



GOVERNMENT OF ROMANIA

NATIONAL REFORM PROGRAMME

IMPLEMENTATION REPORT

- October 2007 -

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EXECUTIVE SUMMARY

The report on the implementation of the National Reform Programme (NRP) reflects the stage of implementing the revised Lisbon Strategy in Romania, in the first year after the accession to the European Union.

The document was drawn up under the coordination of the Department for European Affairs based on the contributions of all the ministries and institutions taking part in the *Working Group for the Lisbon Strategy*.

The report is structured according to the four areas of intervention (public administration, macro economy, micro economy and labour market) and systematically presents the relevant actions carried out by the Romanian authorities for the implementation of the envisaged reforms.

PUBLIC ADMINISTRATION

In order to improve the **capacity of the public administration to draw up and implement public policies**, several actions regarding the *management of the public policies, the increase in the quality of the public services, the modernisation of the civil service, the management of the structural funds and territorial cohesion* have been carried out.

Thus, during 2007, the Government Decision (GD) approving the *Procedures concerning the drawing up, certification and presentation of the draft public policies, of the draft normative acts and of other documents* was adopted.

The way in which the ministries, authorities and agencies substantiated their *proposals for public policies* and the draft normative acts was assessed, the assessment report being completed and submitted to all ministries. Thus, from a total of 671 draft normative acts submitted to the Government for approval, 661 had the presentation and substantiation documentation duly completed.

During 2007, the process of training *the experts* from the central public administration on the preliminary impact analysis and on the assessment techniques has started. Approximately *100 experts* from the ministries have been trained in these areas.

In the 1st semester of 2007, an initial draft of the *Strategy for a better regulation in the central public administration (2008-2012)* was drawn up. This document is to undergo a process of inter-ministerial consultation. The deadline planned for adopting the strategy at Government level is the end of this year.

At the same time, the Government decided to begin decreasing the administrative burdens in certain sectors in which their level obviously affects the business environment. Thus, "*The action plan for decreasing administrative burdens - 2007*" was drawn up and approved and there is a plan to assess and reduce, by the end of this year, the administrative burdens for the labour affairs and public finance.

In order to increase the **quality of the public services**, in 2007, the Romanian Government focused on *simplifying regulations, reducing administrative barriers and the administrative costs for companies, improving communication with/ among public institutions and increasing the quality of the public utilities services*.

Thus, as regards the *process of administrative decentralisation*, the following laws have been adopted: the *Law on the Statute of the local representatives, the Law amending the Statute of the civil servants, the Law on the code of conduct of the civil servants (simplified version)*. The *Administrative Code and the Administrative procedure code* are being drawn up.

The *Framework laying down the process of self-assessment of the public administration*

performance (CAF) at central and local level was drawn up in order to help the authorities to assimilate the techniques of total quality management and to improve their performances.

Until now, this instrument has been implemented, on a voluntary basis in 29 Romanian public institutions (prefectures and county councils). Between September and December 2007, several sessions on CAF presentation and implementation are being conducted in the public institutions requesting them (6 until now).

In the 1st semester of 2007, the National Institute for Administration together with the regional centres conducted three advanced training programmes on: *Systems of quality management in the public administration; Management standards in the public institutions* and the *Management of documents in the public institutions*.

In order to *improve the public relations services*, the time required for issuing administrative documents was reduced. Thus, the time required for issuing several documents became: for passports urgently issued - 2 hours; for passports normally issued - 7 days at the most; for driving licences - 2 hours for changing driving licences/ 24 hours for new ones; for vehicle registration certificates - 2 hours; for vehicle registration numbers - 2 hours; for judicial records - immediately (in 37 counties); for temporary traffic permits - 2 hours; for preferential registration numbers - 7 days.

“*One-stop-shops*” for citizens data recording are being set up in the local public administration, 226 such community public services (from a total of 382) operating as “one-stop-shops”.

The set up of the “one-stop-shop” for work permits with a view to issuing residence permits for work purposes was carried out by merging the Authority for Foreigners with the National Office for Immigrants and by taking over the department issuing work permits from the Office for the Labour Force Migration within the Ministry of Labour, Family and Equal Opportunities.

In order to ensure the *quality of the public utilities services*, the following laws have been adopted: *Law on local public transportation service, Law on the setting up, organisation and functioning of house-owners’ associations, Law on taxi transportation and rental transportation*.

The *Law on the management of the public and private domain of the administrative and territorial units* is currently under Parliamentary approval.

By implementing laws nos: 51/2006, 101/2006, 230/2006, 241/2006, 325/2006, the *public utilities market was liberalised*. In the 1st semester 2007, the actions continued with the development of the secondary regulations regarding the implementation of these laws.

In the 1st semester of 2007, in order to *clarify the system of subsidies for the public utilities* and to improve the tariff system, GD no. 172/2007 and GD no. 409/2007 were adopted, and 615,660 thousand RON were allocated to the territorial and administrative units.

The separation of the public utilities from the public services and the implementation of the quality standards were achieved by the adoption of Law no. 51/2006 and Law no. 286/2006 amending and supplementing the Law on local public administration.

As regards the modernisation of the **civil service**, the draft GD on organising and developing the career of the civil servants was completed under the PHARE project *Implementation of the reform of civil service in Romania*. This also includes the modification of the methodology for assessing civil servants.

With a view to strengthening the territorial cohesion component, the following measures have been implemented in 2007:

- *The strategic concept on territorial development of Romania 2007-2030 (SCTDR)* was drawn up. It specifies, from an integrated territorial point of view, the ways in which the national potential can be capitalised upon in order to reduce development gaps and to stimulate Romania’s balanced development;

- The *8 area/ regional plans for territorial planning* on which Romania's territorial profile is based, the measures on the economic, social and territorial cohesion as well as the projects targeting different financing sources are being drawn up;
- The amendment of the legislation on *town and country planning* is being prepared. The following regulations are targeted: Law no. 350/2001 on town and country planning, Law no. 50/1991 on authorising construction works, the General Urbanism Regulation and the related and subsequent documentation.

With a view to achieving an **efficient management of structural instruments**, the actions of *strengthening the administrative capacity* have been intensified, especially those concerning staff employment in the Managing Authorities and the Intermediate Bodies, ensuring motivating salaries as well as the *training of the employees* involved in the management of the structural and cohesion funds.

In the entire institutional system, the *total number of the staff* involved in the management of the structural and cohesion funds is currently of *1659 employees*, representing an *employment rate of over 90%* in relation to the undertaken commitments and an *increase of the employment rate* as compared to the end of 2006, of *over 11%* (a number of *167 new employees* in the entire system).

For an efficient running of the structural instruments management system, the training of the staff from specialized units has continued. Until October 2007, *5550 persons* from the management authorities and intermediary bodies were trained on several topics (monitoring, financial management and control, assessment and selection of projects, cost-benefit analysis, monitoring committees). Several measures have been also implemented in order to *inform and train the potential beneficiaries at local and regional level*.

In order to modernise the **judicial system**, several actions for the improvement of the infrastructure, reorganisation of courts, computerisation and the vocational training of magistrates have been carried out.

Thus, during 2007, new *investment works* have been carried out in 8 court headquarters (2 works have already been delivered), as well as major repairs and consolidation works for other 4 court headquarters. Rehabilitation and construction works have been initiated for other 25 court headquarters (for 9 of them, the feasibility studies are in the final phase of the approval process, for 6 headquarters the documentation is in the preliminary phase of approval and for the other 10 the documentation is being drawn up).

As regards the *courts reorganisation*, an working group consisting of representatives of the Ministry of Justice and of the Superior Council of Magistracy has conducted assessment studies for the courts with reduced workload. In order to continue this process, in October 2007, the GEO no. 95/2007 modifying Law no 303/2004 was adopted. This will have an impact on the possibility of transferring the positions filled by the magistrates, as a result of the courts reorganisation .

Regarding the *computerisation* process, during 2007, 13 634 computers, 120 video projectors and other IT equipment were delivered to all the courts and prosecutor's offices, Ministry of Justice and other institutions from the judicial system. The contract for supplying the audio-video equipment necessary for the long distance hearing of the witnesses was signed in September 2007.

Until this moment, the Bucharest Court and all the courts of first instance in its territorial range purchased *info-kiosks*. At the same time, the files management system (ECRIS) has already been installed in all courts and in 227 prosecutor's offices.

As regards the *training of the magistrates* in the economic and financial area, the National Institute of Magistracy conducted 21 training sessions for approximately 170 judges and 165 prosecutors between September 2006 and July 2007.

MACROECONOMY

As compared to the economic growth of 7.7% achieved in 2006, the gross domestic product increased by 5.8% in the 1st semester of 2007. This growth was due to the significant increase of the contribution of the gross fixed capital formation as compared to that of 2006, simultaneously with the increase of the negative contribution of the net export. From a qualitative point of view, it can be said that the sustainability of the economic growth has improved as the structure of the growth factors continued to improve.

In line with the trends identified for the first part of 2007, the level of economic growth for the entire year is expected to maintain at a high level, as the gross domestic product is going to achieve a real growth of approximately 6.1%.

In the first part of 2007, the **annualised inflation rate** continued to decrease reaching a level of 3.8% in June 2007. However, the last two months indicated a change in the evolution which was more visible in August when the rate of inflation for the last 12 months reached nearly 5%.

Investments continued to develop, significantly increasing their contribution to the real growth of the gross domestic product. The investments focused mainly on the new construction works, which accounted for 50.3% of the total amount of the investments. In the first seven months of 2007, the **foreign direct investments** totalled 3473 MEUR, covering approximately 39% of the current account deficit.

The evolution of the **exports** on the main classes included in the national accounts system indicates a high increase of the exports of capital goods (24.7%), which caused the increase of their weight in the national exports by approx. 1%. The exports of intermediary goods also increased their contribution by 17.5%. On the other hand, with an increase of only 1.8%, the export of consumer goods decreased its weight in the total amount of exports by 2.4%.

Both the structure on groups of products and the structure on main classes included in the national accounts system indicate that the structure of the Romanian exports has continued to improve.

As compared to the same period of 2006, the **imports** of goods increased by 28.6% in the first months of 2007. The increase of the imports was mainly caused by the continuation of the modernisation process as well as by the increase in the population's demand for consumer durables.

The dynamics of the **gross fixed capital formation** was clearly superior to the dynamics of the final consumption, the latter being slightly lower than the dynamics from the 1st semester of 2006. The gross fixed capital formation is estimated to achieve, for the entire year, a real increase of 18.0% as compared to 2006, as the positive effects of the implementation of the single taxation quota are still present and leading to the increase of the investments made by the private sector.

The growth of the imports at a rate by 16.3% percentage points faster than that of the export lead to the increase of the **trade deficit** (FOB-CIF) by 63.0% as compared to the trade deficit from the same period of 2006.

The **current account deficit** for the first 7 months of 2007 (8968 MEUR) is 98.3% higher than the deficit registered for the same period of 2006.

As regards the **sustainability of the public finances and the improvement of the fiscal administration**, the major courses of action were aimed at supporting the business environment, providing better services for the tax payers, simplifying the procedures and reducing the bureaucracy, increasing the efficiency of the tax collecting system, improving the internal performance and coordination. Thus, the period necessary for the refunding of VAT and excise duties was significantly reduced and there are more ways through which the taxpayers can fulfil

their declarative obligations. The implementation of these strategic measures will lead to the increase of the budgetary revenue by 1 percentage point of the GDP in 2007 and, between 2008 and 2010, by 0.5 percentage points annually.

The draft budget for 2008 was approved by the Government on 10 October. Its priorities and strategic targets reveal a prudent approach with regard to the continuation of the disinflation process, and the budgetary structure focused on flexible public policies, matching the approach followed by the European budget.

For 2008, the **revenues of the general budget** are estimated to 172,898.2 million RON (39.3% of GDP), with an increase of 2.4 percentage points compared to 2007. For the year 2008 there is foreseen a decrease of the cumulated social assistance contributions with 6% (employee and employer).

In 2008, the **budgetary expenditures** are estimated to increase with 2.4 percentage points of GDP, in comparison with the year 2007, being emphasized the allocation of significant amounts to social assistance - sustaining the pensions system - and also to capital expenditures, which will achieve 6.5% of GDP. The expenditures of the general budget have been estimated to 184,895.2 million RON (42.0% of GDP).

The estimated **budgetary deficit** of 2.7% of GDP for the year 2008 reflects the fiscal consolidation process undergoing.

The **restructuring of the social insurance system** and of the **pensions system** has continued by *completing the process of recalculating the pensions from the public system*. Thus, for 45.4% of the total number of approx. 3.5 million pension files, a percentage higher than the percentage currently paid has been obtained. *The implementation of the systems of pensions privately administered, respectively Pillar II (obligatory pensions) and Pillar III (optional pensions)* takes into account the participation of approx. 300 000 persons in 2007 and approx. 500 000 persons in 2008. For 2008, it is estimated that the total contributions to the funds for the obligatory pensions will be of approx. 5 100 billion RON (137.9 MEUR) accounting for 0.14 % of the GDP.

The structural reform of the health system aims to achieve a modern and efficient health care system, compatible with the health systems in the European Union, a system leading to the improvement of the health status of the population.

The Ministry of Public Health has been carrying out a vast project to **modernise the infrastructure** of the medical units, including rehabilitating the county emergency hospitals and building new hospitals. This project is financed by own resources, bank credits, state and local budget, special funds set up by law, guaranteed external credits or directly contracted by the State as well as by European funds.

For the first six months of 2007, the revenue collected by the State for the **vice tax** was of 496.1 million RON (154 MEUR). Part of these revenues are used for the *National Programme for the assessment of the health status of population*” (started on 1 July 2007), and the rest for the renewal of the fleet of vehicles or for purchasing ambulances.

The National Health Insurance House (NHIH) has real autonomy, with the Parliament having the public control over its activity and over the use of the health funds. Ever since the beginning of 2006, the NHIH has taken over the payment of leaves and of the social health insurance benefits. In order to efficiently spend the sums collected to this purpose, the methodology to grant and to control sick leaves was set out.

The Government has ensured a more efficient use of expenditure, doubling the funds for medicines and increasing the sums for primary medical care, for ambulatory special services in hospitals and for the payment of debts in the medical system.

MICROECONOMY

Improving the functioning of electric power and natural gas markets

The liberalisation of electricity and natural gas markets was completed on 1 July 2007, when the production, distribution and supply activities were separated. This fact has led to the diversification of the operators on these markets; in October, there were 225 private operators on the electric power market (out of which 141 active operators), and 120 active private operators on the natural gas market.

In order to ensure the safety of the production and supply activities on the two markets, important investments have been initiated for:

- *Establishing* connections with operators transporting electric power from neighbouring states (Hungary, the Republic of Moldova and Serbia); the degree of interconnection to the European supply routes, for the summer of 2007 was of 15.4% on import, and 14.9% on export;
- *Starting-up Unit no. 2* of the Cernavodă Nuclear Power Plant, investment which amounted to 257.56 MLei;
- *Ensuring safety while supplying natural gas*, by: completing the first section of the Arad-Szeged pipeline, measuring 37 km, drawing up of the technical project for the first phase Negru Vodă-Mangalia, starting the drawing up of the feasibility studies for the pipelines that will be build on Romania's territory under the project regarding the interconnection on the Cernăuți – Siret pipeline, endorsing the Association agreement by the partner companies involved in the international project of the Nabucco pipeline.

The regulator for the electricity and natural gas markets, the *Romanian Energy Regulatory Authority* has strengthened its position by completing the legal framework with norms, standards and market rules meant to encourage competition and to increase the quality of the services provided by the existing operators on the electricity and natural gas markets.

Modernising the transport infrastructure

In order to eliminate the gap toward the old EU countries, from the point of view of public roads' global density, Romania's priorities are connected to the necessity of interconnecting the country externally and internally:

- *Assurance of the connections with the motorway networks from the other Member States*, through the internal motorway system, that consists of 247.7 km in use, 337.0 km in execution and 1339.8 km under preparation;
- *Modernising the national roads(works on 963 km)* and building road rings of towns (26.7 km).

In order to *increase the quality of the rail network*, the modernisation of the TEN-T network has continued (458 km of railway are taken into consideration for modernisation/rehabilitation works; 170 km are under finalisation), in the same time with the implementation of rail interoperability on different traffic sections, situated on Corridor IV. The modernisation/rehabilitation of 4 railway stations was also completed (Galați, Arad, Sighișoara, and Oradea). Other 3 stations will be finalised by the end of 2007(Bacău, Ploiești Sud, Brașov), while the stations of Buzău, Dr.Turnu Severin, Fetești, Sibiu, Cluj, Constanța, Craiova, Iași and Timișoara are in different stages of development.

In order to *modernise and develop the airports* in the TEN-T network, modernisation works are further developed in the Bucharest, Constanța and Timișoara airports and development projects have been prepared for other 8 airports.

Under the programme for the *modernisation of TAROM fleet*, two new A 318 aircrafts have been purchased.

In the *maritime and inland waterway transport* sector, the operating capacity of Constanța port has been increased and the capacity to handle the passenger terminals from Orșova and Moldova Veche has also been increased (for ships with a capacity of 300 passengers).

As to the *increase of the transport safety*, under the programme „*Stop to Accidents! Life has priority! – 2007*” the number of persons killed in road accidents has decreased by 6.2%, compared to the same period in 2006. In the inland waterway transport, the number of accidents decreased by approx. 10%, in comparison to the similar period in 2006.

Modernising the communications infrastructure and promoting the information technology

The Romanian *information and communication technology (ICT) market* has one of the most dynamic market at regional level and has constantly increased, exceeding a lot the economic growth rate, the ICT industry being the most dynamic sector of the economy. At the end of 2006, the sector turnover amounted to 2 964 MEUR, and for 2007 it is estimated to amount to 5 140 MEUR, with an increase of approx. 7% as compared with 2006.

The Government has focused on *reducing the digital gap between urban and rural areas*, by carrying out programmes designed to increase the access of local communities to information and knowledge. The e-communication infrastructure has been developed especially in the isolated areas where the penetration rate is under the national average, by: setting up and developing telecentres (130 for 2007), interconnecting public institutions to highly computerised networks (246 town halls, 246 public libraries, 246 Points for Public Access to Information and 502 secondary schools computerised in 2007), setting up *hotspots* in public areas to provide Internet services to the population (20 indoor active hotspots by the end of 2007), promoting the *Strategy for Broadband Wireless Access*, set up in cooperation with the communication operators.

Improving the business environment

For 2007, Romania has implemented a set of reform elements to promote better rules and regulations and to facilitate the entry on/exit out of the market of the enterprises:

- Preparing the *Strategy for a better regulation in the central public administration 2008-2012*, which is going to be approved by the end of this year;
- Promoting the *Action Plan for decreasing the administrative burden 2007*, approved at the beginning of October this year;
- Promoting the *silent authorisation procedure* for 48 authorisations, licences and certifications, that is 10% of the total (the normative act is under parliamentary procedure);
- Promoting the draft *Law on stimulating investments in Romania* (the project is under public debate , and is going to be submitted for approval);
- Setting up the *on-line system for the registration and the authorisation of entrepreneurs* based on electronic signature, administered by the National Trade Register Office;
- Setting up the system for the *on-line registration and authorisation of local entrepreneurs*;
- Facilitating the setting up of enterprises by implementing the *Multi-annual*

Programme for developing the entrepreneurial spirit among women manager;

- Regulating the *pre-insolvency procedure*;
- Rendering operational the *National Centre SOLVIT*.

Developing the business infrastructure

In 2007, Government of Romania has focused on the following priority projects with major impact on informing and guiding the SMEs on the market:

- Continuing the development of the Contact Points network – *one-stop shop* – in order to support the development of SMEs. At present, 11 one-stop shops are functioning (out of which three have been set up this year) and they provide services for 8 development regions.
- Supporting the set up and the development of *business incubators*. At present, 3 incubators with 59 incubated enterprises are functioning, of the 8 planned to be set up by the end of the year 2008.
- Setting up the *portal for SMEs* administered by the Ministry for SME. The portal was launched on 25 September 2007, providing 5 active services. So far, over 250 entrepreneurs interested in benefiting from the services of the portal have been registered.
- Setting up the *Consultants' Central Registry*, as part of the portal for SMEs. So far, 300 consultancy and training providers have been registered.

Increasing the competitiveness of enterprises and promoting RDI

For the year 2007, public expenditure of 0.5% of the GDP has been earmarked for RDI. To develop RDI activities in the R&D units and within enterprises, Romania's Government has adopted two strategic documents: the *National Strategy on Research, Development and Innovation 2007-2013* (NS IRD) and the *National Plan on IRD 2007-2013* (NP II, approved by GD no. 475/2007) based on which the strategy is implemented.

To *stimulate the innovative enterprises and the activities of technological transfer* in economy, the following programmes are under implementation:

- „*Innovation*” – finances projects initiated and developed by enterprises, directed towards the increase of the innovation capacity, the technological development and the assimilation of RD results in industry; 294 projects have been submitted, out of which 137 were financed (amounting 200 mill. lei);
- „*INFRATEH*” – finances projects for the development of the infrastructure and of the services for innovation and technological transfer - TS parks, technological incubators, technological transfer centres etc.; 12 technologic transfer centres, 4 parks and 15 technologic incubators were set up.
- „*Partnerships in the priority IRD fields*” - finances projects for: information and communication technologies; nanotechnologies, innovative materials and products, including bio- and eco-technologies, having in view to stimulate the setting up of the consortia in technical and scientific fields, specific to high technologies; 2291 projects have been submitted, out of which 778 were financed (amounting 500 mill. lei);
- “*Capacities*” – finances projects for investments in the developing of existing R& D infrastructures; 1278 projects have been submitted, out of which 404 were financed

(amounting 270 mill. lei);

- “*Ideas*”- finances projects focusing on excellence and international visibility, on frontier research, on interdisciplinary and complex researches in frontier topics; 294 projects have been submitted, out of which 137 were financed (amounting 200 mill. lei);
- “*Human resources*”- designed to develop human resources from universities, RD units and from enterprises; 438 projects have been submitted, out of which 418 were financed (amounting 135 mill. lei);
- “*Excellence research*” (CEEX) – designed for excellence research; 1404 partnerships have been established which resulted in 99 modernised products/ technologies/ services and 31 proposed patents;
- „*IMPACT*” - prepares the IRD projects which will be financed through *SOP Increase of Economic Competitiveness*; 630 projects were accepted, amounting 50 mill. lei.

The interventions in the economy through **dedicated programmes** have been designed mainly to stimulate investments in the industry and services sectors (including SMEs), thus:

- *The multiannual investment programme for the modernisation/ re-engineering of SMEs offers grants for newly set up enterprises and micro-enterprises;*
- *The Programme for supporting the development of small and medium-sized enterprises through funds in the limit of sums paid for the gross reinvested profit is designed to capitalise small and medium-sized enterprises; 2683 application were received;*
- *The Programme for the implementation of the systems for environmental management, for quality assurance and for certification of products in SMEs is designed to support SMEs in implementing and certifying the quality /environment/ health and safety/ food safety management systems; 355 SME have applied , out of which 210 were financed;*
- *The Programme to increase the competitiveness of industrial products supports a quality level complying with the European Union standards, the implementation of the world best practices according to the standards ISO 9000, ISO 14000, ISO 17025, ISO TS, and OHSAS);*
- *The sectoral research and development plan of the Ministry of Economy and Finance is an instrument for the implementation of priorities regarding the development of the research, development and innovation field in the industrial sector, priorities established by Governmental policies; 10 enterprises were financed for RD, 7 research institutes were endowed with equipment and installations and 50 RD projects involving 600 researchers were also financed.*

Strengthening competition and state aid policies

On 1 January 2007, the Competition Council became full member in the *European Competition Network (ECN)*, which is the essential element of the system of implementing Community rules in the competition field.

As to the strengthening of the administrative capacity of the Competition Council, 39 training activities were carried out in the first semester, where approx. 65% of the specialised staff from the Competition Council was trained.

In its relations with the European Commission, the Competition Council has the role of *contact authority* representing Romania before the European Commission in the Community procedures

regarding the state aid, on one hand, and the authorities, the public institutions, the state aid providers and the beneficiaries, on the other hand. In 2007, the Competition Council carried out the following actions :

- Notification of the state aid for Petroșani Hard Coal National Company;
- Endorsing seven reports on regional state aids excepted from the obligation of notification to the European Commission;
- Providing specialised assistance to initiators, providers and beneficiaries of state aid schemes during the six meetings of the Interministerial Group and the approx. 90 meetings;
- Finalising the state aid schemes included in the approved operational programmes;
- Monitoring the state aids for restructuring and the recovery/reimbursement of illegal state aids granted.

Access to finance

In order to facilitate the access of SMEs to finance, the European Investment Fund and Romania's Government signed the Financing Agreement on developing innovative financial instruments (venture capital, guarantee funds) designed for the SMEs with high potential for growth.

At the same time, the National Fund Loans Guarantee for SME and three local guarantee funds continued to grant guarantees for loans requested by SMEs from banks.

Sustainable management of renewable resources and mitigation of climate changes effects

As regards the *environment infrastructure* (water/waste water) the following goals have been achieved in 2007: 11 investment objectives regarding the rehabilitation of the water supply and sewage networks and the modernisation of the system for collecting and purifying the waste waters, 25 investment objectives for the extension of the networks for water supply, sewage and purification of waste waters and 98 investment objectives for water supply and waste waters purification.

In the area of *preserving biodiversity*, 273 *Sites of Community Importance* and 109 *Special Avifaunistic Protection Areas* have been identified, in view of setting up the Network of European interest sites Nature 2000.

As regards the *waste management*, an integrated waste management system is being developed with the support ISPA in 7 of the 42 counties (the first project phase). Other recent investments in the area of solid waste (building new ecologic waste deposit facilities) have been carried out in 11 towns.

In the area of the *climatic changes*, the data existing for October 2007 show that the level of GHG emissions in Romania, excluding the removals by sinks, has decreased by approximately 40% between 1989 and 2005.

Romania's National Strategy on Climate Changes and the related *National Action Plan* are being updated. The activities laid down in *The National Action Plan on climate changes* which are under the responsibility of the Ministry of Environment and Sustainable Development are 80% implemented. The draft *National Allocation Plan* for the period 2008 - 2012 has also been drawn up in view of participating in the *EU r greenhouse gas emission trading scheme*.

By transposing and implementing the Community *acquis* on environment, the measures for the *reduction and control of the emissions* of sulphur dioxide, nitrogen oxides, volatile organic

compounds and ammonia, the responsibilities of the competent authorities for implementing these measures and monitoring their implementation as well as the obligations of the operators which are pollution sources have been set out at national level. The national emissions inventory for 2005 points out the fact that the annual national levels of these emissions are situated under the national emission ceilings set for 2010.

Energy efficiency

In 2007, the energy policy has focused especially on reducing the energy intensity and on carrying out several national programmes for reducing the energy costs, on setting out actions for the reorganisation of the mining sector as well as on promoting the usage of renewable energy resources and bio fuels.

The main actions considered for *increasing the energy efficiency* both in the energy system and to the industrial and household consumers are the following:

- *Developing projects on energy efficiency* which aim at upgrading equipments, technologies and technological processes and at promoting mechanisms such as long-term agreements between the Government and the associations from the industrial sector. The implementation of the projects will contribute to the decrease of the energy intensity from 0.526 tep/1000 EUR in 2006 to 0.47 tep/1000 EUR in 2007;
- Drawing up the draft Government Decision approving the *National Programme for the reduction of energy costs for the population by increasing the energy efficiency*, programme whose implementation aims both to increase the comfort and the safety of the heat and hot water supply and to reduce by 15-15% the thermal energy costs for the population;
- *The thermal rehabilitation of the blocks of flats – condominiums*, which aims at decreasing the energy consumption, decreasing the maintenance costs for heating and hot water preparation by approximately 40 - 60% of the current values and at reducing the polluting emissions generated by the energy consumption. In 2007, the energy audit for 48 blocks of flats, the feasibility study and the thermal design for about 500 buildings have been carried out.

Restructuring and increasing the efficiency of the mining sector aims mainly at closing the inefficient mines and ecologising the abandoned mining areas. The reorganisation process began in 1997 and until now the activity of 45 non-profitable mines and quarry sites has been shut down, 24 of these being closed in 2006.

In order to *promote the use of renewable energy resources and of biofuels*, the adoption and implementation of several specific policies and instruments such as "green certificates", the exemption from the payment of excise duties for energy products such as biofuels and other renewable fuels and also the adoption of a calendar for the placing on the market of some mixtures of biofuels and conventional fuels have been considered.

LABOUR MARKET

Romania undertook two priorities in the field of labour market: *increasing the ratio of participation* on the labour market and *improving the quality of the human resources*. The goals envisaged within these two priorities aim to ensure a favourable framework from the legislative and the institutional point of view, in order to create new jobs and to attract a larger number of people on the labour market (reducing the inactivity ratios within the groups vulnerable from the social point of view).

Promoting **active employment measures**, especially those which concern the implementation of

integrated sets of measures and of vocational training programmes led to the significant decrease of the unemployment rate during the first semester of 2007.

In the first semester of 2007, the implementation of the measures laid down in the *National employment programme* led to a number of 282 951 employed people, which represent 35.9% of the total of 787 133 people registered in the records of the Public Employment Service during the same period. From the total of 282 951 people, 28 124 belong to some groups with a more difficult access on the labour market, such as: 17 602 long-term unemployed people, 9 862 Roma people, 509 disabled people, 105 young people who left the child protection system.

The **rate of registered unemployment (ILO)** reached in the first semester of 2007 the lowest level after 1990, namely 4.7%. The decrease of unemployment rate in the first semester of 2007 was registered both for women and for men, a more accentuated diminution of the unemployment rate being for men. In the first semester of 2007, the male unemployment rate reached 5.2%, while the women unemployment rate was 4.1%.

In order to detect and to fight against the cases of **illegal employment**, which occur mainly in certain activity sectors (constructions, garments, supplies of services, etc.), the 38 727 control actions undertaken in the first semester of 2007 by the Labour Inspection led to the conclusion of 3 912 individual work contracts for the people detected that are illegally employed and contracts registration with the Labour Inspectorates.

For the purpose of **integrating people with disabilities** on the labour market, in 2007, 9 pilot centres for counselling and mediation intended for people with disabilities searching for a job have been set up, through which 228 people have been employed, 1 298 disabled people benefited of active measures and 665 disabled people have been employed through the dedicated services.

In 2007, apart from **reducing work taxation level** and the recent amendments of the Labour Law for the purposes of increasing the flexibility of the employment relationships, the Government undertook the application of the measures meant for the reduction of administrative pressure upon employers, related to the use of labour and the regulation of the temporary activities.

As far as the **fiscal relaxation** is concerned, during 2007, the Government continued to support the reduction of the social tax quotas for the employer and thus, for the social security, these ones have reached the target of 19.5% and the contribution for the unemployment insurances was reduced to 2%.

The conclusion of the update of the **Labour Code** in 2007 makes more flexible the employment relationships, both in the advantage of employees and employers and the effects on medium-term consist in: making more dynamic the economic activity, bringing to the surface the employment relationships from the grey zone, eliminating corruption and bureaucracy.

The Government will continue the process of updating the legislation applicable to the stimulation of employment and to the provision of social protection during unemployment, in view of better reflecting the changes on the labour market.

For the year 2007, other goals of the Government are: **improving the labour conditions, fighting against illegal employment and promoting health and security at work and gender equality**. In the year 2007, the actions considered by the Government aimed to establish the legal framework on which the amendment of all provisions that are opposite to the principle of equal treatment is based.

The quality of **education and vocational training** and the **lifelong learning** acquisition of knowledge and skills become increasingly important factors for competitiveness in the

knowledge based society, which underpins the need for increasing and improving investments in human capital. The actions envisaged by the Romanian Government target: the modernization of education and initial VET, quality assurance in higher education and the development of continuous education.

The **budget for education** has continuously increased since 2005; thus, the share of public spending for education in GDP increased from 3.9% in 2005 to 5.078% in 2006 and then to 5.2% in 2007, while its forecast for 2008 is an allocation of 6% of the GDP.

The **decentralization of education** will contribute to the improvement of both school units' and the local public administrations' capacities to address the current educational processes and the school units' management/administration requirements/challenges; thus, the actions undertaken in 2007 aimed at increasing the rate of the decentralization of education. Fifty schools units located in the counties of Dolj, Harghita and Iasi were selected for piloting the decentralization measures.

The reform of **early education** is a structural measure initiated in 2007 and supported by two projects: the "project for early education reform" and the "project for inclusive early education", the implementation of which will contribute to the decrease of educational disadvantage, the insurance of equal access to education and the prevention of early school leaving.

The implementation of measures for increasing the *access to education*, in particular for disadvantaged groups, by the end of 2008, is expected to lead to the following results: the decrease, by 15%, of the of school drop out in compulsory education; the increase, by 10%, of the access to upper secondary education for students from disadvantaged groups; the increase, by 15%, of the rate of integration of children with special educational needs (SEN) in the mainstream education; the increase, by 20%, of the rate of the reintegration of early school leavers in compulsory education.

In 2007, several measures, projects and programmes addressing **quality assurance** in education and the improvement of teachers' qualifications, have been extended/continued. Thus, during this year, approximately 77,917 teachers attended and continue to attend various teachers' training programs developed by *Casa Corpului Didactic* and universities.

With respect to the development of the **technical vocational education** and training (TVET), the goals of increasing the attractiveness and improving the capacity to respond to the sectoral and regional labour market requirements have been addressed by initiating/extending the actions for improving the learning facilities (such as infrastructure and endowments), quality assurance, increasing the access levels to the TVET and by improving the TVET planning and responsiveness to the labour market needs.

With respect to **higher education**, as a key factor for the development of the knowledge-based society, the actions for implementing the Bologna process continued in 2007. Thus, steps have been taken for the elaboration of a new legal framework regulating higher education. The implementation of the national qualifications system in higher education is a relevant reform measure, which contributes to the improvement of the universities' capacity to provide higher qualifications relevant to the requirements of the labour market. The measures have been undertaken for setting up the National Qualifications Framework in higher education materialized in the elaboration of grids for competence identification, which are used within 20 areas of higher education; further actions have been envisaged for the harmonization of qualifications in higher education with corresponding VET qualifications for 20 study programs from 10 areas (by November 2007).

By the end of 2007, 49 state universities and about 400 000 students (in the bachelor, master and doctoral cycles) are expected to benefit from the funding / **investments in infrastructure** and equipments, conducive to works of modernization/ rehabilitation/equipment.

INTRODUCTION

The present document reflects the implementation status of the National Reform Programme (NRP) in the first year of Romania's accession to the European Union.

The Report is structured on the four fields of intervention (public administration, macroeconomics, microeconomics and labour market) and systematically presents the relevant actions undertaken by the Romanian authorities in implementing the reform.

The Implementation Report of the NRP was approved by the Government of Romania in its meeting held on 17th October 2007.

Contents of the NRP

The NRP, drawn up in the context of the *Strategy for Growth and Jobs* (the Renewed Lisbon Strategy - RLS), converges with Romania's development strategies promoted through the 2007-2013 National Development Plan, the 2007-2013 National Strategic Reference Framework, the 2007-2010 Convergence Program. It constitutes the strategic framework for integrating policies in several sectors – public administration, macroeconomics, microeconomics, labour force employment, environment – in a coherent reforms programme that fructifies the synergies between the economic and social fields.

The first version of Romania's NRP was drafted in 2006 by the main line ministries and state institutions (in consultation with social partners) and was informally submitted to the European Commission in November 2006. Following consultations with the experts from the European Commission during the months of February and May 2007, it was agreed to restructure the measures contained in the document, and the Government's political commitment to implement the new priorities of the NRP was ensured. At the same time, it was agreed that synergies between defined priorities should be reflected in the document, including the components of programmes financed from European funds that are aimed to sustain RLS.

Consequently, the new NRP was structured on six reform priorities, putting into practice the Integrated Guidelines (IG) adopted by the 2005 Spring European Council:

- A. *Improving the administrative capacity* – ensuring the legal and institutional framework needed to increase efficiency of the governing act through specific measures in key fields: public policies, management of community funds, public authorities' capacity to launch public procurements, reform of the judicial system (IG 3, 9, 12, 13, 14, 16);
- B. *Improving the quality and management of the Government expenditure* – increasing efficiency of productive investments in the context of implementing prudent macro-economic policies (IG 2,3, 4, 7, 13);
- C. *Improving the markets' functioning* - ensuring of adequate markets' functioning (especially of the energy and communications markets) and promoting investments for connecting to the European networks (IG 1, 11, 12, 13, 14, 16);
- D. *Further improving the business environment* - developing the business infrastructure, incentive the investments, giving impetus to RDI, diminishing and redirecting the state aid, increasing quality of the regulating framework and facilitating access to capital (IG 7, 8, 9, 11, 13, 14, 15);
- E. *Increasing the employment and activity rates on the labour market* - achieving a labour market favourable to creation of new jobs, improving enterprises' and workers' adaptability, incentive labour force employment and improving quality of human resources (IG 2, 4, 9, 16, 17, 18, 19, 20, 21, 22, 23, 24);

- F. *Improving the quality of life by means of sustainable management of renewable resources and mitigation of the effects of climate change* - diminishing pollution, conservation of bio-diversity, managing natural resources, increasing energy efficiency (IG 11).

The new NRP, drawn up on the basis of consultation with all ministries and institutions member of the *Working group for Lisbon Strategy*, underlines the reforms that the Government of Romania decided to promote with priority during the period 2007-2010. It was agreed by the Parliament's Commission for European Affairs and was endorsed by the Government of Romania in July 2007.

Monitoring the NRP

During the period that followed the submission of NRP to the EC, the Government of Romania has restated in numerous occasions its decision to implement the reforms foreseen in the NRP and to closely monitor the progress in achieving RLS objectives.

Through the Department for European Affairs, which ensures the national coordination of implementation of Lisbon Strategy, the Government initiated the implementation and monitoring process of the NRP at the level of all central and local administration units and main state institutions.

Implementation of the NRP lays its base in the *Framework Plan of Measures for Implementing the NRP* (drawn up on the basis of *Annex no. 2* of the NRP). *The Framework Plan* is periodically reviewed, in accordance with the evolution in implementation and new priorities of the EU or the Government of Romania.

Yearly, *The Framework Plan* is filled in with concrete actions proposed by the implementing institutions in consultation with the social partners, thus being constituted the *Annual Action Plan for Implementing the NRP*.

The evaluation of progress in implementing the *Action Plan* is done on quarterly basis by each implementing institution. Based on their reporting, the Department for European Affairs draws up on a *NPR Monitoring Report*, which is submitted to the Government of Romania for information and initiation of the corrective measures.

1. IMPROVING THE ADMINISTRATIVE CAPACITY

1.1. Improving the administrative capacity of the public administration to formulate and implement public policies

The process of drawing up and implementing public policies still represents a priority field in Romania and the Romanian authorities continued the efforts to evaluate their social and economic impact and to systematically monitor the efficiency of public funds utilisation.

The Romanian Government approved the procedures, which set up a mechanism for analysing the ex-ante substantiation of all draft legal acts and public policy documents prior to their submission to the Government approval.

Following the adoption of the *Government Decision on the approval of the procedures for drawing up, endorsing and submitting the draft public policy documents and the draft normative acts, as well as other documents, in view of their approval*, training sessions for the specialists of the line ministries are to take place, these procedures following to be enforced starting with February 2008. A new computerized system is also to be implemented, thus enabling the electronic transmission of the documents for Government meetings, using the electronic signature.

As to the *assessment of the way in which ministries, authorities and agencies have substantiate the proposals for public policies and draft normative acts*, the *General Secretariate of the Government* monitors and periodically assesses the way in which the ex-ante analysis of the public policies documents and of the draft normative acts submitted for Government approval is achieved.

The last *Report regarding the preliminary assessment of the impact of the public policies and of the draft normative acts between January-June 2007* proves that important steps have been taken towards implementing the reforms introduced by GD no. 775/2005 and GD no. 1361/2006. Consequently, out of a total number of 671 draft legal acts submitted for Government approval, 661 had presentation and motivation documentation filled-in adequately.

Nevertheless, although at the formal level the process is developing satisfactorily, there are still difficulties in filling-in the form itself, especially the section on the financial impact on the general budget or the one describing the measures implemented. In order to improve these aspects, the efforts will continue to be focused on strengthening the capacity of the line ministries to draw up public policies proposals and to adequately substantiate the draft legal acts.

As to *designing the system of monitoring and assessing public policies*, this initiative highlights the importance of a correct implementation of the adopted public policies and will ensure the monitoring of the progress and of the results of the actions and policies using performance indicators. A first variant regarding the institutionalisation of this system was elaborated, the process of inter-ministerial consultation following to be launched next. At the same time, by the end of 2007, a guide on performance indicators will be elaborated.

Regarding the *training of the central public administration experts in the field of ex-ante impact assessment and evaluation techniques*, the General Secretariate of the Government continued the process of strengthening the capacity of the public administration, by organizing a series of training sessions for the specialists from the central public administration. Thus, in 2007, approximately 100 specialists from the ministries were trained in the field of impact analysis (the training focussing on the ex-ante analysis of the financial and economic impact of the public policies), as well as in the field of methods and techniques for the monitoring and assessing of the public policies.

More training sessions are to be organised in the months to come, on the topic of better regulation and of the evaluation and reduction of the administrative burden (using SCM).

In view of *consolidating the component of territorial cohesion*, in 2007, the following measures have been implemented:

1. Drawing up the Strategic Concept of Territorial Development of Romania 2007 – 2030 (SCTDR). Similar to all Member States, Romania has to ensure the documents conferring to socio-economic cohesion the territorial dimension underlining the territorial impact of using European funds. SCTDR highlights, from an integrated territorial perspective, the modalities of optimally using the national potential in view of recovering the development gaps and stimulating Romania's balanced development.

Romania's major strategic objectives of territorial development have been identified and approved, aiming at connecting to the European network of the poles and corridors of territorial development, structuring and developing the network of urban localities, affirming the urban-rural solidarity adapted to various categories of territories, consolidating the trans-Carpathian links as a support for the regional development and capitalisation on the natural and cultural assets. Moreover, the relations between the five major objectives and the directions of financing the operational programmes have been identified.

The process of drawing up the list of the medium to long-term priority projects related to each major objective has been started. This approach will contribute to the coordination and prioritisation of the investments at national and regional level and will facilitate the process of absorption of non-reimbursable external funds allocated to Romania during the current programming period.

The process of elaborating the SCTDR implementing instruments by establishing a set of criteria for the configuration of the territorial development polycentric structure is developing, as well as the creation of local and territorial databases and the initiation of a national programme of training in the field of integrated territorial planning.

The whole process of elaborating the SCTDR and configuring the implementing instruments is based on the consultation and on the partnership with public authorities associations, municipality and county chief architects associations, the Agencies for Regional Development, line ministries, the National Statistics Institute, National Prognosis Commission, ANCPI, professional associations and of the private sector, universities, NGOs etc.

2. Drawing up the Plans of Systematisation of the Zonal/ Regional Territory. The 8 *Plans of Systematisation of the Zonal/ Regional Territory* are being elaborated, and they substantiate the territorial profile of Romania's competitiveness, the measures regarding the economic, social and territorial cohesion, as well as the projects submitted to various financial sources.

3. Modifying the legislation in the field of local and territorial planning. This measure aims at implementing the reform of the territorial planning system in Romania by amending the appropriate legislation. There are envisaged legislative modifications to Law no. 350/2001 concerning territorial planning, Law no. 50/1991 concerning the authorisation to carry out construction works, the General Town Planning Regulation and the related and subsequent documentations.

4. Promoting a clean and sustainable regional and urban transport. The implementation of this measure envisages the substantiation of a national strategy in the field of promoting a clean transport based on renewable non-polluting energy sources and a better quality of life in the urban areas, as well as the management of urban mobility in the context of the spatial development of towns and of a greater availability to public transport of persons and goods.

1.2. Increasing the quality of public services

In 2007, Romania's Government intensified its efforts to simplify the regulations, to diminish the

administrative barriers and the administrative costs for companies and to ensure a better communication with/between the public institutions.

In the first semester of 2007, *the process of administrative and financial decentralization* continued, the following legal acts being adopted: the *Law on the status of the local elected officials*, the *Law on the status of the civil servants*, the *Law no. 50 on the civil servants' code of conduct (simplified version)*; the *Administrative Code* and the *Code of Administrative Procedure* are being drafted.

The framework of self-assessing the functioning of the public administration (CAF) at the level of the central and local authorities was created as an instrument available for public organisations all over Europe, to help them acquire the management techniques by total quality and to improve their performances.

Until now, this instrument was voluntarily implemented in 29 public institutions in Romania (prefectures and county councils). The concrete actions between September and December 2007 foresee the organisation of sessions presenting and implementing CAF at the level of the applying public institutions (6 to present).

Moreover, in the first semester of 2007, the National Institute of Administration together with the regional centres developed three training programmes on the topics: *Quality management systems in public administration*; *Management standards in public institutions*; *Document management in public institutions*.

In the first semester of 2007, a first draft of the *Strategy for a better regulation at the level of the central Government 2008-2012* was drawn up, that is to be submitted to the process of inter-ministerial consultation. This strategy will have a strong impact on the public administration, focussing on reducing administrative burden, the ex-ante impact assessment, promoting consultations and dialogue with actors involved, simplifying the legislation, applying the European Union legislation. The strategy aims at creating a regulatory environment adequate to economic development, by increasing productivity in the economic sector (companies, enterprises etc.) and by reducing administrative tasks, thus saving major financial resources that may be reinvested in the development of the economy and in job creation, without also neglecting the aspects referring to the protection of the consumers and of the employees.

The strategy's specific objectives are: i) an enhanced quality of the regulations, by improving the process of substantiating and assessing the impact of the public policies and of the legal acts and by improving the consultation activity in view of their elaboration; ii) measured administrative costs and diminished administrative burden by the use of a pre-established methodology; iii) simple and clear legislation by eliminating overlapping and redundancies within the enforced normative acts; iv) a coherent institutional framework for the agencies and authorities with regulatory and inspecting responsibilities; v) a better framework of transposition and implementation of the Community law.

The term proposed for the adoption of the strategy by the Government is the end of 2007.

As part of *Strategy for a better regulation*, the component measuring the administrative costs is dedicated to the complete and precise evaluation of all the costs implied in the adoption and implementation of the normative acts and, as a direct consequence, in the elaboration of the plans for the legislative and administrative simplification.

At the same time, the Government decided to begin reducing the administrative burden in certain sectors where its level evidently affects the business environment. Hence, the *Action plan for reducing the administrative burden 2007* was elaborated and approved and, by the end of this year, the evaluation and the diminishing of the administrative burden for the Ministry of Labour, Family and Equal Opportunities, as well as for the Ministry of Economy and Finance is in view.

This process is to be put into practice in two phases:

- The first phase (in 2007) implies the reduction of the administrative burden as a result of better internal administrative procedures in two priority fields: labour and finance. This phase will include administrative measures for management improving, that can be rapidly promoted;
- The second phase implies the reduction of the administrative burden as a result of an analysis of the entire legislation, with the view to quantifying the administrative burden, eliminating legislative overlaps, old and redundant provisions. At the end of this phase plans for simplifying the legislation will be drawn up.

The simplification of the administrative procedures designates all the approaches meant to facilitate and simplify the administrative formalities, which an applicant (natural or legal person) has to execute in view of observing the rules imposed by the authorities. The general objective of the administrative simplification is to facilitate the interaction/reports between the citizen and the administration.

In order to improve the public relations services, the time necessary for the issue of administrative documents has been reduced as it follows: passports urgently (within 2 hours); passports normally (within 7 days, at the most); driving licenses (within 2 hours for changing a license/24 hours for a new license); registration certificates (within 2 hours); vehicle record numbers (within 2 hours); judicial records on the spot (within 37 counties); provisional driving authorisations (within 2 hours); preferential vehicle record numbers (within 7 days).

In order to observe the terms of issue of the documents, the work programme with the public has been prolonged, in some counties one-stop shops for paying the documents have been set up and a unitary panelling system has been created by which the officials are being informed about their obligations and the citizens about the commitments taken by the Government.

At the same time, having in view that by the end of 2007 the judicial record is to be issued on the spot using a computerised system in the entire country, the emergency fee for the issue of the judicial record will be eliminated.

The setting up of one-stop shops at the level of the local public administration. The one-stop shop is a system for the intermediation of the relation between the applicants for identity documents, elector's cards, simple passports, driving licenses, vehicle registration certificates and plates with vehicle record numbers on the one hand and the competent issuing public authorities on the other hand, and has the role of facilitating the access to the corresponding public services by empowering a single authority to receive the applications and to issue the respective documents.

Out of the total of 382 communitarian public services for public evidence, 226 operate in one-stop shop system.

The implementation of the one-stop shop system contributes to the increase of the transparency and efficiency in the relation between administration and citizen, it grants inhabitants of the urban and rural areas equal access to public services and it efficiently simplifies citizens' access in view of rapidly obtaining the personal documents.

The setting up of the one-stop shop for issuing of the working permit in order to receive the residence permit for work purposes has been made by the unification of the *Aliens Authority* with the *National Immigration Office* and the taking over from the *Office for Labour Force Migration* within the Ministry of Labour, Family and Equal Opportunities of the structure having attributions related to the issue of the work permits.

This simplification of the procedure of obtaining the right of residence for the purpose of working removes the intermediary stages in taking the necessary steps. About 4,000 work

permits are being issued every year at national level.

In order to ensure the quality of the *community public utility services*, several laws have been adopted, regulating the conditions for the supply of certain services: the *Law on local public transport services*, the *Law on the setting up, organisation and functioning of the house-owners associations*, the *Law on taxi transport and rental transportation*; the *Law on management service of the public and private domain of the administrative-territorial units* is are under Parliamentary approval.

The drawing-up of the quality standards and of the performance indicators related to the supply of the community public utility services by the local administration is also being considered. Based on these standards, the community public utility services will be regularly monitored and evaluated. In this respect, in a first stage, the *Central Monitoring Unit* within the Ministry of Internal Affairs and Administrative Reform has been set up and the setting up of *Local Monitoring Units* has been decided at the local level.

By enforcing of the laws: 51/2006, 101/2006, 230/2006, 241/2006, 325/2006, the *public utility market has been liberalised*. By the adoption of the Law no. 51/2006 *balanced result-oriented contractual relations* of the public utility community services *have been promoted*. Actions have also continued in the first semester of 2007, by drafting of implementing norms, based on the principle of compulsory payment of invoices representing the value of services provided and of payment compliance of bad payers, undertaking the principle of compulsory payment of invoices within framework contracts regarding the supply of public utilities services.

In view of *clarifying the public utility subsidies system* and of improving the tariffs system, during the 1st semester 2007 the GD no. 172/2007 and the GD no. 409/2007 have been adopted, by which 615,660 thousand RON for subsidies were allocated per administrative-territorial units.

The separation of the public utilities from the public services and the introduction of the quality standards have been achieved by the adoption of the Law no. 51/2006 and of the Law no. 286/2006 for the modification and the completion of the Law on local public administration. This measure also continued in the first semester 2007 by the drawing up and adoption of the draft implementing rules.

The pilot project *Facilitating the access of the small local communities to the e-administration services* implies the development of a software application allowing city halls that have insufficient resources to create their own web portal by which they can interact with the citizens as well as with other institutions or with the business environment in order to attract investments in the area.

The project supplies the public administration institutions from the target communities with a working instrument adapted to their IT needs and knowledge, allowing them to have an active presence on the Internet, representing a point of origin for the supply at the local level of the e-administration services.

Within this project, the public bid process has been developed and a contract has been concluded for the reservation of the INTERNET domain, for the delivery of the hardware equipment, the delivery of licensed, installed, configured software, the delivery of technical documentation and user manuals and the preliminary training of the personnel to use this application.

The project will be finalised by the end of 2007.

As regards the *modernisation of the public function*, within the project PHARE *the Implementation of the reform in the public function in Romania*, the draft GD on the organisation and development of the public servants' carrier has been finalised, which also includes the modification of the methodology for the evaluation of public servants.

1.3 Effective management of the structural instruments

The European Commission approved the programming documents for the Structural and Cohesion Funds – the **National Strategic Reference Framework and five out of the seven Operational Programmes** deriving from it. The other two programmes financed out of the European Social Fund are to be approved by the end of October.

The detailed national documents related to the implementation of the Structural and Cohesion Funds are in a very advanced stage of finalization and are being published gradually, as the calls for proposals for the projects related to the envisaged measures of every Operational Programme are launched.

The development of the **administrative capacity** for the effective management of the Structural and Cohesion Funds has been a high priority for the Romanian Government in the last year. Thus, after creating the institutional framework in accordance with EU principles and rules, significant efforts have been undertaken in order to meet the staffing requirements and to ensure motivating salaries, training and working conditions for the personnel in the Managing Authorities and Intermediate Bodies.

In order to develop the **procedures** required by the operation of the management system of structural instruments, efforts have also been made to ensure a smooth, yet rigorous implementation of the funds, building on the pre-accession experience and based on best practice of other Member States.

At present, in the system there are by total **1,659 persons involved in the management** of Structural and Cohesion Funds, which represents over 90% of the assumed commitments. Close monitoring of employment level indicated as compared to the end of 2006 a personnel increase of over 11%, namely 167 newly employed persons, throughout the whole system.

The **training** measures for the personnel of the specialised units continued throughout the year 2007, according to the *Training Plan*, in order to get an effective management system of the Structural Instruments. Organizing training sessions for the Managing Authorities/Intermediate Bodies staff matches their needs for continued professional development. Thus, by October 2007, 5,500 persons of the Managing Authorities and the Intermediate Bodies were trained on various topics such as: monitoring, financial management and control, evaluation and selection of projects, cost-benefit analysis, the functioning of the monitoring committees.

In parallel to building the institutional and procedural framework, information and training measures were implemented for the **potential beneficiaries** at local and regional level. Using pre-accession assistance or state budget resources, the Ministry of Economy and Finance, as national coordinator, in co-operation with all Managing Authorities and the Intermediate Bodies, have organized conferences and seminars all over the country. These events focused not only on the financing opportunities by Structural and Cohesion Funds, but also on the principles, rules and procedures applied during the correct of these instruments.

Ensuring of an adequate level of filling the vacancies with well-trained personnel will allow the correct and efficient implementation of programmes, according to the internal elaborated procedures and implicitly will lead to an increased competitiveness of the Romanian companies and to an improved employment rate.

1.4 Strengthening the judicial system

The European Commission Report (June 26, 2007) underlines the progress made by Romania in implementing the judicial system reform, as well as Government's involvement in promoting this reform and the fight against corruption.

Rehabilitation/building of the courthouses

In order to improve the infrastructure of the judicial system, the Ministry of Justice (MJ) drew up a methodology for investment planning, including criteria for funds distribution, and a standard handbook for courts, aimed to be a real support for the future facilities.

As a result of feasibility studies developed, the following deadlines have been decided: rehabilitation of 18 courthouses by the end of 2007 (financed from the state budget) and, by April 2011, the rehabilitation and building up 25 courthouses (5 of them represent new facilities), financed through a World Bank loan. The World Bank approved the methodology and the criteria used in the selection process of the courthouses which require urgent rehabilitation.

For 2007, 3.3 million euros (from the state budget) have been allocated for the rehabilitation works of the 18 courthouses. Until October 2007, building works have started for 8 new courthouses (2 of them have already been delivered) and other 4 courthouses underwent major repairs and consolidations.

Regarding rehabilitation and building works for the other 25 courthouses, in October 2007, the situation is as following:

- for 9 of the courthouses, the approval of feasibility studies is in the final phase; the Government Decision no. 1161/2007 has been issued and it will be the basis for the drawing up of the technical project and for the initiation of the bidding procedure;
- for 6 of the courthouses, the documentation is in the preliminary phase of approval;
- for the other 10, the procedure is in the documentation phase.

Reorganization of the courts with reduced workload and of the other courts with heavy workload

This objective will be fulfilled by relieving courts with a high work volume and/or with not enough personnel, thus allowing them to allot more time for efficiently solving the cases.

Until October 2007, an Working group - constituted by the representatives of the Ministry of Justice and the Superior Council of Magistracy - drew up studies for the evaluation of the courts having a reduced workload. The last study developed for the 2003 – 2006 period did not point out significant fluctuations for the activity volume of the courts selected, proving the necessity for reorganization. In order to continue this reorganization process, the *Emergency Ordinance no. 100/2007 amending legislative acts in the field of justice* (Law no. 303/2004 included) has been adopted. One of the reasons for its adoption was to cover the personnel deficit due to the high number of vacant positions, temporary filled at courts and prosecutor's offices through the setting up of a reserve fund which will finance the judge and prosecutor positions.

The timeline for the reorganization process is December 2007, and the process does not involve additional costs. The equitable distribution of the personnel and of the activity at the level of courts and prosecutor's offices will have a positive impact on their activity and, implicitly, will contribute to improving the quality of the act of justice.

Endowment of the courts, Ministry of Justice, of the National Administration for Penitentiaries, of the Public Ministry and of the other institutions from judicial system included: endowment with IT equipment; endowment of the courthouses with systems of audio – video recording; setting up of an electronic registering system; acquisition of info-kiosks for courts; development of ECRIS system.

During 2007, 13.634 PCs, 120 video projectors and other IT equipment were delivered to all the courts and prosecutor's offices, to the Ministry of Justice and to the other institutions from the judicial field. The contract for providing audio-video equipment necessary for witness hearings at distance was signed in September 2007, and the delivery of this equipment to the courts

country will follow soon.

In 2008, over 600 courtrooms will be endowed with performing systems of audio recording for court sessions. At present, the tender procedure has been blocked and, for this reason, a litigation has been submitted to the National Council dealing with litigation requests.

On the other hand, the info-kiosks acquisition for courts has been taken into consideration. Up to now, the Bucharest Tribunal and the courts of first instance from its territorial competence bought info kiosks, while at the level of the other courts, this is underway.

The case management system ECRIS (the first version) has been installed in all courts and in 227 prosecutor's offices. Regarding its development possibilities, during 2007, an analytical study has been drawn up, then the technical specifications was elaborated, the application were designed and the soft development started.

The timeline foreseen for this action, with all its components, is the end of 2010. For this purpose, the following funds have been allocated: 10.4 million euros (Phare 2004) for the endowment of the judicial system with IT equipment, 0.39 million euros (Phare 2005) for the endowment of the courts with audio – video systems, 11.78 million euros (Phare 2005) for the establishment of an electronic registering system and 1.65 million euros (Phare 2004) for the ECRIS system development.

Training of magistrates in the economic and financial field

In accordance with the specialized program of the National Institute of Magistracy concerning the continuous training of magistrates, 21 seminars for approximately 170 judges and 165 prosecutors have been organized, between September 2006 and July 2007. The magistrates also participated in training programmes organized by the Department for Fight against Fraud.

2. MACROECONOMY

2.1 Macroeconomic stability and sustainability of public finances

2.1.1 Macroeconomic stability

The economic growth registered in 2006, particularly in the second half of the year, in the constructions sector and certain industrial branches with significant development potential, continued in the first half of 2007. After the performance registered in 2006, materialized in a high economic growth rate of 7.7%, the growth diminished in the first half of 2007, the Gross Domestic Product (GDP) increasing by 5.8%.

An important feature of the economic growth in the first half of 2007 is the significant increase of the contribution to the gross fixed capital formation as against 2006, simultaneously with the extension of the net export negative contribution. From a qualitative point of view, the sustainability of the economic growth has improved as result of the continuous improvement of the growth factors.

The dynamics of the gross fixed capital formation overcame the dynamics of the final consumption which was slightly lower than that registered in the first semester of 2006. For the whole year, the gross fixed capital formation is forecasted to increase- in real terms- by 18.0% against 2006, as consequence of the beneficial effects of the flat tax, reflected by the amplification of investment efforts in the private sector.

The private consumption increased by 11.7%, being covered mostly from import sources. It is worth mentioning that, as regards the population consumption, the purchase of goods registered rates below those in the first half of 2006 (16.9% against 21.6%) and the consumption of services increased by 3.2% compared with the reduction by 1.5% in the first half of 2006.

The public consumption increased by 7.0% in the first half of 2007, compared with the same period of 2006, due to the increase of expenditure for the consolidation of institutional building and the improvement of public administration performance.

As regards the Gross Domestic Product, the evolution of utilization components in the first half of 2007 against the same period of 2006, is as follows:

- % -

	I-st Quarter 2007	II-nd Quarter 2007	I-st Semester 2007
Gross Domestic Product	6.0	5.6	5.8
Domestic demand	11.9	13.2	12.6
- Final consumption	11.2	10.6	10.9
Private consumption	12.1	11.4	11.7
Public consumption	6.7	7.2	7.0
- Gross capital formation	16.0	24.2	21.1
Gross fixed capital formation	17.2	19.4	18.6
Export of goods and services	12.9	2.4	7.5
Import of goods and services	23.8	20.8	22.2

Source: CNP - INS processed data

The **net export** increased its negative participation to the GDP up to 8.2%, as compared with 5.5% in the first half of 2006, following the increase by 7.5% of exports of goods and services and by 22.2% of imports.

Concerning the evolution of **the gross added value** in the first half of 2007, the percentage changes, against the same period of last year, are as follows:

- % -

	I-st Quarter 2007	II-nd Quarter 2007	I-st Semester 2007
Gross Domestic Product	6.0	5.6	5.8
Industry	7.8	4.4	5.9
Agriculture	9.2	-10.9	-6.1
Construction	30.7	32.2	31.6
Services	6.4	6.2	6.3

Source: CNP - INS processed data

Considering the trends in the first half of 2007, it is estimated that the level of economic growth for the whole year will maintain high and the GDP will increase- in real terms- by about 6.1%.

The **investments** have continued to increase by high rates, thus increasing substantially their contribution to the GDP formation. The investments have been oriented mainly towards new construction works, which represented 50.3% of the total investments. In the first seven months of 2007, the foreign direct investments totalled 3473 million euros, covering about 39% of the current account deficit.

In the first half of 2007, the **annualised inflation rate** continued its descending trend and reached, in the month of June 2007, the level of 3.8%. The last two months showed, though, a change of trend, more visible during August, when the inflation rate for 12 months reached almost 5%.

Starting from the third quarter of this year, the disinflation process registered some slow-down due mainly both to the supply negative shocks (the impact of the prolonged drought on the agricultural sector) but also to the pressure of the domestic demand reflected in the external unbalances. The annual inflation rate increased to 4.96% during the month of August, close to the higher limit of variation around the target set for this year.

In the first eight month of 2007, the *consumption prices* increased by 2.79% against December 2006 (monthly average rate of 0.3%), registering almost the same level with that of the same period of last year.

The increase of *foodstuff prices* by 3.52% in August, 4.26 % higher than registered in the same period of last year, contributed significantly to the increase of the inflation rate. Apart from the high share of foodstuffs in the consumption basket (38.92%), this fact is due to the climate conditions which affected the internal production of cereals, fruit and vegetables and to a basic effect caused by the exceptional evolution of prices for these products in the previous year. In this respect, it is worth mentioning the increase of prices for bread (5.7%), vegetables (18.4%) and fruits (15.6%).

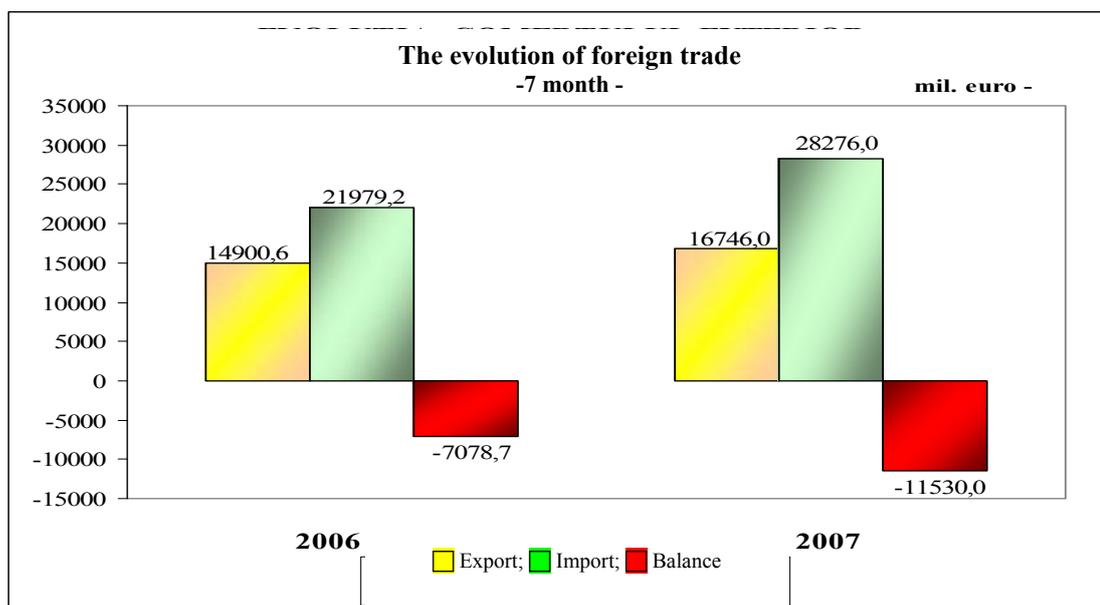
The increase (1.68%) of the *non-food goods* prices was 4.09 percentage points below the level registered in the same period of last year, due to the reduction in the amplitude of the administered prices adjustments. Until the end of March 2007, the non-food products prices registered a deflation, but starting from April, they set up for an ascendant trend, on account of the increase in energy tariff by 4.16% and the increase of prices of tobacco and cigarettes by 4.24% in July, following the implementation of the excise-duty programme.

The *tariffs of services* registered the greatest increase (4.03%) which was 0.9 percentage points higher than those registered in the same period of last year. This was due to the increases of rent tariffs (95.48%), railway transport tariffs (17.75%) as well as water, sewage and sanitation tariffs (8.54%) but also to the reduction of tariffs for some products like telecomm services (-5.74%). It is worth mentioning the reduction of telecomm services tariffs during the month of August, following the depreciation of the national currency against the main foreign currencies.

The slower increase of *administered prices* (2.34%) over January-August 2007, lower than the overall inflation, had been caused mainly by the trend in the nominal appreciation of the national currency, in the first seven months of the year, which was reflected, particularly, in the products linked to the European currency, but also to the reduction of the amplitude of energy prices adjustments.

The *exports of goods* amounted to 16746 million euros in the first 7 months, an increase by 12.4% compared with the same period of 2006. The export of metals and metal products, machinery and chemicals accounted mainly for the overall increase of exports.

The evolution of exports, on basic classes of the national accounts, in the first 6 months, reflected a strong increase in the exports of capital goods (24.7%), which resulted in the increase by 1% of their share in the national exports. Also, the exports of intermediary goods increased their contribution by 17.5%. On the other side, with an increase of only 1.8%, the export of consumption goods reduced its share by 2.4% in the total export. Both the structure on product groups and basic classes of the national accounts indicate the continuous improvement of the structure of the Romanian exports.



In the first 7 months of 2007, the import of goods registered an increase by 28.6% against the same period of 2006. The increase of exports was due mainly to the continuation of the modernization process as well as to the increase in the population's demand for long use goods.

In the first 6 months, significant increases were registered in the import of metals and metal items (66.5%), machinery (44.9%), wood products and furniture (35.6%) and chemicals (33%).

The statistics for the first 6 months show an increase of capital goods share by 2.5 percentage points up to 18.7% in the overall imports as well as a reduction of intermediary goods share by 4.0 percentage points, the share of the consumption goods registering almost the same level of

about 16%.

The development of imports by 16.3%, a higher rate than registered by exports, resulted in the increase of the **commercial deficit (FOB-CIF)** by 63.0% against the commercial deficit registered in the same period of 2006.

The current account deficit, in the first 7 months of 2007, in value of 8968 million euros, is higher by 98.3% to that registered in the same period of 2006, as shown in the following table:

- Mill. Euro -

	7 MONTHS 2006			7 MONTH 2007		
	Credit	Debit	Net	Credit	Debit	Net
CURRENT ACCOUNT (A+B+C)	21816	26338	-4522	26369	35337	-8968
A. Goods and services	18077	23228	-5151	20841	30057	-9216
B. Net incomes	947	2716	-1769	1303	4047	-2744
C. Net current transfers	2792	395	2397	4226	1233	2993

Source: BNR

The incomes deficit of 2744 million euros was about 55.1% higher against the first seven months of 2006, due, mainly, to the re-invested profits and dividends from direct investments transferred abroad. The negative influence of the flows of goods and incomes on the current account balance was limited by the surplus registered in the current transfers balance (2993 million euros).

2.1.2 Financial stability

Next to the main objective of ensuring price stability, the National Bank of Romania constantly monitors the developments in the banking system and in the other components of the financial system, in order to identify possible dysfunctions which would jeopardise the financial system's capacity to withstand systemic shocks, to efficiently allocate resources to real economy and to identify and manage related risks.

In 2007, the National Bank of Romania made further efforts in strengthening *financial stability* by:

- Enhancing the capacity of analysing the financial system as regards its vulnerabilities;
- Fostering domestic and international institutional cooperation.

The *analytical framework* was enhanced through:

- Monitoring risks in the corporate sector through default probability and stress testing analyses;
- Analysing the external sector by improving the currency crises early warning instruments and the qualitative analysis of corporations at microeconomic level;
- Defining and computing the set of indicators regarding financial stability;
- Analysing the banking system on the basis of consolidated banking data;
- Forecasting the developments that might deteriorate banking rating;
- Elaborating studies regarding the profitability of the banking system, financial crises management, spill over effect in various segments of the financial markets.

The domestic and international *institutional cooperation* was fostered through:

- Signing of the Protocol concluded by the National Bank of Romania, the Ministry of Economy and Finance and the other financial markets supervising national authorities on the cooperation in the field of financial stability and financial crisis management;
- Establishing the National Committee on Financial Stability;
- Signing the regional agreement in the field of supervision and financial stability.

2.1.3 Sustainability of public finances

As regard the tax administration reform, the objective to increase *the sustainability of tax administration activity* by avoiding any risk that may affect the achieving the collection of budget revenues at the forecasted level, in an efficient and effective way.

The main directions have in view to support the business environment, to improve services for the taxpayers, to simplify procedures and cutting red-tape, increase collection and improve internal functioning and coordination.

As regards the fiscal administration capacity the main achievements and the future guidelines are:

- The period for VAT and excises reimbursement has been significantly reduced. The further improvement of VAT administration procedures is taken into consideration, as well as the improvement of the procedures for solving VAT negative statements with reimbursement option, development of the IT system necessary for a good functioning of the register of the taxable persons recorded for VAT purpose;
- Taxpayers have been provided with diversified means for filling in their statements:
 - *On-line submission of statements* by the large taxpayers was extended starting April 15th 2007 to the small and medium taxpayers from Bucharest and one county; from September 1st 2007, it is applied in 10 more counties, and from 2008 to all taxpayers all over the country;
 - The submission of statements with *codified information through code bars* has been extended;
 - *The period for granting the fiscal records and the fiscal obligations certificate was reduced*. Currently, the fiscal record is issued on the spot and the payment of emergency tax was abolished.
- Measures were taken to improve issuing procedures of the fiscal records certificates. Thus, a specialized desk has been set up, within the office (department) of fiscal record administration, whose attributions to receive requests and to issue, on the spot, fiscal records, in the presence of taxpayer.
 - Starting October 1st 2007, *the payment of the obligations included in the "Statement regarding payment obligations to the general consolidated budget"* will be done in a single account opened with the state treasury's units.

This method is applied only for those taxpayers that fulfils the following cumulative conditions:

- They do not register unpaid fiscal obligations on the date when the payment is done in the single account;
- They submit the statement observing the deadline established by the law;
- They pay all declared obligations in due time

The method will be extended for all taxpayers, starting with 2008.

- A *central data base* regarding fiscal statements was created;
 - *The reaction time of the fiscal administration has been reduced*, by the informatization of all procedures for the administration of tax statements and payments.
- The procedures regarding the *customs processes* have been significantly simplified:
- The norms regarding the simplified customs procedures have been revised in order to have less bureaucracy, the direct relations with the customs officers have been eliminated - all these having as result the reduction of the waiting period and of corruption;
 - Green channels have been established – simplified customs procedures on the relation Bulgaria – Romania – Hungary, for transportation by TIR.

The arrears gradually reduction implies, in economy, also a steady policy for discouraging the accumulation of the arrears. The National Agency for Tax Administration (ANAF) is continuing publishing and updating the large taxpayers lists, taxpayers that are registering budgetary debts.

Starting the insolvency procedure for the taxpayers, for whom the enforcement measures do not work anymore, is a process that is surveyed in an operative manner, based on the requests of the creditors. A special attention is paid not only to the current collections, which imply the strengthening of the voluntary compliance, but also to the budgetary debts' recovery.

In this respect, the following action plan is taken into account:

1. Operative surveillance, based on the creditors requests, of *the insolvency procedure* for the taxpayers for which the enforcement measures have not worked;
2. Monitoring *the reduction of the arrears of the large and middle taxpayers*;
3. *Monthly monitoring of the budgetary revenues* managed by ANAF from the budgetary revenues established by the budget law.
4. Monitoring *the recovery of the illegal/ forbidden state aids*.

The action started in 2007 regarding the improvement of procedures in the field of enforcement, insolvability and joint liability and of the collection through enforcement of seized assets will continue in 2008.

ANAF adopted a policy, which implies organizational changes, as a premise for *the growth of the efficiency of the fiscal administration activity*, changes that are materialized in an administration specialized on taxpayers categories.

The computerisation of the administration of fiscal statements and payment procedures, initiated in 2007, is going to be extended in the next years and will lead to diminishing the response time of tax administration to the taxpayers requests.

At the end of 2007, the *centralized database* that offers complete information on taxpayers regarding the analyses of compliance and the selection of taxpayers for control thus creating premises for a better approach of the studies and analysis elaborated by ANAF, will become operational.

ANAF will further develop *the objective oriented management*, the number of performance indicators monitored in the annual plan being increased. The targets established in the performance plans will conduct to increased accountability, efficiency of the revenues collection and, consequently to the fulfilment of ANAF' mission.

A structure for strategic planning was established at central level, to coordinate the activity of territorial structures and inform the management about the estimation of revenues, for a better planning and allocation of resources for territorial units.

ANAF has in view to increase the competence and responsibility of the units at the central level, facilitating a better coordination of activities at the territorial level.

Implementing the above-mentioned measures will result in **supplementary budget revenues** of 1% of GDP in 2007, and 0.5 percentage points annually, during 2008-2010.

2.2 Improving the management of Government expenditure

2.2.1 Public expenditure management

For the year 2008, the draft budget was approved in the Government Meeting of October 10, 2007 and was sent to the Parliament for debate and adoption.

The priorities and the strategic targets of the fiscal-budgetary policies, promoted in the year 2008 are setting a prudent approach to support the continuation of the disinflation process, built on efficiency and performance criteria and also a budgetary structure based on flexible public policies, which is in compliance with the approach of the European budget.

The strong point of the 2008 budget is its structure based on flexible public policies, which represents the strategic answer of the Government to current economic problems. The synthetic image of the policies financed by the draft budget for 2008 reveals the following aspects:

- Financing of policies convergent with those promoted by the European Union – infrastructure, research-development, environment and rural development;
- Consolidation of human resources capital – education, health – which will ensure the premises for achieving a strong economy and equal access of the citizens to base medical assistance, and will increase the efficiency of the funds' use;
- Social accompaniment policies – social assistance, pensions, health insurances, unemployment insurances;
- Other sectoral policies – defence, public order and national safety, culture, religion, houses, services and public development, communications, etc.

The **budgetary expenditures** for 2008 will increase with 2,4 percentage points of GDP, in comparison with year 2007, being emphasized a process for improving their quality through the allocation of significant amounts to social assistance (for sustaining the pensions system) and also to capital expenditures, which will achieve 6,5% of GDP - one of the most substantial increase of the weight of capital expenditures for the last years.

The estimate of the **budgetary deficit** for the year 2008 is 2,7% of GDP, deficit level situated constantly in the last years below the reference value of 3% of GDP, reflects a fiscal consolidation process under way.

In accordance with the objective of a budget deficit forecast of 2,7% of GDP and taking into account the coordinates of the sectoral policies and the estimated revenues for 2008, **the expenditures** of the general budget were estimated to 184,895.2 millions RON (42.0% of GDP).

Financing of the main activity areas through 2008 budget is indicated in the table below:

	- % of GDP -
Securities and social assistance	11.9%
Education	6.0%
Health	4.5%
Agriculture, forestry, fishery and hunting	2.7%
Transports	4.0%
Housing, services, public development and environment protection	1.9%
Culture, recreation and religion	1.0%
Defence, public order and national security	3.8%
Research	0.7%

The budgetary revenues will continue the 2006 - 2007 ascendant trend as a result of positive cyclical position of the economy and also as a result of improving the budgetary revenues collection, following that in 2008 these will rise by 2.4 percentage points. For 2008, it is notable the continuing the reduction of the tax pressure by diminishing the social securities contribution rates by 6 percentage points on a cumulative basis (employee and employer).

The **revenues** of the general budget for the year 2008 are estimated to 172,898.2 millions RON (39.3% of GDP), with an increase of 2.4 percentage points as compared to 2007.

To ensure the correlation between the public policies and the budget, the General Secretariat of the Government has started the process of **strategic planning**, initiative which moves the focus from the management of public resources to a result, oriented management, thus contributing to the increase of coherence and predictability of governmental policies. Therefore, all the line ministries have elaborated and approved strategic plans (the management component) which define the mandate, the vision, the common values, the analysis of internal and external environment, as well as their own directions of activity.

The second phase of the strategic planning process aims at the introduction of budgetary programming; this component of the strategic plan ensures the correlation between the planned public policies and the budget, describes in details the budgetary programmes and their performance indicators, expected outcomes, results and relevant actions. The methodology for the elaboration of the budgetary programming component is already drafted and will be submitted for inter-ministerial consultations, and for approval by the end of the year. This is an important reform which complements the efforts of the Ministry of Economy and Finance aiming at the creation of a clear and transparent system of budgetary programming, the main objective being the spending of public money in a rational way, for coherent public policies, in the interest of society.

During 2007, over 50 specialists from the sectoral ministries have been **trained in the field of strategic planning**, with a view to consolidate the institutional capacity for strategic planning and drafting of programme based budget.

In respect of the *budgeting based on programs*, for 2008 it is estimated that about 53,482.7 million RON from the state budget will be allocated to a number of 236 budgetary programs, as compared to 194 programs presented for the 2007 budget, which amount to 48,109.1 millions Lei.

For the first 8 months of 2007, the general government *outturn* represents 52.6% of the annual provisions (higher than the outturn in the previous year by 27.1%), while the *revenues* represent 20.7% of GDP (higher by 0.8 percentage points than in the same period of 2006).

For the first 8 months, *capital expenditures* reached 1.7% of GDP, 0.5 percentage points higher

than in the same period 2006, and a nominal increase of 59.6% (capital expenditures are budgeted to 4.7% of GDP in 2007, against 3.7% of GDP in 2006).

The performance of the *budget revenues* improved markedly by 0.8 percentage points in 2006 (or 22% increase in nominal terms, to 31.2% against 30.4% in 2005.), whereas it is expected in 2007 to continue the upward trend set in 2006, explained both by the favourable cyclical position of the economy as well as by the additional improvement of the tax administration process, and reach 36.1 % of GDP in 2007.

General budget revenues exceeded last year's figure by 13 billion RON in the first 8 months of 2007, reaching 80.9 billion Lei, an increase of 19% in nominal terms as compared to 8 months 2006, whereas expenditures expanded by 27.1%. Tax revenue, including social security contributions, increased by about 18%. The 2007 budget programme anticipates a *consolidated general budget deficit* of 2.8% of GDP, including the effects of ensuring Romania's contribution to the EU budget and the co-financing of EU funds, as well as of financing infrastructure projects in transport, education and health.

In the first 8 months of 2007, the general consolidated budget execution points to a 0.3% surplus, downward from 1.5% of GDP in the same period 2006. On the revenues side, *fiscal revenues* increased by 0.4 percentage points to 12.2% of GDP in 2007, on the background of better performance in income and profit tax (increase of 0.8 percentage points to 4.4% of GDP) but lower dynamics in VAT (0.3 percentage points down from 5.1% in 2006); 0.2 percentage points expansion in revenues from social insurance and health contributions and 0.3 percentage points increase in non-fiscal revenues. The revenue performance for the income tax (48.5% higher as compared to the proceeds in the first 8 months of 2006) is mainly explained by the increase of average gross wage and the 3% increase in the number of employees in the reference period against the same period of the previous year. The same gains in employment and wages stood behind the revenue performance in health and social security contributions, increasing by 18% as compared to 8 months of 2006, despite the 2 percentage points cut in the rate of the former as of January 2007.

The revenue from the profit tax expanded by 35% in the first 8 months of 2007¹ to 7.5 billion Lei, benefiting mainly from the strong growth in industry, construction and retail.

Indirect taxes (VAT, excises and customs duties) yielded 27.8 billion Lei, only slightly better as compared to the 8 months of 2006, due to changes in legislation related to the collection of indirect taxes that provided for an extended due date for VAT² and import duty cancellation for EU goods.

The revenues collected from the VAT that were negatively influenced by the legislative changes, in force as of 01.01.2007, recorded a redressing path starting with the second quarter (Q2) of the current year, so that, if by the end of Q1 of the current year, the VAT revenues represented 78.34% of the total revenues of Q1 2006, at the end of the first 8 months 2007 registered an increase of 7.3% in comparison with VAT revenues collected in the same period of 2006. A significant increase of the VAT collection has been recorded starting with the second half of April, as a result of the intensified control actions to the taxpayers with a high level of tax evasion, of the enforcement measures and also of the reintroduction of the VAT payment at the customs offices for goods imported from non-EU countries.

The local own revenues show a particularly strong performance in the first 8 months of 2007, amounting to 3.9 billion RON and a nominal increase of 43 % as compared to the same period of 2006. The updated tax rates on buildings used as residences and on transport equipment and the

¹ Not adjusted for the shift between months in the collection of the corporate income tax as of the turn of last year

² VAT related to EU and non EU imports is due by the 25th of the following month in which the import accrued. Starting April 15, VAT levy system for non EU imports shall be reversed to the customs payment procedure.

improved tax administration capacity explain to a large extent this good performance.

Romania's public debt level in the last few years is positioned on a downward path, based on the sustainable economic growth, so that at the end of 2006 and end-August 2007, the public debt level is below 20% of the gross domestic product (GDP), significantly lower than the 60% Maastricht ceiling. Thus, the public debt as of August 31, 2007 represented 16.7% of GDP, compared to 18.5% at the end of 2006, out of which the weight of government public debt was 15.6% in the total public debt and the weight of local public debt was 1.1% of GDP.

In 2007, the Ministry of Economy and Finance issued for the first time *benchmark bonds* in line with the objective of developing the securities market and refinancing the public debt, mainly from sources in the domestic market. This will allow diminishing the future loan costs and limiting the risks related to the debt portfolio (by reducing the currency risk).

Benchmark bonds amounting 3.9 billions lei, out of which 1.4 billions RON with 3 years maturity, 2.1 billions RON with 5 years maturity and 0.4 billions RON with 10 years maturity, have been launched so far.

In 2007, the total *budgetary expenditures related to interests for the public debt* estimated in the state budget amounts 2,576.9 million Lei, out of which by the end of September 1,833.1 millions RON were paid.

An useful tool for evaluating the alignment of national policy in the area of **state aid** to the European requirements is the elaboration, by the Competition Council, of the *Report on state aids granted by Romania*. The report was submitted to the Government and published in the Official Journal, being also submitted to EC. The document contains an analysis of the volume, structure and tendencies registered in state aid granting in Romania, the basic data being produced by the state aid providers through their annual reports.

Ministry of Economy and Finance, as State Aid grantor, fulfilled its reporting obligation which refer to the fulfilment of the conditions for State Aids granting under two schemes that have as objective the regional development and are applied for enterprises operating in deprived and free areas.

Thus, until now, as regards *the free areas scheme*, the investments made by the 27 beneficiaries amount 13.324.353 US\$ + 749.434 Euro, the numbers of new created jobs is 182.

As regards *the deprived areas scheme*, the value of investments made by the 1,263 beneficiaries is of 1.668.083.687 RON and the number of new created jobs is 41.550.

Regarding the improvement of public authorities capacity to launch public auctions and to apply **public acquisition procedures**, concrete measures were adopted to strengthen the implementation capacity at the level contracting authorities, as follows:

- In order to reduce the deadlines for applying the selection procedures, and to support the contracting authorities that want to benefit of these reductions, the operator of the electronic system for public procurement (SEAP) is also the OJ-sender. The contracting authorities can fill in, online, the standard forms for the intention, participation and selection. Any notification which is to be published in JOUE is electronically transmitted by the system. Currently, over 90% (99% according to latest information's) of the contracting authorities notifications are electronically transmitted to JOUE, and from this point of view, Romania is on the first place among member states;
- During the acquisition process, the contracting authorities need fast, informal answers to clarify certain cases. For this purpose, a 8 hrs schedule per day help-desk bureau was set up at ANRMAP level. It is at this bureau where the contracting authorities can electronically ask, to a dedicated address, various questions. The answers are usually

given in maximum 2 days. The bureau also administers a web page with frequently asked questions and answers.

- In order to promote the *best practices* and to *facilitate the legislative provisions understanding*, a very important ANRMAP objective is the dissemination of guides and other working instruments for the contracting authorities. So far, a first version of the *Public Procurement Guide* was elaborated, document which can be found on the ANRMAP website. The second part of the *Public Procurement Guide* and the *Guide for public works and services* concessions are currently under preparation, and will be finalized this year,

2.2.2 Restructuring the social insurance scheme and pension scheme

Finalisation of the process of recalculation of the public scheme pensions

The activity of collecting from the employment books data referring to the contribution period to the public pension scheme before 1 April, 2001, as well as those referring to the afferent incomes, elements which, according to the law, are used for pensions calculation, is in progress.

Approving the Organization and Functioning Regulation of the National Institute of Medical Expertise and Work Capacity Recovery (NIMEWCR) and of the territorial work capacity medical expertise services is aimed at the reorganization of NIMEWCR and of the territorial work capacity medical expertise services.

The activity of the public scheme pensions' recalculation in 2007 has led to the recalculation of 3,554,474 pension files, and for 45.4% of these a higher score than the current one was obtained.

Adequacy of the redistributive public pension scheme

According to Law no. 250/2007, the ratio between the retirement unit and the gross average salary used for the substantiation of the social insurance budget reasoning will be 37.5%, which will lead to much more important increases of the pensions in the public scheme, including those of the farmers, starting from January 2008.

As a consequence of the taxation reducing policies regarding the social charges field, as well as of improvements in collecting the proceeds, the state social insurance budget registered a surplus, without benefiting of state budget subsidies.

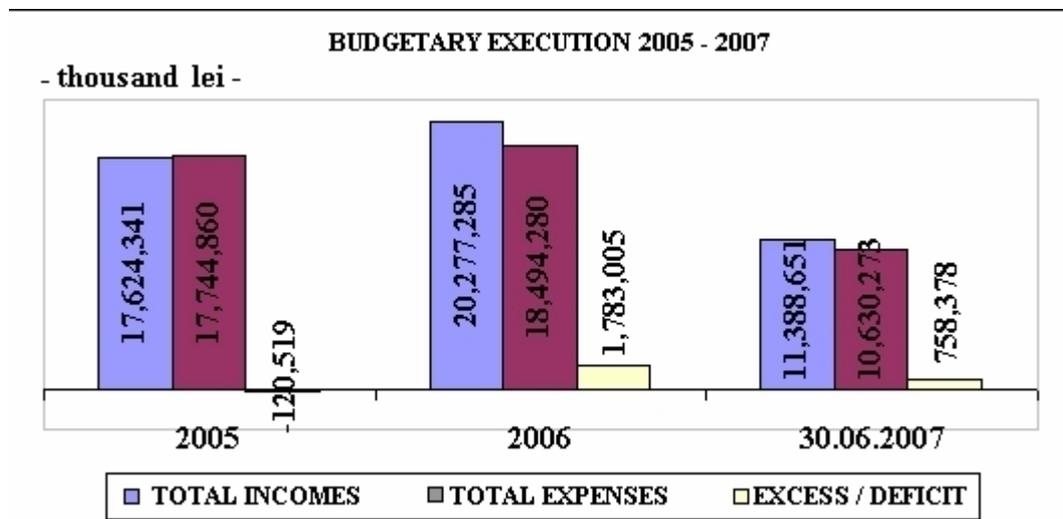
In order to improve the standard of living of the elderly and to financially consolidate the public pension scheme, *the outsourcing from the state social insurance budget* of the benefits not directly related to pensions has been completed. Consequently, the allotments for the payment of child-raising allowances are provided for from the state budget, and the allotments for the payment of sick leaves are supplied from the single health social insurance national fund budget.

Moreover, in order to eliminate the discrepancies from the former social insurance scheme, the farmers' pensions are increased in two stages: they were increased by 50% from 1 September, 2007 and are to be increased by 50% from 1 January, 2008. The amounts necessary for the payment of the farmers' pensions are financed from the state budget.

Restructuring of the social insurance contributions collection system The public scheme pensions increased by 5% starting from 1 September, 2007, so that in September 2007, as compared to December 2004, there was a nominal increase of 60% and a real increase of approximately 37% of the value of the average pension in the social insurance scheme.

There was also a decrease in the level of contributions to the social insurance scheme by three percentage points at the beginning of the year and a supplementary reduction of another three percentage points will be granted in the second semester.

The reduction of the pressures upon the employment costs and the growth of the collection base for the social insurance budget were achieved through the cancellation of the five gross average salaries ceiling as contribution collection basis.



The positive trend of the state social insurance budget implementation was identified during the first six months of 2007 with an excess of approximately 758,000 thousand lei, which creates favourable premises for the increase of the retirement unit starting from 2008.

Implementing the privately administered pension schemes

Following the evaluation of the legislative framework on the occupational pensions there appeared the need of improving the existing legislation through drafting a normative act to replace Law no. 249/2004, namely Law no. 204/2006 concerning the voluntary pension scheme.

Once the new law enters into force, approximately 300,000 persons will participate to the voluntary pension schemes in 2007 and approximately 500,000 persons in 2008.

The Private Pension System Supervisory Commission has drafted the detailed rules for the implementation of Law no. 204/2006 concerning the voluntary pensions, and starting from 30 October, 2006 the authorisation of the voluntary pension funds managers began. The law establishes the privately administered pension system's component and excludes those provisions having discriminatory character, in view of complying with and transposing the acquis.

The enrolment to a privately administered pension fund is done by the own-initiative of the participant or following their random assignment by NHPSI. The initial enrolment procedure in the privately administered pension funds began on 17 September, 2007.

Until 30 September, 2007, 17 fund managers and 17 privately administered pension funds, 6 fund managers and 7 voluntary pension funds were authorized and 14,543 participants have registered to the voluntary pension funds.

The economic reason for the increase in the number of obligatory participants, respectively the extension of the provisions to all the employed and insured persons, under 35, as well as the new pension fund expenses' structure are based on the performed financial analyses and estimates, the results of which show that in 2008, approximately 2,345,000 persons will participate to the compulsory pension funds, their number reaching 3,435,000 in 2011.

In 2008, the total contributions to the compulsory pension funds is estimated to be of approximately 5,100 billion RON (137.9 million EURO), representing 0.14 % of the GDP.

Updating the legislative framework in order to coordinate the social security scheme

Starting with the accession date, CNPAS and its territorial structures bring into force the provisions of the EEC Regulations regarding the coordination of the social security schemes for employees, self-employed people and the members of their families which travel in the European Community, as well as those regarding the procedures of implementing the Regulation in the appropriate competence field.

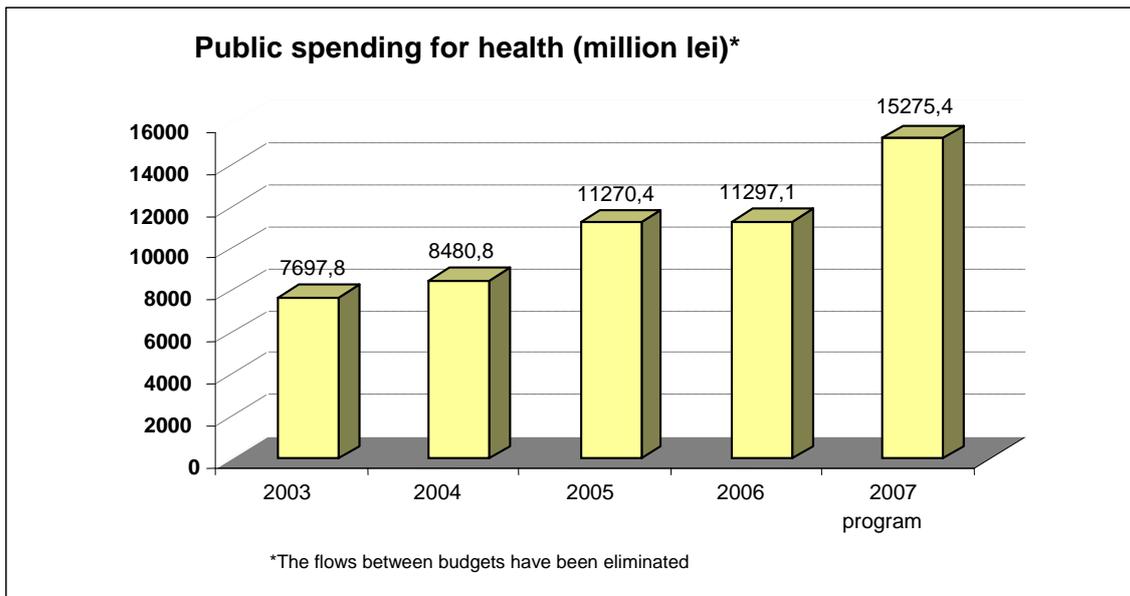
By Emergency Government Ordinance no. 76/2007 regarding the special procedure of fiscal registration and payment of the social contributions, the legal framework necessary for socially insuring the Romanian seasonal workers working abroad was created, so that they can benefit of all their rights as employees, by establishing a procedure of fiscal registration and payment of the social contributions, due under the Community regulations by the non resident taxpayers, as a result of the employment of Romanian workers. The need consists in the fact that, as a fully authorised Member State, Romania has to ensure the administrative framework necessary for implementing the provisions of the Regulation concerning the application of the social security schemes to employees, self-employed people and members of their families travelling in the European Community.

2.2.3 Restructuring the health insurance system

The objectives of the structural reform of the sanitary system, started by issuing of the Law no. 95/2006 regarding the reform in the health system, are:

- assuring a proper financing of the sanitary system, in order to better meet the need of the population;
- decreasing the costs of medical assistance in hospitals, by improving the management of the hospital sanitary units that are functioning on the principle of financial autonomy;
- increasing the capacity of the ambulatory medical assistance to solve the health problems of citizens, including by endowing the family medical cabinets with IT logistics and communications services;
- establishing and strengthening the national system of emergency medical assistance and qualified first aid;
- evaluating of the status of the population health and the risk factors by organizing, financing and implementing the National Program for Evaluating the Health Status of the Population.

In order to have a better management in the sanitary system, hospital management has been improved by redefining the role of the hospital's manager.



Source: Ministry for Public Health

An additional source for investments was ensured by introducing, in 2006, the **tax on vice**. This tax was introduced in order to reduce the excessive consumption of tobacco and alcohol, to improve the infrastructure of the public health system and to finance the health programmes.

In 2006, the revenues collected from this tax were of 645 million RON (183 million Euro compared with an estimation of 150 million Euro), and considering that the actual tax collection started in September. In the first six months of 2007 the revenues collected were of 496,1 million RON (154 millions Euro). A part of the money is spent on the National Program for Evaluating the Health Status of the Population (starting with the 1st of July 2007), and the rest is spent on renewal of the fleet and the acquisition of ambulances.

Within the project of modernization of the medical units infrastructure, pre-feasibility and feasibility studies for building and endowing of 4 regional emergency hospitals and 18 county emergency hospitals are being implemented. These new emergency hospitals will be financed from their own income, bank loans, national and local budget, special funds set up by law and external credits guaranteed or contracted directly by the state.

Feasibility studies have also been made and tenders have been opened for 15 hospitals recommended to be rehabilitated. The rehabilitation will be financed from their own income, bank loans, national and local budget, special funds set up by law and external credits guaranteed or contracted directly by the state, and also from European funds.

The National Health Insurance House (NHIH) has real autonomy, its activity and the management of the health funds are under the control of the Parliament. The expenditures that do not belong to the sanitary system have been removed by payment from the budget of the sums for social medical units and for labour accidents.

In order to strengthen the contractual – financial discipline, there have been issued orders of the president of NHIH that stipulate special monitoring and control settlements for contracts implementation.

For an efficient use of the Single National Fund of Health Social Insurances, the President of the NHIH issued orders that stipulate protocols for practice as a basis for discount. There have been also established the activities for which together with the NHIH operate commission of experts which have to approve the granting of the expensive treatments in accordance with established

criteria.

Starting with 2006, **NHII** has become responsible for payment of leaves and allowances of health social insurances. For an efficient spending of the money collected for this purpose, the methodology for granting and control of sick leave has been established. There have also been established the way of verification and regularization of the amounts paid to the Single National Fund of Health Social Insurances as contributions and those of which insured people benefit as allowances.

In order to improve the management of the Single National Fund of Health Social Insurances, the following settlements have been introduced in the Framework Contract:

- obligation of the medical services suppliers to draw up clear evidences of patients citizens of the member states of the EU, European card holder and who benefit of medical assistance in Romania. Also, these suppliers are obliged to report, on monthly basis, to the Health Insurances Houses with which they have contractual relations, the medical services granted to these persons.
- obligation of the paraclinic medical services suppliers to perform paraclinic medical investigations only on the basis of a recommendation, regardless of the health insurance house where the insured person is taken in evidence, on condition that the doctor who give the recommendation to have a contractual relation with the same health insurance house with which the supplier of paraclinic medical services has the contractual relation.

Also, the development of the primary medical assistance is comprised within the Framework Contract and methodological standards of its application:

- allocation, in 2007, of a bigger fund for this medical assistance segment;
- granting incentives to doctors which perform their activity in the disadvantage zones;
- introducing new medical services in the standard services packages;
- granting financial incentives to the family doctors which, on contract concluding, has a list of insured persons and a list of persons who benefit of the minimal package, both lists being a basis for establishing the minimum number for which the contract is concluded.

3. MICROECONOMY

3.1. Improvement of economic competitiveness

3.1.1. Improving the functioning of the electricity and natural gas markets

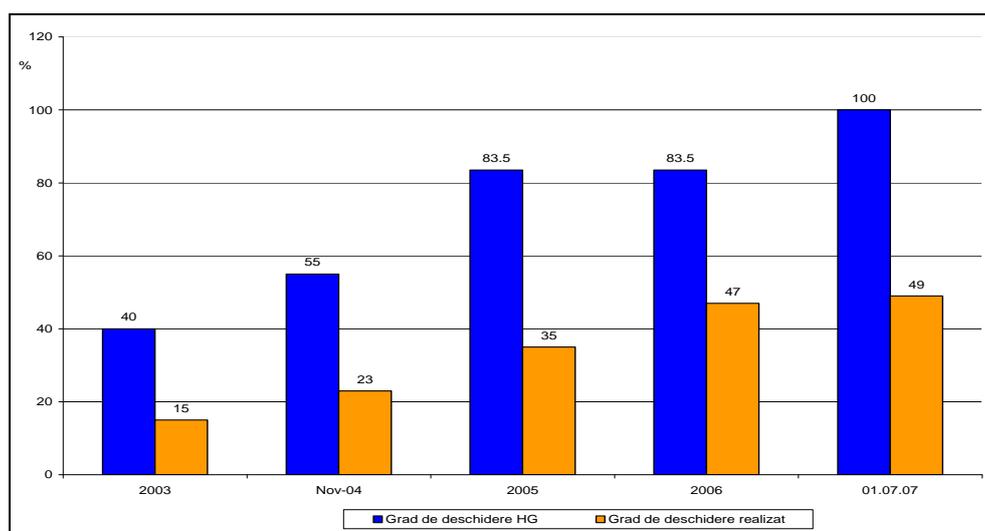
The electricity and natural gas markets were gradually opened starting with 2000, and 2001 respectively. In 2007, the implementation of electricity and gas market liberalization measures further advanced, aiming their integration into the Internal Market, in compliance with the relevant acquis in the field. This process was finalized on 1 July 2007, with the adoption of the Government Decision No. 638/2007, according to which the electricity and gas markets were fully opened to all customers, including households.

Electricity market

Romanian electricity market was gradually opened starting with 2000. The liberalization process was finalized on 1 July 2007, when the market was fully opened, and all customers were given the possibility to choose their own supplier.

Following the implementation of the Energy Law, 7 companies acting on the market set up separate companies for distribution, and supply respectively.

The evolution of the electricity market opening degree is shown in the graph below:



Source: ANRE

In October 2007 the electricity sector had the following configuration:

- 78 generation license holders;
- 1 transmission system operator – CN Transelectrica SA;
- 1 market operator – SC OPCOM SA;
- 8 regional distribution operators (3 state-owned enterprises and 5 enterprises with majority private shareholding);
- Around 127 supply license holders, out of which 53 are active on the electricity market by delivering supply services to customers and by performing commercial activities on the wholesale electricity market. Almost all of them are independent private suppliers.

According to the new market model, operational since July 2005, the wholesale electricity is traded through contracts (regulated for the supply quota for captive customers and grid losses, and competitive for the remaining quota) and through trades on the voluntary day-ahead-market (DAM). By accepting the offers on the Balancing Market (BM), the system operator solves the gap occurring in real time between supply and demand while the market participants accept their financial responsibility for the generated imbalances. The *Centralized Market of Bilateral Contracts* (CMBC) was organized in December 2005 in order to ensure transparent mechanisms for the transactions.

In 2007, the Market Operator has set up another market, called *Centralized Market for Bilateral Contracts with Continuous Trading* (CMBC – CT), where the traded contracts have a higher level of standardization.

The Market Operator organized in 2007 another market, called *Centralized Market for Bilateral Contracts with Continuous Trading* (CMBC – CT), where the traded contracts have a higher level of standardization.

In 2006 and in the first part of 2007 the total volume traded on DAM represents about 9% of the internal consumption. This means an acceptable liquidity of this market given the fact that, since July 2005, it has become a voluntary market. The monthly volume of electricity traded on the Balancing Market (BM) is 7% of the internal consumption.

The consumption of eligible customers that changed their supplier or that re-negotiated their supply contracts (by renouncing the regulated tariff) represents about 50% of the internal consumption of the final customers. Customers that exercised their eligibility rights were mainly industrial.

51 independent suppliers (not holding electricity networks) activated on the competitive retail market, the HHI index being around 900, which indicates that the market was not concentrated.

In order to ensure the security of supply for operators on the market, investments for establishing the connections with energy transmission operators from neighbouring countries (Hungary, Republic of Moldavia and Serbia) were finalized, using optical fibre. The rate of interconnection to European supply routes, calculated as the relation between the transfer capacity on Romanian border and neighbouring systems functioning in a UCTE (Union for Co-ordination of Transmission of Electricity) standardized manner, for 2007 summer, is of 15.4% for import, and 14.9% for export. The investments were made out by Transelectrica National Company from its own resources.

The allocation of interconnection capacities, through the interconnection lines of the neighbouring power systems for electricity import/export transactions and transit, is carried out through explicit auctions. The auctions are generally organized on annual and on monthly basis or whenever required, but not for periods shorter than a week. The net interconnection capacity is established by the transport system operators (TSO) and is equally distributed for import and export among the neighbouring TSOs.

Given the constant increase in the domestic and EU energy demand, and gradual decrease of the reserves of fossil fuels, Romania is supporting the right of each state to chose its own energy mix. In this respect, Romania aims to increase the share of nuclear energy into the energy mix, whilst observing the nuclear safety conditions provided for by international treaties.

In this context, the investment program for 2007 was finalized, amounting to Meuro 78.17 (Mlei 257.96), for the setting into function of Unit 2 of Cernavoda Nuclear Power plant. The setting into function of Unit 2 of Cernavoda Nuclear Power will lead, in 2008, to a 18% share of nuclear energy into the national energy mix, as well as to a GDP increase with 100 Meuro, following the operation at maximum capacity of this unit.

In order to safeguard the safety of nuclear energy use in Romania, specific projects, amounting to 11 Meuro (un-payable funds), were launched, aiming at the consolidation of the administrative capacity of the National Commission for Nuclear Activities, securing the activity at Unit 1 of Cernavoda Nuclear Power plant and radioactive waste repository in Saligny and Băița.

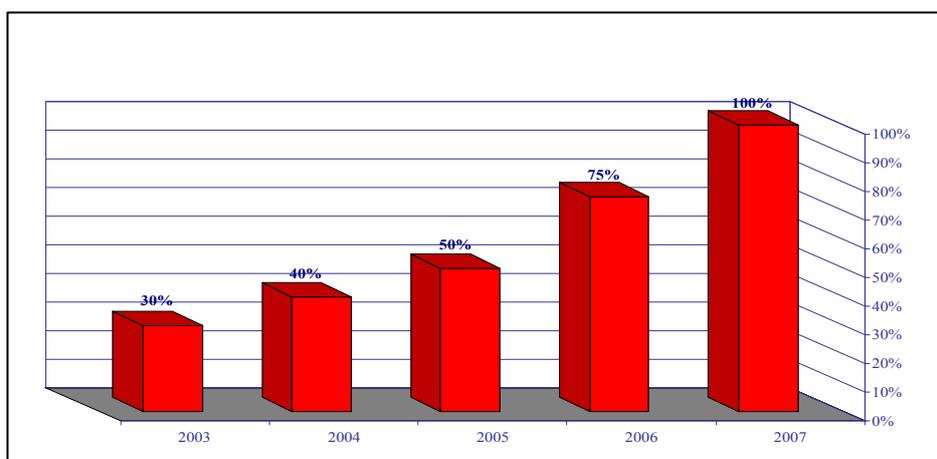
Natural gas market

The Romanian natural gas market has been gradually liberalized from 2001 onward. The gradual liberalization came to an end on 1 July 2007, when it was fully opened for all customers that now have the possibility to choose their own supplier.

The gradual opening of the natural gas market to competition was accompanied by measures aimed at developing the Romanian natural gas market and facilitating its participation to the upcoming EU Internal market, and consisting of:

- Licensing and authorization of economic operators;
- Authorization of gas specialized staff;
- Drafting of technical and commercial regulations;
- Implementation of new pricing methodologies aiming at stimulating the licensees to make investments and curb operating costs;
- Monitoring and surveillance of authorized and licensed economic operators' activity.

The evolution of the gas market opening degree is shown in the graph below:



Source: ANRE

The current structure of the Romanian natural gas market includes:

- One National Transmission System Operator – SNTGN Transgaz SA Mediaș;
- 6 producers: Petrom, Romgaz, Amromco, Toreador, Wintershall Mediaș, Aurelian Oil&Gas;
- three underground storage operators: Romgaz, Amgaz, Depomureș;
- 35 companies for gas distribution and supply to captive customers - Distrigaz Sud and E.ON Gaz România are the largest ones;
- 71 suppliers on the wholesale market.

The legal unbundling is in place for E.ON Gaz Romania, one of the two largest DSOs. The

procedures for accomplishment of the legal unbundling of the TSO – Transgaz, of one SSO – Romgaz, and of the other large DSO, Distrigaz Sud, are underway. The other DSOs are exempted from the obligation of legal unbundling for they serve less than 100,000 connected customers.

Storage and transmission tariffs were adjusted as per a „revenue cap” methodology Distribution tariffs were established as per a „price cap” methodology.

At present, there are no imbalance charges applied on the Romanian gas market. Imbalance charges will be introduced following the implementation of the *Gas Network Code*, document currently under public debate.

The unitary value of the excise duty is *EUR 0.17/GJ*, in force since 1st of January 2007. The total amount due to be paid to this account is calculated based on the calorific value of the gas delivered to consumers.

Also, the Performance Standard for natural gas supply was approved and is to be published in Romania’s Official Journal.

Consistent actions were taken for the development of the gas production and transmission sectors, with a view at ensuring the compliance of the domestic gas market with the EU Internal market. To this purpose, measures were taken to interconnect the NTS with similar systems from Central and Western Europe with a view at diversification of import sources, as follows:

Rehabilitation, upgrading and development of existing transmission pipelines;

Selection of consultant for drawing up the feasibility study for implementation of SCADA data acquisition system, financed under Phare program;

SN Transgaz SA will promote a public stock sale offer in order to be accepted for transaction on the administered market, which is regulated by Bucharest Stock Exchange Market.

Forecast of natural gas underground storage

– mill. cubic meters –

	2005	2006	2007	2008	2009	2010	2011
TOTAL	3,084	3,575	3,625	4,125	4,725	5,325	6,125

Actions are underway for *promotion of policies aimed at safeguarding continuity and security of supply*. Arad-Szeged inter-connector, now treated as cross border project, may become a part of a future transcontinental gas transmission pipeline, from Asia to Europe.

The first segment of Arad-Szeged pipeline, measuring 37 km, was built, including Horia interconnection station.

The technical project for stage 1 Negru Vodă-Mangalia was finalized with a view at establishing a new import point for the supply of gas to Dobrogea.

Measures were taken in order to carry out the feasibility studies for the pipelines to be built on Romanian territory under *Cernăuți – Siret interconnection project*, for the rehabilitation, upgrading and development of existing transmission pipelines, distribution systems, as well as for the enhancement of the underground storage capacity.

Monitoring wholesale and retail electricity and natural gas markets

As of April 2007 there is only one regulatory authority in place, that took over the natural gas and electricity regulatory activities of ANRE and ANRGN, as well as their tasks, budget, financing, staff, rights and obligations (GD nr. 410/04.05.2007).

Under its new structure, ANRE is an independent public legal body of national interest financed from funds outside the state budget and under the co-ordination of the Prime Minister through the Office of the Prime Minister.

A Regulatory Committee composed of president, three vice-presidents and seven regulators is set up in order to approve the issued regulations. The seven regulators, selected from ANRE staff upon the proposal of ANRE President, are appointed through decision of the Prime Minister for a period of 5 years. The Regulatory Committee approves ANRE orders and decisions by majority vote.

ANRE further developed its regulatory capabilities for the electricity and gas market, establishing specialized departments for ongoing monitoring of the functioning of the wholesale and retail electricity and gas markets, collecting technical, commercial and accounting information that all participants in the electricity market, including operators acting on centralized markets, are compelled to report to ANRE on a regular basis. Monthly reports are published on ANRE web site.

In the first half of 2007, the regulatory authority elaborated and approved the *Methodology on monitoring the natural gas market*.

In order to increase the quality of services delivered in the electricity market, in the first semester of 2007, ANRE issued *Rules for Suppliers of Last Resort, Performance standards for transport and ancillary services activities, Harmonized efficiency reference values for cogeneration power plants and the correction factors applicable in Romania*.

Relevant energy market indicators will have the following evolution in 2007:

Indicator	2006	2007
Hydro energy production - Mtep	1.60	1.25
Nuclear energy production - Mtep	1.36	1.70
Total primary energy domestic production - Mtep	28.11	28.18
Electricity prices – industrial users – price level and evolution on the electricity market (Euro/kwh)	0,0658*	0,0742*
Electricity prices – households – price level and evolution on the electricity market (Euro/kwh)	0.0836**	0.0971**

Source: National Commission for Prognosis, National Energy Regulatory Authority

*For industrial users (eligible and captive) the estimations are based on figures achieved in the first half of 2007. The value of average prices is expressed in real terms (inflation and tax effects excluded).

**For households, the aim was to keep the social tariff until the end of 2007. The value of the average price is expressed in real terms (inflation and tax effects excluded)

3.1.2. Transport infrastructure

In order to promote the development of a balanced and sustainable transport system, the measures proposed in the NPR are focused on the EU priorities and policies and cover the objectives of the National Strategic Reference Framework, materialised in the Sectoral Operational Programme-Transport.

In this respect, the priorities concerning the development of transport infrastructure, supported inclusively by the post-accession EU funds, are focused on the EU priority axes (TEN-T no 7 – road, TEN-T no 18 – inland water transport Rhine–Meusia–Main–Danube and TEN-T no 22 – railway), axes with a fundamental importance for the territorial cohesion in Europe and for the

mobility of goods and persons.

Road transport

In order to eliminate the gap toward the old EU countries, from the point of view of public roads' global density, Romania's priorities are related to the necessity of ensuring the external and internal interconnection of the country:

- *Assurance of the connections with the motorway networks from the other Member States*, through the internal motorway system, with the urgent finalisation of the two motorways in the West area;
- *Modernising the national roads* and building road rings of towns.

The result of these actions will be the simultaneous connection of the Northern, Eastern and Southern regions of Romania with the Internal Market space and the facilitation of free movement of goods, services and persons.

Concerning the *motorway building*, the works continued on 337 km and the documentation concerning the financing and execution of 1340 km has been prepared, respectively:

For *Nădlac–Deva–Sibiu–Pitești motorway*, the execution works are being prepared. At the same time, motorway profile works were executed for Sibiu ring (23,5 km) – status: 39,74% and Pitești ring (15,2 km) – status: 52,1%, in order to ease the traffic and to facilitate the access in the industrial area of the two cities.

For *București-Constanța motorway*, the following progress was made:

- *București – Drajna section (97,3 km)* – connected works in the warranty period;
- *Drajna – Fetești section (36,6 km)* – on the 27th of April 2007, the traffic was opened on both sides. The reception of all works will take place by December 2007. The works from Fetești Coordination and Maintenance Centre and the works for the service and parking spaces are ongoing;
- *Fetești – Cernavodă section (17,6 km)* – completed and in use;
- *Cernavodă-Constanța section (52,1 km) and the road ring for Constanta (22,2 km)* are being prepared;
- The works for the traffic control system and for the communication system for București-Fundulea, Fundulea-Lehliu și Lehliu – Drajna sections were completed.

For *București-Brașov-Tg.Mureș-Cluj Napoca-Oradea-Borș motorway (588,3 km)*, the following progress was made:

- *Autostrada București-Brașov (173,3 km)* – under preparation;
- *Autostrada Brașov-Borș (415 km)*:
 - *section 2B Câmpia Turzii-Gilău (54 km)* – expropriations, archaeological sites, movements of installations; status: 15,26 %;
 - *secțiunea 3C Suplacu de Barcău-Borș (64 km)* – expropriations, archaeological sites, movements of installations; status: 4,55 %.
- *București–Ploiești-Focșani-Albița motorway (377,9 km) on the Pan-European Corridor IX and Târgu Mureș-Iași-Sculeni motorway (320 km)* are being prepared.

Concerning the capacity increase/ rehabilitation of national roads within the Program for national road modernisation, the works are in different stages of execution for 963,38 km: Timișoara-Lugoj-Ilia; Petroșani-Simeria; Giurgiu-Adunații Copăceni; traffic fluidisation on DN 1; Cluj-Bistrița-Sadova-Iacobeni; Turnu Severin-Lugoj; Craiova-Turnu Severin; Călărași-Drajna; Galați-

Giurgiuleşti; Voiteg – Moraviţa; Călăraşi – Silistra; Filiaşi-Ciochiuţa; Sadova-Suceava; Deva-Oradea; Călăraşi – junction with DN3; building weighting platforms. 70,54 km of modernised roads (DN3 Basarabi-Constanţa, DN22C Cernavodă-Basarabi) were receipt. The works for town rings are in execution, while the construction of Craiova ring(14,1 km) and Timişoara ring (12,6 km)has been finalised.

Railway transport

In order to increase the quality of the railway network the rehabilitation of TEN-T network has continued, having as general objectives the reach of a speed of 160 km/h for passenger trains and 120 km/h for freight trains, at the same time with the implementation of rail interoperability on the sections: Curtici-Simeria (185 km); Câmpina-Predeal (48 km); Bucureşti Nord-Băneasa-Fundulea-Feteşti-Constanţa (225 km), all located on the Pan-European Corridor IV.

The rehabilitation actions of the sections Bucureşti-Constanţa, Câmpina-Braşov şi Curtici-Arad-Simeria (situated on the Corridor IV), consisted in:

- *Bucureşti Nord – Bucureşti Băneasa and Feteşti – Constanţa section:* the works on 73 km - unfolded rail track, were finalised, respectively on the sections Feteşti-Ovidiu side I, Saligny-Mircea Vodă side II and the works for sections Dorobanţu-Basarabi side II, Mircea Vodă-Dorobanţi, Basarab-Palas, Dunărea-Saligny have continued.
- *Bucureşti Băneasa-Fundulea section:* the works for the sections Băneasa-Pantelimon and Brăneşti-Fundulea are in execution. Brăneşti-Fundulea first side and Pasărea-Brăneşti second side (33km - unfolded rail track) were completed and delivered.
- *Fundulea-Feteşti section:* the execution works are going according the programme.
- *Câmpina – Predeal section:* the execution works have started.
- *Predeal – Braşov section:* the feasibility study for analysing and presenting the route variant is in the finalisation stage.
- *Braşov-Sighişoara-Coşlariu-Simeria section:* it was finished the auction for selection of the consultant which will audit and elaborate the technical project for the sections Simeria-Coşlariu, Coşlariu-Sighişoara, Sighişoara-Braşov and audit the FS on the sections Craiova-Calafat and Predeal-Braşov. The Assessing Report was approved. The technical assistance contract for the elaboration of the technical project was signed (finalisation term: September 2009).
- *Simeria –Curtici section:* the pre-qualification report for international auction for the selection of consultant who will elaborate the technical project and the execution details was approved. The bids were received and they are being assessed.

Concerning the services' quality increase, through the railway stations' rehabilitation programme, the following stations were modernised/rehabilitated: Galaţi, Arad, Sighişoara, Oradea. By the end of 2007, the rehabilitation works will be finalised in Bacău, Ploieşti Sud, Braşov and in Buzău, Severin, Feteşti, Sibiu, Cluj, Constanţa, Craiova, Iaşi and Timişoara the works are in different stages of development.

Air transport

Strategic programmes for national airport's infrastructure are further developed, in order to insure the necessary capacity and to improve the security and safety degree of the other aeronautical activities. The other airports from the Romanian trans-European network will be also modernized.

The rehabilitations and capital repairing works for the national airports infrastructure are on rolling, meaning:

- *Development and modernization of phase II and extended phase II for the International Henri Coandă – Bucharest Airport:* the works concerning maintenance of airports equipments house (status 88%) and technical machinery (status 94%) are ongoing.
- *Development and modernization of the International Henri Coandă – Bucharest Airport -phase III –* on preparation;
- *Development of the infrastructure of International “Aurel Vlaicu” – Bucharest Airport:* the modernisation works for the passengers station and capital repairing works for movement surfaces and contact lights are on going, the 3200 m track was finished and the airport traffic was reopened;
- *Development of the infrastructure of International “Mihail Kogălniceanu” - Constanța Airport:* the modernisation of the hydro-drill station and of the drinking and fire extinguishing water external supply system was completed. The works for passengers flows division, reconfiguration and for replacement of transporting bands, capital repairing for tarmac are being developed.
- *Development of the infrastructure of International “Traian Vuia“- Timișoara Airport:* the works for the access road and for the goods and passengers carriers parking were completed; the works for building embankment gates on the international departure aria are on going; the works for the extension of the domestic flies aerostation have started; technical project containing execution details for the improvement of the runway and the extension of the platform on East direction were developed.

At the same time, the modernization programme for TAROM fleet is ongoing; two new A318 planes were bought and are to be received during the forth quarter of 2007.

Inland waterways and sea transport

Measures have been taken for focusing existing resources towards ongoing works on TEN of interest both at national and European level.

Investment works carried out in infrastructure envisaged the development and modernisation of naval transport infrastructure, especially Corridor VII / Danube and TEN-T of national and European interest. The works are currently in different stages, as follows:

- *Coast reinforcement on Sulina canal and signalling and topo-hydrographic measurement system on the Danube –* execution works are ongoing for completing stage I of Coast reinforcement on Sulina canal project and also for the topo-hydrographic measurement system on the Danube;
- *Improving navigation conditions on the Danube on sector Calarasi (km. 375) – Braila (km.175) -* in preparation phase (technical documentation has been drafted, the following step consisting in organising the auction for hiring the constructor);
- *Technical assistance for improving the navigation conditions on Romania-Bulgaria common sector and connected studies* (FS for Danube-Black Sea Canal, FS for Poarta Alba- Midia Navodari Canal, FS for improving navigation conditions on the Danube for sector Mm 43-Mm 34, PT for extending Calafat Port – ongoing;
- *Arrangement high slopes and coast reinforcement on Danube-Black Sea Canal:* hydro technical works have been carried on from CN ACN SA Constanța own sources;
- *Coast protection and consolidations on Poarta Alba-Midia-Navodari Canal:*slape

arrangement works carried out from own sources of CN ACN SA Constanta;

- *Modernisation, according to EU standards, of port facilities for passenger flow in Danube river ports:* Orsova port terminal for passengers, Portul Moldova Veche port terminal for passengers and respectively complex floating boat bridge for border passing control have been completed;
- *Infrastructure and environment project in Constanta port:* execution works for treatment of wastewater station and for residues treating station have been completed;
- *Barge terminal in Constanta port:* the execution of works continued according to the schedule;
- *Execution of perimeter security system (security arrangements according to International Code for ships security and port facilities):* work for security arrangements have been contracted and are ongoing in accordance with the provisions of the Code for ships security and port facilities;
- *Prolongation towards the north of the mooring berth –* works within the limit of budgetary allocation have been completed and delivered (100 ml berth);
- Enhancing the rail capacity Constanta South port – ongoing;
- *Container terminal in Docuri Galati port, port infrastructure works – in execution phase.*

The Traffic Surveillance and Control System on the Romanian territory were set up. This system together with the Traffic Surveillance and Control System in Constanta assure an integrated surveillance and control system on the sea and the Danube river. The two systems are coordinated by ANAR – the state authority for navigation.

A project for the setting up of an integrated system for collection and processing waste from vessels has been going on since January 2007. The Dutch Government finances the project.

According to the current legislation, all operators have access to the land and maritime transport infrastructure.

- For increasing the transport safety, the following have been done: A decrease in the number of deceased persons in car crashes by 6.2% compared to the same period in 2006 (twinning programme regarding the route safety: Stop accidents! Life has priority! - 2007);
- A decrease in the number of accidents for the inland transport by 10% compared to the same period of 2006.

The implementation of these measures and actions will bring an extensive, modern and lasting transport infrastructure that will integrate the goods and services market in the Internal Market.

Indicator	2006	2007
Volume of goods transport in NGP - index of goods transport volume (tons-km) against NGP (EUR) measured in tonne - km/EUR	0,83	0,72
Weight of road transport of goods as percent from tons-km - %	71,3	72,4
Flow of goods in maritime ports – Mtons	46,7	48,0
Flow of goods in river ports and water ways – Mtons	29,3	34,0
Volume of passenger transport in NGP - index of passenger transport (passenger-km) against NGP (EUR) measured in passengers - km/EUR	0,38	0,31

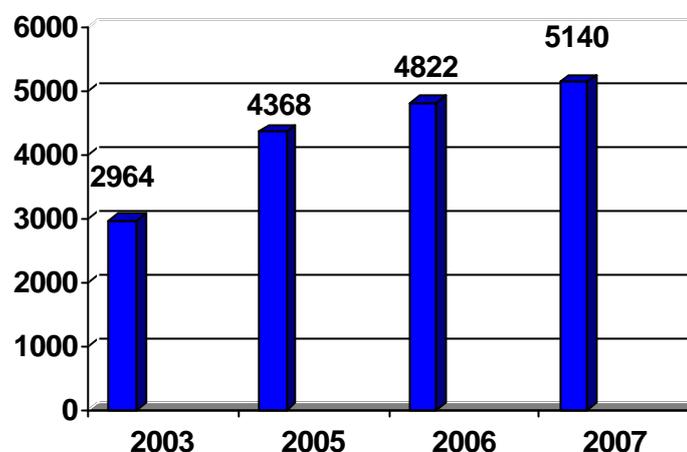
Indicator	2006	2007
National gross product - bill EUR	97,2	118,1

Source: National Forecast Commission

3.1.3 Modernisation of communications infrastructure and promotion of information technology

The Romanian electronic communications market is dynamic and has a potential of rapid growth; if in 2003, it amounted to 2964 mil Euro, it is estimated to reach 5140 mil Euro in 2007 by approximately 7% more than in 2006.

Evolution of the electronic communications market



Source: ANRCTI

After almost 5 years since the full liberalisation of the Romanian electronic communications market, the number of providers of electronic communications networks and services operating in the market has significantly increased. On October 8, 2007, 2498 companies were authorized to provide electronic communications networks or services.

As regards the evolution of the electronic communications sector, on June 30, 2007, one can see the following changes, compared to the same period of the previous year:

- the number of mobile telephony users (number of active SIM cards) amounted to 19.5 million, growing by 31.4%;
- the penetration rate of mobile telephony per 100 inhabitants was 90.5 in mid-2007, as compared to 68.8% - one year before;
- 3.8 million customers benefited from one or several subscriptions to mobile telephony, as contract holders, and used 6.54 million SIM cards (33.5% of the total number of active SIM cards), triggering an average of 1.7 subscriptions per customer;
- mobile telephony traffic increased by 24%;
- the maximum tariff for making a roaming call abroad is 0.49 euro/minute + VAT in the first year (starting with June 7, when the Regulation on international roaming on public mobile telephone networks was adopted); in the next two years this tariff should drop to 0.46, respectively 0.43 euro/minute. For received calls, the Regulation provides a maximum tariff of 0.24 euro/minute in the first year, and of 0.22,

respectively of 0.19 euro in the next two years.

- the number of Internet connections reached 4.5 million connections, i.e. a 78.22% growth, and the penetration rate reached 21%;
- the number of broadband connections reached 2.2 mil (connections featuring a speed of at least 128 kbps, including mobile access connections) by 90.4% more, the number of dedicated connections was 1.4 mil (of which cable represents 29%); the penetration rate was 10.5%;
- a number of 72 providers of access services and/or calls are active on the retail market, for fixed telephony services. The alternative providers had a 25% market share, having installed approximately 1.03 million lines.

The rapid evolution of the mobile telephony market led to a decrease by 7% (4.1 mil lines) in the number of fixed telephony lines, compared to the same period of the previous year, indicating a penetration rate of 19 lines per 100 inhabitants.

The Government focused on reducing the gap due to the limited access of users to the electronic communications networks, acting for the development of infrastructure, especially in remote areas, in order to minimize the digital divide between rural and urban areas.

The *Programme for the installation of telecentres in isolated rural areas* continued, which is a solution in view of ensuring universal service. The telecentre is a publicly available space, equipped with at least two telephone sets, two computers with access to the Internet and one fax machine, providing access to a publicly available telephone network, so that the end users should be able to initiate and receive local, national and international calls, facsimile and data communications at such a transfer rate that could ensure functional access to this type of electronic communications services.

The *Programme for the installation of telecentres* began in 2004, when the installation of a first lot of 5 telecentres was awarded, based on a pilot tender. In the same year, a list of eligible localities for the installation of telecentres was set up, containing more than 1,200 localities where telephone services were available on a very limited scale or not available at all. So far, a number of 6 tenders for the installation of telecentres in 331 localities have been organised, 254 telecenters are already operational, with a target number of users of 185,802 persons. Within the operational telecentres, there are 508 telephones, 254 fax machines and 508 computers connected to the Internet.

The 2007 programme provides for the designation of universal service providers for a number of 250 localities, so far 130 localities being covered by universal service providers, targeting at a number of 61,969 potential users.

In 2004, the Universal Service Fund was established for covering the annual requirements of financing Universal Service. This was the first year when the providers of public electronic communications networks and the providers of publicly available telephone services contributed to this fund. For 2006, the contributions collected to the Universal Service Fund amounted to 30,155 million RON. ANRCTI manages the financial resources of the universal service fund, emphasizing them distinctly within the income and expenditure budget of the institution.

With the purpose to integrate the local communities into digital economy and to increase the access to knowledge and to public information it has been launched the Creation of Local Communities Electronic Networks (RECL) programme. Each RECL represents an integrated network, which connects the town hall, the coordinating school, the public library and 1 Point of Public Access to Information (PPAI). So far, there has been run the international auction process, according to the World Bank procedures, where 10 tenders participated. On 23rd of August 2007 the contract was signed, and the programme is ongoing. It is foreseen that 246 RECL will be installed by the end of 2007. Thus, 246 city halls, 246 libraries, 246 PPAI and 502 schools will

be informatized. All locations will be equipped with latest generation of ITC hardware, and will be connected to Internet through optical fibre and radio broadband solutions. 4,265 notebooks, 642 servers, 214 routers, 214 digital photo cameras, 214 copy machines, 428 printers and 214 scanners were purchased overall. Also the monthly ticket for Internet access for a period of 3 years in advance is covered, and, complementary, there will be offered training services for the potential users.

In order to facilitate the access of the citizens to information within public areas, the program “Hotspot in public areas for supplying Internet access to population” is currently being implemented. By the intermediate of this programme it is promoted the installation of a free flexible Internet connection service, supported by wireless technology. All city halls are encouraged to install such services for their citizens.

The technical characteristics of the equipments and the data flow allow simultaneous access for more than 30 users.

To complete this project, the Minister of Communications and Information Technology initiated the inquiry procedure; as a result it was selected the winner that supplied and installed the technical equipments and subcontracted the Internet supplier.

On September 2007, 2 hotspots were finalized in Cluj-Napoca and Brasov. The users can access the information they need using a notebook, PDA, mobile phone or a desktop, equipped with a device network WiFi or a PCMCIA network card WiFi.

It is foreseen that other 20 hotspots for indoor spaces this time will be installed until the end of 2007.

Promoting the strategy and Implementing BWA systems (Broadband Wireless Access) at a national level

The WiMAX BWA systems will contribute to the reduction of digital gap between rural and urban areas, and will be a viable alternative for the implementation of new solutions for local loops development. The action has 2 phases: the elaboration of the National Strategy and issuing national WiMAX licenses.

3.2. Improvement of business environment

The general economic growth and the registered progress on simplification of the procedures regarding market entry of the companies had a positive impact upon the enterprise birth rate. The analyses³ performed indicate that the SMEs are dominant with an important contribution to growth and employment according to their registered performances. SMEs represent 99,7 % from the total Romanian active companies, also they bringing an important contribution as regards the employment: 59,79% from the total number of employees and the turnover: 57,6% from the total value registered on the economy. In 2007, Romania initiated a set of reforming elements, in terms of promoting better regulations and implementing some concrete measures for supporting the entrepreneurial initiatives, with a view to enhancing SMEs technological capacity, to unlocking the entrepreneurial spirit and to increasing job creation. In this context, Romania initiated in 2007, a coherent approach of measuring and reducing the administrative burden in public administration, within the framework of the Strategy on better regulation at central public administration level, for 2008-2012, that will be approved until the end of this year. The Strategy is focused on reducing the administrative burdens, promoting the impact assessment and simplification of legislation, implementing correctly the EU legislation, promoting consultations and dialogue with stakeholders. Also, Romania streamlines its efforts on reducing and reorienting of the state aid to the horizontal objectives: facilitating access to finance,

³ NASMEC, Annual report of SMEs sector in Romania, 2005

development and sustaining a fair competitive environment for enterprises on the market.

Indicators	2006	2007 forecast	Increase 2007/2006 - % -
Labour productivity (GDP/employees, in PPP) -Euro-	20000	20600	3.0
Employment rate (the population aged of 15-64) - % -	58.8	59.9	1.1

Source: National Institute for Statistics, National Commission for Forecast

3.2.1. Better regulation for supporting investments

Although progress has been registered with regard to the procedures of company registration, Romania still has a high level of information and reporting costs to the administration that companies have to complain in their functioning period. This aspect negatively affects both the efficiency of the enterprises and the macro economic environment, respectively the growth of the GDP and of the state competitiveness as a whole.

Through "*The action plan for the reduction of the administrative burden 2007*", approved at the beginning of October current year, Romania intends to achieve a coherent approach concerning *the measurement of administrative costs*. In its first stage, by the end of this year, an assessment in the financial and the labour market fields, which are under the responsibility of the Ministry of Economy and Finance and the Ministry of Labour, Family and Equal Opportunities, is envisaged.

This stage will include administrative measures for management improvement, which can be rapidly promoted; and, during the next stage, based on the achieved experience, fields under the responsibility of other ministries will be also included. The second stage will be enlarged and it will be based on the analysis of the entire legislation, in order to quantify administrative burdens, to eliminate legislative overlaps, as well as obsolete and redundant provisions. At the end of this stage, plans for legislative simplification will be drawn up.

In the elaboration process of the regulatory action on the modification and the completion of the G.E.O. no. 27/2003 regarding the silent approval procedure, the approvals, the licences and the authorizations that are necessary for enterprises to be operational, required by the issuing public authorities bodies. Therefore, out of a total of **471, a number of 48 were identified, i.e. 10%, which are subject to the silent approval procedure**. The normative act is subject to the Parliamentary approval procedure and will be adopted by the end of 2007.

In order to integrate services in the Internal Market, to eliminate barriers against free movement of services and to create the information opportunities for enterprises and consumers regarding the supplied services, Romania started to assess the authorization systems, in the framework of the work group established with this purpose, coordinated by the Department for European Affairs. In order to prepare the *transposition of Directive 2006/123/EC* regarding the internal market services within the established deadline (2009), we will start the assessment of costs, requirements and the time limit necessary for the completion of the specific procedures by enterprises to be operational on the market.

The complete results of the assessment are expected by the mid of 2008, when the working group created for the transposition of the directive would finalize the report on the authorization systems and would propose the reduction of the authorization systems which generate

parallelisms or overlaps with regard to the authorization requirements. In the first stage, institutions that have the necessary experience and logistics to host and to manage the single contact point provided for the implementation of the directive (the National Office of Trade Register, the Ministry for SMEs, Commerce, Tourism and Liberal Professions and the Ministry of Interior and Administrative Reform).

The Government of Romania supports efforts aiming at the stimulation of investments in enterprises and the creation of the infrastructure necessary for business development. In 2007, the *draft Law for the stimulation of investments in Romania*, which is a framework law, in which are established and defined the principles, the conditions and the methods for stimulation of investment, without discrimination against the capital owned by the interested investors (domestic or foreign). The draft law was elaborated at the inter-ministerial level and now is subject to the public debate. It is estimated that the Parliament will adopt this draft law by the end of the year.

In 2007, special attention was paid to aspects related to the possibility for enterprises to enter on/exit the market in a more rapid and less costly way, which consisted in offering viable instruments for the registration of enterprises and the settling of litigious and non-litigious problems raised by entrepreneurs.

Starting with 2004, the registration of firms into trade register is achieved in three days; due to this action of procedures simplification, the number of enterprises in 2005-2007 increased year by year, and more than half of them being active at the end of each year.

Annual evolution of number of enterprises registered into Trade Register

Year	No of enterprises registered at 31 st of December	No of active enterprises at 31 st of December	Turnover at 31 st of December - bil RON -	No of employees - thousand persons -
2005	93207, out of which active: 64830 (69,6%)	531844 64830	581,8 12,0	4376,5 200,1
2006	92687, out of which active: 61509 (66,36%)	565051 61509	667,1 11,8	4437,4 129,2
2006/2005 - % -	86,39	106,24	114,7	101,4
30.09.2007	80550

...) missing data

Source: National Office of Trade Register

Starting with the third semester of 2007, the *on-line registration and authorization system for enterprises* is functional, managed by the National Office of Trade Register, which means the 3-day duration of the registration and authorization process, established by law, is fully implemented. *E-forms* generated by the applicant are being electronically introduced in the system based on the electronic signature: forms required for registration in the trade register, accompanying documents, etc. At the same time, the system allows obtaining on-line information from the electronic trade register. For the integration of isolated local communities in the system of online registrations, the subcomponent “*Setting upon-line registration and authorization system for local enterprises*” has been promoted as part of the project

„Knowledge-based Economy” financed by the World Bank. The subcomponent of the project aims to support self employed people and family associations that are subject to the authorization procedure of functioning and registration in the trade register managed by the mayors of localities in which they wish to start-up a business. The system will manage the necessary documents for the authorization required by the authorization procedure and it will be subject to testing at the end of this year.

In addition with the initiatives for facilitating the registration of companies, the promotion of entrepreneurial culture and encouraging start-ups were also supported through the implementation of the *Multi-annual Programme for the development of entrepreneurial spirit of women entrepreneur* having in view increasing the representation of female entrepreneurship on business environment. The program is dedicated to train beneficiaries with the scope to teach them how to set up a business and to promote best practices of women entrepreneurs among the trainees. In 2007 there provided four phases in the program, two of them were already finished, in so far:

- Information campaign "Women entrepreneur days" , was held in 10 towns: Giurgiu, Sinaia, Odorheiu Secuiesc, Mangalia, Alexandria, Slatina, Zalău, Vatra Dornei, Buzău and Lugos. A number of 300 women, who applied for the entrepreneurial training courses, participated at this campaign. Within the seminars mini-exhibitions for promoting their business success models were organized by women entrepreneurs;
- Entrepreneurial training courses of 5 days organized and carried out with the support of the territorial one stop shop, in 10 locations: Botoșani, Focșani, Covasna, Alba Iulia, Slobozia, Câmpulung Muscel, Târgu Jiu, Băile Herculane, Borșa and Târgu Mureș.

The Government of Romania especially highlights the improvement of the legal system from the perspective of the courts' increasing capacity to solve insolvency cases, and also from the perspective of the economic recovery of bankrupt enterprises.

The monitoring of the law on insolvency implementation continued (Law no. 85/2006) and the issuing of the Bulletin of insolvency procedures⁴, which functions as a public supine, communication, convocation and notification service for procedural documents issued by courts and receivers/liquidators after the opening of the insolvency procedure. From the setting up of the Bulletin of insolvency procedures and up to this moment, 3,302 issues of the Bulletin have been published, as it follows:

Period	Number	Procedural documents issued by courts				Procedural documents issued by receivers/liquidators					
		Supine	Communications	Judgments	Other procedural documents	Notifications	Notices	Convocations	Reports	Reorganization plans	Other documents
August-December 2006	988	8,178	4,059	4,117	73	2,814	125	1,247	2,457	16	31
January-September 2007	2313	28,274	14,675	14,722	2,061	6,434	415	3,232	4,609	31	703

⁴ The first bulletin of insolvency was published on August 1st 2006

After the publication of the procedural documents issued by courts and receivers/liquidators, after the opening of the insolvency procedure, 49,204 proves that the supreme, communication, convocation, notification procedure with regard to insolvency has been fulfilled, with the remark that a proof of fulfilment of the procedure concerns one or more published procedural documents, depending on the manner in which they were transmitted.

Starting with the third semester of 2007, efforts were undertaken to identify and promote *good practices and the improvement of IT systems concerning "the electronic insolvency file"* and of the *electronic system for summoning*, aiming, on one hand, at reducing the administrative and procedural costs for enterprises under insolvency procedure, and, on the other hand, at improving the activity of courts that undertake the preparatory inquiries in cases of insolvency.

By evaluating the functioning of the "electronic insolvency file" and the electronic system for summoning (Bulletin of insolvency procedures), the following are targeted:

- Identification of the positive effects the new legislation has on the evolution of the insolvency procedure;
- Quantifying the performance of the two electronic insolvency/supine file, communication, convocation systems. The measure is due to come to an end in the second quarter of 2008, and during the implementation period the duration of the insolvency procedure and activity, as well as the efficiency of the activity undertaken by practitioners in insolvency and recovery mechanisms will be monitored and quantified from a quantitative and qualitative point of view, while highlighting: the number of hearings during the procedural stage; the number of files being solved during a calendar year; the number of pending files at the end of a calendar year; the number of finalized causes through the economic recovery of debtors; the number of the causes in which the simplified insolvency procedure has been applied in a direct manner; the number of the causes in which the judicial reorganization has degenerated into bankruptcy. Following the analysis of the evolution of these indicators, methods aiming to improve the two systems will be proposed.

In order to reduce the number of causes, which resort to the legal reorganization procedure, actions have been taken for the *identification and regulation of the pre-insolvency procedure*. These are based on the premise that the effective commencement of the procedure is followed by the declaration of the financial crisis status on the part of the enterprise, which, in most cases, degenerates into bankruptcy. The pre-insolvency procedure aims at the *economic recovery of the operator in financial difficulty*, as it has an extra-judicial nature. For this purpose, the Government shall adopt in December 2007 the draft normative act regarding the procedure of preventive composition. The measure shall have a positive impact on the enterprises in financial crisis, by giving them the possibility of economic recovery and maintaining their jobs.

Ensuring the correct application of Community law concerning the internal market, with a view to observing citizens' and economic operators' rights is essential for the proper integration and functioning of the Romanian market. Thus, ever since joining the European Union, the *SOLVIT National Centre* (which is part of the European SOLVIT network) has been functional, being meant to implement, at the national level, the mechanisms created by the European Commission for the effective application of the Community acquis. SOLVIT Centre is operational and has been allocated the necessary human resources. In order to solve claims rapidly, the Centre has established a network of contact points in all the institutions of the central public administration.

Ever since it started being functional, SOLVIT Romania has finalized 23 cases out of 34 cases received for solving. At present, SOLVIT Romania is solving 11 cases, while other 19 are under analysis, to check out whether they can be solved within the system. SOLVIT Romania Centre has answered 30 information requests, while 47 claims have been rejected, as it is not up to

SOLVIT to solve them.

In order to raise the level of awareness on the functioning of SOLVIT in Romania and on its activity field, 2600 brochures concerning the Centre's activity have been distributed at the National Centre for recognition of diplomas, in the network of Euro Info Centres and chambers of commerce and industry, as well as in the framework of events, such as the Congress of liberal professions, ANCEX conference, the annual Conference of Euro Info Centres. The analysis of the received proceedings will constitute for the public central/local administration an instrument meant to improve the quality of rules or of the application administrative rules.

3.2.2 Development of business infrastructure

The business support services market should be competitive and diversified as to allow SMEs to receive specialized consulting in order to become more and more competitive. The studies carried out indicate a low degree of participation in the training courses for managers and employees and a low specialization of courses. For this reason it is necessary to promote proper training modules and courses for SMEs needs in order to convince them to implement modern systems for management, productivity, flexibility and competitiveness improvement, and also to develop in the same time the adequate instruments for increasing the competitiveness of consultancy services for SMEs. In 2007, the Government of Romania implemented the following priority projects:

- ***Developing the network of the one stop shop contact points for supporting the development of SMEs***– the programme is financed from the state budget with 209 thousand Euro. According to the framework Law for SMEs development, in 2005 begin the setting up, at the territorial level, of the offices for the development of SMEs, assimilated with the one-stop shop according to their functions. At the beginning of this year 8 informing and guidance points for SMEs (Constanta, Craiova, Galați, Târgu Mureș, Timișoara, Cluj, Iași, Brașov) were operational. During this year were established 3 new offices were established in Târgoviște, Satu-Mare and Bucharest. In 2007 was consolidated their role of multipliers of the support for SMEs at local level by strengthening the partnership with the representatives of the business environment, organization and local authorities. The territorial offices were involved in the process for preparing the project portfolio for the implementation of the financial assistance from the state budget or Community sources, by supplying the complete information and guidance for SMEs to prepare the application for the financing programmes implemented during this year.

The One stop shops assure the interface role between the Government and local business communities concerning the application of the policies for SMEs and providing the feedback in drawing up strategic decisions and policy making process for the sector.

- ***Supporting the setting up and development of business incubators*** at the national level is realized by the national multi-annual programme managed by MIMMCTPL, with a budget of 515 thousand Euro. The aim of the programme is the establishment of the 8 business incubators with 20 incubees/incubator, in the period 2005-2008. In the pilot stage of this programme, 2005-2006, 3 business incubators were set up: Brașov, Alba Iulia and Sfântu Gheorghe. In the first quarter of 2007 the process of establishment of the 59 incubees in those 3 pilot-business incubators launched at the end of 2006 was finished. All the incubees have access to adequate utilities, including Internet, as well as specialized consultancy for starting up and development of the business. The contracts for setting up a new incubator in Mangalia were also concluded and were carried out feasibility studies for other new locations for business

incubators according to the approved schedule.

- ***Establishing SMEs Portal***

In order to improve the SMEs access on the market, to the digital economy and to the opportunities offered by new technologies, was established the IT Portal for SMEs managed by the MSMETTLP. The portal was launched on 25 of September 2007, being developed with pre-accession funds in the framework of the Technical Assistance Program for Romanian SME sector, and can be launched from www.business-entrepreneur.ro website.

The main benefits of the portal are: unique point for access with complete information related to SME sector, including developed e-governing instruments; business opportunities through e-business and e-commerce facilities which allow to upload the offer/request, to process the orders and to pay on-line; access to on-line consultancy and know-how. Until now were registered over 250 entrepreneurs willing to benefit from the services offered by all five category sections of the portal (SME, business support providers, financial services providers, stakeholders and international enterprises).

- ***Developing consultancy services - establishing Consultants Central Register (CCR)***

In order to motivate the competition and increase the quality of consultancy services and diversifying the market offer related with the SMEs needs, in 2007 was established, in the framework of the same Technical Assistance Program, the Consultants Central Register (CCR) according with the European practices for consultancy services. The CCR will be available on the IT Portal for SMEs. In this respect, in the framework of the training sessions developed by the Technical Assistance Program for Romanian SMEs sector was promoted among the participants the CCR. Until now, were registered in CCR, 300 consultancy and training suppliers, and it is expected a total number of 500 business consultancy providers to be registered in next period.

- ***In order to promote the products and services of SMEs to export*** the national multi-annual programme for supporting SMEs in developing export it is implemented and aims at training the entrepreneurs in products promotion technique and services on new markets. The programme was launched in April 2007 being registered 860 of financing requests. In the present, the appraisal of applications is developing, being delivered notifications for financing acceptance for a number of 341 SMEs.

3.2.3. Increasing enterprises competitiveness and promoting RDI

The gaps that Romania registers in comparison to other Member States regarding the competitive advantages of enterprises are due to the low productivity in most of the industrial sectors, situated below the EU average, including certain countries in the region.

The level of the productivity in the manufacturing sector is almost 4.5 times lower than the average at the EU level, although it had an ascending evolution; it was not the result of the modernization of the production and of a competitive management.

The increase of productivity depends both on the technological development carried out through tangible investments (new equipment, technologies) and intangible investments (licenses, patents, marks and know-how) as well as on the increase of the products' quality, of the marketing and of the application of the research-innovation results, but also on other sources determining the increase of the added value.

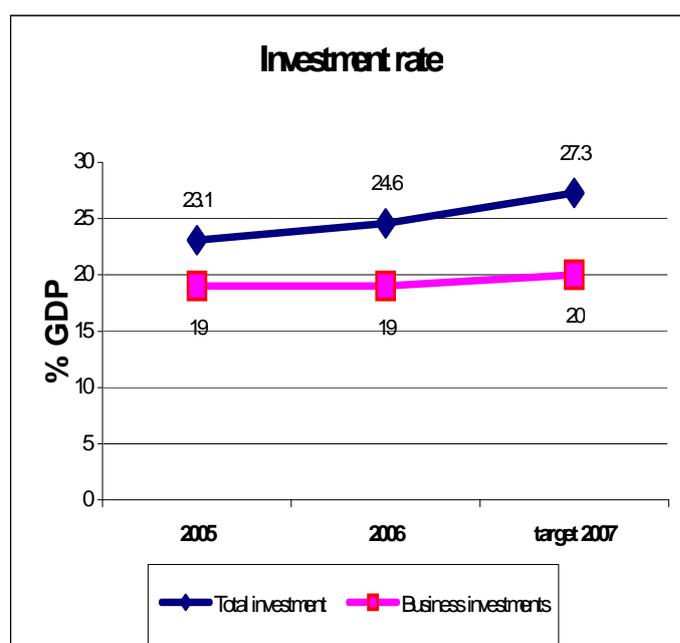
Under these circumstances, the innovation capacity and the speed of disseminating the innovation become crucial for increasing the enterprises' competitiveness. In Romania, the share of innovative enterprises is still low compared to European level (51% of the enterprises are

technologically innovative), but the tendency is to increase from 17%¹ to 19.3%².

The innovation registered in the industry sector and services is based mostly on new equipment and technology acquisitions and less on their own research activity or on the implementation of the results of the RD applicable in economy, generated by R&D institutes and universities. According to the analyses conducted by the National Statistics Institute, the transfer rate of the results towards industry is unsatisfactory because of the enterprises' low capacity to implement them in their production flow.

Therefore, the Government of Romania focused, during this year, on improving the situation in economy, through more investments for increasing the technological capacity in enterprise, for stimulating innovation, for the development of partnerships between universities, RD units and enterprises and the development of technology transfer infrastructures responding to market requirements.

Thus, it is expected that the total investment rate in economy to increase by 2,7% in 2007 as compared to 2006, the ascending trend will also be present in business investment which will increase by 1% in the same period of reference. In this framework, measures linked with those concerning investments for the ICT, transports infrastructures and for human resources, as well as measures for increasing administrative capacity, will secure, in 2007, a constant integration of trade with goods and services, of 32,7% of GDP and, respectively, of 5,7% of GDP.



Source: National Commission for Forecast

Also, the Government of Romania gives the highest importance to the commitments formulated at the 2006 Spring EU Council to progressively increase public spending for RDI in order to reach the level of 1% of GDP in 2010. As well, by 1 January 2007 the R&D expenditures of the private sector are monitored, by their explicit mentioning in the yearly financial balance, and by the introduction of fiscal incentives such as: the 100% deductibility of current RD expenditures, the 20 % deduction of the RD direct investments with an economic impact, the non-taxation of income obtained by natural persons, from the use of patents (by the patent holder or by the licensed persons) or from the granting of patents; tax reduction through flexible options for the amortization of expenditure for tangible and intangible assets.

In order to promote the development of RDI activities in RD units and in enterprises, the Government of Romania has adopted in 2007 two strategic documents with major impact for the 2007-2013 period: the *National Strategy for Research, Development and Innovation 2007-2013* (NS RDI), the first strategy elaborated by the national scale consultation of the majority of stakeholders in the RDI field (approved by Government Decision 219/March 2007) and the

¹ 2000-2002 Innovation analysis, according to EUROSTAT CIS3 methodology

² According to the 2002-2004 Analysis (EUROSTAT CIS4 methodology).

National Plan for R&D and Innovation 2007-2013 (NP II, approved by Government Decision 475/ May 2007), which implements the Strategy.

For 2007, the public expenditures for RDI are planned to reach 0,5% of GDP.

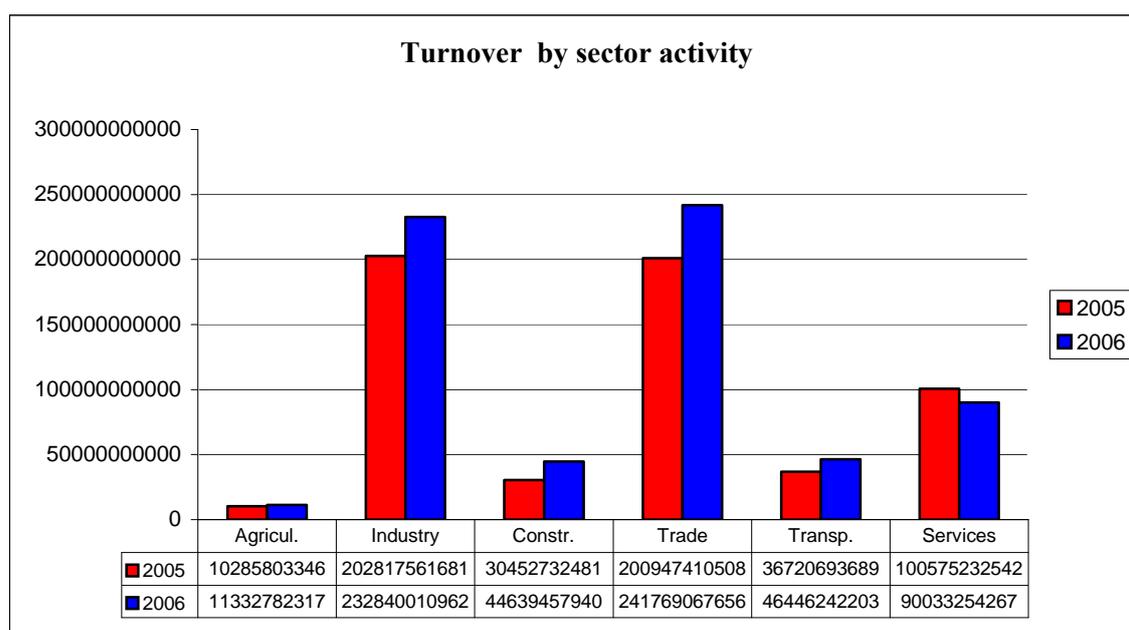
The implementation of NP II is focusing on two main aspects relevant for increasing enterprises' competitiveness the *Stimulation of innovative enterprises and the Stimulation of technology transfer activities in the economy* (in domains such as alternative energy sources, plants genomics and biotechnology, water management, future manufacturing, nanoelectronics, nanomedicine, innovative medicines, sustainable chemistry, maritime transport, aeronautics), as follows:

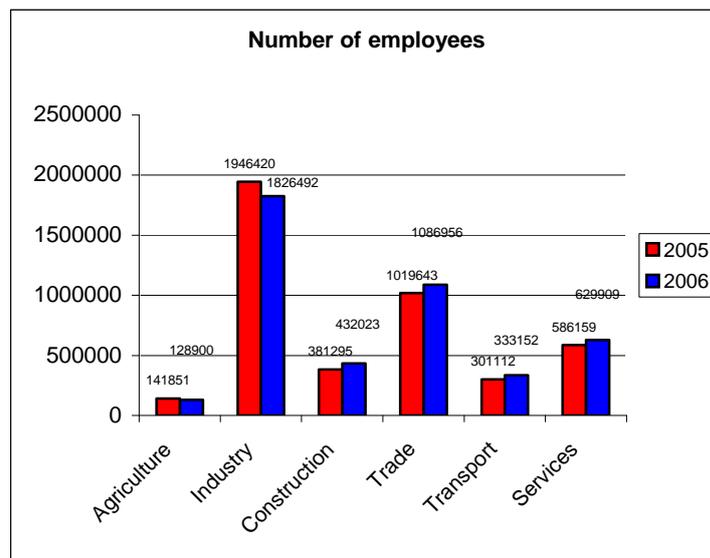
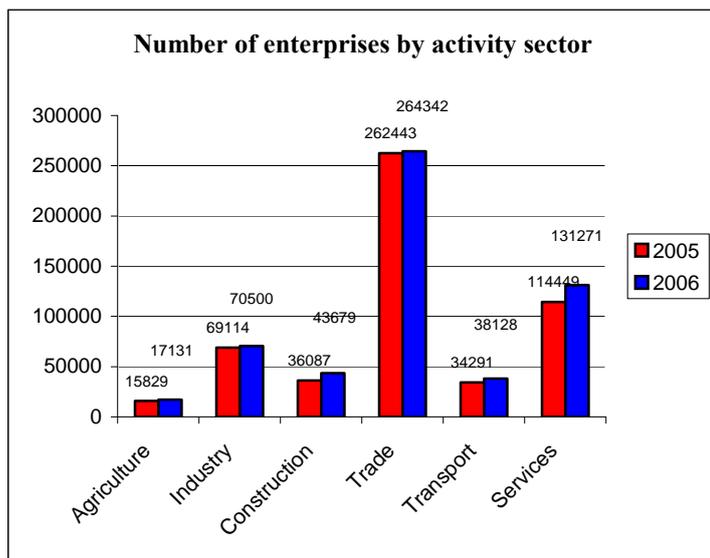
- *Programme „Innovation”* – finances projects initiated and developed by enterprises, oriented towards increasing their technological development and innovation capacity and the assimilation in production of research results; in the competition hold on July 2007, 294 projects proposals were submitted, out of which, after evaluation, 137 were selected for financing, with a total budget of 200 million lei.
- *Programme „INFRATEH”* finances projects supporting the development of infrastructure and services for technology transfer and innovation – the National Network for Technology Transfer and Innovation - ReNITT (S&T parks, technology incubators, technology transfer centres); at present the programme supports 12 technology transfer centres de transfer technologic, 4 S&T parks and 15 technology incubators. As well 21 technology platforms integrated in European platforms are promoted.
- *Programme “Partnerships in priority S&T domains”* (ITCs; nanotechnologies, innovative materials and products, including bio- and eco-technologies, in industry, agriculture and food, health, energy, environment, transportation, security and space) stimulates the formation of consortia in scientific and technical domains specific to advanced technologies, in order to promote the achievement of innovative technologies, products and services. In July 2007 competition 2291 projects proposals were submitted, out of which, after evaluation, 768 projects were selected for financing, with a total budget of 500 million lei. The impact expected by the implementation of this programme may lead to reducing the current account deficit, through diminishing the number of imported products and by improving the access of Romanian products on the international markets. About 300 SMEs are expected to participate to this programme.
- *Programme “Capacities”* supports investment projects for developing the existing RD infrastructures, with up to 2 million RON per project. The budget for this year competition of July was of 200 million lei, for financing the 140 projects selected from the 460 proposals submitted. The second competition, for large infrastructure projects (20 million RON per project) will be launched on 1st of November 2007.
- *Programme “Ideas”*: 1278 projects proposals were submitted, out of which 404 were financed, within the limits of a budget of 270 million lei. A strong emphasis is put on excellence and international visibility, on complex research in frontier domains and on participation in international networks of research of excellence.
- *Programme “Human resources”*: two competitions already took place in 2007, one in July, with 211 projects financed out of 438 submitted, the other in September, with 418 projects financed out of 551 submitted. The budget for the two competitions was of approx 135 million lei. Referring to highly qualified personnel in Romania, the proportion of RDI personnel in the economy still represents a low fraction, as compared to the EU average, as for instance: 4,89 RD personnel in 1000 employees (as compared to 13,8 in EU); 3,53 researchers in 1000 employees (as compared to 5,4 in EU). On the other hand the share of researchers in engineering sciences has become steady, after a longer period of decline. The most usual indicators for the *Programme “Human*

resources” are those on number of PhD / post-doctoral students financed through research projects, the number of researchers from abroad integrated in the RDI system, the number of schools of excellence financed. Also, the programme has in view to improve the business environment, through strategies on intellectual property rights or implementation of innovation strategies, the indicator on number of persons trained in research and innovation management will be monitor under the implementation of programme.

- *Programme Research of excellence (CEEX)* will end its term in trim. IV 2009. Through the four modules of the programme (complex projects, human resources, international visibility and quality infrastructures) 1404 research-industry partnerships were promoted, through which 400 new products/ technologies / services and 99 improved products/ technologies / services were achieved, with the submission of 31 patents. Also, 278 testing laboratories, 17 measurements laboratories and 13 certification bodies were set-up, and 240 projects for conformity evaluation are under way, involving 542 specialists trained for these activities. As regards the development of human resources 57 post-doctoral programs were created, 33 researchers with PhD title obtained abroad have been reintegrated in universities and institutes and 1243 specialists were trained in the management and administration of research. Also, following the preparation through CEEX projects, 31 international projects with Romanian partners were approved for financing.
- *Programme „IMPACT”*: three calls were launched for the preparation of projects, which will participate in the opened competition for the Sectoral Operational Programme Increasing Economic Competitiveness (SOP - IEC) - Axis II – the RDI component. Up to now 630 projects were financed through Impact, with a budget of approx 50 million lei. The competition for SOP - IEC priority axis II – Increasing economic competitiveness through RDI, will take place in 4th quarter of 2007 and will promote: research projects achieved in partnership between universities, institutes and enterprises (industry), targeting to the results applicable into the economy; to support for investments in RDI infrastructures; and to improve enterprises’ access, mainly SMEs, to RDI activities.

At the end of 2006, the situation of active enterprises is reflected in the following graphs (source National Trade Register).





In order to increase the speed for retrieving the enterprises technological gap, the Government will continue to stimulate the investments in new technologies and equipments, the introduction and certification of products and quality management systems and also environment management systems, that have important benefits for firms, leading to improve their position on market.

The interventions in the economy were addressed mainly to stimulate the industrial and services sectors, because those two sectors weight in total enterprises compared with EU average is smaller and they have potential in rapid growth according to the graphs above. In this respect, the Government sustained in 2007 programs financed from the state budget, that are now in the implementation phase:

- *Multi-annual programme for SMEs investment in modernisation/technology* awards grants with the value of 10,000 Euro equivalent in RON for start-ups and microenterprises and 50,000 Euro equivalent in RON for small and medium-sized enterprises. In the period between 14th and 20th of August 2007, a number of 2271 on-line participation forms were received, and during the period between 3 and 21st of September 2007, 412 were submitted applications that are in the appraisal process
- *Programme for supporting the development of small and medium-sized enterprises through funds restricted by the paid amounts for gross reinvested profit.* The main objective of the programme is the increasing and capitalisation of the small and medium-sized enterprises, allowing in this respect a better consolidation of the capital and competition on the Internal Market. Through this programme, grants are available, of 100,000 lei/beneficiary restricted by the paid amounts for gross reinvested profit. In 2007, 385 SMEs were registered, and after the appraisal process, 210 notifications for financing were delivered to the selected beneficiaries.
- *Programme for implementing of the quality and environment management systems and certification of SMEs products* sustains the SMEs in implementing and certification of the management systems for quality/environment/health and labour safety/foodstuffs safety. In 2007, the maximum value of the grant is 15,000 RON. In the programme 925 SMEs were registered, 92 notifications being delivered for financing. So far, 10 financial allocations were granted, and another 10 are in the approval phase. The total amount granted in the programme was 111,050 RON; and for the last 10 applications under approval process is of 88,220 RON..
- *Programme for increasing the competitiveness of industrial products* supports the

enterprises in the implementation process of the competitiveness requirements (ensuring the quality level at the European Union standards, implementing the best practices worldwide according to ISO 9000, ISO 14000, ISO 17025, ISO TS, OHSAS standards). The implementation of these minimal requirements allows Romanian industrial products to face the competition on the European Union internal market, where approximately 70% of Romania's exports are carried out. Based on this programme, up to Euro 90000 are allocated from the state budget to the economic operators in the manufacturing industry, for a 3 years period, in respect of the following activities:

- Implementing and certifying of quality management systems and/or quality management systems for environment;
- Implementing and certifying of management systems of health and occupational safety, the systems management for social responsibility and foodstuff hygiene, and the management systems of information security;
- Equipping and modernizing the existing laboratories for testing and calibrating, and preparing them for accreditation;
- Certifying of products and obtaining of ecological label for products;
- Assimilating of new technologies and new products issued under RD projects financed from public funds and the application of authors patent protected by State Office for Trade Marks and Patents;
- Issuing the impact assessments for manufacturing industry aiming to promote the restructuring/development plans;
- Organizing and establishing within enterprises small exhibition and stand points for the promotion of their industrial products;
- Securing the protection of Romanian trademarks, designs and industrial models.

By the end of 2007 it is foreseen that 320 enterprises will be certified for quality and environment management systems, 180 labs will be tested and calibrated in order to be accredited, 10 new technologies patented will be assimilated into industry, 96 enterprises will be certified for health management system and for occupational safety.

- *RD Sectoral Plan of Ministry of Economy and Finance* represents an instrument for the implementation of priorities regarding the evolution in the field of RDI in industry established through specific Governmental policies. Specific objectives of the sectoral Plan are the following:

- Increasing competitiveness/ economic performances in industry;
- Decreasing energy consumption and increasing energy efficiency;
- Harmonization of standards/ norms and techno-economical indicators/ informational systems according with EU regulations and legislation;
- Reducing the impact on environment caused by industrial activities;
- Promoting the renewable resources and ecological products;
- Increasing the level of recycling/ waste use degree.

Expected results in the implementation of sectoral Plan are:

- Making compatible the Romanian industry with EU industry;
- Increasing industrial productivity;

- Increasing exports of products with greater added value;
- Increasing the share of industry in GDP.

So far, there were financed the followings: 10 enterprises for their domestic R&D activities; 7 R&D institutes were equipped and modernized; 50 R&D projects in which 600 researchers participated. The total amount of public spending in RDI for selected projects was around 6.892 million RON (2 Meuro).

3.2.4. Consolidation of competition and State aid policies

After the date of Accession, in the field of competition the main priority was represented by ensuring the legislative and institutional conditions necessary for the adaptation of competition policies at Romania's new status as EU Member State. To this end, the following were taken into account:

- *Adjustment to the institutional and legislative changes occurred in the field of competition as a result of Romania's accession to the European Union*

As of the date of Accession, the competition rules contained by the Treaty establishing the European Community (especially articles 81 and 82) and the Community regulations became directly and immediately applicable into Romanian law.

As of 1 January 2007, Competition Council became a fully-fledged member of European Competition Network (ECN), which is the central element of the system for the enforcement of Community competition rules.

Cooperation between the representatives of the Competition Council and of other national competition authorities, ECN members, is accomplished within various sectoral and horizontal working groups. Between 1 January and 30 September 2007, Competition Council participated in 23 meetings of various ECN working group.

During the relevant period, Competition Council communicated its position with regards to 5 studies drafted by ECN working groups.

Within ECN, the national competition authorities exchange information on the EC competition law enforcement. Competition Council has intervened in most exchanges of information. Thus, between 1 January and 30 September 2007, Competition Council replied to 8 requests of information issued by authorities from Bulgaria, Denmark, Italy, the Netherlands, Poland, Slovenia and Hungary. At the same time, Competition Council issued 2 requests of information (regarding the provision of Internet services and the financing of programs for electrical and electronically waste recycling).

The direct application of articles 81 and 82 does not preclude the application of national legislation on competition, which remains the legal basis for the assessment of cases having national dimensions. Thus, in the first semester of 2007, 6 investigations were opened-up (5 of them *ex-officio*). These investigations concern potential infringements of Competition Law no. 21/1996, republished, on the following markets: banking services market, bread market and related markets, taxi services market, cleaning products market, personal and oral hygiene products' market.

Within these investigations, in the first semester of 2007, Competition Council performed 29 unannounced inspections at the headquarters of economic operators acting on the bread and related markets and, respectively, on the personal and oral hygiene products' market.

- *Consolidation of the Competition Council's administrative capacity*

With a view to ensure the conditions necessary for the efficient application of the

competition law, the process of consolidating the Competition Council's administrative capacity continued after the date of Accession: through the allocation of sufficient financial and material resources (based on programmes); through continuing the process of increasing the level of professional expertise, with a special focus on the institutional and legislative changes in the field of competition triggered by the Accession to the European Union, through developing of the IT&C infrastructure, including by the acquisition of specialised hardware and software used for unveiling evidence of anticompetitive practices (*forensic programme*), extension of internal telephonic network and the upgrade of telecommunication networks etc.

A special attention was paid to the professional training of the Competition Council's experts and to the recruitment of specialized personal. Between 1 January and 30 September 2007, 39 activities of professional training were organized, during which 140 competition inspectors (approximately 65% of the Competition Council's experts) were trained. With regards to the recruitment process, the extension of the activity in the field of competition required the consolidation of Competition Council's manpower. During the relevant period, Competition Council organized one competition (2 competition inspectors were employed). Currently, a second competition is ongoing.

- ***Granting assistance to public institutions for drafting State aid schemes***

Competition Council is the national contact authority in relation with the European Commission, which is competent to authorize the national State aid. In Romania, are applicable the provisions of G.E.O. no. 117/2006 on national procedures in the field of State aid, approved with amendments by Law no.137/2007, according to which Competition Council represents Romania in the Community proceedings on State aid, in front of the European Commission, on one hand, and of the authorities, public institutions, State aid initiators, grantors and beneficiaries, on the other hand.

In order to ensure the coherence of national secondary legislation with the *acquis communautaire*, it was approved a regulation repealing certain regulations and instructions adopted in the field of State aid; the adoption of this regulation aimed to eliminate from the national legislation those acts that "doubled" provisions of Community regulations in the field of State aid or of other Community acts which do not request the adoption of national implementing measures.

With regards to the issuance of advisory opinions on notifications and information sheets submitted to the European Commission, in the first semester of 2007, Competition Council issued a favourable advisory opinion with amendments regarding the notification for the State aid that Ministry of Economy and Finance intended to grant to Compania Națională a Huilei S.A. Petroșani. The notification was submitted to the European Commission for assessment and authorisation. In October 2007, the European Commission authorised the State aid granted to Compania Națională a Huilei S.A. Petroșani for 2007-2010. Competition Council issued favourable advisory opinions with regards to seven information sheets concerning schemes of regional State aid, exempted from the notification obligation. Competition Council submitted the information sheets to the European Commission.

Competition Council granted specialised assistance to State aid initiators, grantors and beneficiaries (within six meeting of the Interministerial working group on State aid and approximately 90 meetings).

At the same time, attention was paid to ensuring the observance of State aid rules in drafting and implementing the operational programs for structural funds; the main target consisted in finalising the State aid schemes contained by the following operational programs: Operational Sectoral Program "Development of Human Resources", for which the management authority is the Ministry of Labour, Family, Solidarity and Equal Opportunities (2 State aid schemes);

Sectoral Operational Program “Increasing the Economic Competitiveness”, for which the management authority is the Ministry of Economy and Finance (10 State aid schemes); Regional Operational Program, for which the management authority is the Ministry of Development, Public Works and Housing (2 State aid schemes).

The monitoring of State aid continued.

With regards to restructuring aids granted to firms in difficulty, the monitoring concerned the implementation of restructuring plans, which grounded the decisions authorising State aids for 23 firms in difficulty. This action was completed in May 2007 by the elaboration of the Report on monitoring the restructuring aids granted to firms in difficulty.

Recovery/reimbursement of illegal State aid continued after the Accession date; Competition Council monitors every month the compliance with/enforcement of the decisions ordering the recovery of illegal State aids, decisions issued by the Competition Council before Accession. In the first semester of 2007, the total value of recovered illegal aids was 3.805,3 thousand lei. The total value of aids recovered between 2005 and 30 June 2007 was 86.281,2 thousand lei.

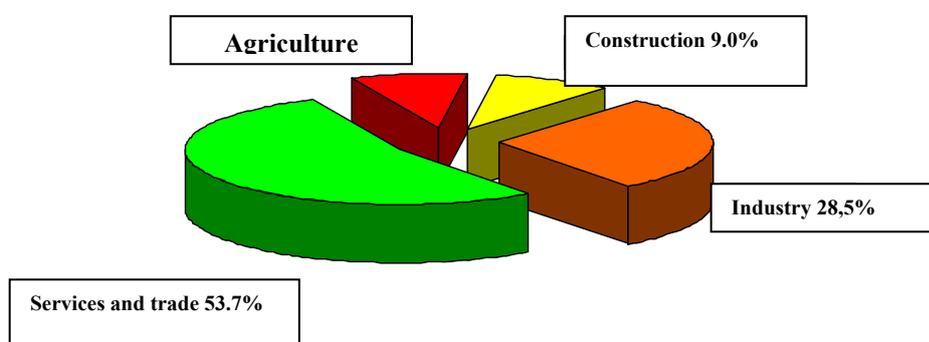
3.2.5. Access to finance

In the context of increasing the capacity of investment in new equipments and technologies, through an efficient use of the structural funds allocated within the Sectoral Operational Programme - "Increase the economic competitiveness" - priority axis 1 - An innovative and eco-efficient productive system, a portfolio of complementary measures should be provided for facilitating the access to finance of SME. To this effect, an entire major field of intervention is aimed to the establishment of a package of instruments for the development of the existing and alternative financing sources for SME by using the JEREMIE initiative of the European Commission, European Development Bank and European Investment Fund. On the basis of the gap assessment study elaborated by the EIF at the beginning of the year 2007 and the Financial Agreement signed between EIF and The Romanian Government, will be prepared a set of innovative financial instruments (risk and venture capital) together with the guarantees funds.

Aiming at supporting the development of SMEs and increasing their capacity of accessing and receiving grants, in the first semester of 2007, The National Loan Guarantee Fund for SMEs provided guarantees in the total value of 499.956.191 RON, meaning a growth of 51% compared with the achievements of the first 9 months of the year 2006, for an amount of loans of 765.960.974 RON. In the period January- September 2007, The Fund launch new guarantee products, such as Framework Guarantee Convention for Express, Irrevocable and Conditioned Guarantees. Ten new Guarantee Agreements were concluded, out of which 3 with new financial institutions, therefore the number of the financial institutions to which The Fund has signed agreements is 22 (21 banks an a Non-banking Financial Institution).

The value of the granted guarantees in the period January-September 2007 by the Local Guarantee Funds: LGF Craiova – 19.208.967 RON; LGF Focşani – 30.882.996 RON; LGF Sf. Gheorghe –18.224.776 RON.

Guarantees distribution by sector of activity and registered value



3.3 Sustainable management of renewable resources and reducing climate change

3.3.1 Increasing the efficient use of resources and preserving the biodiversity

Improving the environmental infrastructure (water/ waste water)

In Romania, the current situation still shows a reduced access of the local public communities to the water and waste water facilities (52%), an inadequate drinking water quality, as well as the limited sewage water and treatment water facilities in some areas. Also, there are still problems regarding the low efficiency of the public water supply services. Romania still has deficiencies regarding the supply of drinking water treatment services and sewage water collecting and treatment services. Considering Romania's geographical position and the need to protect the environment, Romania has declared all its territory as a sensitive area, this aspect supposing that all the populated areas above 10.000 inhabitants must have a water treatment station with an advanced treatment capacity. In order to respect these provisions, supplementary financial resources are necessary in order to obtain the conformity for most of the populated areas above 100.000 inhabitants. These areas are benefiting from the pre-accession programmes for construction/rehabilitation of the water treatment stations, thus ensuring an advanced sewage water treatment (the elimination of nitrogen and phosphorous).

Until October 2007 have been accomplished:

- 11 objectives for the rehabilitation of water and sewage water facilities and the modernization of the collecting-treatment system of the sewage water;
- 25 objectives aiming to extend drinking water and sewage water supply facilities and sewage water treatment facilities;
- 98 investments for water supply and sewage water treatment.

Preserving the biodiversity

The natural heritage of the Carpathians and the Danube basin are extremely important for Europe in terms of flora, unique fauna, climate and landscape. Romania presents a rich diversity of flora and fauna species. In spite of this, there are many plants and animals in danger because of habitats breaking-up and excessive exploitation of natural resources, added to the economic development. The altering of landscape represents an important indicator for the deterioration of the environment quality. Romania must ensure the establishment of the network Natura 2000, according to the provisions of the EU directives (Birds Directive and Habitats Directive), and take the relevant protection measures for the sites of this network. The *Natura 2000* sites are estimated to cover approximately 15% of the national territory.

From the beginning of the year until October 2007, the following objectives have been accomplished:

- the identification of 273 SCI (sites of Community importance);
- the identification of 109 SPA (sites of protected areas).

Waste management

In Romania, the integrated waste management system is being developed with the ISPA support in 7 counties, out of 42 (the first stage of the project). Other recent investments in the field of solid waste (representing the construction of new ecological waste deposits facilities) were made in 11 towns.

The involvement of the private sector in the waste management is important, in comparison with the water sector. Centralised sanitation services are available in most of the urban areas, but they are almost missing for the rural areas.

The National Waste Management Plan and the Regional Waste Management Plans are the result of a consultation process with the relevant regional stakeholders. During this consultation process, the stakeholders identified and prioritised the investment needs at regional level aiming to accomplish the commitments assumed for this sector.

Till October 2007, the following objectives in the field of waste management have been accomplished:

PHARE projects

- the finalisation of PHARE CES 2003 project for technical assistance in implementation of investments/infrastructure projects in the field of waste management under CES;
- the implementation, at regional level, of 2 twinning projects regarding the application of community acquis in the waste management sector;
- other 3 PHARE CES projects are in course of implementation (a 2003 PHARE CES project and 2 projects from 2004);
- for 3 national PHARE projects from 2005 and 4 national PHARE from 2006, contracts are being negotiated.

ISPA projects

- 6 ISPA projects regarding the integrated waste management systems and extension of the existing ones are in course of implementation ;
- there are in course of preparation (with ISPA technical assistance) 5 financing applications in this field, projects that envisage integrated waste management systems. It is estimated that the application will be completed gradually by the end of 2007;
- a tender procedure for the selection of consultants is pending for a second ISPA project. The selected consultants will prepare 10 financing applications in the field of waste management, until 2008. The projects will envisage the creation of integrated waste management systems in 10 counties.

3.3.2 Climate change management and protection of the atmosphere

Climate change

The first steps toward implementing a national, unitary, concerted action aiming to greenhouse gas emissions' stabilization and climate changes' potential effects, were made with the elaboration of the Romanian National Strategy on Climate Changes (adopted by Government Decision no.645/2005). In order to implement the strategy, the National Action Plan on Climate Changes has been adopted (NAPCC). The plan was approved by Government decision no.1877/2005. This document contains concrete actions, including the financial sources and the responsible institutions, in order to ensure the accomplishment of the general and specific objectives of the Strategy, in the period 2005-2007. The two documents are being updated.

For the participation to the EU Greenhouse Gas Emissions Trading Scheme, the draft of the National Allocation Plan (ANP) for the period 2007 and 2008-2012, was adopted. The National Allocation Plan contains the assignment of the greenhouse gas emissions certificates, both at microeconomic and macroeconomic level. The scheme will become operational for the Romanian installations too, subsequent to the receiving of the final decision from the European

Commission referring at the National Allocation Plan's endorsement through Government decision.

From the current data (October 2007), the following objectives on climate changes were accomplished:

- the GHG emission level in Romania, excluding sinks, has decreased by approximately 40% between 1989-2005, comparing with the year 1989;
- 80% of the NAPCC activities (in the responsibility of the Ministry of Environment and Sustainable Development) are implemented.

Protection of the atmosphere

The reduction of emissions of harmful compounds into the air remains an important aspect of the national environmental policy, in spite of the significant improvement of air quality after 1990. Romania obtained transition periods until 2013, respectively until 2017, for certain emissions (sulphur dioxide, nitrogen oxides and particulates) from the installations under the large combustion plants Directive. In this regard, programs for the progressive reduction of emissions of SO₂, NO_x, and particulates have been designed.

Our country committed itself to comply, in 2010, with the level of emissions thresholds laid down in the Gothenburg Protocol, which aims to abate acidification, eutrophication and ground-level ozone.

For Romania, the percentage of emissions' reduction aimed for 2010, in comparison with 1990, is presented in table below:

Pollutant	Emission levels in 1990 (thousand tonnes/year)	Emission limits for 2010 (thousand tonnes/year)	% of reducing emission level until 2010
SO ₂	1311	918	-30%
NO _x	546	437	-20%
NH ₃	300	210	-30%
COV (volatile organic compounds)	616	523	-15%

Source: Ministry of Environment and Sustainable Development

The final national inventory of SO₂, NO_x, COV and NH₃ emissions for 2005 was elaborated and submitted to the Convention Secretariate on 15 February 2007. The preliminary national inventory of SO₂, NO_x, COV and NH₃ emissions for 2006 is being elaborated (timeline: 1 December 2007)

The levels of SO₂, NO_x, COV and NH₃ emissions in 2005 are under the national limits established for 2010 for each pollutant (see Annex 2, the table presenting the national inventory of SO₂, NO_x, COV and NH₃ emissions for 2005).

3.3.3 Energy Efficiency

The policy in the energy field has been focused lately on continuing the restructuring activities for each sector and harmonizing the national energy market with the European market.

The Romanian *Energy Strategy for 2007-2020* has been elaborated based on recent

developments of the European Commission' Green Paper concerning *A European Strategy for Sustainable, Competitive and Secure Energy* and the second measures package in the field of the internal energy market.

The enhancement of the energy efficiency

In order to improve the energy efficiency in the energy system, as well as for the industrial consumers and households, the development of energy efficiency projects is envisaged, based on the *Integrated Planning of Resources* concept. These projects aim at updating the equipments, technologies and technological processes and promoting long-term agreements mechanisms between the Government and the industries association.

For the implementation of these projects, during 2007-2010, were allocated funds amounting to 191 million Euro (160 million Euro from structural funds, and 31 million Euro from the state budget). The projects implementation will contribute to the decrease of the energy consumption, as well as to the improvement of the environment protection, by decreasing the energy intensity with 1.5% per year, calculated in relation to the average consumption during 2001-2005.

Indicator	2006	2007
Energy intensity – tep/10 ³ € ₂₀₀₅	0,526	0,47

Source: National Commission for Forecast

Among the initiatives of improving the energy efficiency, a programme has been developed for the rehabilitation and modernization of the heating centralized systems (SACET). On this purpose, the draft GD concerning the *National Programme for decreasing energy costs for population, by improving the energy efficiency in 2007*, has been elaborated. The implementation of this programme focuses on both improving the comfort and the security supply with heat and hot water and on reducing with 15-25% the population's heating bill.

The programme provides co-financing for carrying out the following categories of investments:

- Rehabilitation and effectiveness of SACET, in terms of production, transportation and distribution zonal heating plants, block of flats heatingunits, heating distribution point, equipping them with heating modules and/or efficient installations: steam and/or hot water boilers, heating switchers, pumps and other equipments of high energy efficiency).
- Generation of energy in cogeneration systems (cogeneration heating plants, installing cogeneration units with heating engines).
- Modernization and extension of heating transport and distribution grids in primary and secondary circuit (main heating lines, outdoor heating and hot water networks).
- Authomatization of systems and installations and metering heat consumption of the final consumers connected to SACET.

The execution of this programme, among others, aims at providing incentives in 2007 for investments exceeding 400 billion lei at local level, with co-financing from the state budget of up to 30% from the updated total value of the investment works related to the SACET rehabilitation and modernization projects, as well as developing the Romanian energy services market and the energy efficient equipments market.

Thermal rehabilitation of condominiums

This measure is part of the National Programme for improving the hygiene and heating comfort conditions in multi-level buildings and its execution will lead to the decrease of the energy consumption, the lowering of the living costs for heating and hot water with approximately 40-60% from the current value and the reducing of the polluting emissions generated by the energy consumption.

In 2007, for the 48 block of flats were performed energetic audits, as well as the feasibility study and the technical project for about 500 buildings have been carried out. In the 4th Quarter of 2007, will be finalised the rehabilitation works for 11 buildings.

Mining sector effectiveness

The coal sector represents a major energy source in Romania, having a leading position among the national energy sources, taking into consideration the potential of exploitable reserves and the fact that this sector ensures the necessary solid fuel for the internal energy production.

The restructuring of coal and ores sector started in 1997 and has as objective the enrolment of mining sector on the functional market economy direction, under the condition of compliance with the environment protection regulations, competition and the necessity of diminishing the social impact by creating alternatives for the laid-off labour force.

In this context, the envisaged actions mainly refers to the continuing of the mining sector restructuring – closing the non-viable mines, eco-cleaning of the abandoned mining areas, diminishing the social impact caused by the reduction of mining activities by creating alternatives for the laid-off employees.

Thus, in this sector the restructuring and reorganization process of the economic agents in the coal extraction field has been carried out, based on the principle of selecting the economical viability perimeters. The companies and the economic agents in the metal, radioactive ores, salt and mineral waters sectors have been restructured and reorganised.

Optimising the current exploitation perimeters for production concentration purposes led to the decrease of the expenditure related to the payment of the legal servitude.

The Romanian Government and the World Bank have signed a loan agreement for 5 years – the project for the mining closure, the environment recovery and the mining areas social-economic restoration – of 120 million USD, half of the amount being allocated for the mining closure activity and the other half for the environment and the mining areas social-economic restoration. Therefore, the National Agency for the Development of Mining Areas has launched 3 financing programmes of 19.1 million USD, for 62 towns from the specific areas affected by the mining industry restructuring process, respectively: The programme for the improvement of the community capacity, Small grants scheme and the Programme concerning the town infrastructure. Another programme launched by the Agency is the Programme for granting non-reimbursable financial incentives to the local entrepreneurs, for the hiring and the training of unemployed persons, for which an amount of 10 million USD is allocated.

During 2006, the activity at 24 mines, carriers and pipe fields has ceased.

Promotion of the use of renewable energy sources and bio-fuels

The renewable energy sources ensure the increased safety of the energy supply and the reduced import of energy resources, under the sustainable economic development conditions. These requirements are met in the national framework, by implementing policies for the energy conservation, energy efficiency improvement and the better use of renewable energy sources.

The use of renewable energy sources offers the guarantee for real premises for the fulfilment of the strategic objectives concerning the enhancement of energy supply safety based on the diversification of sources and the reduction of the share of energy resources imports, respectively the energy sector sustainable development and the environment protection.

The renewable energy sources use, under competitiveness conditions on the energy market, becomes opportune in Romania by adopting and implementing policies and specific instruments, such as the „green certificates”

In the Fiscal Code a special provision has been inserted for promoting the use of bio-fuels and renewable energy sources, which stating that the energy products such as bio-fuels and the electricity generated from renewable energy sources are exempted from the excise duty payment.

In order to reach the target set for the bio-fuels consumption, a timetable has been approved for placing on the market the mix of bio-fuels and conventional fuels, as follows: from 1 July 2007 diesel with a bio-fuel content of minimum 2% in volume; from 1 January 2008 diesel with a bio-fuel content of minimum 3% in volume; from 1 July 2008 diesel with a bio-fuel content of minimum 4% in volume; from 1 July 2009 petrol with a bio-fuel content of minimum 4% in volume.

4. LABOUR MARKET

Promotion of active employment measures, especially those concerning implementation of integrated measure packages and vocational training programmes turn out a significant decrease of the unemployment rate during the first semester of 2007. As concerns the employment, at the end of July 2007, the number of employees was of 4,749.2 thousands people, 2,9% higher than in July 2006. Important increases were registered in constructions (11,8%), and the service sector – hotel and restaurant industry (21,5%), and financial intermediation (17,9%). In the mean time, it was recorded a significant decrease - by 11.2% in the number of employees in the extractive industry, and by 9.6% in the agriculture.

The rate of registered employment reached in the first semester of 2007 the lowest level after 1990, namely 4,7%.

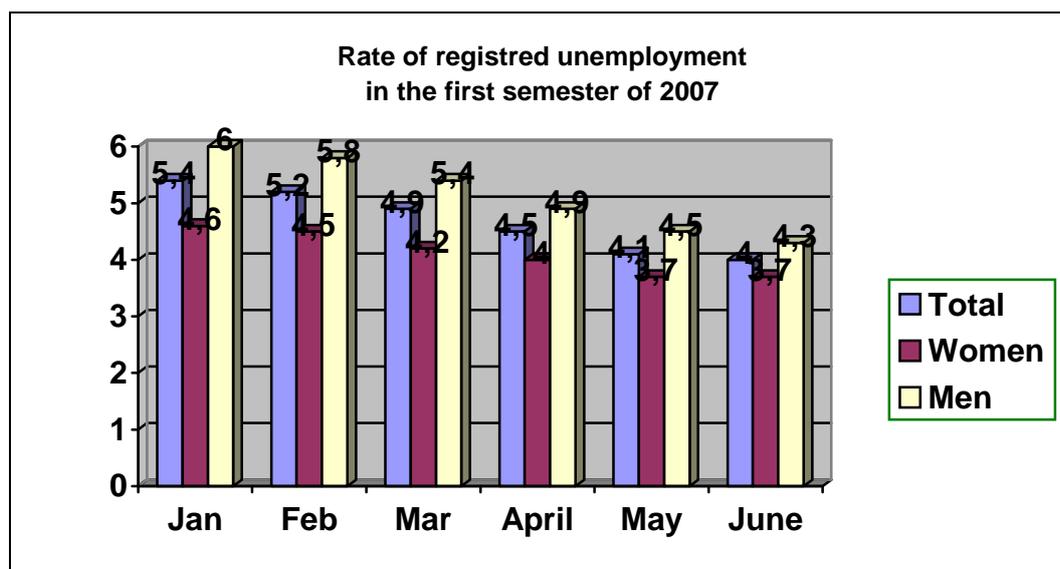
The table below shows the situation of the main statistical indicators in the first semester of 2007, related to the similar period of the year 2006:

Table no.

Indicator	1st Semester 2007	1st Semester 2006	Difference in 2007 as compared to 2006
Unemployment Rate % *	4,7	5,8	-1,1
Unemployment rate of women % *	4,1	5,0	-0,9
Unemployment rate of men % *	5,2	6,6	-1,4
Average number of unemployed workers, * of which:	415.705	518.815	-103.110

* Semester average

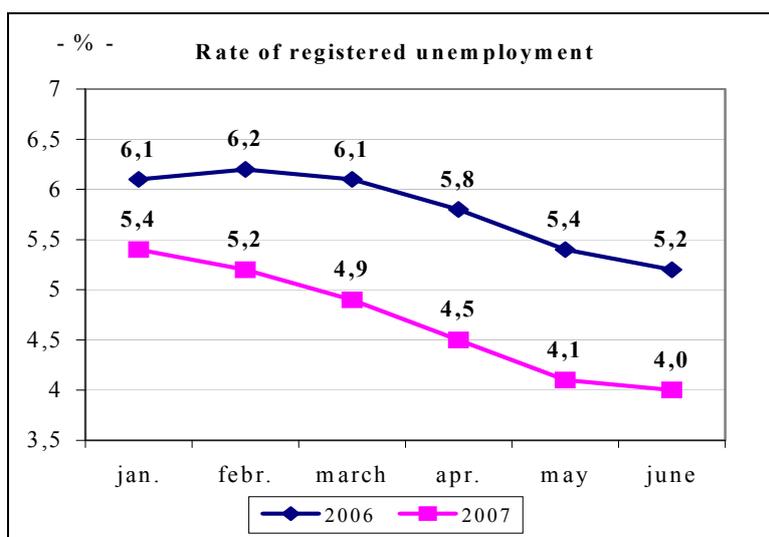
Source: National Agency for Labour Force Employment



Source: National Agency for Labour Force Employment

Decrease of unemployment rate is registered both for women and men as well; however decrease of men unemployment rate being more accentuated. The diminution of registered unemployment rate and the tendencies in levelling the evolution curve of unemployment rate and maintenance of the number of unemployed people at an almost constant level are also the result of implementing the active employment measures, foreseen in the National Employment Program and in the Vocational Training Plan, for the year 2007, as well.

In the first semester of 2007, the rate of registered unemployment has shown the same tendencies demonstrated in the late period, as in the first semester of year 2006 as well, namely of decreasing or maintaining it at an almost constant and diminished level. The chart below presents the evolution rate of registered unemployment in the first 6 months of year 2006, and in the same period of the year 2007.

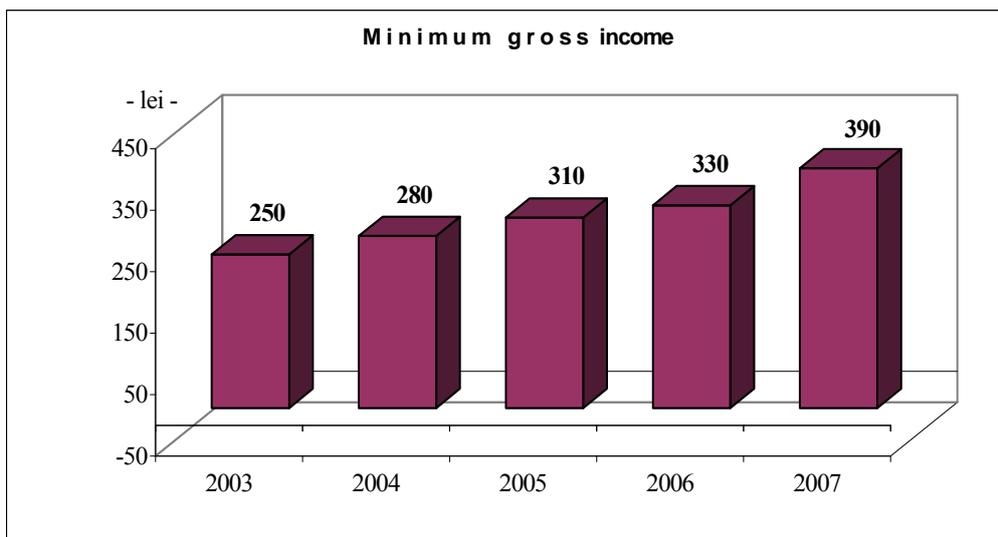


Source: National Agency for Labour Force Employment

At the end of August 2007, the number of unemployed registered people was 350.4 thousands persons, and the unemployment rate was 3,9% lower than the levels of August 2006 (446,5 thousands people, namely 5,0%).

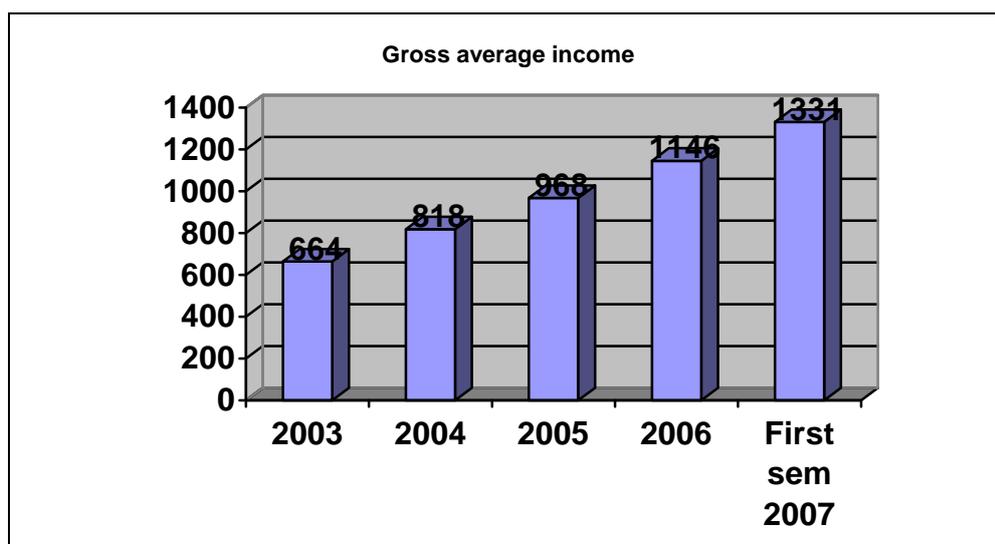
Beginning with January 2007, the minimum gross income was established at 390 RON monthly, which represents an increase by 18,2% as compared to that of year 2006, and by 39,3% as compared to year 2004.

The national minimum gross income, for the *period* 2005-2008, will at least follow the growth dynamics of the gross average income in the economy, so that, during the year 2008 this will reach a growth of approximately 60% as compared to that of December 2004.



Source: Ministry of Labour, Family and Equal Opportunities

In the first semester of 2007, the gross average income was of 1,331 RON and the net average income was of 989 RON.



Source: Ministry of Labour, Family and Equal Opportunities

4.1. Strengthening the labour market

4.1.1. Improving the access on the labour market, developing the inclusive labour market

During the year 2007, in order to improve the administrative capacity and assure access to the labour market, there were envisaged: the increase in quality of services offered by the Public Employment Service, the strengthening of social partnership principles and assurance of quality in developing specific institutions in the fields of employment and vocational training (setting up of the National Observatory for Employment and Vocational Training of the Labour Force, development of the National Authority for Qualifications), the setting up of new institutions in the social sector (the National Agency for Social Benefits, the Social Inspection and Social Observatory).

In the year 2007, the modernization and increase in the quality of SPO - delivered services are conceived as instruments for strengthening its pro-active role, so as, 35 local agencies, a county agency and National Agency for Labour Force Employment have started up the implementation of the quality management system, also 7 centres in 6 county employment agencies acquired self-service facilities (info-kiosks). Also, during the year 2007 the Centre for Vocational Training was put in place.

Developing the programme for stimulating employment is oriented towards the balanced representation of all categories of persons looking for a job through the employment programs, the emphasis on the information and career - dedicated measures, the supply of market - oriented packages of active employment measures, strengthening relationship with the social partners.

During the first semester of 2007, the implementation of measures foreseen in the National Employment Program led to a number of 282,951 employed people, which represents 35,9% of the total of those 787,133 persons registered in the records of the Public Employment Service, during the same period. Of the total of 282,951 persons, 28,124 belong to some groups with a more difficult access on the labour market, such as: 17,602 of long - term unemployed people, 9,864 Roma people, 509 disabled people, 105 young persons who left the child protection system.

The structure on age groups, of those 282,951 employed people, is presented as follows: 57,188 persons are under 25 years old, 75,206 persons are aged between 25 and 35 years old, 78,395 persons are aged between 35 and 45 years old, 72,162 persons are above 45 years old.

The number of people from the rural area is of 133,503, representing 47,18% of the total persons employed by means of the program.

As a result of controls undergone by the Labour Inspection for detecting and fighting against the cases of illegal work, it has been found that these occurred mainly in certain activity sectors, as for example: constructions, ready-made garments, services. In the first semester of 2007, the 38,727 control actions led to conclusion of 3,912 individual work contracts for people found to work illegally, and their registration within the labour inspectorates.

As concerns the redemption of unemployment among young people, in order to assure a more rapid and safe transition from school to working place, SPO implements the national program „*From school to professional life, towards carrier*”, which contains information activities, counselling and vocational orientation in schools, with purpose of raising awareness of the graduates regarding opportunities and risks existing on the labour market. Thus, during the year 2007 as result of those 1,444 information, counselling and vocational orientation actions undertaken in schools, it was stipulated an increase of the employment rate for young people at 25,1%, 0,6% higher than in the year 2006.

Equal opportunities

To ensure development of policies promoting equal opportunities between women and men, through GEO no. 67/2007 regarding implementation of principle of equality of treatment between men and women within the framework of social security professional schemes, it was established the legal framework that stays at the basis of modifying all dispositions against the principle of equality of treatment. Through this regulation there were established actual measures implementing the principle of equality of treatment between men and women, within the professional schemes of social security. The legislation is dedicated to active population, including self - employed people, to people whose active life is interrupted by sickness, maternity, accident or involuntary unemployment, to people looking for a job.

An objective pursued within the framework of actions undertaken by the Labour Inspection was that of identifying the cases of discrimination as regarding the equality of chances between women and men. During controls that were carried on, labour inspectors watched: to what extent

the woman's rights concerning the free of choice in exercising a profession or an activity are observed; the free participation to employment in all positions or vacant jobs; equal incomes for work of equal value; working conditions observing norms in the field of health and security at work; protection of maternity. Furthermore, 16,692 controls to combat sex discrimination were carried on at the employers, 5 penalties were applied, valued at 14,500 RON and 286 warnings were issued.

For the purpose of integrating people with disabilities on the labour market, in 2007 there were developed services delivered by National Agency for Employment and dedicated to them. There were set up 9 pilot centres for counselling and work mediating, dedicated to people with disabilities looking for a job, through which 228 people were employed, 1,298 disabled people benefited of active measures, and 665 disabled people were hired through dedicated services.

Social Responsibility

In order to increase the level of knowledge and implementation of good practices in observing and promoting health and security at work, at the level of SMEs, under PHARE programme „*Support for SMEs*”, they have set up 6 pilot centres for transfer of good practices.

Adoption of *Law no. 263/2007 regarding setting up, organization and functioning of kindergartens* regulates the appropriate legal framework for organizing kindergartens / nurseries, as structures that offer specialized social services for raising up, care taking and early education of children aged up to 3 years old. Adoption of this law assures the implementation of the nursery ticket - granting programme, as well.

4.1.2. Flexibility and security on the labour market

Integrated analysis on the corresponding balance between flexibility and security cover a wide range of problems, such as: company adaptability, social protection, internal and external dimensions of flexibility and security, long - term education and vocational training, the role of the social dialog etc.

In this respect, conclusion of modernization and updating of the Labour Code in 2007, through adoption of Law no. 94/2007 for approving the GEO no. 55/2006 modifying and completing Law no. 53/2003, follows, mainly, the assurance of a greater flexibility of the labour market. Modifications of the Labour Code bring flexibility to the employment relationships, both in the advantage of the employees, and the employers as well. The effects on medium term will be: making the economical activity more dynamic; bringing to the surface, from grey zone, the employment relationships; elimination of corruption and red tape.

Economic Migration

As regard migration for work purposes, the Government promoted institutional building measures aiming to pass the attributions, concerning the labour force migration, held by the Directorate of Labour Abroad within the Ministry of Labour, Family and Equal Opportunities and by the Office for Migration of Labour subordinated to MLFEO, under the responsibility of the National Agency for Labour Force Employment, and those related to migration for work under the responsibility of Ministry of Interior and Administrative Reform, in fact the Romanian Office for Immigration.

Through *GEO no. 76 /2007 regarding special fiscal registration procedure and the payment of social contributions*, it was set up the legal framework required to socially insure the Romanian citizens temporarily working abroad, so that they can benefit from all rights arising from their quality of employees. In 2007, the Government continued the transposition of the *acquis*, and in this respect it was adopted *GD no. 104/2007 for regulating the specific procedure regarding detachment of the employees for trans-national services* on the territory of Romania.

Romania's Strategy in the field of migration for the period 2007 – 2010, approved by GD no. 1122/2007, establishes the Government priorities regarding controlled migration, prevention and fight against illegal migration, asylum, social integration of foreigners, and correlation of all these aspects with the migration phenomenon of Romanian citizens.

Through implementation of the four pillars of the strategy, the Government envisages to assure the administrative framework required to exercise the right of free movement, and residence of SM's citizens; to promote the admission of third country citizens with purpose of employment, according to the needs identified on the domestic labour market; to encourage the admission of certain categories of foreigners with purpose of carrying on economic activities.

As far as the social integration of foreigners is concerned, Romania sustains the active participation to economic life of foreigners having domicile or legal residence on the territory of the Romania.

4.1.3. Extension of active life

Under the circumstances of negative demographic tendencies and of quantitative and qualitative labour force deficits, the extension of the active life is a priority. To diminish pressures on the public pension system, the Government has drafted the project for modification of Law no. 19/2000 with provisions regarding the re-analysing of eligibility criteria for anticipated and invalidity pensions.

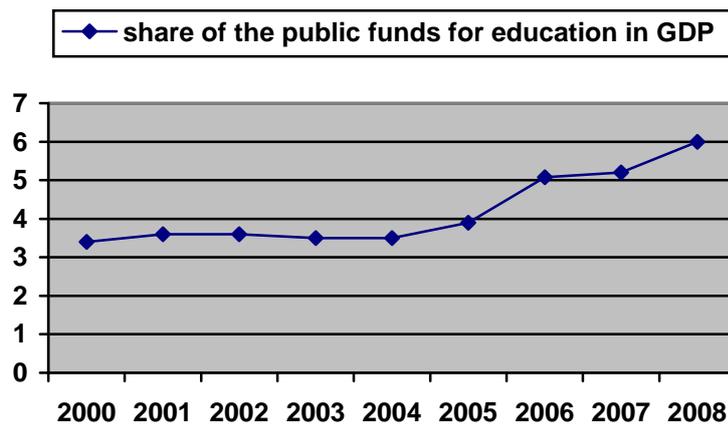
To complement the reforms already implemented in the pension system (increase of pensioning ages and of the minimum contribution period, development of the private managed pension funds), the Government puts into practice incentive measures for employment of the older workers, through development of specialized services for reinsertion of older unemployed workers on the labour market.

4.1.4. Employment in the rural area

To intensify its activities in the rural areas, SPO has developed a new working manner by organizing the employment caravans offering a free access to training services and professional improvement of persons looking for a job. The caravan is one of the measures meeting the needs of the citizens directly in their community, eliminating the difficulty bound up to the distance they have to cover between their domicile city and the headquarters of the employment agency.

4.2. Improving the quality of human resources

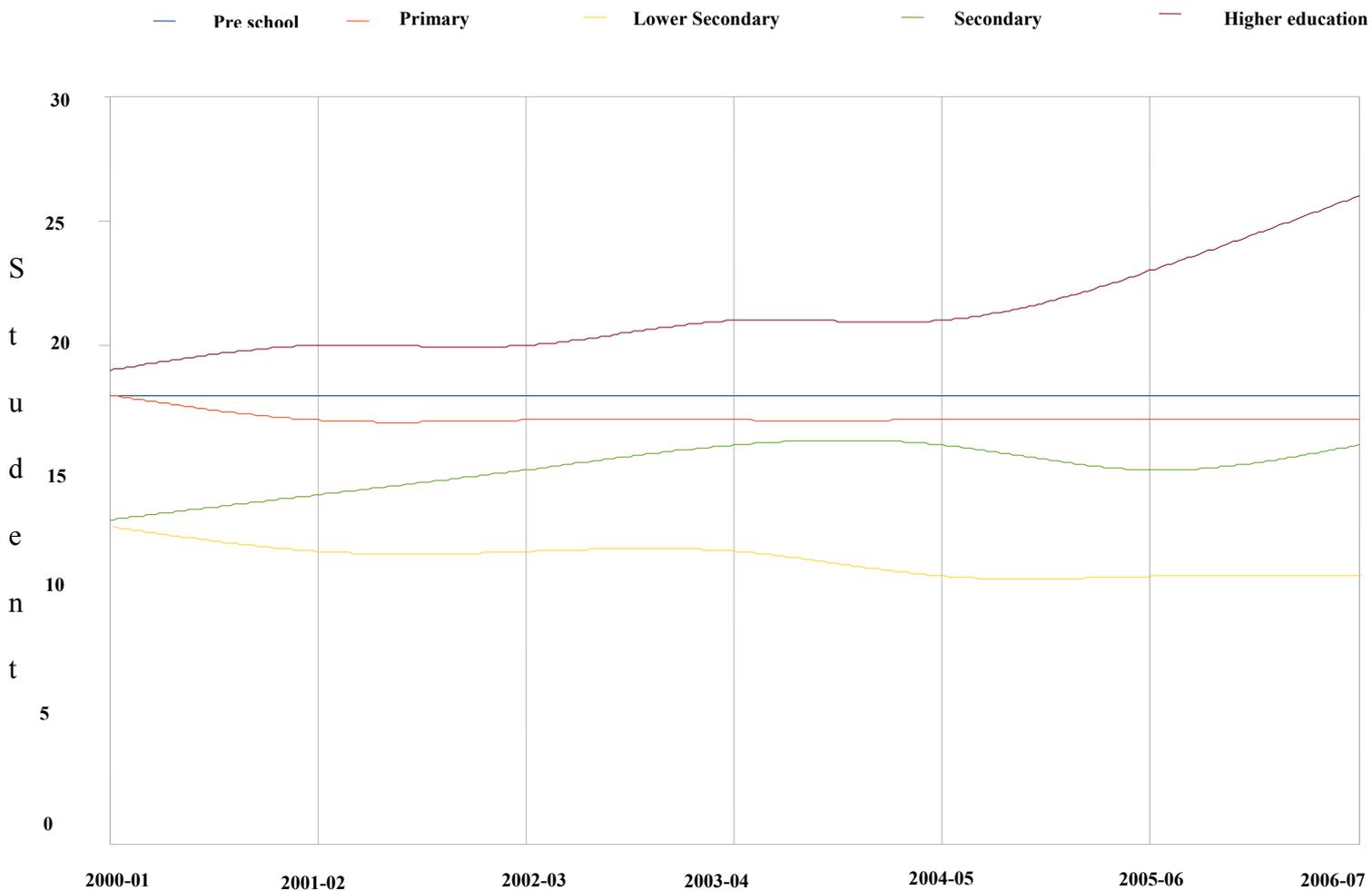
To better address the changes occurring in the economic and social environment, the need to better regulate education has been identified and addressed, in 2007. It was carried out through actions undertaken by Ministry of Education, Research and Youth, namely drafting an integrated legislative package for the regulation of education via specific laws addressing pre-university and higher education, as well as the teachers' statute. The goal of improving education was also targeted by the increase of public spending / funding. The budget for education continuously increased since 2005, as follows: the share of public spending for education as percentage of the GDP increased from 3.9% in 2005 to 5.078% in 2006, and to 5.2% in 2007, while its forecast for 2008 is of 6% of the GDP.



Source: Ministry of Education, Research and Youth

The diagram below shows an increase of the pupils / teacher and students / teachers ratios in the school / university year 2006 / 2007 as compared to 2005 / 2006, by 1.15%, and 1.13%.

Pupils and students per teacher ratios



Source: Ministry of Education, Research and Youth

4.2.1. Development of education and vocational training

With respect to the modernization of education and to the initial education and continuous vocational training, the Government envisaged actions of drafting a new legal framework for pre-university education. The legislative proposal contains provisions referring to the restructure of pre-university education by levels, to the regulation of early education and the financing system in pre-university education, as well as the redefinition of the institutional roles in the management / administration of pre-university education, within the broader framework of decentralization etc. The legal proposal is currently in the final stage of debates with the social partners, and it will then be under public debates, its submission for adoption by the Parliament being envisaged by the end of 2007.

The insurance of equal access to quality education is a major goal of educational policies pursued by the Romanian Government. The early school leaving (ESL) negatively affects the early school leavers' employability, their participation to the labour market and their lifelong learning options. The disadvantaged groups (Roma, rural and poor communities) are those most exposed to ESL phenomena. In order to address this issue, specific measures have been implemented in 2007, under Phare RO 2004/016-772.01.01.02 „*Access to education for disadvantaged groups*” programme, together with the mainstreaming of good practices under Phare RO 2005/017-553.01.02 grant scheme. The Phare 2004 project envisages actions for institutional building for the development of mechanisms necessary to improve the access to education for the disadvantaged groups (e.g. drafting county strategies for improving access to education); the project further supports the training of 300 trainers in the field of inclusive education, and that of 1.520 teachers from the project's priority areas (27 counties). The project is currently implemented, and its actions are expected to be completed by the end of 2007. Phare RO 2005/017-553.01.02 programme provides support for the implementation of the County School Inspectorates' educational strategies for improving of the Roma community's situation and that of the “second chance” programmes, in primary and lower secondary education. Its targets are: the diminution, by 15% the school drop out in compulsory education; the increase, by 10% the access to upper secondary education for students from disadvantaged groups; the increase, by 15% the rate of integration of children with special educational needs (SEN) in the mainstream education; the increase, by 20% the rate of the reintegration of early school leavers in the compulsory education etc. Phare 2005 is under implementation, and its actions are expected to be completed by the end of 2008.

The “*Reform of early education*” project aims at: rehabilitating and improving the infrastructure of pre-school units; improving pre-school education by the training and retraining of teachers / staff and by the provision of better learning tools and materials; increasing the efficiency by setting up of Resource Centers for Education and Development. The procedures for the project approval are in the final stage; the project's activities are expected to start in the first quarter of 2008.

The “*Inclusive early education*” project aims at: improving the conditions of the Roma community by including its specific issues into strategies and programmes developed by the Ministry of Education; creating and improving the learning conditions of kindergartens which are located in the disadvantaged communities, in order to comply with the existing standards and to improve the access to pre-school and basic education; improving the quality of both educational outputs and inputs. The project will contribute to: improvement of infrastructure by rehabilitation of 50 early education units, and building of 20 new early education units; development and improvement of the curriculum for educational services of the 0-3 and 3-6/7 years old children, with a focus on the inclusive dimension of education; promotion of integrated services and alternative solutions for early education and interventions; the increased access to better infrastructure and educational services for 5.000 pupils from disadvantaged communities, in particular the Roma community; and training of 37.000 persons (teachers, medical and care staff in early education units etc.) etc. This project has already been approved and its preparatory

activities have subsequently begun.

The Romanian Government supports the development of the TVET, in view of increasing its attractiveness and improving its capacity to respond to the sectoral and regional needs of the labour market, so as to ensure, both the profession side, and further integration of the graduates on the labour market, as well as the opportunity to continue their education and to further advance their educational attainment.

In 2007, the Government undertook measures for improving the learning conditions, assuring quality, increasing access to the TVET, improving TVET planning and its responsiveness to the needs of the labour market. The implementation level of the quality assurance component of TVET is advanced; furthermore, the overall process is advanced since it had started under the Phare TVET programmes. It led to the implementation of a quality assurance system in TVET that is in line with the Common Quality Assurance Framework (CQAF), agreed at the European level.

In 2007, Phare TVET 2004-2006 programme continued actions for the modernization of TVET. It was envisaged the rehabilitation of the initial TVET infrastructure, the provision of specific equipments / endowments, the development of curriculum and the training programmes for managers, teachers, trainers, tutors and social partners – dedicated to a better adaptation of the TVET offer to the requirements of the labour market.

The “*Schools of arts and trades*” programme, initiated in 2007, envisaged the equipping of selected schools from 8 regions with didactical and specific equipments for the initial TVET. The domains of qualifications have been selected in line with the strategic and operational planning documents, which are: the Regional Actions Plans for TVET (REAPs), the Local Actions Plans for TVET (LEAPs) and the School Action Plan (SAPs).

The “*School campuses*” programme is designed to create multi-functional and specialized local school units within the local communities, which will then be able to turn out into regular units. The programme addresses both the educational component and the improvement of learning and social conditions / facilities in order to create the conditions for a competitive educational process at EU standards. Furthermore, the programme takes into consideration the social conditions and the economic development perspectives of various geographical areas.

In order to increase the capacity of the TVET to adapt / answer the needs of the labour market, two strategic actions are envisaged:

- the strategic participative planning of the educational offer, based on specific instruments that fully valorize early anticipation of the demand for vocational training (Regional Education Action Plans for Education – REAPs, Local Education Action Plans – LEAPs, School Action Plans - SAPs)
- the redefinition of the content and purposes of learning, through the involvement / participation of employers in the Sectoral Committees, so as to create the framework conditions which ensure that the graduates possess the key and technical competences required by the employers.

In 2007, the actions for revising and updating the REAPS and the LEAPS (as TVET Planning instruments) have continued, and the TVET learning content has been redefined, based on the vocational training standards that had been validated by the Sectoral Committees (79 standards validated in 2007), with the active participation of the employers’ representatives. The system allows the employers’ validation of professional competences, which are specific to a particular occupation and to a particular qualification, and it will lead to an increased correlation between the study programs and the needs of the labour market, so as to facilitate the graduates’ insertion on the labour market.

The capacity of achieved learning system to respond to the rapid changes of the labour market, together with the assurance of quality in education, are critically dependent on the *quality and*

the level of qualification of the human resources employed in education and in the initial and continuous vocational training. The draft laws for education that have been elaborated by the Romanian Government include a legal proposal regulating the teachers' statute, also it contains provisions for the improvement of the teachers' initial and lifelong learning. The legal proposal is currently in the final stage of debates with the social partners, and it will then be under public debate, its submission for adoption by the Parliament being envisaged by the end of 2007.

The "*Continuous training of teachers*" programme is currently under implementation, and it provides funding for specific training programmes for teachers: a) the lifelong learning and retraining through "*grade didactice*"⁵ (targeting for 2007 a number of 37,391 teachers); b) the periodical training and retraining through programmes accredited by the National Centre for the Teachers' Training (targeting for 2007 a number of 40.526 teachers); and c) the continuous training through *Casa Corpului Didactic* (targeting for 2007 a number of 77.917 teachers).

Furthermore, under Phare CES 2005, the implementation of grant schemes supporting the teachers' and the managers / decision makers' training has begun; these are designed to address high schools in rural areas. The project is currently being implemented; the Calls for proposals have been launched and the selection of projects is now completed. The grant schemes will continue in 2008, under Phare CES 2006.

Decentralization in the pre-university education implies the transfer of competences from the central administration to the local public administration and school units, as well as the competence effective transposition and use. In 2007, the *Strategy for Decentralization in the pre-university education 2005-2010* was revised. The main measures thus adopted in 2007 aimed at accelerating this decentralization process.

The "*School management in a decentralized environment*" programme supports the implementation of the decentralization strategy; thus, it was conceived as a first stage of the timetable / action plan for its implementation. In this stage, the pilot phase has been developed, for the testing and evaluation of the impact of the proposed solutions for the education decentralization. Following the conclusion of the pursued actions of monitoring and evaluation, 50 school units from three counties (Dolj, Harghita, Iasi) have been selected for piloting the measures of decentralization.

Considering the requirements of the knowledge-based society and economy, and based on certain independent assessments regarding the Romanian educational system, the Government has proposed a policy document in support of reform and the developments of the educational system by the integration of ITC tools, in 2007, The proposed document addresses all the methods of teaching, studying, learning and evaluation at the pre-university levels, as well as the management of education, at all educational levels. The document is currently in the proposal phase; it aims to increase the levels of quality and access to education by integrating ITC tools; the implementation of its actions should occur in 2008-2009.

The "*Knowledge-Based Economy*" project will lead to the development of 246 local virtual networks with broadband Internet connections; these will serve as 'learning-centers' meant to support training activities for digital competencies and the implementation of cultural projects. The local public administration personnel, school personnel will maintain these Local Communities' Electronic Networks (LCEN).

The training component aims at achieving an optimal level of skills, knowledge and competencies in ITC. The training of LCEN personnel took place in the second semester of 2007. The manager training was focused on: promotion of the services that are offered, based on the ITC infrastructure; learning of direct communication skills, to be used in the interaction with the final community users; and assurance of access to information. The training of IT

⁵ Professorial degrees

administrators focused both on the acquirement of the relevant knowledge for the efficient management of equipment that is component of the LCEN, and the capability of offering ITC support to any community user, no matter the location is: the city hall, the school, the public library or the Point of Public Access to Information.

4.2.2. Improving quality in higher education

With respect to higher education, as a key factor for the development of the knowledge-based society, actions for the implementation of the Bologna process have been taken in 2007.

In 2007, steps have been taken for the elaboration of a legal proposal that regulates higher education as a part of the draft laws addressing education. The legal proposal is currently in the final stage of debates with the social partners, and then it will be under public debate, its submission for adoption by the Parliament being envisaged by the end of the year.

The development and implementation of the national qualifications system in higher education is an important reform measure, which will contribute to the improvement of the university capacity to provide for qualifications that address the needs of the labour market, and of the knowledge-based society. The main actions that have been undertaken in 2007 are: the drafting / elaboration of the methodological framework for the development of the *National Qualifications Framework in higher education* (NQFHE) and of the *National Register of the Qualification in higher education*. The National Agency for Qualifications in Higher Education and the Partnership with the Social and Economic Environment (ACPART) suggest that the NQFHE should consist of a three-levelled system, representative of the levels 6, 7 and 8 of the European Qualifications Framework (EQF), and following the 1-5 levels which correspond to the pre-university education. During 2007, the actions for setting up the NQFHE continued (by the elaboration the competence identification grids for particular study programmes and study areas; this is currently being tested on a total of 20 study areas). Further actions should harmonize the certified qualifications for 20 study programs belonging to 10 areas of university studies with their corresponding TVET qualification (by November 2007).

The framework methodology for implementing the National Qualifications Framework in higher education was developed under Phare RO 2004 “*Development of National Qualifications Framework in higher education*” programme; currently, the methodology is under public debate and its validation by specific legislation is being expected.

Taking into account the capacity of higher education to train human resources with higher qualifications, the Romanian Government considers funding of higher education by the state to be a necessity, which should be based on the analysis of the need of human resources with higher qualifications, by fields of study. In this respect, in 2007, the Government thus continued the implementation of the “*University and post-university education in Romania*” multi-annual programme.

The measures for the improvement / modernization of infrastructure in higher education (the modernization of educational and social facilities, of bachelor platforms and laboratories) implemented in 2007 contributed to the improvement of the higher education’s delivery of graduates with higher qualifications, in line with the needs of the labour market and of the R&D. The programmes envisaged specific modernization / rehabilitation / equipment activities for the benefit of 49 state universities and 400,000 students (bachelor, master, doctoral candidates, academic staff).

4.2.3. Promoting lifelong learning

Regarding the legislative framework of the lifelong learning system, the LLL law drafting is envisaged. The legislation modification will ensure the coordination between education system and LLL one, increasing the services and quality of the last one.

Phare 2004 project ‘*Setting up the National Authority for Qualification*’ foreseen the institutional building of lifelong learning system, by drafting and adopting the law for National Council for Vocational Training of Adults organization. The Council is organized as a national qualification authority. During 2007, they drafted the occupational analysis methodologies, and qualification validation and development. By involving the sectoral committees, they have defined 60 qualifications under 4 economic sectors.

Involving the social partners in the process of increasing the enterprise competitiveness and labour force adaptability, it foreseen the strengthening the social partnership supporting the activity of sectoral committees and organization of sub-committees. In 2007, it has been set up 21 sectoral committees from the total of 23, four sectoral committees had set up sub-committees: SC Health, hygiene, social services – two sub-committees, SC Administration and public services – three sub-committees, SC ITC and postal sector – 3 sub-committees, SC Education and vocational training, R&D and sport – four sub-committees. Also, by Romanian-Dutch projects CROSS, ‘*Towards qualifications based on competencies, meeting the labour market needs*’ and ‘*Training for ESF accession*’, implemented in collaboration with VAPRO-OVP (Dutch sectoral committee for industry), the representatives of eight sectoral committees participated in training seminars as regard qualifications and ESF accession, in the first semester 2007.

Until 2007, the analysis concerning SPO activity highlighted that operationally speaking, the institution registered a gap bound up to the professional training level, as an active employment measure.

As consequences, for 2007, the Agreement concluded between Ministry of Labour, Family and Equal Opportunities and SPO established these two priorities:

- improvement the SPO institutional building in view of determining the labour market evolution by promoting the employment and vocational training access for the vulnerable groups (unemployed people, rural residents, Roma people), including by market-oriented programmes;
- improvement the Plans of Vocational Training and Employment observing the specific needs of SPO residents (namely the residence area, age, educational level), as well as target groups (Roma people, people with disabilities).

The Agreement foreseen the performance indicators, as is the unemployed participation rate to vocational training seminars (considering the balanced dimension, depending on their native residence area – urban / rural, educational level and age). In the first semester 2007, it was registered a participation rate of unemployed people in training seminars of 4,80%, namely 25.640 persons benefited from LLL programmes launched by SPO, as a result 15.165 unemployed people were hired following the training course graduation.

ANNEXES

Annex no. 1

Structural Indicators

Indicator	2006	2007 Estimate
Labour productivity GDP/employed person - in PPS	20,000	20,600
Gross Domestic Product – bn. Euro	94.1	113.8
Gross Domestic Product (yearly %)	7.7	6.1
Gross Domestic Product per inhabitant – in PPS	8,800	9,100
Inflation rate – yearly average	6.6	4.3
Balance of Foreign Direct Investment – bn. Euro	31.0	38.0
Current Account Deficit - % of GDP	-10.3	-13.4
Government Debt - % of GDP	12.4	12.0

Source: National Commission for Forecast

Indicator	2006	2007 Estimate
Young people's (aged 20-24) level of education– percentage of population aged between 20-24 years old who at least graduated high school	77.1	78.0
Early leaving rate from school	19.3	18.6
Rate of participation to education and training for the 25 - 64 age group	1.5	1.5

Source: National Commission for Forecast

Indicator	2006	2007 Estimate
Employment Rate – (population aged between 15-64) - %	58.8	59.9
Unemployment Rate ILO -- %	7.3	7.1
Percentage of people, aged 36-45 who will contribute to privately administered compulsory pensions system - %	-	

Source: National Commission for Forecast

Indicator	2006	2007 Estimate
Employment rate of elderly – total – employed persons aged 55-64 as a percentage in the total population of the same age	41.7	42.0
Long - term unemployment rate – total number of unemployed persons for periods with length of 12 months and above, as percentage of the total active population	4.1	3.9

Source: National Commission for Forecast

Indicator	2006	2007 estimate
Public Consumption Expenditure – percentage modification (%)	2.5	5.4

Source: National Commission for Forecast

- % -

Indicator	2006	2007 Estimate
Business Investments/ Gross fixed capital formation (in the private sector) as percentage of GDP	19.0	20
Market Integration – integration of trade of goods – average value of exports and imports of goods divided by GDP - % -	32.7	32.7
Market Integration – integration of trade of services – average value of exports and imports of services divided by GDP - % -	5.7	5.7
Market Integration – intensity of foreign direct investment – average value of FDI flows in countries and abroad divided by GDP - % -	4.7	3.0

Source: National Commission for Forecast

Indicator	2006	2007 Estimate
Transport of goods Volume in the GDP – index of transport of goods volume (tons-km) against GDP (expressed in Euro) measured in tons-km/Euro	0.83	0.72
Percentage of the road goods transport as percentage of tons-km - %	71.3	72.4
Percentage of motor vehicle passenger transport (trolley-buses, buses and minibuses) in total transported passengers - %	80.9	79.9
Traffic of goods through maritime ports - Mtonnes	46.7	48.0
Traffic of goods through river ports and navigable channels - Mtone	29.3	34.0
Volume of passengers transport in the GDP – index of passenger transport (passengers-km) against the GDP (expressed in Euro) measured in passengers-km/Euro	0.28	0.31

Source: National Commission For Forecast

Indicator	2005	2006	2007
Electricity Tariffs– industrial users –price level and evolution on the electric energy market (Euro/kwh)	0.0769 (2005)	0.0658*	0.0742*
Electricity Tariffs for Households –price level and evolution on the electric energy market (Euro/kwh)	0.0655 (2005)	0.0836* *	0.0971**

* For industrial users (eligible and captive) the estimated figures are calculated on the basis of liberalization of electric energy market at 01.07.2007, the value of average prices being expressed in real terms (without inflation). It is not containing taxes.

** For household users, the effect of loss of the social tariff at the moment of total opening of the electric energy market was estimated, the value of average price being expressed in real terms (without inflation). It is not containing taxes.

Indicator	2005	Estimate
Generated municipal waste measured in kg/person/year	380 (2004)	2,013 Urban – 680 Urban Area – 528 Rural Area - 277
Deposited municipal waste measured in kg/person/year	306 (2004)	278 (2009)
Gradual growth in recycling level of renewable materials from urban waste	1%	60% (2020)
Level of waste collection in urban area	83.4% (2004)	100% (2016)
Increase of number of warehouses in compliance with EURO legislation by 75% until 2017	18	65 (2017)

Source: Ministry of Environment and Sustainable Development

Indicator	2006	2007 Estimate
Energy Intensity – tep/10 ³ € ₂₀₀₅	0.526	0.47
Output of coal - Mtep	6.71	7.25
Output of gases - Mtep	10.28	9.60
Output of crude oil - Mtep	4.64	4.75
Output of hydroelectrically energy - Mtep	1.60	1.25
Output of nuclear-electric uranium ore energy - Mtep	1.36	1.70
Total domestic output of primary energy - Mtep	28.11	28.18

Source: National Commission For Forecast

National sector emissions in 2005: main pollutants

		NFR sectors to be reported to LRTAP	A = Allowable Aggregation	Main Pollutants			
				NO _x	NM VOC	SO _x	NH ₃
				Gg NO ₂	Gg	Gg SO ₂	Gg
1 A 1 a	(a)	1 A 1 a Public Electricity and Heat Production		85.049	7.164	436.664	NE
1 A 1 b	(a)	1 A 1 b Petroleum refining		6.277	0.272	33.476	NE
1 A 1 c	(a)	1 A 1 c Manufacture of Solid Fuels and Other Energy Industries		9.367	0.237	24.404	NE
1 A 2	(a)	1 A 2 Manufacturing Industries and Construction	A	42.22	3.273	175.4	0.111
1 A 3 a ii (i)		1 A 3 a ii (i) Civil Aviation (Domestic, LTO)		NE	NE	NE	NE
1 A 3 a ii (ii)		1 A 3 a ii (ii) Civil Aviation (Domestic, Cruise)		NE	NE	NE	NE
1 A 3 b	(a)	1 A 3 b Road Transportation	A	107	58.62	5.024	0.608
1 A 3 c	(a)	1 A 3 c Railways		13.245	13.245	3.345	0.002
1 A 3 d ii		1 A 3 d ii National Navigation		1.421	0.158	0.334	0.0002
1 A 3 e	(a)	1 A 3 e Other (Please specify in a covering note)	A	NE	NE	NE	NE
1 A 4 a	(a)	1 A 4 a Commercial / Institutional		2.545	5.1	5.006	0.024
1 A 4 b	(a)	1 A 4 b Residential	A	12.39	55.34	13.88	0.862
1 A 4 c	(a)	1 A 4 c Agriculture / Forestry / Fishing	A	10.14	11.65	3.437	0.002
1 A 5 a	(a)	1 A 5 a Other, Stationary (including Military)		NE	NE	NE	NE
1 A 5 b	(a)	1 A 5 b Other, Mobile (Including military)		NE	NE	NE	NE
1 B 1	(a)	1 B 1 Fugitive Emissions from Solid Fuels	A	NA	0.378	NE	NA
1 B 2	(a)	1 B 2 Oil and natural gas	A	0.804	46.03	12.87	NA
2 A	(a)	2 A MINERAL PRODUCTS (b)	A	3.479	0.066	4.931	NA
2 B	(a)	2 B CHEMICAL INDUSTRY	A	7.78	4.535	0.089	23.78
2 C	(a)	2 C METAL PRODUCTION		1.207	0.224	3.413	NE
2 D	(a)	2 D OTHER PRODUCTION (b)	A	0.254	10.899	5	NA
2 G	(a)	2 G OTHER (Please specify in a covering note)		NE	NE	NE	NE
3 A	(a)	3 A PAINT APPLICATION		NA	29.09	NA	NA
3 B	(a)	3 B DEGREASING AND DRY CLEANING		NA	5.406	NA	NA
3 C	(a)	3 C CHEMICAL PRODUCTS, MANUFACTURE AND PROCESSING		NA	11.567	NA	NA
3 D	(a)	3 D OTHER including products containing HMs and POPs (Please specify in a covering note)		NE	7.338	NE	NE
4 B	(a)	4 B MANURE MANAGEMENT (c)	A	NA	NA	NA	140.8

	<i>NFR sectors to be reported to LRTAP</i>		A = Allowable Aggregation	Main Pollutants			
				NO _x	NM VOC	SO _x	NH ₃
				Gg NO ₂	Gg	Gg SO ₂	Gg
4 C	(a)	4 C RICE CULTIVATION		NA	NA	NA	NE
4 D 1	(a)	4 D 1 Direct Soil Emission		NE	48.735	NA	11.98
4 F	(a)	4 F FIELD BURNING OF AGRICULTURAL WASTES		NE	NE	NE	NE
4 G	(a)	4 G OTHER (d)		NE	NE	NE	NE
5 B	(a)	5 B FOREST AND GRASSLAND CONVERSION		NE	NE	NE	NE
6 A	(a)	6 A SOLID WASTE DISPOSAL ON LAND		NA	NE	NA	NE
6 B	(a)	6 B WASTE-WATER HANDLING		NA	NE	NA	15.59
6 C	(a)	6 C WASTE INCINERATION (e)		0.026	0.289	0.016	0.274
6 D	(a)	6 D OTHER WASTE (f)		NA	NE	NE	NA
7	(a)	7 OTHER		NE	NE	NE	NE
NATIONAL TOTAL	(g)	National Total for the entire territory (2002 Guidelines)		303.204	319.616	726.957	194.0332

NE – not estimated emissions;

NA –not available data.

Source: National Agency for Environmental Protection

List of abbreviations

Institutions

ACPART	National Agency for Qualifications in Higher Education and Partnership with Economic and Social Environment
ANAF	National Agency for Tax Administration
ANCEX	National Agency for Strategic Exports Control
ANCPI	National Agency for Cadastre and Land Registration
ANDZM	National Agency for Development of Mining Zones
ANOFM	National Agency for Employment
ANR	Romanian Naval Authority
ANRCTI	National Authority for Communications and Information Technology Regulation
ANRE	National Authority for Energy Regulation
ANRGN	National Authority for Natural Gas Regulation
ANRMAP	National Authority for Regulating and Monitoring Public Procurement
BNR	National Bank of Romania
CCAC	Common Framework for Quality Assurance
CE	European Commission
CEC	European Qualification Framework
CEE	European Economic Community
CFR	National Society of Romanian Railways
CSM	Superior Council of Magistracy
CN ACN	National Company Administration of Navigable Channels
CNAS	National House for Health Insurances
CNCIS	National Qualification Framework in Higher Education
CNP	National Commission for Prognosis
CNPAS	National House for Pensions and other Social Insurance Rights
DAE	Department for European Affaires
ERGEG	European Regulators Group in the field of Electrical Energy and Natural Gas
FEI	European Investment Fund
FGL	Local Guarantee Fund
FNUASS	Single National Fund for Social Health Insurance
IMM	Small and Medium Sized Enterprises

INEMRCM	National Institute for Medical Expertise and Recovery of Working Capacity
INM	National Institute for Magistracy
INS	National Institute for Statistics
ISO	International Standardization Organization
MDLPL	Ministry of Development, Public Workings and Dwellings
MECT	Ministry of Education, Research and Youth
MIMMCTPL	Ministry for Small and Medium Sized Enterprises, Trade, Tourism and Liberal professions
MJ	Ministry of Justice
MMDD	Ministry of Environment and Durable Development
MMFES	Ministry of Labour, Family and Equality of Chances
MSP	Ministry of Public Health
MT	Ministry of Transports
ONG	Non Governmental Organizations
PHARE CES	PHARE Economic and Social Cohesion
PHARE TVET	PHARE Technical and Vocational Education and Training
RNCIS	National Qualifications Registry in Higher Education
SEAP	Electronic System for Public Acquisitions
SNT	National Transportation System
SNTGN	National Transportation Company Natural Gazes
SOLVIT	Member states on-line problem solving network for misapplication of the internal market law by public authorities
SPO	Public Employment Service
TAROM	Romanian Air Transport
UE	European Union
Others	
BWA	Broadband Wireless Access
CAF	Self Evaluation Framework of functioning of the public administration at the level of central and local authorities
CD	Research and Development
CDI	Research, Development, Innovation
CEEX	Excellence Research
CS	Sectoral Committee
CSDTR	Strategic Concept of Teritorial Development for Romania
deficit comercial	Commercial Deficit (FOB-CIF)

(FOB – CIF)

DN	National Road
ECN	European Competition Network
ECRIS	Electronic Court Register Informational Systems
FPC	Continuous Professional Training
GHG	Green House Gases
GJ	Giga Joule
HG	Government Decision
HHI	Herfindahl-Hirschman Indicator
IMA	Big Cremation Installations
IMPACT	Enhancement program for Research, Development and Innovation
INFRATEH	National program for Development of the Technological and Innovation Transfer Infrastructure
ÎPT	Professional and Technical Education
IT	Information Technology
JOUE	Official Journal of the European Union
LD	Integrated Guidelines
MC	Cube Metres
Mtep	1 Mtep = 11,630 GWh
OHSAS	Occupational Health and Safety Assessment System
OTS	Opportunities See/ Hear
OUG	Government Emergency Ordinance
PAPI	Public Access Point to Information
PAS	School Action Plan
PCCB	Centralized Market of Bilateral Contracts
PCCB-NC	Centralized Market of Bilateral Contracts with Continuous Negotiation
PCMCIA	PCMCIA modem card
PDA	Personal Digital Assistant
PE	Equilibrium Market
PIB	Gross Domestic Product
PLAI	Local Education Action Plan
PNASC	National Action Plan regarding Climate Changes
PNR	National Reform Program
POR	Regional Operational Program

POS	Sectoral Operational Program
PRAI	Regional Education Action Plan
PZU	For Next Day
RECL	Electronic Network of Local Community
PN II	National Plan for Research, Development and Innovation for period 2007 - 2013
SACET	Centralized Thermal Energy Supply Systems
SCADA	Supervisory Control And Data Acquisition
SCM	Standard Cost Method
SEN	National Electronic System
SF	Feasibility Study
SLR	Renewed Lisbon Strategy
SM	Member States
SN CDI	National Strategy Research, Development, Innovation
ST	Science and Technology
TEN-T	Trans European Network – for high speed Train
TIC	Information and Communication Technology
TIR	International Road Transports
TVA	Value Added Tax
UCTE	Coordination Unit for Transmission of Electricity
VET	Vocational Education and Training
VTMIS	Vessel Traffic Management and Information System