1. Basic Information

1.1 Désirée Number: RO-006.01
1.2 Title: INDUSTRIAL POLICY
1.3 Sector: Private Sector (PR)
1.4 Twinning component: RO2000/IB/OT/03
1.5 Location: Romania, Ministry of Industry and Trade

2. Objectives

2.1 Wider Objectives:

The aim of the project is to improve the ability of Romania’s industry to withstand the competitive pressure in the EU’s internal market by assisting the Ministry of Industry and Trade to develop and implement an industrial policy.

2.2 Immediate Objective:

The Ministry of Industry and Trade will receive support to deal with the industrial implications of the economic strategy adopted by the Romanian government.

The project will strengthen the capacity of the Ministry of Industry and Trade to elaborate, implement and monitor industrial policy.

The project will improve the capacity of the Ministry of Industry and Trade to co-ordinate the effort of institutions and organisations involved in industrial policy design and implementation.

2.3 Accession Partnership and NPAA priority:

Accession Partnership priorities:

- promote competitiveness through market-driven enterprise restructuring (including for SMEs), take measures to stimulate domestic and foreign investment,

- consolidate the legal and policy framework for resumption of sustainable economic growth,

- continue efforts to improve the conditions for the creation and development of private enterprises, with particular attention to small and medium-sized enterprises.

2.4 Contribution to National Development Plan:
In the implementation stage of the Romanian industrial policy, we are intending to present the instruments and the suitable actions and measures, in the purpose to sustain regional development, in connection with the objectives of National Development Plan.

2.5 **Cross Border Impact. N/A**

3. **Description**

3.1 **Background and justification:**

Since 1990, the Ministry of Industry and Trade, as the government body responsible for industrial policy making, has issued a series of strategy papers dealing with mainly sectoral problem, and in particular with restructuring of crisis sectors. Implementing those strategies has proven difficult, due to their narrow approach and the lack of an overall industrial policy.

The acquis screening in the negotiating chapter 'Industrial Policy’ has also identified the lack of a clear vision on industrial policy as one of the main shortcomings.

Over the years the Romanian government has adopted a number of economic strategies, for example in the context of its agreements with the International Financial Institutions. In September 1999 the Government of Romania adopted a Strategy for Sustainable Development, a document outlining orientations for Romania’s economic development until 2020. More recently, in March 2000, the Romanian government has adopted the synopsis of a medium-term economic strategy.

All of these programmes have important industrial policy implications. In order to respond to these programmes and in order to remedy the lack of an overall industrial policy, in February 2000, the Ministry of Industry and Trade has initiated the development of an Industrial Policy Paper. The document will be finalised by mid 2000. After consultation with the social partners (professional associations, trade unions, private enterprises) the Industrial Policy Paper will be presented to the Government for Approval.

In a related activity officials from the Ministry of Industry and Trade are taking part in seminars on Enterprise Policy, organised by the Commission, aimed at elaborating and implementing an Enterprise Policy.

On the basis of these activities the twinning project will improve the Ministry of Industry and Trade’s ability to develop and implement horizontal programmes and actions, sector strategies and monitoring instruments, which are in line with the requirements of Romanian industry.

3.2 **Linked activities:**
In the ‘90-s, the Ministry of Industry and Trade developed sectoral restructuring strategies for almost all industrial sectors. The plans were approved by the Government, but their implementation was only partial.

The elaboration of restructuring strategies for the following sectors: iron and steel industry, mining and non-ferrous metallurgy, petrochemical industry, automotive industry, agricultural machinery industry, equipment for food industry, was carried out by Phare funded assistance. The REPEDE programme of 1995 supported studies for the re-launching the following industrial sectors: agricultural machinery, equipment for food, glassware and ceramics, pulp & paper, and furniture.

The recommendations provided by these studies have been only partially implemented because of the rapid change in the framework conditions of Romanian industry (privatisation process, reduced number of foreign investors, the permanent changes in the business environment, etc.) .

The World Bank’s PSAL Program (Private Sector Adjustment Loan) aims mainly at the privatisation and/or restructuring/liquidation of the biggest state owned enterprises in order to reduce arrears to the suppliers of utilities, other creditors, and the state budget, improve the efficiency in the enterprises, attract investments and assure the international business community that Romania is progressing with its economic reforms.

3.3 Results:

The Twinning will achieve the following results:

Design of measures to implement the Industrial Policy Paper, which the government will adopt by summer 2000, in particular concerning

Strategies to deal with industrial restructuring in crisis sectors

- Development of measures to improve the business environment

- Establishment of a coherent methodology for further development and monitoring of industrial policy measures (for example by the use benchmarking) in collaboration with other Ministries.

- Improvement of the Ministry of Industry’s institutional capacity to deal with industrial policy coordination within institutions and organisations involved in industrial policy design and implementation.

Endorsement of these implementing measures by the administration, and - where appropriate - by the social partners and private industry.

In industrial policy making, up to one hundred key players will participate in industrial policy training courses. The participants will
come from the Romanian administration, the social partners and, if appropriate, private industry.

3.4 Activities:

1) In a **first phase** the PAA will be required to assess Romania’s existing industrial policy, and in particular the industrial policy paper that will be adopted by mid 2000 and propose eventual changes, if he/she considers it necessary. This assessment will take into account in particular the industrial implications of Medium Term Economic Strategy; the agreements with International Financial Institutions; and the economic/industrial developments between the date of the adoption of the industrial policy paper and the start of the twinning.

On the basis of the Romanian industrial policy and his/her own expertise the PAA will propose the main horizontal as well as sectoral problems to address in implementing the industrial policy paper, identify training needs and prepare the training programme. The PAA will try to obtain the agreement of the Romanian administration and social partners on the key horizontal and sectoral problems to address.

2) In a **second phase** the PAA will support the Ministry of Industry and Trade in developing measures to target the identified key sectors and problems. Such measures could include legal acts, benchmarking, or the publication of policy papers.

The PAA will support the Romanian administration in drafting a report on these measures. This report will outline in detail how these measure address industrial restructuring in crisis sector, improve the business environment, help to monitor developments in industrial policy making, and improve the Ministry’s industrial policy making capacity. This report will be endorsed by the Romanian administration and – where appropriate – by social partners and private enterprises.

The PAA will assist in implementing a training programme for up to one hundred key players from the administration, professional associations, trade unions, other social partners, and private enterprises who deal with industrial policy making and implementation.

The training programme will be provided by short-term advisors.

4. **Institutional Framework:**

The Ministry of Industry and Trade is the central administration body responsible for industrial policy. Other government organisations have responsibilities included in, or related to the industrial policy area. These are: The National Agency for Small and Medium Enterprises, The

Social partners (professional associations, trade unions) should be an important component of a system aiming to gather all the parties involved in implementing a coherent and competitiveness oriented policy.

5. **Detailed Budget and the associated costs**

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Investment support</th>
<th>Institution building</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Policy Twinning for the MIT</td>
<td>€ 600,000</td>
<td>€ 600,000</td>
<td>€ 600,000</td>
<td></td>
<td>€ 600,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>€ 600,000</td>
<td>€ 600,000</td>
<td></td>
<td></td>
<td>€ 600,000</td>
<td></td>
</tr>
</tbody>
</table>

6. **Implementation Arrangements**

6.1 **Implementing Agency:**

The project will be implemented under Phare Twinning procedures, with the CFCU acting as Implementing Agency for tendering and contracting.

6.2 **Twinning:**

The beneficiary institution is the Ministry of Industry and Trade.

The Pre-Accession Adviser will be a top level civil servant from a Member State institution (for example a Ministry of Industry) dealing with industrial policy making. He/she should have worked on problems of industrial restructuring in declining industries and the improvement of the business environment.

The twinning will last for 12 months. The PAA will be supported by short-term advisors.

The guaranteed results of the twinning are outlined in point 3.3.

The counterpart of the PAA in the Ministry will be the Deputy Secretary General Mr. Radu Adrian dealing with industrial policy.
The contact person for the twinning in the Ministry of Industry is Ms. Catalina Groza (Tel. 0040/1/2111560, Fax 0040/1/6503029, e-mail cgroza@alfa.imi.ro)

The Ministry of Industry and Trade will provide the necessary office space, facilities and equipment for the PAA, and the facilities for the training seminars.

7. Implementation Schedule

7.1 Start of tendering/call for proposals: June 2000

7.2 Start of project activity: January 2001

7.3 Project completion: January 2002

8. Conditionality and sequencing

Projects implemented through twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required delivering the project results.

There are two specific conditions for the start of this twinning

- Creation of an Industrial Policy Unit within the MIT and nomination of a Head of Department at appropriate level within an appropriate reporting structure.

- Adoption of an Industry Policy Paper by the Romanian Government.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
LOGFRAME PLANNING MATRIX FOR PROJECT:

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Programme Title</th>
<th>Industrial Policy and Quality Infrastructure (Industrial policy component)</th>
<th>Contracting period expires: 30.11.2002</th>
<th>Disbursement period expires: 30.11.2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>RO-0006.01</td>
<td>RO-0006.01</td>
<td>Project Number: RO-0006.01 Programme Title: Industrial Policy and Quality Infrastructure (Industrial policy component)</td>
<td>Total Budget: 0.6 Meuro</td>
<td>Phare contribution: 0.6 MEuro</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Wider Objectives</th>
<th>Indicators of Achievement</th>
<th>How, When and by Whom Indicator will be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project goal is to improve the ability of the Romanian industry to withstand the competitive pressure in the EU’s internal market by assisting the Ministry of Industry and Trade to develop and implement an industrial policy</td>
<td>Existence of an economic and social environment favorable to industry structural changes and development</td>
<td>By monitoring and reporting Progress and final assessment - PHARE PIU - European Delegation</td>
<td>Timely and determined implementation of the policy instruments. Clarification of the role of the Ministry of Industry and Trade and other state bodies related to industrial policy design and implementation, in order to avoid overlapping of tasks and responsibilities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>How, When and by Whom Indicator will be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting the Ministry of Industry and Trade for dealing with the industrial implications of the economic strategy adopted by the Romanian government</td>
<td>Design of an Action Plan for implementing the measures of the Industrial Policy Paper</td>
<td>By monitoring and reporting Progress and final assessment - PHARE PIU - European Delegation</td>
<td>Timely and determined implementation of the policy instruments. Clarification of the role of the Ministry of Industry and Trade and other state bodies related to industrial policy design and implementation, in order to avoid overlapping of tasks and responsibilities.</td>
</tr>
<tr>
<td>Strengthening of the capacity of the Ministry of Industry and Trade to elaborate, implement and monitor industrial policies</td>
<td>Assessment of Romania’s existing industrial policy taking into account the industrial implications of Medium Term Economic Strategy, the agreements with International Financial Institutions and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of the capacity of the Ministry of Industry and Trade to coordinate the effort of institutions and</td>
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</table>

Annex 1
<table>
<thead>
<tr>
<th>Results of Projects</th>
<th>Indicators of Achievement</th>
<th>How, When and by Whom Indicator will be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design of measures to implement the Industrial Policy Paper concerning strategies to deal with industrial restructuring in crises sectors and development of measures to improve the business environment</td>
<td>Developing measures to target the identified key sectors and problems</td>
<td>By monitoring and reporting Progress and final assessment</td>
<td>Capacity to attract skilled people to work within the Unit. The Unit should be properly equipped.</td>
</tr>
<tr>
<td>Establishment of a coherent approach methodology for further development and monitoring of industrial policy measures</td>
<td>Drafting a report on the above mentioned problems</td>
<td>- PHARE PIU</td>
<td></td>
</tr>
<tr>
<td>Improvement of the Ministry of Industry and Trade’s institutional capacity to deal with industrial policy coordination within institutions and organisations involved in industrial policy design and implementation</td>
<td>Training programme for the involved key players</td>
<td>- European Delegation</td>
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<tr>
<td>Endorsement of these implementing measures by the administration, and – where appropriate – by the social partners and private industry</td>
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</table>

**Inputs**

- 150 Man - weeks of EU expertise (Pre Accession Adviser and short term experts for selected industrial sectors)
- Training for the administration and social partners on industrial policy implementation
ANNEX 2 TO THE PROJECT FICHE

DETAILED TIME IMPLEMENTATION CHART FOR PROJECT NUMBER RO-0006-01

PROJECT TITLE:
INDUSTRIAL POLICY

<table>
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<tr>
<th>Calendar months</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tr>
<td>Activities</td>
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<tr>
<td>Twinning exercise</td>
<td>D D D D C C C I I I I I I I I I I I I I I</td>
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</table>

D = Design  
C = Contracting  
I = Implementation
**PROJECT TITLE:**
**INDUSTRIAL POLICY**

**CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO 0,6)**

**DATE:** April 2000

<table>
<thead>
<tr>
<th></th>
<th>31/03/01</th>
<th>30/06/01</th>
<th>30/09/01</th>
<th>31/12/01</th>
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<th>30/09/03</th>
<th>31/12/03</th>
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<tr>
<td><strong>DISBURSEMENT</strong></td>
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<td>0,6</td>
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**NB:**
1. All contracting should normally be completed within 6-12 months and **must** be completed within 24 months of signature of the FM.
2. All disbursements **must** be completed within 36 months of signature of the FM.