PHARE/2005/017-553.05.01

PROJECT FICHE FOR PHARE 2005

for

Support to EU funds management and Romania’s accession to the EU
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1. Basic Information

1.1 CRIS Number: PHARE/2005/017-553.05.01

1.2 Title: Support to EU funds management and Romania’s accession to the EU

1.3 Sector: Public Administration

1.4 Location: Bucharest, Romania

1.5 Duration:

2. Objectives

2.1 Overall Objective:
The overall objective is to strengthen Romania’s administrative capacity to cope with the new challenges in the field of EU funds management and to effectively implement the European aquis, in order to support Romania’s preparation for accession to the European Union and its obligations in the early years of membership.

2.2 Project purpose:
The facility will further strengthen the capacity and capabilities of the government institutions in their support of the accession process and to manage EU funds. The facility permits funding urgent actions(special actions), which may be identified in the course of Romania’s accession to the EU after signature of the FM; to prepare procurement of projects identified in the 2005 FA and to prepare projects for the 2006 FA (project preparation), and to execute actions in connection to capacity building and preparation for accession.

2.3 Accession Partnership and NPAA priority
Programme assistance defined in the current project fiche is directly linked to the priority areas for Romania’s preparations to EU membership, as underlined in the Priority Action Plan for EU accession (December 2003 – December 2004), chapter 9 - “Strengthening the administrative capacity for managing the pre-accession funds and preparation for structural and cohesion funds”. The Roadmaps for Bulgaria and Romania also mentions that Romania should significantly improve its capacity to manage and use the EU funds.

2.4 Cross Border Impact:
N/A

3. Description

3.1 Background and justification:
The Regular Report produced by the Commission in 2004 notices that, in a number of important sectors, the overall capacity of the public administration to implement and enforce the newly adopted legislation should be enhanced. Romania has started to address this issue through the comprehensive reform of its public administration. But these
concerns extend beyond the adoption of the “Acquis” and also apply to the management of EU funds, where Romania’s efforts should now be focused in order to make the structures at central, regional and local level fully functional and to enable Romania to reap the full benefits from the future instruments.

At central administrative level, the Ministry of Public Finance (MPF) is in charge with the programming, coordination and monitoring of the non-reimbursable financial assistance granted by EU and the member states to Romania and acts as the National Aid Coordinator. The MPF operates as interlocutor between the different line Ministries and governmental organisations and the Commission. As such, the NAC department in the MPF bears the final responsibility for the qualitative level of the various documentation and project proposals submitted to the Commission in relation to the accession process. Therefore, ever since 2000 the NAC department proposed and implemented projects aiming at increasing the capacity of the Romanian public administration to manage EU funds and to adopt and enforce the aquis.

The facility builds upon the previous Phare 2003 and 2004 projects and is conceived now beyond the Institution Building (IB) instrument of the past years to cover specific urgent and unforeseen needs identified in the course of the accession process and of the management of EU funds. This Facility is to address specific, well-defined self-contained subjects of limited scope.

The facility will also cover the tasks of the previous Project Preparation Facility component, including short term technical assistance for identification, preparation and implementation of projects and hand-on assistance in carrying out various analysis and monitoring activities. The facility will also provide assistance to institutions in order to further accelerate the adoption of the aquis. In addition, the facility may also cover needs identified during the accession period such as expertise of economic, social, legal and institutional nature. Assistance under the facility can also be used to strengthen and/or develop the operational capacity of organisations in view of their future role in the implementation of the aquis and it provides a reserve for plugging any remaining gaps identified at short notice just before and after accession.

This facility may assist the institutions involved in managing EU funds (such as NAC, NIC, National Fund, Payment Authorities/Agencies, Implementing Authorities, institutions in the coordination/subordination of the Implementing Authorities which have delegated tasks) via technical assistance contracts supporting the programming, financing, implementation, monitoring and evaluation of their projects/programmes, as well as co-financing of the incentives for the staff of the main institutions involved in managing EU funds in order to ensure stability and an adequate level of staff with good expertise in the field. The incentive mechanism will be a continuation of the solution to be agreed between NAC and EC services on the basis of the similar Phare 2004 project PHARE 2004-16-772.05.01.

By the nature of this instrument, it is not possible to define the sectors to be covered beforehand; however, it is likely that a focus will be on those institutions which in future will be responsible for managing EU funds.

The mechanisms to be used for implementation of activities identified under this component include the twinning, twinning light and technical assistance instruments. The facility could also include investment (equipment supply or works) supporting the institution building process. In this case, the projects proposed will receive national co-
financing for the investments part. Project size would generally be small (< 2 million Euros).

3.2 Linked activities:

Project Preparation Facility (PPF) Mechanism

The PPF mechanism was introduced for the first time under the Phare 2000 Programme. Line Ministries and other Government Institutions involved in Phare programming, facing problems with an adequate composition of documentation related to the preparation, implementation and monitoring of Phare programmes, could apply for PPF support in order to drafting more mature projects and programmes.

The PPF component proved to be an excellent instrument for supporting the line ministry in producing relevant background documentation, feasibility studies, project design schedules, terms of references and tender dossiers with the ultimate goal to develop solid project documents feasible for implementation.

Experience gained during Phare RO-00.06.18 formed the basis for the successful implementation of PPF activities identified under project RO-01.06.06, RO-2002/000-586.03.01 and PHARE 2003/005-551.03.03. Future PPF activities will continue under the budget line of the current Phare project.

Twinning Light (TL) Mechanism

Experience with implementing classic long-term twinning programmes has resulted in the identification of a need for short- to medium-term twinning assignments with a duration of up to six months and a maximum budget of EURO 150,000. Starting with the Phare 2001 exercise, a Twinning Light (TL) mechanism was introduced in order to provide rapid and flexible assistance focused on specific limited priority areas related to the accession process and directly linked to the “Acquis Communautaire”. This component was also foreseen in the framework of the Phare project RO-2002/000-586.03.01. Further TL projects have been developed under the IB envelope in the PHARE 2003/005-551.03.03 and Phare 2004/016-772.05.01.

IB Envelope/Special Actions Facility and Early Membership Mechanism

The IB Envelope was introduced in Phare 2003 and had the same purpose as the current facility. The whole amount was allocated by mid 2004. Also the requests under the Phare 2004 already cover the whole amount.

3.3 Results:

- Both, the process of adoption and implementation of the acquis have made emphatic progress;
- Institutional and operational capacity of organisations strengthened in view of their future role in the implementation of the acquis; EU funds management in line with relevant regulations and guidelines (assuming that this facility will also be used in this area to cover short-term shortcomings). Outputs to be produced may include the appraisal of regulatory texts, supply of core documentation, trained staff or a framework to guarantee a proper implementation of the acquis and management of EU funds.
• Relevant background documentation, feasibility studies, project design schedules, terms of reference, technical specifications and tender dossiers prepared and submitted in due time;

3.4 Activities:
• Providing direct hands-on technical assistance to governmental institutions meeting urgent IB requirements arising from the negotiation process or other obligations of the acquis;
• Short and medium term expertise from member state administrations delivered upon request. Expertise may focus on economic, social, legal and/or institutional subject areas.
• TA or investment to be contracted on a short-term basis to support line Ministries and/or Governmental Institutions in areas relevant to the accession process. The allocation of this support will be decided through common agreement between the NAC and the Commission services at an early stage in the programming cycle, on the basis of initial proposals for Phare support received from competent bodies.

3.5 Lessons learned:
A mechanism was established for submitting the subsequent project documentation under NACs signature by attaching the list of all sub-projects submitted so far. The previous IB Envelope and Special Actions Facility have been allocated in a very short period and the requests exceeded the allocated amount.

Since there has been variation in the use of previous Project Preparation Facility component (PPF) and the main purpose for PPF (to prepare future Phare projects) is diminished, the new facility doesn’t include anymore a separate component with this purpose, but the facility will also cover some of the activities and results of the previous Project Preparation Facility component, such as different studies grounding the future projects or actions and documentations related to contracting of projects.

4. Institutional Framework
The organization and functioning of the Ministry of Public Finance, regulated through GD No. 1574/2003, was amended through GD 403/2004 to encompass the new structures for managing EU structural instruments, i.e. the Managing Authority for Community Support Framework and the Managing Authority for Cohesion Fund. Following this new GD, the Ministry of Public Finance is in charge with the programming, coordination and monitoring of the non-reimbursable financial assistance granted by EU and the member states to Romania and acts as the National Aid Coordinator.

A new GD 208/2005 regarding the organization and functioning of the Ministry of Public Finance was adopted in March 2005 including a new organisational chart for the Managing Authority for Community Support Framework, allowing also the split of activities per functions. The implementation function is ensured through the Technical Assistance Directorate.
5. Detailed Budget

<table>
<thead>
<tr>
<th>Year 2005 Institution Building support</th>
<th>Phare/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Public Funds (*)</td>
<td>Other Sources (***)</td>
<td>€M</td>
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<tr>
<td>Special Actions</td>
<td>9.51</td>
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<td>0.00</td>
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<tr>
<td>IB support sub-total</td>
<td>9.51</td>
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</tr>
<tr>
<td></td>
<td>Phare/Pre-Accession Instrument support</td>
<td>Co-financing</td>
<td>Total Cost</td>
</tr>
<tr>
<td></td>
<td>National Public Funds (*)</td>
<td>Other Sources (***)</td>
<td>€M</td>
</tr>
<tr>
<td>Year 2005 - Investment support jointly co funded</td>
<td>2.50</td>
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<tr>
<td>Special Investment</td>
<td>2.50</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Investment support – sub-total</td>
<td>2.50</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total project 2005</td>
<td>12.01</td>
<td>1.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

1. The facility may cover investment support, which is not identifiable yet. The overall costs of investment covered here should not exceed 25% of the total allocation to the facility.

2. All investment sub-projects supported by this facility must receive co-financing from national public funds. Minimum requirement for co-financing from national public funds is 25% of the combined PHARE and national contributions to the overall investment support.

3. Many Institution building projects will also have a degree of co-financing – this should, if quantifiable, be included in the contract based on this facility.

4. Expenditure related to equipment (regulatory infrastructure or ESC-related) and to Technical Assistance supporting investment (e.g. pre feasibility study / supervision of works / technical specifications) should be considered as Investment support in the project fiche.
5. All co-financing of contracts based on this facility must be provided on a joint basis. Exceptions to this rule have to be agreed with the Commission in advance.

6. All co-financing should be clearly quantified in each contract based on this facility, also the degree of certainty of such co-financing (i.e. for National Public Funds: is it already earmarked in local or national budget, for FI's Loans, private funds: are they already approved/ under appraisal, etc..)

7. Six months before the contracting period ends all funds of this facility, for which the procurement process has not started yet shall be reallocated to other parts of the 2005 National Programme.

6. Implementation Arrangements

6.1 Implementing Agency

The Central Finance and Contracts Unit (CFCU) within the Ministry of Public Finance will be the Implementing Agency and as such be responsible for all procedural aspects of the tendering process, contracting matters and financial management (including payments) of the project activities.

Contact:
Central Finance and Contracting Unit (CFCU)
Director: Carmen Rosu
Address: 44 Mircea Voda Avenue, Entrance B, District 3, Bucharest, Romania
Phone: (0040 21) 32 68 733
Fax: (0040 21) 32 68 730 / 32 68 09

Implementing Authority:

The Implementing Authority will be the Ministry of Public Finance. Within MPF, the Directorate for Technical Assistance will become responsible for the overall technical co-ordination and proper implementation of the activities identified under the TA and supply components listed in this project fiche.

Contact:
Ministry of Public Finance (MPF)
General Directorate Managing Authority for Community Support Framework
Directorate for Technical Assistance
Director: Mrs. Livia Chirita
Address: 12 Libertatii Str., Sector 5, Bucharest
Tel.: 00-40-1-335-98-72
Fax: 00-40-1-335-98-78
e-mail: livia.chirita@mfinante.ro

After contracting, the institutions submitting the projects will act as Implementing Authorities. The Ministry of Public Finance – MACSF will remain responsible for the overall coordination of the implementation of the Facility.

6.2 Twinning
The sub-projects financed out of the special actions could include twinning and twinning light

6.3 Non-standard aspects

N/A

6.4 Contracts

The mechanisms to be used for implementation of activities identified under this project fiche include twinning, twinning light and technical assistance. The facility may also include investments (equipment supply or works) supporting an institution building process. In this case, the projects proposed will receive national co-financing for the investments part. Project size would generally be small (< 2 million Euros).

7. Implementation Schedule

7.1. ToR’s for support and twinning fiches, as the case might be, may be submitted to MPF immediately after formal endorsement of the Phare 2005 programme by the Phare Management Committee. The last date for receipt of applications by MPF will be 30 June 2007.

7.2. Start of project activity
The effective start of the activities under the projects financed through the Facility is supposed to be in April 2006.

7.3 Project completion
Project activities must be completed three months before the last date for disbursement under the Financing Memorandum for the Phare 2005 National Programme. Effectively this means September 2008.

8. Equal Opportunity

Consideration should be given to this aspect in the projects financed through the Facility.

9. Environment

N/A

10. Rates of return

N/A

11. Investment criteria

11.1 Catalytic effect:
N/A

11.2 Co-financing:
N/A

11.3 Additionality:
N/A

11.4 **Project readiness and Size:**
N/A

11.5 **Sustainability:**
N/A

11.6 **Compliance with state aids provisions:**
N/A

11.7 **Contribution to National Development Plan:**
N/A

12. **Conditionality and sequencing:**

Allocation of financial resources under this Facility will be agreed upon between the National Aid Co-ordinator (NAC) and the Commission. This support will be contracted on the basis of Terms of Reference/twinning fiche/technical specifications to be approved by both the Ministry of Public Finance and the Commission.

**ANNEXES TO PROJECT FICHE**

1. Detailed implementation chart *(compulsory)*

2. Contracting and disbursement schedule, by quarter, for full duration of project *(including disbursement period)*
<table>
<thead>
<tr>
<th>calendar months</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
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<td></td>
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<tr>
<td>D = Design</td>
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<tr>
<td>C = Contracting</td>
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<tr>
<td>I = Implementation</td>
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CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (13.01 MEURO)

DATE:

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<tbody>
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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.