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**ROMANIA'S REGIONAL POLICY: PROGRAMMING AND
FINANCIAL INSTRUMENTS**

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Abstract:

The paper aims at surveying the implementation of the national policy of regional development, achieved in concord with Romania's development objectives and general priorities, as well as the objectives of EU in the area of economic and social cohesion. The implementation of regional policy is achieved by programming instruments (the National Reference Strategic Framework and the National Development Plan) aiming at turning into practice the economic and social development strategies and activating the European financial instruments in view of maximizing the benefits brought by the European cohesion policies. The National Reference Strategic Framework negotiates the state access to the structural and cohesion funds, while the National Development Plan 2007-2013 focuses on reducing the development imbalance between Romania and the member states of EU, in view of raising the GDP per capita.

Keywords: programming financial instruments, reducing existing disparities among regions, revitalization of poor areas, The National Reference Strategic Framework, National Development Plan 2007-2013

JEL Classifications: R11

Romania's policy of regional development became clearly delineated within the preparation process with the view of administering the community funds related to candidate states, within the EU joining negotiations. The association process with the integrating Romania into the EU took place in an institutional framework, starting on February 1, 1993, when the Association Agreement of our country to EU (the European Agreement) was signed¹.

¹ Romania's association Agreement to EU came into force 2 years later, on February

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On June 22, 1995, Romania officially filled its joining application, and in December the same year, our country presented a detailed strategy on adopting the community acquis, the first evaluation of meeting the joining criteria being performed by EU in Agenda 2000 - document adopted in July 1997.

An important moment in the relation between Romania-EU is represented by the European Council of Helsinki, in December 1999, which adopted the decision of starting the adhering negotiations with our country, a process initiated on February 15 2000 and officially ended on December 17, 2004, at the European Council in Brussels.

The EU Accession Treaty of Romania was signed on April 25 2005, when the European Enlargement Commissioner, Olli Rehn, stated: "*Signing the Accession Treaty is a well deserved moment of celebration, but not the end of the process. There is still need for hard work to continue and implement the reforms until the accession date estimated to be January 1, 2007.*"

In this context it may be said that the policy of regional development in Romania has a relatively recent history, 1998 marking the implementation of the legal framework of the Romanian regional development policy by Law no. 151/1998¹, setting the objectives, involved institutions and specific instruments for the promotion of regional development policy. According to the Methodological Norms of applying this law², the Romanian regional development is defined as "*the totality of the policies of the authorities of central and local public administration, elaborated in view of improving the economic performance of certain geographical areas constituted into development regions benefiting from the support of the government, the European Union and other institutions and authorities at the national and international level*".

The chapter of negotiation related to the national policy in the field- **Chapter 21 (Regional policy and coordination of structural instruments)** was opened in March 2002 and settles the community acquis of regional development and its implementation modalities. The negotiations were closed in September 2004.

1 1995.

¹ At the same time with the coming into force of Law no. 315/ 28 June 2004 (MO no.577/ 29 June 2004), this law was abolished.

² H.G. no. 634/1998.

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The general objectives of the national policies of regional development refer to:

Diminishing the existing regional imbalances;

Stimulating balanced development;

Revitalizing the poor areas;

Preventing the occurrence of new imbalances;

Preparing the institutional framework for meeting to the criteria of integration into the EU structures and accessing the Structural Funds and the Cohesion Fund;

Integrating the sectorial policies at a regional level and stimulating the domestic interregional cooperation, contributing to the economic and social progress.

The basic objectives of the regional development policies are stipulated in Art 3 of Law no. 315/2004 on Romania's regional development:

Diminishing the existing regional disparities by stimulating balanced development, the speedy recovery of delays in the economic and social field of the less developed areas, as a result of historical, geographic, economic, social, political, as well as preventing the occurrence of new imbalances (art. 3-a);

Correlating the governmental sectorial policies at a regional level by stimulating initiative and taking advantage of local and regional resources, in view of durable economic and social development and their cultural development (art. 3-b);

Stimulating the trans-boundary interregional cooperation at a domestic and international level, including within the euro regions, as well as the participation of development regions in the European structures and organizations promoting their economic, social and institutional development, in view of achieving common interest projects, according to the international agreement to which Romania is a party (art. 3-c).

As a result, the implementation of the national policy of regional development is achieved in concord with the general development objectives and priorities of Romania, as well as the EU objectives in the field of economic and social cohesion.

The institutional framework of regional development in Romania was first created by Law no. 151/1998 on regional development in Romania. The subsequent amendments and adaptations regarding

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institutions activating in the field of regional development are included in Law no. 315/2004 on regional development in Romania .According to the valid legislation, the institutional structures necessary for the elaboration and implementation of an integrated policy of regional development in Romania act on two levels: regional and national.

At a *territorial level*, each region of development has a Council of Regional Development (C.R.D.) and an Agency of Regional Development (A.R.D.).

The Councils of Regional Development consist of the presidents of County Councils and one representative of each category of municipal, town and village Local councils in each county of the region¹.

CRD coordinates the ARD which activates in each development region, among its attributions being:

Analyzing and approving strategies and programmes of regional development;

Elaborating in partnership the National Development Plan, containing the priorities and multiannual measures of financing the national objectives of the economic and social cohesion;

Approving the projects of regional development, selected at a national level;

Submitting to approval in view of financing the proposed project portfolio which is subject to national by the National Council of Regional Development (NCDR);

Monitoring the use of funds allotted from the national Fund of Regional development;

Coordinating and promoting the development of regional partnerships;

Advising the reports of semestrial activity drawn up by the Agencies for Regional Development;

Advising the documents² drawn up by the ARD with third parties in the specific activity field, including the similar institutions within the EU;

¹ In the development region Bucharest - Ilfov, the CRD is made up of the president of the Ilfov County Council, the General Mayor of Bucharest city, one representative for each sector local council and representatives of the local councils in Ilfov, in proportion with the representatives of the sectors in Bucharest.

² Contracts, conventions, agreements, protocols, etc.

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Coordinating the advertising activities at a regional level of the regional development policies and objectives, the regional programmes financed by the EU, as well as the programmes on using regional funds providing the proper transparency and information in due time of the citizens, mainly the entrepreneurs.

In conclusion, CRD is the deliberative regional organism, without legal personality, coordinating the activities of regional development, deciding, in accordance with the National Strategy of Regional Development, the high priority objectives of developing the region and the strategy for their attainment.

The Agencies of Regional Development existing in each development region¹ represent the executive organisms of CRD. The ARDs are non-governmental, non-profit, public utility, legal personality organizations, functioning in the specific field of regional development with the following attributions:

Elaborating regional development strategies, plans and programmes, as well as plans for fund management according to the decisions of the CRD and the valid legislation ;

Achieving the technical and financial management of the regional development Fund, in view of attaining the objectives in the regional development programmes;

Technical and financial monitoring in the control of the execution of projects financed by EU within the regional development programmes, ad/ or , as the case may be, the projects within national programmes, implemented regionally through the ARD;

Evincing the stage, implementation difficulties, impact of the regional development programmes/projects, and proposing improvement measures;

Advertising at a regional level the regional development projects and programmes;

Performing through specialized personnel the secretarial duties of the CRD;

¹ In each county, except for the county where the agency is based, there is a branch of the ARD.

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Promoting at a regional level the EU policies and practices, as well as the principles at the foundations of the regional development policies;

Promoting the region, with the support of the CRD, in view of attracting foreign investments;

Collaborating with similar EU organisms and institutions and participating in implementing international projects of regional and local scope;

Promoting in partnership the projects of regional and local interest, as well as the interregional cooperation projects;

Elaborating in partnership the National Development Plan;

Collecting and centralizing data at a regional level, regarding the use of non-returnable funds allotted to the region, in view of implementing the regional development programmes.

Similarly, according to the law, *"in each county which is part of the development region, except for the county where the agency is based, there is a branch of the ARD"* (Law no. 315/2004, art.8, alin.3). At the same time, *"the ARDs in the development regions having in their structure counties situated along the common border may associate, forming regional bureaus for cross-boundary cooperation, in view of providing the administrative, financial and technical management of the cross-boundary cooperation programmes. The attributions and objectives of each regional bureau of cross-boundary cooperation are set by the statute of organization and performance to be advised by the national institution competent in the field of regional development"* (Law no. 315/2004, art.8, alin.1.1 and 1.2).

Before leaving the territorial level, one should mention the fact that for facilitating the process of analysis and monitoring of the regional development, according to the requirements of the EU, at the level of each development region, the National Statistics Institute founded a *Regional Statistics Department*, mainly aiming at implementing a system of statistic data of the NUTS II level.

At present, this system is under improvement in order to be able to respond to the economic and social exigencies at the regional level.

The institutional framework created at a national level in order to coordinate the elaboration and implementation of regional policies is made up of the National Council for Regional Development and the Ministry of Public Works and Housing Development.

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The National Council for Regional Development is the national structure of a partnership nature, activating in making decisions on elaborating and implementing the national regional development policy and strategy. NCRD is composed of the presidents of the 8 CRDs and, proportionally, state secretaries from the ministries involved in regional development, being presided over by the Ministry of Public Works and Housing Development.

Among the most important attributions of NCRD there are:

Analysis and approval of the National Development Plan;

Approval of the criteria and priorities in using the National Fund for Regional Development;

Obtaining the Government's approval for the priority programmes financed by the National Fund for Regional Development;

Monitoring the use of funds allotted to the ARDs from the National Fund for regional development, on the basis of the reports elaborated and submitted by the CRDs;

Monitoring the fulfilment of the objectives of regional development, including the activities of external cooperation of the development regions, of the cross-boundary, inter-regional, euro region type;

Approval of the financing of the projects proposed by the ARDs and approved by the CRD in the regional development programmes, in the project auctions organized at a regional and/or national level;

Analysis and approval of the activity reports submitted by the National Committee of Coordination of the PHARE Programmes - the component of economic and social cohesion, constituted on the basis of the provisions in the Financing Memorandum, and the proposals submitted by this Committee;

Elaborating proposals on the use of pre-accession funds for regional development, allotted to Romania by EU.

*The Ministry of Public Works and Housing Development*¹ (M.D.L.P.L.) through the General Department for Regional Development,

¹ The institutional organising in post-December Romania suffered permanent changes and the Romanian institutional framework is under continuous change, as well. This is the result of the mechanism of adopting decisions by the government. At the beginning, National Agency for Regional Development (NARD) was created. It had, as main objective, the definition and elaboration of the national

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represents the coordinating organism, at the national level, of the process of elaboration, implementation and monitoring of the national policy of regional development in Romania, as well as the national development strategies.

M.D.L.P.L has the role of Management Authority for the Operational Regional Programme (POR), by the General Department of A.M. P.O.R., performing the management of financial assistance in the European Fund for Regional Development, received by Romania for this programme, as well as within certain operational cooperation programmes (PO Romania-Bulgaria; PO Romania-Serbia), within the Common Cooperation Programme Romania-Moldavia-Ukraine, the Cooperation Programme Black Sea Synergy; within certain interregional cooperation programmes: INTERREG IVC¹, EPSON², URBACT³, INTERACT II⁴, under the aegis of the General Direction of European Territorial Cooperation.

Among its most important attributions there are:

Elaborating, promoting, coordinating, administering, implementing and monitoring the policies and strategies of regional development in Romania, as well as the programmes of economic and social cohesion;

Making sure by means of specialized personnel that the secretarial duties of the NCRD are carried out properly;

Administering the National Fund for Regional Development, consisting of the amounts allotted annually by the state budget as a distinct position for the regional development policy.

strategy for regional development. In 2001, NARD was substitute by the Ministry of Development and Forecast (HG. No.16/2001). In 2003, was created the Ministry of European Integration, which covered a part of the Ministry of Development and Forecast's objectives. In April 2007, this ministry was replaced by the Ministry of Development, Public Works and Houses.

¹ Interregional cooperation programme; Romania is partner of France.

² This programme realises statistics connected to European development and territorial cohesion; Romania is partner of Luxembourg.

³ Cooperation Programme between EU cities; Romania is partner of France.

⁴ Training Program for those structures which are implied to the European Territorial Cooperation Operational Programs management and implementation; Romania is partner of Austria.

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An important role in the active institutional factors at a national level is played by the *National Statistics Institute*. It collects and centralizes the statistic data required for the foundation and supervision of the regional development policies, data sent by the 8 Regional Statistics Departments.

Romania, a country with no tradition in regional development, had to take over and permanently adapt the **instruments specific to regional policy** according to European requirements. As a result of the investigations performed, it may be stated that the instruments of regional development policy in the Romanian perimeter refer to:

" negative incentives" for localization in crowded areas and reallocation of activities in the national territory - this type of instruments was mainly applied in Great Britain, France, Germany, Greece, Italy, but at present it is of less importance, either because of the disparity reduction in the development level of metropolis areas and their surroundings, or as a result of large scale privatizations of state enterprises, which resulted in decreased governmental influence;

Creating proper infrastructure for regional development - this instrument has acquired in time an ever greater importance, especially with the advent of the EU. In order to adopt the community acquis, Romania received technical and financial assistance from various international organisms to create and develop informational, educational, consulting, professional formation systems, aiming mainly at revitalizing the Romanian business environment;

Financial incentives for the harmonious development of the region- this type of instruments aims at attracting lucrative investments, increasing the degree of employability, the balanced development of the region, etc. And it takes the form of grants, subsidies, tax exemption or reduction, facilities for amortization of the fixed capital, non-returnable financial assistance from European funds, credits from international financial institutions, financial assistance from local budgets and private funds.

A special case of financial incentives in regard of harmonious regional development is the state aid. In the context of the accession negotiations regarding Chapter 6 (Competition Policy), Romania declared as accepted the entire community acquis in force, requiring no transition periods or derogations.

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The most important legal disposition in the field of controlling and monitoring state aids in Romania is **Law no. 137/2007** (Official Monitor no. 354/ 24 May 2007), approving the **Emergency Government Decision no. 117/2006 on the national procedures regarding state aids** (OM no. 1042/ 28 December 2006) which in turn abrogates **Law no. 143/1999** on state aid (OM no. 370/3 August 1999). Also, the Competition Council adopted the **Regulations on abrogation of regulations and instructions adopted by the Competition Council regarding state aids** (OM no. 1057/ 30 December 2006) so that domestic laws become compatible with the community laws in the field.

Since January 2007, the authorization of state aids has been performed exclusively by the European Commission, the Competition Council being just the contact authority in the relations between the European Commission and the national public authorities and institutions, suppliers and beneficiaries involved in the procedures in the state aid field.

The type of subsidies practiced so far in the Romanian economy comprises 4 main schemes, employing different support means:

The first 3 schemes (poor areas¹, industrial parks² and free areas³) are based on the incentives related to taxation (fiscal incentives) to promote investments;

¹ OUG no.75/2000, approved by Law no.621/2001 (which modifies OUG no. 24/1998, approved by Law no.20/1999) covers a lot of custom and fiscal facilities for those companies which invest in less-favoured areas: Comanesti (Bacau); Bucovina (Suceava); Altin-Tepe (Tulcea); Filipesti, Ceptura (Prahova); Zimnicea (Teleorman); Albeni, Schela, Motru-Rovinari (Gorj); Hunedoara, Brad, Valea Jiului (Hunedoara); Rusca Montana, Bocsa, Moldova Noua (Caras-Severin); Stei-Nucet, Borod-Suncuius, Popesti-Derna (Bihor); Ip, Hida-Surduc, Sarmasag (Salaj); Baia Mare, Borsa Viseu (Maramures); Rodna (Bistrita Nasaud); Balan (Harghita); Baraolt (Covasna); Copsa Mica (Sibiu); Cugir, Apuseni (Alba).

² OUG no.65/2001, replaced the Law no.134/2000 about industrial parks. It brings facilities for the companies which are specialised into services infrastructure investments for the industrial operators which will operate inside the industrial park. Moreover, the "Industrial Parks" programme was started in March 2002. This programme gives financial support to those economic actors which cover at least 70% of the eligible expenditures in the projects which are focused on industrial parks and at least 50% for the soft parks.

³ This scheme is based on the Law No.84/1992, modified and completed by the

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The 4th scheme (areas of industrial reconversion¹) involves the direct financial support of investment projects from combined sources, EU (Phare) and the state budget.

Before ending this section, one should notice that at present, according to the assessments in Brussels, the Romanian policy on **state aids** is a highly sensitive sector and therefore, in order to cope with the demands of the European Commission, it is imperative to promote a firm policy sanctioning anti-competition behaviour. Thus, more importance is attached to discouraging large scale cases, represented by the increase of indirect aids, under the form of tolerance in paying social assistance fees, accumulation of low-performance credits from banks or the presence of overdue debts.

The architectural framework of regional policy instruments impacting on the development and preparation of Romania for the adoption of the European model is represented by:

The programmes of the International Monetary Fund and the World Bank on privatization and structural reforms;

The leasing and micro-credit granting facilities of SMEs through the programmes of the European bank for Reconstruction and Development and the Micro-Financing Bank of Romania;

The programmes of the European Investment Bank on the preparation of Romania for joining EU in fields as: transportation (roads, airports, railways), energy, environment protection and SME development;

Law No.244/2004 about free zone regime, HG no.1998/2004, and individual Governmental decisions connected to the implementation of the free zones in Braila, Curtici-Arad, Constanta Sud, Galatz, Giurgiu, Sulina. It covers custom and fiscal facilities for those companies which operate inside the free zones. The Romanian free zones are located along the national borders, especially along the Danube and the maritime area.

¹ The regional development scheme implies budgetary financing for industrial recovery areas with economic growth potential, according to the HG no.399/2001 about the concentration of PHARE 2001 funds to the industrial restructuring areas which have economic growth potential and to the Law no. 315/2004 about regional development. The facilities are reflected by Phare 2001 funds and the budgetary co-financing funds, as well.

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Specialized assistance through IMF in key fields such as: modernization of the banking system, improvement of the manner of collecting and reporting statistic data, fiscal management reform;

The multilateral assistance granted to Romania through various instruments active at a European level: financial instruments, technical assistance, etc.;

Multiannual programmes of regional development financed by the National Fund of Regional Development, constituted from the sums allotted annually from the state budget as a distinct position for the regional development policy.

The implementation of the European regional policy is mainly performed by the **programming instruments**, targeting the putting into force of the economic and social development strategies and activating the European financial instruments in order to maximize the benefits brought by the European cohesion policies, in agreement with the national policies.

At a regional level, the planning process is represented by the *Regional Development Plan* (RDP). This document sets and presents the development strategy for each region in part, being the main regional instrument of concentrating the activities and efforts of the local and national authorities with the maximizing the effectiveness of the economic and social development of regions. The purpose of these documents is to provide a wide regional framework in order to maximize the benefits brought by the European policies of social and economic cohesion in agreement with the national ones. The process of RPD elaboration, actualized in defining the objectives, priorities and development measures for each region is shown in Figure 1.

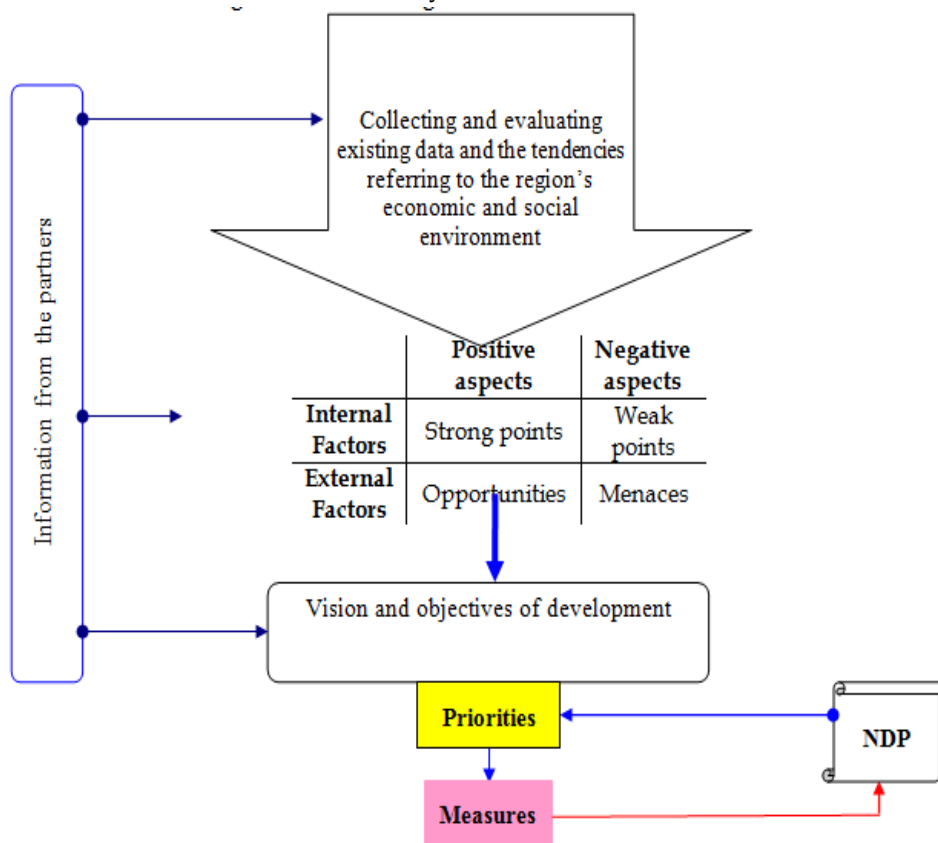


Figure 1: The process of RDPs elaboration

R.O.P. 2007-2013 observes the national strategy of regional development, stipulated in priority 7 of P.N.D. 2007-2013, whose *specific objectives* are:

Increasing region competitiveness by developing the business environment;

Supporting the local/regional economies affected by the industrial restructure and traditional underdevelopment;

Benefiting from the touristic and cultural potential of regions as a source of regional development;

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Rehabilitation of small urban centers with a high potential of economic development, in order to become regional growth poles;

Consolidating the local authority in managing programmes and development;

Promoting interregional development at a national and cross-boundary level.

R.O.P. 2007-2013 includes the following priorities:

Developing the public infrastructure at a local and regional level (modernizing the transport infrastructure and developing the related public utilities; rehabilitation and development of the social infrastructure—education, health, etc.; developing the infrastructure of the business environment);

Supporting the diversification of local and regional economies (supporting the activities of local innovation and the development of new services for the business environment);

Developing local and regional tourism (rebuilding the tourist areas and renovating the historical and cultural heritage, developing, diversifying and promoting the tourist offer);

Urban regeneration (rehabilitation and development of the urban structure; development of the public urban services; rebuilding the abandoned areas in order to sustain new activities);

Technical assistance (supporting the implementation and management of P.O.R., supporting the POR communication strategy, study elaboration). P.O.R. is 80% financed from the F.E.D.R., co-financing coming from the state budget - only 20%.

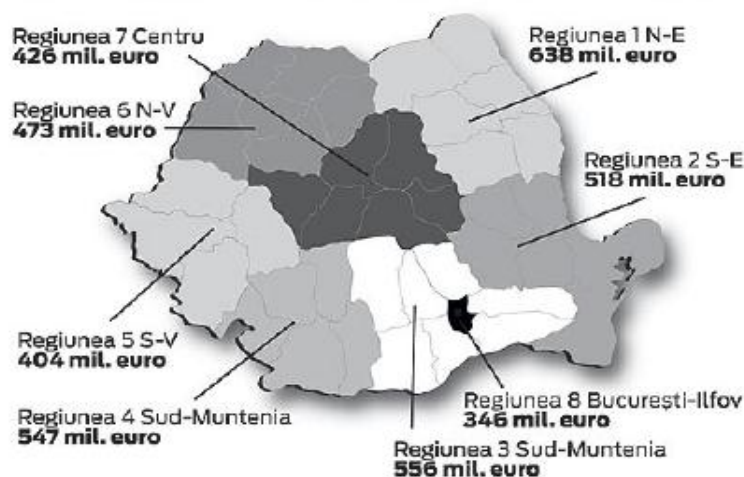


Figure 2: Financing of R. O. P.

Source: <http://www.mie.ro/index.php?p=555>

The ROP management authority is the General Direction of Regional Development within the Ministry of Public Works and Housing Development.

The financial support received by our country from EU as a member state in view of economic development is represented by the pre-accession instruments (up to 2009), the Transition Facility (up to 2010), structural instruments and complementary funds (funds from the Common Agricultural Policy and the Common Fishing Policy). The volume of available funding will be much higher than the volume received as a candidate state in the pre-accession programmes.

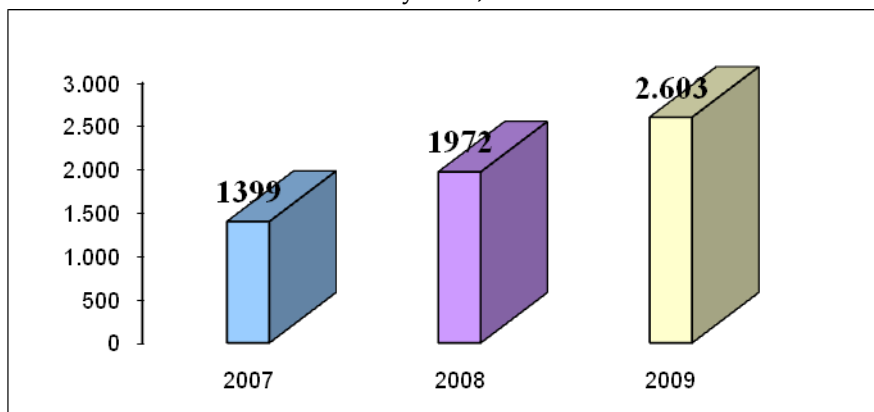


Figure 3: European financial assistance for Romania

The pre-accession instruments constituted an exercise of getting accustomed to the EU policies and procedures in view of an effective management of the funds allotted to our country as a member state. The EU financial package for Romania through the structural-type funds (Phare, ISPA and SAPARD), between 2007-2009, expressed in million Euros (in terms of 2004 prices) is increasing.

Originally founded in 1989, to the purpose of supporting Poland and Hungary in the reconstruction of their national economies, the *Phare* programme was altered periodically in point of beneficiary member countries, according to necessities on the European stage. Thus, if in 1996, the Phare programme provided financial assistance in 13 states¹, in 2000, this programme was revised, becoming the main pre-accession instrument for the 10 candidate states in Central Europe and Eastern Europe. In the same year, the 3 states in the Western Balkans² were included in CARDS programme³. At the same time with the extension of the EU in May 2004, the Phare programme focused exclusively on sustaining the regional development in Romania and Bulgaria. As a result, in the new member

¹ Albania, Bosnia-Herzegovina, Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Macedonia, Poland, Romania, Slovakia, Slovenia and Hungary.

² Albania, Bosnia-Herzegovina and Macedonia

³ Community Assistance for Balkans' Reconstruction, Development and Stability.

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states, 2003 was the last year of the Phare programming, 2004 - the year when the project contracting was finalized, and 2005 - 2006 is the period when the payments for these projects were settled.

Phare assistance is focused on 2 priorities:

Institutional development - consolidating the public management and institutions in the candidate states with the view of implementing the community acquis.

The purpose of institutional development is to support Romania in creating the institutional bases necessary for the accession to EU, a situation in which it had to adopt, apply and monitor the observance of European legislation. It also involves the development of human resources activating in these institutions.

As a result, an extremely important instrument in this sense was represented by the *institutional brotherhood*, known as "**twinning**". It consists in a close collaboration among the public institutions in Romania and the public administrations in the other member states. Thus, the Romanian public administration identified the problems in adopting the community acquis and created projects of institutional twinning presented through the network of National Contact Points for twinning, to the administrations of the member states. This administration proposed assistance offers for the problems identified and as a result of consultancy, the offer that best responded to the problems was selected¹. Once this stage was ended, there is the permanent detachment for at least one year of the specialists in the member states, known as *pre-accession counselors*. The technical assistance they provide consists in: short-term expertise, stages of professional formation, providing services such as legislation translation and interpretation.

Since 2001, classic twinning has been completed by light twinning, i.e. similar projects of institutional relations but on a short-term, of at most 6 months. Besides this, institutional development may be achieved by *service contracts obtained on the consulting markets*². About 30% of the Phare budget was allotted for institutional development.

¹ There are situations when 2 or 3 Member States cooperate in order to solve a specific problem from a state.

² Moreover, TAIEX (Technical Assistance and Information Exchange Office of the

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Investment support:

Investments to support the application of community legislation (mobilizing investments in industry and infrastructure);

In view of joining the EU, Romania was supposed to have an appropriate infrastructure allowing the implementation of the community acquis. It required quite high investments, especially to develop the computer systems in public administration, namely equipment and software purchase, to organize public information campaigns for the population on the impact of joining the EU, to purchase equipment for the institutions involved in goods and services control according to European standards, and to buy equipment for surveillance and border control.

When the financial assistance provided by the Phare programme proved insufficient as compared to the investments proposed, it was completed by the participation of international financial institutions, an important role being played by the European Bank for Reconstruction and Development (E.B.R.D.)¹, the European Investment Bank (EIB)² and the World Bank.

Investments in the social and economic cohesion (promoting economic and social cohesion).

The EU regional policy is a policy of European solidarity and, through its instruments, provides support to the less developed regions and the population inhabiting them. In this sense, the Phare programme acts in fields aiming at creating jobs, increasing competition, improving the

European Commission) offers expertise under community acquis. SIGMA programme (Support for Improvement of Governance and Management in Central and South-East Europe) was created by European Commission and OCDE, in order to offer support for the Central and South-East European countries to reform and modernise their public administration.

¹ E.B.R.D. finances investment projects in transition market economies. 27 countries from Central and Eastern Europe benefited by this assistance.

² E.I.B. was created in 1957 in order to support the equilibrate development and the socio-economic cohesion of the Member States. Its action was regulated by a strategic document - The Operational Corporative Plan. The bank is managed by the Governors Council, which is composed from the Ministers of Finance from the Member States and which has its residence in Luxembourg.

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living standard. Thus, Phare assistance is oriented towards developing human resources, local infrastructure, improving social services, sustaining the private sector, etc. Phare funding is therefore an exercise of accustoming the candidate states to the basic procedures of operation of the Structural Funds existing at the level of the EU.

The implementation of the Phare programme was made by means of the **strategic programming documents**¹: the Accession Partnership (A.P.)², the National Programme for the Adoption of the Community Acquis (N.P.A.A.)³, The National Development Plan (N.D.P.)⁴ and the Progress Sheet for Romania and Bulgaria⁵.

The amount allotted by the Commission and approved by the European parliament and the EU Council was decided annually⁶ depending on the population and the GDP. At the same time, the previous

¹ The programming process connects the European Commission (General Direction for Enlargement), European Commission Mission in Romania and Romanian government (Ministry of European Integration).

² A. P. – establishes the priorities of every candidate country, in order to achieve its adhering to the EU. The European Commission approved the Romanian adhering partnership in March 1998. This document was updated for the last time in 2003, as a result of the separation between Romania, Bulgaria and other 10 candidate countries from the Central and Eastern Europe.

³ N.P.A.A. – this document is elaborated by the government and offers details about the candidate country's projects, in order to achieve the objectives of the A.P. Moreover, this document covers a calendar of the priorities' achieving and the financial and human resources which have to be allocated.

⁴ N.D.P. – this document has the strategic, regional and sector development priorities for a specific time period. N.D.P. is created using the Regional Development Plans and reflects the National Development Strategy and the regional and sector Operational Programmes.

⁵ The Road Map was adopted in December 2002 and covers the „road” which has to be covered by Romania in order to achieve the Copenhagen (1993) and Madrid (1995) criteria. Moreover, it specifies the progressive growth of the financial assistance for Romania until its adhering to the EU: 20% in 2004, 30% in 2005 and 40% in 2006.

⁶ Since 2004, the European Funds' programming became multiyear for 8 priority sectors: public administration reform, finance, agriculture, environment, justice, border management, minorities and socio-economic cohesion.

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performance registered by Romania in the pre-accession process was taken into account, as well as the financing needs identified and the capacity of absorption. According to the principle of additionality¹ governing the EU regional policy, community assistance was completed by national budget resources.

The implementation of the Phare programmes started only after the signing of the Financing Memorandum by the Commission and the Government, which represents the legal basis for the programme implementation. It was signed only after the list of projects receiving funding from the allotted annual budget, decided in agreement with the Commission and the Government, was approved by the Management Committee of the Phare Programme and, on the basis of this favourable opinion, the Commission issued the Funding Decision. The Phare programme was implemented under the strict supervision of the European Commission Delegation within the Decentralized Implementation System.

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¹ The document Agenda 2000 establishes the principles of the Structural Funds' function: programming, partnership, additionally, monitoring, evaluation and control.

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