

PHARE 2003
STANDARD SUMMARY PROJECT FICHE

1. Basic Information

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| 1.1 | CRIS Number: | PHARE 2003/005-551.05.03 |
| 1.2 | Title: | Investments in Economic and Social Cohesion |
| 1.3 | Sector: | Integrated Regional Measures (RE) |
| 1.4 | Location: | Romania – 8 Development Regions |

2. Objectives**2.1 Overall Objective(s):**

To support the Romanian Government to implement an integrated multi-annual regional development policy through investment projects in priority sectors, in order to enhance the indigenous economic and social potential of the 8 Development Regions, according to the provisions of the National Development Plan (NDP) and in close correlation with the institution building support provided for designing national economic and social cohesion policies in line with the EU policies and practices.

2.2 Project purpose :

The achievement of the wider objective will be attained through an integrated set of measures, with the following specific immediate objectives:

A. Technical and Vocational Education and Training (TVET)

- To strengthen and consolidate the achievements of the reform acquired through the PhareTVET RO 9405 programme for initial TVET, as well as through Phare 2001-and Phare 2002 Economic and Social Cohesion (IB for TVET) in order to further assist in the modernisation of the rationalized TVET system;
- To consolidate reviewed responsibilities, governance and accountability mechanisms in the provision of initial TVET in line with the social and economic development as stated in the National Development Plan and based on further recommendations acquired through IB activities of the 2001 and 2002 programme;
- To further assist in the provision of equal chances of young people to achieve relevant professional qualification comparable with those within the European Union, by providing TVET which flexibly responds to the learning needs of each individual, taking into account the institutional achievements of 2001 and 2002 programme. Special attention will be given to young people in rural areas.

B. Human resources development

- To support Ministry of Labour and Social Solidarity (MoLSS) to improve the administrative capacity for implementation of employment projects similar to those financed by European Social Fund.
- To facilitate access to employment for job seekers by enhancement of active employment measures and to develop new skills according to evolving needs of the labour market, promoting equal employment opportunities for vulnerable groups, such as young unemployed and long-term unemployed
- To develop labour force skills to become more adaptable to structural changes according to identified labour market skill shortage

C. Small-scale waste management investment scheme

- To support the Romanian Government to develop and implement the pilot phase of an integrated multi-annual national program for the period 2004 – 2006 on creating and promoting local waste management activities.. This will help local public authorities to implement the National Development Plan (NDP) priorities and EU directives, in order to increase the attractiveness of the areas for inward investment, to rehabilitate the environment and increase the quality of life of communities, to protect the population health.
- To improve the capacity of the local public authorities in contributing to the environmental protection
- To develop and implement local-scale projects within the waste management sector, that will provide waste management facilities to ensure environmental rehabilitation and protection in areas where they will be implemented.

- To reduce the impact of landfill sites to the environment
- To improve the collection and transport of waste in areas where until now no sanitation system exists
- To improve effective and simple waste treatment methods with a good cost-benefit relation

D. Large-scale infrastructure

D.1 Regional and local infrastructure

- To develop infrastructures supporting tourism development, in order to strengthen competitiveness of SMEs from tourism sector and improve the attractiveness of recognised tourism areas;
- To rehabilitate degraded sites with economic potential (industrial sites, closed enterprises from urban heavily polluted areas),
- To develop infrastructures supporting business and tourism development, in order to strengthen competitiveness of SMEs through better access to technologies, services, markets and information;
- To improve the regional transport infrastructure for supporting a modern, efficient transport, while decreasing the environmental impact of the transport activities.

D.2 Small and Medium Towns Infrastructure Development Programme (SAMTID)

- To support the Romanian Government to develop and implement the pilot phase of an integrated multi-annual national program creating and promoting a framework of transforming service provision and investing for sustainable water services in small and medium towns. This will help national and local authorities comply with National Development Plan (NDP) and EU directives, through:
 - the commercialisation of water and wastewater services provision of small and medium towns on a voluntary basis, through the creation of efficient and financially viable and autonomous integrated regional services providers, as free from political influence possible;
 - the implementation of capital investment for rehabilitation, modernization and up-grading of local water and wastewater infrastructure and performance improvement programs that raise service standards while promoting the application of cost recovery principles.

E. Small and Medium Sized Enterprises Support Grant Scheme

The project seeks to support a series of actions to support national SME policy which will:

- Support for the creation of new SMEs
- Develop the private sector by strengthening SME sector investments which contribute to new job creation and increase in exports;
- develop and strengthen the capacity of SME intermediaries to deliver SME financial and business development support services.

F. Awareness Campaign, Selection, Monitoring and Site Supervision

- To promote measures and provide information and advice on project preparation
- To ensure a transparent, competitive and effective process for project appraisal and selection
- To increase capacities of regional structures for programming and effective implementation of projects financed under this programme in order to carry out monitoring, control and evaluation activities, efficiently.
- To upgrade and sustain an adequate implementation system for the infrastructure type projects, including site supervision and inspection.

2.3 Accession Partnership and NPAA priority

The project has the potential to impact on the following priorities identified in the revised **Accession Partnership** (adopted June 2002):

- Adopt and implement a comprehensive public administration reform package.
- Enhance policy formulation by[amongst other things] consulting stakeholders – in particular social partners and representatives from civil society.
- Stress human rights and the protection of minorities, by improving the situation of Roma, the situation of persons with handicap and to prevent and combat all forms of discrimination.
- Increase the volume and quality of public investment, including infrastructure, education environment and health.
- As regards **Social Policy and Employment**, to implement the adopted national Action Plan for Employment, commitments and recommendations identified in the Joint Assessment of Employment Policy Priorities (JAP) and ensure appropriate capacity for management of European Social Fund type projects in preparation for Structural Funds; develop capacity of the national Agency for

Employment to implement active measures and employment programmes, strengthen its regional and local structures; complete and implement reform of the social assistance system, (including clarity in the decentralisation process) in line with the *acquis* principles: continuity of the social protection, administrative efficiency, predictability, sustainability, equal treatment and anti-discrimination; continue to support social partners' capacity building efforts, in particular with a view to their future role in the elaboration and implementation of EU employment and social policy; improve inter-institutional co-operation, properly decentralising social responsibilities to the local level, budgetary organisation, ensuring adequate staff numbers, and effective training of personnel.

- For the **SMEs** it will be considered to: implement market oriented strategy to stimulate SMEs competitiveness and sectoral programs; promote a SME-friendly economic and legal environment; review policy framework and legislation to improve the access of SMEs to investment finance.
- **Regional policy** should concentrate on:
 - o Develop a national policy for economic and social cohesion and, in this context, regularly update and improve the National Development Plan (further co-ordination with the national budgetary and policy-making processes, including multi-annual programming and budgeting).
 - o Set up the required monitoring and evaluation system, in particular for ex-ante and ex-post evaluation and for the collection of the relevant statistical information and indicators.
 - o Strengthen the institutional and administrative capacity of the bodies in charge of programming and managing funds for economic and social cohesion, in line with the Structural Funds approach.
 - o Develop the capacity to (i) select, discuss and clarify development priorities at both national and regional levels, and (ii) identify, programme, and prepare projects
 - o Establish a clear division of responsibilities at national and regional level and improve the administrative capacity in terms of recruitment, career profiles and training. Improve co-ordination and co-operation between ministries, as well as between relevant agencies and social and economic partners.
 - o Prepare to comply with basic financial management and control provisions as laid down by the respective regulations of the Structural Funds. Particular attention should be given to clarifying the role of the regional levels and strengthening inter-ministerial co-operation and partnership.
- Regarding the **environment** it is important to: ensure progress with the implementation of the transposed *acquis*, including through securing the necessary financial resources
- Continue the implementation and transposition of the Environmental *Acquis* in the waste management field
- Improve administrative capacity to implement the *acquis*, through reinforcement of staffing both in the Ministry and in other relevant bodies. Particular attention needs to be paid to enforcing capacity of the Environmental Protection Inspectorates at local level and the regional level as well as to co-ordination between ministries.
- Reinforce structures and mechanisms (including co-ordination between ministries) to ensure integration of environmental protection requirements into the definition and implementation of all other sectoral policies so as to promote sustainable development.

More specifically, the project addresses priorities identified in some areas of the **NPAA** (National Programme for Accession of Romania to the European Union, June 2002). These are:

- Short- and medium- priorities for Regional Policy and Co-ordination of Structural Instruments (4.21 of the NPAA) include: *Strengthening of the partnership [principle? – sic] through activities targeting the awareness of the potential partners on the role and benefits they have by participating in the elaboration and implementation of the regional development policy as well as by participation in the improvement of the programming and monitoring exercise.*
- Short-term priorities regarding Public Administration Reform (Ch. 5. of the NPAA) include: decentralisation of public services and strengthening of administrative and financial local autonomy and the need to develop local public services and improve their quality in order to meet the EU requirements, notably for activities related to water and wastewater services.
- For Employment (ch. 4.13) there are the following short and medium term priorities: application of the labour market structural and institutional adjustments identified within the Joint Assessment of Employment Policies priorities (JAP), preparation of participation on European Strategy for Employment
- Development of institutional capacity and training the staff of the Ministry of Labor and Social Solidarity (as Managing Authority) and of the National Agency for Employment (as Paying Authority and with attributions for implementation) for participating in projects financed out of the European Social Fund (ch. 4.13).
- According to the Chapter 4.18. Education and Training from the NPAA, our country should ensure the

continuation of the reform of the vocational training system. The following measures are taken into consideration: completing the legal framework by drawing up the law on vocational training, involving the social partners at all levels and the cooperation of all institutions, establishing the operational structures of the National Adult Training Board and authorizing the first centres for education and certification of professional skills, strengthening the control of the activity of the providers of vocational training services, developing a national network of authorized centres that will assess vocational competence, implementing programmes meant to train the trainers, preparing for implementing programmes such as "European Social Fund" in the domain of vocational training of work force.

- This project meets the following NPAA medium term priority for SMEs: improving the administrative capacity of MSMEC by monitoring the impact of measures and programmes to support SME development and updating the statistical database comprising the situation and structure of SMEs..

As concerning the infrastructure the main aims are to improve and develop the local and regional infrastructure, essential requirement for the private sector development; transport, tourism and environmental infrastructure that will be identified and respond to priorities of the regional development programmes

2.4 Contribution to National Development Plan

In line with the demand of the present exercise, Romania's regional policy, included in the National Development Plan for the period 2002-2005, states as development axes the following:

- Axis 1: Development of the productive sector and related services, strengthening the economic activities competitiveness and private sector promotion
- Axis 2: Improvement and development of infrastructure
- Axis 3: Improvement of human resources potential, labor force capacity to adapt to the market needs/requirements and the social services quality
- Axis 4: Support to agriculture and rural development
- Axis 5: Environment quality improvement and its protection
- Axis 6: Support to scientific research, technology development, innovation as well to communications, IT and information society
- Axis 7: Improvement of economic structure of the Regions, support to sustainable and balanced regional development.

Projects financed under this component will address directly or indirectly the following axes:

- Axis 1 – Due to the fact that the regions do not benefit from sufficient productive capital, **supporting productive sector**, through investments promotion, is a priority for Romania's national policy for regional development; as objectives within which this priority is observed are **private sector development** and **investment promotion, support to productive SMEs** in order to increase **competitiveness**;
- Axis 2 - **Improvement and Development of Infrastructure** - the economic potential of a region, as well as its attractiveness for locating investment, depend highly on its infrastructure conditions. Successful regional development initiatives require that the local infrastructure, as a component of the economic base, is able to support the demands placed upon it. It is, however, generally recognised that the Romanian social and economic infrastructure is insufficiently developed to meet the needs and requirements of a growing economy.

Local infrastructure, as an element of the economic base, must support the demands placed on it. Emphasis has been given in recent years to improving water and wastewater service delivery in large cities and in priority areas for regional development. The more recent policy to create new opportunity for small and medium towns to improve their local services is being incorporated into the NDP.

- Axis 3 - **Improvement of human resources potential, labor force capacity to adapt to the market needs/requirements** - Social policy is central to reducing inequalities and imbalances and promoting social cohesion. Along with economic policies and the employment policy, it creates the necessary mechanism for attenuating poverty, improving living and work conditions and raising the quality of life. It is imperative, therefore, to establish a genuine correlation among these policies and close co-operation between the respective implementing factors, thus achieving an integrated strategic approach. The national strategy of the labour force aims at creating such structures that are able to transform the unemployed into working people on the first labour market, by supporting competitive and sustainable job creation. This objective will be realized by promoting active measures to fight against youth and long-term unemployment and promoting social inclusion by access to employment and by promoting

vocational training programmes, in order to develop skills for the new labour market in the context of lifelong learning.

- **Axis 5: - Environment quality improvement and its protection** - Measures related to environmental rehabilitation of degraded industrial sites and closed enterprises in heavily polluted areas, in order to make use of the existing industrial infrastructure for the development of new economic activities. The main priorities in the field of environmental protection are:

- Waste management
- Water management
- Air quality, climate changes, Integrated Pollution Prevention and Control
- Biodiversity protection and conservation
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The waste management scheme will increase the attractiveness of the urban areas for inward investment, will rehabilitate the urban environment and will increase the quality of life of communities, will protect the population's health and will facilitate the compliance with the EU waste management acquis.

The SAMTID project will bring strong environmental benefits too, enabling small and medium municipalities to meet EU and Romanian environmental standards.

- **Axis 6: - Developing the information society and IT** - The broad use of opportunities offered by the information society represents an important aspect of the economic support strategy.

2.5 Cross Border Impact

Not applicable.

3 Description

The Phare 2003 investment schemes will be implemented in all the development regions. Concentration is ensured through supporting a specific target group (like in the employment measures) or to focus a measure on very distinct types of projects and activities with clearly defined selection criteria, such as: waste management, tourism and transport infrastructure, water and wastewater infrastructure.

A. Technical and Vocational Education and Training (TVET)

3.1 Background and justification:

The VET system aims to respond in a dynamic and flexible way to the increasingly changing demands of the community at large, resulting from economic developments and from specific measures for social cohesion as defined by the government policy.

The proposed project represents the continuation of the Phare 2001 and 2002 – Investment in Social and Economic Cohesion – TVET, and it is based on the achievements of Phare VET programme RO 9405 and its generalisation policy. At the end of the EU Phare VET programme RO 9405, in December 1998, the system of vocational education and training has been partially completed (education levels corresponding to vocational schools and post-high schools), and left clear recommendations for generalisation and the completion of the whole system.

New developments of the educational system requires new adjustment of the TVET system, as the Ministry of Education and Research launched the proposal of extending compulsory education from 9 to 10 years. According to the new extended duration, the TVET system will be consolidated through developing two TVET pathways, one leading to the third level of qualification part of the high school education, and an integrated three level training offer, with 3 exits corresponding to the three European qualification levels, as follows:

I.

1. grades IX –X , compulsory TVET leading to 1st level of qualification, which can continue with 2. grade XI, post-compulsory TVET, leading to 2nd level of qualification, which can continue with
3. grades XII-XIII, post-compulsory TVET leading to 3rd level of qualification

II.

4. grades IX-X, compulsory TVET leading to recognition of competences, which can continue with
5. grades XI to XII/XIII, post-compulsory TVET leading to 3rd level of qualification

These amendments will affect the role of the TVET school clusters, including their marketing strategy, so that they have to reconsider their position and to motivate young people for a whole TVET career, instead of offering short training segments of parallel qualifications, as it is now.

The regional and local disparities on the availability and quality of TVET are specifically addressed. Heavy industrial restructuring does also require restructuring of educational offer in TVET from traditional industrial trades to new economic areas (e.g. agro-tourism) and trades, which are emerging in the labour market.

The development of core skills implied by the new technologies and management systems - required in order to ensure the continuation of reforms initiated by previous Phare VET 9405 and Phare ESC 2001 and 2002, the require to answer to the challenges raised by the extension and restructuring of compulsory education, the lasting regional and local disparities in the quality of TVET and the specific needs of the groups at risk, all these demand further investment in TVET school infrastructure in a long term perspective.

These measures have in view both respecting the safety standards and general pedagogical norms of the MoER, and the standardisation of the working process and quality assurance required by each employment domain.

Moreover, the introduction of the modular training and certification procedures through the several interventions in the TVET reform supposes a modular design of the training places and appropriate facilities for acquiring core skills, such as self-management and use of IT. At the same time, the process of rehabilitation should convert under-utilised TVET schools into modern training centres, for both initial and continuing training.

At **national level** the project is aiming at adjusting the whole VET system to enable schools to respond to the education and labour market training needs at local and regional level. This by providing initial education and training, lifelong learning opportunities, as well as training on demand. The provision of education and training has to be sustainable and of good quality, comparable with European standards. The project wants to ensure the coherence of the national VET system and as such counteracting disparities between regions as well as assuring the quality of VET provision all over the country.

At **local and regional level** the project is aiming at VET schools to learn to respond to the education and labour market training needs of individuals, those of the community at large and the business community in particular. As such VET schools will contribute in a pro-active and flexible way to economic growth and social cohesion of the area they are serving. In the actual stage of development, there is a need for further investment in rural areas with potential for economic development, as well as for strengthening the local capacity of the TVET resource centre to facilitate transfer of know-how.

The present project adds a special focus on TVET schools in rural areas with the aim to sustain the economic and social cohesion objectives. There is a significant proportion of students in rural areas (47% of students at compulsory school age is enrolled in education within the rural areas) and the schooling capacity is very limited. This particular attention to rural areas results also from the conclusions of the 2002 study of MoER and the Institute of Educational Sciences, which shows low participation rate in secondary education in rural areas, including abandonment of apprenticeship schools due to lack of resources and job perspectives. In the current context, encouraging a longer duration of compulsory education including basic TVET leading to qualification at the first level, as well as the perspective of regional and local administration and development of human resources, it is expected the graduates who decide to remain in their localities to have the needed skills to perform jobs required by local economic agents, like farms, agro-tourism pensions and small and medium scale industries. In the mean time, there is considered the chance of compulsory education graduates to continue their upper secondary education in rural areas schools, by enlarging access to TVET, as indicated by the Joint Assessment Paper developed in October 2002. The restructured TVET system includes, during and after compulsory education, learning paths having dual purposes, namely education and training.

Therefore, additional 50 schools will be assisted in view of broaden access and diminished inadequacies in the territorial provision of TVET.

3.2 Linked activities

See **Annex 4.1**.

3.3 Results

As a continuity of Phare 2001 and 2002 Programme, the **111** selected units (100 TVET schools and 11 resources centres) will receive further assistance to procure and install in rehabilitate vocational workshops the specialised equipment according to reformed curriculum for the last years of training.

The additional **50** schools will be assisted to act as **community resource centers** in order to serve the training needs of young people in view of **regenerating the local economy in rural areas**.

The need for VET institutions acting as resource or support centres at the regional and local level was already stressed by the **Feasibility Study** that grounded the TVET projects of IB and Investment under Phare 2001. An additional Study will be elaborated by the TA under the Phare 2002 ESC – IB component to give an accurate image of the functions these resource centres should play especially in rural areas.

Therefore, a total number of **161** schools will be assisted for investment under Phare 2003, which represent a sound nucleus for ensuring the sustainability of TVET reform measures.

- Didactic and modern technologies equipment and didactic software (which has been identified on the basis of a labour market assessment of the medium and long-term strategies for skills development) supplied, installed and in use, for the specialised years of training of the 111 schools
- IT and office equipment supplied, installed and in use in 50 schools in rural areas
- Supporting the curricular reform in order to facilitate the training of core skills of the students, as well as those technical skills requested by employers
- Transition from school to working life facilitated
- Better access to information and documentation ensured and training facilities for trainers and trainees improved, with a special focus on rural areas.

3.4 Activities

Planning of the activities for the overall Phare supported TVET reform covers a long-term perspective of three consecutive Phare programmes. An indicative figure to cover the Phare investment was in Phare 2001 programming estimated as 48,4 MEURO. It was initially planned to cover two consecutive Phare programmes. However, in order to ensure efficient use of funds, better absorption and enough time for implementing the results of the Phare 2001 programme (preparing the TVET system for further investment by upgrading infrastructure), it was decided to spread the financing to cover three consecutive Phare programmes (16 MEURO for Phare 2001+ 18 MEURO for Phare 2002 + 14.4 MEURO for Phare 2003).

Based on the estimated results of Phare 2001 and 2002, additional funding is needed to cover the investment needs of the schools in rural areas and ensure sustainability of the local transfer of know how through the selected resource centres

16.305 MEURO of Phare funding will be provided for TVET investment in 2003, with the following distribution:

- **14.4 Meuro** as representing the second part of the specialised equipment (years 3 or/ and 4 and 5 of study) to be given to the 111 schools and resource centers previously selected during Phare 2001 and 2002.
- **1.905 Meuro** representing IT and office equipment for the additional 50 schools

Two types of contracts will be concluded under this component:

A1. Procurement of the specialized equipment for specialised training workshops in the 111 schools (supply of equipment)

A2 Procurement of IT and office equipment for additional 50 schools (supply of IT equipment)

A1. Supply of Equipment: The Investment component for equipment contracting started already in Phare 2001, with the delivery of the information technology (computer networks) and office equipment, as

well as the preparation of technical specifications for the specialised equipment and preparation of the related tender documents for Phare 2002. The investment sub-component for procurement of didactic and modern technologies equipment and didactic software will be implemented based on labour market assessment concerning the medium and long-term strategies for skills development, in order to assure the core skills achievement and facilitate the transition from school to working life.

100 schools and 11 resource centres previously selected for the priority areas as defined through Phare 2001 will receive specialised equipment for the laboratories and workshops. They have received the equipment for *basic training* (namely the first two or three years of TVET) from Phare 2002 and the rest of the equipment for *specialised training* (the 3rd and/or the 4th and the 5th years of TVET) is to be supplied under Phare 2003.

The preparation of the technical specifications (TS) for the specialised equipment for the 111 schools was provided during the Phare 2001 IB sub-component programme.

The expected delivery for June 2005 will allow the teacher and instructors training during the Phare 2002 programme.

Additional TS for the 50 schools acting as community resource centres for rural areas will be object of preparation under Phare 2002 IB.

The total **14.4 Meuro** average costs of the equipment for specialised training are estimated as follows:

135,200Euro/school x 100 schools = 13.52 MEURO from Phare contribution

80,000Euro/resource centre x 11 resource centres = 0.88 Meuro from Phare contribution

A2 Supply of IT equipment Taking into consideration the average costs of the similar equipment provided during the previous Phare 2001, the amount of average 38,100 EURO per school represent the estimation of IT and office equipment costs. The lot allocated to each beneficiary unit will include about 25 work stations and 1 server 2 printers, 1 overhead projector, 1 TV set, 1 video player, 1 copy machine, 1 fax machine, 1 flipchart. Internet access and e-mail will be also provided.

The total **1.905 Meuro** average costs of the IT and office equipment are estimated as follows:

38,100 Euro/school x 50 schools = 1.905 Meuro from Phare contribution

Beneficiaries:

The local level is represented by the TVET schools, as main beneficiaries together with their social partners at local, county and regional levels, and assures the operational activities.

The estimated total number of the involved schools is 161, from which 11 will act as resource centres, and 50 schools are new ones added in the programming year 2003.

Selection procedure:

The investment contracts are based on previous selection of schools units.

The Investment contracts for 111 schools are based on previous (Phare 2001) selection of school units in each of the priority area. The task has been carried out by the Regional Consortia that operate at the area level under the coordination of Regional Development Agencies. All the institutions involved in the process of running Phare 2001 programme are going to continue, in the established way, the activities in Phare 2002 and 2003.

The additional 50 schools in rural areas will be distributed at the national level and the evaluation will be done by a Selection Committee appointed by MoER. Regional Consortia representatives will be members of the Selection Committee. The Phare programme Steering Committee will approve the final list and EC Delegation will endorse.

These schools will be selected from rural areas according to the relevance of their educational offer to the economic development of the respective area. To better serve this purpose, they will be linked to or located in the schools serving as "communes' centers", as listed by MoER. The main **criteria** will include:

- Relevance of the educational offer to the regional strategic objectives of the human resources development plan
- Responsiveness of the school TVET supply to the priorities for socio-economic development of the community
- National territorial distribution which ensure students equitable access to TVET

- Demographic growth within the area
- Minimal infrastructure for sustaining basic training in TVET (road access, electrified area, current transportation, basic resources in the professional domain, e.g. terrain for agriculture, basic space for workshops)
- Administrative position as “communal center”, according to MoER list
- Current collaboration with local economic agents
- At least 90% of teaching staff is qualified

Co-financing

The local authorities as well as local economic agents could contribute to the co-funding of additional investments (not included in the main supply contracts) for the selected school units in each county within defined area.

B. Human resources development

3.1. Background and justification

Taking into consideration that the performances of the Romanian economy and the capacity to respond to the competition pressure and the labour market forces from the European Union are directly conditioned by the quality of the human factor and by the structural adaptation of the labour force, an important place among the measures envisaged in the governing programme is given to the actions aimed at the increase in the qualification level of the labour force concomitantly with its retraining to match labour market demand and supply.

Due to the economic changes that have occurred, the development of market economy and privatization and restructuring of Romanian economy in general have led to important problems appearing on the labour market. Beyond unemployment due to the lack of jobs, a deficit in well-qualified population appears more and more clearly. Moreover, the main asset for contributing to a solid, healthy and sustainable business development, the promotion of entrepreneurship and business management skills are not sufficient or adequate to the requirements of the global economy.

Due to scarce financial resources, investment in Human Resources Development has been insufficient and the gap between the market needs and the skills of the labour force has been maintained. Phare '98 Industrial Restructuring and Human Resources Development Projects had an absorption rate of 89%, showing that needs and interest exist. The beneficiaries of HRD component of Phare'98 were around 66% composed of NGOs, Local Authorities, public training providers and Universities, around 9% were prefectures and decentralized services of central administration including MoLSS county offices.

In the framework of **Phare 2000 Human Resource Development sub-component**, 1863 applications have been submitted, 454 projects selected, out of which 416 projects financed, with a total value of 20.9 Meuro; the absorption rate for this sub-component being 87%.

The projects to be financed under **Phare 2002 HRD sub-component** will be mainly directed towards enhancing employment opportunities (through training and re-training), developing entrepreneurship, improving the capacity of enterprises and their management staff to adapt to the requirements of market economy. Measures to support job seekers, unemployed, with special attention to long-term unemployed, young people and women, to find a job and avoid social exclusion, are financed too. These measures will alleviate the effects of economic restructuring also, by addressing the social groups most hit by it, without overlapping with the World Bank programme.

The first **National Action Plan for Employment (NAPE)**, elaborated in 2002 (approved by G.D. no.759/2002), foresees that “increasing employment level at the same time as continuing with privatization and restructuring processes at an accelerated pace will be achieved by shifting the focus of unemployment social protection policies from passive to active measures and by promoting measures that prevent unemployment, especially among young people and persons at risk of becoming long term unemployed”.

In this context, preventing and combating unemployment among the young and long term unemployed is a crucial issue and of immediate concern to the Romanian Government. The measures designed to solve this problem are a priority for both the present NAPE and future ones.

Young persons aged between 15 and 24 remain the category most affected by unemployment. The ILO youth unemployment rate is 2.6 - 3 times higher than the total ILO unemployment rate. Also, long-term unemployment is an issue of great concern in the labour market. The ILO statistical data show that the

average length of unemployment is rising, being different across age groups. Thus, in 2000, the average duration of unemployment was 18 months, 2 months longer as compared to 1999; in the same year, 51.1% of the ILO unemployed had been unemployed for over one year and 24% for more than 24 months. As the length of unemployment increases, the chances of re-entry into the labour market are considerably reduced. This is due to the fact that the longer a person remains unemployed, the more his/her professional skills and abilities diminish and the person grows more and more psychically unfit, losing his/her self-confidence.

Therefore, NAPE underlines the necessity to fight against youth and long-term unemployment (guideline 1) and sets two priorities:

- Promoting measures aimed at preventing and combating unemployment among young people between 15 – 24 years old with a view to increasing the rate of employment in this category;
- Within the context of the continuing privatization process and the restructuring of the economy, alternatives will be identified for the employment of the people thereby made redundant, since tackling of long-term unemployment will be a matter of constant concern in the coming years.

Also, within the NAPE, Pillar I – Improving employability, guideline 4 - “Developing skills for the new labour market in the context of lifelong learning”, underlines that: - “Special vocational training measures for youth and adults will be promoted in accordance with labour market requirements to improve employability and extend active life. The implementation of the concept and mentality needed to promote further and permanent education without social discrimination will meet the necessity to adjust rapidly to the structural changes to the economy and in technology, which will facilitate the greater professional mobility that is predicted for the years to come”.

One of the NAPE priority is: “Mitigating the gap between supply and demand in the labour market, mainly by adapting the initial and continuous education to the medium and long-term trends in the occupational world, in a knowledge-based society which makes use of new information technologies”.

Moreover, the NAPE’s Horizontal Objective D – The regional dimension, is presenting an analysis of the regional aspects in Romania and it is underlined the necessity of having a proactive employment policy to enhance the local employment potentials.

The Joint Assessment Paper adopted by the Romanian Government and signed at Bucharest on October, 28, 2002 by the Minister of Labour and Social Solidarity and the European Commissioner for Employment and Social Affairs, underlines that there is a substantial long-term unemployment (nearly half of the unemployed in 2001) and a high youth unemployment (their unemployment rate is 3 times higher than adults’). Given the high level of long-term unemployment there is also a need to develop and implement an approach enabling to address the unemployed as early as possible with support and active measures adapted to their individual situation and needs.

One of the JAP priorities in the vocational training field is:

- “Develop a strategy for continuing training in close co-operation with the social partners as well as appropriate framework and incentives for the training of those employed. Develop capacity for the training of the unemployed, taking into account medium-term challenges linked to the restructuring”.

The top priority is to increase the employment rate through:

- Development of SMEs;
- Measures aimed at 15-24 year olds;
- Provide alternatives for redundant workers;
- Tackling long term unemployment;
- Mitigating the gap between supply and demand in the labor market.

Complementarity is ensured with the current projects and programmes carried out by MoLSS:

○ Through the Unemployment Fund active labour market measures are funded, including training of the unemployed. As part of the national active labour market measures, the National Agency for Employment trained more than 28.000 unemployed in 2000, almost 24.000 unemployed in 2001 and 12.000 unemployed during the first 10 months of 2002.

- The Institution Building twinning project for improvement of continuing vocational training (CVT) systems is supporting the development of the framework for continuous training provision;

- The World Bank Labour redeployment Programme (2001-2006), with a budget of 20 M\$, provide services driven and available for displaced workers from enterprises meeting eligibility criteria specified in the Government Ordinance no. 9/1997.

The TVET component and the CVT twinning project (Phare 2002) will contribute to the efficiency of this component by ensuring development of vocational training according to the immediate needs of the labour market in the context of industrial restructuring and emerging market economy. CVT and TVET will put the grounds for a long term training strategy and creation of a coherent and flexible institutional and regulatory framework for training provision, development of occupational standards and methodologies, based on quality standards defined at European level.

3.2. Linked activities

See **Annex 4.1.**

3.3. Results

- Improved access to employment for job seekers and unemployed people (especially youth and long-term unemployed).
- Reduced rate of youth and long-term unemployment
- Labour force will have increased knowledge and acquire better and new skills according to the labour market needs, due to increased responsiveness of training providers.
- Improved management skills, especially human resources management, in enterprises will ensure the survival and development of the companies, increasing their competitiveness on the market.

3.4. Activities

The objectives and activities of this component are in line with the EU Employment Strategy guidelines and with the European Social Fund priorities. The priorities defined will ensure implementation of the Romanian NAPE 2002-2003, guideline 1 and 4.

Priority 1. Enhancement of active employment measures as systemic tool to foster employment, especially for youth and long-term unemployed

This priority is established in accordance with:

NAPE - Guideline 1 – “Tackling youth unemployment and preventing long-term unemployment”

The actions eligible for support under this priority should focus on:

- Development and delivery of vocational training programmes, which address skill shortage opportunities (basic training, qualification, re-qualification, skill upgrading);
- Training and guidance for business start-up or activities to assist self-employment for identified potential entrepreneurs, in order to promote entrepreneurship and job creation;
- Range of support measures for the target groups to return or enter the labour market (including professional counselling and vocational guidance, job search, job clubs, individual training/development action planning, work trials, work placements, pre-vocational and vocational training and retraining, mentor support, links to employment opportunities and mediation services).

Priority 2. Qualification and re-qualification of the work force in order to make it more respondent to the evolving needs of the labour market

This priority is established in accordance with:

NAPE - Guideline 4 – “Developing skills for the new labour market in the context of lifelong learning”.

The actions eligible for support under this priority should focus on:

- Development and delivery of training to the staff in enterprises, to maximise the use of new production technologies and practices and develop new products;
- Development and delivery of training programmes, which enable staff, to develop the capacity to utilise new Information and Communication Technologies;
- Enhancing Human Resources Development (HRD) in the context of industrial restructuring; promotion of good practice in enterprises through for example developing workforce development strategies and training plans; in-company key workers (manager/company training adviser/personnel staff/trade union

officer) to develop a life-long learning culture for all employees within enterprises and HRD good practice networks (provision of high quality counselling and guidance).

Projects should be supported with clear evidence of the needs for the proposed training programme.

In any project the service provider should be clearly identified no matter who the project beneficiary is. The service provider shall comply with legal regulations in force concerning the provision of the services. In order to increase the impact of such projects they should ensure a minimum rate of job placement for the unemployed.

Beneficiaries: non-profit making or profit-making organizations submitting an application as an individual applicant or in a consortium with other partners; the applicants may be: Vocational Training Agencies, Education and/or training providers and Associations of Training Providers, Chambers of Commerce, Trade Unions, Local Authorities, Universities, Employers' Organizations, Private companies, Research Bodies, Employment brokers, other relevant profit and non profit organizations.

Target groups:

Priority 1:

- Youth unemployed people aged between 15 and 25 (categories: school leavers without qualification skills, or with low qualification skills level, or with qualification skills without demand on the labour market);
- Long-term unemployed persons (people who have been unemployed for a period of over nine months).

Priority 2: all management levels in enterprises (top, middle, line managers), as well as regular staff within state or private owned enterprises.

General implementing provisions:

To the extent possible, the scheme will ensure the complementarity with the micro-credit schemes funded through the Romanian Government and the World Bank programmes (ex. Social Sector Development World Bank Project (E.O. no.111/2001), subcomponent Micro credit – 12 mil. USD). The beneficiaries will be informed about the request to introduce in their training and guidance for business start-up or activities to assist self-employment for identified potential entrepreneurs, concrete information and guidance about the micro credit schemes approved according to the law. The persons belonging to the target groups will be guided to apply for a micro credit scheme.

Indicative budget allocation:

- Priority 1 – 70%
- Priority 2 – 30%

Open calls for proposals will be organised at regional level by the Programme Coordination Unit (PCU) through Programme Implementation Units (PIUs). A Regional Selection Committee will carry out the technical and financial appraisal of grant applications. The evaluation reports will be submitted to the PCU - Ministry of Labour and Social Solidarity and NAE and endorsed by the EC Delegation. The list of the selected projects will be approved by the Regional Development Board previous to be sent to PCU.

The following minimum and maximum amounts apply to the grants for the individual projects, which may be financed under the programme (Phare contribution):

- minimum amount : 15,000 euro equivalent
- maximum amount : 75,000 euro equivalent.

Contracting

MDP will conclude an implementation agreement (framework agreement) with MoLSS.

MoLSS will conclude a Regional Framework Agreement with NAE and each PIU for the technical management of the projects implemented under this component. Contracting grants shall be under the responsibility of the MoLSS, as Implementing Authority and Ministry of Development and Prognosis as Implementing Agency.

Co-financing

In case of priority 2, profit-making organisations will have a contribution of minimum 20% of the total project eligible costs, in cash.

Other organisational issues:

At the start of the project the PCU and the 8 PIUs should be established and have adequate premises.

The PCU at national level is a joint team composed of experts from MoLSS and NAE.

One PIU will exist in each region, having the office in the same locality as the corresponding RDA. PIUs staff includes representatives from the County Employment Agencies in the region.

Estimated budget: 5,6 Meuro Phare contribution

C. Small-scale waste management investment scheme

3.1. Background and Justification

At present, a lot of municipalities/localities face the waste management problem, which represent in the same time a major risk for the population. Taking into account this, the following measures must to be taken in order to fulfil the EU requirements related to the waste sector:

- increase of the level of selective collection
- reduction of the volume of waste stored – including hazardous waste
- reduction of the number of biodegradable waste.

Bio-mechanical treatment of waste is used in the Member States and already proved it's validity for certain conditions. Some advantages are:

- It is a cost effective method to fulfil the EU-requirements regarding the reduction of the amount of biodegradable waste to be landfilled
- It is a first step for a more advanced waste management of household waste that can be further improved in the future. In the beginning no highly automated or sophisticated systems should be applied
- No complicated separate collection system is necessary. Therefore, the system is likely to be accepted easily by the population, which to a big extent now has other preoccupations than a separate waste collection because of the difficult economic situation.

The EU directive for landfills requires the reduction of the amount of biodegradable waste to be landfilled. One easy possibility to meet this requirement is to collect and treat separately biodegradable waste from households. The produced compost can be utilized as fertilizer in agriculture or for landscaping purposes. Further on, the following measures must be applied in order to fulfil the EU requirements related to the waste sector:

- reduction of the environmental impact of landfills;
- reduction of the quantity of waste emitted to the environment in an uncontrolled manner;
- reduction of the volume of waste to be stored ;
- reduction of the quantity of biodegradable waste;

The enforcement of a sustainable system related to waste management implies major changes of the present practices. The implementation of such changes will lead to the involvement of the whole society: individuals as users, enterprisers, socio-economic institutions, public authorities.

According to the Emergency Ordinance no 78/2000, approved and modified by the Law no. 426/2001 on waste regime, MoWEP elaborates the National Plan for Waste Management on the basis of county plans elaborated by the territorial authorities for environmental protection (Environmental Protection Inspectorates).

A first National Plan for Waste Management (NPWM), was approved by the Governmental Decision no. 123/ 24 February 2003. This plan is to be revised and the revised plan will be the main instrument to implement the EU policies within the waste sector in Romania. It is addressed to central and local authorities, producers (raw materials and end-products), traders, services suppliers and their professional associations, educational and research institutes, NGOs and to each citizen.

National Plan for Waste Management is the main instrument to implement the EU policies into the waste sector in Romania. The elaboration of this document is necessary for an efficient environmental protection through establishing the following conditions:

- nature resources conservation due to the reduction of the waste disposal (prevention principle)
- reducing the impact on environment and health (precaution principle)
- underline the responsibility of the waste producers („polluters pays” principle)
- establishment of an efficient integrated network for installations and facility of waste disposal (principle of proximity and self-sufficiency).

National Strategy for Waste Management, as a constitutive part of NPWM, mentions as important problems for the waste management, the following:

- Collection of municipal waste is not selective; recyclable and non-recyclable waste is not sorted prior to disposal.

At present, in Romania, there are few activities in sorting and collecting different kind of waste materials because there are very few economic agents available to recycle these sorted materials. The generation of significant quantities of waste without considering the possibility of recycling or energy recovery is not consistent with the principles of sustainable development.

The development of the waste management system in different areas will contribute to the development of tourism. The additional income provided through the development of the tourism will be used to finance other projects in the waste management sector.

Areas attractive for tourism could, amongst others, profit from the project. In most tourist areas there is a lack of waste collection and transport. Collecting waste in these areas would avoid littering of attractive natural and cultural sites. The idea is that those areas with tourism act as a nucleus to demonstrate to other regions how waste management in Romania can function. Tourism will be only possible in areas with functioning waste management system because tourists don't want to see garbage on the streets. The expenses for the waste management system in these areas will be refinanced by additional income because of increasing tourism.

The Government is committed to implement the sub-component dedicated to the environment in two phases:

Phase 1: Pilot – Called "Small-scale waste management investment scheme" runs in 2003, to establish the foundation elements, to test them for a few number of local public authorities, and to prepare for future projects taking into account the lessons learned.

Phase 2: Expansion – From 2004 to 2006, the program will be adjusted and expanded within a multi-annual environmental scheme that will extend the scope of activities in the waste management field and address other environmental issues (air, nature protection ...)

3.2. Linked activities

See **Annex 4.1**.

3.3 Results

- Created/ improved capacity of local public authorities to contribute to the environmental protection, by improving waste management
- Bio-mechanical pre-treatment plants for household waste
- Developed/ rehabilitated sanitation systems for localities
- Composting platforms constructed

3.4. Activities

The future selected projects to be financed under Phare ESC 2003 should be identified as priority projects within the region for which the framework of a regional waste management plan is under preparation with the assistance of the 2001 twinning on waste management.

Eligible activities

The main projects to be financed through this component, are:

a) Construction of bio-mechanical pre-treatment plants for household waste

Within the framework of this kind of projects, the following activities will be supported:

- construction works;
- investment of shredder;
- investment of sorting facility;

- investment of aeration equipment;
- investment of transport means for waste shipment;

b) Development/ rehabilitation of sanitation systems for localities which yet have no sanitation system, creation of the collection infrastructure, temporary depositing spaces etc., including selective collecting

Within the framework of this kind of projects, the following activities will be supported:

- installation of separate collection schemes (e.g. containers, compacting cars) for households in order to meet the requirements of the landfill directive with regards to the reduction of biodegradable waste
- investments for selective collection systems;
- acquisition of facilities for compacting of waste;
- acquisition of transport means for transporting waste to landfills.

c) Construction of composting platforms

Within the framework of this kind of projects, the following activities will be supported:

- construction works;
- investments for development/ improvement of waste water facilities (treatment plant & sewage systems only);
- investments for package systems of compost;
- acquisition of transport means for transporting compost to market sites or to landfills

Eligible beneficiaries

Direct beneficiaries will be local public authorities, from the selected region, responsible for waste management, which will be responsible for implementation of the project, and normally the legal owner of the facility to be realised. Access to the facility must be guaranteed for all potential users on equal terms; if differentiated tariffs are foreseen, detailed justification should be provided on a case-by-case basis.

The following minimum and maximum amounts apply to the grants for the individual projects, which may be financed under the programme (Phare contribution):

- minimum amount : **300,000 Euro**
- maximum amount : **1.000,000 Euro**

The grant beneficiaries should provide a co-financing amount (at least 10%), as local contribution, in cash. In order to cover the local contribution the National Environmental Fund will provide support with soft bridge-loans of a maximum value of 300,000 Euro per project.

Eligible expenditures

Expenditures must be directly linked to achieving the purpose of the grant and appropriately accounted for.

Eligible expenditures could include investment costs related to the site preparation, public utilities networks, main works, plant and machinery, contingencies. Also, investment costs related to construction, equipment, machines and vehicles are included.

Other eligible expenditure to be considered:

- costs for detailing of planning and construction supervision should be included,
- costs for training of personnel in order to provide the necessary knowledge to operate the facilities that have been set up by this programme,
- costs for elaboration and production of information material, elaboration and conduction of campaigns on public awareness.

The PPF will finalise the precise definition of eligible expenditures and different rates of assistance that will apply.

Each project should include:

- a training component for the operation of the investment
- a public awareness component

Cost of land acquisition, taxes and authorisations requested by Romanian legislation, retroactive costs (Feasibility Study preparation, etc.) are not eligible.

The indirect costs: overhead must not exceed 7 % from the project value.

The awareness component must be 2 % of the project value, but not less than 5,000 Euro.

Criteria for project selection

As an indicative list, the following **eligibility criteria** are envisaged:

- Localities <50.000 inhabitants (priority will be given to associations of small localities, < 50.000 each, in order to promote collective projects)
- Project size (to be framed between the eligible amounts)
- Not previously benefiting from other sources of financing (like PHARE, LIFE), with minimum 1 year before the financing request
- Non-overlapping with other potential financing sources/ programmes: the projects should not be eligible for ISPA or PHARE CBC programmes;
- The project should have prepared sound feasibility study, including objective, location, quantified description, costs estimate, supervision arrangements and implementation schedule, allowing to start tendering immediately. The feasibility project should demonstrate sustainability (the financial sustainability of the project after the end of the EU financing should be ensured)
- Certifying of co-financing by Local Council Decision
- The projects shall demonstrate their environmental viability through the permit issued by the regional/ local environmental authorities
- The project should be clearly defined, and the expected results/ its efficiency to be clearly presented, having included public information component
- The project should demonstrate that it will have a net positive impact in the area where it is implemented/ located, from the environmental, economic and social point of view
- Relevance to the waste management component objectives and to the priorities of the corresponding Regional Environmental Protection Plans and the Regional Development Plan for the concerned area where it develops
-
- The project must contribute to the implementation of the existing Romanian legislation on waste management in order to fulfil the requirements of the EU in the respective field
- The results of the project should be replicable (demonstrative effect). Linkage, integration or complementarities with other projects; the results of the projects could be used for other projects in the respective sector
- Financial sustainability of the project after the end of the EU financing should be ensured
- Local commitment to the preservation and development of the public asset base and is the maintainability of the project, sustainability of the project

The indicative list of the **selection criteria** includes:

- Maturity of the project, quality and consistency of the technical proposal
- Geographical covered area (number of inhabitants benefiting from the project)
- Cost-effectiveness of proposal in terms of investment and operation
- The management capacities of the applicants (applicant's previous experience in similar project/actions, staff availability and experience of the implementation team, etc.)
- Capacity proved by the applicant to cover the expenditures for further operation and maintenance by appropriate fees
- The amount of co-financing part of the project beneficiary shall be taken into account as far as it demonstrates its commitment to the proposed project
- The applied technology should already be in use in the Member States and have proved sound and satisfactory experience. The reliability of the technology should be proven
- The project should be easily monitored also after its implementation;
- Creditworthiness of the private companies associated with the project beneficiary

Procedure for awarding grants, contracting and selection process

The concerned RDA, in co-ordination with the REPI and under the responsibility of the Ministry of Development and Prognosis and the Ministry of Waters and Environmental Protection, will launch an open call for project proposals to be financed under this component. A minimum period of 90 days will be given to the applicants for the preparation of the projects. All necessary information (eligible expenditures, rates of assistance, selection criteria etc.) will be clearly specified in the information package made available to all potential applicants. The call will also specify the modalities concerning administrative

requirements (e.g. specific applications forms, deadlines, format requirements concerning letter of agreement etc.)

The selection will be made by a Regional Selection Committee chaired by the concerned RDA, and will be formed by representatives of the RDA, from the LEPI/ REPI, and also independent experts. The National Environmental Fund will participate in the selection committee as well as the MDP, and the MoWEP. EC Delegation will participate as observer. Applications will be assessed against the selection criteria and scoring process developed by the TA (ref: PPF for the MoWEP). All applications reaching the minimum established scoring requirements would be ranked within the thematic category on the basis of their total score. The evaluation reports will be checked by the twinning (see ESC IB fiche), approved by the Ministry of Development and Prognosis, as Contracting Authority, and endorsed by the EC Delegation.

Contracting is the responsibility of MDP. Monitoring is performed by the RDA with permanent support from LEPI/ REPI, reporting to the MDP and the MoWEP.

Procurement following approval of grants will be the responsibility of the beneficiary and will follow the provisions of the standard grant contract annexed to the Practical Guide for Phare, ISPA and SAPARD procurement rules.

The grant agreement signed with each beneficiary will specify that the beneficiary will reimburse the grant or part of it, if the grant or part of it is not used in compliance with the grant agreement terms. In addition, the grant contract or sub-contracts will specify the conditions of infrastructure maintenance related to the granted project.

The procedure for awarding grants, appraisal, selection and contracting process will be further developed under **PPF**.

Estimated budget: 5.33 Meuro, from which 4 Meuro is Phare contribution, together with 1.33 MEuro from the Romanian side.

In order to support the **Small-scale waste management investment scheme**, the following activities will be implemented:

1. PPF Project, having as beneficiary the Ministry of Waters and Environmental Protection. The Terms of the Reference are attached to this project fiche (**Annex 4.10**).

This PPF is intended to start in June 2003 and to be completed by the end of 2003. Its main purpose is to ensure the proper implementation of the scheme. It is financed by Phare 2002 budget.

2. Twinning

This twinning is provided within the IB support of Phare ESC 2003. A component will be dedicated to the implementation of the Phare 2003 grant scheme. (see ESC-IB fiche)

3.TA for projects' preparation

This TA is provided within the institution building support of Phare 2003 ESC. (see ESC-IB Fiche)

D. Large-scale Infrastructure

D.1. Regional and local infrastructure

3.1. Background and Justification

Investment in regional and local infrastructure is intended to create the framework for domestic and/or foreign investment to be attracted into enterprises and sustainable jobs created, in the target areas. The projects will respond to regional economic development needs and shall have to comply with sustainable development requirements. The following sectoral priorities were identified, in continuation with previous Phare support:

- Rehabilitation of touristic sites leading to increased attractiveness of touristic areas

- Improvement of environment of industrial sites
- Improvement of regional transport infrastructure
- Improvement of business infrastructures and communication infrastructure in order to permit better access to services and markets of SMEs for strengthening competitiveness

Projects have been identified by the Regional Development Agencies with the support of the Phare 2000 twinning and the preparation of such infrastructure projects will be drawn from the Phare 2002 project preparation facility.

3.2. Linked activities

See **Annex 4.1.**

3.3 Results

- The rehabilitation of the touristic sites leading to increased attractiveness of touristic areas
 - Increase in visitor (tourist) numbers
 - Increase in international visitor (tourist) numbers
 - Increase in visitor overnight stays
 - Increase in average expenditure per visitor
 - Gross direct new jobs in tourism sector
- Improvement of environment of industrial sites
 - Improvements of indicators of air, soil, water pollution
 - Decrease of number of ecological accidents
 - Gross direct new jobs created from brownfield land rehabilitation
 - Hectares of rehabilitated brownfield land occupied by new / relocated businesses
- The improvement of regional transport infrastructure
 - Decreased level of air pollution
 - Decreased rate of road accidents
 - Decreased number of persons killed and injured
 - Reduced vehicles operating cost
 - Transport time savings
- The improvement of business infrastructures and communication infrastructure in order to permit better access to services and markets of SMEs for strengthening competitiveness.
 - Gross direct new jobs from land development/business premises development
 - Number of jobless persons securing employment
 - Hectares of developed Greenfield land occupied by new/relocated businesses
 - Sqm of business space occupied after 1 year from project completion
 - Sqm of business space occupied after 3 years from project completion
 - Rate of occupancy of marketing/expositional space
- Gross new construction jobs

3.4. Activities

Phare 2003 will finance regional infrastructure projects on the basis of the 'pipe-line' of feasible projects identified for Phare 2001-2002 Programmes, already confirmed as feasible projects and prepared through the Phare 2000 PPF component, that could not be financed under Phare 2001-2002 programmes. Additionally, Phare 2003 will finance newly identified local and regional infrastructure projects, in line with the below-listed priority sectors, selected at regional level. The list of projects for which feasibility studies exist and were assessed by the EC Delegation, is annexed to the project fiche

Type of projects

General eligibility criteria apply to all infrastructure projects:

- Granted infrastructure will remain the ownership of the public sector during at least 5 years. If privatisation occurs before, the conditions of privatisation will be subject to formal approval from the EC Delegation
- Size of the projects: as a general rule, each project will have a minimum 2 Meuros total budget and the maximum Phare support will be 5 Meuros per project;

- Non-overlapping with other potential financing sources/programmes: the projects should not be eligible for ISPA, SAPARD or SAMTID programmes;
- The availability of local co-financing, amounting at least at 10% from total value of eligible costs, should be ensured;
- The projects proposed for financing should have feasibility studies elaborated in conformity with the Romanian regulations in the field, and approved by the relevant entitled authority according to laws in force.

General selection criteria apply for all types of local and regional infrastructure projects:

- Maturity of the project, quality and consistency of the technical proposal (completeness and quality of feasibility study, including objective, location, quantified description, costs estimate, implementation arrangements; technical design and bills of quantity prepared; relevant consents and approval obtained);
- The project quantify and justify clear, and attainable targets, within the given timescale for delivery, and relevant for the objectives of the programme for the specific priority sector;
- Linkage, integration or complementarities with other projects;
- The management capacities of the applicants (applicant's previous experience in similar project/actions, staff availability and implementation experience, effective management and maintenance plans included, etc.)
- The project ensures sustainability and maintenance once the external financing ends;
- Satisfactory return on expenditure, positive cost/benefit analysis results.

Priority sectors:

D1.1. Tourism-related infrastructure

This type of projects shall aim to develop infrastructure for tourism activity and support infrastructure improving the attractiveness of existing recognised tourism areas, with a view of reaching a 'critical mass' of well-known touristic attractions, strengthening the competitiveness of forecasted future final beneficiaries, such as SMEs operating in the tourism sector, and of preparing the conditions for further development and diversification of the services, which will contribute to longer holidays and better use of the accommodation capacity, especially off season.

Eligible activities

The following types of projects are proposed for financing:

- Investment projects improving the quality of tourism offer through the improvement, rehabilitation and up-grading of the **access infrastructure** (roads – including bridges/rail/infrastructure for river transport) in areas with demonstrated tourism attractiveness;
- Ecological rehabilitation and sanitation of the public areas of high touristic value, like the lakes included in recognised touristic tours, public parks, surroundings of attraction points of demonstrated value, etc.;
- Rehabilitation of urban areas of high touristic value, including the streets rehabilitation in functional spas of demonstrated touristic attractiveness, rehabilitation of historic centres and pietonal areas in towns endowed with high value historical and cultural heritage;
- Development of tourism winter sports infrastructure under the ownership of local authorities, in order to increase the diversification of tourist products necessary to satisfy the request of special profile markets.

No direct support for 'productive' (private, public or mixed) tourism investments will be provided under this component.

Specific eligibility criteria:

- The project is located in one of the areas of high touristic interest, with priority for tourism development, identified by the Ministry of Tourism¹;
- The project is located in the proximity of a recognised touristic attraction point or in a recognised touristic resort, of national or regional importance / links a recognised touristic attraction/resort with major (European or national) transport corridors;

Specific selection criteria:

- the project is in line with the objectives and priorities of the national strategy for the development of tourism, approved by the Romanian Government;
- the project demonstrates that it would have a net positive quantified impact on the economy of the region where it is located, including jobs creation;
- the project quantifies and justifies the number of newly attracted tourists, and especially of international tourists;
- the project demonstrates and justify an increased level of expenditure per tourist;
- the project demonstrates how will achieve the standards expected by its target markets, and improve the quality of services provided;
- the project provides evidences that sites of a high ecological value, the local landscape character and/or built environment are not adversely affected by the proposal;
- the location of the project is served, or will be served through the project implementation, by sustainable public transport links.

D.1.2. Environmental rehabilitation of industrial sites:**Eligible activities**

- Ecological rehabilitation, including remedial projects for severely contaminated industrial sites and public utilities rehabilitation of the closed industrial areas under the ownership of the local authorities, in order to create the conditions for developing new economic activities and counter-balancing the industrial restructuring, while improving in the same time the quality of environment in highly polluted areas.

Specific eligibility criteria:

The projects should demonstrate that they are included in the National Strategy for Environment Protection developed by the Ministry of Waters and Environment Protection and or in the Regional Development Plan. The sites to be rehabilitated should be under the ownership of the local authorities

Specific selection criteria:

- Industrial areas with a high level of air, soil and water pollution
- the medium term potential for the economic development of the area
- areas with a high incidence of ecological accidents
- demonstrated increase of environment quality
- positive economic impact: estimated creation of new jobs through private investments attraction

Priority is given to projects, which are part of an integrated plan, including economic development, job creation, environmental rehabilitation and environmental protection. Development of basic public utilities/ infrastructure could only be eligible when these investment are proved to be part of an ecological rehabilitation plan, which directly facilitates business development.

D.1.3. Business infrastructure:

This type of projects responds to regional needs of job creation and economic development, with a view of strengthening the competitiveness of forecasted future beneficiaries, SMEs such as, and of preparing the conditions for further development and attraction of foreign private investment. Selected projects aim at developing infrastructure for business activity in areas affected by industrial restructuring, where it is also demonstrated a strong dynamics of SMEs creation and/or foreign investment attraction, leading to a significant demand for new sites and premises.

¹ Strategic approved document to be available on the Internet and disseminated at regional level

Eligible activities

The projects should improve the existing or construct new facilities for SMEs - under the ownership of local authorities – in order to provide high quality sites facilities, improve the image of the area and support to business services, markets and information:

- Industrial and commercial zones and business incubators;
- Development of business sites and premises including the extension or rehabilitation of existing premises for facilitating restructuring process;
- Development of marketing, business information and expositional centres.

Specific eligibility criteria:

The projects are coherent with in the National Strategy for business infrastructure - currently developed by the Ministry Development and Prognosis on the basis of Regional Development Plans priorities - component of the National Development Plan. In order to ensure a sustainable demand for the new high quality locations to be developed, the projects should be located in areas with an annual SMEs birth rate and inward flow of foreign capital per inhabitant exceeding the national average (average of the last three years for which the statistical data from National Commission of Statistics and ARIS are available).

Specific selection criteria:

- Unemployment level in the area;
- Increasing trend of the unemployment rate in the area;
- Existing large public-owned enterprises in the area, strongly affected by industrial restructuring;
- the medium term potential for the economic development of the area: increasing trend of SMEs birth rate and of the inward flow of foreign capital in the area;
- low average life time of the new SMEs, demonstrating the constraints faced by SMEs in the area;
- positive economic impact: gross number of the sustainable new jobs to be created after the implementation of the project.

D.1.4. Transport infrastructure – ring roads:

This type of projects aim to develop infrastructure for providing greater accessibility for international trade and economic links, through the construction of by-passes/ring roads that will ensure the traffic with free flow for the transit, eliminating the transit from the towns, while the pollution level from the urban areas is decreased by transferring it outside the towns, along the new by-passes, where the environmental impact is lower.

Eligible activities

The projects improve the existing or construct new by-passes - under the ownership of local authorities - of the main Romanian cities, linking national road(s) and diverting the high level of the traffic and mainly of the heavy traffic transiting the towns.

Specific eligibility criteria:

The projects demonstrate that they are included in the National Strategy for Ring Roads developed by the Ministry of Public Works, Transport and Housing and/or the Regional Development Plans, and **should not** be located on the European Transport corridors.

Specific selection criteria:

- traffic level and its medium term increase
- cities with a high level of air pollution
- the medium term potential for the economic development of the area
- cities with a high rate of accidents (persons killed & injured)
- demonstrated increase of the traffic safety, decrease of the accidents on national roads
- positive economic impact: time and the fuel savings, reduced vehicles operating cost
- assurance of co-financing: a substantial co-financing from different national and international sources and solid agreement on this issue will be necessary.

For all sectors under D1 the following apply:

Eligible beneficiaries

Direct beneficiaries of Phare and national support are public local authorities (County or Local Councils) - acting individually or in partnership - which will be the legal owner of the infrastructure to be realised. In all

cases the problem of property should be clarified and the owners of the results of the projects should be very clearly defined. The direct beneficiaries should provide a local contribution of at least 10% of the total cost of the project, in cash.

Direct support to individual commercial enterprises or group of commercial enterprises does not fall into the scope of this sub-programme.

Eligible expenditures

Expenditures must be directly linked to achieving the purpose of the project and appropriately accounted for. Eligible expenditures could include investment costs related to the site preparation, public utilities networks, main works, plant and machinery, contingencies. Cost of land acquisition, taxes and authorisations requested by Romanian legislation, retroactive costs (Feasibility Study preparation, etc.) are not eligible.

Procedure for infrastructure projects selection

The selection procedure of the local and regional infrastructure projects is based on the following general approach:

- The development regions proposed for financing 1 project / region and an additional reserve project, approved by the Regional Development Boards, together with a full assessment report substantiating the selection of the proposed projects. The proposed projects must comply with the eligibility criteria underlined in the Phare 2003 Project Fiche and be selected in line with the selection criteria underlined in the Project Fiche, following the pre-screening by the RDAs of the eligible proposals on the basis of the short projects fiches. The group of RDA experts acted as assessors, supported by the Regional Twinning experts, carrying out detailed examinations of the proposals and preparing a full assessment report of the identified infrastructure projects, so that the Regional Development Board, which acts as a Regional Evaluation Committee, may carry out its deliberations and pre-select the projects proposed for financing under the Local and Regional Infrastructure component. The Evaluation Committee/RDB must not change the assessors' recommendations included in the full assessment report; nonetheless, the Evaluation Committee/RDB may decide to select a different proposal than the projects recommended in the assessment report, if there are strong regional development reasons. In this case, the Evaluation Committee/RDB should fully and detailed justify its decision.
- The eligibility of the projects proposed by the RDBs will be checked by the Phare ESC Steering Committee, on the basis of short project fiches, full assessment reports and eventually the RDBs justifications; no ineligible project could be included in the Phare 2003 portfolio; if both the regionally proposed project and the reserve project will prove ineligible, no financial allocation will be granted under D1 component of Phare 2003 for the respective region.
- The shortlist of the pre-selected projects, together with the individual short fiches / project summaries, are attached to the Standard Project Fiche as **Annex 6**.
- After pre-selection, Technical Assistance provided under the Phare 2002 PPF component will revise and improve/up-date (if necessary) the pre-selected proposals - including feasibility study of investments in infrastructure, financial analysis showing the financial viability of the investment and the complete cost-benefit analysis – in order to check the correctness, completeness and coherence of information necessary for proposals assessment, and to prepare complete and comparable documents. A summary of the results of feasibility analysis will be also prepared for each project.
- On the basis of revised documentation and results of feasibility analysis provided by TA, a selection process will take place at national level, with the active participation of relevant line ministries (MWEF, MPWTH/NAR, Ministry of Tourism, etc.) and MDP. A group of technical experts will act as assessors, supporting the Phare ESC Steering Committee, which will act as Evaluation Committee, to prioritize the projects to be financed under the Phare 2003 programme. The structure of the group of technical experts will be established by the Phare ESC Steering Committee.
- The National Board for Regional Development will approve the final selection of the projects to be implemented under Phare 2003 Programme

After the finalisation of the selection process, the Technical Assistance will prepare for tendering and implementation the selected projects. Environmental Impact Assessment will be required following the EU Directive n° 85/337/EEC and technical design will be in compliance with EU standards.

Economic analysis of projects is important (in particular for business-related infrastructure) and should follow the Guide to **Cost-Benefit Analysis** of Major Projects used in the context of EU Regional Policy. **Accordingly, any project that shows an ERR less than 5% (in real terms, in Euro) or a negative**

ENPV, after discounting at the benchmark 5% (in real terms) discount rate, should be rejected or carefully redrafted in order to meet the benchmarks.

Budget: 36 Meuro Phare contribution

An indicative Phare support allocation will be made available on equal basis to each of the development regions. However, the financing assistance allocated following the selection process conclusion should shape the principle of fair competition and maturity of the projects and not the principle of equal allocation.

D.2 Small and Medium Towns Infrastructure Development Programme (SAMTID)

3.1. Background and Justification

After a period of more than four decades of centralized management, Romania has decided to return to local autonomy principle, in this way transferring major and concrete responsibilities to the local administration. One of these, specifically mentioned in Law no. 215/2001 concerning the local public administration, enforced by the Law no. 326/2001 regarding the local public services, refers to their obligation to organize their functioning efficiently and adequately. In this context, the Ministry of Public Administration has assumed important responsibilities in promoting the investments in the field of local services. Thus, in conformity with the provisions of the Government Decision No. 8/2001, the Ministry of Public Administration has the following responsibilities in this field:

- organize actions to attract external investments for the benefit of local communities;
- support and advise local public administration authorities in their steps concerning attracting investments;
- monitor the way of attracting investments and accomplishment of conditionalities;
- support local public authorities in contracting internal or external loans and in providing guarantees.

Currently 17 municipalities, each with more than 150.000 inhabitants, have benefited from capital investment programs for rehabilitation of their water and wastewater infrastructure. Many of these municipalities also obtained funds through the ISPA Program to continue the rehabilitation and modernization of the water supply and wastewater systems. Bucharest and Ploiesti municipalities concluded concession contracts with private operators and succeeded in this manner to attract external capital for financing their local infrastructure. In total, 50% of the urban population of the country benefits from these programs.

Justification

The “*Strategy concerning the acceleration of the public administration reform*,” approved through the Governmental Decision no. 1006/2001, established the fundamental objectives for the development of local public services:

- decentralization of public services and increase in responsibility of local authorities regarding the quality of the services supplied to the population;
- extension of the systems for basic services (e.g. water supply, wastewater and sanitation) and increase access of the population to these services;
- extension of credit financing of local infrastructure;
- promotion of the sustainable development measures.

The “*Strategy regarding the development of the local public services*” foresees in chapters 4.2 and 4.7:

a) “*Expansion of the services with major impact on public health and standard of life (water supply, wastewater and sanitation)*”.

The poor infrastructure makes population access to these services difficult. The Government intends to increase the access of the population to these services through:

- promoting investment programs for rehabilitation, extension and modernization of the water supply systems, wastewater, collecting, transport and disposal of the domestic waste from urban area (ISPA, SAMTID);
- implementing development programs for rural infrastructure (Sapard, RDP)

b) “*Promoting sustainable development measures*”.

Local public services have a special impact on the environment. On the one hand they can be an important pollution factor, but on the other hand they also can contribute in an essential way to limit

the degree of pollution (adequate treatment of wastewater and improved solid waste collection and disposal). Compliance with environmental requirements during the life cycle of local infrastructure (building – operating – maintaining – demolition) plays an important role in the sustainable development concept. For this, the Government intends to:

- provide financial support to those programs which contain measures for the development of environmental infrastructure (ISPA, Sapard, RDP, SAMTID, TECP2, etc.)
- promote special programs for small towns with the purpose of rehabilitating and modernizing local environmental infrastructure.

In Romania, out of 263 urban localities, around 230 are considered small and medium-sized towns that have not been able to attract financing from either the international financial institutions or private operators. Depending, therefore, solely on central budget contributions, these towns have made very little investments during the last 10 years to maintain and develop their water and wastewater infrastructure. As a consequence, the condition of these systems is very poor. Given all this, the towns still need to:

- comply with environment standards regarding drinking water quality and treatment of wastewater;
- assure an adequate living standard to their inhabitants and a continuous water supply.
- are not eligible for ISPA:

The Ministry of Public Administration decided to develop the SAMTID Program for this category of towns, taking into consideration that they:

- have not the financial power to sustain investment projects in environmental infrastructure by themselves;
- have not sufficient revenues in the local budget to guarantee a loan for the full amount of large infrastructure projects;

The necessity for investment in small and medium towns was outlined in the strategy for investment promotion in local environmental infrastructure. In July 2001, the SAMTID concept was presented during a meeting organized at Victoria Palace, with participation of central and local authorities who were involved in MUDP 1 and MUDP 2, representatives of IFI's and mass media.

As present fragmented structure for provision of municipal service are not favourable to effective management of investment resource and service provision, SAMTID will aim to motivate groups of towns to begin to work together, taking account of experience in EU Member State and elsewhere as regards consolidation in water sector, to benefit from economies of scale and to ensure the rational use of water resources.

The Government of Romania views the transformation and modernization of the water and sanitation services in these municipalities as a long-term effort. As many as 230 small and middle-sized towns with a total of approximately 6.2 million inhabitants, representing 50% of the country's urban population, are in need. Even with focusing on the most urgent needs to rehabilitate and upgrade water and wastewater systems, SAMTID may need a full decade to reach most of the towns. The government is committed to implementing this program in three phases:

Phase 1: Pilot - Starts with Phare programme 2002, a design stage to establish the foundation elements, followed by an application stage to test this elements on a pilot basis for five groups of municipalities, and prepared for future projects taking into account the lessons learned.

Phase 2: Expansion – Depending on the progress of the pilot phase, the program will be adjusted and expanded to a wider number of groups of municipalities within the context of the framework loans by the international banks that finance these first two phases.

Phase 3: Consolidation – This will built on the expertise gained during the pilot and expansion phases. A new framework facility can finance modernisation in additional municipalities as well as other investments needs such as system expansions for the participants in the initial phases.

Phare investment support under this project is for the expansion phase to be implemented during 2004-2007, still preparing for later expansion scale of activities.

SAMTID will finance projects on the basis of a similar procedure with "Call for proposal" with a bottom up approach. Local authorities are already preparing for this, identifying their needs for projects under USAID Regional Infrastructure Project (RIP) in collaboration with the Water Training Centre of the Romanian Water Association. Additional assistance will continue with support of PPF Phare 2002 and 2003 as described in the accompanying ESC IB project fiche on technical assistance and project preparation facility for SAMTID.

A “project” under the program would be the integrated investment sub-program (two parallel investment schemes² and the relevant contract package mentioned under the SAMTID Architecture in **Annex 4.4.**) for a single group of municipalities with one identified local authority (municipality or county council) acting as leader to be financed by a consistently applied combination of grants (Phare & National Fund) and loans (single IFI per project).

3.2. Linked activities

See **Annex 4.1.**

3.3. Results

- Implementation of water supply rehabilitation, upgrading and modernization works in 20 to 50 small and medium sized Romanian towns (nine to twelve groups) as the extension of experience to be expanded around the country.
- Improvement of the quality of water supply services with an impact in these towns.
- Amalgamation and restructuring of the operations and administration of the water supply services and stimulation of cooperation between local authorities to resolve some priority needs in the field of public services;
- Identification and implementation of measures to improve the creditworthiness of utilities, thus creating possibility of accessing credit schemes;
- Development of the institutional and organizational basis for the implementation of the EU Water Framework Directive concerning the water management within river catchment basin areas.

3.4. Activities

The SAMTID program will provide a balanced distribution of grant and loan resources in a fair and transparent manner for all beneficiaries over a multi-annual period. As a general principle all beneficiaries will have equal access to a pre-established balance between loans and grants. Project proposals will identify separately the loan and grant components, that will be executed through separate contracts. Phare 2001 PPF resources will be used to determine the manner to apply this principle to the pilot projects and then, Phare 2002 will carry out an assessment of the scheme drawing up lessons for the expansion phase of the programme. Financing for all components in a project will be agreed prior to development of tender documents.

The investments of SAMTID should be selected based on the identified needs of the SAMTID eligible local beneficiaries and the linked proposal for improving the quality of the services and the performance in the water and wastewater field, emphasizing a short payback period and maximum cost-effectiveness, to reduce operating costs, improve efficiency and reliability. The mentioned proposal should include an investment in infrastructure proposal, a financial analysis showing the financial viability of the investment³ and a complete cost-benefit or cost effectiveness analysis, including the overall impact of the proposed investment and the related measures⁴. New meter installation programs should form part of every project where these are not universal and should be part of demand management programs.

Minimum Criteria for Project Selection

With the support of the Phare 2001 team working with all the stakeholders involved in this programme (MoPA, MDP, MPF, BEI, BERD, European Commission) a set of eligibility and selection criteria has been developed, to allow the pre-selection of projects by RDAs and then the final selection made by the SAMTID Steering Committee. The criteria are presented below.

The Steering Committee of SAMTID require the following eligibility criteria to be satisfied to facilitate potential investment projects being included in the SAMTID programme:

² Loan + grant financed parallel projects

³ Including tariffs policy, etc. – it is the analysis substantiating the creditworthiness

⁴ I.e. tariff policy and performance improvement measures

1. Eligibility of Applicants

- a. be Associations of local public authorities, which will be responsible for contracting of services on the water and wastewater networks within the participating Associations with a Licensed Operator;

The applicants will be a combination of Local Councils of eligible towns and County Councils. The County Council will represent the interests of the association and in the case where two or more County Councils join together the County Council representing the greater benefiting population will be the lead.

- b. the Association of Municipalities must be authorised, through Articles of Association, to be the designated promoter of infrastructure investment proposals; the proposed infrastructure to be extended/rehabilitated/improved should clearly demonstrate its public utility;
- c. the Articles of Association of the Association of Municipalities should define the lead County Council a Lead Council, which is authorised to act on behalf of the participating local authorities, and should provide that all member local authorities jointly participate in the activities of the Association;
- d. the applicants should have their headquarters in Romania, in the region where the project will be implemented;
- e. the applicants should have feasibility studies elaborated in conformity with the Romanian regulations in the field, and approved by the relevant entitled authority according to laws in force. The feasibility study should not have been elaborated or up-dated more than one year before and developed in line with the content detailed in the SAMTID Manual; the applicants should also have the consent of the Urban Certificate. In a separate study called 'Supplementary Information for the Feasibility Study' applicants should present additional analysis developed in line with the SAMTID Manual representing international standards for analyzing bankable projects.
- f. a commitment by each local council to contract the same single licensed commercial water services operating company that may hold one or more legal arrangements to operate in service areas within the AoM at a future date ;
- g. has developed a baseline assessment for a master plan according to the format in the SAMTID manual and established key performance indicator targets for a Licensed Operator;
- h. has developed a conformity plan according to Law 458/2002.
- i. Stated commitment to increase tariffs in real terms where necessary and meet the requirements of debt service

2. Eligibility of projects

2.1. Size of Projects

- The project is likely to have a value of between 2.0 Meuro and 13.3 Meuro per Association and structured in such a way that 50% will be grant, supported by EC Phare Grant from the ESC fund and the GoR National Fund and 50% by Loan through an IFI;
- The maximum size of town that can be served under the scheme is 150000 inhabitants.
- Municipalities can be included in the scheme only if they do not benefit from ISPA or SAPARD funding;
- Duration: The duration of the execution of the works may not exceed 20 months. For each project, the deadline for signing the works contracts is 30.11.2005 and the deadline for disbursement is 30.11.2007.

2.2. Sectors or themes

The following sectors to which the projects must relate are:

- Water abstraction, transmission, treatment and distribution systems

- Wastewater collection, treatment and sludge disposal systems

The scheme will support the **rehabilitation and modernisation** of local water and wastewater infrastructure. SAMTID will finance expansions of the systems and building of new assets, such as extensions of networks or new treatment plants for water or wastewater, only in exceptional and duly justified cases. Investments will be selected and prioritized for financing which reduce costs, improve efficiency and improve basic services. New meter installation programs will form part of every project where these are not universal and should be part of demand management programs.

Expenditures must be directly linked to achieving the purpose of the project and appropriately accounted for. Eligible expenditures could include investment costs related to the site preparation, public utilities networks, main works, plant and machinery, supervision during implementation, contingencies. Cost of land acquisition is not eligible under the programme.

For waste water treatment plants serving agglomerations of more than 10 000 inhabitants, SAMTID will, in principle, only finance secondary treatment but conditional to be upgradable to tertiary treatment in a cost effective way at a later stage. Tertiary treatment may be funded but only after a case-by-case examination taking account of specific locations or project characteristics.

Project design will have to ensure proper handling of any industrial waste (preferably to ensure that it is not dangerous before it leaves the industry) and a scheme to dispose sewage sludge, taking into account the requirements of both the landfill directive and also the sewage sludge directive.

2.3. Pre-selection Criteria

The indicative list of pre-selection criteria that are envisioned:

- Technical and financial feasibility of the investment programme and maturity of the documentation;
- Potential for improving the level of key performance indicators provided in the licensing procedures and gaining efficiencies through reduced operating costs;
- Detailed financing plan and positive benefit/cost analysis or least cost analysis;
- An affordability study has been carried out and an indication obtained on the populations willingness to pay for an improved level of water services.
- Demonstrated commitment to universal metering and demand management measures.
- Priority given to investments that will result in reduced operating costs and improve the levels of service provided, such as network rehabilitation, pump replacement, and meter installation programmes.

2.4. Selection Criteria

Secondary selection criteria will be developed during TA2 that will enable ranking to be carried out for nomination of the pilot projects. These are expected to be based on the following secondary selection criteria:

- Commitment of IFI to fund project with specified conditionalities to be met that will be identified as part of the due diligence process;
- Institutional capacity of PIU and MSU;
- Commitment to transfer loan conditionalities into the concession contract.

A detailed Manual of selection procedures, including Standard Forms and Check Lists, will be issued and tested through the pilot phase. The procedures developed under the pilot phase will be adjusted after the assessment of the pilot phase implementation financed from Phare 2002 technical assistance.

Generally, projects will range from a minimum of 2 Meuro to a maximum of 13.3 Meuro total credit plus grant financing. If two or more counties join consideration will be given to increasing the range of funding.

Eligible beneficiaries

The final beneficiaries will be small and medium municipalities that have not yet benefited from international financing under the programs MUDP I, MUDP II, or ISPA. Unlike MUDP II that worked with single cities or counties and existing utilities, SAMTID must motivate groups of towns to begin to work together to benefit from scale of operations and to plan and implement investments that ensure rational use of water resources and of environmental conditions. This can involve any combination of municipalities and/or county council covering a suitable group of towns, associated in partnership - with a

clearly identified leader assuming the responsibility for the loan component - and contracting⁵ a single licensed services operator (see Annex 4.4)

To be eligible for SAMTID, municipalities should choose a form of delegated management to a licensed services operator from an open bidding process as required by recent legislation. This is critical to the sustainability and efficiency of the services. Technical assistance from the program will support the process.

It is expected that the group of municipalities must demonstrate being capable of implementing projects and receiving and servicing credit financing for infrastructure based on fees from the operator. They must comply with all financial criteria approved by the SAMTID Steering Committee. Further, the groups of municipalities will be responsible for securing the management and control structures of the projects that will be grouped for the purpose of common operation by commercial companies, complying with relevant legislation and with policy to reduce the number of small utilities. The Phare 2003 Institutional Building technical assistance that accompanies the investment program will provide support for grouping the cities and contracting the commercial service operators.

The municipality that receives program financing will own the respective new assets and maintain the public sector ownership of the rehabilitated infrastructure for a period of at least 5 years. If privatisation occurs before, the conditions of private capital involvement will be subject to formal approval from the EC Delegation.

Access to the infrastructure must be guaranteed for all potential users on equal terms; if differentiated tariffs are foreseen, detailed justification should be provided on a case-by-case basis.

Contracting

Parallel co-financing of investment within the overall SAMTID framework will allow procurement, contracting and financial management arrangements for specific investment contracts to correspond to the specific requirements of each source of financing.

Contracting of the works financed from Phare ESC shall be under the responsibility of the MDP as Implementing Agency, subject to endorsement by the EC Delegation. A separate agreement for the implementation of the projects will be concluded between MDP and each leader of the selected group of local authorities, in order to ensure the close monitoring and supervision.

The Ministry of Development and Prognosis will manage contracting that uses Phare funds and the corresponding national co-financing.

For the EIB financed projects it was agreed that one work contract will be concluded for Phare grant plus national co-financing and EIB loan, following Phare procedures. For EBRD financed projects one work contract will be concluded for Phare grant plus national co-financing and EBRD loan, following EBRD procedures (see **Annex 4.5 on Contracting SAMTID**).

Budget: 21 Meuro Phare contribution.

E. SMEs support grant scheme

3.1. Background and Justification

Background

According to the Government Strategy and the requirements of the European Commission included in the National Development Plan special attention should be paid to the support for productive enterprises as well as the attraction of productive investments. The Government Strategy indicates objectives of supporting SMEs in terms of numbers of jobs created / saved and increases in the volume of exports.

According to the statistical data provided by the Chamber of Commerce and Industry, the number of active SMEs at the end of 2001 was 402,359⁶ and represents 96.8% of the total number of active companies. The number of employees in SME sector represents 41.1% in the total number of employees.

⁶ Representing, micro 368,279, small 27,913 and medium enterprises 6,168

SME sector weighted 29.1% in the total value added and 44.2% in the total turnover achieved by active enterprises.

NDP measures targeting SMEs development for the period 2002-2005 focus on the intervention to maximise sector's potential to contribute to the economic re-launching, job creation, promotion of innovation and technological advance, strengthening competitiveness and generating a medium class development.

In this respect, the Romanian government set as priorities⁷ the following objectives directly relevant to this project:

- Support for productive enterprises; this measure is envisaged to support the transformation/modernisation of existing enterprises, the development of potentially viable enterprises, the creation of those enterprises which will use regional potential as well as the purchase of premises and/or fixed assets from enterprises which are shut down or failed, including related investments, in order to strengthen the competitiveness and develop viable enterprises;
- Attraction of productive investments through guaranteeing seed capital to attract private investments in environment-friendly technologies and high value added industries, regional marketing campaigns to attract foreign direct investment, co-financing investments which are aimed to improve the quality of products and the production technologies, promotion and support joint-ventures start-ups in high-tech sectors and modernisation of information technology-related infrastructure and computer systems;
- Investments in related public infrastructure through promotion of business incubators, promotion and support for the establishment of industrial parks, technology parks, information centres on environment-friendly technologies and low energy consumption techniques as well as supporting the business support network, together with export development initiatives - including fairs, exhibitions and supporting materials.

In terms of Phare ESC support to the Government Strategy, this has been articulated in a Multi-Annual Instrument (see Annex 4.3.1), which describes the way in which Phare and other donor funds will be used over the next four years. This includes justification not only of the instruments being used but also the timing of their introduction. The Multi-annual Instrument is itself reflects the governmental strategy for SMEs and is also based on the results of an assessment of the SME sector⁸ carried out by consultants in early 2003.

Justification

In order to gain maximum experience, the project proposes to have schemes which give assistance to SMEs in a selection of the priority areas identified in the government strategy and the associated multi-annual instrument:

These are:

- support to entrepreneurial culture, specifically through support to start-ups and young businesses
- general support to SMEs through financial support for investment
- support for the provision of business development support services together with strengthening SME intermediaries

The need to **provide business development support services** (and as an important secondary objective to develop the capacities of intermediaries giving services) to SMEs is a clear result of the Assessment Reports findings⁹. The Assessment Report found that whilst SMEs had difficulties articulating their needs a strong demand for business development support services did exist. These were concentrated into five inter linked key areas:

1. Training both management and staff;
2. Information service provision;

⁷ The Government Strategy for the Development of the SME Sector – see Annex 4.3.2.

⁸ The 2003 Assessment Report into SME Needs – executive summary at Annex 4.3.3, the initial findings of this report were presented to a working party of banks, RDAs, donors and ministries on March 4th 2003, the resulting agreements from this working party also contribute to this fiche.

⁹ The Assessment Report executive summary is at Annex 4.3.3

3. Assistance to export;
4. Provision of innovation and technology transfer services, and
5. Provision of quality control systems and accreditation.

The Assessment Report also found that whilst there is a network of business support institutions, both public and private and both indigenous and set up by foreign donors, its coverage is not comprehensive and, particularly due to inadequate funding, it is not capable of delivering the more sophisticated services required by existing SMEs.

A grant scheme for business development support services channelled through SME intermediaries, based on targeted outputs, i.e. funding based on services given. This would allow targeting on the basis of location and precise nature of the business development support services based on local needs could be used as a pilot for this - and at the same time seek to strengthen the SME intermediary network.

In addressing this need, consideration has been taken into account concerning the disappointing results of the business development support services under the Phare 2000 programme. This appears to be due to inadequate promotion, and the fact that intermediaries had to apply with beneficiaries already identified. Publicity and promotion will be funded to a much greater extent (see 3.5 below) and will not need to identify beneficiaries in advance.

This ESC project for SMEs is seen as a 'pilot project' within the framework of the four year Multi Annual Instrument, which in turn reflects the government strategy on – with an increasing volume and range of products and services delivered to SMEs through a strengthened SME intermediary network based on the eight regional development agencies.

3.2. Linked activities

See Annex 4.1.

3.3. Results

At this moment there is insufficient evidence to give definitive predictions of the effectiveness of this type of scheme in reaching the development objectives: for example what is the expected cost per job created. The following represents expectations based on other experience and a benchmark for future assessments.

The programme will monitor appropriate indicators for each objective and use this as input into the design of additional programmes and quantification of indicators in the NDP and future ROPs.

Indicators of achievement are:

- disbursement of the full amount of the grant scheme within the time period (measure of efficiency)
- number of jobs created within supported enterprises (benchmark for overall effectiveness)
- number of jobs created compared to companies which were not supported (benchmark for overall impact)

We also expect the following results:

The provision of business development support services.

These services will be delivered through and decided upon by the individual RDA – selected from a short menu of products and services which both recognise the demands of SMEs in that region (through those articulate in the regional development plan) and from the needs recognised in the Assessment Report and the MSMEC's strategy paper.

As stated it is envisaged that a secondary objective of the business development support services component is the development and to strengthening of the Romanian SME intermediaries. It is envisaged that further training and/or development of consultants and trainers will also take place – adding to the capacity of SME intermediaries to deliver SME products and services.

- | | |
|--|--------------|
| • SMEs assisted | at least 800 |
| • SME intermediaries strengthened | at least 40 |
| • Trainers and consultants 'developed' | at least 80 |

3.4. Activities

This project envisages that business development support services will be provided to SMEs (the target groups) by SME intermediaries (applicants) – i.e. universities, Chambers of Commerce, business centres, business support / information centres and like organisations.

The business development support grants will finance training; counselling and advice related services to beneficiary SMEs in order that they may:

- Develop the competitiveness of the SME through improved marketing and sales approaches;
- Develop the capacity to deal with directives and regulations of the EU single market;
- Meet the demands of quality certification under international technical and quality standards relevant for their activity (e.g. obtaining ISO 9000 certification etc.) and to promote clean technologies, in accordance with the EMAS and ISO 14000 standard;
- Develop the capacity to undertake R&D, innovation, technology transfer and IT technology actions appropriate to that SME sector, and
- Develop other areas of demonstrated SME need – i.e. established through regional development plans and like documentation.

The ultimate aim is to increase the management capacity and effectiveness, competitiveness, turnover and profitability of beneficiary SMEs.

Eligible beneficiaries:

Applicants to the business development support scheme shall be as a general rule public or private not for profit organisations (e.g. Universities, Chamber of Commerce, business centres or business support / information centres). These applicants will receive financial assistance for organisation of training sessions, seminars, counselling, consultancy, information provision, sectoral studies, sign posting to the most appropriate services providers etc., for individual and groups of SMEs.

These organisations have to demonstrate that they have the necessary human and material resources in order to provide the training and counselling services required. Grant applications shall be screened on the basis of a rigorous assessment of the budgeted costs versus the actual market costs for the services to be provided. The eligible costs, eligibility and selection criteria and procedures will be clearly specified in the information package made available to potential applicants through a large awareness campaign.

The Assessment Report states that there was a paucity of SME intermediaries in some regions of Romania – along with SME trainers and consultants. It was also noted that there was a shortage of sophisticated programmes of assistance to SMEs – i.e. developed training or advisory programmes at the appropriate level. Applicants will be eligible to include in their application the development costs for training of trainers/advisors/consultants and the costs related to programmes of assistance provided that these do not exceed 15% of the overall project cost and that copies of any materials developed using project monies are provided to the RDA and to MSMEC for wider distribution.

These two activities are seen as having the secondary objective of strengthening SME intermediaries and developing SME consultants/ advisers/trainers.

Targeting / concentration

Targeting / concentration will be at the discretion of each RDA – based on areas of greatest need that are identified in their regional development plan.

Rate of assistance

The maximum grant from combined Phare and national public funds for each beneficiary is €100,000. The grant may finance up to 80% of the project eligible costs. The remaining amount is to be made available by the grant beneficiary through a cash contribution –in kind contributions will not be allowed.. In case of profitable organisations the rate of assistance will be limited to 60% of the eligible expenditure.

Target groups:

SMEs employees and SMEs in all sectors of enterprise activity shall be eligible, with the following exceptions: the primary sector (agriculture, energy and extraction), trade, financial and insurance services, casinos, arms and ammunition, tobacco, alcoholic beverages with alcohol content over 15%. The tourism services (accommodation, catering, tour operators, etc) are eligible if the provider is actually a SME and under the condition that he/she can demonstrate objective capacity for attracting visitors from outside of Romania.

Eligible expenditures

Expenditures must be directly linked to achieving the purpose of the grant and appropriately accounted for. Eligible expenditure criteria is detailed in Annex 4.3.4

Procedure for awarding grants

Regional Development Agencies, will award grants on a competitive basis by launching local open calls for proposals at regional level. A minimum period of 60 days will be given to applicants for the preparation of the projects.

The eligible costs, eligibility and selection criteria and procedures will be clearly specified in the information package made available to potential applicants. Technical Assistance will support the MDP, MSMEC and the RDAs in the identification and public awareness of the target regions specific needs, constraints, target groups and relevant priorities, in order to support the preparation of the Information packages for the grant schemes designed under the SME component.

In each region, a Regional Selection Committee appointed by the Regional Development Board will carry out the technical and financial appraisal of grant applications. The Regional Selection Committee shall be composed by an odd number of voting members and shall comprise one or more independent professionals agreed by Contracting Authority, as independent voting members, and members from RDA. MDP will compulsorily participate in the Regional Selection Committee as observer; MSMEC, MEI and the EC Delegation may also participate in the Regional Selection Committee as observers. Prior notification on the Regional Development Board Meetings dates and agenda will be requested. The list of the selected projects will be approved by the Regional Development Board and endorsed by the Delegation of the European Commission in Romania. The evaluation reports will be submitted to the MDP and endorsed by the EC Delegation. Copies of the evaluation reports will be submitted also to the MSMEC.

The assessment of requests for grants will be based on professional analysis of their technical, economic and financial feasibility and sustainability. The amount of matching funds by the applicant in excess of the minimum requirements shall demonstrate commitment by the applicant to the intended investment.

Other evaluation criteria shall be the managerial experience and sectoral experience, number of direct and indirect sustainable jobs created.

Contracting

MDP will conclude a Regional Framework Agreement with each RDA for the technical management of the project . Contracted grants will be under the responsibility of the RDAs as Implementing Authorities and MDP as Implementing Agency.

The grant agreement signed between MDP, RDA and each grant beneficiary will specify that the beneficiary will reimburse the grant (or part of it) if the grant (or part of it) was not used in compliance with the grant agreement terms

3.5 Lessons Learned

Lessons have been learnt from the operation of previous Phare ESC programmes, these include the ability to grant fund SMEs through the Romanian banking system, Phare 9807. lessons have also be leant from the comparative failure of Phare 2000 to deliver effective business development support services to SMEs – most notably the failure of the demand that intermediaries locate SME clients prior to applying for grant funding. Similar lessons have been observed and learnt from the operation of the RICOP programme, especially in the areas relating to contracting.

Lessons have been learnt as to the need for effect promotion and publicity of Phare initiatives. It was a finding of the Assessment Report and of the EDS monitoring and evaluation that too few entrepreneurs and/or SME owners were aware of the existence of the various Phare schemes – this was also the case for schemes promoted by other donors.

Lessons have been learnt from approaches and methodologies for the disbursement of grant aided business development support services, using Structural Funds approaches and those similar to those adopted in Poland for the delivery of training services to the unemployed at Voivodship level.

Lessons have also been learnt from the operation of MSMEC / Romanian government programmes of assistance to SMEs, most notably from the operation of the state scheme for financing SMEs, development of business incubators and the design and implementation of training programmes for managers and entrepreneurs

F. Awareness campaign, selection and site supervision

3.1. Background and Justification

A previous awareness campaign, financed under previous Phare Programmes, acknowledged the importance and the benefits of a well-conducted awareness campaign and advisory actions for the potential beneficiaries. This campaign revealed some of the main causes for the poor quality of many of the grant applications with direct impact on the absorption capacity and implementation of many of the selected projects

One of these causes is the lack of understanding and knowledge about the whole mechanism of grant allocation, general background, institutions involved, availability of information, procedures, as well as regional development, partnership, role and contribution of the local actors. Most of the potential applicants do not know and/or understand where they fit in all this, what role could they play; therefore “the relevance concept” becomes a question mark.

This situation was also pointed out in the Evaluation Report of the Phare 1998 “Regional policy and cohesion” sub-programme, drafted by WM Enterprise Ltd. at the request of the DG Enlargement and the EC Delegation in Romania. According to this report, the RDAs have inadequate resources to promote effectively the „Open calls for proposals” and as a result the potential beneficiaries did not understand sufficiently what the eligibility and selection criteria were when they submitted their application. This resulted also in high numbers of projects of low quality and reduced relevance to the regional and national priorities for regional development.

The conclusion of the report was that a more effective promotion campaign would have reduced the overall number of applications – thus reducing the burden on the Regional Evaluation Committees – but increasing the quality of the applications.

In addition, the report states that “as most of the applicants heard of the Open call from the mass-media, it is likely that a media campaign, explaining more about eligibility and selection criteria would have served to encourage the eligible and deter the ineligible”.

In order to address this situation there is a need for a large and continuous awareness campaign at national and regional level to increase the knowledge and understanding, of all potential applicants for international financial support especially from EU, of the main concepts and procedures and supporting the beneficiaries in submitting good quality applications.

3.2. Linked activities

See **Annex 4.1.**

3.3. Results

- Focused and intensive promotion campaign for all types of projects, to ensure transparency of the Phare rules and procedures and wide information of potential beneficiaries.
- The promotion will lead to improved quality of applications submitted for financing, with high relevance in terms of their responsiveness to the development strategy included in the Regional Development Plans and in the National Development Plan.

- Transparent, objective and professional appraisal, selection and contracting process ensured
- Improved programming and programme management skills of RDAs staff.
- Improved and effective monitoring and control process, by providing financial support to RDAs as Implementing Authorities.
- Improved supervision, responsibilities distribution, reporting and record-keeping procedures for all infrastructure projects under **D** component.

3.4. Activities

F.1. Awareness campaign, support for preparation of applications, appraisal and selection of projects

F.2. Technical assistance to support the implementation of the investment projects

F.3. Infrastructure projects site supervision for business-related and SAMTID infrastructure projects

The sound implementation of this programme implies that:

- A transparent and competitive process for projects selection is put in place, including large awareness campaign and publicity.
- Advice and support to applicants to develop good quality projects which can be financed
- Close monitoring of the implementation process is ensured under the responsibility of the RDAs and of the MDP.
- Ensuring financial control
- An adequate implementation system is developed for the infrastructure type projects, including site supervision and inspection, for both types of projects.

The indicative allocation by activity of the Phare plus national co-financing available will be the following:

- Activity F1 0.5 Meuro
- Activity F2 2.0 Meuro
- Activity F3 5.1 Meuro

F.1. Awareness campaign, support for preparation of applications, appraisal and selection of projects

Awareness campaign and publicity will raise awareness of potential beneficiaries on the availability of Phare support and modalities to access it. Information will be disseminated through a diversity of channels in order to reach as many as possible potential beneficiaries, local mass media, local SMEs associations, Chambers of Commerce, local employment offices, local authorities, Associations and NGOs. Support under this activity will include covering costs for press advertisements, seminars and conferences, for editing, publishing, and disseminating information materials, brochures, guidelines, etc.

A help desk will be established in each RDA/PIU (established for B component) to provide information and advice to potential applicants. External assistance will support the RDAs and PIUs relevant staff in providing information to applicants, including advice with regard to the projects' administrative compliance, eligibility criteria, relevance for the programme objectives etc.

At the end of the programme publicity will be organised to spread among the regions information about the results of the programme and the implemented projects.

Appraisal and selection of projects

In achieving these tasks, the RDAs/PIUs and MDP will be supported by external independent experts who will be in charge of appraising the applications, participating in the selection procedure and assessing the whole selection process.

For each component, a team of independent experts, supporting the MDP and the RDAs/PIUs in the co-ordinating and implementation of the whole selection procedure and ensuring its transparency and efficiency will be in charge of supporting each Evaluation Committee in selecting the individual projects. This task will imply, among others, appraisal of applications, reporting participation in the Selection Committee as voting members.

F.2. Technical assistance to support the implementation of the investment projects

Support to RDAs to perform the tasks delegated by MDP according to the Regional Framework Agreement concluded between the two parties.

A service contract between MDP and each RDA will set up specific tasks and responsibilities for RDAs to ensure effective monitoring of projects, setting up indicators of achievement and reporting obligations to become the grounds for approval of payments for services provided by RDAs. This will contribute to the financial sustainability of the RDAs, ensuring also a better control of the implementation of projects.

Allocation of these funds to RDAs, should contribute to the improvement of the monitoring and control activities carried out by RDAs, and is based on the following assumptions:

- each RDA has some general tasks to accomplish and that will be covered by a fixed amount allocated to all RDAs
- a variable part which will correspond to the number of projects managed and monitored by each RDA.

Activities financed under the service contract refer to four areas:

i) Programming and programme management skills development

The RDAs should work with all relevant actors in the region, involving also the social partners, to identify regional needs and establish the regional priorities, based on studies and analysis carried out at regional level. After that, they will design the multi-annual regional programmes to be implemented with financial support from various sources. The programme should include projects with regional impact like large infrastructure, and other major projects that contribute to the economic development of the region.

RDAs will develop regional training strategies and programmes for all actors involved in regional development in accordance with the national Programme for Regional Development Training 2001-2005. Under this component (E2) RDAs will receive support for implementation of the training programmes, complementary to the training provided through other programmes. Taking into account the large target group in the regions that has to be familiarised with regional development as well as the need for improving the RDAs capacities of managing regional operational programmes (with indicators of achievement and clear outputs) in an effective manner, this supplementary support will speed up the acquisition of knowledge at regional level, finally leading to increased absorption capacity.

ii) Ex-ante evaluation

Visits to the approved projects for financing, before contracting, will be carried out and a system of ex-ante indicators and reports will be developed. Reports on the visits will be submitted to MDP.

iii) Monitoring and control

The RDAs will get support in project monitoring during the implementation phases, site visits, including support for developing systems for assessing the impact of each measure/activity, as well as for actually measuring impact of each measure/activity.

Detailed reports on the monitoring visits undertaken (based on a template provided by MDP) statistical data on the projects, based on a system of indicators, problems encountered and measures taken.

In order to strengthen the role of Regional Development Boards (RDB) in the implementation and monitoring of programmes, a RDB secretariat will be established in each RDA having the responsibility to keep permanently informed the RDB members and relevant partners (decentralised services of Ministries, representatives of local authorities, social partners etc.) on the implementation progress of all components.

Procurement

All procurement of goods, services and public works of each project shall be according to the provisions included in the standard contracts annexed to the 'Practical Guide for Phare, ISPA and SAPARD'. Sub-contracting related to the project is permitted only under the Phare rules. The RDAs will assist the beneficiaries to apply the Phare procedures.

iv) Evaluation

On-going evaluation of projects will be carried out and data will be recorded in a monitoring database. Continuing follow-up of projects implementation and decisions and corrective actions taken based on the level of fulfilment of indicators stated in the projects.

F.3. Infrastructure projects site supervision

F.3.1. Regional infrastructure supervision

The Romanian authorities responsible for the implementation of the large-scale infrastructure projects should ensure sites technical supervision of the contractors' work. Independent experts agreed by EC Delegation will also supervise the implementation of these projects at regional and national level.

F.3.2 SAMTID projects supervision

Technical assistance provided for site supervision to the Implementing Agency and Implementing Authority for certifying the payments in compliance with FIDIC procedures.

3.5. Lessons learnt

Conclusions on the evaluation of Phare'98 Programme – Regional Policy and Cohesion- carried out by WM Enterprise Ltd. have been presented in a workshop organized at the end of February 2002.

Recommendations of the evaluation report are the following:

1. Improved training function within the Ministry of Development & Prognosis
2. Improved funding of the Regional Development Agencies
3. Improved training of the Regional Development Agencies
4. Improved information exchange between the RDAs and MDP
5. Increasing partnership within the Regional Development Boards
6. Strengthening the role of the RDBs
7. Determine the exact role of the RDBs in the project selection process
8. De-politicising the project selection process
9. Improving the selection criteria for projects
10. Improving the quality of selected projects
11. Greater involvement of financing institutions
12. Reducing possible conflicts of interest
13. Improving internal procedures

Most of these recommendations are taken into account in the ESC Programme, both in the institution building and in the investment components.

Out of the previous MUDP projects some lessons have been learned:

Previous Projects:	Lessons Learned:	Implications:
MUDP I & II	Importance of municipalities assuming as much implementing responsibility as possible	Infrastructure Development Organizations of towns should take this responsibility.
	Value and need for adequate technical assistance	Dimension according to experience and request Phare support.
	The population accepts cost-recovery when they are involved in planning and company managers learn sound business principles.	Provide technical support and monitoring of a Financial and Operational Improvement Program, linked with the financial covenants of the loan component and the new regulatory framework.
	Commercial Bank of Romania as efficient in managing cash resources	Recommend the same role through open bid for a bank.

Since August 2001, with the support of Regional Infrastructure Program (RIP) financed by USAID within the framework of the Balkan Stability Pact, the local authorities are supported to identify and prepare their priority projects in the field of rehabilitation of water supply systems, which will be submitted for financing within the SAMTID Programme. Within the programme described in the complimentary fiche of Phare financing for Institutional Building, local authorities could benefit from technical assistance for developing their projects. The SAPARD and RDP programmes, focused on rural area, can be linked to this project, by creating the possibility of using the water savings resulting from the rehabilitation in the small and medium towns. Moreover, the multi-municipal water companies can provide certain services, especially in terms of water quality monitoring and backstop maintenance, for the systems in the rural area.

4. Institutional Framework

Ministry of Development and Prognosis as the organization responsible for Economic and Social Cohesion, will be in charge with the overall co-ordination between governmental strategies, policies and programmes (National Development Plan) and the regional level (Regional Development Plans). It will have to ensure that the appropriate control is in place to ensure value for money in terms of large public expenditure projects.

At national level, the **Phare ESC Steering Committee** was established (Minister Order 191 / 11.07.2002) and is operational starting with Phare 2000 and following programmes. Its role is to ensure inter-ministerial co-ordination in the programming, implementation, monitoring and evaluation of programmes. It includes specialists from MDP, RDAs, Ministry of SMEs and Cooperation, Ministry of Education and Research, Ministry of Labour and Social Solidarity, Ministry of Public Works, Transport and Dwellings, National Administration of Roads, the Ministry of Water and Environment Protection, National Centre for Vocational and Technical Education Development, Ministry for European Integration, Ministry of Public Administration, EC Delegation; other relevant institutional stakeholders identified at the national level for each ESC component will be invited to its proceedings.

The Phare ESC Steering Committee is chaired and serviced by MDP, which will therefore undertake all the necessary administrative tasks (organizing meetings, planning agendas, general secretariat) and will produce all papers to be discussed at its meetings.

The tasks of the Phare ESC Steering Committee are defined in the Regulation of Organization and Functioning, adopted in the first meeting that took place on 12 March 2003. The Phare ESC Steering Committee puts the basis for the future Monitoring Committee under Structural Funds.

The **Ministry of Development and Prognosis** will be the **Implementing Agency – Contracting Authority** and **Paying Agency** - for Investment in Economic and Social Cohesion Programme financed under Phare 2003, with administrative and financial responsibilities.

The main tasks of **Implementing Agency** will include:

- the overall responsibility for the technical implementation of the programme, ensuring that the objectives of this proposal are met,
- co-ordinating the establishment and chairing the Steering Committee set up at national level;
- elaborating the selection and implementation procedures in accordance with the guidelines set by in European Union;
- contracting the grants with the selected applicants, together with relevant RDA;
- the overall responsibility for monitoring and evaluation of the programme and components;
- acting as paying agency and ensuring the link with National Fund, RDAs and with the contractors/grant beneficiaries;
- reporting to National Board for Regional Development and EC Delegation on the stage of implementation of the programme.

The 8 Regional Development Agencies will act as **Implementing Authorities** with the three following exceptions:

- 2) The Ministry of Education and Research is Implementing Authority for the equipment supply contracts of the TVET component.
- 3) The Ministry of Public Administration is Implementing Authority for the municipal water infrastructures (SAMTID)
- 4) The Ministry of Labour and Social Solidarity is Implementing Authority for B component.

The specific implementation responsibilities and tasks of the RDAs, for the respective development region, are:

- overall responsibility for monitoring and implementation of the projects from the region;
- prepare the grant contracts and conclude them with the selected applicants;
- accomplish the tasks related to monitoring and evaluation and ensure the link with MDP;
- report to Regional Development Board and to the MDP the stage of implementation of the programme;
- Ensure a permanent secretariat for informing RDB and relevant partners on the progress of implementation of all components.

The **Regional Development Boards** will play an important role at regional level in both institution building and investment components:

- appoint the Regional Selection Committee

- approve the list of projects under B, C and E components
- approve large infrastructure projects to be financed under investment component D.

The Regional Development Boards could invite in the meeting the relevant stakeholders/partners for different components, including the local de-concentrated services of line ministries, in order to ensure a broader partnership and commitment at regional level.

A **Regional Selection Committee** appointed by the Regional Development Board, chaired by RDA, will carry out the technical and financial appraisal of grant applications. The Regional Selection Committee shall comprise one or more experts agreed by EC Delegation, as independent voting members and members from line ministry and MDP will compulsory participate in the Regional Selection Committee as observers. MEI and EC Delegation may also participate in the Regional Selection Committee as observers. The evaluation reports will be submitted to the Ministry of Development and Prognosis and endorsed by the EC Delegation. The list of the selected projects will be approved by the Regional Development Board and endorsed by the Delegation of the European Commission.

The **National Board for Regional Development** will approve the final selection of the regional infrastructure projects to be implemented under Phare 2003 Programme

The **Phare ESC Steering Committee** will:

- approve the procedures for projects selection, implementation and monitoring of the selected projects; such procedures will be also endorsed by the National Fund and the EC Delegation;
- Approve the list of additional 50 schools in rural areas selected under TVET component;
- approve the list of human resources (employment) projects selected at regional level and approved by the Regional Development Boards
- Approve the list of small-scale waste management selected projects.
- Approve the list of SMEs support projects selected at regional level

Technical and Vocational Education and Training (TVET)

Close cooperation between MDP and MoER will ensure the coherency of the Phare 2003 activities and of these activities with the results and ongoing activities under Phare 2001 and 2002. As main beneficiary of the programme and specialised governmental authority the MoER will supervise the 2003 programme activities from the technical relevancy of provided investments to the TVET provision improvement and students achievements enhancement.

The **Phare ESC Steering Committee** already established will follow the progress of the TVET component according to the Implementation schedule, in view of assuring an effective correlation between IB and Investment activities. Representatives of MoER, MDP, RDAs, PIU – NCDVET and ETF (European Training Foundation) will participate in the committee when TVET is analyzed.

The project continue to get advise from the **Regional Consortia** that represent institutions at the regional level, formed by Regional Development Agencies, Local (County) Committees for Social Partnership Development in VET, County Councils, as well as the County School Inspectorates. The leading institutions will be represented by the Regional Development Agencies. The Regional Consortia act as consultative structure, both for TVET and HRD components, and their main tasks will be:

- identification of specialised didactic equipment to enable training relevant for regional development;
- identifying the HRD priorities;
- development of the annual Regional Education Action Plan, which includes the qualifications relevant at regional level that become part of the educational offer in TVET schools;
- members of Regional Consortia participate in the selection committees for HRD projects, as individual experts.
- Members of Regional Consortia participate in the selection committee of the additional 50 schools

The regional level represents a concerted action of different key actors in order to maintain the coherence of VET within the regional development policy.

B. Human development programme

MoLSS and NAE will organise the PCU and the 8 PIU at regional level. The PIU is composed of representatives of each County Employment Agency in the region and one representative from the RDA and it is placed in the same location as the corresponding RDA.

National Agency for Employment and the 8 PIUs are the bodies responsible with the implementation of the strategies in employment; to strengthen the social dialogue in the employment field; to put into practice the social protection measures for unemployed persons.

The PCU will carry out the following tasks (with TA support from IB component):

- preparation of the scheme (application package);
- promotion of the scheme, together with the 8 PIUs.
- Supervise contracting process carried out by PIUs
- monitoring and control
- endorsement of reports and payment requests to be sent to MDP

The PIUs will carry out the following tasks (with TA support from IB component):

- organizing the call for proposals;
- promotion of the scheme;
- appraisal and selection of projects;
- overall responsibility for monitoring and implementation of the projects from the region;
- prepare the grant contracts and conclude them with the selected applicants;
- accomplish the tasks related to monitoring and evaluation and ensure the link with MoLSS and MDP;
- report to the MoLSS and MDP the stage of implementation of the programme.

MoLSS and MDP participate in the evaluation panels.

C. Small scale waste management scheme

The selection will be made at regional level by a Regional Selection Committee chaired by the RDA, and will be formed by representatives of the concerned RDA, from the LEPI/ REPI, National Environmental Fund and also independent experts, that will participate as voting members. The MDP, MoWEP will participate to the selection committee. EC delegation may participate as observer. The Committee composition will be endorsed by the MDP and approved by the EC Delegation. The evaluation reports will be checked by the twinning (see ESC-IB fiche), submitted for approval to the Ministry of Development and Prognosis, as Contracting Authority, and endorsed by the EC Delegation.

RDA from the selected region will be the **Implementing Authority** for this component. It will ensure the awareness and information campaign in the respective regions with full support from LEPI/REPI.

Contracting is the responsibility of MDP. Monitoring is performed by the RDA with permanent support from LEPI/ REPI; reports will be sent to the MDP and the MoWEP. MDP, as Implementing Agency, will make the payments based on the received reports.

SAMTID programme

The following premises are to be considered in order to understand the institutional framework for this component:

- The number of utilities have to be reduced taking into consideration financial and operational criteria. At the completion of this project, it is expected that the number of operators in this field will be halved;
- The linkages between the various projects in the water supply and wastewater sector executed in the different programmes (ISPA, Sapard – 2.1 Measure, RDP, Phare, Ricop – Public Works Component etc), have to be coordinated at least at county level, and eventually at river catchment basin areas;
- The implementation of the provisions of Law No.326/2001 concerning the public services and Government Ordinance No 32/2002 concerning water and wastewater services, will bring in the near future some restructuring elements and actions.

The implementation arrangements of this component build on and extend those functioning for Phare under Investments in Economic and Social Cohesion, Integrated Regional Measures.

The Ministry of Public Administration is the **Coordinating Body for the overall SAMTID program, including loan and grant components**. It will establish framework agreements with other entities (shared roles) as needed for the various program components.

The main tasks of MoPA will include:

- the overall responsibility for the technical implementation of the programme and its strategic direction, ensuring that the objectives of this proposal are met;

- establishing and chairing a national SAMTID Steering Committee;
- assuring that IFI requirements are met for approving and contracting the loan agreements with beneficiaries, establishing and implementing the appropriate financial guarantees, and acting as paying agency and managing repayment of debt from beneficiaries;
- monitoring and evaluation of the programme.

At the National Level, a **SAMTID Steering Committee** will be established, chaired by the Ministry of Public Administration. The committee will have representatives of: the Ministry of Development and Prognosis, Ministry of Public Finance, Ministry of Public Works, Transport and Dwellings, the Ministry of Water and Environment Protection, Ministry for European Integration, Regional Development Agencies, the Federation of Municipalities, and EC Delegation.

The SAMTID Steering Committee will be chaired by a Secretary of State, and will undertake all the necessary administrative tasks (organising meetings, planning agendas, general secretariat) and produce all papers to be discussed at its meetings. The Steering Committee will play an important role by:

- Assuring that the actions implemented under SAMTID are in line with the National Development Plan and other relevant strategies;
- offering advise on the strategic direction of the program;
- approving the final selection of investment projects and their schedule for implementation;
- offering advice on procedures for the selection and implementation of the institution building and investment projects, and being an observer in each phase of the process;
- approve the selection criteria for water infrastructure projects;
- ensuring the equitable balance between grants and loan financing for beneficiaries, and advising and providing information on financing for projects;
- participating in the monitoring of the SAMTID, both Institutional Building and Investment components;
- providing an opinion on the Terms of Reference for evaluation of the programme (mid-term and ex-post)

Meetings of the Steering Committee will be held quarterly, or more frequently if business demands.

The Ministry of Development and Prognosis will be the **Implementing Agency for the Phare financed component** for investments, including the 25 percent co-financing from the National Fund.

The main tasks of Implementing Agency will include:

- serve as the Contracting Authority and Paying Agency for Phare resources;
- ensure that the objectives of this proposal for Phare resources are met;
- participate in the SAMTID Steering Committee;
- elaborate the selection and implementation procedures in accordance with the guidelines set by the European Union;
- report to National Board for Regional Development and EC Delegation on the stage of implementation of the programme;
- arrange framework agreements with **Regional Development Agencies** that will ensure public awareness of the program, monitor the implementation of the projects, evaluate project performance and report to the Regional Development Board, MoPA and MDP.
- conclude framework agreements with each beneficiary for the management of Phare financed work contract.

The established structure delegates considerable autonomy on investment decisions to Regional Development Agencies, that will be the Implementing Authorities for the Phare grant component. The implementation of this component should build on the previous relevant RDAs experience achieved during the implementation of the Phare 2000 and 2001 regional and local infrastructure components.

Regional Development Agencies will keep their important role in promoting SAMTID, sharing information and guiding the potential beneficiaries. Regional Development Agencies (RDAs) /Regional Development Boards (RDBs) and regional offices of national regulator will take part in the pre-screening process with support of technical assistance. RDBs and/or RDAs representatives will participate also in the final national selection of the pilot projects.

The **Regional Development Boards** will play an important role at regional level in both institution building and investment components, participating in the selection of projects to be financed.

A **Selection Committee** established at national level will compulsory comprise representatives of regional authorities, including RDBs/RDAs representatives. The evaluation reports will be submitted to the Ministry of Development and Prognosis, the Ministry of Public Administration and the EC Delegation. The list of the selected projects will be approved by SAMTID Steering Committee and endorsed by the Delegation of the European Commission in Romania..

Project Implementation Units (PIU's) staffed and located at the leader of the group of local authorities, have as main task the day by day management of the projects, they will report simultaneously to the MDP (through RDAs) and to the MoPA for the Phare component.

The **annex 4.4** outlines the **Financial and Institutional Architecture of IFI Financed Investments** that will accompany Phare investments, designed with PPF suport from Phare 2001.

5. Detailed Budget

Component	Phare Support (Meuro)		Total Phare (=I+IB)	National Co-financing	IFI	TOTAL
	Investment Support	Institution Building				
A. TVET	16.305		16.305	5.435		21.74
A1. Specialised equipment	14.4		14.4	4.8		19.20
A2. IT equipment	1.905		1.905	0.635		2.54
B. Activating Employment Potential and Developing Skills	5.6		5.6	1.87		7.47
C. Small-scale waste management investment scheme	4.0		4.0	1.33		5.33
D. Large scale infrastructure	57.0		57.0	19.0	28	104.0
D1. Regional & local infrastructure	36.0		36.0	12.0		48.0
D2. SAMTID	21.0		21.0	7.0	28	56.0
E. SMEs support grant scheme	4.0		4.0	1.33		5.33
F. Awareness campaign, selection, monitoring and site supervision	5.6		5.6	2.0		7.6
F1. Awareness campaign, preparation of applications, appraisal and selection of projects	0.5		0.5			0.5
F2. Support for implementation of investment component				2.0		2.0
F3. Infrastructure projects site supervision	5.1		5.1			5.1
F3.1 Regional&local infrastructure	2.6		2.6			2.6
F3.2 SAMTID	2.5		2.5			2.5
Total	92.505		92.505	30.965	28	151.47

For SAMTID projects, Phare will support the supervision costs for the whole budget of this component, composed of Phare contribution, national co-financing and IFIs contribution.

Infrastructure site supervision is usually around 5%, but economy of scale can also be considered. Taking into account the bigger size of SAMTID projects than the regional infrastructure projects 2.5 Meuro for SAMTID site-supervision is considered appropriate. In case of large infrastructure, the local contribution is usually high (experience from previous projects shows that it was more than 10%), thus the total investment could increase to around 60 Meuro which combined with a smaller size of projects, leads to the allocation of the budget of 2.6 Meuro for supervision activities of these projects.

Implementation Arrangements

6.1. Implementing Agency

PAO: Ministry of Development and Prognosis (MDP)

Name: Leonard Cazan

Address: 2-4 Cristian Popisteanu st., Bucharest

Tel: + 401 312 08 09

Fax: + 401 314 08 09

The Ministry of Development and Prognosis and the Regional Development Agencies will closely work with the partner governmental institutions relevant for the TVET, SAMTID, HRD, large-scale infrastructure, that will be actively involved in each phase of the process.

The Ministry of Public Administration is the Coordinating Body for the overall SAMTID program. It will establish framework agreements with other entities as needed for the various program components.

6.2. Twinning

No twinning arrangements are anticipated under this project.

6.3. Non-standard aspects

The "Practical Guide for Phare, ISPA and SAPARD" procedures will be followed under this project. Romanian national public procurement rules will not apply to these, including when the beneficiary is a public administration. Special procurement rules will be followed for loans, depending on each IFI own rules. It is recommended that the IFI's and the EC Delegation agree to use a single set of procurement rules that will simplify enormously implementation of the programme

For **D2 component** in case of EBRD co-financing of SAMTID projects, contracting will follow EBRD procedures (see **Annex 4.5**).

For **E2 component** a service contract will be concluded with each RDA.

6.4. Contracts

6.4.1 TVET investment scheme

One type contract (for supplies of didactic and IT equipment) shall be under the direct responsibility of the Ministry of Development and Prognosis. MDP will conclude a Framework Agreement with the Ministry of Education and Research for the monitoring of the supplies contracts (two or more).

6.4.2. Human Resources Development

MDP will conclude a Framework Agreement for the implementation of this component with MoLSS. MoLSS will conclude a Framework Agreement with NAE and each PIU for the total Phare budget allocated for this type of projects per region. Contracting each grant with the final beneficiary shall be under the responsibility of the MoLSS and MDP.

6.4.3. Small-scale waste management investment scheme

MDP will conclude a Framework Agreement for the implementation of this component with MoWEP. MDP will conclude a Regional Framework Agreement with the RDA, from the selected region, for the Phare budget allocated for this type of projects. Contracting each grant with the final beneficiary shall be under the responsibility of the Regional Development Agency and Ministry of Development and Prognosis.

A separate contract for the soft-loan will be concluded between the beneficiary and National Environment Fund.

6.4.4. Large-scale Infrastructure

6.4.4.1 Regional and local infrastructure

Works contracts will be concluded by MDP as Contracting Authority. Contracting each project with the final beneficiary shall be under the responsibility of the Ministry of Development and Prognosis. MDP will conclude a Framework Agreement with each beneficiary for the implementation of the infrastructure sub-projects financed from local co-financing and coordination of the all sub-projects. The Framework Agreements will be endorsed by the RDA. In the case of national road projects, the contracts will be endorsed by the Ministry of Transport and Public Works/the National Administration of Roads.

6.4.4.2 SAMTID Programme

Works contracts, financed from Phare grant plus national co-financing and EIB loan, will be concluded by MDP as Contracting Authority, following Phare procedures. In case of EBRD co-financing of SAMTID projects, contracting will follow EBRD procedures.

Contracting process is described in **Annex 4.5**. Contracting each project with the final beneficiary shall be under the responsibility of the Ministry of Development and Prognosis.

6.4.5. SMEs support grant scheme

MDP will conclude a Framework Agreement for the implementation of this component with MSMEC. MDP will conclude a Regional Framework Agreement with each RDA for the Phare and national co-financing budget allocated for this type of projects. Contracting each grant with the final beneficiary shall be under the responsibility of the Regional Development Agency and Ministry of Development and Prognosis.

6.4.6 Awareness Campaign, Selection, Monitoring and Site Supervision

MDP will conclude a service contract for the activities to be undertaken for a large awareness campaign and advice to applicants.

MDP will conclude a service contract for the selection and appraisal of projects under each of the investment components, as members of the (Regional) Selection Committee. It can be joint contract with the awareness one, if appropriate.

MDP will conclude a service contract with each RDA for the activities under E2.

MDP will conclude one contract for the activities to be undertaken under the Site Supervision and Inspection of regional and local infrastructure projects.

MDP will conclude one contract for the activities to be undertaken under the Site Supervision and Inspection of SAMTID Projects, for supervision of works contracts financed.

The Ministry of Development and Prognosis and the Regional Development Agencies will closely work with the partner governmental institutions relevant for the TVET, HRD, SMEs, large-scale infrastructure sectors (such as MER, MoLSS, MoWEP/REPI/LEPI, NAR, MoT, MoPA, etc.), that will be actively involved in each phase of the process.

Implementation Schedule

7.1 Implementation Schedule

Activity	TORs/Project specification/ feasibility studies ready	Launching calls for proposals / start of tendering/selection of infrastructure projects	Start of project activity	Project completion (including final payment)
Activity A Equipment supply	09.2004	10.2004	06.2005	30.11.2006
Activity B Call for proposals	10.02.2004	06.2004	01.02.2005	30.11.2006
Activity C Call for proposals	31.12.2003	03.2004	10.2004	30.11.2006
Activity D D1.Works contracts D2. SAMTID works	05.2004 05.2004	06.2004 06.2004	02.2005 04.2005	30.11.2007 30.11.2007
Activity E	12.2003	04.2004	11.2004	30.11.2006
Activity F				
Activity F1	11.2003	12.2003	06.2004	31.11.2006
Activity F2	12.2003	01.2004	03.2004	31.11.2006
Activity F3.1	04.2004	05.2004	01.2005	31.11.2007
Activity F3.2	05.2004	06.2004	03.2005	31.11.2007

8. Equal opportunity

All project mechanism will have equal access for women, men and disadvantaged groups. Particular projects will be developed and selected and operated by women and young people.

The TVET, HRD and the SMEs sub-components are developed in order to ensure equal opportunities to vocational education, training and labour market services of individuals and groups at risk/in need as

mentioned above. The project will develop promotional and training activities at national, regional and local level to encourage girls and young women to follow technical careers through vocational education and training institutions, including business and administration careers. The partners involved in the project will include interested women/professional associations or trade groups.

9. Environment

The environmental protection is one of the top priorities and adequate support will be required under Phare and ISPA assistance. The measures implemented under the project will therefore be complementary to the measures implemented with ISPA. PHARE will only co-finance works when responding to EU environment standards. Environmental Impact Assessment will be carried out following EU Directive n° 85/337/EEC.

Specific selection criteria and indicators will be applied in accordance with the experience of the Structural Fund's activities.

TVET Environmental aspects will be considered in a structured way with particular reference to environmental sustainability concept as regards the Regional Development Plans, selection of the didactic equipment and technologies recommended for training.

Small-scale waste management investment scheme is dedicated to environmental projects in that field.

The Regional infrastructure and SAMTID components will bring strong environmental benefits, enabling small and medium municipalities to meet EU and Romanian environmental standards.

On the institutional side, particular attention will be given to participation of Ministry of Water and Environment protection in the Steering Committee and to participation of Local Environmental agencies and groups to decision-making process, including water resource management functions.

10. Rate of Return

Projects will include feasibility studies with complete economic and financial analysis (FIRR and EIRR), including creditworthiness analysis. Increasing of tariffs will be justified and the affordability of these tariffs will be demonstrated, and their implementation supported and monitored through the financial and operational improvement program and the interface with the country's new regulatory regime.

11. Investment criteria

11.1 Catalytic effect:

A. TVET investment scheme

The development regions are already confronted with high levels of unemployment affecting young population, or will be confronted with sharp raises of the unemployment, as the structural reform and industrial restructuring measures will be implemented. Therefore, there is in these regions a strong demand to complement restructuring measures with effective VET as a tool for improving labour market integration. Also, the resumption of sustainable economic growth and the development of private enterprises need a flexible, skilled and adaptable labour force.

B. Human Resources Development

The development regions are already confronted with high levels of unemployment, or will be confronted with sharp raises of the unemployment, as the structural reform and industrial restructuring measures will be implemented. Therefore, there is a strong demand for complement restructuring measures with effective tools for employment fostering, as training and the active employment measures. Also, the resumption of sustainable economic growth and the development of private enterprises need a flexible, skilled and adaptable labour force, that will be provided by the priority 2 measures. Implementation of priority 1 measures will help at fighting discrimination and foster employment opportunities for the disadvantaged groups, such as long-term unemployed, youth and women.

C. Small-scale waste management investment scheme

There is a urgent need to support the waste area of environment protection which will bring benefits in the business development, tourism sector and will increase awareness of local authorities for the need of taking into consideration the environmental issues as a condition for sustainable development.

D. Large-scale infrastructure

D1. The development regions have an unsatisfactory transport, environment and tourism infrastructure. Therefore, there is in these regions a strong demand for systematic tools for improving the overall quality of the transport network, introducing significant environmental activities and strength the business infrastructure.

D2. Small and medium towns have an unsatisfactory water and wastewater infrastructure. In these towns there is a strong demand for systematic tools for improving the overall quality of public services, from which water supply is one of the most important.

By their multiplying effect, water and wastewater systems rehabilitation can stopped economic decline of the small and medium towns, and act as a dynamic element of global economic system, contribute to improvement of quality of life and being an effective source for attracting investments in those towns.

E. SMEs support grant scheme

The development regions will be confronted with sharp raises of the unemployment, as the structural reform and industrial restructuring measures will be implemented. Therefore, there is in these regions a strong demand to complement restructuring measures with business support as a tool for SMEs development. Also, the resumption of sustainable economic growth and the development of private enterprises need a flexible, skilled and adaptable labour force as well as an efficient management to assure the businesses sustainability.

11.2 Co-financing

In compliance with Phare Guidelines, 25% national co-financing for investment projects (equal to MEURO 30.965) will be provided from the state budget, corresponding with the Phare contribution of 92.505 Meuro for investment components.

The financing scheme for each project under Regional Infrastructure may include local or IFI co-financing. Where the co-financing is provided from national budgetary funds the co-financing must be released at the same time as Phare funds to facilitate smooth implementation of the projects.

Clear evidence of that national co-financing from the state budget has been provided will be made available to the Joint Monitoring Committee, which has the responsibility to monitor the fulfilment of the co-financing requirements. If no proof is presented the respective amounts may be deducted from the possible Phare allocations in the following years.

The national state co-financing will be implemented following the same procedure as the Phare funds, for the entire cycle of the project.

Regional Development Agencies through MDP, will be responsible for reporting to the Commission (EC Delegation) about the implementation and the results achieved.

National Fund will ensure this co financing and the mechanism for delivering the funds to MDP and to the development regions

When the direct beneficiaries of the projects will be private legal entities, an adequate co financing will be provided by the private sector.

In case of SAMTID programme in compliance with Phare Guidelines, 25% national co-financing for investment projects (equal to 7 Meuros) will be provided from the state budget, corresponding to the Phare contribution of 21 Meuros for investment components during this phase

The financing of SAMTID scheme for each project will include IFI co-financing (equal to 28 Meuros). For each project only one IFI will be involved. In addition to these funds, some local contribution will be required.

11.3 Additionality

The project will not generate competition with any private service providers, and no other financiers will be displaced by the Phare intervention, in particular as the project target mainly beneficiaries whose demand for financing and training measures, are still unmet by the private sector, due to the dimension of the towns under SAMTID and the power of the municipality to access credit scheme will be improved.

11.4 Project readiness and Size

Terms of Reference and contracts for the project are being prepared by taking into account the studies already carried out at the regional level by the Regional Development Agencies, with the support of the Technical Assistance provided by Phare 2000 , 2001 and 2002 Programmes.

Implementation will be ensured by the RDAs, under guidance and monitoring of the Ministry of Development and Prognosis adequately assisted by the Phare supported technical assistance already in place, with the exception of A component where implementation is assured by MoER and B component where implementation is assured by MoLSS, PCU and PIUs, with support from technical assistance.

11.5 Sustainability

The national regional development policies of Romania ensure the sustainability of the project

The programme represents a contribution to National Development Plan

Investment Support from Development of Regional infrastructure projects must be a feasible part of the regional development strategy from development regions, as defined in the National Development Plan.

The improvement of financial performance of the operators as well as the conditionality relating to the loan part of the financing of the programme will ensure the sustainability of each project. Operating and maintenance costs as well as loan repayments will be covered through tariffs, as a consequence of the cost recovering principle, which drives the SAMTID programme. The national policies for municipal services ensure the sustainability of SAMTID.

All investment shall comply with EU norms and standards and be in line with EU sector policy acquis.

11.6 Compliance with state aids provisions

Projects shall be in compliance with state aids provision.

Investments must respect the state aids provision of the Europe Agreement.

12. Conditionality and sequencing

The co-financing by the Government is a pre-condition for the effective operation of the programme.

The **B-Human resource development** component will depend on existence of the MoLSS structures (PCU and PIUs) established at national and regional level with adequate premises, by December 2003. In case that the structures will not be established by 3 January 2004, the Phare funds will be re-allocated to another sub-component.

ToRs for contracting TA (under IB component) to support MoLSS and its structures in the implementation of **B component** and Technical specifications for equipment supply are finalized by November 2003.

C-Small-scale waste management investment scheme

The implementation of the small-scale waste management scheme (contracting of any grant) can only start after:

- the approval of the PPF conclusions (TORs are attached as Annex 4-10) by the Commission services;
- the signature of the twinning component under IB component of Phare ESC 2003;
- the contracting of TA under IB component of Phare ESC 2003 ESCt

ANNEXES

- Annex 1.Inv - Logical framework matrix for Inv ESC 2003 projects
- Annex 2.Inv - Detailed implementation chart for Inv ESC 2003 projects
- Annex 3.Inv - Contracting and disbursement schedule by quarter for Inv ESC 2003 projects

Reference to feasibility / pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)

- Annex 4.1 - Linked activities
- Annex 4.2 – Summary of IB projects to support administrative capacity
- Annex 4.3 - SMEs support grant scheme annexes
 - Annex 4.3.1 Multi-annual instrument
 - Annex 4.3.2 Government strategy paper
 - Annex 4.3.3 Executive summary of SMEs needs Assessment Report
 - Annex 4.3.4 Eligibility and selection criteria
- Annex 4.4 - SAMTID Institutional and Financial Architecture
- Annex 4.5 - SAMTID Contracts
- Annex 4.6 - Results of Phare 2003 TVET-IB component
- Annex 4.7 - Time table of activities for TVET- IB component
- Annex 4.8 - Results of Phare 2003 TVET-investment component
- Annex 4.9 - Time table of activities for TVET- investment component
- Annex 4.10 - ToRs for PPF to design the Phare 2003 waste management scheme
- Annex 5 - List of relevant Laws and Regulations (optional)
- Annex 6 - List of regional infrastructure projects

Annex 1(a) to Investment Project Fiche

LOGFRAME PLANNING MATRIX FOR			Programme name: and number:	
INVESTMENTS IN ECONOMIC AND SOCIAL COHESION - 2003			Contracting period expires:	Disbursement period expires:
INTEGRATED REGIONAL MEASURES			30.11.2005	30.11.2006
Project : A. Technical and Vocational Education and Training (TVET)			Total Budget: 21.74 Meuro	Phare contribution: 16.305 Meuro
<i>Project Number</i>				
Project Purpose	Objectively verifiable indicators	Sources of verification	Assumptions and Risks	
<ul style="list-style-type: none"> To strengthen and consolidate the achievements of the reform acquired through the Phare VET RO 9405 programme for initial TVET, as well as through Phare 2002- Economic and Social Cohesion (IB for TVET) in order to further assist in the modernisation of the rationalized TVET system; To consolidate reviewed responsibilities, governance and accountability mechanisms in the provision of initial TVET in line with the social and economic development as stated in the National Development Plan and based on further recommendations acquired through IB activities of the 2002 programme; To further assist in the provision of equal chances for all young people to obtain a good professional qualification at a level equal to European standards, by providing TVET which responds flexibly to the needs of each individual, taking into account the institutional achievements of 2002 programme. Special attention will be given to young people in rural areas. 	<ul style="list-style-type: none"> Local governance of investment in TVET (School Inspectorates, and Municipalities) advised by the regional structures in place (RDAs together with the Regional Consortia) Phase 3 of a multi-annual investment programme completed - 11 resources centres inside target areas equipped, and 100 schools' laboratories and workshops provide with speciazed didactic equipment Improved premises and trainers to provide vocational training Instruments for local/regional planning for school investment in use, based on recommendations from Regional Consortia and formulated by the REAPs 	<ul style="list-style-type: none"> Reports by RDAs on the stage of investment on behalf of regional consortia and county schools inspectorate Periodic Phare 2003 evaluation reports submitted by the TA Decentralised school planning at the regional/local level to allow investment according to the priorities for economic and social cohesion 	<ul style="list-style-type: none"> Rationalised TVET school network agreed with the social partners and public authorities, based on the conclusions set by the previous Phare 2002 Complementary financial allocation to TVET from the public budget (local budget) Enhanced capacity of the Regional Consortia to support the County Councils, Local Councils and County School Inspectorates related to the equipment investment in schools (allocation of funds for preparation of premises, full use of equipment, maintenance and repairing) 	

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

Results	Objectively verifiable indicators	Sources of verification	Assumptions and Risks
<ul style="list-style-type: none"> • Didactic and modern technologies equipment and didactic software supplied, installed and in use. • Achieved core skills by the students facilitated. • Transition from school to working life facilitated. • Improved training facilities for trainers and trainees • Better access to information and documentation ensured 	<ul style="list-style-type: none"> • 100 TVET schools and 11 resource centres benefiting of the second lots of specialised equipment, installed and functional • 50 schools in rural areas endowed with IT equipment, installed and functional 	<ul style="list-style-type: none"> • Reports by Regional Consortia / County School Inspectorates • Periodical Phare evaluation reports • Programme monitoring reports 	<ul style="list-style-type: none"> • Selected TVET schools and resources centres as recipients of the concentrated investment and national qualification system developed • Responsible involvement of local actors (schools, county schools inspectorates, etc) in the decision making process regarding needed equipment • Adequate technical specifications for specialised equipment
Activities	Means		Assumptions and Risks
<p>Selection of the additional 50 schools in rural areas</p> <p>Tendering and contracting supplies for the 100 schools and 11 resource centers</p> <p>Tendering and contracting supplies for the 50 schools in rural areas</p> <p>Supervising the installation of equipment</p>	<p>Technical Assistance will support the preparation of documents needed for launching tenders and equipment needed</p> <p>Personnel from MDP, and MoER, involved, and advice received from Regional Consortia</p>		<p>Government co-financing (25%) is ensured</p> <p>TA is contracted in due time</p>

Annex 1(b) to Project Fiche

Logframe planning matrix for INVESTMENT IN ESC 2003			Programme name: and number:	
PROJECT: B. Activating Employment Potential of Youth and Long-term Unemployed and Developing Skills for the New Labour Market			Contracting period expires: 30.11.2005	Disbursement period expires: 30.11.2006
			Total Budget:(MEuro) 7,47	Phare contribution: (MEuro) 5,6
Project Purpose	Objectively verifiable indicators	Sources of verification	Assumptions	
<ul style="list-style-type: none"> ■ To support Ministry of Labour and Social Solidarity (MoLSS) to improve the administrative capacity for implementation of employment projects similar to those financed by European Social Fund. ■ To facilitate access to employment for job seekers by enhancement of active employment measures and to develop new skills according to evolving needs of the labour market, promoting equal employment opportunities for vulnerable groups, such as young and long-term unemployed ■ To develop labour force skills to become more adaptable to structural changes according to identified labour market skill shortage 	<ul style="list-style-type: none"> • MoLSS, national and regional structures demonstrate capacity for implementing the projects • Insertion of youth and long-term unemployed increased • Employees acquired skills according to labour market needs • At least 80 projects for skills development and for youth and long-term unemployed developed and implemented 	<ul style="list-style-type: none"> • Progress reports provided by the the PIUs to PCU – MoLSS and to MDP • MoLSS and NAE monitoring databases and statistics • Progress reports to Steering Committee • Programme evaluation by the European Commission • National statistics • Reports to JMC and SMSC 	<ul style="list-style-type: none"> • Regional development authorities and regional partnership support the project; • Implementing institutions have adequate institutional capacity • Enterprises are willing to participate • Developed entrepreneurship spirit of the target groups • Qualified managers and consultants associated with project • Intensive information campaign is launched prior to calls for proposals 	
Results	Objectively verifiable indicators	Sources of verification	Assumptions	
<ul style="list-style-type: none"> • Improved access to employment for job seekers and unemployed people (especially youth and long-term unemployed); • Reduced rate of youth and long-term unemployment; • Labour force will have increased knowledge and acquire better and new skills according to the labour market needs, due to increased responsiveness 	<ul style="list-style-type: none"> • Min. 6,000 youth unemployed job seekers assisted according with all type of active measures provision to find a job for facilitating LM reinsertion • 40% of assisted unemployed find a job • Min 3,000 long-term unemployed assisted and trained, out of which 	<ul style="list-style-type: none"> • Reports and payments made to beneficiaries • Reports by PIUs to PCU on the progress of projects • MoLSS and NAE reports and statistics, data bases • Evaluation reports made by PIUs and endorsed by EC Delegation 	<ul style="list-style-type: none"> • Capacity of potential beneficiaries to design projects exist • PCU and PIUs exist and get support from TA for the management and implementation of the project • Assistance to improve capacity of PIUs to monitor implementation of projects is in place • Procedures for financial and technical 	

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

<p>of training providers;</p> <ul style="list-style-type: none"> Improved management skills, especially human resources management, in enterprises will ensure the survival and development of the companies, increasing their competitiveness on the market. 	<p>30% found a job</p> <ul style="list-style-type: none"> Min. 3,000 employees trained in vocational training programs Min. 500 managers trained in human resources management Min. 10 managers are developing human resource strategies and training plans 	<ul style="list-style-type: none"> Reports and feedback from direct beneficiaries MoLSS reports to the Steering Committee Minutes of Steering Committee and materials prepared 	<p>monitoring are designed and applied</p> <ul style="list-style-type: none"> Qualified managers and consultants associated with the project Inadequate commitment of funds due to lack of appropriate evaluation methodologies Large partnerships will sustain the process
Activities	Means		Assumptions
<ul style="list-style-type: none"> Preparing and concluding framework agreements with PIUs for monitoring of projects Launching calls for proposals for components B Organising seminars and providing information and advice to applicants Appraisal and selection of projects Observation and checking of the selection process Concluding contracts with approved projects for financing Ex-ante evaluation, monitoring and control of projects Reporting at different levels Payments to projects by MDP 	<ul style="list-style-type: none"> TA will support the preparation of documents needed for launching calls for proposals (guidelines) Promotion and information campaign designed and supported with brochures and other documentation Training seminars and advice Personnel from all institutions involved (MDP, MoLSS, NAE, PIUs) Providing premises and minimum equipment necessary to implement the programme 		<ul style="list-style-type: none"> Government co-financing (25%) is ensured TA under IB is contracted in due time The Contractor will send highly qualified experts PCU and PIUs are in place and fully committed to the implementation of the project The MoLSS and NAE involved will make staff available to participate in training and will place all information relating to project proposals at the disposal of the experts
			<p>Preconditions</p> <ul style="list-style-type: none"> PCU and PIUs are established and have adequate premises ToRs for contracting TA under IB are finalized by November 2003.

Annex 1 (c) Investment ESC 2003

Logframe Matrix for project: Small-scale waste management investment scheme		Contracting period expires: 30/11/2005	Disbursement period expires: 30/11/2006
		Total budget: 5.33 Meuro	Phare budget: 4.0 Meuro
Overall objective	Objectively Verifiable Indicators	Sources of Verification	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions and risks
<p>-To support the Romanian Government to develop and implement the pilot phase of an integrated multi-annual national program for the period 2004 – 2006 on creating and promoting a framework of waste management in small and medium towns. This will help local public authorities to comply with National Development Plan (NDP) and EU directives, in order to increase the attractiveness of the urban areas for inward investment, to rehabilitate the urban environment and increase the quality of life of communities, to protect the population health, through:</p> <p>-creation/ improvement of the infrastructure of waste management and the capacity of the local public authorities to contribute to the environmental protection</p> <p>-To develop and implement regional- and local-scale projects within the waste management sector, that will provide waste management facilities to ensure environmental rehabilitation and protection in areas were are implemented.</p> <p>-To reduce the impact of landfill sites to the environment</p> <p>-To improve the collection and transport of waste in areas where until now no sanitation system exists</p> <p>-To improve effective and simple waste treatment methods with a good cost-benefit relation</p>	<p>-Pilot phase for small scale grant scheme for waste management sector</p> <p>- No of rehabilitated areas</p> <p>- % Reduction of waste</p> <p>- Reduction of pollution</p>	<p>-Commission regular reports</p> <p>-Progress reports to Steering Committee</p>	<p>-Continuing fulfillment of the conditions for receiving EU grant assistance</p> <p>-Development of national policy for economic and social cohesion according to EU's policy in this field</p>
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions and risks
-Created/ improved capacity of local public authorities to	-No. of projects selected for each	-Monitoring data supplied by	-Capacity of potential beneficiaries to implement the projects

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

<p>contribute to the environmental protection, particularly in the sector of waste management</p> <ul style="list-style-type: none"> -Bio-mechanical pre-treatment plants for household waste -Developed/ rehabilitated sanitation systems for localities -Composting platforms constructed 	<p>eligible activity</p> <ul style="list-style-type: none"> -No. of municipalities which benefit from the projects implementation - Capacity created in waste disposal facilities - No. of household served 	<p>county PIUs to MoWEP and MDP</p> <ul style="list-style-type: none"> -Site supervision reports -Progress reports to Steering Committee -Programme evaluation by the European Commission 	<ul style="list-style-type: none"> -Procedures for financial and technical monitoring are designed and applied -Qualified managers and consultants associated with the project -Inadequate commitment of funds due to lack of appropriate evaluation methodologies for the grant financing scheme -A good coordination and involvement from the both parts: beneficiary and Consultants -County and local authorities support the projects
Activities	Means	Sources of Verification	Assumptions and risks
<ul style="list-style-type: none"> • Preparing and concluding framework agreements with RDAs for monitoring of projects • Preparing the guidelines for applicants • Launching calls for proposals for components C • Organising seminars and providing information and advice to applicants • Appraisal and selection of projects • Observation and checking of the selection process • Concluding contracts with approved projects for financing • Ex-ante evaluation, monitoring and control of projects • Reporting at different levels • Payments to projects by MDP 	<ul style="list-style-type: none"> - PPF support the design of the scheme and preparation of documents (guidelines) -TA contracted under IB component will support the implementation - Call for proposals -Promotion and information campaign -Brochures and other documentation on different components -Personnel from all institutions involved (MDP, MoWEP and EPIs/ REPIs, RDAs) 	<ul style="list-style-type: none"> -- Evaluation reports for selecting projects - Projects submitted - Reports by RDAs and beneficiaries - Reports to SMSC and to Steering Committee 	<ul style="list-style-type: none"> -The identification of projects is proper -Effective cooperation with other institutions -Other priorities involved that could delay the activities foreseen -Co-financing is ensured - TA under IB is contracted in due time
			<p><u>Pre-conditions:</u></p> <ul style="list-style-type: none"> -The results of the PPF available - TA is contracted by July 2004 - Regional waste management plans exist and are approved

Annex 1(d) to Project Fiche

LOGFRAME PLANNING MATRIX FOR			Programme name: and number:	RO 03
INVESTMENTS IN ECONOMIC AND SOCIAL COHESION - 2003			Contracting period expires: 30.11.2005	Disbursement period expires: 30.11.2007
PROJECT: D. Large Scale Infrastructure			Total Budget:(MEuro) 104.00	Phare contribution: (MEuro) 57.00
<i>Project Number</i>				
Overall Objective(s)	Objectively verifiable indicators	Sources of verification		
			•	
Project Purpose	Objectively verifiable indicators	Sources of verification	Assumptions and Risks	
D. Large-scale infrastructure D1. Regional and Local Infrastructure <ul style="list-style-type: none"> • To develop infrastructures supporting tourism development, in order to strengthen competitiveness of SMEs from tourism sector and improve the attractiveness of recognised tourism areas; • To rehabilitate degraded sites with economic potential (industrial sites, closed enterprises from urban heavily polluted areas), with particular attention to the remediation of the severely contaminated industrial sites; • To develop infrastructures supporting business and tourism development, in order to strengthen competitiveness of SMEs through better access to technologies, services, markets and information; • To improve the regional transport infrastructure for supporting a modern, efficient transport, while decreasing the environmental impact of the transport activities. 	<ul style="list-style-type: none"> • Tourism development increase • Land improvement/ development/ business premises development • Increase of SMEs average life time • Increased SMEs birth rate • Increased inward flow of foreign capital • Improved health level - decreased number of hospitalisation days caused by pollution sickness • Improved transport network 	<ul style="list-style-type: none"> • Site supervision reports and final report • Programme evaluation by the European Commission 	<ul style="list-style-type: none"> • Regional and local authorities support the projects; • Effective implementation of the infrastructure projects • Co-financing available 	
D.2. SAMTID <ul style="list-style-type: none"> • To support the Romanian Government to develop and implement the pilot phase of an integrated multi-annual national program 	<ul style="list-style-type: none"> • Percentage for improvement of technical performances (percentage for reducing leakages, percentage for 	<ul style="list-style-type: none"> • Monitoring data supplied by PIUs to MoPA and MDP 	<ul style="list-style-type: none"> • Local authorities support the projects; 	

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

<p>creating and promoting a framework of transforming service provision and investing for sustainable water services in small and medium towns. This will help national and local authorities comply with National Development Plan (NDP) and EU directives, through:</p> <ul style="list-style-type: none"> ➤ the commercialisation of water and wastewater services provision of small and medium towns on a voluntary basis ➤ the implementation of capital investment for rehabilitation and modernization and performance improvement programs that raise service standards while promoting the application of cost recovery principles. 	<p>saving energy, percentage of increasing quality of water supplied, number of hours of delivering water, pressure);</p> <ul style="list-style-type: none"> • Percentage for improving financial performance (percentage of collecting revenues, percentage of reducing costs, capability of repayment of the loan) • the quality of services in the 20-50 small and medium towns increased with 50% • Percentage of beneficiaries with positive net operating margin 	<ul style="list-style-type: none"> • Site supervision reports • Progress reports to Steering Committee • Programme evaluation by the European Commission 	<ul style="list-style-type: none"> • Creditworthiness of the Local Authorities; • Co-financing available; • Commitment of the beneficiaries to the project; • Maturity, quality and consistency of the project submitted.
Results	Objectively verifiable indicators	Sources of verification	Assumptions and Risks
<p>D.1 Regional and Local infrastructure</p> <ul style="list-style-type: none"> • Investment attracted into enterprises and jobs created in the Romanian regions. • Increased attractiveness of touristic areas <ul style="list-style-type: none"> ◦ Increase in visitor (tourist) numbers ◦ Increase in international visitor (tourist) numbers ◦ Increase in visitor overnight stays ◦ Increase in average expenditure per visitor ◦ Gross direct new jobs in tourism sector • Improvement of environment of industrial sites <ul style="list-style-type: none"> ◦ Improvements of indicators of air, soil, water pollution ◦ Decrease of number of ecological accidents ◦ Gross direct new jobs created ◦ Hectares of rehabilitated brownfield land occupied by new / relocated businesses • Improved regional transport infrastructure strengthening linkage between economic poles and European transport corridors <ul style="list-style-type: none"> ◦ Decreased level of air pollution 	<ul style="list-style-type: none"> • Km of access roads rehabilitated/improved • Km of rails in touristic areas rehabilitated/improved • Number of facilities for river transport developed/ rehabilitated/improved • Hectares of natural habitat ecologically restored/preserved/sanitised (including lakes area) • Hectares of urban habitat rehabilitated/improved/restored 	<ul style="list-style-type: none"> • Sites supervision reports and final report • Reporting to JMC, SMSC and Steering Committee 	<ul style="list-style-type: none"> • Regional development authorities and regional and local partnership support the projects

<ul style="list-style-type: none"> ○ Decreased rate of road accidents ○ Decreased number of persons killed and injured ○ Reduced vehicles operating cost ○ Transport time savings • Better access to services and markets of SMEs for strengthening competitiveness. ○ Gross direct new jobs from land /business premises development ○ Number of jobless persons securing employment ○ Hectares of developed Greenfield land occupied by new/relocated businesses ○ Sqm of business space occupied after 1 year from project completion ○ Sqm of business space occupied after 3 years from project completion ○ Rate of occupancy of marketing/ exositional space • Gross new construction jobs 			
<p>D.2. SAMTID</p> <ul style="list-style-type: none"> • the improvement of water and wastewater systems in small and medium towns will be realized; • the improvement of quality of water services with an impact on 50% of the urban population in the country will be realised; • the creditworthiness of utilities in order to create possibility of accessing credit schemes will be rich; • the restructuring of the administration of water services in order to solve some priority needs in the field and to implement of the concerning the water administration within basin areas will be realized.; • Development of the institutional and organizational basis for the implementation of the EU Water Framework Directive 	<ul style="list-style-type: none"> • the system in 20-50 small and medium towns rehabilitated • Number of components rehabilitated (km of pipes, number of pumps, number of other type of works); • the quality of services in the beneficiary small and medium towns increased with 50% • Percentage of beneficiaries with positive net operating margin • No. of solid utilities created through regrouping and restructuring the olds small operators; • information about programme 	<ul style="list-style-type: none"> • Monitoring data supplied by county PIUs to MoPA and MDP • Site supervision reports • Progress reports to SAMTID and Phare ESC Steering Committee 	<ul style="list-style-type: none"> • County and local authorities support partnership and the projects • Effective correlation with IFIs

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

concerning the water management within river catchment basin areas.	<p>available</p> <ul style="list-style-type: none"> • payments made in due time, no reclamation 		
Activities	Means		Assumptions and Risks
<ul style="list-style-type: none"> • Preparation of information packages • Preparing and concluding contracts with RDAs for monitoring of projects • Organising seminars and providing information and advice to applicants • Preparation of projects with TA support • Appraisal and selection of projects • Observation and checking of the selection process • Reporting at different levels • Payments to projects • Preparing tender documentation for works • Tendering and contracting components D1 and D2 (works) 	<ul style="list-style-type: none"> • Technical Assistance will support the preparation of documents needed for launching calls for proposals and tenders • Promotion and information campaign • Brochures and other documentation on different components • Training seminars and advice • Works tendering and contracting • Personnel from all institutions involved (MDP, RDAs, and line ministries) • Providing premises and minimum equipment necessary to implement the programme 		<ul style="list-style-type: none"> • Government co-financing (25%) is ensured • TA is contracted in due time • IFIs co-financing
			Preconditions

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

Annex 1e

LOGFRAME PLANNING MATRIX FOR Project	Programme name and number	
Investments in Economic and Social Cohesion Small and Medium Sized Enterprises	Contracting period expires 30 November 2005	Disbursement period expires 30 November 2006
	Total budget : €5.33m	Phare budget : €4.00m

Overall objective	Objectively verifiable indicators	Sources of Verification	
	•	•	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> improve the situation of the SME sector in a way which contributes to the government's objectives of job creation and increase in exports; prepare the MSMEC for the role which it will play in the management of the Structural Funds on accession; give SMEs experience in applying for assistance programmed on a similar basis to that of the Structural Funds. 	<ul style="list-style-type: none"> size of SME sector, number of jobs, participation in exports (measure of success in government objectives) number of applications for grant schemes (measure of interest and ability) number of qualified applications of grant schemes (measure of quality of applications) 	<ul style="list-style-type: none"> annual reports project reports 	<ul style="list-style-type: none"> good relationships between Ministries consistency of government policy no adverse shocks on SME sector
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>The provision of business development support services to SMEs.</p> <p>Developed and strengthened Romanian SME intermediaries</p> <p>Ability of MSMEC to design schemes for 2004 onwards without technical assistance -institutional</p>	<ul style="list-style-type: none"> disbursement of the full amount of the grant scheme within the time period -efficiency number of jobs created within supported SMEs - benchmarking of effectiveness number of jobs created compared to companies which were not supported - basic measure of impact 	<ul style="list-style-type: none"> project reports 	<ul style="list-style-type: none"> enough SMEs interested in the schemes finance is a key bottleneck

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

capacity	<ul style="list-style-type: none"> • SMEs assisted at least 800 • SME intermediaries strengthened:at least 40 • Trainers and consultants 'developed' at least 80 		
Activities	Means		Assumptions
<ul style="list-style-type: none"> • Preparing and concluding framework agreements with RDAs for monitoring of projects • Launching calls for proposals • Organising seminars and providing information and advice to applicants • Appraisal and selection of projects • Observation and checking of the selection process • Concluding contracts with approved projects for financing • Ex-ante evaluation, monitoring and control of projects • Reporting at different levels • Payments to projects by MDP 	<ul style="list-style-type: none"> • TA will support the preparation of documents needed for launching calls for proposals (guidelines) • Promotion and information campaign designed and supported with brochures and other documentation • Training seminars and advice • Personnel from all institutions involved (MDP, MSMEC, RDAs) • Fhare funds and national co-financing 	<ul style="list-style-type: none"> • Project reports • Monitoring and evaluation reports 	<ul style="list-style-type: none"> • enough intermediaries with delivery skills
			Preconditions

Annex Two: Detailed Implementation Chart for the Project

x 2

Year		2003		2004												2005												2006											
Month		N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O		
business support	development																																						



Design
Tendering
Implementation

Annex 1 (e) to Project Fiche for Investment ESC 2003

LOGFRAME PLANNING MATRIX FOR			Programme name: and number:	
INVESTMENTS IN ECONOMIC AND SOCIAL COHESION - 2003			Contracting period expires: 30.11.2005	Disbursement period expires: 30.11.2007
Project: E. Awareness Campaign, Selection, Monitoring, and Site Supervision			Total budget: (MEuro): 7.6	Phase budget (MEuro): 5.6
Overall Objective(s)	Objectively verifiable indicators	Sources of verification		
			•	
Project Purpose	Objectively verifiable indicators	Sources of verification	Assumptions and Risks	
<ul style="list-style-type: none"> To promote measures and provide information and advice on project preparation To ensure a transparent, competitive and effective process for project appraisal and selection To increase capacities of regional structures for programming and effective implementation of projects financed under this programme in order to carry out monitoring, control and evaluation activities, efficiently. To upgrade and sustain an adequate implementation system for the infrastructure type projects, including site supervision and inspection 	<ul style="list-style-type: none"> Better promotion events organized; Increased quality of information and advice to applicants Regional programming improved and know-how exist at regional level Monitoring and control procedures developed and site-visits undertaken Creation of appropriate and effective implementation, evaluation and control systems for infrastructure and small investment projects; 	<ul style="list-style-type: none"> Reports to SMSC, JMC Reports provided by contractors to MDP Evaluations by European Commission 	<ul style="list-style-type: none"> Continuing fulfilment of the condition for receiving EU grant assistance Development of national policy economic and social cohesion according to EU's policy in this field 	
Results	Objectively verifiable indicators	Sources of verification	Assumptions and Risks	
<ul style="list-style-type: none"> Focused and intensive promotion campaign Increased impact on the applicants Improved quality of applications submitted for financing Improved projects appraisal, selection and contracting process Improved programming and programme management skills of RDAs staff 	<ul style="list-style-type: none"> No of promotion and information events organised Number of articles in newspapers and brochures Number of potential applicants receiving advice Number of applications submitted Rate of selected projects increased 	<ul style="list-style-type: none"> Records from information campaigns, seminars, newspapers Monitoring Reports of RDAs Reports provided by the contractors to the MDP 	<ul style="list-style-type: none"> Technical assistance under the project component coordinated with grant schemes implementation Cooperation and interest of local authorities exist 	

Annex 1 : Logframe Matrix for project Investments in Economic and Social Cohesion

<ul style="list-style-type: none"> • Improved and effective ex-ante evaluation and monitoring and control process • Effective infrastructure works supervision and inspection • Improved supervision, responsibilities distribution, reporting and record-keeping procedures 	<ul style="list-style-type: none"> • No of RDAs staff and other local actors trained and applying the knowledge • Training programmes developed and delivered • Existence of an appropriate and effective monitoring, evaluation and control system • Procedures for site supervision 	<ul style="list-style-type: none"> • Applications submitted • Reports from site supervision 	
Activities	Means		Assumptions and Risks
<ul style="list-style-type: none"> • Preparation of information packages • Designing ToRs for technical assistance components • Tendering and contracting the technical assistance • Launching calls for proposals for components • Organising seminars and providing information and advice to applicants • Appraisal and selection of projects • Observation and checking of the selection process • Concluding contracts with approved projects for financing • Ex-ante evaluation, monitoring and control of projects • Organise a secretariat for informing RDB and relevant partners on the progress of implementation of all components • Reporting at different levels • Payments to projects • Tendering and contracting site supervision of works 	<ul style="list-style-type: none"> • Technical Assistance will support the preparation of documents needed for launching calls for proposals and tenders • Promotion and information campaign • Brochures and other documentation on different components • Training seminars and advice • Personnel from all institutions involved (MDP, RDAs, and line ministries) • Providing premises and minimum equipment necessary to implement the programme 		<ul style="list-style-type: none"> • TA is providing qualified staff • All implementing authorities cooperating to achieve the results • Government co-financing (25%) ensured • TA is contracted in due time
			Preconditions

DETAILED IMPLEMENTATION CHART

[illegible]

CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER

INVESTMENT IN ESC – Phare 2003

Phare + National Co-financing (Meuro)

	31/03 2004	30/06 2004	30/09 2004	31/12 2004	31/03 2005	30/06 2005	30/09 2005	31/12 2005	31/03 2006	30/06 2006	30/09 2006	31/12 2006	31/03 2007	30/06 2007	30/09 2007	31/12 2007
A. TVET																
TVET supplies = 16.305 + 5.435 = 21.74 Meuro																
CONTRACTED						21.74	21.74	21.74								
DISBURSED						8	8	8	12	16	16	21.74				
B. Activating Employment Potential = 5.6 + 1.87 = 7.47 Meuro																
CONTRACTED					7.47	7.47	7.47	7.47								
DISBURSED					5	6	6	6	6	7	7.47	7.47				
C. Small-scale waste management investment scheme = 4 + 1.33 = 5.33 Meuro																
CONTRACTED			5.33	5.33	5.33	5.33	5.33	5.33								
DISBURSED				4	4	4	4	4	4	5	5.33	5.33				
D. Large-scale infrastructure																
D.1. Regional and local infrastructure = 36 + 12 = 48 Meuro																
CONTRACTED				30	48	48	48	48								
DISBURSED					4	5	7	11	14	18	23	28	33	38	43	48
D.2. SAMTID = 21 + 7 = 28 Meuro																
CONTRACTED				15	28	28	28	28								

[illegible]

Annex 4.3.1: Multi Annual Instrument

**Multi-Annual Instrument
for SME financing
2003 to 2006**

Programme for the SME Multi-Annual Instrument

Introduction

This document is a programme for a multi-annual instrument to support the SME sector.

The document covers the period 2003-2006, being the future years of support from the Phare programme, given that accession to the EU is expected in 2007¹.

The purpose of the document is to assist with efficient national planning of investments in the context of EU assistance (even though Phare continues to be committed by the EU on an annual basis), and to prepare for operations under the Structural Funds after accession, where programming will be performed on the basis of multi-annual strategies and programming documents. It is not a detailed document, as would be required as a Sectoral Operational Programme corresponding to the National Development Plan: rather it indicates how the government's strategy for SME will be put into practice over the four programming years (2003, 2004, 2005 and 2006) and the support expected from Phare. The means of implementation and articulation of the budget will be presented each programming year in the form of a project fiche.

In order to place Phare funding into context reference is also made in the text and accompanying financial tables to funding for SME initiatives from the Romanian government and the donor community.

Why an Intervention in the SME Sector

It is important to address an intervention to the SME sector for the following reasons:

- Support to the SME sector forms a large part of Axis 1 as elaborated in the NDP (Development of productive sector and connected services, strengthening the competitiveness of economic activities and promotion of private sector) and is likely to be an important element of Axis 7 (Improving the economic structure of the zones and supporting balanced and sustainable regional development). Consequently, the SME sector is an important area for development and is likely to be a large proportion of any SOP created from Axis 1 and any ROPs corresponding in Axis 7.
- Given that SME development will be a key area in the future use of the Structural Funds, it is important that the sector is addressed in order to be ready to absorb the funds that will come on EU accession. This means that the institutions which will manage the Structural Funds, SME intermediaries and the SMEs themselves require experience of Structural Funds schemes.
- Although there have been a number of donor programmes to support the sector, in the last few years there has been relative neglect, with the exception of Phare ESC². This means that the in capacity to support the sector is lacking at the local level.

¹ Also 2007 is the beginning of the next financing period for the EU, making forecasting impossible.

² which in any case was not purely for SMEs and, in the first years, not for the whole country.

- Development of the SME sector is an important part of current government strategy as can be seen by the creation of a Ministry dedicated to the subject.
- The development of the SME policy and international connections between SMEs is seen as a strand of EU policy. This can be seen in the recent BEST reports and in the activities funded under the EC Multi-annual Programme to support SMEs.

Context for Multi-Annual Instrument

There is a need to plan the intervention over a period of time because:

- There is still some need for institutional development and this takes time. As a result, not all activities can be programmed from the first years.
- Some actions remain essentially experimental or pilot in nature and the actual effectiveness and impact of the measures cannot yet be assessed. It is important therefore to operate on the basis of controlled development based on clear monitoring and evaluation and building on experience from this.
- The Structural Funds will be implemented through a series of operational programmes, sectoral and regional. Although the relevant sectoral programme is likely to be wider than just the SME sector, this document is written with the same general sections in order that, as it develops, it can make a contribution to the SOP.
- With regard to these considerations, it is clear that the instrument should be coherent with the NPAA and contribute to the NDP.

Summary of Strengths and Weaknesses of the Romanian SME Sector³

Strengths

The SME sector is now well established in Romania and represents a considerable proportion of enterprises, of GDP and of employment. Despite all the problems of transition of the economy it has grown rapidly since the fall of communism and continues to do so.

Weaknesses

Environment

The regulatory and tax environment is burdensome. There is a confusing array of taxes and regulations with which an SME must comply and complex procedures for licensing a business. The enforcement of regulations is often patchy leading to allegations of corruption.

The sector itself lacks an effective lobby in government, with the exception of the new Ministry of SME and Co-operatives, meaning that legislation which is important for SMEs

³ This section is based on the Assessment Report of the SME sector produced in March 2003 for the MSMEC

is delayed and legislation is passed which has a detrimental effect on the sector without any discussion. As a part of this problem, there is insufficient dialogue between the public and private sectors and as a consequence insufficient understanding of the sector and its problems within government.

Capacity

Although the SME sector has grown spectacularly, it is still small and weak relative to other transition economies. This appears to be due to both a lower rate of formation of business and poorer survival prospects. Specific problems of the capacity of the SME sector to grow and stabilise relate to:

- Lack of access to finance, particularly owing to the weakness and failure of the banking system. The banks in general do not address SMEs, make onerous demands on collateral, have insufficient branch network, fail to deal with start-up companies and have themselves problems of undercapitalisation. Other forms of financial support (venture capital and leasing) are in their infancy.
- Inadequate sources of advice, training, and information. These are services which would be publicly subsidised in most countries, but the initiatives which have been funded by donors are now withering away due to lack of funding and therefore are obliged to give services only to those who cannot afford to pay. On the opposite side, there is a very real need and demand for adequately priced and relevant support services for SMEs.
- Access to appropriate premises: both ownership and actual existence of premises is a problem. Despite legislation, renting of state-owned premises is still a problem for many SMEs.
- No support for early stage innovation activities, so innovation is stifled: lack of contact with universities, special premises, abilities in technology transfer. This means that most SMEs are in conventional sectors where competition is more intense.

Export

- Although some programmes from the Romanian government are in place, there is a need for more targeted support for SMEs who need to export in terms of finance: subsidies for export promotion measures such as attending trade fairs and trade missions, and export guarantees.
- There is a real lack of information, advice and training on export-related matters, and in particular there is no nation-wide system of access to such services. This leaves Romanian exporters at a disadvantage compared to other countries.
- Since export to immediate neighbours is probably the easiest way for SMEs to start exporting, there is a need for a clearer cross-border cooperation strategy in this respect.

Entrepreneurial Culture

- There is a need for better understanding of entrepreneurship amongst the general public, who currently have a negative view of entrepreneurs and often have little idea of what it means to start an enterprise.
- This is a particular problem with relation to start-ups, where there is social discouragement to becoming an entrepreneur.

Grey/Black Market

- Owing to the pressures listed here, many SMEs stay outside the official economy. This limits their ability to gain finance and support and to grow.

Opportunities

- The local market is still far from saturated, meaning the SMEs who have overcome the obstacles caused by lack of support have a good chance of spectacular growth.
- Increasing openness of EU markets as accession approaches - provided that Romanian SMEs can produce goods of sufficient quality.
- Cooperation between companies for collective marketing or financing and therefore mutual support.
- Funding from the EU for SME investments and, after accession, use of the Structural Funds.

Threats

- Opening of the local market to the EU means that local companies will not have the chance to compete except in small niches.

Objectives/Strategies of the SME Sector

In the context of the NDP and the government SME strategy, the key objectives in supporting the SME sector are:

- The creation of jobs and active involvement of the young generation. A target of 760,000 jobs is given.
- Increasing exports as part of general economic growth. A target is given of 10% growth per annum.
- The development of business/entrepreneurial culture and through this social stability.

Description of Priorities and Measures

Priorities

Noting the strengths and weaknesses of the sector and the problems it currently experiences, the priorities for action are as follows:

- A. The development of a more business-friendly environment
- B. The development of SME capacity
- C. Improving the access of SMEs to foreign markets
- D. Promotion of Entrepreneurial Culture
- E. Technical Assistance in support of the other priorities

These priorities are to be addressed through a series of measures which are presented in more detail below.

Measures

Priority A. - The development of a more business-friendly environment

Measure A1. - Improvement of the regulatory and tax environment

There is a need to adjust legislation, regulations and taxes to make the business environment more SME 'friendly'. The MSMEC is responsible for this area to government but is required to work with other Ministries to have an impact on the problem.

Legislation / Regulations

There is an existing **Business Administration Simplification Task Force** which is dealing with issues of regulations. The MSMEC will continue to be part of this Task Force and the Ministry needs to ensure that issues SMEs face are also considered.

There is a need for the provision of advice on easing and making more transparent regulatory approaches specifically related to taxation incentives, and **establish a strategy for dealing with the problems associated with the grey market.**

The installation of a **regulatory impact analysis** system at the level of the Governments members is required whereby all draft laws are examined for their impact on the SME sector

Taxes

Need to review with Ministry of Finance the existing **tax incentives and exemptions** for SMEs in the context of the regulatory impact analysis system and possibly propose new or amended ones.

Public Procurement

Examine **approaches to involving SMEs in public procurement** adopted by other countries: make proposal to Governments members.

This should be undertaken in consideration with the MSMEC's initiative to improve SME access to public procurement – although this currently enjoys a small budget line.

Measure A2. - Improvement of the dialogue between the public and private sectors

The MSMEC should be the catalyst for dialogue with the private sector, both on SME policy and in terms of dialogue with other State bodies. Policy made by consensus with the private sector is likely to be more effective than that made purely by the Ministries. The opinions of the sector are important in developing policy as well as the economic facts - if SMEs are pessimistic about the future they will not invest even if the economic climate is right.

Small Business Council

The Establishment of a Small Business Council as a primary focus for discussion on policy priorities and review of intended legislation

Structured meetings of SBC with the purpose of producing a **new SME strategy based on consensus** with the private sector

Use of SBC for **regular reviews of policy** and strategy

Representative Bodies

Regular discussions with representative bodies on issues of importance to the SME sector

Assistance to representative bodies in dealing with other State institutions (i.e. MSMEC acts as voice of SME within government)

Priority B. - The development of SME capacity

Measure B1. - Facilitation of access to finance

Finance is seen as a key constraint by SMEs. In order to address this problem, the Government needs to develop instruments which are both transparent and effective, but on the other hand have appropriate safeguards against fraud. This will require a variety of different instruments which need to be designed to complement each other and not act in competition with the Romanian banking sector.

Grant Schemes⁴

Grant schemes will be both the most appropriate and most important instrument to be used by the Ministry and financed by the Structural Funds. as grants do not conflict with the operations of banks and because they replicate the approach and manner of the Structural Funds operations.

In order to spend the funds effectively, it is important that there is some clear form of assessment, that selection of beneficiaries is transparent (and is seen as transparent), and that grants are concentrated / targeted at the sectors where there is the greatest need and greatest problems.

Indicatively the following grant schemes will be put forward over the four year period:

Micro Grant scheme for job creation

From the research undertaken in the development of the Assessment Report it was evident that many of those who wished to either start up in self employment and/or establish a micro business did not have access to sufficient capital to enable them to do so. Whilst the likes of MIRO bank would lend money to such persons, it was only against a track record of operation, and many entrepreneurs and potential entrepreneurs do not have such track records. The same argument applies to existing micro enterprises.

Those targeted would include not only the unemployed and those faced with unemployment, but also those in employment or at university who are considering developing / 'spinning out' their own enterprise – developing an enterprise culture.

The grant is not supposed to replace the access to a loan but rather to reach those who do not qualify or provide the important first level of investment – building and establishing the enterprise which, if successful, can receive a loan from the likes of CHF, the MIRO Bank etc at a later stage.

Each individual seeking a micro grant will have to attend a mandatory training programme at which business basics and enterprise operation will be taught – a basic business plan and grant application form to be completed by those finishing the course.

Capital Grant scheme

In order to achieve the objectives of economic competitiveness and employment growth in the SME sector, there is the need to create an instrument which addresses the problems which SMEs have in raising finance. Specifically, the capital grant scheme address the following problems:

- the lack of credit from the banks (specifically due to lack of collateral, inability to take more than one loan at a time, need to have paid taxes);
- the need for fast decisions on finance, and

⁴ Note that this section relates to general support which will probably be implemented at a regional level. More general support for start-ups is included under priority D

- the need to find ways of legitimising the grey market, particularly with relation to turnover and employment

The scheme will be managed by the MSMEC. It will partly be a pilot for use of the Structural Funds. It therefore *will have* the following characteristics:

- specified co-financing from the beneficiary;
- transparent selection criteria;
- clear and quantified objectives;
- ability to be disbursed over a relatively short period, and
- clear audit trail and ability to avoid fraud

In view of the current institutional structure and its problems in Romania the scheme also addresses the issues of:

- ensuring adequate absorption capacity (i.e. that there are sufficient eligible projects)
- ensuring that the funding does not only go to enterprises which would have found funding from other sources in any case (i.e. there must be additionality)
- being clear how any intermediary institutions (including banks as well as implementing agencies) are compensated for their part in the scheme and that this compensation is at an appropriate level
- being clear what happens in the case of default or fraud (who takes the risk, how funds are recovered etc).

This capital grant scheme may be phased out after the second programming year, if the research into other 'sophisticated' financial products provides evidence of need and such initiatives are successfully developed.

Credit

There is significant, and an insatiable demand for SME financing through credit / loan provision. Therefore there is the need for the continuation and the further expansion of the current **credit lines** targeted at SMEs, using the examples of the various donor funded schemes which have been implemented so far, particularly MIRO bank, EBRD's credit line, the USAID loan aid provision and the credit line run by KfW. In general it is anticipated that the MSMEC will act as a focus for organising and coordinating these credit lines over the four year period, ensuring complementarity and avoidance of duplication, which will be financed through financial institutions and the Romanian banking system. The Ministry's influence on credit decisions will be indirect, for example through the National Guarantee Scheme.

It is assumed that the MSMEC will continue through out this period with the provision of investment financing to micro and SMEs at a rate commensurate with funding years 2002 and 2003. It is assumed that this will also apply to the funds allocated to 'participation in the 4th annual programme for enterprise' and its successors programmes.

The Ministry will also investigate mechanisms to **bridge debts from State institutions**, specifically VAT reimbursements, and contracts with State companies.

In view of the current high level of interest rates charged on loans there will also be consideration of **interest rate subsidies**.

Into employment initiatives

Within the remit of the Ministry of Labour there is a significant and major initiative aimed at encouraging the unemployed and those soon to be made redundant to seek employment through self employment measures. Whilst this is predominantly an in to work scheme, developed for social mitigation purposes, its actions and activities have a significant impact on the operations of the MSMEC and its programmes.

In addition to the Romanian Government employment initiatives there is the World Bank programme / initiative aimed at those made redundant from former state owned industries . As with the Romanian government initiative this holds a significant impact on the work of the MSMEC.

These complementary initiatives should be taken into consideration in the application for additional funding – simply to ensure no duplication of effort – hence the requirement for effective and efficient usage and allocation of funds .

Guarantee Schemes

There is an **existing National SMEs guarantee scheme**⁵ which the Romanian Government intends to continue to support. The justification is that this will enable Romanian banks who already deal with the SME sector to either increase the size of their loans or to give loans to customers who would otherwise be deemed too risky or to have too little collateral. Romania is seeking support for this scheme from the European Investment Fund.

Possibility of **mutual guarantee schemes**, since this is a way of reducing the risk through social control and may be an effective way for entrepreneurs to support each other. However, the sector appears to have suffered serious failures in the recent past and therefore there is the requirement for more investigation and work on instruments to support the introduction of such schemes.

Venture/Seed Capital

Whilst there have been calls for the introduction of venture/seed/equity capital schemes the recent experience of the RAEF, suggests that there is not an adequate demand for venture capital at this moment. However, it is anticipated that the demand will grow for such services and there will be a need to stimulate the market towards the end of the multi-annual period.

EU Finance

Romania will seek to make best use of the funds available under the *Multi annual Programme for Enterprise and Entrepreneurship, and in particular for Small and Medium-sized Enterprises 2001-2005* implemented through the **European Investment Fund** (for technological projects, guarantee schemes, and seed capital).

⁵ National Guarantee Fund for SMEs

Measure B2. - Support to SMEs through advice, training and information

There is a need for appropriate subsidy schemes to ensure that SMEs have access to appropriate advice, training, and information services. This can be provided effectively through the following types of grant schemes:

Grant scheme for SMEs - the grant is a subsidy for the SME to use a specific service provided by an intermediary (e.g. information or advice etc). The intermediary providers of services need to be appropriately accredited.

Grant scheme for intermediaries - the grant scheme is to develop and to create a network of services which will then be used on a free or subsidised basis, for example advice or information services.

Grant scheme for a specific purpose - for example a grant scheme to promote quality standards with subsidy for ISO9000 accreditation.

Experience of grant schemes funded by Phare in the past shows that particular attention will have to be made to grant scheme procedures, particularly with regards to promotion, speed of response, and transparency of evaluation.

Measure B3. - Ensuring that SMEs have access to appropriate premises

Ensuring that SMEs have access to appropriate premises is an important part of SME development activity, this has been recognised through the development of various business incubator development proposals in Romania, funded by the MSMEC and through donor funding. Such support should be encouraged through three measures:

Grant support to establish business infrastructure, the development of business incubators, technology parks that seek to encourage start ups and micro SMEs to develop and grow under the 'watchful eye' of a business support organisation. Such assistance usually includes the provision of common services.

Grant support to convert existing premises (renovation grants) to make premises and/or to convert redundant premises (especially ex-state owned company property), into premises suitable for SMEs.

Grant support for improvements to premises grants given to SMEs to improve their premises so as to meet a specific demand, e.g. to establish good processing areas that meet EU directives and regulations.

MSMEC should try to ensure the legal provisions related to **access to state owned assets** are implemented.

There are a considerable number of projects funded by the Romanian Government and other donor organisations. –It is envisaged that these projects should take priority over those of Phare – although there will be the demand to enter the 'market' at a later date so as to ensure that there are no 'gaps' in provision or to deal with issues of 'market failure'.

Measure B4. - Specific support to innovation in the context of SMEs

SMEs have difficulty supporting innovation due to lack of research capacity and funds. There is a need for support to SMEs in the following areas:

Grant schemes to encourage collaboration with universities and spin-outs from universities. This may include establishment of centres for new product development etc within universities.

Grant schemes to subsidise spin-outs from larger companies, and to support collaboration between large and small companies on research.

Grant schemes to enable SMEs to identify technology, do research and development, fund international technology transfer, and visit foreign countries and sources of advice.

Establishment of centres to support innovation (BICs etc).

Romania will continue to use the support of EU programmes for research and development and in general support of technology.

Priority C. - Improving the access of SMEs to foreign markets

Export assistance to Romanian SMEs is seen as high priority and a crucial service to be offered to growth orientated SMEs, however few Romanian SMEs had the ability to find the appropriate market place, partner or customer without applying to some form of external assistance. Support for export assistance is, generally, delivered through a number of different interventions and approaches:

Measure C1. - Support of strategies for cross-border cooperation

The greatest opportunities for export are with neighbouring countries - a more indirect route for the participation of Romanian SMEs in 'export' related activities are the inclusion of SMEs in the various EU-funded trans-national actions, such as those occurring under the Multi-Annual Programme to support SMEs and other activities EU financed activities such as the Sixth framework project. These will not be suitable to most Romanian SMEs, and few will be aware of their existence – and although the application process can be complex and time consuming the results can be beneficial. .

Development of cross-border strategies in the context of Interreg and CBC programmes to develop cross-border trade and remove barriers to collaboration between SMEs.

Funding of **pilot action to support SMEs** in the context of these strategies.

Measure C2. - Financial support to SMEs engaged in export

There are a number of financial disincentives to Romanian SMEs in exporting and there is a need to remove these as barriers. These relate both to the information needs and the financial needs of actual trade.

Grant scheme to develop SME export potential through attendance at trade fairs (both within Romania and outside) and on trade missions to a specific region or city in the EU. This would include support to intermediaries such as Chambers of Commerce, RDAs or Euro Information centres to allow them to identify trade opportunities the translation of papers and materials from or into Romanian etc

Participation of SMEs in **EU-funded trans-national actions**, in particular support under the Multi-annual programme for the development of a Euro Info Centre network (currently there are only six EICs in Romania) as well as the various collaborative research and development programmes.

There is the requirement to coordinate these measures with the work and the role of the current advice and support provided to SMEs through the MSMEC's 'Improving SME Access to exporting'. This is an on going initiative aimed at larger SMEs, the Phare measures will seek to address the gaps in coverage and, to a degree, concentrate on the provision of services to smaller SMEs.

Measure C3. - Support to advice, information and training activities related to export for SMEs

Grant scheme for SMEs - the grant is a subsidy for the SME to use a specific service (e.g. consultancy etc). Providers of services need to be appropriately accredited.

Grant scheme for intermediaries - the grant scheme is to create a network of services which will then be used on a free or subsidised basis, for example advice or information services.

Establishment of national information system for exporters with appropriate local delivery.

Whilst there is a strong demand for export initiatives, given the focus on the need to further develop these exporting programmes and to ensure complementarity, the Phare contribution to SME export initiatives should not commence until the second / 2004 programming year.

Priority D. - Promotion of Entrepreneurial Culture

Measure D1. - Specific actions aimed at supporting start-up companies

Grants to help finance start-up costs.

Many entrepreneurs who wish to either start up in self employment and/or establish a micro business did not have access to sufficient capital to enable them to do so. Whilst banks such as the MIRO bank would lend money to such applicants, it was only against strict criteria / track record, many entrepreneurs and potential entrepreneurs do not have such track records. The same argument applies to those in employment or at university who are considering developing / 'spinning out' their own enterprise – developing an enterprise culture. The grant is not to replace the access to a loan but rather to reach those who do not qualify or provide the important first level of investment – building and establishing the enterprise.

Each individual seeking a micro grant will have to attend a mandatory training programme at which business basics and enterprise operation will be taught – a basic business plan and grant application form to be completed by those finishing the course. Financed through this measure this training will be the responsibility of the intermediary operating the grant scheme. The financial allocation for the micro grant scheme also includes an allocation of 5% of the total programme budget for the management and administration of the micro grant scheme.

Propose additions to the stock of training and consultancy products, there remains a need to develop more advanced SME training and consultancy products – existing ones are basic and lack sophistication. There is also the need to develop the cadre of trainers and consultants to use these products – insufficient numbers of ‘good’ SME development specialist exist.

Measure D2. - Introduction of entrepreneurship into the curricula of high schools and universities

Such actions are very important in creating the right environment for entrepreneurship within the Romanian education system – to ensure that young people are aware of the culture of entrepreneurship, and consider it as part of their education and future employment options.

Measure D3. - Involving the mass media in promoting a positive image of entrepreneurs and entrepreneurship

In order to overcome the negative image of entrepreneurship a targeted **promotional campaign** as well as discussion within the mass media and advice on relevant background to entrepreneurship will be launched.

Measure D4. - Publications

There is a distinct lack of materials on promoting entrepreneurship and how to ‘go about being an entrepreneur’ – basic information required to both raise the interest, how to go about it and to ensure the rights and responsibilities of entrepreneurs. Production of **publications for entrepreneurs**, including manuals and information products as well as periodicals supporting and encouraging entrepreneurship will be launched.

These measures should be run in coordination and build upon with the services already operated by the MSMEC – most notably the current series of lectures and seminars on entrepreneurship, this only have a very small annual budget, which should be enhanced with funds from other sources, most notably Phare.

Priority E. - Technical Assistance in support of the other priorities

In order to make the actions identified above effective, and to ensure that the actions contribute to the preparation for the Structural Funds, there is a need for a certain amount of complementary technical assistance.

Measure E1. - Data collection and monitoring and evaluation activities

It is important to learn from experience and to have data to hand for the Structural Funds. This measure to include the findings and the recommendations of the Twinning Covenant 'improving the institutional framework and the organisation of SMEs and cooperative policy'

System for data collection from recipients of support under the various activities, this especially important as it should build on the work already undertaken by MSMEC in its data and information acquisition role. However, this requires additional support and funding to ensure that effective statistics and data are both 'captured' and effectively analysed.

System for monitoring and evaluation to learn what the results mean. This will include independent ex ante and ex post evaluations of all measures.

Measure E2. - Research into the SME sector's needs and opinions

To be effective in the development of SME policy the MSMEC requires access to a research capability, this can be delivered through the:

Production of an annual report on the state of the Romanian SME sector

Development of an ad hoc research capability within the Ministry – to investigate issues of concern or interest in the SME environment, or to undertake impact analysis on the effect of legislation and regulation.

Agreement with national statistical office on **required statistics and the way they are generated**.

Measure E3. - Promotion of instruments to support the sector, including stimulation and identification of appropriate projects for support

Recent programmes have been less successful as those they have sought to target have not necessarily been aware of the programme / project - a key issue with relation to transparency, efficiency and absorption of the various grant schemes is effective the promotion to the ultimate beneficiaries.

There is a need to contract **effective promotion for all schemes**, both through the mass media and through intermediaries (RDAs, local business support centres etc).

Measure E4. - Development of institutional capacity within the institutions expected to manage these measures and to prepare for the management of the Structural Funds on accession.

There is a need for **continued staff development and training of MSMEC staff**, as well as the elaboration of appropriate documents and procedures, particularly as preparation for the Structural Funds. Such assistance is required not only for the Ministry but also for the MDP, RDAs, and possibly for other intermediary bodies – this will continue and build upon the training received in the period to 2002 funded from Romanian Government sources.

Timetable

An indicative timetable for the measures can be seen in the financial tables (see below). This is based on the following considerations:

1. As 2003 is considered to be a pilot year, the budget only includes the following:
 - financial instruments (a micro-grants scheme for start-ups and a capital grant scheme) alongside actions which are connected with them (support to advice training and information in connection with the grant schemes, promotion of the grant schemes)
 - continued support to improvement of the regulatory environment and the improvement of dialogue with between the public and private sectors.

The reasons for this choice are:

- there is no immediate reason for technical assistance since this is being provided under the Phare 2001 budget (being tendered spring 2003, to be complete by autumn 2004)
 - the two grant schemes are built on the success of other grant schemes in Romania and other accession countries, but are being done on an pilot basis so that future financial assistance, which is clearly necessary, is designed on the basis of experience
 - more general support for advice, information, and training should be designed over a longer period based on analysis of the slow disbursement of the schemes in Phare 2000 and Phare 2001 and measures taken to address these problems
 - a number of areas require further design and investigation, specifically: support to innovation, support to access of SMEs to foreign markets⁶, promotion of entrepreneurship, and other new financial instruments.
2. Over the period 2004-2006, as the financial tables show, there will be a gradual introduction of the additional elements described above based on research and on the results of programmes currently being implemented.

Implementation Approach

The Ministry of Development and Prognosis will be the Implementing Agency – Contracting Authority and Paying Agency – for Investment in Economic and Social Cohesion Programme, with consequent administrative and financial responsibilities.

The RDAs will be the Implementing Authorities.

⁶ in addition to the actions currently being taken by the Romanian government

Monitoring and Evaluation

To some degree this is action research and therefore we cannot have clear targets. However, in terms of the overall objectives we see the indicators as follows:

Job creation - number of net jobs created will be expected to reach the target of 760,000 set in the 'Governmental strategy for the development of the SME sector'.

Export growth - through national statistics, to measure the expected 10% growth in exports values.

Business culture – numbers involved in SMEs, number of entrepreneurs, public opinion surveys.

Annex: 4.3.2

Governmental strategy for the development of the SME sector

2.1 The objectives of the Governmental policy in supporting the development of the SME sector

The long-term perspective for the development of the SME sector includes the following general objectives:

- Consolidation of a dynamic SME sector that would be able to sustain competitive forces and international competition;
- Integration of the SME sector in the economic domain of the EU;
- Creation of new jobs and the active involvement of young generation;
- Improvement of business culture;
- Development of business infrastructure;
- Opening of new markets

Considering that the SME sector plays an important role in the development of the market economy, the Government of Romania, in its Programme for 2001-2004, has established the main objectives:

- The creation of 760.000 jobs;
- Increase SMEs contribution to GDP;
- Increase of exports with an annual medium rate of at least 10%;
- Increasing funding for the support of private entrepreneurs through international programmes, especially grants, with higher value than those granted till now (about 25 millions EURO per year).

The principles that will be followed for the development of the SME sector:

- Ensuring the coherence of strategies developed at Government level having an impact on SMEs;
- Granting financial support by the Government in accordance with EU recommendations;
- Support measures for SMEs should not distort the functioning of market mechanisms;
- Ensuring transparency of actions aimed at the SME sector;
- The SME medium-term development strategy is regularly up-dated taking into account the already drawn up and implemented measures;
- Special attention will be granted to the SME sector development in areas where social and industrial infrastructure is weak and there is a high unemployment rate;
- The Government of Romania will closely collaborate with all the organizations having an impact on the evolution of the SME sector.

2.2 Strategic lines of action and measures for the development of the SME sector

The strategic lines of action are:

1The creation of a friendly business environment for the setting up and development of SME

1. The development of SME productive and innovative activities; The increase of SMEs competitiveness on various markets
2. The improvement of the SMEs access on foreign markets
3. The promotion of entrepreneurial culture.

2.2.1 The creation of a friendly business environment for the setting up and development of SME

Measures and actions:

1. The removal of bureaucratic barriers which implies supplementary unjustified costs at setting-up of a firm and during its functioning, through:

- Clarifying and improvement of the legal framework;
- Reducing the administrative barriers basically with regard to the simplification of the process for obtaining special authorisations and licences, facilitating the access to public utilities, simplification of reporting procedures – implementation of the electronic reporting system;
- Restructuring of the existing framework with the aim of reducing the number of controls (fiscal and financial) on SMEs

2. The improvement of the institutional framework and of the public – private dialogue in order to ensure the elaboration and implementation of some policies and coherent measures for stimulating the development of the SME sector, through:

- Development of agreements between public institutions involved in the development of the SME sector, but also between SME representatives organisations and public institutions;
- Development of bilateral agreements between MSMEC and similar public institutions from other countries;
- Organising training programmes for MSMEC staff and civil servants responsible for developing, elaborating, implementing and assessing of policies and programs for SME
- Promotion of cooperation between SME from Romania and those from neighbouring countries (for example those from the Balkans)
- The support of lobby activities with impact on the development of SME.

2.2.2 The development of SME productive and innovative activity; The increase of SMEs competitiveness on various markets

Within this strategic direction, the following measures and lines of action are foreseen:

The support of the technological transfer to new SME or existent ones; the support of innovative projects and of those regarding the introduction of the quality system, through:

- Stimulation of collaboration with universities and research institutes;
- Facilitating the collaboration with large firms – the development of subcontracting by stimulating the externalisation of some activities towards SMEs;
- Support for periodical organisation of symposiums, exhibitions and national and international fairs;
- Development of international collaboration in the field of technological transfer and of innovations (together with Ministry for Education and Research – MER)
- Supporting the development of technological and business incubators;
- Setting up of technological and industrial parks;
- The promotion and supporting of the introduction of international quality standards.

Facilitating the access to finance, through:

- Promotion and support of the carrying out of some multi-annual financing programmes with national applicability according to the development stage of firms, through:
- Implementation of micro-grants schemes;
- Implementation of grant schemes associated with credits.
- Promotion of the setting up of venture funds;
- Development of the National Credit Guarantee Fund by setting up county branches;
- Development of a continuous monitoring system and periodical evaluation of the modality in which finances and fiscal incentives are used by granted SME;
- Efficient promotion of existed financing programmes.

Facilitating the access to available assets of majority state-owned economical operators;

Facilitating the access to public procurement;

The development of a business infrastructure and of a national consultancy and counselling network for entrepreneurs;

Improvement of the access to relevant business information in their specific field of activity;

The setting up of a tax system, which stimulates the investments of this sector.

2.2.3 The improvement of the access of SMEs on foreign markets

Following measures are foreseen:

- *Elaboration of a strategy for supporting SME with export potential;*
- *Supporting the development of regional and cross border collaboration;*
- *Supporting the participation in international fairs and events;*
- *Supporting of consultancy and training services for entrepreneurs in elaborating export strategies, marketing techniques for foreign markets and export management;*
- *Supporting the access to business information with regard to foreign markets.*

2.2.4 Promotion of entrepreneurial culture

Following measures are foreseen:

- *Supporting of training programmes aimed at developing entrepreneurship;*
- *Supporting the access to consultancy services for start ups;*
- *Improving the managerial training by the introduction of curricula with entrepreneurial courses in high schools and universities;*
- *Involving mass media in promoting the positive image of entrepreneurs and of business success stories.*

Annexe 4.3.3: Assessment Report Executive Summary

Technical Assistance to the Romanian Ministry for Small and Medium Sized Enterprises and Co-operatives for identifying and defining a national SME instrument and the Standard Summary Project Fiche 2003 Investments in Economic and Social Cohesion

Workshop Working Paper for Tuesday 4th March 2003

This working paper contains the Executive Summary together with the Recommendations and Conclusions from the draft of the Assessment Report. These are for discussion and comment - thus do not necessarily represent the final comments of the Assessment Report

Executive Summary

The role and function of the consultant's assignment was to work with the MSMEC to establish the financing and business development support needs of SMEs and how best these needs should be addressed and the manner of their implementation. This assignment sought to:

- Review current SME financing provisions, and the corresponding business development support provision so as to ascertain where existing provision was successful and where there was room for improvement – identifying 'market failure';
- Make appropriate recommendations as to the most appropriate 'products' for dealing with the observed 'market failures', and to
- Make recommendations on the most appropriate method and procedure of implementing / delivering these products.

The review of current Romanian banking provisions to SMEs found that provision had much improved since the findings of the Pohl Report¹ were published in June 2001, mainly due to the entry of new banks and funds to the Romanian market and changes in investment opportunities and to a lesser extent market opportunities encouraging existing banks to include SME financing in their portfolio of activities. However, this provision only met the needs of a minority of micro enterprises and SMEs – by some estimates as few as 20% of all micro enterprises and SMEs met the criteria for receiving loans. Suggesting that there was room in the market, providing banks were less cautious in their lending approach and that legislative and / or regulatory barriers were relaxed.

The consultants as part of their remit undertook a series of meetings with ministries, banks, regional development agencies, Chambers of Commerce, donors and SMEs. The findings from these meetings suggest that the SME sector in Romania, despite the recent improvements particularly in the level and the volume of SME financing provision, continue to face a number of significant challenges. These, in no particular order of priority, are:

Financial Assistance

1. Few banks or funds provide loans or assistance to micro or SME start ups (lack of start up financing);
2. Despite increased levels of provision most Romanian micro enterprises and SMEs continue to lack access to effective financing instruments (lack of access to finance, especially loans);
3. SMEs lack of access to working capital limits growth and causes liquidity problems (need for working capital provision);
4. SMEs in certain sectors – trade and services in particular, find it difficult to access loans or other financing instruments (discriminatory / restrictive financing);
5. The high level of collateral demanded, often 150% to 200%, when combined with low property values precludes many SMEs from loan finance (reliance on high levels of collateral restrictive);
6. Banks in many cases restrict SMEs to one loan or financing instruments; (lack of flexibility in loan / financing provision);
7. SMEs wish for effective access to finance, with quick investment decisions made, rather than cheap finance (effective access to finance more important than cost of finance);
8. Romanian banking legislation and regulation demands unfavourable to SME lending / financing (restrictive legislative and regulatory systems);
9. Romanian banks do not have sufficiently wide enough branch network to deliver SME financing (lack of bank infrastructure), and
10. Entrepreneur and SME managers lack access to information on SME loan and financing instruments (lack of effective publicity and promotion).

¹ The Phare 2001 Financial Assessment Report RO 9807

Comments emerging, from the 'supply side', of SME financial assistance were calls for:

1. The provision of more sophisticated financial products and services most notably venture and or equity capital provision for small and medium sized enterprises, especially those seeking second round / level financing (more sophisticated financial products), and
2. That the National Loan Guarantee Fund for SMEs is presently under capitalised for the potential volume of loans it could potentially cover (additional capitalisation of National Loan Guarantee Fund for SMEs).

Business Development Support

1. Many of those starting up in business lack 'entrepreneurship' ability and the skills necessary to operate a business (lack of entrepreneurship know how);
2. Few SMEs have access to the 'correct' information that will them to make appropriate decisions (lack of access to information services);
3. SMEs are often staffed with employees who were hired haphazardly, are untrained or received training on the spot and leave at unpredictable moments (effective HRD);
4. There is the need for SME owner/managers to appreciate and to understand the need for grading and quality control systems, (installing quality control systems);
5. SME owners/managers with expansion plans want to go through the expected results and company needs that the expansion can lead to (what-if scenario assistance);
6. Romanian SMEs tend not have access to business information on the international and particularly the EU market (lack of access to export market knowledge);
7. SMEs lack effective technical support in terms of export, trade and investment promotion (assistance to export);
8. SMEs lack the knowledge and ability to improve their manner of operations, (lack of access to innovation);
9. There is a lack of business co-operation between Romanian and European companies/SMEs in all relevant fields (access to technology and know-how transfer, R&D, etc.); and
10. Many SMEs seeking to grow are located in the wrong location and or inappropriate premises (inappropriate premises).

Comments emerging from the supply side of business development support, identified:

1. A lack of SME intermediaries, who are in a position to offer effective advice, information, consultancy and/or training support to SMEs (lack of intermediary support);
2. A lack of a large enough cadre of trainer and consultants (insufficient numbers of good trainers and consultants), and
3. The lack of good advisory, consulting and training products and/or services to provide to SMEs (lack of effective products and services)

Policy Issues

In addition to the issues of financial assistance and business development support services there emerged issues, those contributing to many of the challenges detailed above, that required changes in policy, legislation and/or regulation to be addressed:

1. Compliance with the current 255 legislative and regulatory enactments in Romania acted against effective SME growth and development, especially the effective provision of SME growth financing arrangements, (improvement to the SME regulatory environment required)
2. The complexities of the Romanian tax regime, complex arrangements and the delay in VAT refunds were impacting on SME liquidity and cash flow as well as penalising growth potential (improvement to the tax policy and provision for SMEs);
3. That entrepreneurs and SME managers enjoyed a negative image, often viewed as 'criminals', that entrepreneurial activity required placing in a more positive light, (promotion of entrepreneurship); and

4. That the needs of SMEs were not being heard or were being misunderstood at the level of government, there needing to be an improvement in dialogue between the public and private sectors (establishment of a small business council).

Programme Implementation

Research and discussion established that the major reason for the 'failure' of previous SME initiatives was the manner and in the approach in which these services were implemented and delivered. The Assessment Report does not seek to apportion blame; rather seek effective delivery and implementation mechanisms:

1. For micro grant schemes it would seem most appropriate to use the RDA network as this is already partly capable and its capacity will be developed. The MSMEC should only work on grants which correspond to national priorities and are part of a sectoral rather than a regional operational plan, (micro grants dispensed through appropriate institutions);
2. The disbursement of Phare funds as loans through the banks was not very successful in the past, since it resulted in a degree of loss of control. However as the banking sector becomes stronger and more experienced they should be able to assist with the distribution of capital grants (use of banks for sophisticated financial products);
3. The development of new financial products (venture capital / leasing etc) may require the development of specialist institutions, (appropriate new financial institutions), and
4. For business development support past problems were linked to grant procedures, many of the same issues emerge, with such schemes there is the need to be near the 'customer', and as such actions are likely to be generally regional so the RDAs are the obvious vehicle for implementation (RDAs to administer business development support services)

General Conclusions and Recommendations

Background

Assistance to micro and SMEs should function at two levels, that of the individual starting out in self-employment together with micro business and that of the small and medium sized enterprise.

Assistance to the first category, individuals starting out in self-employment and micro business, can be viewed as mainly social service provision – the encouragement of self employment and security of employment for those forced or those that choose this cause of action. This is to be delivered through the provision of a micro grant and access to basic enterprise development services.

Assistance to the second category, SMEs, seeks to ensure that they have access to equipment and to services that ensure their survival and seek either consolidation or growth opportunities. This is to be delivered through access to a capital grant scheme – a grant towards the purchase of equipment - access to basic enterprise development services as above, as well as the encouragement to take up more sophisticated business development support services, such as financial and consultancy products together with targeted training and associated consultancy.

Financial Services

This section deals with the development and introduction of financial services and products aimed at entrepreneurs and micro enterprises together with a capital grant scheme aimed at established SMEs. It also outlines proposals for the development of more sophisticated financial products for SMEs.

Micro Grant Scheme

Background

From the research undertaken in the development of the Assessment Report it was evident that many of those who wished to either start up in self employment and/or establish a micro business did not have access to sufficient capital to enable them to do so. Whilst the likes of MIRO bank would lend money to such persons, it was only against a track record of operation, and many entrepreneurs and potential entrepreneurs do not have such track records. The same argument applies to existing micro enterprises.

Those targeted would include not only the unemployed and those faced with unemployment, but also those in employment or at university who are considering developing / 'spinning out' their own enterprise – developing an enterprise culture.

The research also found that many micro enterprises were acutely under-capitalised, hence the access to a grant would allow that enterprise to achieve some degree of certainty and confidence.

The grant is not supposed to replace the access to a loan but rather to reach those who do not qualify or provide the important first level of investment – building and establishing the enterprise which, if successful, can receive a loan from the likes of CHF, the MIRO Bank etc at a later stage.

Each individual and micro enterprise seeking a micro grant will have to attend a mandatory training programme at which business basics and enterprise operation will be taught – a basic business plan and grant application form to be completed by those finishing the course.

Targeting / Concentration

In general the micro grant scheme should be available to all potential entrepreneurs and micro enterprises in Romania. However there are a number of Start Your Own Business schemes currently available in Romania – such as the World Bank funded miners into employment initiative, and it would not be appropriate to duplicate provision against a limited resource. Therefore, during the development of the project fiche, suitable targeting and concentration will be agreed.

Implementation

It is envisaged that the micro grant scheme will operate through out the life of the Multi Annual Instrument, i.e. funding years 2003 to 2006 inclusively, at a similar volume of financing and applications.

Expected Benefits

The scheme will benefit entrepreneur and micro enterprise by:

- Providing an entry to the private sector for entrepreneurs
- Provide the opportunity to commence / spin out own business
- Provide entrepreneurs and micros with a business track record

The scheme will contribute to national objectives:

- Ensure entrepreneurs have a strong start to their enterprise career
- Seeking to legitimise entrepreneur and microenterprises

Costs/Indicators

Assuming an initial investment of €4m and that the grant amount available was €2000 to €5000 per applicant, this would mean between 800 and 2000 grants, in 2003 raising in relationship to budget allocations in subsequent years.

It would be expected that the entrepreneur seeking this grant would also make a contribution in cash (or loan) equal to 20% of the sum requested. For example €2000 + €400 = €2400.

Administration costs would include a provision for an administration / management fee of €50 per grant administered, based on a four to six hour investigation of the grant application; with fees payable to the organisation administering the grant application procedure.

Allocation of funding for publicity costs should also be included, so as to ensure that as many as possible entrepreneurs are aware of the scheme and are able to apply for a grant – transparency, publicity costs of €30,000.

The costs of the associated training and ‘consultancy’ / monitoring are covered under business development support services provision.

The scheme would result in the first funding year (2003) of:

- between 800 and 2000 grants allocated
- between 800 and 2000 micro enterprises created
- between 800 and 2000 jobs would be created or consolidated

Capital Grant Scheme

Background

In order to achieve our objectives of economic competitiveness and employment growth in the SME sector, we need to create an instrument which addresses the problems which SMEs have in raising finance. Specifically, it should address the following problems:

- the lack of credit from the banks (specifically due to lack of collateral, inability to take more than one loan at a time, need to have paid taxes);
- the need for fast decisions on finance, and
- the need to find ways of legitimising the grey market, particularly with relation to turnover and employment

The scheme will be funded by Phare and managed by the MSMEC. It will partly be a pilot for use of the Structural Funds. It therefore *should* have the following characteristics:

- specified co-financing from the beneficiary;
- transparent selection criteria;
- clear and quantified objectives;
- ability to be disbursed over a relatively short period, and
- clear audit trail and ability to avoid fraud

In view of the current institutional structure and its problems in Romania we any scheme also needs to address the following issues:

- ensuring adequate absorption capacity (i.e. that there are sufficient eligible projects)
- ensuring that the funding does not only go to enterprises which would have found funding from other sources in any case (i.e. there must be additionality)
- being clear how any intermediary institutions (including banks as well as implementing agencies) are compensated for their part in the scheme and that this compensation is at an appropriate level
- being clear what happens in the case of default or fraud (who takes the risk, how funds are recovered etc).

Design

Although the most obvious approach would be a credit scheme this has a number of disadvantages:

- if the scheme goes through the banks then there are problems due to
 1. lack of additionality (funds go only to existing clients)
 2. banks are a bottleneck anyway (lack of eligible clients from the bank's point of view) difficulties in coming to an agreement which appropriately divides the risk, and the fact that the grant is likely to result in increasing the capitalisation of the banks rather than the SMEs
- if the scheme is external to the banks then there are problems due to:
 1. the need to set up an institution which will have many of the characteristics of a bank to administer the scheme, and consequent establish costs
 2. effective competition with the banking sector

If, instead, we consider a grant scheme, many of these problems are removed, but the problems of fraud and transparency are correspondingly greater. It is therefore important that the grant is awarded against something which is tangible and measurable.

As a result we propose a capital grant scheme, where grants are given against purchase of capital equipment. The scheme would be semi-automatic with grants being paid to all eligible applicants until funds run out². To ensure that the criteria above are adhered to, the following procedures would be used:

- the applicant would be obliged to obtain three quotations for the equipment and would get a grant based on a percentage of the lowest quote;
- the grant would be paid directly to the supplier, not the beneficiary;
- possibly: projects which involved loans from accredited banks would have a fast-track procedure;
- a specified percentage would be randomly selected for detailed audit;
- the contract would detail the fact that if the project was not completed then the grant would be clawed back (NB this may mean an additional clause to the standard grant contract);

Hence the amount of the grant is to be maximum of 25% of the capital cost. The maximum size of a grant will be €50,000. The applicant will have to contribute a minimum of 20% of own resources.

Expected Benefits

The scheme will benefit SMEs by:

- making it easier to raise capital for expansion
- support to employment and consolidation

The scheme will contribute to national objectives through:

- assisting the stability and consolidation of the SME sector
- encouraging employment stability and growth in the SME sector
- encouraging the legitimisation of the grey economy

Cost / Benefits

It could be anticipated that:

- the budget is €5 million
- the average size of a grant will be €25,000

The scheme will result in:

- 200 grants being given
- leverage of €8 million of which €3 million from own resources

² based on several calls for proposals using the procedure in the Phare Practical Guide

- consolidation or creation of 1,000 jobs

At present we do not have enough information to make an estimate of the effect of such a scheme on turnover and profitability of assisted enterprises. The scheme will be monitored to ensure that statistics are gathered in this respect to provide a benchmark for future actions both of a similar nature under Phare ESC and under the NDP and the Structural Funds

Future Actions

It is envisaged that the capital grants scheme will operate for the first two years of the Multi Annual Instrument, with funding years 2005 and 2006 dependent on the outcome of the findings of research into other financial instruments.

The National Guarantee Fund for SMEs – further capitalisation

During the project team's investigations it was apparent that if the National Guarantee Fund for SMEs was to undertake the level of intervention envisaged then would require a significantly higher level of capitalisation. It was recommended that this financing requirement be undertaken as soon as possible.

Research into other financial instruments

The Assessment Report research suggested that there was the requirement for established SMEs to have access to other forms of financing other than loan finance – most notably venture and equity financing, leasing and factoring. How these would operate in the current legislative and regulatory environment was uncertain – as was the potential market demand for such products. Therefore an investigation is required to establish potential demand and to ascertain if these instruments can operate in the current legislative and regulatory environment.

If the research proves to be positive, then such instruments should be introduced in funding year two – 2004, with the potential of phasing out the capital grant scheme in favour of other financial instruments.

Business development support services

This section deals with the requirement to complement the provision of financial instruments with the provision of business development support services to entrepreneurs and micro enterprises and to the established SME community.

Services to Entrepreneurs and Micro Enterprises

Background

The business development support for entrepreneurs and micro enterprises seeks to address two areas:

1. As stated those who seek a micro grant will have to attend a short and targeted business appreciation course so as to be able to successfully run and operate their business – business planning and grant application approaches would also be required. Such training actions seek to ensure success of the enterprise developed, but also give the entrepreneur the skills and the confidence to make the enterprise a success.
2. Experience in the EU and in other accession countries also suggests that such access to basic consultancy services is also required, if only to enforce the lessons learnt and give a degree of hand holding to the would be entrepreneur and the established micro enterprise. Access to information services is also required. Provision of other basic services to SMEs, notably access to information services – and interpretation, together with the provision of additional consultancy and or services is required by established entrepreneurs and micro enterprises – and SMEs.

It is necessary to develop a menu or portfolio of such simple services for both 'markets'

Design

Such simple Start Your Own Business schemes are in common use in Romania and across the EU – contractors would be expected to adopt and adapt these or if appropriate develop such a course as part of the contract. The provision of other services would be the result of a competition with the design and content of the services forming part of the competition.

Implementation

It is envisaged that the provision of basic business development support services will operate through out the life of the Multi Annual Instrument, i.e. funding years 2003 to 2006 inclusively, at a similar volume of financing and applications.

Expected Benefits

At this stage it is not possible to quantify benefits to individual enterprises. However, there will be strict monitoring in order to gain benchmarks for future schemes and for planning of the Structural Funds. Monitoring will include the relative success of supported companies in raising finance, increasing and maintaining employment, and growth in value added and profitability in comparison with unsupported firms.

Cost/Indicators

The provision of the mandatory training / development course – based on current figures would be €120 per person for the two week course, assuming a maximum of 15 entrepreneurs on each course is €1800 per course or a maximum of €240,000 for the programme per year. This to be funded by grant finance.

The cost of delivering other SME basic services should be subsidised in the life of the Multi Annual Instrument – at a rate not exceeding 50% of the actual cost. This grant funding to be disbursed through competitive tendering and contracting arrangements - as outlined below.

- Up to 2000 entrepreneurs and micros trained
- Access to basic training, consultancy and information provided for in excess of 20,000 entrepreneur, micros and SMEs

Future Actions

As the micro grant scheme is envisaged to last the duration of the Multi Annual Instrument then, naturally, the provision of services to entrepreneurs and micro enterprises should also.

Services to Established SMEs

Background

Established SMEs will require not only access to the 'simple' services envisaged above but also require access to the more sophisticated SME development and growth services envisaged in the Assessment Report. These more sophisticated services will allow the SME sector to both consolidate and to develop their business potential.

Design

The Assessment Report identified that there three key category of services required by Romanian SMEs, these are:

Support to SMEs engaged in exporting

Support for export assistance to be delivered through four different interventions:

1. Grant support to advice, information and training activities related to export for SMEs, meeting the general requirement to provide SMEs with general support, advice, information and training activities related to export to SMEs – including the provision of information services – export opportunity newssheets, or websites. The provision of training courses on realising opportunities for specific industrial sectors and clusters.
2. Grant support for SME participation at trade fairs (both within Romania and outside) and on trade missions to a specific region or city in the EU. This would include support to intermediaries such as Chambers of Commerce, RDAs or Euro Information centres to allow them to identify trade opportunities the translation of papers and materials from or into Romanian etc
3. Grant support for the encouragement of the take up export guarantee services: the take up remains limited of the provision of assistance currently available to Romanian SMEs – the system needs to be encouraged so as to provide SMEs with the opportunity to encourage exports by removing / reducing the risks of international trade, particularly those related to non-payment. Consideration should be given to extending the provision of export guarantee and financing systems to SMEs.
4. Grant support for cross-border cooperation and involvement in EU initiatives; ensuring that the Romanian SMEs have access to the EU's Interprise schemes etc and other activities EU financed activities such as the Sixth framework project. .

Whilst there is a strong demand for export initiatives, given the focus on the need to develop these exporting programmes, it is recommended that the export initiative should not commence until 2004 programming year.

Support to Productive Assistance

Ensuring that SMEs have access to assistance that allows them to develop their productive capacity, allowing for successful growth and development, is an important part of regional development activities, these will be addressed through four programmes

1. Grant schemes to encourage SME collaboration with universities and spin-outs from universities. This may include establishment of centres for new product development etc within universities.
2. Grant schemes to subsidise spin-outs from larger companies SMEs, and to support collaboration between large and small companies on research.
3. Grant schemes to enable SMEs to identify technology, to undertake research and development, fund international technology transfer, and visit foreign countries and sources of advice.
4. Grant finance to establishment of centres to support innovation within existing institutions, for example universities or RDAs, it is suggested that these are based on the Business Innovation Centres established within the European Union.

Ensuring that SMEs have access to appropriate premises

Ensuring that SMEs have access to the correct premises, allowing for their successful growth and development, these are usually addressed through three programmes:

1. Grant support to establish business infrastructure, the development of business incubators, technology parks that seek to encourage start ups and micro SMEs to develop and grow under the 'watchful eye' of a business support organisation. Such assistance usually includes the provision of common services.

2. Grant support to convert existing premises to make them more suitable for letting to SMEs' such renovation grants are often an attempt to convert existing redundant premises – in Romania ex-state owned company property, into premises suitable for SMEs.
3. Grant support for improvements to premises already owned by SMEs, grants often given to SMEs to improve their premises so as to meet a specific demand, e.g. to establish food processing areas that meet EU directives and regulations.

As there are currently many schemes in Romania addressing the creation and the development of business incubators, workplace development, conversion of state property, with evidence of both a low take up of places and delays in the implementation of such schemes it is recommended that assistance with property and premises receives a low priority in the short term,

Implementation

As with the provision of basic business development support services, those to established SMEs would be implemented and delivered through universities, the Chambers of Commerce or like institutions, administered and contracted to do so from the MSMEC, with the project management functions undertaken by the RDAs..

It is envisaged that the provision business development support services to established SMEs – other than those basic services, above, will not commence operation until the funding year 2004.

Expected Benefits

At this stage it is not possible to quantify benefits to individual enterprises. However, there will be strict monitoring in order to gain benchmarks for future schemes and for planning of the Structural Funds. Monitoring will include the relative success of supported companies in raising finance, increasing and maintaining employment, and growth in value added and profitability in comparison with unsupported firms.

Cost/Indicators

- The provision of sophisticated business development support services has yet to be fully costed this will not be apparent until these programmes are fully developed an overall allocation is included in the financing table.

Financial assistance for premises – not envisaged in the first three years of operation, but a contingency made for actions in the fourth programming year to address issues and matters arising, of €1m

It is envisaged This grant funding to be disbursed through competitive tendering and contracting arrangements - similar to that proposed above..

- Grant support to advice, information and training activities – 2000 SMEs assisted per year
- Grant support for SME participation at trade fairs – 200 SMEs assisted per year
- Grant support for the encouragement of the take up export guarantee services – 50 SMEs assisted per year
- Grant support for cross-border cooperation and involvement in EU initiatives – 50 SMEs assisted per year
- Grant schemes to encourage SME collaboration with universities - 50 SMEs per year
- Grant schemes to subsidise spin-outs from larger companies – 25 SMEs assisted per year
- Grant schemes to enable SMEs to identify technology transfer – 25 SMEs assisted per year
- Grant finance to establishment of centres to support innovation – 5 centres established.

Future Actions

No provision of sophisticated SME services in first year – 2003, until the capacity of intermediaries along with the provision of business development support products and services has been established.

Intermediary Capacity Building

Background

It was established in the Assessment Report that in certain parts of Romania that there was a dearth of intermediaries with sufficient capacity and/or ability to assist the development of entrepreneurs or established SMEs. In the first year there is a need to develop capacity of the intermediaries to be able to deliver SME financial assistance and business development support services, to administer and contract, to build the capacity of trainers and consultants and to develop appropriate business development support service products.

Design

The need to support intermediaries is a well-known one in the EU and is an activity frequently and effectively support by grant schemes funded through the Structural Funds. It is therefore proposed that any support for intermediaries will be done through a targeted grant scheme designed on a basis which can continue through the Structural Funds on accession to the EU.

Implementation

Administered by the MSMEC, a grant funded programme established to allow intermediaries to develop or to purchase appropriate business development support service products. Likewise, the training and development of consultants will be the subject of a grant funded initiative.

Expected Benefits

That up to 20 intermediaries involved in SME financial and business development support services strengthened so as to able to provide effective and efficient support to Romanian SMEs, likewise a cadre of 200 SME trainers and consultants are trained and developed so as to supply financial and business development support services to Romanian SMEs. That a Romanian business consultants register is established.

Cost/Indicators

It is envisaged that the programme to develop and to strengthen Romanian SME intermediaries will have a global grant – subject to a competitive tender. The training and development of the consultants and trainers likewise. See the programme financing table for allocation.

- Intermediaries strengthened 20
- Trainers and consultants 'developed' 200
- Business Consultants Register established.

Technical Assistance to the Ministry

Background

To complement direct assistance to SMEs and to intermediaries supporting SMEs, there is a need for assistance to the Ministry. This relates to developing the capacity of the Ministry to perform all its functions without external assistance, and in particular to build it up as an institution capable of representing the SME sector in government.

The problems to be addressed include:

- The need to develop a more supportive regulatory and tax environment for the SME sector
- The need for better information on the sector and its opinions, for the purpose of policy-making
- The elaboration of the Ministry's role in promoting entrepreneurship and a positive image of entrepreneurs, and
- The development of appropriate institutional capacity for using the Structural Funds on accession.

Activities

Developing a more supportive regulatory and tax environment

The role of the Ministry in this field is primarily one of analysis and information, assisting other bodies in drafting and changing laws and regulations.

The Ministry needs the following assistance:

- Design and implementation of a system of regulatory impact analysis (RIA) based on OECD best practice and at the Council of Ministers level. Even if it is not feasible in the immediate future for the opinion of Ministry to be incorporated into all draft legislation, there is a need for appropriate comments on laws which come through the Council of Ministers. RIA techniques represent a politically neutral way of representing the interests of the SME sector.
- Information on techniques used in other countries to create a "level playing field" for SMEs, in particular as regards exemptions from regulations (e.g. thresholds for certain taxes or regulations) or administrative simplification (e.g. simpler requirements for smaller enterprises)³. This will include analysis of the results of the EU BEST process.
- Operation of the Small Business Council consisting of representatives of the private sector, to be used to debate forthcoming legislation, and to identify priorities for change.
- Assistance in a comprehensive review of the current regulatory environment with a view to its improvement and implementation to actions which follow this. This will be based on the work of the Task Force on Removing Administrative Barriers to Businesses and its Action Plan.
- Development of a strategy for decreasing the size of the grey market.
- Development of systems for involving SMEs in public procurement based on best practice from other countries.

Improvement of the Dialogue between Public and Private Sectors

The Small Business Council identified above should be used for the identification of priorities and strategy for development of the SME sector and should be supported to become a focal point for dialogue and not just a body for dealing with regulatory issues.

The Ministry will require assistance on structuring meetings of the SBC and other consultation forums in order to revise the current SME strategy to make it fully in tune with opinions of the sector and base it on clear consensus.

The Ministry needs to have a process of regular consultation with representative bodies of the SME sector and to have a system for representing them and assisting them in dealing with government. The Ministry will require assistance in developing such a system, taking note of the sensitivities involved and the need to gain the trust of the other organisations. This will be based on best practice from other countries.

³ Romania already has a bewildering variety of preferences, but they are not coordinated and the impact is unclear.

Data Collection and Monitoring and Evaluation

The Ministry will establish a system for monitoring the impact of the various measures that are taken for SME support. This will require establishing appropriate indicators (including but not limited to those required in the NDP), techniques for monitoring and gathering information from clients and intermediaries, and methods of statistical analysis of the results.

This system for monitoring and evaluation will be integrated into the institutional structures and procedures necessary for implementation of the Structural Funds, ()

Research into the SME Sector's Needs and Opinions

The Ministry needs an adequate statistical base on which to base strategy and decisions as well as analysis of regulations and laws.

The Ministry will publish an annual report on the SME sector. For the statistical base this will require a clear identification of the information which is required and preparation of the sources of information (for example the national statistical office requires a period of notice for collection and analysis of statistics). This will require the production of a procedures manual for the production of statistics as well as the actual formulation and production of the annual report.

The Ministry will develop the capability to produce ad hoc reports on subjects of interest to the SME sector.

The Ministry needs to develop a capacity for establishing the opinion of the SME sector on particular issues. This will include the institutions established for dialogue with the private sector but also surveys of public opinion and statistical methods of analysis of opinion surveys.

Promoting a Positive Image of Entrepreneurs and Entrepreneurship

A key issue with relation to efficiency and absorption of the various grant schemes is effective promotion to the ultimate beneficiaries.

There is a need to contract effective promotion for all schemes, both through the mass media and through intermediaries (RDAs, local business support centres etc). The Ministry needs to have a strategy for promotion of the schemes and the capability for coordination of this.

As background for this promotion, the Ministry needs to have a capability for promoting the image of entrepreneurship and entrepreneurs. This will be in three fields:

- Introduction of entrepreneurship into the curricula of high schools and universities, including proposing additions to the curricula, developing materials, and training teachers. Any actions would clearly need to be in association with the Ministry of Education.
- Involving the mass media in promoting a positive image of entrepreneurs and entrepreneurship. This will take the form of a clear promotional campaign as well as advice to the media on inclusion of information on entrepreneurship in other activities. The Ministry needs a clear strategy for performing this action and the establishment of an office within the Ministry capable of dealing with the mass media for this purpose.
- Production of publications for entrepreneurs, including manuals and information products as well as periodicals.

Institutional capacity to use the Structural Funds on Accession

There is a need for continued staff development and training, as well as the elaboration of appropriate documents and procedures, particularly as preparation for the Structural Funds. Such assistance is required not only for the Ministry but also for the MDP, RDAs, and possibly for other intermediary bodies.

Specifically the Ministry will need assistance in establishing a unit to deal with operations funded by the Structural Funds, and in the elaboration of appropriate procedures manuals to comply with the needs of the Structural Funds for decentralised management etc.⁴

⁴ It is possible that the Ministry will be required to produce manuals for the implementation of some measures under EDIS before accession and it would be anticipated that this will be coordinated with preparation for the Structural Funds

Annex 4.3.4

Criteria for Eligibility and the Priorities of the Business Development Support Grant Scheme

These criteria will form part of the Guidelines for Applicants.

These eligibility criteria determine the basic requirements concerning the applications that can receive PHARE financial support. However **not** all the projects satisfying the eligibility criteria will receive a grant. A further evaluation of the projects submitted will be conducted giving a due account to the objectives and to the priorities of Grant Scheme. Only the projects coming closest to meet these objectives and priorities will be selected for assistance.

There are three sets of eligibility and selection criteria.

- Eligibility of applicants and project partners, priority types of applicants and project partners
- Eligibility of projects and priority types of projects
- Eligibility of costs and priority funding arrangements

Eligibility of Applicants and project partners, the priority types of applicants and partners

Eligibility of applicants: the organisations and institutions who may request a grant

Applicants must comply with the following conditions in order to be eligible for a grant:

The following – not for profit - institutions will be eligible to apply for grants:

- Business information centres;
- Business consulting centres;
- Innovation centres;
- Business incubators;
- Science and technology parks;
- Municipalities;
- Applicants should be located and registered in Romania;
- Applicants should have the experience and capacity to carry out one or more eligible activities specified in the section 2.1.2 of the Grant Scheme Guidelines. Experience and capacity of applicant to carry out the activities foreseen in the project shall be established on the basis of the Statute, the Registration Certificate and the information provided in the application form. Applicant should make sure that it provides sufficient information on its experience and capacity
- Be directly responsible for the preparation and management of the project submitted, not acting as an intermediary;
- Must have stable and sufficient sources of finance to ensure the continuity of their organisation throughout the project and, if necessary, to play a part in financing it;
- Must be experienced and able to demonstrate their capacity to manage activity corresponding with the size and nature of project for which a grant is requested.

Potential applicants are not entitled to participate in Calls for Proposals or be awarded grants if:

- they are bankrupt or being wound up, are having their affairs administered by the courts, have suspended activities or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- they are the subject of proceedings for a declaration of bankruptcy, for winding-up, for administration by the courts or for any similar procedure provided for in national legislation or regulations;
- they have been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata* (i.e., against which no appeal is possible);
- they are guilty of grave professional misconduct proven by any means which the Contracting Authority can justify;
- they have not fulfilled obligations relating to the payment of social security contributions in accordance with the legal provisions of the country where they are established;
- they have not fulfilled obligations relating to the payment of taxes in accordance with the legal provisions of the country where they are established;
- they are guilty of serious misrepresentation in supplying the information required by the contracting authorities as a condition of participation in a Call for Proposals or contract;
- they have been declared to be in serious breach of contract for failure to comply with obligations in connection with another contract with the same Contracting Authority or another contract financed with Community funds or Romanian National Budget;
- they have attempted to obtain confidential information or influence the committee or Contracting Authority during the evaluation process of current or previous Calls for Proposals.

Eligibility of project partners

Applicants may act individually or in consortium with partner institutions.

The project partners must satisfy the same eligibility criteria as those for applicants, with an exception that they should not be public non-profit entities established and/or fully or partially owned by the Ministry of Economy or the municipalities. Since only legal entities from Romania are eligible to submit applications under this Call for Proposals, this provision shall also apply to the partners. However, the applicant may employ individual external experts coming from the EU or Phare countries as the members of the project expert team. The potential project partners can be as follows:

- business self-governance institutions and chambers of commerce;
- trade unions and professional organisations;
- non-governmental organisations;
- regional authorities;
- territorial labour exchanges, labour market training authorities and training centres;
- schools, colleges, universities and their training and consulting centres;
- private training and consulting institutions.

The applicant will be the lead organisation and, if its project will be selected for funding, the contracting party (the “Beneficiary”).

Priority types of applicants and project partners

In the process of evaluation the priority shall be given to the applicants or consortiums, which can demonstrate an advanced level of project management capacity as well as professional competence and experience.

The general criteria are the following:

- high previous project management experience of the applicant and the partners;
- high professional competence and experience of the applicant, the partners and external experts in relation to their tasks as well as good professional balance within the team of experts;
- high current management capacity of the applicant (including staff, equipment and its ability to handle the project budget).

Eligibility of projects and priority types of projects

Size of projects

There is no restriction concerning the total project cost. However the grant requested from the Grant Scheme must respect the maximum amount indicated of €100,000

Duration of projects

The duration of a project may not exceed the time available from the signature of the grant contract to the deadline for the completion of all projects financed under the Grant Scheme. The maximum duration of the project is 18 months. The project applicants must take into consideration the following deadlines:

30/08/2006 All projects must be completed.

30/10/2006 Final reports must be submitted.

Activities eligible for support

Specifically the following activities are **eligible** to receive a grant:

- preparation and provision of business information services;
- information and awareness events (meetings, seminars, conferences and other events);
- preparation and provision of business consulting services;
- preparation and provision of training;
- preparation and provision of training for staff of the business support centres;
- provision of innovation and technology transfer services;
- provision of services related to quality and certification for quality systems;
- preparation of business plans, market research and analysis;
- other activities related to the provision of business support services, where the applicant is able to demonstrate that this activity contributes to the advancement of the general and specific objectives of the Grant Scheme.

The provision of information, training and consulting services can cover the following subjects: business start-up; business planning; marketing; business management; financial analysis, control and management; search for financing;; labour law; IT and its application; search for information and information management; search for partners; personnel management.

Project proposed may entail a combination of any of the above-mentioned activities. It must be noted however that the support is provided for coherent projects (i.e. the project must be focused properly, with clearly defined aims and the activities proposed being necessary to achieve these aims) and not for clusters of miscellaneous or unrelated activities

The grant applicants must be aware that the following types of activities are **not eligible** for funding under this Call for Proposals:

- individual sponsorships for participation in various workshops, seminars, conferences, congresses;
- projects, which are eligible for funding from another EU source, for example the SAPARD programme;
- the same specific activities of the same grant applicants, who have already received funding from other EU programmes.

Target groups eligible for support

The project activities must be targeted at either of the following **target groups**:

- owners of individual business enterprises and private persons engaged in economic activities (registered according to Romanian law);
- staff of small and medium-size enterprises, in particular micro and small enterprises (up to 10 employees for a micro enterprise, 10 to 50 employees for a small enterprise, and 50 to 250 employees for a medium-size enterprise);
- staff of business support institutions established and / or fully or partially owned by the Ministry of Economy or the municipalities;
- the unemployed people registered in the labour exchange or received the official written dismissal notice;

Applicant should identify specific business support needs as well as its own needs to provide subsidised services to private companies. Applicant should justify how the submitted project meets these identified needs. What are the specific needs of various target groups and how well the project activities meet these needs shall be established on the basis of information provided in the respective parts of the application form. Applicant should make sure that it provides sufficient information on the specific needs and how the project meets these needs.

However, the target groups can not include private persons / enterprises involved in the following types of economic activities:

<i>Code</i>	<i>Economic activity</i>
01.50	— Hunting and related activities.
15.91 – 15.95	— Production of alcoholic beverages.
16.00	— Production of tobacco products.
50.50	— Retail trade in motor vehicles and vehicle fuel.
51.11 – 51.70	— Wholesale trade.
	— Retail trade.
	— Financial intermediation
	— Insurance and pensions
	— Operations in real estate
	— Juridical activities
	— Organisation of gambling and betting activities.

Priority types of sectors and activities

In the process of project evaluation, the priority shall be given to the projects offering an approach of special value to the objectives of this Grant Scheme as defined above. It is considered that the projects offer an approach of special value to the objectives of this Grant Scheme if **{list needs editing}**:

- the projects contribute to the development of **information society** in Romania or projects, which seek to contribute to the wider development of **e-learning**;
- the services or activities the projects intend to develop are **new or innovative**;
- the projects which have a **demonstration effect** (i.e. can serve as a model for the development of provision in other areas);
- the projects respect the principles of **equal opportunity and sustainable development** and the sustainability aspects of the projects are clearly and reasonably justified;
- the projects promote **co-operation between SMEs and larger enterprises**;
- the projects that contribute to the development of **entrepreneurship**;
- the projects which are targeted at municipalities with **unemployment level** above the national average.

The applicant is expected to provide enough details in the application explaining how its project meets one or more of the above-indicated selection criteria. Applications lacking clear explanation of how any of the above selection criteria are met, shall not receive points in the respective sections of the Evaluation Grid.

Eligible geographical areas

As targeting and concentration is at the discretion of the RDA – based on areas of greatest need that are identified in their regional development plan.

In order to be eligible for funding, the main project activity must take place in Romania, and be directed to serve the inhabitants of Romania. Minor project activities can also take place in other PHARE or EU countries when needed for the implementation the specific objectives of the project.

Number of proposals per applicant

An applicant may submit more than one project proposal. If more than one proposal is submitted, the applicant should be able to demonstrate its capacity (in terms of financial, human and other resources) to properly implement all the activities as it intends in its proposals.

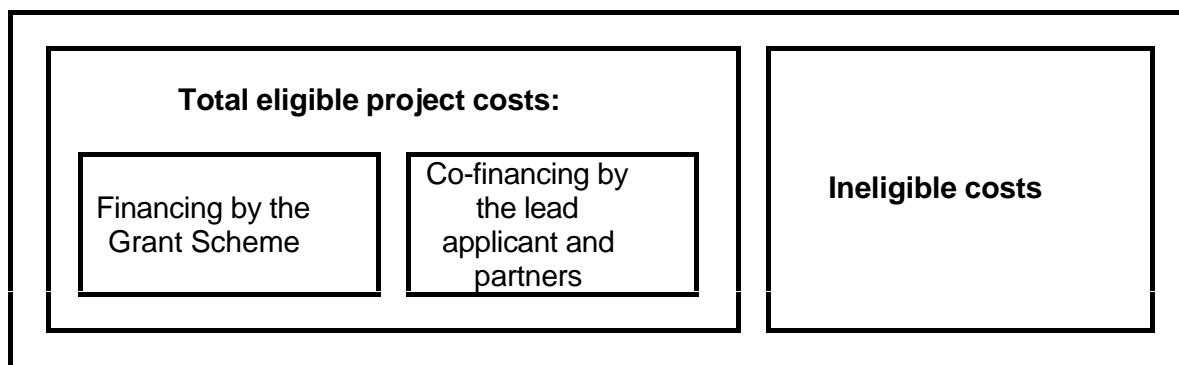
Eligibility of costs, co-financing rules and priority funding arrangements

Eligibility of costs: the types of cost, which may be taken into consideration for the grant

A project may include any costs, which are relevant to and necessary for its implementation. However only “eligible costs”, which are specified in detailed below, can be taken into account for a grant. These costs are specified in detail below. Therefore, the budget is both an estimate of the total project costs and the maximum ceiling of the “eligible costs”. The attention of the applicant is drawn to the fact that the eligible costs must be real costs and cannot take the form of lump sums except for those indicated as such in the Annex B – Budget.

When calculating the co-financing ratios only eligible costs are taken into account. Only these costs are to be used for the filling in of the project budget and financial sources table and for determining the minimum amount of required co-financing by the applicant and the partners.

TOTAL PROJECT COSTS:



Proposals are always recommended for a grant subject to the condition that the checking process that precedes the signing of a grant contract does not reveal problems that necessitate changes to the budget. This check may result in requests for clarification and, where appropriate, may lead the Contracting Authority to impose reductions.

It is therefore in the interest of the applicant to provide a realistic and cost-effective budget.

To be considered eligible in the context of the project, costs must:

- be necessary for carrying out the project, be provided for in the Contract and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have been incurred during the duration of execution of the project and following the signature of the contract;
- have actually been incurred, be recorded in the Beneficiary's or Beneficiary's partners' accounts, be identifiable and verifiable, and be backed by originals of supporting evidence.

Eligible direct costs

The following direct costs are eligible:

- the cost of staff or experts assigned to the project, corresponding to actual salaries plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary, and rates must not exceed those generally accepted on the market in question. Experts eligible for funding (payment of fees and other eligible expenses) must come from the Member States of the European Union or the partner countries of the Phare programme;
- travel and subsistence costs for staff taking part in the project, provided they correspond to market rates and do not exceed the scales generally accepted by the Contracting Authority (including economy-class air fares);
- purchase costs for equipment (new or used) and services (transport, rent, etc.), provided they correspond to market rates. Only the purchase of specific equipment (e.g. laptop computers, data / multimedia projectors, video / photo / web cameras, servers, translation equipment, various software), which can clearly add value to the quality and nature of services offered by the applicants, can be financed from the Grant. The cost of equipment to be purchased under the project for which a grant is requested, must not exceed 50 % of the total grant requested;
- costs of consumables and supplies;
- expenditure on subcontracting or expenditure incurred by the Beneficiary's partners;
- costs deriving directly from the requirements of the Contract (dissemination of information, specific evaluation of the project, translation, reproduction, insurance, targeted training for those involved in the project, etc.) including financial service costs (in particular the cost of transfers and financial guarantees);
- audit costs (up to 3 % of total eligible project costs). A final audit will be carried out regardless of the grant size and cost for the audit must be included in the breakdown of prices (project budget);

- refurbishment of own property shall be accepted as eligible cost only in the cases where it is directly related to and needed for the implementation of the project's objectives;
- taxes, without prejudice any prejudice to the contract.

Eligible indirect costs (overhead costs)

A fixed percentage of the Beneficiary's overheads, up to a maximum of 7% of the total eligible direct costs (i.e. including both the amount of grant and co-financing by the applicant), are eligible as indirect costs.

Indirect costs are eligible provided that they do not include costs assigned to another heading of the budget provided for by the Contract.

Indirect costs are not eligible where the Contract concerns the financing of a project conducted by a body, which is already receiving an operating grant (running costs) from the Contracting Authority.

Contingencies

A contingency reserve of no more than 5% of total eligible costs (i.e. including both the amount of grant and co-financing by the applicant) can be allocated to the applicant. A contingency request may only be satisfied with the prior written (by letter) authorisation of the Contracting Authority.

Ineligible costs

The following are ineligible costs:

- provisions for possible future losses or debts;
- interest owed;
- purchases of land or buildings;
- refurbishment of property (except the cases where it is directly related to and needed for the implementation of project's objectives);
- purchase of standard office equipment for the normal operation of business support institutions (e.g. phones, furniture, desktop computers, printers);
- purchase of specific equipment for the project partners;
- currency exchange losses, without prejudice to the terms of Article 15(7) of the Contract;
- VAT which the Beneficiary is able to reclaim;
- salaries of the civil servants;
- human resources, supplies and works from non-EU and non-Phare countries;
- costs of preparatory studies or other preparatory activities.

Co-financing rules

Co-financing is required from the project applicant or the project partners. Only the eligible costs as specified above can be considered for co-financing.

The beneficiary co-financing may come in the form of in-cash contribution and/or in-kind contribution:

Only in-cash co-financing: only eligible direct costs, as specified in 2.1.3 can be considered as co-financing;

No in kind contributions are acceptable. .

ANNEX 4.4

SAMTID ARCHITECTURE

This document has been developed by the stakeholders to establish the SAMTID architecture in legal, institutional, financial and procedural terms.

A. LEGAL ARCHITECTURE

1. Municipal Groupings: Unlike MUDP II that worked with single cities or counties and existing utilities, SAMTID must motivate groups of towns to begin to work together to benefit from scale of operations and to plan and implement investments that ensure rational use of water resources and of environmental conditions. This can involve any combination of municipalities and county council covering a suitable group of towns based on clear Articles of Association that will provide for:

- Duty and rights for each municipality;
- Management of the association;
- The ability to borrow money and repay loans;
- Each local council to contract the same single licensed commercial operating company that may hold one or more concession arrangements within the association;
- To amend the structure of the association (increasing or reducing the size of the association).

A critical factor in efficient service delivery is to integrate operations and asset management planning at an effective scale. The fundamental goal should be to create financially viable and autonomous integrated regional services providers, as free from political influence as possible. Alternative forms of Private Sector Participation (e.g. lease or management contracts) should also be addressed as options at some point, but not as an objective. The primary goal should be commercialisation, creditworthiness and service delivery efficiency.

Current laws require that municipalities (and not commercial companies even fully government owned) maintain public ownership of water and wastewater system assets.

One of the most important aspects for SAMTID is that structures should be flexible and provide incentives to allow other municipalities or villages in a region to join at a future date.

The second phase of Technical Assistance (TA2) for the programme should provide an informed opinion and recommendations on the suitability of enlarging the grouping of municipalities from initial groupings at county, or multi-county level to ensure adequate investment planning and operations responsive to considerations related to River Basin catchment areas. This will include consideration of what further legislative change and institutional arrangements could be required. The Steering Committee established for the co-ordination of SAMTID will take a decision on the most appropriate arrangement, after consultations with the European Commission and the IFI's.

2. Commercialisation of Operations: To be eligible for SAMTID, municipalities should demonstrate their willingness to reform and choose a form of delegated management to a licensed services operator as required by recent legislation. This is critical to the sustainability and efficiency of the services. Licensing procedures have been drafted and are currently being considered by respective Ministries. The government has developed legislation to clarify the norms and procedures required to guide this process. The licensed services operators will be required to ensure that there is no cross-subsidy from funds generated from within the water sector activity to other sectors (i.e. district heating).

3. Regulation: The government recently implemented a national regulator for communal services. This entity will establish and enforce the criteria for licensing operators, monitoring and benchmarking their performance and compliance with "concession" contracts. Debate continues on the exact role it will play in setting tariffs, a responsibility local authorities argue they should retain. Until such time as a decision had been made on tariff approval it is suggested that approval at a group of municipalities' level continues as they are ultimately responsible for implementation.

This regulator has clear responsibilities and procedures for the approval and monitoring of levels of service provision of all licensed operators. As there is no track record yet for this entity, TA2 for the SAMTID will be proactive in assuring there are clear procedures for approving and monitoring the levels of service provided to the Association of Municipalities it assists, and for agreeing on tariffs and performance standards in agreements with relevant authorities including the lenders.

4. Financial and Operational Performance Improvement Programme – "FOPIP": In addition to setting plans and targets with operators, the Financial and Operational Performance Improvement Programme should equip associations of municipalities to monitor the performance of their service operators. This will build the chain of responsibility for repaying debt that extends from users to operator and further to borrowing associations of municipalities.

Romania's utilities involved in MUDP I and II offer a very rich experience that needs to be transferred to the small towns. The national regulatory benchmarking system will help provide reference points for the associations of municipalities.

Romania needs systematic ways to transfer experience to the smaller utilities and institutionalise on a permanent basis the philosophy of FOPIP. There are several approaches that TA establishing SAMTID will investigate various approaches to do this, make proposals and then facilitate implementation. This could include:

1. Utilise the expertise that has already been developed in the PIU's that have been established for the implementation of MUDP, ISPA and RDP
2. ARA organises a programme to train and direct teams of executives from host utilities to establish FOPIP improvements for beneficiary utilities that request this assistance and contribute to defraying expenses. The host utilities donate the time of their executives. The American Water Works Association uses this approach in its *Qual/Serve* programme and could be a twinning association to ARA. One concept could be to use EU and/or USAID resources as seed capital to start a self-financing scheme institutionalising the *Qual/Serve* approach as a permanent Romanian instrument of horizontal collaboration among water utilities that also can facilitate the work of local consultancies and training institutions.

B. INSTITUTIONAL ARCHITECTURE

1. The Ministry of Public Administration is the Coordinating Body for the entire SAMTID Programme. Via a Steering Committee, it will provide overall direction and policy. The Steering Committee will be supported by a PCU that is currently being established under a decision of the Prime Minister. Technical assistance will help to develop and implement sound procedures of the two entities.

2. The SAMTID Steering Committee will be chaired by the Ministry of Public Administration. The committee will have representatives of: the Ministry of Development and Prognosis, Ministry of Public Finance, Ministry of Public Works, the Ministry of Water and Environment Protection, Ministry for European Integration, Regional Development Agencies and the EC Delegation. The representatives on the Steering Committee should be at an appropriate level and available and empowered to make executive decisions. Meetings should be convened as required. *(Consideration should be given to reducing the size of this Steering Committee. Although the Ministry of Public Works, Ministry of Water and Environmental Protection and Ministry of European Integration have important roles to play in the overall programme, they do not have direct influence on SAMTID programme implementation. Furthermore it could be considered that the Regional Development Authorities interests could be represented by the Ministry of Development and Prognosis. Their attendance should be limited to project selection sessions of the Steering Committee. If agreement can be reached on a reduction in the size of the Steering Committee it should be able to operate more effectively.)*

3. The Ministry of Public Finance, acting through its specialised departments (Departments of Public Investment, Public Debt and Foreign Relations), can assess financial and credit capacity of borrowers, structure loan agreements, subsidiary loan agreements and monitor financial performance of borrowers. The National Fund will ensure the availability of ESC and State Budget co-financing funds.

4. The Ministry of Development and Prognosis is the **Implementing Agency** for the grant financed investment components. The established structure delegates considerable autonomy on investment decisions to **Regional Development Agencies**, that will be the **Implementing Authorities** for the grant component. The implementation of this component should build on the previous relevant experience the RDAs achieved during the implementation of the 2000 and 2001 regional and local infrastructure components.

Regional Development Agencies will keep their important role in promoting SAMTID, sharing information and guiding the potential beneficiaries. Regional Development Agencies (RDAs) and Regional Development Boards (RDBs) will take part in the pre-screening process with support of technical assistance.

Grouping of local authorities will be established in order to identify problems, assess real needs, produce a global "master plan" for the county or group of counties, based on individual needs in each town from the group and on the principle of rational use of water resources and cost-effective choice of technology for environmental protection. These groupings of the local authorities will act as the promoters of the projects. TA2 will be provided to assess the adequacy of these groupings and assist in their conformation.

Final beneficiaries of the projects will be individual municipalities through their respective association, having contracts with the same licensed operator.

The stakeholders and their roles, at both programme and project levels are summarised in the following tables:

Table 1: SAMTID stakeholders and their roles at programme level

Stakeholder	Role
Municipalities	
Associations / Partnerships of Municipalities	
National Regulatory Authority	<ul style="list-style-type: none"> ✓ Establish rules for licensing operators and license the operators
Ministry of Public Administration	<ul style="list-style-type: none"> ✓ General coordinator ✓ Chair of Steering Committee and establish PCU ✓ Decide on all procedural issues, including: Harmonization of SAMTID criteria with the rules of national regulator ✓ Plan SAMTID implementation ✓ Provide methodological guidelines for applicants / beneficiaries ✓ Recommend projects to Steering Committee ✓ Monitor and report progress status of the programme ✓ Periodical Programme Evaluation
Ministry of Development and Prognosis	<ul style="list-style-type: none"> ✓ Implementing Agency for grant component of the programme (investment and supervision) ✓ Funds planning, grant component ✓ Contracting Authority for Grant Contract ✓ Report on progress of contracting and payments ✓ Monitor and report on absorption of funds in SAMTID programme for Phare ESC and State budget ✓ Yearly evaluation of SAMTID grant component ✓ General coordinator for preparing National Development Plan
Commercial Bank	<ul style="list-style-type: none"> ✓ Act under the direction of the Ministry of Public Finance as payment vehicle (payment and debt collection agent)
Ministry of Public Finance – Foreign Relation Department	<ul style="list-style-type: none"> ✓ Provide sovereign guarantee ✓ Contracting Authority Loan Contract
Ministry of Public Finance – Public Debt Department	<ul style="list-style-type: none"> ✓ Assess and agree on level of public debt of borrowers
Ministry of Public Finance – National Fund	<ul style="list-style-type: none"> ✓ Ensure co-financing of 25% grant fund
Ministry of European Integration	<ul style="list-style-type: none"> ✓ Sign Financial Memorandum for Phare, including SAMTID component ✓ Submit Phare fiches for next years to European Commission (including SAMTID programming) ✓ Report general fund absorption and general status of Phare financed programmes (including SAMTID) ✓ Agree on National Development Plan
EC Delegation in Romania	<ul style="list-style-type: none"> ✓ Sign Financial Memorandum on behalf of European Commission ✓ Endorse all contracts signed under Phare ESC, including SAMTID ✓ Monitor adequate use of procurement procedures according to PRAG ✓ Agree on National Development Plan
International Financial Institutions	<ul style="list-style-type: none"> ✓ Co-financiers

Table 2: SAMTID stakeholders and their roles at project level

Stakeholder	Role
Municipalities	<ul style="list-style-type: none"> ✓ Final beneficiaries and owners of the investment ✓ End borrower
Associations / Partnerships of Municipalities	<ul style="list-style-type: none"> ✓ Promoters of projects ✓ Contract feasibility studies ✓ Monitor performance of licensed operator ✓ Agree on tariffs ✓ Approve how to use MRD Fund for future investments ✓ Establish MSU
Project Leader / Responsible Entity	<ul style="list-style-type: none"> ✓ County Council, as lead Council, nominated by the group of municipalities, that will endorse Grant Contract and sign subsidiary loan agreement for SAMTID in the position of Project Responsible Entity.
Licensed Operators	<ul style="list-style-type: none"> ✓ Establish Project Implementation Unit (PIU) ✓ Develop and implement FOIP ✓ Payback loan and all relating duties as part of their contract with municipalities ✓ Contribute to a MRD Fund at the level of Association / Partnership of Municipalities, in a special bank account in the same Commercial bank
Commercial Bank	<ul style="list-style-type: none"> ✓ Paying agency for works contract – loan component ✓ Collect loan repayments and pay back to the lenders
Regional Development Agencies	<ul style="list-style-type: none"> ✓ Pre-selection of the projects ✓ Monitor and report according to agreement with MDP ✓ Promote best practices and lessons learned from projects
Ministry of Public Administration	<ul style="list-style-type: none"> ✓ Approval feasibility studies ✓ Review reports on projects implementation status from PIUs
Ministry of Development and Prognosis	<ul style="list-style-type: none"> ✓ Contracting Authority for works and supervision contracts, grant component ✓ Paying Agency for grant component: works, equipment supplies and supervisor contracts
Ministry of Public Finance – Public Debt Department	<ul style="list-style-type: none"> ✓ Assess creditworthiness of municipalities ✓ Approve each project for external loan
Ministry of Public Finance - Public Investments Department	<ul style="list-style-type: none"> ✓ Appraise financial and economical indicators of each project, and approve these indicators (needed for loan) ✓ Monitor adequate use of public procurement procedures for components paid from local authorities own money (ex.: Feasibility Studies)
Ministry of Public Works, Transport and Dwellings	<ul style="list-style-type: none"> ✓ Appraise technical and economical indicators of each project, approve these indicators (needed for loan)
Ministry of Water and Environmental Protection	<ul style="list-style-type: none"> ✓ Ensure conformity with long-term environmental policy ✓ Appraise environmental studies of projects ✓ Issue Environmental permits
EC Delegation in Romania	<ul style="list-style-type: none"> ✓ Approve Tender documents for selection of contractors
International Financial Institutions	<ul style="list-style-type: none"> ✓ Appraise projects

C. FINANCIAL ARCHITECTURE

1. Structure: The Government of Romania will provide its sovereign guarantee in support of the IFI Loan Facilities, with the Ministry of Public Finance serving as intermediate borrower, as in MUDP II and some ISPA schemes. The Ministry of Public Finance shall enter into subsidiary loan agreements with the Lead Council of each Association of Municipalities (AoM's) selected under the SAMTID Programme, disbursing the funds from the IFI Loan Facilities. The Lead Council will be the County Council representing the interests of the Association. In the case where two or more County Councils join together the County with the larger benefiting population will be the lead. Each subsidiary loan agreement shall be on the basis of co-financing with grants under EC Phare and the National Fund. The structure will be the subject of further negotiation in TA 2.

2. Terms and Conditions of Lending: The basis of the funding of the SAMTID Projects is that the sovereign guarantee is the security of last resort and therefore the terms and conditions of the subsidiary loans will be established during the selection process of the five Projects for SAMTID Pilot phase, and as a result of due diligence/ project assessment undertaken by the IFIs in the process of contract negotiation up to commercial and financial close. As far as practicable the terms and conditions of each sub-loan agreement for each selected Project shall be harmonised, with debt service covenants matching the terms in the relevant head loan agreement with the Ministry of Public Finance. However, certain loan conditionalities concerning financial sustainability and robustness, project liquidity and security, including provisions for covenants concerning tariffs, insurance, debt service reserves, reserves for maintenance, replacement and development (MRD), will depend upon the circumstances of individual Projects and will most likely be subject to variation in detail from Project to Project. General conditionalities such as reporting requirements, certain warranties and indemnities, positive and negative conditionalities shall, as far as practicable, be the same for each sub-loan agreement. Negotiation of final terms and conditions for the loan agreement and subsidiary loans shall be the responsibility of the Ministry of Public Finance with the support of the SAMTID Steering Committee.

3. Final Borrowers: For the time being each selected SAMTID Pilot Phase Project shall involve a lead council representing the final borrower in respect of subsidiary loans advanced by the Ministry of Public Finance. However the SAMTID Selection Process for the Pilot Phase envisages that operational responsibility for the water service operations of individual local authorities comprising the relevant AoM, including implementation of the investment projects, shall be contracted as soon as practicable to commercially oriented legal entities such as joint stock companies, in the form of concession contracts. Such legal entities ("Licensed Operators") may be awarded licensed concessions covering the water service operations of individual or multiple local authorities comprising the relevant AoM. Such concessions will oblige the legal entities to operate and maintain the relevant water and waste water assets, and collect revenues directly from end-users. The concession contract should make provision for allowing the debt service to be paid by the Licensed Operator through the concession fees. The legal and beneficial ownership of the water and waste water assets that are subject to the licensed concessions will remain with the relevant municipalities to ensure that grant eligibility status is maintained.

4. Agreements: The following agreements are foreseen to be required:

- Loan agreements between the MPF and the IFI's
- Subsidiary loan agreements between the Lead Councils of the relevant AoM's and the MPF
- Articles of Association governing the administration of the AoM's, the role of the Lead Council and the joint participation of the local authorities comprising the AoM's
- Eventually, Concession Agreements between the AoM's and the Licensed Operators. In some cases it may be necessary for the Licensed Operator to enter into separate concessions with individual local councils, particularly if there is a large differential in existing tariffs and investment needs are substantially different amongst the water supply areas of the local authorities comprising the relevant AoM.

Following the example of MUDP II, the subsidiary loan agreements should oblige basic conditionality on the Lead Council and participating local authorities covering: tariff increases, customer debt control, cost control, debt service cover ratio, implementation of MRD Funds to guarantee financing for basic maintenance, replacements and projects.

5. Payment Arrangements:

a. IFI Components

In light of the good experience in MUDP II, the SAMTID Steering Committee under the direction of the Ministry of Public Finance may select a commercial bank to act as paying agent and hold the relevant bank accounts under the sub-loan agreements. The appointment may be made by the Ministry of Public Finance on the basis of prior experience and cost. If appointed the commercial bank shall act on the instructions of the Ministry of Public Finance. Conditionalities as to the maximum amount of loan drawdown tranches and the minimum size of drawdown tranche shall be agreed between the IFI 's and the Ministry of Public Finance and shall be managed through the paying agency.

b. Grant Components

The National Fund, established in the Ministry of Finance, will disburse the SAMTID component of ESC and State Budget co-financing funds through the Ministry of Development and Prognosis who are the Implementing Agency.

c. Taxation

Any taxation on loan or grant components of the project can not be financed by the loan and must be provided by the beneficiary.

6. Procurement: Each IFI has its own procurement rules and also experience of co-financing with EC funds in Romania. Procurement rules and procedures should be harmonised as far as possible in the interest of the overall programme and to minimise administrative demands on the promoters. Agreement has already been reached between EBRD and EC on ISPA projects and MPA would like this precedent to be applied to the SAMTID project. In the case of co-financing involving EIB, EC rules apply.

D. PROCEDURAL ARCHITECTURE

1. Project Selection Procedure

The selection procedure of the pilot phase of SAMTID will be based on the following general approach:

- The procedure will be similar to a "Call for proposals" (but not identical to the standard procedure), with a bottom-up approach;
- A pre-selection phase at the level of regions (RDAs) with active participation of technical assistance experts. The output of this phase will be up to 14 pre-selected applications;
- After pre-selection, TA2 supports pre-selected groups of towns in order to refine their proposals - including refining a feasibility study of investments in infrastructure, a financial analysis showing the financial viability of the investment and a complete cost-benefit analysis – and implement the process for contracting a licensed operator; TA2 supports the selection process conducted at national level, through the National SAMTID Steering Committee.

A detailed SAMTID Manual, including selection procedures, Standard Forms and Check Lists, will be issued and tested through the Pilot Phase.

2. Minimum Criteria for Project Selection

The Steering Committee of SAMTID require the following eligibility criteria to be satisfied to facilitate potential investment projects being included in the SAMTID programme:

2A. Eligibility of Applicants

- a. be Associations of local public authorities, which will be responsible for contracting of services on the water and wastewater networks within the participating Associations with a Licensed Operator ;

The applicants will be a combination of Local Councils of eligible towns and County Councils. The County Council will represent the interests of the association and in the case where two or more County Councils join together the County Council representing the greater benefiting population will be the lead.

- b. the Association of Municipalities must be authorised, through Articles of Association, to be the designated promoter of infrastructure investment proposals; the proposed infrastructure to be extended/rehabilitated/improved should clearly demonstrate its public utility;
- c. the Articles of Association of the Association of Municipalities should define the lead County Council a Lead Council, which is authorised to act on behalf of the participating local authorities, and should provide that all member local authorities jointly participate in the activities of the Association;
- d. the applicants should have their headquarters in Romania, in the region where the project will be implemented;
- e. the applicants should have feasibility studies elaborated in conformity with the Romanian regulations in the field, and approved by the relevant entitled authority according to laws in force. The feasibility study should not have been elaborated or up-dated more than one year before April 2003 and developed in line with the content detailed in the SAMTID Manual; the applicants should also have the consent of the Urban Certificate. In a separate study called 'Supplementary Information for the Feasibility Study' applicants should present additional analysis developed in line with the SAMTID Manual representing international standards for analyzing bankable projects.
- f. a commitment by each local council to contract the same single licensed commercial water services operating company that may hold one or more legal arrangements to operate in service areas within the AoM at a future date ;
- g. has developed a baseline assessment for a master plan according to the format in the SAMTID manual and established key performance indicator targets for a Licensed Operator;
- h. has developed a conformity plan according to Law 458/2002.
- i. Stated commitment to increase tariffs in real terms where necessary and meet the requirements of debt service

2B. Eligibility of projects

2B1. Size of Projects

- The project is likely to have a value of between 2.0 Meuro and 13.3 Meuro per Association and structured in such a way that 50% will be grant, supported by EC Phare Grant from the ESC fund and the GoR National Fund and 50% by Loan through an IFI;
- The maximum size of town that can be served under the scheme is 150000 inhabitants.
- Municipalities can be included in the scheme only if they do not benefit from ISPA or SAPARD funding;
- Duration: The duration of the execution of the works may not exceed 20 months. For each project, the deadline for signing the works contracts is 30.11.2004 and the deadline for disbursement is 30.11.2006.

2B2. Sectors or themes

The scheme will support the **rehabilitation and modernisation** of local water and wastewater infrastructure. SAMTID will finance expansions of the systems and building of new assets, such as extensions of networks or new treatment plants for water or wastewater, only in exceptional and duly justified cases. Investments will be selected and prioritized for financing which reduce costs, improve efficiency and improve basic services. New meter installation programs will form part of every project where these are not universal and should be part of demand management programs.

Expenditures must be directly linked to achieving the purpose of the project and appropriately accounted for. Eligible expenditures could include investment costs related to the site preparation, public utilities networks, main works, plant and machinery, supervision during implementation, contingencies. Cost of land acquisition is not eligible under the programme.

2C. Pre-selection Criteria

The indicative list of pre-selection criteria that are envisioned:

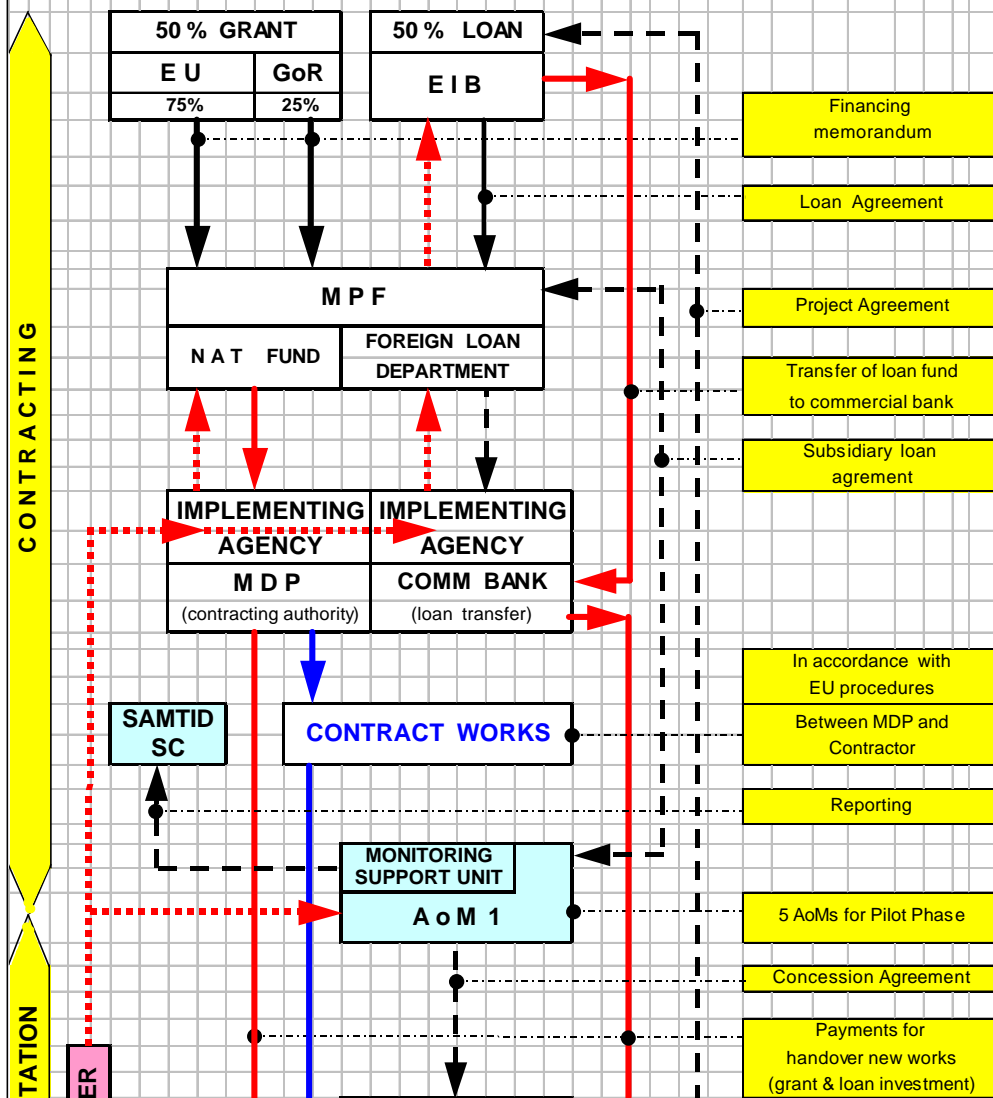
- Technical and financial feasibility of the investment programme and maturity of the documentation;
- Potential for improving the level of key performance indicators provided in the licensing procedures and gaining efficiencies through reduced operating costs;
- Detailed financing plan and positive benefit/cost analysis or least cost analysis;
- An affordability study has been carried out and an indication obtained on the populations willingness to pay for an improved level of water services.
- Demonstrated commitment to universal metering and demand management measures.
- Priority given to investments that will result in reduced operating costs and improve the levels of service provided, such as network rehabilitation, pump replacement, and meter installation programmes.

2D. Selection Criteria

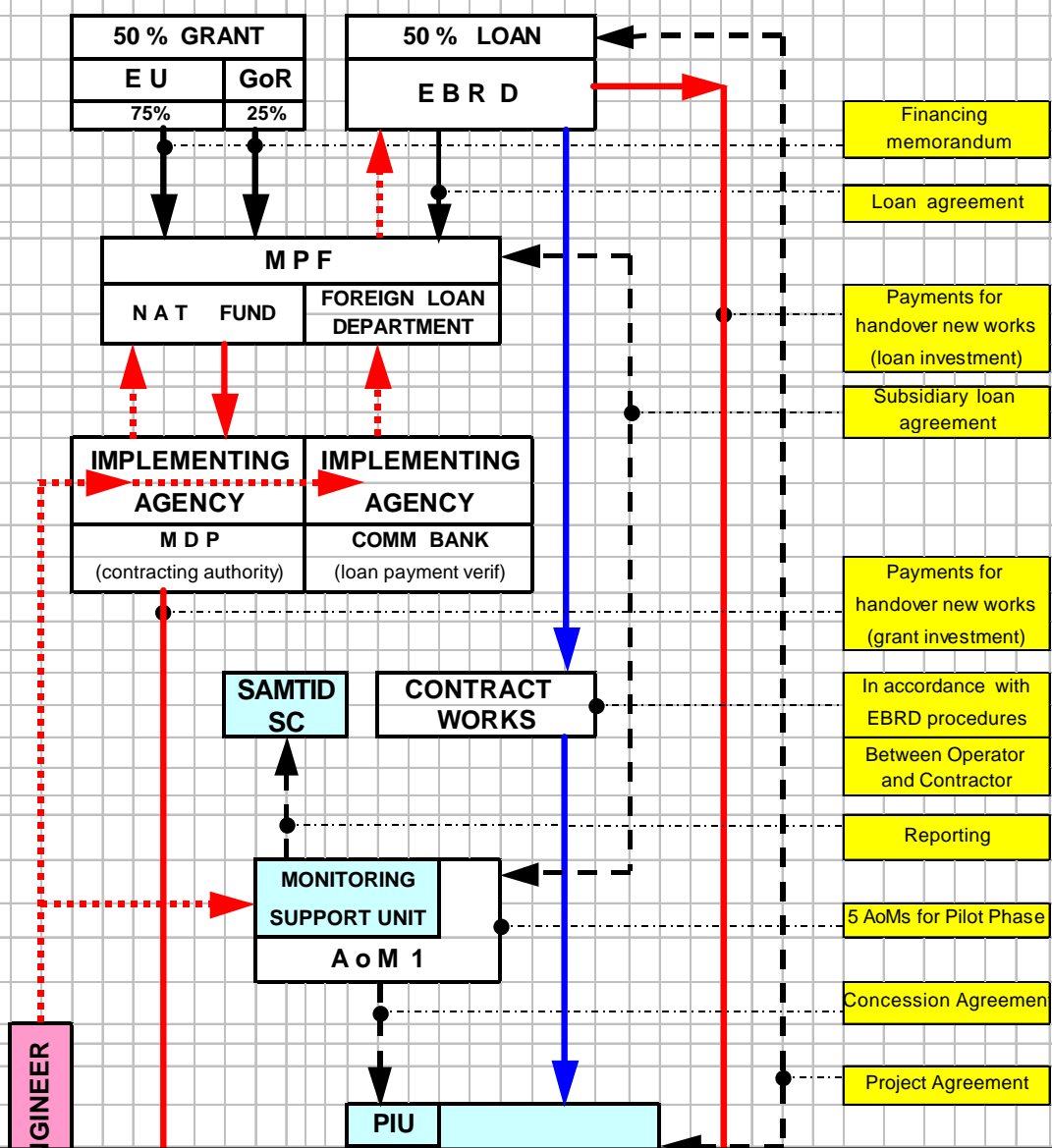
Secondary selection criteria will be developed during TA2 that will enable ranking to be carried out for nomination of the pilot projects. These are expected to be based on the following secondary selection criteria:

- Commitment of IFI to fund project with specified conditionalities to be met that will be identified as part of the due diligence process;
- Institutional capacity of PIU and MSU;
- Commitment to transfer loan conditionalities into the concession contract.

CONTRACTING FINANCIAL MECHANISM - EIB LOAN



CONTRACTING FINANCIAL MECHANISM - EBRD LOAN (PREFERRED CASE)



SAMTID PROGRAMME. ESTIMATED FINANCING SCHEME

FINANCING		%		VALUE (M E)	TOTAL (ME)	
		of TOTAL	of LOAN / GRANT		LOAN / GRANT	TOTAL
LOAN	EBRD	13.16	26.32	50	190	380
	EIB	36.84	73.68	140		
GRANT	GoR	12.63	25.26	48	190	
	PHARE	37.37	74.74	142		

SAMTID PROGRAMME. ESTIMATED FINANCING SCHEMES FOR PROJECTS

FINANCING			%	VALUE (M E)		TOTAL (ME)		
			LOAN /			F 1 /	TOTAL	
			GRANT			F 2		
F 1	LOAN	EBRD	50.00	50		100	380	
	GRANT	GoR	12.63	12.63	50			
		PHARE	37.37	37.37				
								380
F 2	LOAN	EIB	50.00	140		280		
	GRANT	GoR	12.63	35.37	140			
		PHARE	37.37	104.63				

- 1) A "project" under the programme would be the integrated investment sub-programme for a single group of municipalities to be financed by a consistently applied combination of grants (Phare & National Fund) and loans (single IFI per project).
- 2) The estimated values are in concordance with SAMTID - CONCEPT Memorandum

Annex 4.8 - Results of the Phare 2003 Investment

Overall results	Results that continue from 2001 and 2002 for 122 schools and 22 resource centres	New results of 2003 for 100 schools and 22 resource centres	Arguments
Supply of equipment		111 selected units (100 TVET schools and 11 resources centres) will receive further assistance to procure and install in rehabilitate vocational workshops and laboratories the specialised equipment according to reformed curriculum for the last years of training.	The equipment will serve both levels II and III of qualification

PROJECT PREPARATION FACILITY

**Support with the Preparation and
Identification of Project Specifications**

**Technical Assistance to the Ministry of Waters and Environmental Protection
to prepare the implementation of the environmental component within
Phare 2003 “Economic and Social Cohesion”**

LOT No.

TERMS OF REFERENCE (ToRs)

1. Background

1.1 General

The Ministry for European Integration (MEI) is at central level responsible for the overall co-ordination of the accession process. In this position, MEI operates as interlocutor between the different line Ministries and Governmental Organizations and the Commission. As such MEI, on behalf of the Government of Romania, bears the final responsibility for the qualitative level of the various documentation and project proposals submitted on an annual basis to the Commission. In previous years, short-term technical support assisted the MEI with finalizing this complex task.

Under the Phare 2000 programme, for the first time a special Project Preparation Facility (PPF) was identified that can be used for financing relevant studies and short-term technical assistance required for a proper design of project activities finally resulting in more mature project formats to be included in future Phare programmes or proposals financed through other International Financing Institutions (IFI's). Under the Phare 2001 programme again an allocation has been earmarked for PPF support.

An adequate and comprehensive preparation of solid project proposals is a prerequisite for a timely future accession of Romania into the EU. Complex investment projects require detailed and reliable data and background documentation to identify the best approach for achieving the objective(s). In-depth feasibility studies, systems design, impact analysis and other project background documents are critical for a successful implementation of projects financed both through Phare and other IFI's.

Background studies provide, apart from the project identification, also an analysis of the current status, an identification of possible alternative solutions including a testing of their financial, technical and administrative feasibility and recommendations for the economically most advantageous solutions. The PPF is an instrument to be used for funding activities to be executed during such an identification stage.

However, the PPF facility is also made available to assist institutions in drafting complex tender dossiers, project terms of references or even providing support in designing annual project fiches.

1.2 Ministry of Waters and Environmental Protection

According to the Environmental Protection Law no 137/1995, republished in 2000, modified by the Governmental Emergency Ordinance (GEO) no. 91/2002, article 7, the authorities responsible for environmental protection are "the central authority for environmental protection and its territorial inspectorates".

The central authority for environmental protection is the Ministry of Waters and Environmental Protection (MoWEP) whose structure has been established through the Governmental Decision no 17/2001, modified and completed by Governmental Decision no. 352/2001. The MoWEP is the specialized body of the central public administration subordinated to the Government of Romania. MoWEP develops the policy in water and environmental protection field, elaborates the strategy and the specific regulations for development and harmonization of these activities within the general policy of the Government.

The structure of the Ministry is organized in General Directorates, Directorates and Inspection with a total number of staff of 212. At the territorial level, under the authority of the MoWEP there are 42 Environmental Protection Inspectorates (EPIs) financed from the state budget, as well as the Danube Delta Biosphere Reserve Administration.

In order to support the existing local decision-making mechanisms 8 Regional Environmental Protection Inspectorates (REPIs) will be established.

Sustainable development is a major concern and a fundamental objective of all governmental actions. Nevertheless, Romania has still a long way to go in order to meet the environment standards of the European Union. This is rooted in the low level of investment in the rehabilitation and development of the infrastructure for environmental protection, and to some extent, to the ignorance towards the implementation of the new legislation in the field.

Phare 2000 Review, the Communication from Mr. Verheugen, identified two challenges for Phare for the period 2000-2006:

- (1) Delivering on the Past Reforms
- (2) Moving to Structural Funds

“In summary, the principal developments proposed in this Communication that build on the existing Phare system are:

- To move a differentiated basis to multi-annual programming for 2002-2006 for all Phare support, where the national Development Plans and the National Programmes for the Adoption of the Acquis warrant such an approach.
- To decentralise implementation responsibility to the candidate countries from 2002, where strict preconditions are met; to improve the impact of Phare through greater national involvement in monitoring and applying monitoring results more directly to programming of new Phare
-
- To increase the use of schemes (equivalent to “measures” in the Structural Funds) under economic and social cohesion but to tighten up on their management
-
- To rise absorption capacity with substantial project preparation support
-

Phare must familiarise applicant countries with the structures and procedures that they will need if they are to use Structural Funds efficiently and effectively upon accession.”

In this respect, Romanian Ministry of Waters and Environmental Protection prepared the launch of grant schemes for projects in the waste management field, under Phare 2003 ESC. The main priorities identified in the Accession Partnership (2002-2003) for the waste sector refers at:

- To develop local public services and to improve their quality in order to meet EU requirements, notably for activities related to water and wastewater services, as to waste management field;
- To continue the implementation and transposition of the Environmental Acquis in the waste management field;
- To integrate environmental protection requirements and sustainable development principles into the definition and implementation of all other sectoral policies.

With about 60% biodegradable waste forms a very important part of household waste in Romania. The EU directive for landfills requires the reduction of the amount of biodegradable waste to be landfilled. One easy possibility to meet this requirement is to collect and treat separately biodegradable waste from households. The produced compost can be utilized as fertilizer in agriculture or for landscaping purposes.

Further on, the following measures must be applied in order to fulfil the EU requirements related to the waste sector:

- reduction of the environmental impact of landfills;
- reduction of the quantity of waste emitted to the environment in an uncontrolled manner;
- reduction of the volume of waste to be stored ;
- reduction of the quantity of biodegradable waste;

The enforcement of a sustainable system related to waste management implies major changes of the present practices. The implementation of such changes will lead to the involvement of the whole society: individuals as users, enterprisers, socio-economic institutions, public authorities.

According to the Emergency Ordinance no 78/2000, approved and modified by the Law no. 426/2001 on waste regime, MoWEP elaborates the National Plan for Waste Management on the basis of county plans elaborated by the territorial authorities for environmental protection (Environmental Protection Inspectorates).

National Plan for Waste Management (NPWM) is the main instrument to implement the EU policies within the waste sector in Romania. It is addressed to central and local authorities, producers (raw materials and end-products), traders, services suppliers and their professional associations, educational and research institutes, NGOs and to each citizen.

National Strategy for Waste Management, as a constitutive part of NPWM, mentions as important problems for the waste management, the following:

- Collection of municipal waste is not selective;

- recyclable and non-recyclable waste is not sorted prior to disposal.

At present, in Romania, there are few activities in sorting and collecting different kind of waste materials because there are very few economic agents available to recycle these sorted materials. The generation of significant quantities of waste without considering the possibility of recycling or energy recovery is not consistent with the principles of sustainable development.

Areas attractive for tourism could, amongst others, profit from the project. In most tourist areas there is a lack of waste collection and transport. Collecting waste in these areas would avoid littering of attractive natural and cultural sites. The idea is that those areas with tourism act as a nucleus to demonstrate to other regions how waste management in Romania can function. Tourism will be only possible in areas with functioning waste management system because tourists don't want to see garbage on the streets. The expenses for the waste management system in these areas will be refinanced by additional income because of increasing tourism.

The activities to be developed under this PPF refers to supporting the preparation for implementation of the environmental component under Phare 2003 "Economic and Social Cohesion".

2. Description of the Assignment

2.1 Beneficiary

Ministry of Waters and Environmental Protection through the Directorate for International Programmes and Projects.

2.2 Global and Specific Objectives

2.2.1 Global Objective

Line Ministries and/or Governmental Institutions in Romania are, upon request, strengthened with short-term technical assistance in order to produce relevant background documentation, feasibility studies, project design schedules, terms of references and tender dossiers with the ultimate goal to develop solid project documents feasible for implementation.

2.2.2 Specific Objective

The specific Objective of the project is:

- To ensure a successful implementation of the Phare 2003 "Economic and Social Cohesion" environmental component

2.3 Requested Services

The technical assistance requires experience in the field of elaboration and implementation of the investment projects scheme and expertise in the field of Phare programming process, particularly in Terms of Reference preparation.

In order to meet the above specific objective the Consultant shall perform the following tasks:

Task 1: To define the types of projects, eligible activities, eligibility criteria, selection criteria, selection grids and rates of assistance

Under this task, the Consultant shall provide a clear definition of the types of projects, eligibility criteria and rates of assistance for the **“Small-scale waste management investment scheme”** for local public authorities, under the Phare 2003 CES

In this respect, the Consultant shall define the following:

- The types of projects and eligible activities;
- The eligibility criteria for: the beneficiaries, the activities proposed for financing;
- The rules for eligible partnerships of the applicants;
- The eligible and non-eligible expenditure;
- The specific selection criteria and selection grids;
- The rates of assistance.

To be noticed that, for the above scheme, the “call for proposal” procedure will be followed.

Task 2: To assist the MoWEP to identify possible and concrete projects to be supported through the grant scheme

The Consultant will assist the MoWEP to identify possible and concrete projects to be supported through the grant scheme, projects that will be included as priorities in the regional environmental planning. It will be verified the accordance with the requirements of the elaborated grant scheme (types of projects, eligible activities, eligibility criteria, selection criteria, selection grids, rates of assistance).

Task 3: To prepare the guidelines for applicants, application forms and a clear awareness package for the Small-scale waste management investment scheme

The Consultant shall perform the following activities:

- Prepare specific guidelines for applicants
- Prepare a clear application form to ensure that the applicants will provide the information needed for properly assessment of their proposals (the indicators of impact and results) and for “pre-assessment” of the sustainability of the project;
- Develop different application forms for different types of projects/ different types of beneficiaries;
- Prepare a clear awareness package in order to increase the quality of the applications.

Under this task, the Consultant shall prepare in detail the successful implementation of the environmental grant scheme. The contracting procedure shall be also defined in order to support the beneficiaries in the contracting process.

Task 4: To define the responsibilities in terms of controls and audit activities and project monitoring scheme

The Consultant shall define, in a clear manner, the responsibilities in terms of control, monitoring, supervision and audit of the activities carried out under the projects. Aimed to the staff of the local/ regional environmental authorities and the beneficiaries, on the basis of guidelines and procedures.

Task 5: To identify and assess the training needs

The Consultant will have to priorly identify the needs for training and to elaborate a training plan for supporting the implementation of the **Small-scale waste management investment scheme** under Phare ESC 2003.

This training component is targeting the staff involved in the implementation process of the grant scheme and is helping to improve their professional capacity and knowledge in the area of ESC implementation.

More detailed, the Consultant is envisaged to perform the following:

- training needs analysis (main areas of training, beneficiaries, staff required, resources required, etc.) and benchmarking against other countries;
- detailed, tailored training curricula, manuals and training packages;
- pilot training of trainers and beneficiaries using materials developed during the project.

Moreover, there is foreseen another task for the Consultant in assisting the MoWEP to prepare ToRs for the Technical Assistance received by MoWEP under Phare ESC 2003:

Task 6: To prepare ToRs for the TA received by MoWEP under Phare ESC 2003

The Consultant will assist in the elaboration of the Terms of Reference, in conformity with PRAG for Phare, ISPA and SAPARD Procedures, taking into consideration and developing the base of activities already set up in the Phare Standard Project Fiche for IB under Phare ESC 2003.

2.4. Expected Results

The expected results of this project are:

- types of projects, eligible activities, eligibility criteria, rules for eligible partnerships of the applicants, specific selection criteria, eligible and non-eligible costs for **Small-scale waste management investment scheme** clearly established;
- a list of concrete projects identified to be supported by the **Small-scale waste management investment scheme** through Phare ESC 2003, which will be included as priorities in the regional environmental planning
- specific guidelines for applicants, a clear application form, different application forms for different types of projects and a clear awareness package for **the small grants scheme** prepared;
- the responsibilities in terms of controls and audit activities and project monitoring scheme established;
- training needs identified and assessed and a plan for training elaborated
- **Terms of Reference for the TA received by MoWEP under Phare ESC 2003** elaborated in a manner of quality that will ensure their approval

3. Experts Profile

3.1. Education, Experience, References and Category of Each Expert

3.1.1. Education

The experts will have a relevant University degree in the subject area requested for.

The proposed experts will have the professional qualifications and experience required to successfully cover all the activities as indicated in these ToRs.

The experts' qualifications should basically be in one of the following fields:

- environmental protection laws and institution building;
- environment management, waste management
- financial assessment;

3.1.2. Experience

The technical assistance requires experience in the environmental protection and development of the grant schemes for the projects.

The proposed experts will have the professional qualifications and experience required to successfully cover all the activities as indicated in these ToRs.

The proposed experts qualification should, at least, cover the following areas:

1. For the environmental protection, waste management expert:

- A proven track record in environment management, waste management;
- Working experience of at least 10 years in EEC countries (for international experts);
- Experience in similar projects in EU or in the other Candidate Countries;
- Familiar with the Commission's Pre-accession Strategy in the Environmental sector;
- Good knowledge of Phare and PRAG standards rules and procedures.

2. For the project management, institution building expert:

- A proven track record in project management and institution building;
- Working experience of at least 15 years in EEC countries (for international experts);
- Execution of some similar projects in EU or in the other candidate countries (execution of similar projects in Romania will be considered as a plus);
- Familiar with the Commission's Pre-accession Strategy in the Environmental sector;
- Experience in the implementation of the grant schemes
- Experience in Terms of Reference preparation;
- Deep knowledge of Phare and PRAG standards rules and procedures.

3. For the financial assessment expert:

- A proven track record in financial assessment;
- Working experience of at least 15 years in EEC countries (for international experts);
- Execution of some similar projects in EU or in the other candidate countries (execution of similar projects in Romania will be considered as a plus);
- Experience in preparing and formulating detailed design for investment;
- Experience in the implementation of the grant schemes
- Experience in financial assessment and cost estimation;
- Good knowledge of Phare and PRAG standards rules and procedures.

3.1.3 Category of Expert

- project management, institution building expert: category 1
(15 years of experience)
- environmental protection, waste management expert : category 2
(10 years of experience)
- financial assessment expert: category 1
(15 years of experience)

3.2. Working Languages

The incumbent should be fluent in English both verbally and in writing. Knowledge of Romanian is considered to be an advantage.

4. Location and Duration

4.1 *Starting Date:*

It is envisaged that the activities related to the contract will start latest two (2) weeks after signature of the letter of contract.

This PPF is intended to start in May 2003 and to be completed by the end of 2003.

4.2 *Finishing Date*

The final documentation is expected to be submitted by the end of the year.

4.3 *Schedule and Number of Days for the Assignment per Expert:*

The technical assistance concerns 160 calendar days divided as follows:

80 calendar days for one expert in project management, institution building,
50 calendar days for one expert environmental protection, waste management
30 calendar days for one expert in financial assessment

4.4 *Location of the Assignment*

International Programmes and Projects Department within the Ministry of the Waters and Environmental Protection, Address: 12, Libertatii Blvd., Sector 5, Bucharest – Romania.

5. Reporting

Latest one week after completion of the assignment, the incumbent will submit to the counterpart organization a clear, systematic and detailed overview of the completed activities. The expert is expected to produce in a final report the detailed requirements described in section 2.2 and 2.4.

The incumbent will have weekly briefing/de-briefing sessions with a senior staff member within the counterpart institution he/she is attached to.

The original final report will be submitted to the direct counterpart institution. Copies of the final report (electronic and hard copies) will be presented to the CFCU, the Ministry for European Integration (Accession Assistance Directorate) and the EC Delegation in Romania (relevant task manager).

All the reports (including the final report) will be presented both in English and Romanian language.