and confirm the documents drafted into several working groups on specific issues and propose the agreed elements to CIAP.

The proposals formulated by each Thematic Committee are discussed within the CIAP, which, finally, shall validate the final draft of the partnership agreement and hence the main elements of the implementation, monitoring and evaluation of ESI Funds 2014-2020. In this way, the partnership aims to provide:

- the partners' agreement on the defined priorities and the corresponding financial allocations as well as on the result indicators and the implementation, monitoring and evaluation arrangements;
- complementarity of the interventions financed by different public sources;

- participation and responsible involvement of the partners in the planning process and encouragement of their ownership of the interventions prioritised;
- transparency of the overall process;
- full use of the know-how and specialized expertise of the all actors involved.

In order to ensure a wider consultation framework on the programming documents, under the coordination of MEF, at national and regional level were organized several focus-groups. The meetings were attended especially by the representatives of the civil society, academic and cultural environment, etc.

Moreover, MEF organized face-to-face meetings with all entities that were interested in programming stages, such as: National Chamber of Commerce of Romania, American Chamber of Commerce in Romania, UNICEF, Hopes and Homes for Children, NGOs working in the field of inclusion, and social protection of Roma and NGOs activating in the field of environment protection.

Partnership in implementation

To ensure the relevance of the actions supported and to increase the efficiency in implementation, the partnership framework will operate beyond the programming phase, and will extend to the management, implementation, monitoring and control of the ESIF. The creation of additional structures at regional level will be encouraged by partnership, trust and cooperation create the necessary conditions for successful implementation.

The partners will be involved in specifying the implementation arrangements and in developing the key documents, such as the applicant guidance, eligibility rules, etc. All the documents to be prepared will be published on the issuer's website (www.fonduri-ue.ro) and an adequate consultation period will be granted. Partners will follow progress in implementation through active participation in the OP/NRDP MC and by contributing to preparation of the annual progress reports. Partners will have an animation role to ensure that an adequate project portfolio is developed. Moreover, their feedback will be important in identifying constraints on successful implementation and in developing solutions.

As regards NRDP MC, according to the fund specific Regulation, the MC will be actively involved in the set up and revision of the selection criteria for the financed operations, in approving the programme modifications, as well as in the monitoring of the Programme progress towards its objectives by examination of the annual implementation reports and evaluation plan.

The experience and expertise of partners will be exploited in specifying research into policy effectiveness, in monitoring regulatory provisions and in suggesting potential improvements.

The partnership principle will be promoted at project level by encouraging integrated approaches to local development, taking advantage of the provisions of the new Regulations concerning ITIs, Joint Action Plans and CLLD, where appropriate.

MFE, in its coordinating role, will ensure that the partnership principle is respected by all authorities involved. With this aim, MFE will coordinate the setting up of the Programmes Monitoring Committees and will ensure the participation of partners, which are members of Monitoring Committees in thematic subcommittees subsequent to Management of Partnership Agreement Steering Committee.

1.5.2 Promotion of equality between men and women, non-discrimination and accessibility (with reference to Article 7 of CPR)

The promotion of equality between men and women, non-discrimination and accessibility are cross-cutting themes that contribute to the achievement of the Europe 2020 Strategy.

In view of that, the approach in meeting the required principles during the implementation of ESIF funds in Romania is twofold: (i) mainstreaming the horizontal themes across the preparation and implementation of programmes, including in relation to monitoring, reporting and evaluation; (ii)

design and implementing targeted actions specifically designed to promote equality between men and women, prevent the discrimination based on racial or ethnic origin, religion or belief, disability, age or sexual orientation by paying particular attention to those facing multiple discrimination.

The *mainstreaming* approach involves the translation and systematic integration of horizontal principles in each stage of the operational programmes' life cycle, at all levels of governance, and across all actors involved, as well as their assimilation for all the programmes' objectives and through all the levels up to the individual projects.

To achieve this, an important pre-condition is the development of common understanding and recognition as regard the promotion of equality between men and women, non-discrimination and accessibility. In this respect, arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the applicable Union and national law in policy area are carried on as part of the process to fulfill of the general ex-ante conditionalities.

The *specific actions* are important in complementing the mainstreaming by directing objectives and resources to address the areas where is experienced the inequality and exclusion.

A series of particular issues is considered for a practical integration of horizontal themes related to equality between men and women, non-discrimination and accessibility at different stages of the programme cycle:

Programme planning and implementation:

- in all the programmes development will be considered and introduced equality horizontal principles. Particularly, those programmes addressing employment opportunities, education, training, business support, health, social integration will comprise specific actions targeting the equality between men and women, the non-discrimination and accessibility. In this respect, one of the elements that is going to be reviewed by the ex-ante evaluation of the operational programmes is the "the adequacy of planned measures to promote equal opportunities between men and women, to prevent discrimination and to promote sustainable development". As it is carried out in interaction with the establishment of the programme, the ex-evaluation will support the identification of those interventions that are intended to have a contribution to the promotion of equality and non-discrimination;
- in the preparation of programmes of particular importance will be the active engagement of national bodies responsible for the promotion of equal treatment and organisations representing the interests of equality groups. In this respect, the public consultations will offer to various stakeholders the opportunity to engage in developing the content of the programme;
- the dissemination of information and publicity will be essential activities to promote the equality principles. The actions to support accessibility for a range of groups include promotion of information on websites, printed materials, and through meetings, national, regional or local organisations and networks, with particular attention to the rural area and marginalised communities. The access to information may prevent the unfair disadvantage or exclusion from benefiting of ESI Funds opportunities;
- in order to extent the integration of equality principles from the programme to the project level, the MAs will provide guidance on how to take into account the equality principles in designing the project, and on how to set equality objectives and to measure them. In the selection process, a screening stage will be undertaken in order to avoid funding and implementation of any project with adverse or negative consequences for equality between men and women, non-discrimination and accessibility;

- the selection of projects comprising specific actions, which have as a principal objective the promotion of equality objectives will be based on pre-defined criteria, especially for those funded by ESF;
- the process of mainstreaming of equality principles will be supported during the programmes' implementation by an Operational Working Group ensuring that the themes are integrated at different stages (see chapter 2.1). The group will act as a forum for exchange of information and best practices in the field.

Monitoring and evaluation of programmes:

- the programmes will follow the implementation of actions and will assess the progress over time in relation to the translation of horizontal themes under the general monitoring and evaluation system, developing specific programme indicators for measuring the progress against equality objectives where appropriate. Whenever the nature of the assistance has an impact on the given horizontal themes data on individual participants, including a breakdown by gender, will be collected, recorded and stored in systems for the electronic data exchange (see chapter 4). The information about the participants will be managed in due compliance with the national rules on protection of personal data;
- the national authorities participating in the Thematic steering sub committees and Monitoring Committees of the operational programmes will oversee the horizontal themes' integration and will monitor their integration during the programme implementation. The arrangements for the setting up of these structures will comprise also involvement of bodies responsible for the promotion of equal treatment (see chapter 2.1);
- the specific actions undertaken to promote equality principles will be reported in the programme implementation reports according to art. 111 (4)(e);
- as respect to evaluation, two approaches will be followed: (i) conducting separate evaluations of the equality consideration in all programmes or different priority axis, and (ii) through the integration of the equality dimension in the programme specific evaluations.

According to article 96 of CPR all the Operational Programmes, except the Technical Assistance one, will include a description of the specific actions undertaken during the preparation, design and implementation of the programme and in particular in relation to access to funding, taking account the promotion of equality and non-discrimination, in particular the requirements to ensure accessibility for persons with disabilities.

1.5.3 Sustainable development (with reference to article 8 of CPR)

The commitment to preserve and protect the environment from potential harmful effects of interventions and ensure results in net social, environmental and climate benefits will be further emphasised and better integrated over the course of the 2014-2020 programming period by means of (i) investment priorities under thematic objectives dedicated to low-carbon economy, climate change adaptation, protection of environment, resources' efficiency and sustainable transport, and (ii) the application of the principle of sustainable development in accordance with Article 8 of CPR.

The mainstreaming of sustainable development into ESI Funds involves that the principle being recognised and taken into consideration in all aspects and phase of the operational programmes lifecycle. In this respect, the process of preparation and implementation of the PA and OPs include:

- an analysis of opportunities to include the sustainable development and to exploit the synergies with environment protection, resources efficiency and climate actions were discussed within Thematic Consultative Committees (Environment and Climate Change,

Competitiveness and Energy Efficiency and Rural development, Agriculture and Fishery) in charge with preparation of the PA. The group which included representatives of the main institutions and non-governmental organizations responsible for implementing policies on environmental protection and sustainable development;

- the ex-ante evaluation of each programme will assess the adequacy of planned measures to promote sustainable development, in particular, the Strategic Environmental Assessment (SEA) as part of the ex-ante evaluation process will assess the likely effects of programmes prior to their approval;
- during the programmes implementation the MFE will further ensure the coordination across OPs through a Functional Working Group (FWG) managed by MEF and including representatives from all MAs responsible for principle implementation in the programmes (see section 2.1). Ministry of Environment and Climate Change will have a key role to ensure the expertise specific to the environment sector. The MAs will be provided with guidelines on how to operationalise the sustainable principle in the future operational programmes and projects' development. At the level of each MA, responsibility for the sustainable development promotion will be assigned;
- in the selection process, all projects will be assessed from an environmental perspective to determine if the impact of the operation is limited or insignificant. For the operations where the environmental impact is expected to be significant it will be necessary for an Environmental Impact Assessment (EIA) to be performed. In order to comply with the requirements of environmental protection and climate change, pre-defines criteria will be applied in the selection of specific actions. In order to reduce the administrative burden for beneficiaries, for the selection of those projects which are not targeting directly the environment protection and climate change will be used a set of harmonised criteria across all OPS, aligned with the programmes specificities;
- the MAs will provide support to beneficiaries to deal with the environmental issues in all phases of their projects;
- the sustainable development principle will be integrated in the training programmes for the beneficiaries, including in relation to the green procurement. In addition to the cases where the legislation imposes (e.g. Government Ordinance 40/2011 Promotion of non-polluting and energy efficient transport vehicles) the green procurement will be encouraged, within the limits accepted by the procurement rules.

Article 8 of CPR makes explicit reference to the application of polluter pay principle. In order to apply the principle for different infrastructure sectors the charging systems will be in place:

- for the water sector the Romanian legislation provides the economic mechanism in water management, which establishes the contribution of different water users at costs' recovery of water services. In this way, it is stated a system of contributions, payments, incentives, tariffs and penalties, based upon the principles of recovery costs in water management, respectively, "user pays", and "polluter pays";
- contaminated sites investments: in line with the National Strategy and National Action Plan for contaminated sites' management, in order to limit the support to sites where the initial

polluter cannot be identified the polluter pays principle will be applied for the prioritisation of projects;

- in compliance with the Directive 2008/98/EC and the Romanian legislation (see ex-ante conditionality EAC A.6-2) the projects in the waste sector *will* be designed according to the “waste hierarchy” and “polluter pays principles”, ensuring cost effective waste management and enforcement of cost recovery.

As well, the application of the principle of sustainable development is facilitated by development of projects that directly address the climate change mitigation and adaptation, environmental protection and resource efficiency.

Three out of five main Development Challenges of the Partnership Agreement; Competitiveness, Infrastructure, and Resources, will include sustainable development actions. These actions will address energy efficiency, the use of renewable energy sources, reduction of pollution and emissions, promotion of environmental friendly development, investments in the water and waste sectors, polluted soils or air quality and biodiversity as well as investments related to risk prevention and risk management.

1.5.4 Horizontal policy objectives

Accessibility of the achievements of ESI Funds

All products, goods, services and infrastructures that are co-financed by the ESIF will be accessible to all citizens, including those with disabilities. In particular, accessibility to the physical environment, transport, information and communication technologies in order to achieve inclusion for disadvantaged groups, including persons with disabilities has to be ensured. Managing authorities will undertake actions throughout the programme lifecycle to identify and remove existing accessibility barriers or prevent new ones.

Addressing demographic change

The challenges resulting from demographic change will be taken into account in all phases of ESIF implementation.

The current Partnership Agreement enhances job opportunities for the elderly and young people and includes investments in leaving standards, including health infrastructures, drinking water, waste etc. In addition, it creates facilities family-friendly aspects by supporting child raising (investments in nurseries) and support vulnerable groups to integrate in the labour market.

Climate change mitigation and adaptation

Climate change mitigation and adaptation is now a priority for the Cohesion Policy implementation in Romania and the aspects related to the climate changes are integrated in the preparation of the Partnership Agreement and will be followed up during all phases, programming, implementation, monitoring and evaluation of all funds.

The visibility of contributions towards the goal of a spending of at least 20% of the allocation on climate change mitigation is ensured. An adequate share of funds is in fact committed to measures which envisage climate change mitigation and adaptation, for example promoting energy efficiency, renewable energy, clean transport, risk management, enhancing the competitiveness of small and medium-sized enterprises etc.

Also, operational programmes financed in the period 2014-2020 will take into account interventions to ensure that investments in all the sectors take climate change into consideration in more direct, explicit and integrated ways, thus ensuring that FESI are spent on climate change resilient projects.

1.6 The list of the programmes under the ERDF, the ESF, the Cohesion Fund, except those under the European territorial cooperation goal, and of the programmes of the EAFRD and the EMFF, with the respective indicative allocations by ESI Fund and by year (In Progress)

Eu Policy	Programmes	Fund
European Cohesion Policy	Large infrastructure OP	ERDF & CF
	Human Capital OP	ESF
	Administrative Capacity OP	ESF
	ROP	ERDF
	Competitiveness OP	ERDF
	Technical Assistance OP	ERDF

2. ARRANGEMENTS TO ENSURE EFFECTIVE IMPLEMENTATION ARTICLE 14(1) (B) CPR

2.1 ARRANGEMENTS FOR COORDINATING EU AND NATIONAL FUNDING INSTRUMENTS

In order to ensure the best use of ESI funds, Romania proposed in the Partnership Agreement a series of interventions designed in a combined manner in order to address the main challenges and development needs identified.

The areas where there is a strong focus of interest and the complementary approach of the ESI Funds are related to the competitiveness, employment, education, social inclusion, environment protection, resources efficiency and climate change.

The most evident area where the ESI Funds will be put to work together is among the investments made to *enhance competitiveness and innovation*. Measures for business support, RDI investments, and promoting ICT under ERDF are designed in a complementary manner with the actions to support the restructuring and consolidation of agricultural holdings and investments in the fisheries sector under EAFRD, respectively EMFF. In addition, it will be ensured the financing of education and skills through ESF.

ESF and YEI investments for *employment and labour mobility* will be complemented by the initiatives funded from ERDF for infrastructure. The EMFF initiatives are oriented towards the diversification of fisheries and aquaculture sector.

The investments in *education, skills and lifelong learning financed* will be formally provided through ESF. These will complement the measures addressing the entrepreneurship, ICT development supported by ERDF and those supporting the vocational training and skills on the agriculture and forestry sectors from EAFRD. The support for infrastructure investments through ERDF will contribute to the success of ESF implementation.

There are close linkages across the programmes as regard the *social inclusion and reduction of poverty* financed through ESF and the development of infrastructure of social service and public health and ICT with the ERDF support, the improvement the quality of life and attractiveness of rural areas by using the EAFRD funds.

Measures for *environment protection, resources efficiency and climate change* will be provided through ERDF and CF, including measures promoting the good environmental practice in business. The EAFRD will complement activities in this area by integrating climate change adaptation in actions to support the GHG emissions in agriculture and forestry.

The complementarities identified among ESI Funds require an effective coordination has to be ensured during the planning and implementation of the ESI Funds in order to avoid the overlaps between actions.

Based on the lessons learned in 2007-2013 and the new challenges raised by the ESI Funds architecture in Romania, a coordination mechanism with structures on three levels (strategic inter-ministerial, thematic inter-institutional, operational), will be set up in order to ensure the coherence of the interventions, complementarities and synergies in the programming and implementation stages. The coordination mechanism will function in parallel with the institutional framework designed for implementation (see section 2.5), will bring together for analysis, problem solving, decision making support, experts, operational staff, decision makers from the MAs and IBs, and decision makers from other institutions responsible for national policies in Romania.

The institutional coordination mechanism, proposed for next programming period, implies a number of levels presented below:

Level 1 – Management of Partnership Agreement Steering Committee (MPASC) will be set up as an inter-ministerial committee under the responsibility of Ministry of European Funds.

<i>Role</i>	Strategic coordination of the implementation of the PA/ ESI Programs
<i>Composition</i>	Line ministries responsible with policy areas covered by Partnership Agreement
<i>Meetings</i>	Twice a year
<i>Representation</i>	Policy makers at secretary of state level
<i>Secretariat</i>	General Directorate for Analysis, Programming and Evaluation of the Ministry of European Funds

Level 2 – Thematic steering sub-committees

There will be five thematic sub-committees, according to the five national funding priorities, set up under the coordination of the Ministry of European Funds, namely:

1. Promoting economic competitiveness and local development
2. Improving human capital through higher employment and better social inclusion and education policies
3. Developing modern infrastructure for growth and jobs
4. Optimising the use and protection of natural resources and assets
5. Modernisation and reinforcement of the national administration and of judiciary

<i>Role</i>	<ul style="list-style-type: none"> • Identifying developments/changes within various policy areas and their impact on the strategy of the Partnership Agreement and Operational Programmes • Examination of continuous relevance of the Partnership Agreement • Overseeing meeting the ex-ante conditionalities • Ensuring synergy and coherence of ESI funds by
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	<ul style="list-style-type: none"> o examination of (proposed) projects eligibility and selection criteria o examination of calendar for request of proposals and its observance o examination of coherence in time of projects appraisal and contracting o examination of financial, output and result indicators, both committed and achieved o identifying the main bottlenecks in implementation o examination of evaluation results and follow-up of recommendations • Ensuring coherence with other EU and national instruments
<i>Composition</i>	line ministries responsible with policy area, responsible MAs, EIB, representatives of partners which are members of the Programmes Monitoring Committees according to Art.42 CPR
<i>Reports to</i>	Steering Committee for Partnership Agreement
<i>Meetings</i>	Twice a year
<i>Representation</i>	Decision makers at (general) director level
<i>Secretariat</i>	General Directorate for Analysis, Programming and Evaluation of the Ministry of European Funds

Level 3 – Functional Working Groups

There will be three functional working groups set up under the coordination of the Ministry of European Funds, as follows:

1. *Operational FWG* spanning the following indicative area of interest
 - Simplification: administrative burden, one-stop shop, simplified options and global grants
 - Operational procedures, audit, irregularities and frauds
 - Electronic systems and data exchange
 - Communication
 - Public procurement (co-chaired by ANRMAP and MFE)
 - Technical assistance and human resources
 - Horizontal principles
 - State aid
2. *Performance Assessment FWG* with the coverage suggested below
 - Performance framework
 - Evaluation
 - Reporting
 - Statistics and indicators
 - Financial Management and Forecasting
3. *New approaches FWG* covering
 - Financial instruments
 - Urban development
 - Integrated territorial investments

- Community local led development

<i>Role</i>	Harmonisation of approaches, guidance and capacity building in each identified field, including coordination of networks wherever appropriate
<i>Composition</i>	Experts in MEF and MAs and other experts if the case may be
<i>Reports to</i>	Thematic steering sub-committees
<i>Meetings</i>	Each three months, or whenever necessary
<i>Representation</i>	Level of experts
<i>Secretariat</i>	General Directorate for Analysis, Programming and Evaluation of the Ministry of European Funds

The 2007-2013 operational programmes implementation has revealed difficulties of the beneficiaries in understanding what opportunities are available to fund their investment projects, when they could access funding. The beneficiaries of EU funds also found difficult to access easily the information relevant to their interests, to deal with different procedures on different grant schemes, the administrative burden.

In order to address this problem in the implementation of 2014-2020 ESI Funds, the Romanian authorities will apply the “one-stop shop” principle by developing a Priority Axis, which is dedicated to SMEs under the Regional Operational Programme.

The access to consistent information and the effective support to beneficiaries will continue to be provided through the Structural Instruments Information Center, managed by MEF.

The institutional coordination mechanism, proposed for next programming period, implies a number of levels presented below:

Coherence of ESIF with ETC investments will be ensured by Ministry of Regional Development and Public Administration, which has the role of Managing Authority or National Authority for all the crossborder cooperation operational programmes in which Romania is involved.

For the use of resources in the best interest of Romania, the complementarity requires that ESI Funds will not be used solitary, but with regard to other national or European instruments. This means to correlate funds from different sources for actions that are carried out in a related or consecutive manner, with the final purpose to avoid the double financing or adoption of investment schemes that are contradictory to ESI Funds objectives.

The investments from ESI Funds and other national or European instruments can directly support the achievement of objectives established in areas such as environment, climate action, education and employment.

Complementarities will be ensured between ESI Funds and *HORIZON 2020 programme*, the EU Framework Programme for Research and Innovation. The demarcation line is set by the design of the instruments as mainly consists of: the non territorial approach and transnational approach of Horizon 2020 against the place based interventions of ESI Funds; focus focus on individual R&I projects against the focus on R&I capacities and systems for ESI Funds; competitive calls addressed to international groupings in the case of Horizon 2020 and policy prioritisation to individual firms, consortia.

Possible complementarities will be created in order to unblock the excellence potential at nationale level, including ERA chairs initiatives, support to actors to participate in Horizon 2020, support to access in international networks, support excellence centres to connect with similar centres in other

member states, support crossborder networks, institutional development for coordination at national level.

Connecting Europe Facility offers a good opportunity to enhance complementarities in three areas of digital infrastructure, energy and transport infrastructure. The main demarcation between CEF and ESI Funds is given by the CEF concept, the investments will concentrate on cross-border infrastructure project ensuring connectivity with other states.

The interventions funded from ESIF addressing to SMEs have a high potential to create synergies and complementarities with *COSME* the Competitiveness of Enterprises and Small and Medium Enterprises Programme. It provides funding to improve access to finance, improve access to market, improve the framework conditions for competitiveness and sustainability of the enterprises and promoting entrepreneurship and entrepreneurial culture.

Special attention will be given to coherence with *ERASMUS* programme which has a number of areas of intervention, where overlapping should be avoided, and complementarities could be sought: employment, research and innovation, industry and enterprise.

LIFE programme through the "Environment" strand covers three priority areas: environment and resource efficiency; nature and biodiversity; and environmental governance and information. The "Climate Action" strand covers climate change mitigation; climate change adaptation; and climate governance and information.

With regard to EAFRD coordination with European Agriculture Guarantee Fund, Romanian authorities will not make transfer between the two pillars of the CAP. The synergies between pillar I and pillar II are ensured by demarcating the viticulture national programme and the apiculture national program

The coherence of the fourth pillar of EMFF, the Integrated Maritime Policy, implemented under direct centralised management, with other interventions of ESIF, will be ensured by the MA for the OP for Fisheries and Maritime Affairs. The Black Sea Region Strategy is in preparation and cooperation of the six bordering countries regarding marine protection, marine environment, Maritime Spatial Planning and Integrated Maritime Surveillance will be envisaged.

The complementary with all the three priority areas of the *Danube Strategy* will facilitate the innovation and competitiveness, as well as to develop the knowledge society through research, to invest in people and skills, and to manage the environmental risks.

An significant source of funding in Romania is the 2009-2014 grant scheme EEA and Norway grants. The grants are available in four large areas of intervention: (i) research and green industry innovation, (ii) promoting gender equality, work life balance, children and young people at risk, social inclusion, public health initiatives, (iii) biodiversity and ecosystems, reducing pollution, energy efficiency, renewable energy, adapting to climate change, (iv) strengthening the development of the civil society enhanced contribution to social justice, combating cross border organised crime, etc. The programme is in implementation and the managing authority located in the MEF, which will facilitate cooperation with relevant MAs and policy makers for coherence of interventions.

At the present stage of programming, the most important links are shown in Table X. Similarly to previous programming period, during 2014-2020, EIB financing instruments will be necessary.

The implementation of the operational programmes in 2007-2013 experienced situations when in parallel with the EU funded schemes the Romanian Government run similar grant schemes with more simple procedures competing in an counterproductive way, e.g. Environment Fund Administration which managed schemes for water infrastructure, renewable energy investments, SMEs grant schemes and entrepreneurship grant schemes managed by the SMEs Agency (at present being a directorate in the Ministry of Economy). Romania will ensure a better coordination between the national funding and the EU funding looking for: avoiding overlapping establishing clear lines of separation between the EU schemes and the Romanian, harmonizing the procedures, ensuring they

are similar as difficulty and understanding, potential complementarities. These aspects will be developed through institutional coordination mechanism, proposed for next programming period. The PA Steering Committee created for the strategic coordination of the ESI Funds 2014-2020 will have a key role in ensuring the coherence with other Union policies' instruments and in the same time with the Romanian national investments programmes.

Table x – Correlation table

COMPETITIVENESS (TO 1, 2, 3, 4, 8, 10, 11)					
Thematic objective	Correlation (according to PA, chapter 1.3)	Policy area	ESI Programmes	EU instruments	National indicative programmes and foreign assistance
1 Strengthening research, technological development and innovation	Need to be synchronized with the financed measures addressing entrepreneurship and business models under TO 3 , the measures for employment, education, and skills under TO 8 and TO 10 and the measures covered by Digital Agenda under TO 2 .	RDI ICT Labour Education Enterprises Agriculture Fishery Public administration Energy Environment Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)	COMP OP HC OP AC OP NRDP OP FMA ETC Programs ROP	Horizon 2020 ¹⁷⁴ European Innovation Partnership Erasmus for All programme the EU Programme for the Competitiveness of Enterprises and SMEs COSME	<ul style="list-style-type: none"> - National Programmes for RDI - Mihail Kogalniceanu Program for SMEs - Multiannual national program to support crafts and handicrafts - Program for modernization of product marketing activities and market services - State aid and de minimis schemes managed by the Ministry of Public Finance - National Beekeeping Programme - National support programs for the wine sector of Romania, 2014-2018 - Program for development or updating of regional planning documentation for areas with historical monuments entered in the World Heritage List - Co-financing program for landslides risk maps - Housing programmes - National programme for local development - Socio-cultural and sport programmes <p>Bilateral aid</p> <ul style="list-style-type: none"> ▶ 2009-2014 EEA and Norway grants¹⁷⁵ (fields supported/ to be supported: <i>Research in the priority sectors, Green Industry Innovation</i>) ▶ Swiss – Romanian Cooperation Programme (areas financed from this contribution: <i>promoting private sector with a particular focus to improving of the business environment and the access to financing for SMEs, improving the regulations in the financial sector and strengthening of the financial markets and institutions, as well as the private sector development</i>)
3 Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector	Need to be synchronized with the financed measures addressing administrative burden on SMEs under TO 11 ; employment, education, and skills under TO 8 and TO 10 ; the energy efficiency measures and low-carbon economy under TO 4 .				

¹⁷⁴ complementarity consists in supporting by ESI funded programmes the Romanian players to participate in Horizon 2020, by significant RDI capacity building

¹⁷⁵ The programming process of the EEA and Norwegian Financial Mechanisms has complied with the need to ensure complementarity and avoid overlap with the structural and cohesion funds (2007-2013). Within the priority areas, funding gaps were identified and the need for support has been thoroughly justified.

					<i>and promoting of SMEs exports and standard)</i>
PEOPLE AND SOCIETY (TO 1, 2, 3, 8, 9, 10, 11)					
Thematic objective	Correlation (according to PA, chapter 1.3)	Policy area	ESI Programmes	EU instruments	National indicative programmes and foreign assistance
8 Promoting employment and supporting labour mobility	Need to be synchronized with the financed intervention with the measures addressing entrepreneurship and business models under TO 1 and TO 3 , focusing on sectors with growth potential, the measures for social inclusion and education under TO 9 and TO 10 , and interventions such as e-government financed under TO 11 .	Employment RDI Enterprises Social assistance Education Governance ICT Agriculture Fishery	HC OP COMP OP AC OP ROP NRDP OP FMA ETC programmes	- Marie Skłodowska-Curie Actions - Erasmus for All programme - Material assistance operational programme - Social inclusion operational programme Asylum and Migration Fund - Programme for Social Change and Innovation - Creative Europe - Social Change for innovation	- Program to stimulate the establishment and development of micro enterprises by young entrepreneurs - Program to develop entrepreneurial skills among young people and facilitating their access to funding START - Program for entrepreneurial culture among women managers in the SME sector - Ministry of Labour programmes - Ministry of Education programmes Bilateral aid ▶ 2009-2014 EEA and Norway grants (fields supported/ to be supported: <i>Promoting gender equality and balance between work and personal life, Children and young people at risk and local and regional initiatives to reduce national inequalities and to promote social inclusion, Scholarship Fund; Public Health Initiatives</i>) ▶ Swiss – Romanian Cooperation Programme (areas financed from this contribution: <i>human resources and social development</i> with an aim to strengthening of academic exchange between Switzerland and Romania. With this purpose, a Scholarship Fund and a Research Funds are to be created. A special focus will be put on promoting social inclusion of Roma population and other vulnerable groups)
9 Promoting social inclusion and combating poverty	Need to be synchronized with the financed intervention with the measures addressing entrepreneurship and business models under TO 1 and TO 3 , focusing on sectors with growth potential, the measures for employment and education, under TO 8 and TO 10 and interventions such as e-government financed under TO 2 .	Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)			
10 Investing in education, skills and lifelong learning	Need to be synchronized with the financed intervention with the measures addressing entrepreneurship and business models under TO 1 and TO 3 , focusing on sectors with growth potential, the measures for employment and social inclusion, under TO 8 and TO 9 and interventions such as e-government financed under TO 2 .				
INFRASTRUCTURE (TO 1, 2, 3, 4, 6, 7, 8, 9, 10, 11)					

Thematic objective	Correlation (according to PA, chapter 1.3)	Policy area	ESI Programmes	EU instruments	National indicative programmes and foreign assistance
2 Enhancing access to, and use and quality of, information and communication technologies	Need to be synchronized with the financed intervention and with the measures addressing innovation under TO 1 , entrepreneurship and business under TO 3 , measures for employment under TO 8 , measures for inclusion under TO 9 , measures for education and skills TO 10 and measures for enhancing institutional capacity under TO 11 .	Transport RDI ICT Enterprises Energy Environment Employment Education Governance Fishery	LI OP COMP OP ROP HC OP AC OP OP FMA ETC	Connecting Europe Facility "Smart, Green and Integrated transport" Challenge of Horizon 2020	
7 Promoting sustainable transport and removing bottlenecks in key network infrastructures	Need to be synchronized with the financed intervention and with the measures for supporting the shift towards a low-carbon economy in all sectors under TO 4 and measures for protecting the environment under TO 6 .	Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)			
RESOURCES (TO 3, 4, 5, 6, 7)					
Thematic objective	Correlation (according to PA, chapter 1.3)	Policy area	ESI Programmes	EU instruments	National indicative programmes and foreign assistance
4 Supporting the shift towards a low-carbon economy in all sectors	Need to be synchronized with the financed intervention and with the measures for environment protection under TO 6 and measures for promoting climate change in TO 5 and sustainable transport under TO 7 .	Environment Energy Enterprises Transport Agriculture	LI OP COMP OP NRDP PO FMA ETC	LIFE programme NER300 Programme	- Environmental and water management multiannual priority program - Risks mitigation - Water management priority investments - Integrated control of nutrients pollution - Forestry road reconstruction - Thermal rehabilitation programme
5 Promoting climate change adaptation, risk prevention and management	Need to be synchronized with the financed intervention and with the measures for ICT services and infrastructure under TO 2 , measures to promote the good environmental practice in business under TO 3 and measures for agriculture, forestry and fisheries,	Fishery Territorial & Regional development (including ITI, CLLD, ETC and macro-			Bilateral aid ▶ 2009-2014 EEA and Norway grants (fields supported/ to be supported: <i>Biodiversity and ecosystem services, Environmental monitoring and integrated planning and control, Reducing the use of dangerous substances, energy efficiency, renewable energy, adapting to climate change, Conservation and</i>

	as well as measures for supporting the shift towards carbon under TO 4 , environment protection under TO 6 and sustainable transport under TO 7 .	regional and sea-basin strategies)			<i>Revitalisation of Cultural and Natural Heritage; Promotion of Diversity in Culture and Arts within European Cultural Heritage)</i> ▶ Swiss – Romanian Cooperation Programme (areas financed from this contribution: <i>Environment with a focus on contributing to the renewable energy management in municipalities)</i>
6 Promoting the environment and promoting resource efficiency	Need to be synchronized with the financed intervention and with the measures to promote the good environmental practice in business under TO 3 , measures for reduction of the carbon emission under TO 4 , and measures for agriculture, forestry and fisheries , as well as measures for promoting climate change in TO 5 .				
GOVERNANCE (TO 2, 11)					
Thematic objective	Correlation (according to PA, chapter 1.3)	Policy area	ESI Programmes	EU instruments	National indicative programmes and foreign assistance
1 Enhancing institutional capacity and an efficient public administration	Actions under this thematic objective may contribute, if relevant, to related interventions identified under TO 2 , aimed at access to ICT.	Public Administration ICT Justice Territorial & Regional development (including ITI, CLLD, ETC and macro-regional and sea-basin strategies)	AC OP COMP OP TA OP		Bilateral aid ▶ 2009-2014 EEA and Norway grants (fields supported/ to be supported: <i>Strengthening the development of the civil society and an enhanced contribution to social justice, democracy and sustainable development (NGO Fund), Schengen Cooperation and Combating Cross-border and Organised Crime, including Trafficking and Itinerant Criminal Groups; Capacity-building and Institutional Cooperation, Judicial Capacity-building and Cooperation, Correctional Services, including Non-custodial Sanctions)</i> ▶ Swiss – Romanian Cooperation Programme (areas financed from this contribution: <i>security, stability and support for reforms (border security, management capacity at local and regional levels, modernization of the judicial system, etc.)</i>)

2.2 EX-ANTE VERIFICATION OF COMPLIANCE WITH THE RULES ON ADDITIONALITY

Romania, although is not a member of the Monetary Union, supported the new economic governance promoted by the EC. Romania joined the „Treaty regarding the stability, coordination and governance in the economic and monetary union” („Fiscal Pact”), engaging to continue the fiscal consolidation process as to ensure the public finance stability.

A key concept used by the Stability and growth pact and with a growing role in the configuration of the future national budgetary policies following the adoption of the Fiscal Pact is „medium-term budgetary objective” (MTO) specific for each country.

MTO for Romania is -1%, which means that the structural budgetary deficit should not exceed 1% from GDP in the medium term. Romania undertook the commitment according with Convergence Program to achieve this objective from 2015.

A second European provision which can influence the future evolution of the indicators of additionality analysis is the one regarding the dynamics of the budgetary costs, that do not have to exceed the one regarding the GDP.

Romania has demonstrated his commitment for the stability of the public finances scrolling with success 2 agreements with EC and IMF and has managed to reduce significantly the budgetary deficit.

After the macroeconomic stabilization, the next stage for Romania is the implementation of the measures to ensure the sustainable economic growth and the implementation of the structural measures, as is provided in the new precautionary agreement discussed with CE and IMF. This action requires the significant investments in economy, including from European funds financing.

Consequently, is estimated that until 2020, due to the reducing share of expenditures of the general government in GDP, the budgetary costs with the fixed capital gross will increase their share in GDP. This evolution will be recorded given that the medium-term budgetary objective it will be -1% starting with 2015.

In November 2013, it was processed a budgetary adjustment and a new budget projection for 2014 was agreed with the IMF and EC.

As a consequence, the budget deficit targets were adjusted upwards with 0.2 percent of GDP for the years 2013 and 2014 and the total budget expenditure as share in the GDP were adjusted accordingly.

The increasing of costs for the projects with EU co-financing involves a share public GFCF over 5% of GDP, both in the medium term, and in 2017-2020 period.

	2013	2014	2015	2016	2017	2018	2019	2020
Expenditure of the General Government as a share of GDP (TE)	34.9	35.3	35.1	34.9	34.6	34.4	34.2	34.0
Gross Fixed Capital Formation as a share of GDP (P51)	4.7	5.1	5.0	5.3	5.5	5.6	5.7	5.8

At national level, the less developed regions cover more than 99% of total population.

2.3 SUMMARY OF THE ASSESSMENT OF THE FULFILMENT OF APPLICABLE EX-ANTE CONDITIONALITIES

It is well known that ex-ante conditionalities are an essential part of the preparations for the next programming period. They represent pre-conditions that Romania will have to fulfil and are linked to the effective and efficient use of ESIF. Starting with November 2012 Romania identified the applicable ex-ante conditionalities (specific and general), made its first assessment of the ex-ante conditionalities fulfillment and determined their degree of fulfilment of the all criterias. For the ex-ante conditionalities or criterias not fulfilled, Government of Romania adopted in February/March 2012 action plans in order to establish the actions to be taken, the bodies responsible and the timetable for the implementation of those actions in order to fulfill it no later than 31 December 2016.

Following the last version of the Guidance of ex-ante conditionalities circulated by the Commission, Romania started the second self evaluation of the ex-ante conditionalities fulfillment and in February 2014 will up-date action plans for conditionalities fulfillment in due time.

The ANNEX IV will present a summary of all applicable general and thematic/fund-specific ex-ante conditionalities at national level and action plans for the ex-ante conditionalities or criterias not fulfilled.

2.4 THE METHODOLOGY AND MECHANISM TO ENSURE CONSISTENCY IN THE FUNCTIONING OF THE PERFORMANCE FRAMEWORK IN ACCORDANCE WITH ARTICLE 19 OF THE CPR

Methodological approach to ensure consistency in selection of indicators across programmes and priorities

According to the General Regulation on the ESI funds and the EC guidelines, there are three categories of indicators to be included in the programme performance framework. They are financial, output and, where appropriate, result indicators. In a situation where no measurable output is expected by the end of 2018, a key implementation step should be used to set a milestone.

As regards EAFRD, the methodology for the performance framework will be in compliance with the fund specific rules, namely the common monitoring and evaluation system, taken into consideration the mandatory common indicators provided by the Commission, as well as the NRDP indicator plan drafted based on the analysis and intervention logic of the programme and setting up the targets and milestones for the performance framework. In this respect a pre-defined list of 20 common performance indicators (financial and output indicators) derived from the Indicator Plan and applied at priority level will be used.

The milestones will be set up taking into account the estimated achievement of the targets against the analysis and programme specificity, the complexity of the operations proposed as well as the implementation schedule of each measure.

There should be only one financial indicator to be used in programmes, namely:

- in the case of ERDF, ESF, CF and EMFF, the financial indicator is *the amount of eligible expenditure paid to beneficiaries*, entered into SMIS 2014 or, as the case may be, MIS for EMFF or MIS for ETC;
- in the case of EARDF, the financial indicator is *expenditure on completed operations for which the final payment to the beneficiary has been made and which has entered into the operations database of a rural development programme's monitoring system*.

The following approach¹⁷⁶ for ensuring the needed consistency for the selection of output indicators at both programme and Partnership Agreement level will be applied:

- identifying the intervention fields corresponding to each priority and related EU budget financial allocation;
- compiling a correlation table between investment priorities and output indicators, by adding output indicators defined in the proposed programmes;
- identifying common intervention fields and difference in the label of indicators corresponding to the same intervention field;
- proposing a unified output indicator label as much as possible;
- incorporating the unified output indicators in the revised programme and in correlation table;
- choice for the performance framework of that output indicator from a priority which correspond to the intervention field with highest allocation;
- assessing, with the support of ex-ante evaluators, to what extent selected outputs indicators are expected to have an achieved value by the end of 2018. If expected outputs are insignificant, then implementation steps are to be defined.

Implementation steps should be formulated in such a way that a yes/no answer can be given with certainty in end 2018, when the question on their fulfilment is raised. In order to ensure the homogeneity, the key implementation step should be the same for similar types of intervention as a general rule.

In terms of result indicators, Romania will not adopt them in the performance framework considering that they are not appropriate because of the timing when results can be achieved and the need for evaluation to disentangle the effects of the policy from those of factors external to the programme.

Methodological approach to ensure consistency in setting milestones and targets

Ex-ante evaluators at the level of programmes funded by ERDF, ESF and CF are asked to propose and implement a methodology for setting milestones and targets for the performance framework of each programme. Since all these evaluations are commissioned and managed by the Evaluation Central Unit of the Ministry of European Funds¹⁷⁷, a first pre-requisite in ensuring consistency in setting milestones and targets across programmes and priorities is in place.

In this respect, ECU will act towards ensuring coherence between methodologies for setting milestones and targets for the performance framework by:

- assessing the methodologies proposed by ex-ante evaluators;
- identifying differences in methodologies and possible consequences together with evaluators;
- reaching a common agreement with the ex-ante evaluators on the proposed methodologies.

Monitoring mechanisms to ensure early detection of potential performance issues and the system for the follow-up of detected issues

Recognising that 2018 is a late reference date for remedial measures to be implemented in order to rectify a possible failure in 2022, a forecasting tool will be developed for the indicators included in the performance framework, whenever possible, based on experience gained and using, at least for the first years of implementation, data sets related to the 2007-2013 programming period. If significant differences appear between forecasted values and the milestones and targets of the performance framework, an ad-hoc evaluation will be triggered to identify the causes and issue recommendations for their alleviation.

¹⁷⁶ The approach will be applied for ERDF, ESF, CF and EMFF. For the EAFRD, the Managing Authorities must use selected common output indicators for each priority. These indicators will be defined in the EAFRD's common monitoring and evaluation system.

¹⁷⁷ Except those for programmes under the ETC objective

2.5 MEASURES TO REINFORCE ADMINISTRATIVE CAPACITY

The needs for the reinforcement of administrative capacity of the authorities and beneficiaries

In order to continue the strengthening process, and with a view to the 2014- 2020 programming period the Ministry of European Funds has commissioned an assessment of the administrative capacity of the institutions with responsibilities in the management of CSF funds as part of the Ex-ante evaluation of the Partnership Agreement. A first assessment, focused on the 2007-2013 experience, has been carried out and will be followed by two subsequent assessments, to take place during the time that the process of setting up the institutional framework for 2014-2020 will progress. The assessment covers the administrative capacity of the authorities and the beneficiaries, both of whom contribute to the operational programmes performance.

A summary of the main needs for improving the administrative capacity of the authorities and beneficiaries, based on the conclusions of the assessment, is presented below.

The administrative capacity of the authorities

For the 2007-2013 programming period, the institutional set up, the formal allocation of responsibilities, and the establishment of the internal rules comply with the requirements of the regulations, but **the proper functioning of the institutions and of the whole system is a key issue**. The coordinating bodies (e.g. ACIS) and a number of the MAs did not have sufficient authority to ensure consistent approaches, simple and coherent procedures, the avoidance of overlaps of responsibilities, and the effective implementation of action plans across institutions in order to resolve the key problems.

Since the beginning of year 2011 the Romanian Government implemented the Priority Action Plan for increasing the capacity to absorb Structural and Cohesion funds (PAP), whose overall objective was to address the problems and deficiencies that affect the most the implementation process of structural and cohesion funds with a view to removing or reducing significantly of the obstacles to absorption.

With the view to secure the absorption objectives and to prepare the future programming period, a new action plan for improving the administrative capacity for EU funds management was elaborated in November 2012 and discussed with the services from EC in the beginning of 2013. The Plan for the Administrative Capacity takes over the measures still in progress from the PAP and includes new measures comprising development of procedures, methodologies and protocols to strength the administrative capacity of the public authorities responsible with EU funds management, project implementation assistance for beneficiaries, and the preparation of institutional architecture for the management and implementation of European Structural and Investments Funds 2014-2020. The Plan is now under development and it will be submitted to the EC by the end of the October.

The experience of the current programming period indicates the fact that **increased authority of the management and coordinating bodies, stability of the organisations' structures and the whole overall framework** have to be ensured, in order to improve the institutional performance and the inter-institutional cooperation.

A significant number of organisations in the system had **difficulties in ensuring the adequate human resources both quantitatively and qualitatively**. The austerity measures undertaken in 2010 blocked the resourcing that was required by the volume of work and the increasing number of contracts in implementation. The significant salaries cuts in the whole public system generated a high turnover, high vacancy rates and resultant increased workloads on the existing staff. The **management and the human resources function** in the organisations were not able to find solutions to these problems, and the technical assistance resources were not used sufficiently enough to cover the internal lack of resources mainly due to the difficulties of the public

procurement processes. The assessment revealed **an insufficient capacity of the organisations to effectively use HR policies and practices** to ensure adequate resourcing and to respond to the challenges.

The assessment indicated a number of issues that need to be addressed to ensure proper functioning and an adequate level of performance of the staff including improved HR planning based on the effective use of workload analysis and an improved reward system linked to performance able to motivate and retain good professionals and stimulate performance. A shift from a competences and process based approach to a **“results based” performance management one is needed to better orient efforts toward the OPs performance targets.**

The training function has to ensure **the continuous development of the staff** in all areas and **in specific interventions for the critical areas expertise identified**, e.g. state aid, environment regulations, risk management, internal audit, public procurement, financial management and control, EU and national legislation and management skills. Technical assistance should be available for the cases where it is not efficient or possible to build the expertise needed in-house.

The experience of the current programming period shows that the **systems and tools** were created and put in place, covering the necessary processes in all phases of the programme cycle, but **many of them are not properly used and are not effective.**

The occurrence of irregularities, some of which were of a systemic nature, and mainly in the public procurement processes, required urgent measures to be imposed to **strengthen the management and control systems.**

The overregulated system, complicated and unclear procedures, excessive bureaucracy and high administrative burden has slowed down and even blocked the processes, mainly at the expense of the beneficiaries.

Improvements are needed to strengthen the management and control systems, simplification of operations, procedures and reduction of the administrative burden.

The administrative capacity of the beneficiaries

The programming period 2007-2013 was **a challenge for the beneficiaries**, due the new rules that were significantly different than those applied in the pre-accession programme, the larger sizes of the projects and in some cases involvement of the same entity in a large number of projects.

The capabilities continue to be built and included **creation and strengthening of dedicated departments** for project development and implementation, competences development through formal training and through learning by doing. In the case of private beneficiaries, who are accessing funds for their own development, the capacity for project development and implementation relies mostly on outsourcing the services to consultancy companies. The capacity to manage projects varies depending on the type of beneficiary.

An important segment of beneficiaries are the public institutions from the local level (counties and localities), the main operators in environment and transport, institutions in education and labour market sector, etc., who are responsible for a large amount of funding to be absorbed and the corresponding achievements. The **project management capacities built in these institutions are a strong basis for further development.**

Nevertheless, the level of performance of the operational programmes and individual projects indicate the need for improvements in all types of beneficiaries. In the case of the large public beneficiaries, **strengthening of the organisational capabilities** to ensure sustainable capacities for project management is a key need and includes improved management and control systems, better integration with other functions of the institution, and improved competences in specific areas of expertise. **Public procurement, project management skills**, continue to be the training priorities,

partially due to the lack of clarity and changing guidelines, procedures and instructions, unfriendly support tools, and variable interpretation of the procedures at different levels of control. Continuous development in project management with a better focus on development qualitative issues will remain a priority need for the next programming period. Evaluations have also indicated **limited technical capacity** in specific areas and a **low quality of the technical documentation** mainly for infrastructure projects. There has also been indicated **staffing difficulties, shortages of skills, and project managers or consultants** in the case of specific beneficiaries or specific sectors, (e.g. public administration in smaller localities and rural areas or specific sectors with that have benefitted less from public investments in the past, such as waste management). The beneficiaries need to improve capacity to use outsourced services in order to compensate for the gaps in their internal resources.

In the case of private and small beneficiaries, they have to be ensured **simple procedures, clear guidelines** and **easy access to consultancy services** in terms of availability and affordability, depending on the type of beneficiary, to successfully access, implement and manage ESIF supported initiatives.

On the supply side, the consultancy services have to evolve to respond to the market needs. **Fair competition, with clear implementation processes and a focus on quality** instead of administrative compliance, will enhance the development of the consultancy services market.

An important factor influencing the beneficiaries' capacity to implement EU funded projects is the limited capacity of the beneficiaries to mobilise financial resources for co-financing and the cash-flow needed for implementation. The beneficiaries encountered additional difficulties due to large delays of the reimbursements, difficult access to pre-financing, bank loans and changing loan conditions between the application and the contracting date. **The limited capacity to mobilise the financial resources remains a key issue and risk factor for programmes performance.**

There is a need to improve capacity of the beneficiaries to manage projects, the project management and technical skills, access to support services and financial resources.

National response to address weaknesses in the capacity of authorities and beneficiaries

<i>The lessons learned from 2007-2013 indicate the need to ensure sufficient power to the coordinating structures and MAs to ensure an effective management and coordination.</i>	<i>National response: Redesign of the institutional framework strengthening the management and coordination functions</i>
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The redesign of the institutional framework aims at strengthening the management and coordination function. The centralisation process has already started with the creation of the Ministry of European Funds, a structure dedicated to the management of the system, with sufficient power over the structures in other ministries to ensure more coherence and better coordination.

The 2014-2020 Romanian institutional framework, as shown in the diagram below (Figure X) will concentrate the management functions in three core line ministries that have already demonstrated good management capacity: The Ministry of Regional Development and Public Administration; The Ministry of Agriculture and Rural Development; and The Ministry of European Funds.

The Ministry of European Funds will accommodate the MAs for a number of OPs for which management and coordination strengthening has proved to be needed (competitiveness, human capital, and infrastructure). The Ministry will also be responsible for the system coordination.

In this way **limiting the dispersal of functions, empowering the coordinating structures, increasing the coherence between management and control systems and streamlining of the procedures** will create a favourable environment for performance at all levels.

The intermediary bodies, again similar to the Polish model, will be located in ministries/institutions with responsibilities in the specific sector, ensuring a continuation as much as possible of their previous experience in the 2007-2013 programmes cycle, either as IBs or in some cases as MAs. The existing regional structures will be used to ensure close contact with beneficiaries at all territorial levels and avoiding the creation of new structures.

<i><u>The lessons learned from 2007-2013 indicate an insufficient capacity to use HR policies and practices to ensure adequate resourcing, continuous development of the human resources and an effective performance management, able to respond to the challenges of the system.</u></i>	<i><u>National response:</u> A horizontal policy for human resources involved in the management of the EU funds and support for introduction of effective HR practices</i>
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The policy intervention will be structured in the form of a long term plan that will include measures with short and medium term actions with its starting point the Action Plan that is currently under preparation for improving the administrative capacity in the current programming period. The measures will define a renewed human resources policy that will address the key weaknesses in the human resources area including planning, the effective use of comprehensive workload analyses, more efficient recruitment, and a performance management system based on results linked to a reward system.

The TA will be used to support the effective implementation of the HR policy including creation of the capacity, development of the tools and implementation. The measures will be coherent with and enhanced by the interventions undertaken within the entire public administration system to improve the administrative capacity

<i><u>The lessons learned from 2007-2013 indicate Improvements are needed to strengthen the management and control systems; Simplification of operations, procedures and reduction of the administrative burden.</u></i>	<i><u>National response:</u> More efficient systems and tools at all levels of implementation</i>
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The implementation system will be streamlined including the reduction of the administrative burden on the European Structural and Investment Funds beneficiaries, according to the results of a study that is currently being tendered. The application of the options for simplified costs and setting up of global grants are also envisaged to be utilised whenever appropriate. Preparations are on-going for moving towards a paperless system for exchange of information between authorities and also between authorities and beneficiaries. Simplification is also expected following the implementation of the World Bank recommendations included in the study regarding „Improving the National Framework for Preparing and Implementing Public Investment Projects”.

<i><u>The lessons learned from 2007-2013 indicate a need to improve capacity of the beneficiaries to manage projects, the project management and technical skills, access to support services and financial resources.</u></i>	<i><u>National response:</u> More effective technical assistance and financial support for beneficiaries in parallel with a reduction in administrative burden</i>
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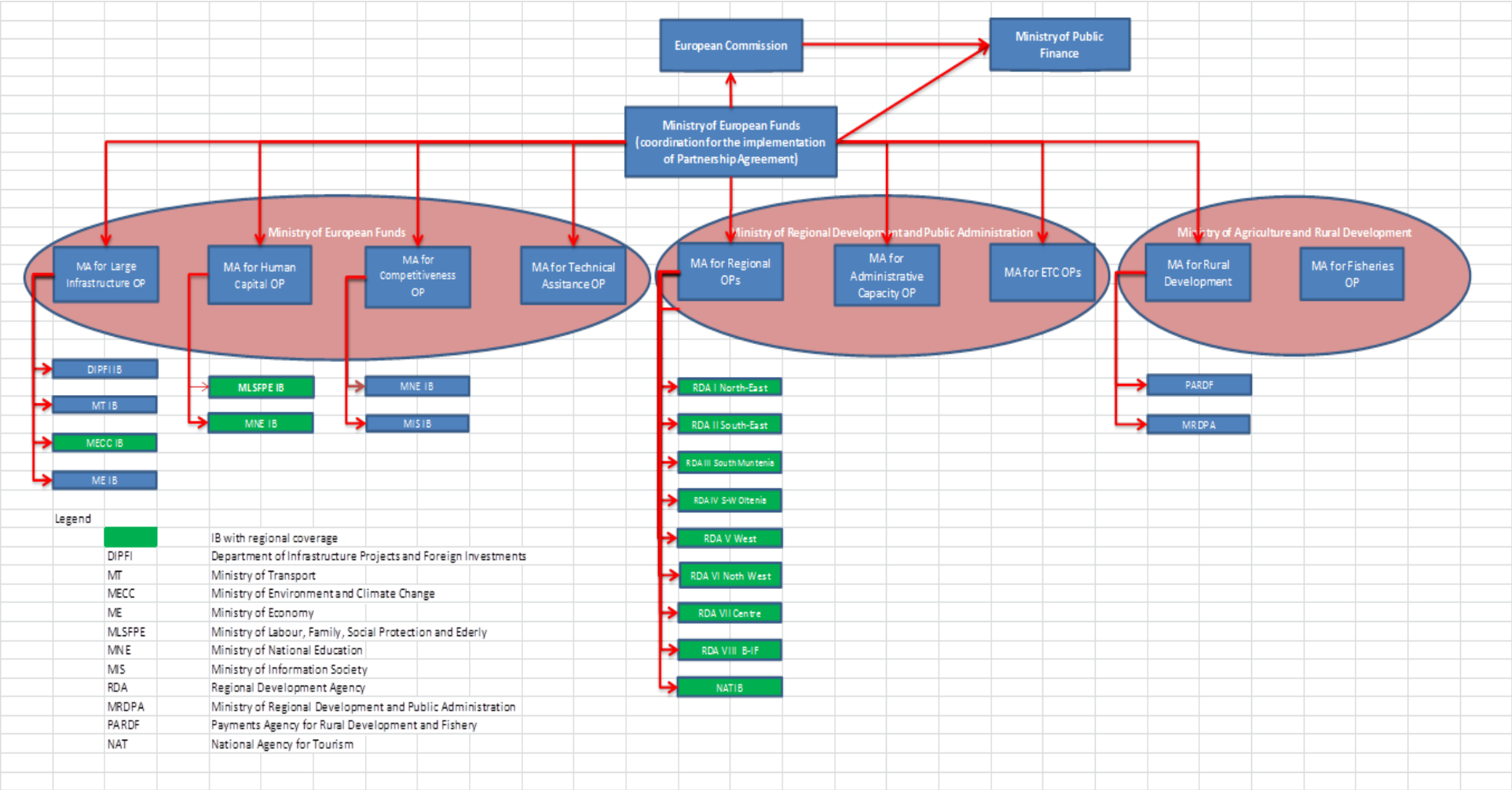
Among the envisaged measures of the Action Plan for improving the administrative capacity for the use of the European Funds are a number of initiatives dedicated to address the weaknesses outlined by the assessment of the beneficiaries’ capacity. Among them, are the following:

- Elaboration of a comprehensive guide of good practices and avoidance of the main risks in public procurement
- Standardisation of procurement documents
- Centralised help desk and assistance for project implementation

- Implementation of an annual training programme for EU Funds beneficiaries
- Effective use of the instruments encouraged by the regulation for larger outreach of funds and closer to final beneficiaries needs - global grants, joint action plan, results-base approach

In terms of financial resources, it should be noted that a new financial support mechanism has been recently introduced allowing for the reimbursement to be made directly to the provider of the invoiced expenditures. An evaluation of the pre-financing mechanism has also taken place proposing an optimised scheme for the use of pre-financing per type of beneficiary and type of projects that will be considered for the next programming period. A financial mechanism is under development in order to ensure in time availability of financial resources for projects implementation.

Figure X: 2014-2020 Institutional structure



2.6 ACTIONS PLANNED IN THE PROGRAMMES TO ACHIEVE A REDUCTION IN THE ADMINISTRATIVE BURDEN FOR BENEFICIARIES

Administrative burden

The actions envisaged by Romania for reducing administrative burden for beneficiaries rely on their general definition, as the additional administrative work and costs necessary for the beneficiaries to receive and use ESI funds.

EC have analyzed in the study “Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds (ERDF and Cohesion Funds)” the administrative burden for the various types of funded actions for the EU27 in 2007-2013 as well as the impact of the legislative changes of the regulatory framework for the next period of programming 2014-2020. According to the mentioned study, the total aggregate administrative burden for the present period of programming corresponds to approximately 2% of the total ERDF and CF contribution. This analysis was based on interviews and in depth case studies carried out for 22 operational programs in 10 Member States, including Romania. This selection covered all three different types of implementation systems (centralized, regionalized, mixed) and provides a good balance between old and new Member States. Two operational programs were selected for each Member State balancing different factors which have been identified as crucial i.e. financial volume, thematic orientation and geographical coverage. From Romania 2 large sectoral programs, Environment and Transport Ops, were considered.

Taking into account that the abovementioned study covered only two Romanian OPs, Ministry of European Funds has under contracting an evaluation study for analyzing the administrative burden on beneficiaries of Structural and Investment Funds.

The study has as first assignment identifying information obligations of the beneficiaries of structural and cohesion funds and of the EU Common Agricultural Policy due to the application of European legislation at national level and the administrative activities to be undertaken to meet these obligations.

Based on this analysis, administrative costs will be calculated. Taking into account that the main purpose of this evaluation study is to identify measures to reduce the administrative burden, the cost calculation will be based on a simplified methodology (using mainly the time parameter), and will be focused on administrative costs for private beneficiaries of structural funds.

Evaluators will make a selection of the most burdensome information obligations based both on size of administrative tasks to be undertaken and on perceptions of interviewed beneficiaries. The analysis will be performed on each operational program taking into account the financial size of projects and the types of contracts and expenses (works, supplies, services, etc.).

The evaluation will also analyze the impact of changing requirements from the draft General Regulations on administrative costs and administrative burdens related to the implementation of European Structural and Investment Funds. This should include not only the cost reduction estimation but a qualitative analysis of these changes.

The report will provide recommendations and simplification tools for reducing administrative burdens accompanied by an estimation of the administrative costs reduction.

In three months after the start of the contract a first evaluation report will be provided that will contain the administrative burden identified and general simplification proposals to be included in the Partnership Agreement.

The final evaluation report will include more specific proposals to reduce administrative burdens detailed at a level of each operational program.

Considering the simplified cost options presented in the Regulation, the Ministry of European Funds has under contracting a study for identification of the areas and operations where unit costs could be used and the design of related calculation methodology. Related to the flat rates for indirect costs,

payments based on indirect costs could be too complex for some beneficiaries (e.g. local authorities, universities) and irrelevant for others (e.g. large infrastructure projects). However, in the case of smaller projects, flat rates are expected to reduce administrative costs related to project preparation and managing the support documents for payment claims. Use of lump sums will be also considered whenever appropriate.

Romania intends, along with the use of simplified cost options, to consider:

- *measures for simplification, predictability and greater stability in the legal and regulatory environment*, because a significant contributory factor to administrative burden has been the number of amendments to documents and procedures that have resulted from changes to laws and regulations.
- *improving communications with beneficiaries* that will be facilitated both through extension of the existing user network and further investment in better help-desk support.
- *improving quality of written guidance*: guidance documents and manuals will be updated whenever necessary and will be accessible online.
- *continuing simplification of procedures* of the MAs and IBs in relation to the appraisal and, selection of projects, as well as of the requirements and checks during project implementation.
- *streamlining of monitoring and evaluation requirements*. Forms and processes for the 2014-20 period will be proofed for *utility* (why is this information needed; what will it be used for; will it actually be used) and for *proportionality* (is this information a reasonable request; is it actually necessary to meet the requirements).
- *shifting to paperless systems* using electronic exchange of data between authorities and beneficiaries.
- *further harmonizing requirements of various structures, eliminating overlapping and unnecessary checks*.
- *a progressive mainstreaming of risk-based management*, with the concentration of checks and audit in areas where risk is assessed to be greatest, in terms of
 - the technical aspects of projects.
 - the financial scale of projects.
 - the capacity / track record of the beneficiary.
 - potential for default and fraud.
- further to that, Romania pay attention to the results of the study „*Improving the National Framework for Preparing and Implementing Public Investment Projects*” implemented by the World Bank, such as: adding sector specific requirements and guidance to the feasibility studies, limitation of CBA to those projects where the size and complexity justify it and using alternative evaluation methodologies (cost effectiveness or multi-criteria methods) .
- revise sectoral legislation to provide clear and detailed procedures for the archaeological related permitting process, including clearly-defined compulsory stages, institutional responsibilities and approval timelines.
- develop a comprehensive Code for renewable energy projects to map primary and secondary legislation, permits and procedures applicable to RES projects, in order to make all changes in legislation more transparent for potential beneficiaries in a timely manner.

3. INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT SUPPORTED BY THE ESIF OR A SUMMARY OF THE INTEGRATED APPROACHES TO TERRITORIAL DEVELOPMENT BASED ON THE CONTENT OF THE PROGRAMMES (ARTICLE 14(2) (A) CPR)

The diversity of Romanian territory, highlighted by the analysis of disparities, makes it necessary to adapt measures to territorial specific features thus **there are certain categories of territories for which specific policies are to be elaborated**. For example, in sparsely populated territories, that are also facing a high degree of isolation (Danube Delta, some higher mountainous areas), the main objective of policies will be to maintain the population within the area. Also, for territories such as the **coastal area, mountainous areas, cross-border areas, rural peripheral areas**, that are facing specific problems **need to be treated in an integrated manner**.

Romania's development strategies (Spatial Development Strategy and National Strategy for Regional Development), aim to ensure **a balanced and sustainable development of the national territory, to increase competitiveness in the growth areas, while ensuring social and environmental protection**, emphasizing the role of regions in promoting national growth taking into account their potential.

The main policy lines regarding integrated territorial development are in accordance with National Spatial Development Strategy and World Bank study *“Competitive cities. Reshaping the economic geography in Romania”* and imply the following actions:

- stimulating the competitiveness of main urban agglomerations as development engines of the regions and supporting their access to global flows and markets (national/international level);
- ensuring better connections of the less developed areas to the development engines and stimulating the cooperation of cities with their hinterland in order to concentrate the available resources and to allow the lagging areas to benefit as much as possible from the spill-over effects (regional level);
- ensuring the equitable access to services of general interest and supporting the deprived communities (local level), in order to increase the quality of life in all the cities and regions.

Following these strategic elements, the potential identified and the territorial disparities, the following **territorial development priorities** are set out for 2014 – 2020 period:

- **Improving the quality of life for local and regional communities in order for Romanian regions to become more attractive places to live in, leisure, invest and work.**

This territorial priority is based on the recognition that each region has its own economic and development potential and specific characteristics, the main objective being to fully maximize this potential in order to contribute to national economic. It is thus important to improve the economic and social performance of each region, by counteracting factors and elements that hinder economic performance and promote development opportunities in each region.

- **Promoting rural-urban partnerships**

The Romanian territory is essentially rural (almost 90 % of the total national area belongs to rural administrative units), therefore the future interventions aim to ensure the acceleration of restructuring and modernizing processes in rural space, for an economic integrated and sustainable development of the rural areas, taking into account the typology of these areas. In the same time, priority will be given to ensure complementarity between different sectoral interventions and rural development interventions.

- **Consolidating the urban network by polycentric development and territorial specialization**

Development often requires economies of scale and scope and large markets, usually enabled by large cities. Romanian large cities, like other economic centres in the world, are not separated with surrounding rural areas, but are part of larger systems. These cities have expanded outward in the last two decades, and now forming functional economic areas that exceed the administrative

boundaries, creating employment opportunities and promoting the development of education, business and leisure

Romania's current growth poles policy defined **7 growth poles**, one for each development region beyond Bucharest-Ifov.

The current approach will be refined based on experience of 2007-2013 programming period. A better definition of interventions in areas around urban centres will be given through a prioritization of investments tailored to the specific profile of each urban agglomeration in line with the objectives expressed in the integrated development plans and by capturing de facto functional economic areas. An integrated approach will look not only at geographic coverage, but also at functional coverage and sectoral synergies. Institutional frameworks governing functional urban areas and implementation and monitoring of IDPs, will be better addressed for ensuring enhanced capacity building. Better policy correlations with economic development policies having a territorial dimension will be considered.

- **Increasing accessibility and connectivity**

Increasing the accessibility to the large urban agglomeration and improving accessibility between major urban agglomerations and smaller towns in the proximity or in the area of influence are priority objectives, in order to ensure increasing mobility of people (for better access to jobs and services) but also of food products and of other goods.

There are numerous implications of the transport network on territorial development. At sub regional level, an inadequate transport network hinders the development of small and medium towns and of rural settlements, major investments are needed to overcome natural barriers (Carpathians, Danube) but also to get out of the relative isolation all areas affected, with an special attention to investments in railway in order to support the intermodal transport, in correlation with the investments made to consolidate the major cities.

- **Equitable access to services of general interest**

The connection of rural areas to the major transport network and to the public utilities of higher (urban) level is generally low and is a major problem for development opportunities.

Promoting social inclusion of marginalised communities is particular important for combating poverty and social cohesion in urban areas. This is why it is necessary to ensure a territorial balance concerning the access to services of general interest, given the clear discrepancies between more developed territories and less developed ones, as well as between densely populated and sparsely populated areas. Ensuring equitable access to services of general interest is also the most important component of the combat against poverty and also contributes to prevent the expansion of this phenomenon.

3.1 THE ARRANGEMENTS TO ENSURE AN INTEGRATED APPROACH FOR THE TERRITORIAL DEVELOPMENT OF SPECIFIC SUB-REGIONAL AREAS

3.1.1 Community-led local development / Leader local development

The Community Led-Local Development is an important tool for Romania to reduce the territorial unbalances through the involvement of local communities to take concrete steps towards economic development.

The local partners will have to design and implement integrated strategies by taking into consideration the local needs and potential and to include innovative features in the local context.

LEADER 2014-2020 will highly contribute to a smart development of the **rural areas**, addressing mainly local development needs in terms of business, agriculture, health, social services and related infrastructure, culture and the environment, enabling the implementation of integrated projects with an innovative multi-sectoral and cross cutting approach in the future rural development program, thus meeting the needs of the rural population and fulfilling the targets of the Europe 2020 Strategy.

Although LEADER will be entirely programmed under RDP priority 6 which contributes to TO 9, it will also contribute also to other thematic objectives such as TO 1, 2, 3, 4, 5 and 8. As part of the LEADER approach, territorial cooperation projects will be envisaged complementary to other territorial cooperation initiatives.

Given the small size of the projects and the specific bottom-up approach of LEADER and based on the **experiences/lessons learned** from the implementation of the NRDP 2007-2013, it will be relevant to finance operations to capitalize on local resources and promote local specificity either through classical measures or specific measures needed to maintain the innovative character of LEADER.

In order to avoid deficiencies in reaching the targets of the local development strategy well skilled, trained and LEADER motivated people, as members of the Local Action Group, are one of the main preconditions for success.

The main objective of **CLLD in fisheries areas** will be to increase the employment and territorial cohesion for fishery and aquaculture. Local fishing groups have an important role in the development of fishing communities. So far have been selected 14 local fishing groups covering a total area of 22,659.73 square kilometres and a population of 884.435 inhabitants. However, it is necessary to support existing FLAGS and to focus on the creation of new partnerships.

In urban areas CLLD will aim to increase social inclusion and to reduce the poverty among disadvantaged communities within Romanian cities. The most relevant criteria for defining those communities are **human capital, employment** and **housing quality** having as result three main types of urban disadvantaged communities:

- communities with poor access to infrastructure, located particularly in houses situated at the city periphery, poorly endowed with utilities and without modern roads. This type of urban communities may be found both at the level of locality (mainly the newly administratively declared towns or the agricultural small towns) and at the intra-city level (usually peripheral neighbourhood, but not only) within the middle and large cities of the country.
- communities that are economically disadvantaged, located particularly in (small) mono-industrial or agricultural towns, formerly dependent on a large state enterprise or an agricultural cooperative. The majority of these settlements are (rural) communes that only administratively were declared towns, most often being poorly endowed with urban utilities (thus falling also under type 1 above). The own revenues to the local budget are very low, also being dependent on the redistribution mechanism from the central budget.
- isolated poor zones located in small areas within a city that consist of groupings of houses or blocks of flats, which cumulate all types of disadvantages. For identifying poor zones, measures (indicators) at the locality level are not useful or are even misleading, since these often consist of small isolated poor areas within relatively developed cities and towns in Romania.

The CLLD will be important to be implemented in order to target the local communities needs limiting within the following types of territories:

- **For rural areas** (small towns with a population of up to 20,000 inhabitants and the neighbouring rural area and rural areas without urban centres) will increase the integrated actions – sites skills, investment support – in order to attract investments into Romania’s rural areas and to combat low access to employment and employment opportunities together with the lack of education resources (under TO9 - In the context of ESIF 2014-2020, LEADER contributes to the thematic objective 9 - promoting social inclusion and combating poverty - translated into the Union priority 6 for rural development - promotion of social inclusion, poverty reduction and economic development in rural areas - and the focus area 6 (b) - fostering local development in rural areas);
- **For deprived areas within urban centres** (towns/cities from Romania with deprived areas/neighbourhoods) for example, CLLD can reduce the risk of poverty or exclusion, especially for

vulnerable groups, decrease the number of people living in poverty particularly in regions and territory facing high rate of poverty and to increase the number of participants gaining qualification in social services upon leaving the ESF funded operations (under TO9), topic that can be further developed within the Operational Programmes considering the relevant criteria for disadvantaged communities;

- **For coastal areas where are fishery activities and aquaculture farms**, CLLD will be used to strengthen the link between agriculture, fisheries, aquaculture, forestry and research and innovation, to increase the potential of aquaculture sites, to promote new sources of income, inside the sectors (processing, marketing activities) and outside the sector (environment, tourism, education activities), to protect and encourage biodiversity, to encourage the establishment, organization and functioning of procedures-processing-marketing chain. CLLD will also be used in order to combat low innovation and low knowledge in fisheries and aquaculture fields, poor working conditions related to health and safety on board inland and marine fishing vessels and the risk of poverty or exclusion for people living in disadvantaged regions and territory (under TO3 and TO9).

The **coordination and administrative set-up for CLLD** is concerned, as well as the specific role the local action groups (LAGs), Romania has the following options:

- In case of **CLLD for urban areas**, a multi-fund financing for integrated development strategies will be used considering a Common Selection Committee (ERDF + ESF) for such type of strategies, committee established between relevant Managing Authorities .

- For **rural areas**, LEADER funding through the National Rural Development Programme (RDP) will be provided for EAFRD and is determined on the basis of the Regulation on support for rural development to a minimum mandatory allocation of 5%. A new competition process for the **LAGs** will be financed using the experience already achieved through LEADER in respect of local development

- Fisheries Local Actions Groups (**FLAG**) will be supported to draft local strategies for the next programming period in coastal areas, Danube River, Danube Delta and inland fisheries and aquaculture areas. Also, a call for expression of interest will be launched for new partnerships to help them in the process of drafting local strategies in fisheries areas

The overlapping of LAG and FLAG regarding CLLD and LEADER will be avoided considering that local territorial strategies will be multi fund and the financing of the actions/operations will be mono fund. In this respect, the coordination of the strategies will be ensured through dedicated working groups between relevant stakeholders under the coordination of MEF, together with the establishment of an appropriate mechanism for coordination and cooperation at the level of the future operational programmes. In order to ensure coherence and quality of the local development strategies for urban or rural areas **preparatory support** will be provided through future operational programme.

3.1.2 Integrated Territorial Investment

The Integrated Territorial Investments (ITIs) will use the place-based approach, stimulating the integrated development and the cross-sectoral cooperation at sub-regional level, thus leading to synergies between ESIF and other financing sources (e.g. national or local budget) and avoiding the funding of divergent or disparate projects. ITI is an instrument promoting the integrated use of Funds and has the potential to lead to a better aggregate outcome for the same amount of public investment.

Romania will use ITI instrument in the:

Danube Delta Biosphere Reserve (a unique territory with very specific features: sparse and isolated population, economical specialisation and vulnerability, poor access to services, etc); the elaboration of the integrated strategy for this area has started with World Bank expertise together with the local relevant authorities; the strategy will be implemented through an Action Plan elaborated also with World Bank expertise, that will include the proposed interventions and the mechanisms of implementation;

3.1.3 Sustainable urban development

Sustainable urban development approach provided under article 7 of the ERDF Regulation will be implemented by establishing a priority axis within Regional Operational Programme 2014-2020 combining relevant investment priorities and thematic objectives in accordance with point (c) of the first subparagraph of Article 96(1) of Regulation (EU) No 1303 /2013.

The principles based on which the urban areas are to be identified in order to promote and implement integrated sustainable development actions are as following:

- Actions for urban development considering the specific needs of urban localities based on size and economic potential of them;
- Making use of the provisions of urban planning documentations in order to delimit intervention areas and to set out the types of interventions;
- Defining specific interventions for the identified types of areas, based on functional areas (central areas, residential areas, industrial areas, etc.);
- Interventions on areas to provide an integrated approach and to create visible results, with multiplier effects;
- Establishing selection criteria for urban regeneration projects, the projects will be selected according to the intervention's objective;

From the urban development perspective, priority measures are:

- **Improving environmental quality in urban areas**

Improving the quality of environment in urban areas is to be achieved through the following measures: increase of energy efficiency in cities, encouraging the use of renewable energy in order to ensure the quality of the environment and the reduction of CO₂ emissions, increasing of green areas in public spaces and promoting of non-motorized mobility in order to reduce air pollution.

- **Supporting the development of basic infrastructure and urban mobility for Romanian cities**

The economy of the cities is based on the mobility of persons and goods together with the state and quality of physical urban infrastructure. The essential conditions for an optimal functioning of cities are: accessibility to labour market, attractiveness for business environment, tourism, culture, etc., all influenced by the existence and quality of public infrastructure. A higher mobility of population ensures better access to opportunities (jobs, services) and is extremely important for economic growth.

Despite investments in recent years, the basic infrastructure of cities is still in an inappropriate shape, a series of actions and measures will be undertaken for: development, modernization and promotion of the sustainable public urban transport, promotion of social inclusion including disabled persons in Romanian cities, increasing the quality of public space and ensuring an attractive urban landscape, elaboration and implementation of urban development integrated strategies, focused and adapted to local specific conditions as a tool for inclusion of marginalized communities.

- **Regeneration and revitalisation of urban areas**

Cities in Romania are facing problems related to degradation of the built space, a quality of life below the expectations of most citizens and environmental quality issues. Large housing estates neighbourhoods without any substantial renovations, derelict historical centers, unmodernised public spaces, obsolete or non-existent infrastructure etc. are problems that have become increasingly visible during the profound transformations that characterized Romania last two decades. Due to closure of business activities and low investment capacity of local public authorities more built-up areas were abandoned and turned into degraded sites (industrial and military sites, buildings isolated, degraded public spaces, etc.) in the Romanian cities.

In terms of objectives that are to be financed in all types of cities these are: improving the thermal insulation of residential stock buildings and of public buildings, promoting urban transport, investments in public lighting, urban revitalization and regeneration.

3.1.4 Territorial cooperation

Macro regional strategies: EU Strategy for Danube Region

Due to its geographical position, Romania has a specific predestination for interfacing, mediating, connecting worlds, cultures, businesses. This is one of the main reasons why Romania together with Austria initiated the EU Strategy for Danube Region (EUSDR). Romania's understanding of the macro regional strategies is that above the traditional European territorial cooperation instruments, macro regional strategies create a new platform of cooperation more consistent and substantial. Development resources of the cooperating countries are considered together in a complementary, integrated way for a more inclusive, more intelligent and more sustainable development of the Danube region and each country itself. Implementation of the Romanian development strategy can be leveraged by the implementation of EUSDR objectives, and vice versa.

In this respect the thematic objectives and investment priorities will be in close correlation with the objectives and targets set in the EUSDR Action Plan, foreseeing an alignment of policies and funding, based on the integrated EUSDR approach. The interventions will take into consideration the following areas: **transport infrastructure** (bridges or other possibilities of crossing river; rehabilitation of port infrastructure and development of intermodal and logistic nodes), **investments in education, training, lifelong learning, promoting investments for prevention and risk management, development of electronic services, settlements network** (connection between Danube River and Bucharest; facilitation of cross-border cooperation between pair cities along Danube), **environment** (preservation and protection of the rural protected areas along the Danube River, especially in the Danube Delta), **social issues** (improving social infrastructure – education and healthcare- in the Danube adjacent counties), **economy** (valorization of agricultural, energy and tourism potential of the Danube area), and promotion of the **tourism and culture**. It is also important to mention the future Danube transnational cooperation program that will be funded from ERDF, IPA and ENI. The content of this program will be completed in the course of 2014, his role is **to finance the preparation of small and medium sized projects with a macro regional impact** within Danube Strategy. Romania's programming of ESI Funds in 2014-20 has been designed to make a substantial contribution to the achievement of the objectives of the EUSDR. The threading of the EUSDR through the Romania's Partnership Agreement relative to Pillars and the Priority Areas of the EUSDR is detailed in Annex XXX. The system of EUSDR recommendation letters of the future projects will create a specific pressure on the activity of the EUSDR steering groups, for the 3 priority areas in which Romania is designated as priority area coordinator (PA1.1 Navigability - together with Austria, PA3 Tourism, culture, people to people - together with Bulgaria and PA5 Environmental risks / together with Hungary) Romania is prepared to:

- Create a proper information and communication ICT instrument to facilitate generation and promotion of EUSDR relevant projects. This will be built and operated in Romania and proposed for adoption in the EUSDR European level governance structures and is currently financed from the Romanian Competitiveness OP.
- Prepare proper communication between the EUSDR governance structures and the OP management authorities through the coordination structures and mechanism proposed for ESI funds.
- Support the efforts aiming to institutionalize the cooperation mechanisms necessary to implement transnational objectives adopted in EUSDR. In order to build proper capacity, competencies of the staff working in EUSDR governance structures shall be considered the same to those needed for ESI funds management..

Strategy For the Black Sea Region, following the resolution of the European Parliament in January 2011, is in preparation involving cooperation between the six countries bordering the Black Sea. Reflecting the resolution of the Parliament, the themes of the strategy are expected to be: security

and surveillance, democracy and human rights, energy, transport environment, economic social and human resources development.

While the Parliament envisages the allocation of dedicated funding for the Black Sea Region Strategy, Romania's programming of ESI Funds for 2014-20 is potentially complementary to this agenda in numerous areas illustrated in Annex XXX.

The EU Integrated Maritime Policy of Blue Growth highlights the potential contribution of the marine and maritime sectors towards the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth.

Romania's programming of ESI Funds in 2014-2020 has been designed to make a substantial contribution to Blue Growth. Romania's Partnership Agreement contains:

- specific Funding Priorities addressing Blue Economy Sectors or Blue Economy Focus Areas identified as high relevance in the table below. Examples relate to promotion of Aquaculture with EMFF support and the promotion of Inland Waterway Transport with Cohesion Fund Support.
- general Funding Priorities of potential relevance to Blue Economy Sectors or Blue Economy Focus Areas identified as medium relevance in the table below. These are dependent on projects being prioritised from the bottom up, for example, the scope for support for tourism under the Regional Operational Programme (ERDF) may be expected to result in a project proposal for marina development that would contribute to the Coastal Tourism and the Yachting and Marinas Sectors and to the Blue Growth Focus Area of Coastal Tourism. (Complementarity of ESI funds with the Blue Growth Strategy in Annex XXX)

European territorial cooperation

European territorial cooperation (ETC) is particularly important both from political and economic point of view, focusing on common priorities within specific territories, therefore bringing added value to reach a balanced regional development at the EU level. The cooperation programmes have a significant contribution towards targeting the territorial integration in cross-border and transnational areas, which represents one of the territorial challenges of Romania.

The agreement on the areas to be financed under these programmes follows the decision-making procedure specific to the ETC objective, aiming for a better **coordination** between the ESIF, especially in case of the regional programmes and other EU financing instruments, in order to create and exploit synergies, at all levels of cooperation. Thus, measures are envisaged for the future cooperation programmes both in **planning and implementation** phases.

For 2014-2020, Romania is involved in the following cooperation programmes:

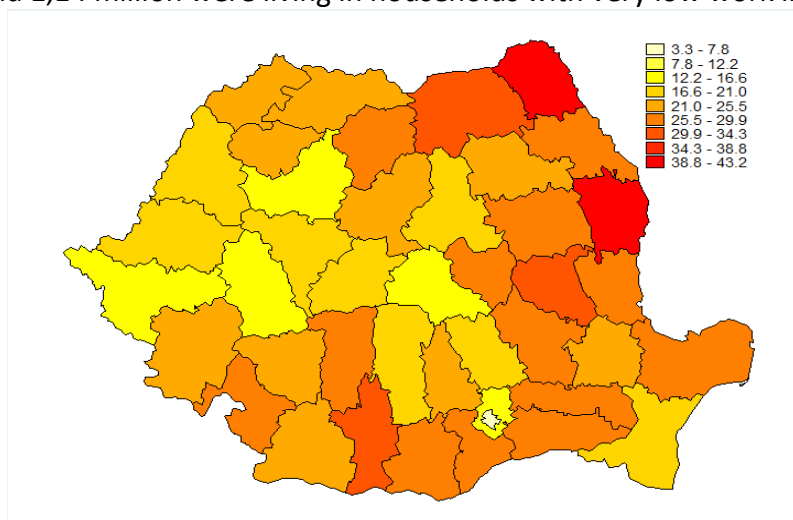
- 7 programmes belonging to the cohesion policy: 2 cross-border cooperation programmes, between Romania and Bulgaria and between Romania and Hungary, 1 transnational cooperation programme (Danube), and 4 interregional cooperation programmes (INTERREG EUROPA, URBACT III, INTERACT III, ESPON 2020);
- 1 IPA cross-border cooperation programme between Romania and the Republic of Serbia;
- 4 cross-border cooperation programmes belonging to the neighbourhood policy, namely Romania and the Republic of Moldova, Romania and Ukraine, at the border between Hungary-Slovakia-Romania-Ukraine, and the Black Sea Basin programme.

Nevertheless, joint actions under these programmes will target: improve research and innovation, the development of tourism and promotion of cultural heritage in the border areas, strengthening cooperation between the relevant communities, supporting the development and improvements of infrastructure, removing the bottlenecks related to cross-border transport flows, waste and water treatment, developing and implementing common solutions to joint difficulties, which are often caused by natural environmental conditions, in fields as climate change impacts, risk prevention and risk/disaster management.

Development of maritime potential (marine knowledge, protection of marine environment, Maritime Spatial Planning and Integrated Maritime Surveillance) may also be addressed through joint actions. In addition, specific actions will be designed in order to enhance cooperation in the energy sector, in order to increase energy efficiency and reduce pollution, as well as to promote the production, use and distribution of renewable energy sources.

3.1.5 The integrated approach to address the specific needs of geographical areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion, with special regard to marginalized communities, persons with disabilities, long term unemployed and young people not in employment or training

In Romania, the extent of poverty and social exclusion is far greater than in most EU Member States, with 40.3% of the population that were exposed to such risks in 2011, compared to an EU average of approximately 24%. In 2011, 4,74 million from the total Romanian population were at risk of poverty (with an income lesser than 60% of the average disposable income), 6,28 million were under severe material deprivation and 1,14 million were living in households with very low work intensity.



Risk of Poverty Rates by County (NUTS 3) –

Source: World Bank staff calculations using 2011 Population and Housing Census and EU-SILC 2011

Romania has the EU largest share of population living in rural areas (45% of the total population) and, according to the NIS data for 2010, the risk of extreme poverty is 4 times higher in the rural areas (8.8%) compared to the urban areas (2.2%).

In terms of regional disparities, the regional analysis reveals that regions with the highest rates of persons being at risk of poverty and social exclusion are: North-East, South West Oltenia, South-East and South Muntenia. At the opposite side, we find the West and the Bucharest-Ilfov regions. Moreover, the West region is also characterized by a relatively stable rate, while South West region had an obvious negative trend concerning the evolution of the rate, from 55.4% (2007) to 21% (2011).

Persons at risk of poverty or social exclusion (%)

<i>Indicator</i>	<i>2007 - 2011</i>		
<i>Area</i>	<i>2007</i>	<i>2011</i>	<i>Growth rate 2007 – 2011 (%)</i>
Romania	45.9	40.3	-3.3
Nord-West	38.3	34.3	-2.8
Center	37.6	28.5	-6.9
Nord - East	55.1	51.2	-1.8
South - East	51	50	-0.5
South - Muntenia	50.3	43.1	-3.9

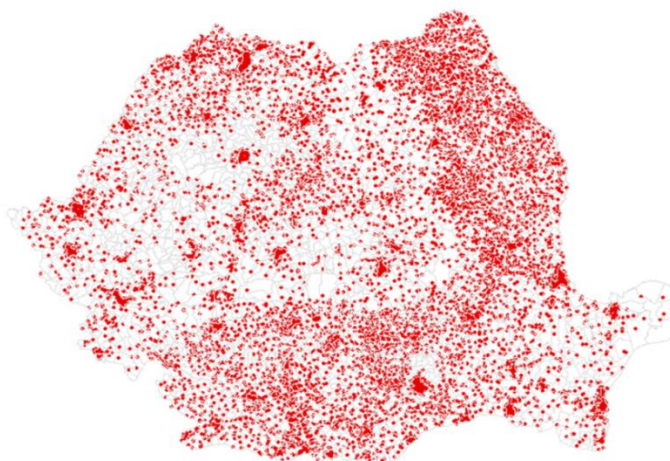
Bucharest - Ilfov	35.1	28.4	-5.3
South – West - Oltenia	55.4	21.0	-5.3
West	34.2	33.1	-0.8

Source: Eurostat

The urban areas affected by poverty include small cities confronting demographic ageing and depopulation, mono-industrial (e.g. mining cities), agricultural cities or newly established cities. Small cities concentrate poverty due to poor physical infrastructure (transport, health, education), in addition, they were heavily affected by industrial restructuring and are very vulnerable to industrial and economic reform which has as a main effect low employment rate and thus instable and poor income.

Isolated localities in mountainous areas or in the regions along the Danube corridor are subject to the same negative trends, due mainly to their difficult geographical positioning and the limitations in terms of activities and employment. The poverty level is very high in these territories and an integrated approach is needed in order to respond to their complex development needs.

The mapping of poverty in rural and urban areas shows a lower risk of poverty in rural localities which are close a large city. In areas where there are no urban centers, or on the periphery of small or underdeveloped cities, the tendency is for poverty to increase.



Distribution of Poverty (LAU 5) – Each dot represents 400 persons living below the poverty line

Source: Calculations from the 2011 Romania Population and Housing Census and 2011 EU-SILC survey

In Bucharest-Ilfov, North East and Center regions the registered rates are under the national average concerning the share of persons who live in households with very low work intensity. The southern Regions of Romania, namely South-West, South Muntenia and South-East, along with North-West region are those in which the share of persons who live in households with very low work intensity, in 2007-2011, is above the national average.

At the national level, in 2007-2011, the weight of people affected by the severe material deprivation varied from 36.5% (in 2007) to 29.4% (in 2011), having a constant negative trend in the above mentioned period of time. At the regional level, the regions with the highest rates of the people affected by the severe material deprivation are North-East region, South-East and South-Muntenia regions and South-West-Oltenia region, at the opposite side being regions Center, West and North West.

Rate of severe material deprivation

<i>Indicator</i>	<i>2007 - 2011</i>		
	<i>2007</i>	<i>2011</i>	<i>Growth rate</i>
Romania	36.5	29.4	-5.4
Nord-West	28.8	23.9	-4.7
Center	27.2	17.4	-11.2

Nord - East	42	38.1	-2.4
South - East	42.3	37	-3.3
South - Muntenia	42	33.4	-5.7
Bucharest - Ilfov	32.6	26.1	-5.6
South – West - Oltenia	44.1	30.2	-9.5
West	25.2	19.7	-6.2

In the rural areas, the main problem is represented by traditional poverty, associated with deprivation in terms of housing and the lack of basic utilities (sewerage and running water):

- 76,7 % from the population in absolute poverty was located in rural areas in 2010, the risk at absolute poverty being four times major in rural areas (8,8%), than in urban areas (2,2%);
- The risk of relative poverty is three times major in rural areas by comparison with urban areas (27,% from 9%), also for rural population there is a small percentage of higher education graduates (3% from occupied population, by comparison with 23% in urban areas);
- Demographic aging is more pronounced in rural areas and poorer areas, this tendency will continue and is anticipated that some regions will lose up until 50% from population until 2050.

Approach concerning deprived communities

Two main types of approach regarding the deprived communities are envisaged for 2014 – 2020 programming period:

- The use of **integrated plans** which will entail beside compulsory measures concerning social houses the complementary measures in the fields of education, health, social services and employment addressing the specific needs for deprived communities in urban areas identified as such (under the form of CLLD);
- Soft measures targeting people in need and which are not included in the integrated plans addressed to deprived communities.

The goal of the complementary measures is to create the basis for **increasing the employment**, by ensuring some pre-requisites such as: **an adequate health status, a minimum level of professional competences, awareness about the people rights, better levels of communication etc.**

Regarding the deprived communities in mountainous areas, Romania elaborated at national level the **National Strategic Orientation for the Sustainable Development of the Carpathian Region**, which has two objectives: ensuring a common financing framework of this area, as well as including the financing priorities for the mountain area within the future EU Programmes.

The role and the contribution of the ESI Funds in the implementation of the integrated approach to address the specific needs of geographical areas most affected by poverty or target groups at highest risk of discrimination or social exclusion

Specific target group or geographical area	Short description of the needs	ESI funds that will be used	Main types of planned actions which are part of the integrated approach	Programme
<ul style="list-style-type: none"> ▪ single parent households and households with three or more children ▪ people who are jobless or have low incomes ▪ elderly people ▪ Roma people ▪ people with disabilities ▪ people suffering 	<ul style="list-style-type: none"> ▪ lack of decent housing/decent living conditions; ▪ lack of stable and constant source income; ▪ combating long term unemployment; ▪ reducing low educational attainment; ▪ early school 	ERDF	<ul style="list-style-type: none"> ▪ actions to address the needs of vulnerable groups in order to improve their educational participation, their integration in the labour market, their access to housing, health care and social services; ▪ developing an equitable, sustainable, affordable and high quality social assistance system, 	Human Capital Programme
		ESF		Regional Operational Programme

<p>from addictions, affected by domestic violence and human trafficking, persons deprived of liberty or on probation</p> <ul style="list-style-type: none"> ▪ children (from poor families, with parents working abroad, in residential or family-based child care institutions) 	<p>leaving;</p> <ul style="list-style-type: none"> ▪ lack/low level of professional qualifications; ▪ improve access to health and social services, particularly in rural areas and in deprived urban areas for identified vulnerable groups; ▪ lack of social insertion of the persons belonging to the deprived categories ▪ reducing the incidence of poverty and social exclusion experienced by vulnerable groups 		<p>benefits and social services for all vulnerable groups, including preventive, integrated and innovative types of services in order to address poverty and social inclusion issues;</p> <ul style="list-style-type: none"> ▪ supporting the transition from the institutional care models to family and community-based care for children, persons with disabilities and elderly; ▪ exploiting potential in social economy models to support labour market integration of vulnerable groups thereby creating social inclusion; ▪ enhancing access to quality health care and treatments, including emergency care, primary care, development of integrated medical and social care services, including at community level, with focus on the services provided in ambulatory settings and developing integrated primary health care specialist with telemedicine support; ▪ development of social economy entities infrastructure; ▪ development of social services infrastructure, focusing on community based infrastructure ▪ development of social services infrastructure, focusing on community based infrastructure ▪ support for physical, economic and social regeneration of deprived communities in urban areas, including in the framework of Community-led Local Development 	
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4. ARRANGEMENTS TO ENSURE EFFICIENT IMPLEMENTATION OF THE PARTNERSHIP AGREEMENT AND PROGRAMMES (ARTICLE 14(2) (B) CPR)

4.1 ASSESSMENT OF THE EXISTING SYSTEMS FOR ELECTRONIC DATA EXCHANGE AND SUMMARY OF THE ACTIONS PLANNED TO GRADUALLY PERMIT ALL EXCHANGES OF INFORMATION BETWEEN BENEFICIARIES AND AUTHORITIES RESPONSIBLE FOR MANAGEMENT AND CONTROL OF PROGRAMMES TO BE CARRIED OUT BY ELECTRONIC DATA EXCHANGE'

The assessment of the existing systems for electronic data exchange, including an overview of electronic services already available for beneficiaries, has been provided within the ex-ante evaluation of the Partnership Agreement.

The methodology adopted combined documentary analysis with the most appropriate qualitative and quantitative methods, consultations and plausibility checks with all stakeholders and sector experts.

The documentary analysis was based on the new regulations, the procedures and regulations that are in force and the documentation on the electronic systems for data exchange. Information collected from interviews with administrators or coordinators of the electronic systems were added to the results of the documentary analysis.

The evaluators prepared an efficient checklist covering the full range of factors that are relevant to the question related to electronic systems. The list covers: ease of use, reduced administrative burden, data aggregation, data quality, research options, data availability in due time, data security etc. The full data collection needed for the completion of the check list was achieved by additional tools like on-line questionnaires and a focus group.

Concerning the comprehensiveness of the existing electronic systems for the 2007-2013 programming period, the evaluators underlined the following findings:

- SMIS is a web-based system used only by authorities for 6 OPs (OP ACD, OPTA, ROP, SOP E, SOP IEC, SOP T) covers the entire project life cycle and includes additional dedicated modules for programming, evaluation and audit.
- MySMIS is a web-based system that allows data exchange between beneficiaries or potential beneficiaries and authorities. It is designed for 6 OPs (OP ACD, OPTA, ROP, SOP E, SOP IEC, SOP T), is developed and tested, but not used yet. MySMIS is integrated with SMIS and covers the entire project life cycle.
- ActionWeb is a web-based system that allows data exchange between beneficiaries or potential beneficiaries and authorities, used for SOP HRD. It covers the entire project life cycle and is complemented by "ASEP", a web-based application used for the evaluation of the proposed projects. Data is transferred electronically from ActionWeb to ASEP. It is also complemented by "SIMPOSDRU", a system that incorporates a reporting tool allowing generation of various predefined or custom reports for the use of authorities. It extracts the needed data from the database of ActionWeb.
- MIS-ETC is used only by authorities, for all four ETC OPs. It covers the entire project life cycle and includes additional dedicated modules for programming, evaluation and audit. It is complemented by "MIS-ETC Web Application", an integrated web-based extension comprising three modules:
 - e-Submission – for potential beneficiaries – developed, but not used yet;
 - e-Evaluation – for evaluators of proposed projects;

- e-Monitoring – for input of data by beneficiaries, about their expenditures within the project – developed, but not used yet.
- SPCDR is used only by authorities, for rural development, covering the entire project life cycle
- SIMPOP is used only by authorities, for fisheries, covering the entire project life cycle.

Conclusions related to comprehensiveness of existing electronic systems

- In terms of fulfilling minimum requirements stemming from the new Regulations of the European Commission for the programming period 2014-2020, the only area of concern remains the specific e-Cohesion requirement – for “full implementation of the electronic data exchange between beneficiaries and authorities”. At present, with the existing electronic systems, this area is practically uncovered. The exceptions are few and extremely limited.
- The MySMIS system that was developed recently and that has just undergone the testing stage, promises to solve most issues of that problem. For the 6 OPs the system was designed for, MySMIS would fulfil entirely the e-Cohesion requirements.
- Since rural development and fisheries are not covered by the minimal requirements of e-Cohesion, only SOP HRD and the 4 OPs for ETC (would) remain uncovered. For SOP HRD, the ActionWeb system is successfully used since 2008, but its scope is still limited at present, not covering all e-Cohesion requirements. MIS-ETC has implemented e-Monitoring, a module of MIS-ETC Web Application, but this module is even more limited, dealing only with the beneficiary’s expenditures, out of the whole area of data.

The Focus Group confirmed, with minority of different opinions, that MySMIS should be the one system developed further and used as the only system responding to the e-cohesion requirements.

As regards the national legal framework that should support the fulfillment of the e-cohesion requirements, all key pieces are in place, being regulated by the Romanian laws relating to electronic signature, archiving of electronic documents, electronic time stamping of documents or protection of personal data.

In terms of quality of the existing electronic systems, the results of this evaluation show that many improvements are needed in various aspects. As a general image, the electronic systems are in place, they fulfill the minimum requirements, but they do not excel. The area where most of the systems could be improved relates to satisfying the users’ needs (predefined reports, revision in terms of features and data content as such to become more user oriented).

Key recommendations made by the evaluation report are relating to finalizing implementation of MySMIS and extending it to meet the needs of the ETC and ESF type programmes.

Preparation for 2014-2020

The new programming period represents an opportunity to consolidate the experience of 2007-2013 in the preparation of new improved electronic systems that will fully respond to article 63(4) of the CPR regarding the exchanges of information between MS and COM, as well as to the article 112(3) of the CPR (e-cohesion).

In this sense, four systems for data exchange will be developed at national level taking also into account the improvements underlined by the ex-ante evaluation.

- SMIS 2014+ / MySMIS - will cover five operational programmes (ROP, AC OP, LI OP, COMP OP, HC OP, TA OP) under the responsibility of MEF;
- an information system for the European Territorial Cooperation under MRDPA responsibility;
- an information system for NRDP and one for OP FMA, under the responsibility of MARD.

SMIS 2014+

SMIS 2014+ will assure the exchanges of information with COM (SFC2014) and will contain the relevant information, rules and controls for FEDR, FC and FSE as specified in the general regulation and in the delegated and implementing acts.

The relevant information is related to programming / monitoring / evaluation / financial management / verification and audit and will cover only the programmes funded by ERDF, CF and ESF, except those under the European Territorial Development goal.

MySMIS (e-cohesion) has been developed recently and was designed to facilitate the electronic information exchange with beneficiaries. MySMIS is fully integrate the main regulatory elements¹⁷⁸ of the e-cohesion related to “technical characteristics for functioning of the computer system and to reduce the administrative burden for beneficiaries”, “only once encoding principle”, “interoperability” and “all exchanges of information”. For the moment it doesn’t accommodate the Human Resources programmes requirements.

Summary of actions planned

- Elaboration of the system concept based on the new institutional and procedural framework and contracting the software application development services for SMIS 2014+ / MySMIS 2014+ (January-December 2014)
- Developing of the electronic management system (January-December 2014)
- Testing phase and enter into production of the SMIS2014+ (September-December 2014)
- Training for SMIS 2014+ / MySMIS 2014+ users (September-December 2014)
- Launching use SMIS 2014+ / MySMIS 2014+ (December 2014).

Information system for the European Territorial Cooperation Programmes (PROETC2014)

Due to obsolete technology of the older MIS for ETC, a new electronic data management system will be developed and implemented. The new system will be based on the lessons learnt during 2007-2013 period and will ensure simplification of the European territorial cooperation programs / projects management.

The new electronic data management system (PROETC2014) will be developed for Romanian-Bulgaria Cross-border Cooperation Programme 2014-2020. This system will be used as pilot for the other cross-border programmes financed through IPA or ENI for which Romania fulfill Managing Authority function. It will enable interoperability with the other 3 systems for Investment for growth and jobs goal.

The system will provide to potential beneficiaries on line access in order to ensure the electronic exchange of information related to projects submitted (front office). For the Managing Authorities the system will be a tool to process the information recorded by beneficiaries and manage the programme. In this way the management and implementing process of the programmes will be simplified and the administrative burden reduced.

From the technical point of view the system will be developed based on the recent technologies available (open source). The main characteristics of the future system are “user friendly”, simplification, reduced administrative burden for beneficiary and managing authority’s users, upgrading facilities, data integrity and confidentiality, authentication of the users based on multi-level access, audit trail, searching information etc.

The modules and basic functions of the system:

- online user registration function, module management / security of access rights and users;
- programming module with the following functions: data visualization of the program, configuration function of the calls for proposal;
- project module with the following functions: online registration of the calls for proposal, function for recording online the contracts and invoices, online registration function for reimbursement claims;
- project management module with the following functions: validation projects, project appraisal process, selection and contracting projects, monitoring function of the reimbursement claims / progress reports;

¹⁷⁸ In accordance with Implementing act on the rules concerning electronic information exchange with beneficiaries

- cash flow module: function payments, debit function, function for monthly declaration of expenditure, function generation for declaration of expenditure to the EC, the management function of the loaded document;
- report generation module etc.

Summary of actions planned

- Elaboration of the system concept and contracting the technical assistance (November 2013)
- Developing and implementation of the management system (December 2014)
- Testing phase and enter into production of the PROETC2014 (March 2015)

Information system for Rural Development Programme

In the actual common framework, the payments from EAFRD are made by 2 paying agencies PARDF and PIAA. SPARD (System for Processing Applications for Rural Development) is designed for the investments projects submitted under NRDP and is managed by PARDF. The system is based on a couple of large categories of workflows for management of the NRDP measures and horizontal workflows for the implementation of NRDP.

The informatic system is modular, designed to enable its further expansion and integration with other informatic systems. The architecture of the system is compliant with the internal working procedures and the legislative framework in force at the time of implementation. The flexibility and modularity characteristics of the system allow to be adapted to the procedural and legislative changes in a relatively short time and with minimal development effort. For efficient information system infrastructure management, centralized mechanisms are implemented in terms of operation and management. The users can access the system from the workstations in the county, regional and central offices.

IACS (Integrated Administration and Control System) is the informatic system managed by PIAA for NRDP axis 2 area related payments. Under Community legislation, the management of Community funds (EAGF and area related EAFRD measures) and supporting control applications submitted by farmers must be used as a binding instrument of the IACS. This system ensures the security and eliminates possibilities of fraud, requires specialized personnel, equipped with computers and office equipment suitable for the process of submission of applications by farmers.

In case of National Rural Development Programme, due to the specificity of its beneficiaries (the lack of computers, computer operating knowledge and internet coverage in rural areas), a mandatory electronic data exchange system between beneficiaries and responsible authorities will not be set up for the next programming period (also having in view that for EAFRD this requirement is not compulsory).

The current systems applicable for investment projects and area related payments will be updated based on the new design of the programme and the implementation flow set-up for each measure. The system will record key information on each operation and beneficiary selected for funding, as well as on key stages of the project implementation needed for monitoring, control and evaluation

Summary of actions planned in this respect are:

- Analysis of the procedural influences over the actual functionalities developed in the information systems;
- Development of the requirements in view of updating the actual information systems;
- Testing and implementation of the updated information systems.

In terms of administrative burden reduction the following actions are envisaged:

- availability of electronic financing and payment forms (which also have areas of automatic calculations);
- the possibility to submit electronic progress reports for monitoring purposes;
- for area related measures, on-line submission of payment applications is introduced;

- PIAA has already signed agreements with commercial banks therefore payments for natural persons will be made only through information systems.

In addition, a sustained campaign for awareness and information of the target groups is intended in view of a gradual transition to usage of information systems in the relation with authorities.

An important step is the interface between the two paying agencies, responsible with the implementation and payment within the programme and other administrative bodies with different roles in providing certifications, approvals and authorizations for the beneficiaries projects that will ensure some degree of simplification and reduction in administrative burden for both beneficiaries and authorities.

Information system for Fisheries and Maritime Affairs Operational Programme (MISFMAOP2014-2020)

The current information system MISFOP2007-2013 is design to provide data regarding the programming, monitoring implementation, financial management, audit checks and evaluation of the programme. The main users of MISFMAOP are Management Authority, Certification Authority, Audit Authority and Paying Agency. The information for beneficiaries are provided through www.madr.ro and www.ampeste.ro (the progress of appraisal process, contracted projects, FOP implementing status, etc.).

The architecture of the informatic system is structured by modules and cover the entire project life cycle starting with the appraisal process (project application registration, checks of the compliance criteria and eligibility, selection of the eligible applications), contracting, payments authorization (reimbursement claims registration, verification and authorization for payment, generation of the payments, issuing the authorized payments, import in the accounting system).

The system could generate reports and statistics related to irregularities, debit register, funds flow from Managing Authority to Certifying Authority and to European Commission.

There have been also developed a module dedicated for the management of the project submitted within FLAG which follow the same information flow adapted to the particular feature of FLAG application.

The system ensures the data integrity, security and confidentiality for all users due to the multi-level granted access, and recovery management of the data base.

For the future programming period technical assistance will be contracted in order to prepare the Fisheries and Maritime Affairs Operational Programme 2014-2020. This assistance will include also an analysis of the MISFOP2007-2013 in order to identify the compliance of the system with new regulations requirements and develop the system accordingly.

ANNEXES

SWOT ANALYSIS and SMART GROWTH

A SWOT analysis has been used to distil the full Needs Analysis and to crystallise the key **strategic issues**. Whereas socio-economic analysis examines issues in isolation, the SWOT analysis explores how issues interact and the implications for making progress under the strategy. Furthermore, the SWOT Analysis is an aid to identifying high-level priorities and facilitates consideration of their relative weighting.

Table 1 set out the summary of strategic issues¹⁷⁹. As the SWOT analysis is classically used in a competitiveness context, the generic directions of development explored are typically on the following lines:

- Increase number of businesses.
- Grow / Improve performance of existing business base.
- Develop new areas of business.
- Attract mobile investment.
- Attract visitor expenditure.
- Expand exporting.

Collectively, these six directions of development broadly conform to the possibilities under the concept of **Smart Growth**. This has been complemented in this context with consideration of **Sustainable Growth** and **Inclusive Growth**.

The distribution of strategic issues seen in Table 2 and the following discussion makes clear:

- Sustainable Growth is essentially about the manner in which Smart Growth is pursued.
- Inclusive Growth is primarily concerned with addressing weaknesses.

TABLE 1: SWOT ANALYSIS: SUMMARY OF STRATEGIC ISSUES

Strengths	Weaknesses
<p>S1: Competitive Sectors provide a small proportion of employment</p> <p>S2: Large population and consumer base</p> <p>S3: Large workforce with good initial education.</p> <p>S4: Public Research Infrastructure With Competences Relevant to Growth Sectors</p> <p>S5: Good quality natural and cultural assets</p> <p>S6: Improving external connectivity.</p> <p>S7: Endowment of energy assets and security of supply.</p> <p>S8: Strong NGOs with social economy potential.</p>	<p>W1: Less competitive sectors account for a large proportion of employment.</p> <p>W2: Low business density</p> <p>W3: Low rate of formation of growth oriented businesses.</p> <p>W4: Low level of business investment</p> <p>W5: Low level of investment in R&D and weak linkage between R&D base and business.</p> <p>W6: Business financial services market failure</p> <p>W7: Low employment density</p> <p>W8: Weak performance in education and transition to the world of work</p> <p>W9: Low intensity of skills and skills shortages</p> <p>W10: High energy intensity of industry and low energy efficiency in domestic and business sectors.</p> <p>W11: Weak Internal connectivity</p> <p>W12: Incomplete broadband availability and low level of computer literacy</p> <p>W13: Weak environmental infrastructure and services.</p> <p>W14: Weak administrative and governance capacity</p> <p>W15: Gross deficits and spatial disparities in public service provision.</p> <p>W16: Dispersal and spatial concentration of weakness in human resource and economic activity</p> <p>W17: Low disposable income</p>
Opportunities	Threats
<p>O1: Potential for relatively strong manufacturing and high value added services companies SMEs to penetrate dynamic markets</p> <p>O2: Market potential for SMEs in existing and emerging international markets</p> <p>O3: Potential for SMEs to exploit new product and service markets and new marketing channels arising from technological innovation.</p> <p>O4: Potential for SMEs to exploit new product and service markets arising from environmental awareness.</p> <p>O5: Market potential for SMEs in social and local services.</p> <p>O6: International mobility of capital.</p> <p>O7: Agricultural rationalisation and reform</p> <p>O8: e-government, e-health and e-education</p>	<p>T1: Increased exposure to international competition.</p> <p>T2: Growth trend in European and World markets.</p> <p>T3: International mobility of capital</p> <p>T4: Market liberalisation</p> <p>T5: Rising energy prices</p> <p>T6: Climate change, related impacts and regulation</p> <p>T7: International competition for skills</p> <p>T8: Mass Internal Migration</p> <p>T9: Romania's International Obligations</p>

TABLE 2: ASSESSMENT OF INTERACTION OF STRATEGIC ISSUES

Fundamental Characteristics of National / Regional Economy	Potential Directions of Development	Relevant Exploitable Strengths	Relevant Opportunities	Critical Internal Constraints (Weaknesses)	Critical External Constraints (Threats)
<p>S2: Large population and consumer base W2: Low business density. W3: Low rate of formation of growth oriented businesses. W7: Low employment density. W14: Weak administrative and governance capacity. W16: Dispersal and spatial concentration of weakness in human resource and economic activity.</p>	Increase number of businesses	S2, S8	O1, O2, O3, O4, O5, O7, O8	W6, W9, W14, W16, W17	
	Grow / Improve performance of existing business base	S1, S2, S4, S7	O1, O2, O3, O4, O5, O7, O8	W1, W4, W5, W6, W9, W10, W11, W12, W14, W16, W17	T1, T3, T5, T6
	Develop new areas of business	S4, S8	O3, O4, O5, O9	W1, W5, W6, W9, W12, W14	T7, T9
	Attract mobile investment	S2, S3, S6, S7	O6	W9, W17	T1, T2, T3
	Attract visitor expenditure	S5, S6	O1, O2	W4, W6, W9	
	Expand exporting	S1, S4, S6	O2, O7	W6, W9	T1
	Sustainable growth	S1, S5	O4, O8	W1, W10, W11, W13	T6, T9
	Inclusive growth	S8		All of W1-W17	T7
<p>S1: Competitive Sectors provide a small proportion of employment S2: Large population and consumer base S3: Large workforce with good initial education. S4: Public Research Infrastructure With Competences Relevant to Growth Sectors S5: Good quality natural and cultural assets S6: Improving external connectivity. S7: Endowment of energy assets and security of supply. S8: Strong NGOs with social economy potential.</p> <p>W1: Less competitive sectors account for a large proportion of employment. W2: Low business density. W3: Low rate of formation of growth oriented businesses. W4: Low level of business investment. W5: Low level of investment in R&D and weak linkage between R&D base and</p>			<p>W15: Gross deficits and spatial disparities in public service provision. W16: Dispersal and spatial concentration of weakness in human resource and economic activity. W17: Low disposable income.</p> <p>O1: Potential for relatively strong manufacturing and high value added services companies SMEs to penetrate dynamic markets. O2: Market potential for SMEs in existing and emerging international markets. O3: Potential for SMEs to exploit new product and service markets and new marketing channels arising from technological innovation. O4: Potential for SMEs to exploit new product and service markets arising from environmental awareness. O5: Market potential for SMEs in social and local services. O6: International mobility of capital. O7: Agricultural rationalisation and reform.</p>		

<p>business.</p> <p>W6: Business financial services market failure.</p> <p>W7: Low employment density.</p> <p>W8: Weak performance in education and transition to the world of work.</p> <p>W9: Low intensity of skills and skills shortages.</p> <p>W10: High energy intensity of industry and low energy efficiency in domestic and business sectors.</p> <p>W11: Weak Internal connectivity.</p> <p>W12: Incomplete broadband availability and low level of computer literacy.</p> <p>W13: Weak environmental infrastructure and services.</p> <p>W14: Weak administrative and governance capacity.</p>	<p>O8: e-government, e-health and e-education.</p> <p>T1: Increased exposure to international competition.</p> <p>T2: Growth trend in European and World markets.</p> <p>T3: International mobility of capital.</p> <p>T4: Market liberalisation.</p> <p>T5: Rising energy prices.</p> <p>T6: Climate change, related impacts and regulation.</p> <p>T7: International competition for skills.</p> <p>T8: Mass Internal Migration.</p> <p>T9: Romania's International Obligations</p>
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Smart Growth 1: Increasing the Number of Businesses

This direction of development directly confronts two distinctive weaknesses in Romania's economy: low business density (W2) and the low rate of formation of growth oriented businesses (W3).

Romania has limited exploitable strengths to assist in this direction. The potential in the large population and consumer base (S2) is constrained by the low level of disposable income (W19), reflecting the small number of salaried jobs in the economy.

A range of opportunities is potentially available to new start businesses. In the period of analysis, value added services (O3) have been relatively more buoyant than manufacturing (O1). New starts are less likely to address export markets (O2).

Many of the opportunities identified are connected with regulatory and social reform, notably environmental markets (O4), social and local services (O5), agricultural rationalisation and reform (O7) e-government, e-health and e-education (O8). This suggests that government can play an important role in stimulating new business development from the way that it deploys public expenditure and procures public goods and services. In this context, the availability of NGOs with social economy potential (S8) may be an important channel.

The internal weaknesses that constrain new business development are low consumer disposable income (W17) and its spatial distribution (W16) which suggest that progress will be harder to achieve in certain regions, in rural and geographically disadvantaged areas. This underlines the important role of government as a source of demand and stimulation of new businesses, particularly in locations where the market is weaker. The most serious technical obstacles to new business development are business financial services market failure (W6) which tends to be more significant for new businesses, and which in the 2007-13 period was imperfectly addressed by public policy which restricted support for new businesses. Low availability of skills (W9), particularly in growing sectors is a further constraint, but equally affects existing businesses. A further general disincentive, but which may particularly deter the formation of new businesses is the excessive administrative and regulatory burden (W14).

There are no external constraints identified representing a critical and specific restriction upon business start-ups.

Smart Growth 2: Growing and / or Improving the Performance of the Existing Business Base

Promoting this direction of development may involve exploiting relatively strong sectors (S1) or improving the performance of relatively weak sectors (W1). This is generally one of the most feasible directions of development insofar as it is concerned with treatment of businesses that already exist within the development area. However, in Romania, the latitude for action is considerably limited by the relatively small number of businesses and absorption potential in competitive sectors (S1) and the large proportion of the business base which is a low priority for public intervention (especially those businesses in retail and near to retaining that account for an above average share of the businesses in the Romanian economy). This is further compounded by disparities in business and consumer activity (W16 and W17).

Romania's large population and consumer base (S2) represents an important opportunity for internal market development, but its potential is limited in the short-medium term by its lack of spending power (W17). The knowledge resources in Romania's Higher Education and Public Research Institutions (S4) can be exploited to improve existing and to create new goods and services, although the system is less than fully adapted to commercial needs (W5). The endowment of energy assets (S7) may provide a resource advantage for certain forms of business.

The full range of market opportunities O1-O8 potentially applies to existing businesses. New markets O3 and O4 may provide an appropriate route for businesses facing declining demand in their existing markets. As with new businesses, government expenditure and procurement has important potential as a source of demand, particularly in locations where the market is weak (W16 and W17)

Two critical weaknesses are identified as being characteristic of the existing business base: low levels of general investment (W4) and investment in R&D (W5), with high energy intensity (W10) being a lesser issue. However, there are a larger number of general weaknesses in the Romanian business environment are identified which hinder progress, notably access to finance (W6) access to skills (W9) weak internal connectivity (W11) over-regulation (W14), while incomplete broadband availability and a low level of computer literacy (W12) represent constraints for a subset of businesses.

The existing business base is subject to a number of identified threats. International mobility of capital (T3) and exposure to increased international competition (T1) have combined since 2007 to displace domestically owned and controlled businesses, the furniture sector being a case in point. Rising energy prices (T5) and regulation of emissions (T6) represent a particular threat to Romania's highly energy intensive industries (W10).

Smart Growth 3: Developing Entirely New Areas of Activity

This is normally a more speculative and higher risk direction for development, however, in addition to the exploitation of technological innovation (O3) Romania's reform process has potential to provide additional impetus to the development of new activity.

Romania's environmental obligations (T9) as well as consumer awareness (O4) will channel expenditures and create markets in the 2014-20 period. Obligations in relation to inclusivity and territoriality will channel expenditures towards social and local services (O5). Obligations towards public sector reform and increased efficiency will channel resources towards electronic delivery (O8). These reforms will create business opportunities in areas that are new in Romania and will potentially stimulate business and social innovation.

Exploitable strengths exist in Romania's Public Research infrastructure (S4) where distinctive competencies exist for certain technologies, including ICTs, although its capacity in relation to social innovation is less clear. In this context social economy models (S8) may provide suitable channels. However, the orientation of the purchasing Government Departments and the procurement culture that they operate (W14) will be critical to the results obtained.

The critical weaknesses in this regard are the limited capacity in competitive sectors of the Romanian economy (W1) allied to a present low level of investment in R&D by businesses and weak linkage between R&D institutions and the business base (W5). Access to finance (W6), shortage of skills (W9) and the loss of indigenous talent to overseas competition (T7) may also be constraining factors. As regards the potential of e-government, e-health and e-learning, limited gaps remain to be filled in broadband coverage. However, more serious limitations are likely to be the low levels of broadband take-up and computer literacy (W12).

Smart Growth 4: Attracting Mobile Investment

This direction of development could provide an injection of activity to Romania's economy and could potentially contribute to addressing its deficit in employment in competitive businesses (W1) its low business density (W2) and its low employment density (W7).

However, a number of factors limit the extent upon which Romania can rely upon mobile investment to stimulate growth (O6). Firstly, Asia has proved more competitive than Europe in manufacturing

mobile investment for the past decade; within the EU countries such as Germany and the UK have retained competitiveness in services mobile investment (T3). This has been compounded by the recession which has seen significant reductions in overall investment flows (T2).

Mobile investment is not all good news. Rather than providing growth, there is a risk that it may simply displace indigenous businesses in the Romanian market (T1) although there should nevertheless be some consumer gain from competition.

Accepting that the attraction of mobile investment has limited potential, Romania nevertheless has some exploitable strengths. As with other opportunities, there is the scale of the consumer base (S2) although its spending power in the developing regions is limited (W17). Romania has an adequate workforce to absorb sizable investments (S3) although training may have to be provided as part of a support package to address skills shortages (W9). Romania has improving external connectivity (S6) and, since 2007, unrestricted access to the European Single Market. For certain investors, availability of competitively priced energy and a secure supply (S7) may be attractions.

Until now, the vast majority of mobile investment has taken place in Bucharest-Ilfov (W16). Improvements to transport infrastructure, particularly roads, (W11) are likely to play an important role in ensuring that mobile investment contributes to growth in Romania's less developed regions.

Smart Growth 5: Attracting Visitor Expenditure

This direction of development involves exploiting a particular niche in dynamic and international markets (O1 and O2). It has potential to disperse benefits and, thereby, to contribute to solving Romania's spatial challenges (W16).

Romania possesses exploitable strengths in its endowment of natural and cultural assets (S5) and its improving external connectivity (S6). However, although the domestic market has seen recent growth, the analysis suggests that Romania has limited profile in the international leisure market and, as a result of comparatively lower levels of recent investment (W4) has a less competitive offer than other countries in the region (T1).

General weaknesses, such as access to finance (W6) and availability of skills (W9) are likely to impinge on tourism as they do on other business activity.

This mode of development is subject to a range of external constraints in addition to competition. International visitor numbers are susceptible to variation in response to the economic cycle (T2) and fuel costs (T5). In the longer term, the sustainability of high volume, low cost air travel is in question (T6).

Smart Growth 6: Expanding Export Activity

This direction of development principally involves exploiting of existing and emerging international markets (O2). Given the limited potential from Romania's internal market in the short-medium term (W16, W17), exporting is likely to be an important source of growth. It is also attractive insofar as it is one of the most straightforward directions of development to pursue.

Exporting can be relevant to all forms of business, but is likely to be most relevant to existing businesses in manufacturing and service sectors that are internationally competitive (S1), prospective new sectors and mobile investors who may make Romania a base from which to address the European market. However, the development of e-commerce is also lowering barriers to international activity by relatively new businesses.

As regards development of exporting activity per se, Romania's strengths lie primarily in its competitive sectors (S1), automotives, food and drink, leather and textiles, ICTs. It can build on

improving external connectivity (S6) and accessibility of the Single European Market. Further export potential may be realised by better exploiting of innovation assets (S4) and through improving the competitiveness of agriculture (O7).

The main internal obstacle to achieving growth from exporting is the limited proportion of the business base that is internationally oriented and is, or has potential to become internationally competitive (S1). Even some of Romania's relatively strong sectors, such as furniture, leather and textiles, are mature and low-medium value adding and are susceptible to attrition by international competition from lower cost / higher productivity locations (T1). Some weaknesses, such as access to finance (W6) and availability of skills (W9) are likely to impinge on exporting as they do on business activity more generally.

Aside from competition, the main threat to exporting is the variability of demand from international customers (T2), but this applies to all countries.

Sustainable Growth

At the present time, only a relatively small proportion of employment is in competitive sectors(S1). This is not compatible with sustainable development. To provide greater security for its people, Romania needs to secure economic growth, but to do so in a fashion that is sustainable in economic, social and environmental terms.

As environmental costs become more fully reflected in price of goods and services, business opportunities in environmental goods and services will emerge (O4) and the market will support the transition towards sustainable development and will support growth in business and jobs.

Currently, the greatest environmental threat confronting Romania is climate change and its associated impacts (T6). Romania already has a mixed energy sector and a good endowment of energy assets (S7) but Romania's international obligations (T9) will require a further and quite rapid shift in the mix towards renewable sources.

Nevertheless, improvements to the generation of power will be insufficient. Both the business and, particularly the household sector have considerable scope to improve energy efficiency (W10) requiring action on an individual and collective level (e.g. housing insulation schemes, co-generation schemes, etc.).

Sustainable development requires a broad efficiency in resource use and not just energy efficiency. There is considerable scope to improve the efficiency and effectiveness of government and public services (W15, W16) through the adoption of electronic delivery (O8).

Economic growth will entail more intensive use of transport. Romania's external connectivity is already good (S6) but internal transport will require considerable investment (W11) including in road transport. Improving the sustainability of transport will principally require improvements in logistical efficiency and investment which favours a shift in the modal balance towards rail and water transport.

Despite having a large population (S2) only a fraction is presently covered by modern waste and waste water services (W13). Romania's obligations under treaty (T9) will require a sustained investment programme for the next two decades to close the gap with European standards. Nevertheless, this will create new business opportunities and substantial numbers of new jobs.

Romania possesses significant natural and cultural assets (S5) including vast areas with agricultural potential. Many of these assets can be more fully exploited in a manner that is consistent with

sustainable development, but this will require active management, mitigation and conservation policies working in parallel with development.

Inclusive Growth

While Romania has experienced significant growth over the past decade, the benefits have been unequally distributed by location and across the more and less privileged groups in Romanian society (W16, W17). This is manifest in the capital region, Bucharest-Ilfov now having a GDP per capita above the EU average while the remaining seven development regions lag far behind.

Most of Romania's identified weaknesses (W1-W17) have an intensely territorial character with regional and, in particular, urban-rural inequalities being prominent.

The distribution of activity in Romania's competitive (S1) and less competitive (W1) business sectors is subject to significant disparities. Investments in transport (W11), telecommunications (W12), R&D (W5) environmental (W13) and social (W15) infrastructures need to be directed with regard to their consequences for regional competitiveness. As noted above, the role of Government as a major purchaser should be levered more effectively to stimulate business investment (W4) and new business formation (W3) in locations where the market is weak.

Romania has a low overall employment rate (W7) with just under half of the 8.3m jobs in the economy being salaried. This is compounded by significant spatial disparities. While the smart growth perspective favours concentration of investment in Romania's competitive sectors, the urgent need for entry level salaried jobs in Romania's less developed regions suggests that less competitive sectors (W1) and social economy models (S8) will have a role to play.

The gross deficit in jobs (W7) creates a dilemma for investment in skills (W9), particularly in the adult workforce. In a depressed labour market, investment in skills for stock has proved unsuccessful. There is a need to align skills development and employment development in integrated packages.

The analysis makes clear the intimate association of educational participation, transition into employment (W8) skills development (W9) and poverty and, moreover their strong regional and urban-rural character. Investing in improving equality of access to education and to social services as well as their quality will play an important role in enhancing the attractiveness of Romania's less developed regions as places to live and to invest.

Romania has been subject to mass migration for more than a decade as young people with transferable skills have responded to opportunities abroad (T7). If opportunity is not enhanced in Romania's development regions there is a high risk that in the coming years significant numbers of people will relocate to more buoyant centres of activity within Romania, the capital region in particular. This would be accompanied with significant additional stresses on environmental infrastructure (W13) and social services (W15).

LIST OF SOCIAL PARTNERS

1. Academic Foundation *Petre Andrei*
2. Academy of Agricultural and Forestry Sciences *Gheorghe Ionescu SISESTI*
3. Academy of Economic Studies
4. Academy of Scientists
5. ACCESS Oltenia
6. Accreditation Association Romania
7. ActiveWatch - Media Monitoring Agency
8. Acvaculture Association – Banart Sturio
9. ADEPT Foundation
10. Administrations of Protected Natural Areas Association
11. Agency for Implementation of Projects and Programmes for SMEs
12. Agricultural Economics Institute of the Romanian Academy
13. Alba Iulia Caritas- European Community Development
14. Alliance for Health in Romania
15. Alliance of Roma in Galati County
16. Alt Art Foundation
17. American Chamber of Commerce in Romania
18. Amphitheatre Foundation
19. Apollo Resource Center
20. Associate of literary works and publications
21. Association AGROM-E - Learning Center for Agriculture
22. Association Alliance to fight against alcoholism and drug addiction
23. Association COLFASA
24. Association *Culture, traditions, identity and success*
25. Association for Consumer Protection in Romania
26. Association for Implementing Democracy
27. Association for Industrial Waste Management and Contaminated Sites Management
28. Association for Sustainable Development
29. Association for the Development and socio-economic Promotion *Catalactica*
30. Association for Urban Transition
31. Association *Most beautiful villages*
32. Association of Agricultural Machinery Manufacturers and Importers of Romania
33. Association of Communes of Romania
34. Association of consultants for accessing EU funds in Romania
35. Association of cultural operators
36. Association of Ecotourism in Romania
37. Association of Hungarian Farmers from Romania
38. Association of Management Consultants in Romania
39. Association of Municipalities of Romania
40. Association of Operators in Organic Agriculture -BIO Romania
41. Association of Pork meat Producers from Romania
42. Association of Processors, importers and traders of fish in Romania
43. Association of Regional Development Agencies in Romania
44. Association of Romanian Consultants to access European funds

45. Association of Towns in Romania
46. Association of Vrancea county communes
47. Association of Women and Families in Rural Areas
48. Association of Writers and Artists
49. Association of Young Entrepreneurs in Romania - YEAR
50. Association PAKIV Romania
51. Association Professional Social NGOs
52. Association PROFOREST
53. Association RISE Romania
54. Association ROREG
55. Association Save Danube and the Danube Delta
56. Association *Save the Danube Delta*
57. Association *Together for you*
58. Babes-Bolyai University of Cluj-Napoca
59. BDG
60. Body Access Experts European Structural and Cohesion Funds
61. Brasov Metropolitan Agency for Sustainable Development
62. Bucharest National Opera
63. Business Association in Romania
64. C4C Association – Communication for Community
65. Caritas Romania Confederation
66. Center for European Studies and Rural Cooperation
67. Center of European Studies –*Alexandru Ioan Cuza University of Iasi*
68. Centre for Research and Consultancy on Culture
69. Centro de Estudio Infer SL Murcia
70. Romanian Center Initiative Association
71. Chamber of Commerce and Industry of Romania
72. Chamber of Commerce, Industry and Agriculture
73. CIROM
74. Civil Society Development Foundation
75. Civitas Foundation for Civil Society
76. Cluster Association in Romania - Regional Cluster Products and Food Industry-AGROFOOD,
77. CNS Cartel Alfa
78. CO2 Club Association
79. Commercial Fishermen's Association from the Black Sea - Ropescador
80. Confederation of Democratic Trade Unions of Romania
81. Consultants Association in Romania for Accessing EU Funds
82. Continuity Training Center and Competency Assessment in Social Work - CFCECAS
83. Corona Fundation
84. Delta Cultural Foundation
85. Dunarea de Jos University of Galati
86. ECO EDEN Association
87. ECO PRO & Scientia
88. Ecological University
89. Economic and Social Council
90. Ecopolis Centre for Sustainable Policies
91. ECOROM
92. ECOTIC

93. Educatia 2000 + Centre
94. Employers Association of training providers in Romania
95. Employers Organization Constanta port operator
96. Estuary Foundation
97. Europe Association for Human Development
98. European Association for Economical Oppozition
99. Faculty of Forestry University Stefan cel Mare
100. Farmers and Processors Association of Romania
101. Farmers' Federation
102. Federation of Processors of Fish from the Danube Delta
103. Federation Philanthropy
104. Federation of Associations for Touristic promotion of Romania
105. Federation of fishermen associations in the Black Sea
106. Federation of Local Authorities in Romania
107. Federation of NGOs for Children
108. Federation of sheep and goats breeders from Romania
109. Fish Architects Union / Union Restorers
110. Forest Research and Management Institute
111. Foundation Amphitheatre
112. Foundation for Civil Society Development
113. Foundation for Inclusion and Social Cohesion
114. Foundation for Promotion of SMEs
115. Foundation Hope and Homes for Children Romania
116. Foundation of Young Managers
117. Foundation PACT
118. Foundation *Policy Center for Roma and Minorities*
119. Foundation *Pro friendship*
120. Foundation Roma Education Fund - Romania
121. Foundation Romtens
122. Foundation Social Entrepreneurship
123. Foundation to prepare citizens for European integration
124. General Union of Industrialists in Romania
125. Gheorghe Lazar National College of Sibiu
126. Gregory Antipas Museum
127. HABITAT Liga
128. Humanitarian Foundation Romanian Angel Appeal
129. Initiative Group Association *Radu Anton Roman*
130. Institute for Human Resource Development
131. Institute for Public Policy
132. Institute for Social Policy Association
133. Intercommunity Development Association
134. Intercultural Institute of Timisoara
135. Ivan Patzaichin Association - Mila 23
136. Junior Chamber International Romania Federation
137. League of Associations of Agricultural Producers of
138. League of irrigation water users in Romania
139. Lifeguard and Rescue Service
140. Materials Manufacturers Association of Romania

141. Media Monitoring Agency
142. Metropolitan Agency for Sustainable Development
143. Metropolitan areas and conurbations Federation of Romania
144. Motivation Romania Foundation
145. Mountain Farmers Federation *Dorna*
146. Multimedia Foundation for Local Democracy
147. National Agency of Fisheries Producers
148. National Association Fruit Vegetables
149. National Association of bakery industry in Romania
150. National Association of Manufacturers in Romania
151. National Association of Professional Divers Romania
152. National Association of Rural Women
153. National Association of Rural, Ecological and Cultural Tourism
154. National Association of Tourist Resorts in Romania
155. National Center for Roma Culture
156. National College of Social Workers in Romania
157. National Confederation of Romanian Employers
158. National Coordinating Council Regional Pacts for Employment and Social Inclusion
159. National Council of Disability Federation of Romania
160. National Council of Private Small and Medium Enterprises
161. National Council of Private Small and medium enterprises in Romania
162. National Credit Guarantee Fund for Small and Medium Enterprises
163. National Federation Alma Mater
164. National Federation of Local Action Groups in Romania
165. National federation of Trade Unions in Agriculture, Food, Tobacco, Domains and Related Services
166. National Federation of Trade Unions in the Food Industry
167. National Foundation of Young Managers
168. National Heritage Institute
169. National Institute for Research and Development for Soil Science, Agro-chemistry and Environment Protection
170. National Institute for Research and Development in Constructions, Urban Planning and Sustainable Territorial Development "URBAN-INCERC"
171. National Institute for Research and Development in Tourism
172. National Institute of Statistics
173. National Inter-professional Organization -Vitivinicola
174. National Library of Romania
175. National Marine Research and Development Institute *Grigore Antipa - Constanta*
176. National Mountain Rescue Association in Romania
177. National Museum *George Enescu*
178. National Museum of Art
179. National Museum of the Romanian Peasant
180. National network of Romanian Museums
181. National Opera in Bucharest
182. National Organization of Disabled People in Romania
183. National Organization of Romanian Scouts
184. National Patronage of Vine and Wine
185. National Research and Development Institute *Delta Dunarii - Tulcea*

186. National Research and Development Institute for Environmental Protection
187. National School of Political and Administrative Studies
188. National School of Political and Administrative Studies
189. National Trade Union Bloc
190. National Trade Union Confederation -MERIDIAN
191. National Trade Union of Romanian peasants, the landlords, home and Shareholders of Agriculture
192. National Union of County Councils of Romania
193. National Union of Environment
194. National Union of Historic Building Restaurateurs
195. National Union of Road Carriers from Romania
196. National Union of Students in Romania
197. Noi Orizonturi Foundation
198. Northwest Regional Pact for Employment and Social Inclusion
199. Oradea Metropolitan Area
200. Order of Architects of Romania
201. Order of General Nurses, Midwives and Nurses
202. Organization for the Promotion of alternative transport in Romania
203. OSB Consulting GmbH Austria – Romanian Branch
204. Ovidiu Rom Association
205. Ovidiu Rom Association
206. Ownership and Professional Organization REMAT
207. PACT Foundation
208. Pakiv Association
209. Partnership for Equality Center
210. PartNET Association - Partnership for Sustainable Development
211. Patronage of the National Association of Travel Agencies
212. People Development Foundation
213. Pro Armonia Foundation
214. Pro Armonia Foundation
215. Pro Democracy Association
216. Pro Democratia Association
217. Pro Do Mo
218. Pro Vobis Association
219. Professional Association of Producers and Distributors of electricity and heat in cogeneration
220. Professional Association of Roads and Bridges in Romania
221. Professional Association of Social NGOs
222. Projects Implementation Center for Human Resource Development
223. Red Cross National Society in Romania
224. Research and Development Institute for Aquatic Ecology, Fishing and Acvaculture
225. Research Development Station for Fish
226. Research Institute of the quality of life
227. Resource Center for Roma Communities
228. Roma Civic Alliance of Romania
229. Roma Secretariat Foundation
230. Romani Criss Centre
231. Romania Association of Blind People
232. Romanian Academic Society

233. Romanian Agency Consulting
234. Romanian Association Against
235. Romanian Association for Environment
236. Romanian Association of Banks
237. Romanian Association of Banks
238. Romanian Association of Construction Entrepreneurs
239. Romanian Association of Fire Safety Engineers
240. Romanian Association of Sanitation
241. Romanian Banking Institute
242. Romanian Bureau of Legal Metrology
243. Romanian Center for Education and Human Development
244. Romanian Center for European Policies
245. Romanian Employers from Milling Industry, Bakery
246. Romanian Fisheries Patronage
247. Romanian National Patronage
248. Romanian Patriarchate
249. Romanian Patronage
250. Romanian Patronage from of Dairy Industry
251. Romanian Regional Science Association
252. Romanian Scouts Organization
253. Romanian Social Development Fund
254. Romanian Tourism Employers' Federation
255. Romanian Water Association
256. ROREG Association
257. Ruhama Foundation
258. Rural Credit Guarantee Fund
259. Rural Net
260. Samusocial Association of Romania -Mobile Social Emergency Relief Service
261. Save de Children Organization
262. Save the Danube Delta Association
263. SC Adecco Resurse Umane SRL
264. SC Diacostampet SRL
265. SC Dialfa Security Ltd
266. SC Edu-Tim ADVICE European SRL
267. SC Euro Jobs SRL Petrosani
268. SC Formprof Services Ltd T argument Mures
269. SC Global Commercium Development SRL – GCD
270. SC MIBA Consulting SRL
271. SC Stef Management Consulting SRL
272. SERA Romania Foundation
273. Soros Foundation Romania
274. SOS Children's Villages Romania
275. Standards Association of Romania
276. State Inspection for Control of Boilers, Pressure Vessels and Hoisting
277. Studio Video Art
278. Technical University of Civil Engineering Bucharest
279. *Telefonul Copilului* Association
280. Terra Ecologica

281. Terra Millennium III
282. The Romanian Ornithological Society
283. *Impreuna* Agency
284. Trade Union Federation of Railway Transport of Romania
285. *Un Copil, O Speranta* – Romania Foundation
286. UNICEF
287. Union of Agricultural Producers in North – West Romania
288. Union of Romanian cinematographers
289. University of Agricultural and Veterinary Sciences
290. University of Agronomic Sciences and Veterinary Medicine
291. University of Architecture and Urbanism *Ion Mincu*
292. University of Bucharest
293. University of Craiova
294. University of Medicine and Pharmacy Carol Davila
295. Urban Planners Professional Association of Romania
296. Urbconnet SRL
297. Veterinary Medicine
298. *Viata si Lumina* Foundation
299. Video Art Studio
300. *Viitorul Romilor* Association
301. World Vision Foundation
302. World Wide Fund for Nature
303. Young Entrepreneurs in Romania

ANEXX X

Correlation of the Priorities of EUSDR and the Challenges and Funding Priorities Identified in Romania's Partnership Agreement

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
1) To improve mobility and multimodality	<p><u>Inland waterway transport</u></p> <ul style="list-style-type: none"> • <i>Improvement of infrastructure and economic performance of waterway navigation</i> <ul style="list-style-type: none"> ○ Complete implementation of TEN-T Priority project 18 on time ○ Invest in waterway infrastructure of Danube and its tributaries and develop the interconnections ○ Modernize the Danube fleet in order to improve environmental and economic performance • <i>Improvement of the organizational framework and HR for inland waterway navigation</i> <ul style="list-style-type: none"> ○ Coordinate national transport policies in the field of navigation in the Danube basin ○ Support Danube Commission in finalizing the process of reviewing the Belgrade Convention ○ Develop ports in the Danube river basin into multimodal logistics centers ○ To improve comprehensive waterway management of the Danube and its tributaries ○ To promote sustainable freight transport in the Danube Region ○ To implement harmonized River Information Services (RIS) ○ To invest in education and jobs in the Danube navigation sector 	Infrastructure	TO 7	<p>Large Infrastructure OP</p> <ul style="list-style-type: none"> • Supporting sustainable transport development through traffic safety improvement on TEN-T network, for all transport modes • Modernization and development of waterway infrastructure on the Danube River and navigable canals, having in view the promotion of an environmental friendly transport system
	<u>Road, rail and air transport</u>		Infrastructure	TO 7

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> • Improvement of access and connectivity <ul style="list-style-type: none"> ○ Bring to completion the TEN-T priority projects crossing the Danube Region, overcoming the difficulties and bottlenecks, particularly in the cross-border sections ○ Implement the Rail Freight Corridors forming part of the European rail network for competitive freight ○ Enhance cooperation between air traffic stakeholders in order to prepare a plan to implement shorter plane routs ○ To ensure sustainable metropolitan transport systems and mobility ○ Improve the regional/ local cross-border infrastructure and access to rural areas • Multimodal links <ul style="list-style-type: none"> ○ To develop further nodal planning for multimodality ○ To develop further Intelligent Traffic Systems by using environmental-friendly technologies, especially in urban regions 			<p>Large Infrastructure OP</p> <ul style="list-style-type: none"> • Development of road infrastructure on TEN-T network • Development of rail infrastructure on core TEN-T network, especially through the completion on TEN-T corridors • Development of regional mobility through modernization of rail transport, including investment in infrastructure and rolling stock acquisition • Development of airports where this is justified, for improving connectivity and supporting regional mobility <p>Regional Operational Program</p> <ul style="list-style-type: none"> • Increasing accessibility of urban areas located in proximity of TEN-T network, through construction and modernization of secondary and tertiary connections to the network, including by-passes, having in view bottlenecks removing and traffic fluidization <p>National Programme for Rural Development</p> <ul style="list-style-type: none"> • Fostering local development in rural areas through investments in small-scale infrastructure, including local roads, and in setting up/improving local basic services for the rural population <p><i>Actions for promoting Multimodal links</i></p> <p>Large Infrastructure OP</p> <ul style="list-style-type: none"> • Modernization and development of inter-modal transport, having in view fluidization of freight flows that transit Romania and reducing carbon emissions in urban areas

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				<ul style="list-style-type: none"> Supporting sustainable transport development through traffic safety improvement on TEN-T network, for all transport modes <p>Regional Operational Program</p> <ul style="list-style-type: none"> Actions to rehabilitation and renewal of mass transit systems within the framework of sustainable urban mobility plans, where these will make significant contribution to air quality and energy efficiency
2) To encourage more sustainable energy	<p>Energy Systems</p> <ul style="list-style-type: none"> Energy infrastructure <ul style="list-style-type: none"> Develop a joint position of the region regarding the changes which could be introduced in the framework of the TEN-E policy review and the modalities of the new Energy Security and Infrastructure Investment, especially regarding the energy infrastructure gaps Ensure that actions are coherent with the general approach of the Energy Community and explore synergies between the Energy Community and the Danube Strategy process Enforce regional cooperation with a view to develop and implement the North-South gas interconnection projects Develop gas storage capacities Energy markets <ul style="list-style-type: none"> To tap possible cooperation opportunities with the Energy Community Cooperate to implement the Regional network integration and the NETS in line with the FS Build a working relationship with the Central Eastern European Forum for Electricity Market Integration (this can be enlarged 	Resources	TO 4	<p><u>Energy Infrastructure</u></p> <p>Large infrastructure OP</p> <ul style="list-style-type: none"> Actions to upgrade and build new power and heating production capacities especially for the types of RES which are underused comparing to the existing potential (according to NREAP) and for which there is low investors' interest, in particular by encouraging investment in distributed generation (small and very small capacities) for all types of beneficiaries (public, private and residential) Actions to promote investment in solutions for compensating fluctuations due to RES energy production, especially by encouraging energy storage solutions Actions to develop smart energy distribution, storage and transmission systems

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	to neighboring countries)			
	<p>Energy efficiency and renewable energy</p> <ul style="list-style-type: none"> Extend the use of biomass, solar energy, geothermal, hydropower and wind power Reinforce the Carpathian Convention to share best practices on using biomass for energy purposes Implement the National Renewable Energy Action Plans and prepare a Danube Region Renewable Energy Action Plan Explore the possibility to have an increased energy production, originating from local RES to increase energy autonomy Develop a comprehensive action plan for the sustainable development of the hydropower generation potential of the Danube Region and its tributaries Develop and set-up pre-planning mechanism for the allocation of suitable areas for new hydro power projects Promote energy efficiency and use of RES in buildings and heating systems, incl. by renovating heating and combined heat and power facilities Encourage the Energy Community members/ observers in adopting and implementing the Renewable Energy Directive Facilitate networking and cooperation between national authorities in order to promote awareness and increase the use of RES Provide local authorities, businesses and citizens in the Danube Region consultative support with issues relating to mitigation of climate change and energy efficiency 	Resources	TO 4	<p>Large Infrastructure OP</p> <ul style="list-style-type: none"> Actions to upgrade and build new power and heating production capacities especially for the types of RES which are underused comparing to the existing potential (according to NREAP) and for which there is low investors' interest, in particular by encouraging investment in distributed generation (small and very small capacities) for all types of beneficiaries (public, private and residential) Actions to promote investment in solutions for compensating fluctuations due to RES energy production, especially by encouraging energy storage solutions Actions to support measures for expanding and upgrading electricity and thermal energy distribution grids, in order to take over then RES energy into the grids Actions to expand and upgrade electricity transmission (transport) grids, in order to take over then RES energy and limit the impact of uncontrollable production from RES Actions to promote high efficiency cogeneration <p>Regional Operational Program</p> <ul style="list-style-type: none"> Actions to improve to the thermal insulation of residential stock, and to public buildings to be prioritised on the basis of systematic appraisal taking into account the cost-efficient reduction of GHG emissions and societal benefits including addressing energy poverty.

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				National Program for Rural Development <ul style="list-style-type: none"> Facilitating the supply and use of renewable sources of energy in the agricultural and forestry sectors (by-products, wastes, residues and other non-food raw material) Actions to increase energy efficiency by reduction the primary energy consumption in agriculture, forestry and food processing Actions to develop smart energy distribution, storage and transmission systems actions to increase energy efficiency by reduction the primary energy consumption in agriculture, forestry and food processing
3) To promote culture and tourism, people to people contacts	<u>Cultural heritage</u> <ul style="list-style-type: none"> Build on cultural diversity as strength of the Danube Region Enhance cooperation and contacts between people of different origins, to encourage creativity and provide a driving force for cultural innovation and economic development, based on heritage, traditions and tourism 	Resources	TO 6	Regional Operational Program <ul style="list-style-type: none"> Protecting and sustainable valorisation of natural sites, restoration and valorisation of cultural heritage, including valorisation of the local specific tourism potential, the rehabilitation of historical (urban) areas, sustainable capitalization of the cultural patrimony, measures for urban environment (including rehabilitation of industrial polluted sites)
		People and Society	TO 9	Competitiveness OP <ul style="list-style-type: none"> Development of e-culture, e-social assistance National Programme for Rural Development <ul style="list-style-type: none"> Promoting LEADER community-led local development strategies
	<u>Tourism</u> <ul style="list-style-type: none"> Develop the Danube region as a European brand 	Resources	TO 6	Regional Operational Program <ul style="list-style-type: none"> Protecting and sustainable valorisation of natural sites,

EU Strategy for the Danube Region Pillar 1: Connecting the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> Establish the Danube Region as important European tourist destination Promote short-stay weekend tourism and recreation, as well as longer stays To further develop the navigation and port system for Danube river cruise ships and private yachts To further develop and intensify Activity Tourism To further enhance interconnection and cooperation in education and scientific and research activities for tourism To improve planning and infrastructure for tourism Support the improvement of the quality of tourism products Promote wellness tourism in the Region Collect existing data on cultural activities and establishing a comprehensive database giving an overview of cultural activities in the Danube Region Promote cultural exchange and exchange in the arts 			restoration and valorisation of cultural heritage , including valorisation of the local specific tourism potential, the rehabilitation of historical (urban) areas, sustainable capitalization of the cultural patrimony, measures for urban environment (including rehabilitation of industrial polluted sites)
		Competitiveness	TO 3	Regional Operational Programme <ul style="list-style-type: none"> Integrated actions - sites, skills, investment support - to attract investment into Romania's less developed regions OP for Fishing and Maritime Affairs <ul style="list-style-type: none"> Promotion of new sources of income, inside the sector (processing, marketing activities) and outside the sector (environment, tourism, education activities).
		People and Society	TO 9	National Programme for Rural Development <ul style="list-style-type: none"> Promoting LEADER community-led local development strategies

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
4) To restore and maintain the quality of waters	<ul style="list-style-type: none"> To implement fully the Danube River Basin Management Plan To greatly strengthen cooperation at sub-basin level To continue to invest in and support information collection systems already developed by ICPDR To continue boosting major investments in building and upgrading urban water treatment facilities across the Danube Basin, including measures to build capacity at the regional and local level for the design of such infrastructure Establish buffer strips along the rivers to retain nutrients and to promote alternative collection and treatment of waste in small rural settlements To foster and develop an active process of dialogue and cooperation between authorities responsible for agriculture and environment to ensure that measures are taken to address agricultural pollution To legislate at appropriate level to limit the presence of phosphates in detergents To treat hazardous substances and contaminated sludge with the newest and best available technology and to develop and promote remediation measures for hazardous producing or abandoned industrial sites and waste deposits To assure the proper control and progressive substitution of substances that are considered problematic for the Danube Region To reduce existing water continuity interruption for fish migration in the Danube river basin To promote measures to limit water abstraction To strengthen general awareness and facilitate exchange of good practice in integrated water management issues in the Danube Basin among decision-makers at all levels and among the population of the Region 	Resources	TO 6	<p>Large Infrastructure OP</p> <ul style="list-style-type: none"> The extension and modernization of drinking water networks and waste water sewages systems and connection of the population to drinking water supply and waste water systems, including in rural areas, monitoring and drinking water quality. The development of waste infrastructure and services based upon the waste hierarchy - reuse, recycling, energy recovery and disposal New/upgraded investments for the waste to energy sector; reducing the natural resource consumption by increasing the waste recycling ratio as well as promotion of a more efficient use of resources; promotion waste as secondary raw materials/by-products <p>National Rural Development Programme</p> <ul style="list-style-type: none"> Promoting efficiency in water use in agriculture

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> To promote measures aimed at reducing knowledge deficits, developing and transferring tools, methods and guidelines concerning the safeguarding of drinking water supply To further strengthen Integrated Coastal Zone Management (ICZM) and Maritime Spatial Planning (MSP) practices on the Western shores of the Black Sea 			
5) To manage environmental risks	<ul style="list-style-type: none"> To develop and adopt one single overarching floods management plan at basin level or a set of flood risk management plans coordinated at the level of the international river basin To support wetland and floodplain restoration as an effective mean of enhancing flood protection, and more generally to analyse and identify the best response to flood risk (including “green infrastructure”) To extend the coverage of the European Floods Alert System to (EFAS) system to the whole Danube river basin, to step up preparedness efforts at regional level (including better knowledge of each other's national systems) and to further promote joint responses to natural disasters and to flood events in particular, including early warning systems To strengthen operational cooperation among the emergency response authorities in the Danube countries and to improve the interoperability of the available assets To continuously update the existing database of accident risk spots (ARS Inventory), contaminated sites and sites used for the storage of dangerous substances To develop rapid response procedures and plans in case of industrial accidental river pollution Anticipate regional and local impacts of climate change through research To develop spatial planning and construction activities in the 	Resources	TO 5	<p>Large Infrastructure OP:</p> <ul style="list-style-type: none"> Complete the national system of risk identification and management in the framework of the National Risk Assessment. Build a national culture of disaster risk reduction Set-up and improve the risk monitoring and prevention systems in relation to identified risks: earthquake, flood, landslide, drought, forest fire, erosion and coastal erosion, radiological, chemical, domestic fires Enhance professional emergency response services at national level in order to respond to major national and international emergencies, including transnational cooperation in the framework of the Danube and Black Sea macro-regional strategies Structural and non-structural measures in order to reduce risks and damage from flooding, drought and erosion Strengthen institutional and technical capacity of ESMNS through collaborative solutions between different authorities <p>National Rural Development Programme</p> <ul style="list-style-type: none"> Sustainable water management systems and practices to combat climate change

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	context of climate change and increased threats of floods			
6) To preserve biodiversity, landscapes and the quality of air and soils	<u>Preservation of biodiversity and landscapes</u> <ul style="list-style-type: none"> To contribute to the 2050 EU vision and 2020 EU target for biodiversity To manage Natura 2000 sites and other protected areas effectively To protect and restore most valuable ecosystems and endangered animal species To explore together the appropriateness of reviewing the Convention Concerning Fishing in the Waters of the Danube To develop green infrastructure in order to connect different biogeographic regions and habitats To reduce the spread of invasive alien species (IAS) To decrease the input of pesticides into the environment of the Danube Region To remove safely obsolete pesticides and other obsolete chemicals in the area of Danube Region To prepare and implement transnational spatial planning and development policies for functional geographical areas (river basins, mountain ranges etc.) 	Resources	TO 6	Large Infrastructure OP <ul style="list-style-type: none"> Protection of biodiversity through the development of management plans and investment in restoration and conservation actions National Rural Development Programme <ul style="list-style-type: none"> Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry OP for Fishing and Maritime Affairs <ul style="list-style-type: none"> Restoration and conservation of marine and inland water biodiversity within sustainable fishing, aquaculture and data and control activities Promote sustainable fishing activities in marine and inland waters; sustainable activities in aquaculture farms
	<u>Preservation and improvement of the quality of soils</u> <ul style="list-style-type: none"> To ensure appropriate treatment of solid waste To create standardised and compatible information on land cover on transnational basis To raise awareness about soil protection 	Resources Resources Resources	TO 4	National Rural Development Programme <ul style="list-style-type: none"> Actions to support the reduction in greenhouse gas emissions in agriculture and forestry, notably through the exploitation of land management and carbon sequestration potential
				TO 5
			TO 6	Large Infrastructure OP

EU Strategy for the Danube Region Pillar 2: Protecting the Environment in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				<ul style="list-style-type: none"> Rehabilitating of derelict and polluted sites, including decontamination preparation for their economic re-use <p>National Rural Development Programme</p> <ul style="list-style-type: none"> Implementing measures to tackle the causes of abandonment of agricultural activities
	<p>Improvement of air quality</p> <ul style="list-style-type: none"> To decrease air pollutants 	Resources	TO 4	<p>National Rural Development Programme</p> <ul style="list-style-type: none"> Actions to support the reduction in greenhouse gas emissions in agriculture and forestry, notably through the exploitation of land management and carbon sequestration potential
			TO 6	<p>Large Infrastructure OP</p> <ul style="list-style-type: none"> Development and improvement of the National Air Quality Assessment in line with the requirements of Directive 2008/50/EC and taking into consideration the requirements of INSPIRE Directive (metadata of air quality and air emissions)
	<p>Education of people on the value of natural assets, ecosystems and the services they provide</p> <ul style="list-style-type: none"> To raise awareness of the general public, by acknowledging and promoting the potentials of natural assets as drivers of sustainable regional development To educate children and young people To build capacities of local authorities in the environment-related matters 			

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
7) To develop the knowledge society through research, education and IT	<ul style="list-style-type: none"> To cooperate in implementing the flagship initiative “Innovation Union of the Europe 2020 Strategy” in the Danube Region countries To coordinate better national, regional and EU funds to stimulate excellence in research and development, in research areas specific for the Danube Region To strengthen the capacities of research infrastructure To strengthen cooperation among universities and research facilities and to upgrade research and education outcomes by focusing on unique selling points To develop and implement strategies to improve the provision and uptake of ICT in the Danube Region To draw up internet strategies To use e-content and e-services to improve the efficiency and effectiveness of public and private services To stimulate the emergence of innovative ideas for products and services and their wide validation in the field of the Information Society, using the concept of Living Labs 	Competitiveness	TO 1	<p>Competitiveness OP</p> <ul style="list-style-type: none"> Supporting private RDI investments and research partnerships between enterprises and research organisations in order to foster the transfer of knowledge, technology and personnel with RDI advanced skills and to enable the RDI-based development of products and services in economic sectors with growth potential Promoting financial instruments aimed to support the risk of private investment in research and innovation and to stimulate innovative start-ups and spin-offs Developing the public and private research infrastructure, both as part of existing/emerging clusters, centres of excellence and other types of research structures (national / regional / EU), and in specific areas identified as priorities, based on existing potential and/or competitive advantage, such as health Unlocking the potential for excellence in research and innovation by creating synergies with the RDI actions of the EU framework programme Horizon 2020. <p>Regional Operational Programme</p> <ul style="list-style-type: none"> Developing technology-transfer support infrastructure in the public and private sectors, particularly in Romania's less developed regions, informed by the principles of smart specialization

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
			TO 2	Competitiveness OP <ul style="list-style-type: none"> • Actions to promote ICT adoption by business, including e-commerce applications and innovation; • Actions to develop e-government instruments for business and citizens (e-government 2.0); • Actions to develop cloud computing; • Actions to provide modern online public services which ensure interoperability of different non-integrated systems, across sectors, regions and at national level, (increased coordination and efficiency of public resources to be promoted) and access to open standards for increasing transparency and administrative efficiency.
8) To support the competitiveness of enterprises, including cluster development	<ul style="list-style-type: none"> • To foster cooperation and exchange of knowledge between SMEs, academia and the public sector in areas of competence in the Danube Region • To improve business support to strengthen the capacities of SMEs for cooperation and trade • To support enterprises through high performing training and qualification schemes • To prioritise the effective implementation of measures provided for under the Small Business Act for Europe • To improve the competitiveness of rural areas and in particular of the agricultural sector • To eliminate cross border barriers and bottlenecks to people and business - Seamless Europe for a livable Danube Region 	Competitiveness	TO 3	Competitiveness OP <ul style="list-style-type: none"> • Actions to improve the productivity of SMEs and to provide to growth opportunities and innovation, including supporting advanced technological investments, promoting creative industries, enhancing access to business planning support, to technical consultancy, international markets, to exporting advice and support. • Actions to improve access to finance, including through the provision of an appropriate range of financial instruments. • Actions to network businesses, to enhance knowledge spillovers and to facilitate their participation in supply chains, including those of international scale.

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	<ul style="list-style-type: none"> To improve framework conditions for SMEs in areas where competitive infrastructure is missing 			<ul style="list-style-type: none"> Integrated actions - sites, skills, investment support - to attract investment into Romania's less developed regions <p>National Rural Development Programme</p> <ul style="list-style-type: none"> Actions to improve economic performance and to facilitate farm restructuring and modernization, notably with the view to increase market participation and orientation as well as agricultural diversification. Facilitating generational renewal in the agricultural sector. Actions to improve and adapt the agricultural and forestry infrastructure. Actions to improve the economic performance of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups, etc. <p>OP for Fishing and Maritime Affairs</p> <ul style="list-style-type: none"> Investments in aquaculture: new units, modernization of existing units, diversification of species, improvement of the potential of aquaculture sites. Promotion of new sources of income, inside the sector (processing, marketing activities) and outside the sector (environment, tourism, education activities). Investment in fishing ports, shelters, landing sites and first sale sites. Improvement of working conditions related to health and safety onboard inland and marine fishing vessels;

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
				<ul style="list-style-type: none"> Support for the establishment, organization and functioning of producers-processing-marketing chain.
			TO 11	Administrative Capacity OP <ul style="list-style-type: none"> Actions to rationalize regulation and to reduce the burden of bureaucracy on businesses
		People and society	TO 10	Human Capital OP <ul style="list-style-type: none"> Better matching initial and continuing VET with LM needs, ensuring relevance of the training offer, giving priority to future growth potential sectors, promoting partnerships among relevant stakeholders.
9) To invest in people and skills	<ul style="list-style-type: none"> To enhance performance of education systems through closer cooperation of education institutions, systems and policies To foster cooperation between key stakeholders of labour market, education and research policies in order to develop learning regions and environments To support creativity and entrepreneurship To support the mobility of workers, researchers and students through implementing the European Qualification Framework To jointly analyse implementation gaps in life long learning (LLL) policies and exchange best practices in implementation To improve cross-sector policy coordination to address demographic and migration challenges To fight poverty and social exclusion of marginalised communities in the Danube Region, especially the Roma communities To implement the actions undertaken in the Roma Decade and to 	People and society	TO 8	Human Capital OP <ul style="list-style-type: none"> Supporting employability actions like individual counselling, work-based training, intermediate labour markets and encouraging entrepreneurship, taking into account the distinctive structure of employment in Romania; Supporting the active aging measures; Supporting self-employment actions, entrepreneurship and business creation, including in the field of creative industries. Designing a combination of targeted and mainstreaming actions that will improve access to the labour market of women, older workers, Roma people, disabled people and people with low levels of education and qualification.

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
	establish further actions to be implemented			<p>National Programme for Rural Development</p> <ul style="list-style-type: none"> • Creation of new small enterprises through business start-up aid for non-agricultural micro and small enterprises and development of non-agricultural activities in rural areas <p>Regional Operational Programme</p> <ul style="list-style-type: none"> • Creation of new small enterprises through business start-up aid in urban areas <p>OP for Fishing and Maritime Affairs</p> <ul style="list-style-type: none"> • Diversification of the fisheries and aquaculture sector, by supporting the creation of new small enterprises and job creation in the field
			TO 9	<p>Human Capital OP</p> <ul style="list-style-type: none"> • Creating integrated specific action to address the needs of vulnerable persons, groups and communities, where is the case with a focus on Roma people, including actions to improve their educational participation, their integration in the labour market, their access to housing, social and health care services, and actions to combat discrimination. • Exploiting potential in social economy models to support labour market integration of vulnerable groups and their transition to the business models, the development of local services where market models fail to deliver, thereby creating employment and social inclusion. <p>Implementing integrated measures to reduce the poverty rate and the risk of social exclusion of the vulnerable groups</p>

EU Strategy for the Danube Region Pillar 3: Building Prosperity in the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding
			TO 10	<p>Human Capital OP</p> <ul style="list-style-type: none"> • Improve governance and management of higher education institutions to improve the quality of teaching and research; increasing relevance of higher education programmes for the LM needs and strengthening the partnerships between universities, business and research; • Better matching initial and continuing VET with LM needs, ensuring relevance of the training offer, giving priority to future growth potential sectors, promoting partnerships among relevant stakeholders. • Modernising tertiary education through development of post-graduate studies and supporting internationalisation of higher education, including advanced research and mobility • Supporting measures to promote quality and accessibility of VET, strengthening the capacity of IVT and CVT providers to deliver VET programs correlated with the LM demands, promoting development and integration of LLL services at the level of community, key and transversal competences, provision of basic skills, focusing on low skills and rural areas;

EU Strategy for the Danube Region Pillar 4: Strengthening the Danube Region		The Romanian Partnership Agreement		
Priority Areas	Actions	Challenge	Thematic Objective	Proposed priorities for funding

10) To step up institutional capacity and cooperation	<ul style="list-style-type: none"> • To combat institutional capacity and public service related problems in the Danube region • To improve the trust of citizens and stakeholders in political authorities • To establish a Danube Civil Society Forum • To ensure sufficient information flow and exchange at all levels • To facilitate the administrative cooperation of communities living in border regions • To build Metropolitan Regions in the Danube Region • To review bottlenecks relating to the low absorption rate of EU funds and to ensure better coordination of funding • To support the development of local financial products for business and community development • To examine the feasibility of a Danube Investment Framework 	Administration and Government	TO 11	Administrative Capacity OP <ul style="list-style-type: none"> • Support to strengthen the accessibility, efficiency and quality of public services, including through delivery via the private sector and social enterprise • Developing, introducing and supporting the use of management, monitoring and evaluation systems and tools for an improved institutional and public services performance and change of organizational culture • Support to enhance professionalism, integrity, progression and remuneration on the basis of merit in public service • Support to strengthen the capacity and improve stability in the corps of personnel involved in managing ESI Funds at national and at beneficiary level • Support to improve the organisational and administrative capacity of judicial institutions the human resources, IT system, the accountability and transparency of the judiciary and access to justice.
			TO 2	Competitiveness Operational Programme <ul style="list-style-type: none"> • Implementation of Open Data at the level of all public institutions in order to improving online collaborative and electronic systems. • Increasing the use of e-government tools (including training for civil servants)
		Competitiveness	TO 3	Regional Operational Programme <ul style="list-style-type: none"> • Actions to improve access to finance, including through the provision of an appropriate range of financial instruments.

<p>11) To work together to promote security and tackle organized and serious crime</p>	<ul style="list-style-type: none"> • To support the Danube states in the administrative cooperation and improvement of qualifications of law enforcement, judicial authorities and other services • To improve target collection and share key criminal information; to draw a picture of the most significant threats in the countries involved; to produce a Serious and Organised Crime Threat Assessment (OCTA) for the Danube Area • To strengthen the cooperation of Europol with Southeast European Co-operative Initiative – Regional Centre for Combating Trans-border Crime • To develop further well-functioning border-management systems • To intensify the prosecution of Internet crime (cybercrime) • To explore possibilities to extend the current pilot project on exchanges of advanced customs information in the Region • To address the topic of better managing migration issues in the Danube Region • To continue demining in the mine-suspected areas of the Danube area • To improve food security • To establish standardised operational procedures for joint activities in case of transboundary technical-technological water traffic accidents 	<p>Administration and Government</p>	<p>TO 11</p>	<p>Administrative Capacity OP</p> <ul style="list-style-type: none"> • Support to improve the organisational and administrative capacity of judicial institutions the human resources, IT system, the accountability and transparency of the judiciary and access to justice.
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Annex

Correlation with the Black Sea Region Strategy:

The Black Sea Region Strategy: Potential Complementarity with Romania's ESI Funds Programming	
Theme	Potential Relevance to ESI Funds Programming
security and surveillance	<ul style="list-style-type: none"> • Capacity building activities for the implementation of Marine Strategy Framework, Integrated Coastal Zone Management and Maritime Special Planning in the particular context of sustainable exploitation of marine waters and coastal zones in the Black Sea. • Enhancement of professional emergency response services at national level in order to respond to major national and international emergencies, including transnational cooperation in the framework of the Danube and Black Sea macro-regional strategies.
democracy and human rights	<ul style="list-style-type: none"> • Not applicable
energy	<ul style="list-style-type: none"> • Potential investment in energy networks.
transport	<ul style="list-style-type: none"> • Investment in inland waterways transport linking to short sea services. • Investment in port infrastructure. • Wider TENT-T investments which will improve surface connections of the Black Sea bordering countries with Europe.
environment	<ul style="list-style-type: none"> • Environmental acquis-related and sustainable farming investments which reduce discharges into the Black Sea. • Management of coastal zones and control of coastal erosion. • Restoration and conservation of marine and inland water biodiversity within sustainable fishing, aquaculture and data and control activities • Promote sustainable fishing and aquaculture activities • environmental monitoring including monitoring of coastal erosion.
economic social and human resources development	<ul style="list-style-type: none"> • Integrated development strategy for the Danube Delta

Annex
Complementarity with the Blue Growth Strategy

Blue Growth: Relevance to Romania's ESI Programming			
Blue Economy Sectors	Relevance	Focus Areas	Relevance
Coastal Tourism	Medium	Aquaculture	High
Offshore Oil and Gas	Low	Coastal Tourism	Medium
Deepsea Shipping	Low	Marine Biotechnology	Medium
Short Sea Shipping	Medium	Ocean Energy	Low
Yachting and Marinas	Medium	Seabed Mining	Low
Passenger Ferry Services	Low		
Cruise Tourism	Low		
Fisheries	High		
Inland Waterway Transport	High		
Coastal Protection	High		
Offshore Wind	Low		
Monitoring and Surveillance	High		
Blue Biotechnology	Medium		
Desalination	Low		
Aggregates Mining	Low		
Marine Aquatic Products	Low		
Marine Mineral Mining	Low		
Ocean Renewable Energies	Low		

