STANDARD SUMMARY PROJECT FICHE

Project Number: RO 9807.01

Title: Regional Policy and Cohesion

Sub-programme: Economic and Social Cohesion

Objectives: The establishment, in accordance with the objective defined in the Accession Partnership, of a comprehensive framework for regional development incorporating policy, legislation and instruments, together with the administrative capacity to manage ISPA, SAPARD and Phare in an Objective 1 context.

Description:

Background

The project incorporates three components which are described in substantial detail in annexes A, B and C, which are jointly aimed at preparing Romania for the management of pre-Accession funds in line with the EU Policy for Social and Economic Cohesion.

The project is to be implemented in the context of Phare 1997 support through the Regional Development Institution Building Programme (RDIBP). The aim of this programme is to support the establishment and first year’s operation of the National Agency for Regional Development and assist in the creation of Regional Development Agencies.

Together with the RDIBP, the three initiatives of the present project described below provide a comprehensive approach to the achievement of the stated objective.

1. Regional Development Support (Annex A): This 17.0 MECU project is aimed at providing “Objective 1”-type support through a number of regional and sectoral programmes. It is intended that the eight proposed Romanian macroregions will have approximately equal access to the financial resources. The two key axes for intervention will be industrial restructuring and human resource development.

   i) The Industrial Restructuring Component (total value in the range 11 - 13 MECU) is primarily aimed at areas struck by the decline of traditional industries. As documented in the Government’s Green Paper on Regional Development (1997), some of the less favoured regions in Romania have been dependent upon concentrated employment in industrial sectors. This pattern of industrialisation was the result of central planning rather than market forces, and will make the process of reducing regional disparity more complex and drawn out. The economic reform process underway has emphasised market factors and thus led to a movement of both capital and labour to the better performing regions (and, in particular, Bucharest) at the expense of the disadvantaged regions.

   The component also sets out to help areas where the level of economic activities is too low to induce dynamic development.

   ii) The Human Resource Development Component (total value in the range of 2.5 - 4.5 MECU) is aimed at developing the human resource basis of the integrated development of designated regions. This will be undertaken with the objective that long-term unemployment be partially combated and that young people and those excluded from the labour market be partially integrated into working life. It will also aim to adapt workers to industrial change and to changes in production systems. The activity will contribute to development of capacity at regional level to plan and implement labour market measures.

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1 Special Pre-Accession Instrument (Cohesion fund-type instrument)
2 Special Pre-Accession Action for Agriculture and Rural Development
iii) The *Programme Management & Technical Assistance Component* (MECU 1.5) aims to provide support to structures at national, regional and local level for the implementation of the other two components. The technical assistance will be implemented in a manner particularly favouring the development of planning and operational capacity in macrorregions which are less advanced in implementation of regional structures.

Parliamentary approval of the draft Law on Regional Development will be a condition for implementation of support under this project.

2. *ISPA Project Preparation Facility* (Annex B): This MECU 9 project will be utilised for project identification, prioritisation and preparation for funding under the ISPA Programme. Project selection and approval will be based on national programmes for transport and environment included within the National Programme for the Adoption of the Acquis. These programmes should contain sectoral strategies and specific criteria for determination of priorities for environment and transport investments, and address the trans-national dimension necessary for the development of future trans-European networks. Other criteria will be specified to ensure the high quality of projects.

Technical assistance under this project will ensure that the project identification, prioritisation and preparation for funding take place in the context of an effective linkage to the national budgetary process. This will assure the timely provision of state budgetary resources to co-financed investments in line with the anticipated requirements of ISPA.

Approval of projects to be prepared under this facility will be given by the National Board for Regional Development. The NBRD may decide to adjust the balance of resources for project preparation under this facility between the transport and environment sectors, taking into account the state of preparedness of projects in both sectors for financing under ISPA, and the need to maintain an appropriate balance between these sectors in the total value of projects ultimately financed by ISPA.

It is envisaged that this component will lead to preparation of investment projects of a total value of at least 40 MECU for environment and 40 MECU for transport, for implementation from 2000. Given the total expected value of ISPA investment resources for Romania, additional financing of project preparation will also be required from other sources. A close co-ordination will be maintained with the process of preparation of projects to be financed by the Phare Large Scale Infrastructure Facility, and by International Financial Institutions.

The project will contain 3 components:

i) *Preparation of Projects in the area of Environment (indicative value 4 MECU)*

This component will utilise the National Environmental Action Plan, to be finalised during 1998 further to the development of the national sectoral strategy for the environment. This Action Plan will contain a prioritised list of investments including projects in the areas of water, air quality and waste management. Projects will be selected for preparation on the basis of an assessment of their eligibility and on a provisional assessment of their quality according to established criteria (see annex B).

Project preparation will encompass all activities necessary to assess the quality of projects and to make decisions. It will include preparation of feasibility studies, preliminary design, and detailed design to a level sufficient to allow the preparation of tender documents. It will also include preparation of the documentation necessary for the launch of an international tender for project implementation under ISPA.

ii) *Preparation of Projects in Transport Infrastructure (indicative value 4 MECU)*
This component will establish project priorities in conformity with the Government of Romania’s declared policy commitment to developing the trans-European transport corridors as a priority.

A National Transport Master Plan is in preparation with EU assistance and is scheduled to be available in draft final form in February 1999. Project preparation activities will also conform with this work as and when it becomes available.

The criteria for selecting projects for preparation, the scope of preparation work and the timetable with respect to the State Budget will be the same as for projects in the environmental area. Project preparation will also include environmental impact assessments in accordance with Romanian law and relevant EU directives, where these have not already been completed.

iii) A Technical Assistance Component (MECU 1.0)

This will support the structures at national, regional and local level with the required project preparation activities. The National Agency for Regional Development will be assisted to assume its co-ordination role in this process. The component will provide long-term technical assistance to work within the National Agency for Regional Development (NARD) in close co-ordination with relevant counterpart ministries, as well as regional and local structures, to identify priority projects suitable for ISPA financing, to identify the preparatory work required for decision-making, and to prepare terms of reference and manage contracts for project preparation work.

The technical assistance will also support the development of permanent institutional and technical capacity within the National Agency for Regional Development to assume the role of the national co-ordinating body for ISPA.

3. Special Preparatory Programme (SPP) (Annex C): This MECU 7 project aims to prepare Romania to design and implement Objective 1-type programmes through training and transfer of knowhow as regards the design of national development plans, regional and sectoral operational programmes, and the establishment of efficient administrative and budgetary structures in conformity with the priorities laid down in the Accession Partnership with Romania.

SPP will in addition focus specifically on procedures for implementing SAPARD during the pre-Accession period, developing the institutional capacity to handle funds under the relevant Regulation, and providing practical implementation support through an action in rural development.

Support under the SPP will comprise two sub-components:

i) An Institution Building Component (4.5 MECU) which will provide training aimed at developing capability in the Romanian national and regional administration for the complete process of management of the pre-Accession financial instruments (programming, implementation, monitoring, evaluation and control).

The sub-component will involve general training to improve the knowledge of the objectives and operating principles of the pre-Accession financial instruments, and specific training for the Ministries of Environment and Transport focusing on the preparation (selection procedures and criteria, preparation of dossiers, project management techniques, feasibility studies etc.) of sectoral projects (transport and environment) under ISPA. It will also cover training for the Ministry of Agriculture with respect to sectoral programmes under SAPARD.

In addition, the sub-component also covers technical assistance to establish the required network of regional development agencies, including the possibility of twinning with EU institutions. Project preparation in readiness for SAPARD is also included.

The component will include the elaboration of a long-term regional development training strategy, including the development of training programmes, training of trainers, and the
establishment of regional development training centre[s]. It is planned to utilise the expertise of existing EU regional development training institutions to undertake this element.

ii) The Rural Development Action (2.5 MECU) is aimed at giving the Romanian authorities direct experience of the operational aspects of the planning and implementation of an Objective 1-type operational programme on a sectoral basis. A single rural development operating programme based on the proposed SAPARD Regulation, covering different implementation areas, is proposed to be implemented (see Annex C) in the context of a strategic and integrated approach to rural development, which will provide operational experience relevant to implementation of SAPARD.

The RDIBP (1997 Phare programme) and the three components forming the present project have been carefully co-ordinated to prevent overlap, whilst ensuring that all required aspects have been considered.

Investment components under the Regional Development Support and SPP projects in the sub-programme will be co-financed by the Romanian budget to the value of approximately 25% of the Phare contribution.

Investment under the sub-programme in private sector economic activity will take place subject to guidelines to be established by the National Board for Regional Development and endorsed by the European Commission, and will be conditional on the overall cost of each investment being covered for at least 40% by private contribution.

**Institutional Framework**

The institutional arrangement for the activities are based on the draft Law on Regional Development to be passed by the Romanian Parliament prior to implementation of the relevant components of the 1998 Phare programme. The Law will provide for the establishment of a National Board for Regional Development (NBRD) as a policy-making and decision body, and for a National Agency for Regional Development (NARD) as an executive body.

The implementation of the Law and this project will contribute to development of an institutional framework for the pre-Accession period which shadows those structures that will need to be established to manage the European Union Structural and Cohesion Funds after Romania’s accession to the EU.

Under the present programme the National Agency for Regional Development will have the following responsibilities:

a) Overall co-ordination of Regional Development, ISPA and SAPARD funds, including establishment of sectoral management committees to oversee the implementation of sectoral programmes; acting as secretariat to the National Board for Regional Development to support decision-making regarding the approval of sectoral policy frameworks and specific operational programmes.

b) Management of the National Fund for Regional Development which will be co-financed by the 1998 Phare programme and the Romanian state budget. NARD will establish the general guidelines for the management, monitoring, evaluation and control of the funding, will co-ordinate all operations funded by the Fund, will be responsible for the funds transfers to the managers of the operational programmes and will organise the information system;

c) Preparation for management of ISPA and SAPARD. Responsible for the definition of the general guidelines for the management, monitoring, evaluation and control of the funding, co-ordination of all operations funded by ISPA and SAPARD and organisation of the information/monitoring system;

d) National Co-ordinator for the preparation of the National Regional Development Plan and Rural Development Plan to be presented to the National Board for Regional Development and the European Commission in preparation for implementation of Phare Objective 1-type programmes and SAPARD
from 2000.

To co-ordinate and consider issues related to actions falling under the sub-programme Regional Policy and Cohesion in its three components (Regional Development Support, ISPA Project Preparation Facility and Special Preparation Program) a Monitoring Committee will be established.

The Monitoring Committee, chaired by the National Agency for Regional Development (NARD), will include representatives of the appropriate Romanian authorities, the Commission Services involved (DGs I.A, V, VI, XIV, ; DGs VII and XI may attend as necessary), and the Commission Delegation in Bucharest.

In general, this Committee will meet as necessary, but at least once a year.

Sub-Committees dealing with issues concerning the preparation of ISPA, SAPARD and the implementation of preparatory actions may be established, where necessary.

Commission Services and the competent Romanian authorities will agree a protocol on the procedure and terms of reference of this Monitoring Committee.

**Budget (MECU)**

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total Phare (MECU)</th>
<th>Recipient (Rom. Budget)</th>
<th>Private</th>
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<td><strong>REGIONAL DEVELOPMENT SUPPORT</strong></td>
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<td>17.0</td>
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<td>Industrial restructuring and human resource development</td>
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<td><strong>PROJECT PREPARATION FACILITY (ISPA)</strong></td>
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<td><strong>SPP</strong></td>
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<td>7.0</td>
<td>4.5</td>
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<td>- Rural action</td>
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<td></td>
<td>0.6</td>
<td>0.2*</td>
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<td><strong>Total Programme</strong></td>
<td>26.0</td>
<td>7.0</td>
<td>33.0</td>
<td>4.6</td>
<td>2.2*</td>
<td>39.8</td>
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</table>

* **Indicative figure** (Investment in private sector economic activity will take place subject to guidelines to be established by the National Board for Regional Development. Overall cost of each investment will be covered for at least 40% by private contribution.)

**Implementation Arrangements**

The Government of Romania will appoint the National Agency for Regional Development as an Implementing Agency under the Phare DIS system for all components of the present project.

The project will be implemented under Phare DIS procedures.

All technical assistance will be contracted by NARD. ISPA project preparation activities will also be contracted by NARD.
Investment components within the Regional Development Support and the Special Preparatory Programme will be co-financed by the Romanian budget to a value of approximately 25% of the Phare support. The Romanian budgetary funds will be channelled through NARD. The full value of the investments, including the Romanian budgetary contribution, will be managed under Phare DIS procedures.

Annexes A and C detail implementation mechanisms for different categories of investment within the sub-programme.

1. **Regional Development Agencies’ own initiative proposals.**
   Project proposals from a Regional Development Agency, submitted to NARD for endorsement by the Monitoring Committee upon which the EC is represented and for approval by National Board for Regional Development. Contracting by Regional Development Agency under DIS procedures.

2. **Projects selected at regional level following a national open call for proposals**
   To be approved by the Board of the Regional Development Agency in line with nationally established criteria. Contracting by Regional Development Agency under DIS procedures. In line with procedures used in previous Phare projects in Romania the DIS requirements concerning competitive tendering will be satisfied through the call for project proposals. NARD will assure the effective publication of the call for proposals, and the openness and transparency of the project selection procedure. DIS requirements concerning the European Commission’s ex-ante control of the tendering and contracting process will be satisfied through the participation of the Commission’s designated representative in the project approvals process.

3. **Rural Development Action projects selected following open call for proposals**
   Projects to be approved by a technical committee to be established by NARD. Contracting by NARD. In line with procedures used in previous Phare projects in Romania the DIS requirements concerning competitive tendering will be satisfied through the call for project proposals. NARD will assure the effective publication of the call for proposals, and the openness and transparency of the project selection procedure. DIS requirements concerning the European Commission’s ex-ante control of the tendering and contracting process will be satisfied through the participation of the Commission’s designated representative in the project approvals process.

### Implementation Schedule

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<tr>
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<th>Start of tendering</th>
<th>Start of project activity</th>
<th>Completion</th>
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### Equal Opportunity

Equal opportunity considerations will be taken into account in assessment of regional projects in human resources development. Reporting on training and human resource development will present data allowing assessment of equal opportunities impact.

### Environment

Specific selection criteria and indicators will be applied in accordance with the experience of the Structural and Cohesion funds’ activities.

### Rates of co-financing

For the investment components under Regional Development Support and the Rural Development Action under SPP the rate of Romanian co-financing will be 25% of the eligible cost.

### Investment Criteria
In line with EU Objective 1 criteria, and the proposed ISPA and SAPARD regulations, as appropriate for specific sub-programme components.

**Conditionality and sequencing**

Investment assistance under the project Regional Development Support of this sub-programme is conditional on (a) parliamentary approval of the draft Law on Regional Development by 1 November 1998, (b) the establishment of the National Agency for Regional Development and (c) provision of permanent staff and office space to the NARD in accordance with the responsibilities specified in the Law (see planned operational structure of NARD presented in Annex A).