STANDARD SUMMARY PROJECT FICHE

TITLE: EU/Phare Support for the RICOP Programme in Romania.

LOCATION:

The project will focus its activities in areas where high concentrations of redundancies will occur (target locations). These are expected to be areas of the country where heavy industry is predominant, particularly in coal and steel activities. The target locations to be covered by Phare support are defined in a Restructuring Plan adopted by the Romanian authorities, which forms a confidential annex to this project fiche, on the basis that eligibility for support under this programme results from the concentration of social and economic problems in particular areas following the implementation of a government programme of liquidation and restructuring of loss-making state enterprises.

OBJECTIVES:

The objectives of this programme are both economic and political. It is lodged within the context of the Accession Partnership and the National Programme for Accession to the EU. The overall objective is to assist the Government in moving towards fulfilling EU membership criteria in the area of economic policy. It is seen as an urgent and exceptional intervention, required at a particularly critical moment as regards the acceleration of fundamental economic reforms in Romania.

The immediate objectives of the programme are to:

• assist the government to implement policies and actions to restructure, privatise or close loss making enterprises, and to respect its engagements in the context of IMF and World Bank loans currently under negotiation;

• mitigate the consequences of enterprise closure through a strengthened social safety net and through the promotion of employment initiatives;

• encourage economic activity leading to sustainable employment creation through assistance to Small and Medium sized Enterprises and micro businesses.

PROGRAMME DESCRIPTION:

There are five main components to the programme, which taken together represent an integrated approach to enterprise restructuring and employment conversion. These are:

Redundancy intervention;
Public Works;
Employment Promotion Initiatives
Small business finance; and
Social Response Measures;

as outlined below.

Programme design is based as far as possible on previous Phare programmes in Romania, as are cost estimates for the various measures. The implementation mechanisms have been designed to take into
account the relative weakness of the central administration for delivery of a complex package of support measures in a number of decentralised locations.

An exception is the co-financing of severance pay, where the normal severance pay mechanism in accordance with existing Romanian legislation, of payment through the national unemployment fund managed by the National Agency for Employment and Training, provides an adequate delivery mechanism.

For other components, the delivery mechanisms provide for:

- Decentralised decision making by local steering committees to be nominated by the National Implementing Authority, which have the responsibility for selecting local implementing bodies and specific projects, and for primary monitoring of project implementation;
- Centralised financial management and contracting by the CFCU in the Ministry of Finance, which will be strengthened to undertake the necessary tasks. Local financial management and contracting will take place for some components where an existing Phare programme has demonstrated the feasibility of this (e.g. contracting of public works by municipalities).

Institutional arrangements are summarised in the diagram attached to this project fiche (Annex 9).

Given the scale and complexity of the programme, a relatively high level of Technical Assistance is considered necessary to support the bodies responsible for implementation, to ensure the measures are in fact operational at the time when redundancies begin to occur. Furthermore, in order to respect the time-frame imposed by the conditionalities of the IFI loans, it is considered necessary to provide start-up Technical Assistance, in advance of the final signature of the Financing Memorandum, to prepare the national and local implementing bodies to assume the responsibilities defined under the FM and this project fiche.

- **Redundancy Intervention**

  **Outplacement**

  **Objective:**
  To ensure early intervention in the redundancy process to ensure that those under notice of redundancy are placed in alternative employment or receive advice support and guidance to ensure that they are able to actively engage in the job search process.

  **Target Group:**
  Individuals under notice of redundancy from restructured enterprises.

  **Inputs:**
  See Technical Assistance

  **Activities:**
  Workers facing redundancy in enterprises identified by the Government as ones to be closed or restructured will be offered support and advice in order to prepare for redundancy, as follows: to identify new jobs elsewhere in the region or in the country; in identifying appropriate retraining programmes; in identifying personal skills and assets which would assist in establishing a micro enterprise; provision of information available to the unemployed; access to opportunities within the RICOP programme open to such workers; personal credit management; social and personal services to assist disadvantaged workers; productive applications of severance pay. This component will be implemented in advance of the planned liquidation/restructuring of enterprises, and is therefore not subject to conditionality regarding the actual implementation of the planned restructuring measures.
Outputs:
Approximately 5,000 workers under notice of redundancy will receive counseling and advice.

Severance Pay
Objective: The objective of the proposed Phare co-financing (465 Euro - per person) of statutory severance payments under this programme is to accelerate the process of enterprise closure and restructuring by making available to the Government resources to meet its statutory obligations in such circumstances. Phare resources will therefore relieve part of the budgetary burden caused by the restructuring of the major loss making state owned industries.

Target Group:
A list of enterprises to be restructured or closed, including the number of workers to be made redundant with a time schedule will be proposed by the Romanian Authorities and agreed with the Commission. This Restructuring Plan will be the basis on which Conditionalities are applied (see “Conditionalities”).

Inputs:
Total Phare budget allocation: up to a maximum of 28 MEuro.

Activities:
The Phare contribution will represent up to 465 Euro - per person- of the total cost of severance payments to the specified group of workers being laid off, and will be paid to the Unemployment Fund (Ministry of Finance for specific industries) following lay-offs. Payment will be based on actual disbursement of severance payments by the Government, which are required to be “net redundancies”, ie, those made redundant will not be replaced by recruits during or after the operation of the programme. This component will be implemented under strict control and monitoring, to ensure that payments are made only to the national unemployment fund, through partial reimbursement, up to the limits defined under the Financing Memorandum, of actual payments of severance pay to eligible workers under this programme. Severance pay will be reimbursed only in respect of enterprises included under the Restructuring Plan, where job losses have resulted from the implementation of plans to restructure, privatise or liquidate loss-making state enterprises.

Outputs:
Upto 60,000 workers will receive severance pay.
• **Public Works**

**Objective:**
To create short term employment (combining training) opportunities through public works projects designed to improve the quality of life of communities suffering from industrial restructuring (target locations) and to improve the attractiveness of the area for inward investment.

**Target group:**
Areas and communities suffering from industrial restructuring.

**Inputs:**
Total Phare budget allocation : 14 MEuro.

**Activities:**
Projects may include social housing, investment in hospitals, vocational training establishments, schools, local transport and environmental infrastructure, industrial site stabilisation and reclamation, etc. The projects will be prioritised on the basis of the employment content of the investment and on the number of jobs they create for redundant workers. The unemployed workers recruited for the project may receive on the job training.

**Outputs:**
140 projects, resulting in 4,600 work placements.

• **Employment Promotion Initiatives**

**Active Employment Measures**

**Objective:**
To provide vocational training opportunities, focussed on the need sof the job market, and/or sustainable jobs in new and existing businesses or projects through the delivery of locally prescribed solutions aimed at ensuring the diversification of the local economy and employment market.

**Target Group:**
Entrepreneurs, Training Providers, Associations, NGOs and other legal bodies competent to participate in this Programme through the implementation of projects which will generate employment and training opportunities for redundant workers in the target location.

**Inputs:**
Indicative Phare budget allocation : 9 MEuro.

**Activities:**
- Assistance and Consultancy for establishing micro businesses;
- Training and Re-training of workforce;
- Business Incubators ;
- Wage subsidy for recruiting redundant workers;
- Projects capable of generating employment and training opportunities in a cost effective manner.

**Outputs:**
8,000 jobs created / supported and 6,000 training places delivered, 80% filled by redundant workers.
Finance

Objective:
To provide incentives for the formation and development of the SME and Micro business sectors in a number of target locations affected by the closure of enterprises and ensuing redundancies in order to create jobs and further promote the transition to a functioning market economy.

Target Group:
Entrepreneurs within the SME and Micro Business sectors.

Inputs:
Indicative Phare budget allocation : 30 MEuro,

Activities:
A range of financial schemes will be created to provide practical and timely responses to the financial needs of entrepreneurs in target locations. The conditions of the financial schemes will be adjusted to respond to the particular economic conditions in each target location. Rigorous criteria for project selection will be applied (numbers of jobs created; cost per job; viability of business plans) within a flexible framework to ensure direct support to the SME and Micro business at the local level.

Outputs:
10,000 jobs created in SME’s and Micro businesses

Social Response Measures

Objective:
To provide social support and employment opportunities, to those hardest hit by industrial restructuring, through the creation of social services in order to ameliorate the distress caused by unemployment in order to maintain a social stability required to fully implement the programme of economic transition.

Target group:
People laid off in the target location and their family members who are severely deprived because of poverty, deviant behaviour, inappropriate housing, health problems associated with professional illnesses, poor nutrition, stress and alcoholism.

Activities:
The project will consist in the setting up and running of:
- social centres providing social, medical and juridical counseling, family therapy, money advice, vocational advice, home-aid support and social canteen-type services, etc.
- reintegration centres for people with mental disorders, alcoholics and ex-offenders providing group therapy, psychological support, vocational counseling, home-aid services, hot-line advice, etc.
- emergency centres for abused children and women, homeless people, alcoholics, etc. providing temporary shelter (links with public works project needed!), hygiene and medical assistance, counseling and meals.

The setting up of these services will require the creation of jobs. It is estimated that at least two-thirds of the newly-created jobs will be filled by people made redundant or their family members following, if necessary, short-term vocational training courses.

Social infrastructure support to facilitate the functioning of Social Services will be eligible for financing under this measure. The projects submitted will be based on a local partnership which will
input part financial support. The Phare contribution will be tapered with an increasing local contribution.

Inputs:
Total Phare budget allocation : 10 MEuro

Outputs:
50 social centres, 10 reintegration centres and 10 emergency centres
Deprived people assisted in the centres: 17,500
New jobs created: 1,300 out of which at least 900 filled by redundant workers or members of their families.
Vocational training provided to support 900 people into employment opportunities.

INSTITUTIONAL FRAMEWORK:

The National Implementing Authority (NIA) for this programme under Phare DIS rules will be the Prime Minister’s office. The Prime Minister may delegate the responsibilities of the implementing authority to the official responsible for the establishment and implementation of the Restructuring Plan referred to under the programme conditionalities. Certain operational responsibilities of the implementing authority will be delegated to local steering committees.

A National Advisory Committee will be established comprising representatives from: the Ministries of Labour and Social Protection, Public Works, Finance, and Industries and Commerce; the State Ownership Fund; the National Agency for Employment and Training, for SMEs and for Regional Development; and the Department for European Integration. It will receive reports from the Technical Assistance to the National Implementing Authority (TA to NIA) and provide policy advice and guidance to the TA to NIA and the other agencies involved in the implementation of the project. It will be established and chaired by the Ministry of Labour and Social Protection (MOLSP).

The MOLSP in cooperation with the Ministry of Finance and the State Ownership Fund, through the National Agency for Employment and Training, will supervise the co-financing of the Severance Payment component, through the existing Unemployment Fund. It will also prepare a Redundancy Monitoring Report at monthly intervals to review performance in respect of closure of enterprises and plants, and reduction in employment. The MOLSP will also advise on the implementation of Active Employment and Social Response measures, both of which fall under their legal competence, and will build on successful EU/Phare programmes in these fields.

The Ministry of Finance, advised by the Ministry of Public Works and working closely with the Public Authorities (Municipalities; County, Local or other public authorities), will retain an overall responsibility for financial management and reporting on the public works component, following similar arrangements to the EU/Phare Disaster Damage Reconstruction Programme.

The SME Agency will advise on the local arrangements governing the finance component (grants and credits to SMEs and micro-businesses).

The Ministry of Industry and Commerce and the State Ownership Fund will advise on matters relating to restructuring or liquidation of enterprises falling under their competence.

The National Agency for Regional Development will advise on the coherence of the activities implemented under this programme within the emerging framework for regional development policy in Romania.
A Local Steering Committee (LSC) will be established in each of the programme’s target locations. The LSCs will approve project selection criteria and the project selection reports provided by a local Managing Agent, ensuring the local balance among the three types of measures (Employment Promotion Initiatives, Social Response Measures and Public Works). The LSC will be required to endorse project implementation reports, prepared by the Managing Agent, prior to forwarding these (with invoices) to the CFCU for payment.

The CFCU is the implementing agency under Phare DIS rules, and will be responsible for the overall contractual, financial and payment arrangements at national and local level and will ensure conformity with the Financing Memorandum and Phare Procedures, for all components with the exception of severance pay and public works. It will be the Contracting Authority for Active Employment and Social Response Measures, and for all technical assistance. The Delegation will endorse all financing agreements and procurement documentation in excess of 50,000 Euro. The CFCU will contract technical services to support: the National Advisory Team (including payment of fees and operating costs to Managing Agents), Fund Managers, Quality Control and respect of operational procedures, Ex Post Monitoring and Evaluation, and Outplacement Services.

**BUDGET**

<table>
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<tr>
<th></th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total Phare</th>
<th>Recipient*</th>
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<td><strong>TOTAL</strong></td>
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<td><strong>48.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>49.5</strong></td>
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<td><strong>149.5</strong></td>
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* Recipient contributions are calculated to include contributions for local partners made in cash and/or in kind, as well the contribution from the state budget. (Own contributions to investment projects by entrepreneurs under small business finance schemes are not shown in the table. They are expected to be of a similar order of magnitude as the Phare support.)

The allocation of Phare funds under the Programme between the five target locations shall be proportional to the number of lay-offs envisaged for each location under the Restructuring Plan.

**IMPLEMENTATION ARRANGEMENTS**

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures, with the exception of the programme component for the co-
financing of severance pay. The arrangements relating to severance pay are described below, and are the subject of a specific Memorandum of Understanding to be signed between the Commission and the Romanian authorities and annexed to the Financing Memorandum. Specific aspects of the implementation arrangements for the public works component, within the Phare DIS, are described below.

The National Aid Coordinator (NAC) will have overall responsibility for programming, monitoring and implementation of all components of this programme.

**General arrangements**

For all components, the following arrangements shall apply. (However, funds for severance pay will not be managed by the CFCU: the specific arrangements are described below.)

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Romania on 20 October 1998. Funds will be transferred following requests from the NAO. A payment of **up to** 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the CFCU and the manner in which the payment function will be carried out.

Four Replenishments will be made of **up to** 20% of the funds to be managed locally or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget has been disbursed by the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

**Arrangements relating to severance pay**

The Commission will make available to the Romanian national budget a maximum amount of 28 million Euro as partial co-financing of severance payments made by the National Unemployment Fund, managed by the National Agency for Employment and Training (NAET) of the Ministry of Labour and Social Protection.
This partial co-financing (up to 40%) will be provided in respect of the severance payments for around 60,000 workers who will become redundant as a consequence of the restructuring of the enterprises in 5 selected target locations. The list of target locations, the specific enterprises to be restructured and eligible for support under the RICOP programme, the government’s intentions for each enterprise as regards privatisation, liquidation or restructuring of each enterprise, and the number of workers expected to be made redundant as a result of the planned measures, are listed in the Restructuring Plan to be annexed to the Memorandum of Understanding on severance pay referred to above.

The Memorandum of Understanding, forming an annex to the Financing Memorandum, covers obligations of all parties in terms of: the formal approval of the overall Restructuring Plan; reporting on implementation of this Plan; eligible categories of workers for whom the costs of severance pay can be partially reimbursed; the limits up to which these payments can be reimbursed; the forms in which claims for transfer of Phare funds should be presented; the establishment of a clear audit trail linking the transfer of Phare funds to specific payments to individual eligible redundant workers who lose their jobs in the context of implementation of the Restructuring Plan; arrangements for monitoring, and the prevention of fraud and hidden re-employment contrary to the intentions of the restructuring plan.

The Commission will transfer the Phare funds for severance pay to the National Fund (NF) in the Ministry of Finance, under the responsibility of the National Authorising Officer (NAO), as for the rest of the funds for this programme. The NAO will supervise the financial management of the severance pay component, and will be responsible for reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme. The NAO will transfer the amounts received from the Commission directly to the National Unemployment Fund, subject to the Commission’s prior written approval. These transfers will be made in tranches linked to six-monthly claims for reimbursement prepared by the National Agency for Employment and Training in accordance with Memorandum of Understanding on severance pay referred to above. Transfer of the funds will depend on the Commission’s positive assessment of the monthly Restructuring Monitoring reports provided on the implementation of the Restructuring Plan for loss-making enterprises annexed to the Memorandum of Understanding on severance pay, and on an independent audit of the claims for reimbursement which will show that the claims are based on actual payment of severance pay to eligible workers made redundant from enterprises included in the Restructuring Plan.

The accounts and operation of the severance pay component of the programme will be checked at regular intervals by an outside auditor contracted by the CFCU out of the technical assistance budget of the programme, on terms of reference satisfactory to the Commission, without prejudice to the responsibilities of the Commission and the European Union’s Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum and the Framework Agreement.

**Arrangements relating to Public Works**

Projects will be proposed by local authorities in locations eligible for support under the RICOP programme. Project selection will be made by the local steering committees established under the programme for each location. Selection will be in accordance with the
criteria established in the project fiche, and will be subject to the endorsement of the EC Delegation.

The form of grant conventions and specific procurement rules applying to the public works component will follow the conventions and rules established for the 1998 Disaster Damage Rehabilitation Programme. The national Romanian laws on public procurement will be applied to all projects, but in any case they will be subject to the following:

- All contracts of an expected value exceeding 50,000 Euro must be awarded following an open tendering procedure;
- The CFCU will ensure that every tender is announced in the local or national press, including a publication in a Community language Romanian newspaper; and that announcements are provided in time to the Member States’ embassies in Bucharest;
- One general information notice will be published in the EU Official Journal covering all the expected projects;
- The Phare rules of eligibility and origin must be complied with, and no discrimination on the basis of nationality will be applied;
- For projects above 300,000 Euro:
  - the Ministry of Finance will contract separately works supervision;
  - for works contracts, local implementing authorities will follow international procurement rules, with FIDIC works contract models, and submit tender documents, evaluation reports and contracts via the Ministry of Finance for endorsement by the EC Delegation.

**National Implementing Authority (NIA)**

The implementing authority for this programme under Phare DIS rules will be the Prime Minister’s office. The Prime Minister may delegate the responsibilities of the implementing authority to the official responsible for the establishment and implementation of the Restructuring Plan referred to under the programme conditionalities described above. In respect of all components with the exception of the TA to the National Implementing Authority (TA to NIA), and severance pay, for which specific implementation arrangements are defined, the National Implementing Authority (NIA) delegates its responsibilities to Local Steering Committees.

**National Advisory Committee (NAC)**

A National Advisory Committee will be established comprising representatives from: the Ministries of Labour and Social Protection, Public Works, Finance, and Industries and Commerce; the State Ownership Fund; the National Agencies for Employment and Training, for SMEs and for Regional Development; and the Department for European Integration. It will receive reports from the TA to NIA and provide policy advice and guidance to the TA to NIA and the other agencies involved in the implementation of the project. It will be established and chaired by the Ministry of Labour and Social Protection.

**Local Steering Committee (LSC)**
A Local Steering Committee (LSC) will be established in each of the programme’s target locations. The LSCs will be composed of the main stakeholders in the area, for example county council, Prefecture, municipality/ies, county agency for employment and training, regional development agencies, social assistance directorates, social partners including Trades Unions, chamber of commerce, relevant NGOs, industry, banks, etc. The composition and chairmanship of the LSCs will be agreed by the NIA and the European Commission, and may vary according to the capacity and competence of the various stakeholders in each target location.

The LSCs, acting on behalf of the NIA, will approve project selection criteria and the project selection reports provided by a local Managing Agent. They will ensure the local balance among the three types of measures (Employment Promotion Initiatives, Social Response Measures and Public Works) and approve any amendments to the implementation scheme required by local circumstances. The LSC will make sure that projects selected are consistent with the expected output of the programme and are congruent with local development needs. In accordance with DIS rules, the EC Delegation retains the right to make a prior control before final approval or rejection of projects is made by the LSC.

The LSC will be required to endorse project implementation reports, prepared by the Managing Agent, prior to forwarding these (with invoices) to the CFCU for payment.

Managing Agent (MA)

The Managing Agent (MA) will be appointed by the Local Steering Committee following local tendering against established criteria, to include: legal status, managerial experience, expertise in project appraisal, project supervision, technical and financial monitoring. The selection of the MAs will be endorsed by the EC Delegation.

A MA, appointed in each target location, will be responsible for Active Employment and Social Response Measures. In this context, it will be responsible for: implementation of an information and awareness campaign to stimulate the development of proposals; organisation of calls for expressions of interest; pre-qualification screening indicating areas of the proposal requiring further development in order to meet project selection requirement; undertaking of project appraisal against pre-established evaluation criteria; submission of evaluation report to the LSC and CFCU for approval and conclusion of financing agreements; technical and financial monitoring of project implementation; and the preparation of documents to ensure adequate review by the CFCU, the Delegation and the Commission. The MA will report both to the LSC and the TA to NIA. The Managing Agent will also provide project implementation reports (including invoices), via the LSC, to the CFCU for payment.

A contractual relationship will be established between the TA to NIA and each of the MAs, permitting the TA to NIA to support appropriate operating expenses of the MAs.

Fund Managers (FMs)

Fund Managers (FMs) will be contracted by the CFCU, following a tender process, to assess applications for Grant and Credit made by SME’s and Micro businesses. Following approval by the LSC, the CFCU and the Delegation, the FM will conclude financing agreements with selected applicants. Quarterly project implementation reports will be provided to the LSC and CFCU. In accordance with DIS rules, the EC Delegation retains the right to make a prior control before final approval or rejection of grant or loan applications is made by the LSC.

Local Implementing Agent (LIA) - Public Works
In the case of the Public Works component, relevant public authorities in each of the target locations will be responsible for the preparation of Public Works projects. These projects will be identified in accordance with criteria established in annex 10cii and any other criteria determined by the LSC and agreed by the European Commission. Following approval by the LSC, the LIA will be responsible for contracting the works. The EC Delegation will retain the right to make a final decision on the approval or rejection of projects. The Ministry of Finance will retain an overall responsibility for financial management and reporting with funds being transferred to the LIA via a financial covenant. The contracting and financial management arrangements will follow those now being used for works contracts under the ongoing Phare Disaster Damage Reconstruction Programmes (Floods I & II).

**CFCU**

The CFCU is the implementing agency under Phare DIS rules, and will be responsible for the overall contractual, financial and payment arrangements at national and local level, for all components with the exception of severance pay. It will ensure conformity with the Financing Memorandum and Phare Procedures. It will be the Contracting Party for Active Employment and Social Response Measures, and for all technical assistance including: the TA to NIA (including payment of fees and operating costs to Managing Agents); Fund Managers, Quality Control and respect for operating procedures; Ex Post Monitoring and Evaluation, Audit of Severance Pay, Enterprise Spin Off Business Advisory Services, Counter Expertise and Outplacement Services. It will enter into financing conventions with municipal authorities with respect to public works projects. The Delegation will endorse all financing agreements and procurement documentation in excess of 50,000 Euro.

**Severance Pay**

The management of the co-financing for the severance payments will be the responsibility of the Ministry of Finance, the State Ownership Fund and the Ministry of Labour and Social Protection (MOLSP) through the National Agency for Employment and Training. To provide the legal basis for this process, the Government will adopt an Ordinance to amend the 1999 state budget in respect of social insurance provisions, and will prepare subsequent state budgets during the period of implementation of this measure, to provide for the inclusion of Phare co-financing via the state budget into the Unemployment Fund. This Ordinance and any subsequent budget laws will include detailed information on the number of redundancies, the companies where restructuring will take place and the timetable for implementation of the redundancies, consistent with the Restructuring Plan described in the annex to the Memorandum of Understanding.

The Ministry of Labour will report on a monthly basis on the implementation of the redundancies identified in the Restructuring Plan, this report being the basis of the tranche releases of Phare funds to the National Fund (or the Ministry of Finance for certain sectors) for the Severance Pay component. The tranche releases will be made six-monthly.

**Technical Assistance**

A Technical Assistance Team (TA to NIA) will provide support to all aspects of the project, including: contracting, monitoring and paying for the services of the Managing Agents; training of Managing Agents, provision of expertise for the overall process of selection and implementation of local projects, procurement support, continuation of outplacement services, and other services essential to the programme. In addition, the TA to NIA will assist the Local Steering Committees in the performance of their responsibilities. TA may also be provided for preparation of restructuring plans for a limited number of enterprises in sectors of particular macro economic importance.
Quality Control and respect for operational procedures, Ex-Post Monitoring and Evaluation and audit of severance pay will be undertaken by independent consultants contracted by the CFCU, and will work under the direct supervision of the EC Delegation.

Institutional Support to the CFCU under this programme will assistance in the areas of procurement, financial management, compliance of the scheme and all parties with Phare procedures.

**IMPLEMENTATION SCHEDULE:**

<table>
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<th>Action</th>
<th>Target Date of Delivery</th>
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<tr>
<td>Phare Mangement Committee</td>
<td>May 1999</td>
</tr>
<tr>
<td>Start of Tendering Process</td>
<td>June 1999</td>
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<tr>
<td>Establishment of Employment Baseline (funding trigger)</td>
<td>end June 1999</td>
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<tr>
<td>All Contracting to be Completed</td>
<td>By December 2001</td>
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<td>Disbursement to be Completed</td>
<td>By December 2002</td>
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See Annex 11 for further detail.

**EQUAL OPPORTUNITY:**

The loss making industries which will be the focus of restructuring are characterised by a very high proportion of male workers. It is expected that this will be reflected in the balance of male and females who participate in the employment and training opportunities created. However, the new job opportunities will be less gender specific than those which are lost in restructuring. All job opportunities will be specified and relevant job descriptions prepared, the priority target for these opportunities will be redundant workers and their immediate family members. In reporting, statistics will be given of the men and women working for the Project and how gender issues were dealt with.

**CONDITIONALITY AND SEQUENCING:**

In recognition of the agreed wider objectives of this Programme, which are to support the process of economic restructuring necessary to prepare Romania for Accession, the Government of Romania:

1. **Makes a commitment** to the establishment and implementation of a Restructuring Plan for a number of specific loss making enterprises, to be selected in view of the size of their financial deficits and arrears, which forms the basis for the targeting of this programme. This Restructuring Plan will identify: (a) the enterprises and plants at which restructuring will take place; (b) the intentions of the Romanian authorities with respect to each enterprise or plant (that is, (i) privatisation, or (ii) liquidation, or (iii) break-up of the enterprise into separate units, followed by liquidation or privatisation of each of the units); (c) the number of workers expected to be made redundant; (d) the timing of redundancies.

The package of measures proposed under this programme at each locality is conditional upon the implementation of this Restructuring Plan.

With the exception of contracts for national-level Technical Assistance, local Managing Agents, Fund Managers, and Outplacement Services, no activities under the RICOP Programme will be contracted until significant progress has been achieved in implementing the Restructuring Plan as it relates to the main loss-making enterprises in the target location,
and progress in implementing the Restructuring Plan has resulted in redundancies in line with the anticipated levels of job losses in the Plan.

Therefore, for each of the each of the five target locations, no contracts for public works, active employment measures, SME and micro-business financing and social measures will be concluded until the EC Delegation has received satisfactory reports confirming progress in implementing the Restructuring Plan in relation to the main loss-making enterprises in that target location.

To allow sufficient time for the implementation of all contracts, the implementation of all measures envisaged under the Restructuring Plan and the resulting redundancies will take place within 15 months of the signature of the Financing Memorandum. In the case that the measures envisaged in the Restructuring Plan for the loss-making enterprises in any of the five target locations are not implemented within this timeframe, the Commission shall have the right to terminate all ongoing activities relating to the target location in question. The funds allocated to the target location(s) where where activities are terminated will not be reallocated to another target location unless the Commission is able to make a positive overall assessment of the process of macro stabilisation and economic restructuring as defined under item (ii) of this conditionality.

ii. **Accepts** that support within this programme depends upon the continuous commitment of the government to macro economic stabilisation and economic restructuring. The Commission reserves the right to make ad hoc assessments of the achievements of the Government in addressing its economic reform programme and the transformation of the status of the major loss making state enterprises. Progress in implementing agreements with the IMF and World Bank will be an important indicator of the Government’s continuous commitment to economic reform. Subject to a positive assessment, the Commission may consider the re-allocation of resources between regions.

iii. **Makes a commitment** to preparing a Redundancy Monitoring report to review performance in respect of closure of enterprises and plants and reduction in employment, which will be the basis of payments under the Severance Payments component of this programme. This report will be prepared monthly by the Ministry of Labour and Social Protection and will be audited by the Commission.

iv. **Agrees** that the partial reimbursement of severance pay under this programme is made only in the context of the diligent implementation of plans for restructuring, privatisation and liquidation of loss-making state enterprises included in the agreed Restructuring Plan. In the event that funds provided under this component of the programme shall have been used for reimbursement of severance pay, but, in the view of the Commission, it has become apparent that significant progress has not been achieved with restructuring, privatisation and liquidation resulting in normal financial discipline being imposed on the enterprise(s) concerned, the funds so provided shall be reimbursed by the Government of Romania to the European Commission.