

Position of the Commission Services on the development of Partnership Agreement and programmes in ROMANIA for the period 2014-2020

Table of Contents

INTRODUCTION.....	3
1. MAIN CHALLENGES	4
2. PRIORITIES FOR FUNDING.....	8
2.1 Improving human capital through higher employment and better social inclusion and education policies.....	9
2.2 Developing modern infrastructure for growth and jobs.....	10
2.3 Promoting economic competitiveness and local development	11
2.4 Optimising the use and protection of natural resources and assets.....	12
2.5 Modernisation and reinforcement of the national administration and of the judiciary.....	13
3. SUCCESS FACTORS FOR EFFECTIVE DELIVERY.....	14
4. PRIORITIES FOR EUROPEAN TERRITORIAL COOPERATION.....	15
ANNEX.....	16
A. ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY	16
B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES	18
C. ADMINISTRATIVE ARRANGEMENTS.....	36

INTRODUCTION

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. For the latter, the CSF Funds¹ can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

To ensure that the CSF Funds deliver long-lasting economic and social impacts, the Commission has proposed a new approach to the use of the Funds in its proposal for the **2014-2020 Multiannual Financial Framework**². Strong alignment with policy priorities of the Europe 2020 agenda, macroeconomic and ex-ante conditionality, thematic concentration and performance incentives are expected to result in more effective spending. It is an approach that underlines the need for strong prioritisation and results and away from a culture of entitlement. The CSF Funds will thus provide an important source of public investment and serve as a catalyst for growth and jobs by leveraging physical and human capital investment while they serve as an effective means to support the implementation of the **Country Specific Recommendation** issued in the context of the European Semester, referring in Romania to the measures laid down in the Memoranda of Understanding and its subsequent supplements. This approach is in line with the European Council's call of 29 June 2012 regarding the use of the Union's budget³.

CSF Funds should aim at jointly fostering **competitiveness, convergence and cooperation**, by setting the right country-specific investment priorities. A general **refocus of spending** towards research and innovation, support to SMEs, quality education and training, inclusive labour markets fostering quality employment and social cohesion, delivering the highest productivity gains, mainstreaming of climate change objectives and shifting to an environmental friendly and resource-efficient low carbon economy is necessary. In order to do so, planning and implementation of CSF Funds have to break through artificial bureaucratic boundaries in the next programming period and develop a strong **integrated approach** for mobilizing synergies and achieving optimal impact both within countries and across borders. The Europe 2020 objectives must be mainstreamed across the different CSF Funds, each of them bringing their contribution to smart, sustainable and inclusive growth. Moreover, CSF Funds have a key role to play in supporting financial instruments that can **leverage private investment** and thus multiply the effects of public finance. In short, we need a carefully targeted and results oriented use of CSF Funds that maximises their combined impact.

The purpose of this position paper is to set out **the framework for** dialogue between the Commission services and Romania on **the preparation of the Partnership Agreement and Programmes**. The paper sets out the key country specific challenges and presents the Commission Services' preliminary views on the main funding priorities in Romania for growth enhancing public expenditure. It calls for optimizing the use of CSF Funds by

¹The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)

² COM (2011) 500 final, COM (2011) 398 final and COM (2012) 388 final.

³ Conclusions of the European Council of 29th June 2012 (EUCO 76/12), http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf

Economic development has also been largely uneven, with persistent and even widening regional disparities. Annual growth of GDP / head has reached 9.6% in Bucharest, now standing above the EU average (101.5) between 2000 and 2008, while other regions' growth

innovation. In 2011, depriving the country of investment and job opportunities, as well as drivers for Foreign Direct Investments has been shrinking from € 9.5 billion in 2008 to under € 2 billion unemployment rate for employees below 25 years reaching 23.7% in 2011. The flow of 7.4% in 2011. Young people remain a particularly vulnerable group on the labour market with 62.8% in 2011, while the unemployment rate for the age group 15-74 years remained high, at difficulties in efficiently drawing down EU Funds. The employment rate remained low, at investment playing a key role, although the latter is hampered by persistent and structural about 1%. With exports slowing down, it depends heavily on domestic demand, with public prospects for 2012 are being scaled down, with growth revised down from about 1.5% to industrial output and an exceptional harvest and real GDP grew in 2011 by 2.5%. However, After two years of decline, growth resumed in 2011 mainly driven by a robust increase in still at 46% of the EU average, as the economy contracted by more than 8% in 2009 and 2010. Romania continues to face tremendous development challenges. The robust catching up process registered until 2008 has slowed down sharply with the crisis and GDP per head is

1. MAIN CHALLENGES

Finally it invites Romania and its regions to exploit to the maximum potential synergies between the CSF Funds and with other sources of EU funding in a strategic and integrated approach. This includes cooperation with neighbouring countries and regions.

Strategy for the Danube Region, in order to have maximum impact. across its national borders in its territorial and geographical context, including as per the EU go hand-in-hand, also dealing with structural and institutional problems in Romania and on creating growth and employment so that fiscal sustainability and growth-friendly policies flexible framework for Romania to react and refocus European, national and local resources globalisation, while helping preserve the European social model. Moreover, it provides for a implement medium-term strategies capable of facing the challenges ahead, notably In a context of fiscal discipline, this position paper encourages Romania to develop and legislative proposals for 2014-2020.

account of the lessons learnt during the 2007-2013 programming period and the Commission's context of the Cooperation and Verification Mechanism (CVM). The position paper takes regarding the rule of law, judicial reform and the fight against corruption as identified in the as assessed in the European Semester, as well as country-specific development challenges, of Romania's progress to implement its EU/IMF lending programme and Europe 2020 targets, The starting point of the Commission's considerations are in the first instance the assessment

linked to EU funded projects in particular at regional and local level. only be used to co-finance but also to finance investments which are complementary and funding to the key challenges outlined in this position paper. National public spending can not benefits from its EU membership. Therefore the Commission proposes to group and limit EU should also be used to fund EU level priorities and to ensure that Romania can draw full maximise the results to be obtained, rather than spreading funding too thinly. EU funding future generations. There is also a need to concentrate future EU spending on priority areas to preserve solidarity within the Union and ensuring the sustainable use of natural resources for private resources and boosting potential high growth sectors, while emphasizing the need to establishing a strong link to productivity and competitiveness enhancing reforms, leveraging

ranged between 4.5% and 6.5%, with the North East region still far below the EU average at 28.8.

Future development perspectives are hindered by persistent structural weaknesses and geographical location, with low endowment of transport infrastructure that is also insufficiently connected considering Romania's remoteness from markets, demographic decline, low productivity, low share of the population benefiting from high educational attainment, low and insufficiently demand-driven investment in R&D, low broadband penetration or high importance of the agriculture sector. Inefficient and burdensome public administration also proved to significantly alter the business environment and public investment.

Romania is also confronted with serious social challenges, with a high share of the population exposed to risk of poverty and exclusion, in particular for the Roma minority and the increasing number of elderly people. Environmental challenges are also critical, Romania being exposed to severe environmental risks, such as floods, heat waves or erosion, exacerbated by climate change, while substantial efforts are still required in environmental structures to meet the requirements of the sectorial Directives, following a very slow pace of implementation.

Despite general economic progress there are therefore serious structural challenges that need to be addressed to make the Romanian economy smarter, more sustainable and more inclusive. The analysis of Romania's progress towards meeting its national 2020 targets shows significant gaps in critical areas like increasing its research and innovation spending, boosting employment rates and reducing poverty.

Europe 2020 headline targets	Current situation in Romania	National 2020 target in the NRP
3% of EU's GDP to be invested in research and development	0.47%	2%
20% greenhouse gas (GHG) emissions reduction compared to 1990 ⁴	+9% (2020 projected emissions compared to 2005) ⁵ -7% (2010 emissions compared to 2005) ⁵	+19% (national binding target for non-ETS sectors compared to 2005)
20% of final energy consumption from renewables	+23.4%	24%
20% increase in energy efficiency	Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in article 3(3) of the energy efficiency directive. This will be available only by 30 April 2013	10 Mtoe (reduction in primary energy consumption)
75% of the population aged 20-64 should be employed	62.8% (2011)	70%

⁴ 30% if the conditions are right

⁵ Based on existing measures, Commission report *Progress towards achieving the Kyoto Objectives* (2012)

Railway is witnessing decline in freight and passenger demand, due to decreased speed, increased travelling time and reduced reliability and safety of the network, resulting from underinvestment and poor maintenance. The length of the network is excessive with respect to the traffic and the financing capacity. It requires sharp restructuring and upgrading of the priority network. The international accessibility and interregional connections, in particular between growth poles, suffer from the very low **motorway** endowment, hampering the attractiveness of Romania for industrial investments. It also contributes to the high rate of fatalities and congestion, a source of important economic costs. Inland navigation stands far below its actual potential, mainly on the Danube, and intermodal transport is underdeveloped.

Romania's underdeveloped transport and ICT infrastructure remains a growth and

Underdeveloped infrastructure endowment

also in the context of in-work poverty and territorial disparities. Finally, the share of **population living at risk of poverty or social exclusion** is the second highest in the EU. Given the size and intensity of the poverty phenomenon, Romania's target for 2020 clearly lacks ambition. Particularly affected are people living in rural areas and vulnerable groups, such as the Roma minority. Rapid reduction of poverty will be a challenge

compared to the EU 27 average. The situation on the labour market will not be improved in the long-term without addressing the **bottlenecks of the education and training system**. Romania is among the lowest performers in the EU in terms of early school leaving, tertiary attainment and basic skills. Romania faces a persistent mismatch between labour market needs and labour skills, particularly due to quality problems in vocational and tertiary education. Adult participation in lifelong learning represents a major challenge as Romania registers a significant gap

integration difficulties. decreasing. Finally, the vulnerable groups (particularly the Roma) face labour market **training**. The share of employment in agricultural activities remains high, although slightly increasing proportion of youth that is **neither in employment, nor in education and** Romania has the sixth lowest employment rate in the EU. Particularly affected by the worsening trends are young people who are faced with a growing unemployment rate and an

A critical challenge relates to **low labour market participation**. In recent years, Romania has experienced slightly decreasing trends of its employment rate and further efforts are necessary to attain the national target of 70%.

Low labour market participation

Therefore Romania's most pressing challenges are related to the low labour market participation, the underdeveloped infrastructure endowment, weak research and innovation system and low competitiveness, inefficient use of resources and weak administration and public governance.

Reducing the number of people at risk of poverty or exclusion by at least 20 million in the EU (compared with 2008 levels)	-788,000 (2011)	-580,000
At least 40% of 30-34 years old completing tertiary or equivalent education	20.4% (2011)	26.7%
Reducing early school leaving to less than 10%	17.5% (2011)	11.3%

Romania suffers from rather low **broadband coverage**, in particular in rural areas and very low broadband take-up – although recently increasing – with most subscriptions being fast (60% above 10 Mbps). This situation hinders the potential for local development. The rate of internet usage is also low, both for households and economic operators, with almost inexistent e-commerce.

Low competitiveness and weak research and innovation system

The **economy is overwhelmingly composed of SMEs** that have a poor level of competitiveness being concentrated in low added value areas, with specialisation in labour-intensive industries. The productivity in industry and services remains far below the EU average (60%). Economic operators encounter difficulties in growing, with low turnover and overwhelming dominance of microenterprises (90%), hampered by several obstacles: shortage of medium and highly skilled labour force, access to finance, excessive bureaucratisation with weak governance regarding the business environment, market with fragmented and inconsistent institutional set up and weak entrepreneurship, in particular in rural and fisheries areas.

The location of SMEs also reveals persistent territorial imbalances, between regions and between urban and rural areas. These latter, together with fisheries and maritime areas require enhanced **local development**, implementing the necessary local infrastructures and tackling the current under-exploited economic potential of the respective sectors. These sectors are hindered by low profitability and hire an artificially high share of the population; new employment opportunities are needed in other sectors of the competitive economy which will soon be confronted with a demographic decline of the labour force, adjusting the skills of the labour force accordingly.

Public support to R&D is extremely weak, with respect to 2020 targets, on average between 0.3% and 0.5% of GDP. Romania is therefore encouraged to continue working towards attaining its national targets.

Furthermore, support for R&D is largely inefficient, with fragmented R&I system, insufficiently demand-driven priorities, weak international connections, scarce public resources being scattered between a large number of research performers of uneven performance and lack of critical mass in terms of quality of research results, failing to turn into applied research and innovation applications. The sector is unattractive to young researchers, and Romania suffers from a large brain drain of skilled and experienced researchers. The alarmingly low level of private expenditure reflects unfavourable framework conditions for business R&I and poor links between education, research and the business sector, while inappropriate legislative provisions regarding intellectual property are also discouraging private investors.

Inefficient use of resources

The energy intensity of GDP in Romania is much higher than the EU average, with a negative impact on the competitiveness of economic operators. It also contributes to generating high GHG emission levels, the second highest level per capita in the EU. **Energy efficiency** of industrial operators and housing require substantial investments, so far hindered by the lack of effective strategies, implementation mechanisms and weak institutions, as well as the lack of profitability stemming from regulated energy prices. Energy efficiency should be also a solution for increasing the renewable energy consumption notably in the context of future price liberalisation. The lack of consistent sustainable urban transport master plans has also, together with obsolete infrastructures and inefficient management, led to increasing urban traffic congestion, a source of economic costs and polluting emissions. Although Romania has

The CSF Funds will be one of the most important instruments to tackle the main development challenges for Romania as identified in its EU/IMF lending programme and its Europe 2020 commitments. For rural development and fisheries, priorities for funding will also contribute to the Common Agricultural and Common Fisheries Policies. Targeted funding should harness growth in Romania's blue economy. To this end the intervention from the CSF Funds needs to be concentrated on a limited number of priorities. Experience shows that thematic

2. PRIORITIES FOR FUNDING

Similar difficulties are encountered in the **judicial system**, for which the monitoring made under the Cooperation and Verification Mechanism highlights its lack of effectiveness and accountability. The inability of the national legal and institutional set-up to efficiently cope with fraud or conflict of interests has raised concerns.

Substantial external assistance granted since the pre-accession process failed to turn into sustainable endogenous improvements and **scattered e-government initiatives** proved poorly effective as these were not mainstreamed in comprehensive ministerial modernisation schemes.

The **ineffectiveness of the Romanian public administration**, with an overregulated environment and cumbersome and inefficient procedures, prejudices the business environment and the attractiveness of the Country but also the public investment capacity. These shortcomings also lead to lack of policy making capacity, combined with poorly skilled and empowered sectoral policy units, unable to design policy vision and strategic documents, lack of management skills and ineffective strategic and operational policy coordination. They are anchored in underlying structural governance deficiencies, witnessed within national and local administrations, generating in turn an aversion for risk, responsibility and decision.

Weak administration and public governance

Romania frequently encounters extreme weather conditions which will exacerbate with climate change, and the subsequent consequences: floods, health issues linked to heat waves, water scarcity. It is also vulnerable to other risks such as erosion, mainly in coastal areas, forest fires, earthquakes or new industrial risks. It nevertheless lacks the required methodological tools and skills to efficiently prepare risk prevention and management plans and to implement risk management structures.

Romania disposes of remarkable **biodiversity**, but is confronted with challenging threats of losses, including in the Black Sea, with declining livestock, abandonment of traditional farming practices increasing land abandonment and illegal logging. The sustainable use of marine resources, including prevention of overfishing is important for the further development of the country's blue economy.

Romania still suffers from very low endowment in **environmental infrastructures**, regarding wastewater collection and treatment or water supply. The situation of waste management is one of the worst in the European Union, with particular deficiencies in the first steps of the waste hierarchy. Although 60% of surface water bodies are in a good state, there are still significant sources of diffuse and point pollutions by nitrates, phosphorus and pesticides. Eutrophication is also widespread, partly generated by agricultural practices. Romanian territory counts numerous polluted soils, from industrial or mining sites, preventing local development.

almost reached its overall target on renewable energy, some sources (solar or geothermal) remain insignificant to date, despite actual potential.

concentration allows for an increase in effectiveness of public interventions by reaching a critical mass with a real impact on the socio-economic situation of a country and its regions. Prioritisation is of particular importance in times of fiscal consolidation.

Five complementary and mutually reinforcing funding priorities are proposed hereunder in line with country-specific challenges⁶. There is no ranking in the presentation of the funding priorities. These priorities reflect the importance of funding needs and potential contribution to growth and jobs and are the priorities the Commission would like to co-finance in Romania for the next programming period 2014-20. Sufficient flexibility is built into the new programming architecture to respond to new challenges and unexpected events, which allow for reprogramming on justified grounds.

2.1 Improving human capital through higher employment and better social inclusion and education policies

Employment, social cohesion and education should remain the core concerns for Romania. CSF Funds should contribute to job-rich growth and their impact in terms of employment should be maximized. This calls for stepping up efforts to concentrate investments on employment and education thematic objectives. Thus the relative share of CSF Fund investment should at least be equal to the programming period 2007-2013. Reduction of poverty remains also a very important priority for Romania and a sizeable part of available resources should be dedicated to promoting active inclusion.

Increasing the employment rates of young people and vulnerable groups

The situation of the young people on the labour market is deteriorating and there are concerns with regard to the quality of their jobs. This justifies prioritising the integration of young people not in employment, education or training into the labour market and calls for investments in more individualised active labour market measures, including in increased access to quality apprenticeships and work-based learning.

Furthermore, against the background of negative demographic developments, proper consideration should be given to vulnerable groups, who are an important labour supply resource and a source of economic growth. The participation of the Roma, the elderly, women and persons with disabilities, as well as long-term unemployed, inactive people and people employed in low-productivity agriculture in the labour market should be promoted. Active and preventive labour market measures should be provided at an early stage and they should include personalised support on long-term opportunities. Due priority should be given to Roma people who currently face great difficulties in accessing the formal labour market. Investments should prioritise their active inclusion.

Romania still has a high share of employment in subsistence and semi-subsistence agriculture, although its productivity and contribution to GDP remain at very low levels. Increased investments in agriculture and provision of new skills for the ex-farmers are needed so as to turn low-productivity employment into steady-income employment, while making agriculture a sustainable engine of growth.

Improving access to, participation in and quality of education and training

⁶ The thematic objectives in the proposed regulations and their link to the funding areas are outlined in Annex I.

Other transport modes and interconnecting points should also be supported, by investing in berthing, port facilities and transport connections with the hinterland in order to foster maritime connectivity the navigability of the Danube.

The road and motorway network should continue to be further extended and upgraded, with a view to better connect Romania, hindered by its peripheral situation, to the internal market and secure its attractiveness for industrial investors. Beyond the implementation of the priority TEN-T, connectivity of major urban agglomeration should be improved, with a view to fostering regional growth.

In line with the required transport master plan, the railway system shall be streamlined, reorganising the network around the economically relevant sections, including TEN-T, consistently with the financing and maintenance capacity. The core network and notably its corridors shall continue to be upgraded, with appropriate design speeds and standards, while carrying out the necessary ERTMS investments. In parallel, the modernisation and restructuring of railway companies shall be continued, which may include the upgrading of rolling stock.

Building accessibility of growth poles to the internal market by investing in the TEN-T network

CSF Funds should be part of a new growth focus providing the necessary modern infrastructure in terms of transport and ICT. Improved physical and digital accessibility represent major drivers for attracting investors and laying the foundations for development, in particular in remote and landlocked regions, such as rural areas.

2.2 Developing modern infrastructure for growth and jobs

In the case of areas affected by the restructuring of the fisheries sectors, the CSF Funds should support diversification into coastal or maritime activities (in line with the Integrated Maritime Policy), in order to create new sources of employment.

The access to social services, as well as to primary healthcare is limited, particularly for vulnerable groups and isolated localities. Therefore, investments should focus on expanding, diversifying such services and making them accessible to all. Such efforts should go alongside the modernisation of the health system and an improvement of data collection. Transition from institutions to community-based services, particularly for the disabled should be encouraged. Finally, fostering community-led local development in rural areas, through investments in both small-scale infrastructure and access to local basic services, should also be used to promote social inclusion.

Promoting social inclusion, in particular by enhancing access to healthcare and social services

To increase their impact on the labour market, the concentration of CSF Funds' investments in disadvantaged areas. Proper consideration should also be given to quality and labour market relevance, particularly in the areas of vocational training and higher education. Modernisation of education and training may require investments in infrastructure rehabilitation. CSF Funds should support more provision and diversification of life-long learning (LLL), ensuring especially a greater participation of low-skilled persons and older persons. Finally, Funds should help to overcome bottlenecks resulting in mismatches between education outcomes and the needs of the labour market giving a particular attention to buoyant sectors of the economy: green, white, ICT and personal services sectors.

Enhancing access to and use and quality of ICT

Broadband infrastructures should be extended in areas where there are market failures to boost regional attractiveness and the economy, in particular in rural areas. In parallel, the extension of New Generation Access needs to be promoted where there are market failures. Monitoring and mapping tools of the ICT coverage and performance should be developed.

In parallel, the use and demand for ICT should be fostered, developing product and services and e-commerce, but also promoting awareness raising in areas with low penetration and supporting ICT training and certification.

2.3 Promoting economic competitiveness and local development

The efficiency of the R&I policy and instruments in Romania will condition its long-term competitiveness and capacity to attract higher added value and sustainable investments, fostering in turn structural growth and job creation.

Supporting innovation and competitiveness of economic operators and improving business environment

An Innovation-friendly environment for business needs to be supported, fostering the transfer of knowledge and innovation and the development of clusters and cooperation with knowledge institutions, also across borders. Providing high quality shared access facilities and full package of services tailored to match the needs of innovative companies is critical.

CSF Funds need to support the life cycle of enterprises from the setting up (business nurseries, support to investment), and during their life addressing threshold effects which may hamper their growth and development capacities, with the aim of increasing their productivity and competitiveness. In parallel, the business environment should be improved, simplifying the regulatory requirements and facilitating access to public funding through one-stop-shop mechanisms. Special attention should be paid to SMEs operating in rural and border areas and to businesses in the aquaculture sector.

Promoting entrepreneurship, including in rural, maritime and fisheries areas and improvement of the economic environment in rural and coastal areas, including related local infrastructure

Entrepreneurship skills should be promoted, targeting potential and existing managers and life-long learning, in order to better match qualifications, including from experienced labour force and market needs.

The necessary reconversion of existing agricultural activities and diversification of activities will require supporting the conditions for local development, with a view to promoting new local job opportunities. In this respect, the implementation and upgrade of local infrastructures is critical. For the fisheries sector, insufficiently consolidated supply structures should obtain proper support to create new producer groups and strengthen existing ones. The untapped potential for local development of cultural heritage should also be better exploited.

The reform of the Common Fisheries Policy should bring about sustainable fishing for maritime and fisheries sectors and to foster the economic development of fishing communities and boost the aquaculture sector. Investments need to address the untapped potential of the sea and coast in order to develop the blue economy and promote economic growth and sustainable jobs.

The CSF Funds should support adaptive capacity and the national adaptation strategy, mainstreaming of required adaptation measures in the concerned sector policies. In particular, adaptation measures are critical in the agricultural sector, including sustainable irrigation management and the promotion of water-efficient cropping patterns.

Reducing vulnerability to risks, supporting adaptation to climate change and developing disaster management systems

The supply, transport and use of renewable sources of energy and of by-products, wastes, and residues should be facilitated and stimulated.

Sustainable urban transport strategies and infrastructures should be supported in agglomerations, as part of larger low carbon strategies in urban areas.

Improvement of air quality through agro-forestry systems, forest planting and maintenance should also be promoted. Increasing energy efficiency in businesses is key to improving Romania's competitiveness, reducing production costs and contributing to job creation, with particular potential in agriculture and food processing and through the promotion of eco-innovation in SMEs. An efficient use of energy, in public and private housing is also essential to improve air quality and public health in urban areas. Enhancing carbon sequestration, emission reduction and improvement of air quality through agro-forestry systems, forest planting and maintenance should also be promoted.

Promoting energy efficiency and low-carbon economy and strategies

Rational management of natural resources and in particular energy, represent critical environmental, health and competitiveness challenges in Romania. It also constitutes important potential for growth and job creation.

2.4 Optimising the use and protection of natural resources and assets

The capacity of R&D Romanian institutions to integrate EU and international networks and to efficiently network needs to be enhanced. Parallel efforts are required to strengthen the administrative capacity and to streamline the sectoral governance of the sector. Cooperation with universities will be needed to drain skilled researchers to the priority sectors and afferent R&D institutions.

Public research should be supported, based on demand-driven national strategy, focussing on few sectors identified as high potential and comparative advantages. Public support should concentrate on excellence centres, relying on future competitiveness clusters and existing capable and connected R&D centres within growth poles. The promotion of private research should be given priority, tackling current impediments, in particular through the revision of the legal framework governing intellectual rights, with a view to increasing the commercialisation of research.

Boosting demand-driven R&D (public and private) capacity and infrastructures

The creation and development of SMEs should be supported by tackling the current constraints. Improving access to tailored support services for the SMEs, including to access international markets, is essential in this respect. It would include access to finance, through tailored financing engineering instruments. Easing access to microfinance, especially in the agricultural sector and in particular for young people and those furthest away from the labour market and microenterprises should be promoted.

Smoothing access to finance and advanced business services for SMEs

On the other hand, risk prevention capacity, plans, including risk mapping and investments, privileging preventive soft and eco-system based measures, should be promoted. Risk management skills and measures, such as rapid reaction centres for flood management should also benefit from the CSF Funds and transnational cooperation where more appropriate.

Protecting environment and biodiversity by valorising natural sites and implementing acquis related investments

The acquis related investments should be continued in the water and wastewater sectors, within the regionalisation framework, in consistence with the priorities set up in the County master plans. In the waste sector, investments supported through the first programming period shall be continued and may be upgraded to the 2020 recycling target also encouraging, whenever relevant, alternative treatment methods of different waste streams. Treatment of polluted soils should be given priority, in particular those generating health threats. In agriculture, production techniques that enhance the buffer and filter functions of soils, and promotion of management practices that improve the organic matter content of soils should be supported, as should measures to improve water and air quality.

Preservation of biodiversity, promoting ecosystem services and investments in green infrastructures should be strengthened, in particular with the implementation of the Natura 2000 management plans. The management, restoration and monitoring of ecosystems should be promoted also across borders, including in the overall context of the whole Danube Region.

2.5 Modernisation and reinforcement of the national administration and of the judiciary

The inability to rely on competent and reactive public administration represents a core concern in Romania, with respect to its capacity to design and support the implementation of sectoral strategies and afferent investments and foster business development.

Enhancing institutional capacity and an efficient public administration

Tailored support should be provided by CSF funding to reinforce the effectiveness of the public administration, shifting to a streamlined, stable and more consistent legal framework, together with smooth, simplified and proportionate procedures. Comprehensive ministerial modernisation schemes should be supported, relying whenever relevant on the action plans deriving from the functional reviews.

The coordination and policy making capacities and empowerment at governmental level should be strengthened. In this respect, effective recourse to partnership mechanisms will need to be enhanced, requiring parallel reinforcement of the capacity, accountability and independence of the relevant socio-economic stakeholders.

The professionalism, independence and attractiveness of the public administration also need to be enhanced, including the human resources management capacity. In parallel, governance deficiencies underlying the current administrative shortcomings will need to be tackled through structural endogenous reforms.

CSF Funds shall continue to support the implementations of the recommendations issued from the Cooperation and Verification Mechanism, with a view to reinforcing the effectiveness and the independence of the judiciary and enforcing the rule of Law.

Strengthening ICT applications for e-government, through the development of e-government instruments needs to be supported, as part of comprehensive modernisation schemes of the corresponding institutions.

3. SUCCESS FACTORS FOR EFFECTIVE DELIVERY

Together with financial consolidation, **structural reforms** play a key role in enhancing the overall efficiency and thereby the growth potential of the Romanian economy. They are also a **key condition** for the successful implementation of the CSF Funds which can only have an optimal impact if an appropriate policy, legal and administrative framework is in place.

Therefore the new Common Provisions Regulation will set out ex-ante conditionalities which are preconditions relating to the effective and efficient use of EU Funds which should be fulfilled by the time a programme is approved. The Commission will formally examine the consistency and adequacy of the information provided by Romania in the framework of its assessment of the Partnership Agreement and programmes.

Based on experience from the current programming period and the CSRs the Commission Services have identified a number of **ex-ante conditionalities critical for the successful implementation of the above funding priorities**. The Romanian authorities need to take actions to fulfil the pre-conditions for successful spending in each of these areas before the start of the next programming period.

Where ex-ante conditionalities are not fulfilled by the time of submitting the Partnership Agreement to the Commission, Romania will need to lay down a series of actions to be taken at national and regional level and a timetable for implementing them. All ex-ante conditionalities need to be fulfilled by the deadline agreed and at the latest within two years of the adoption of the Partnership Agreement or by 31 December 2016.

- Effectiveness of the public procurement system, through the implementation of the recommendations of the evaluation carried out by Commission services;

- The existence of a strategy for reinforcing Romania's administrative efficiency including public administration reform;

- Adoption of a comprehensive transport master plan, resting on a multimodal approach, reflecting financing constraints and benefiting from sound political endorsement;

- Preparation of a national research and innovation strategy for smart specialisation, being an integral part of an industrial policy, valorising national fields of excellence and comparative advantages, reflecting demand-driven inputs;

- The existence and the implementation of a national strategy for poverty reduction;

- The existence of a national or regional strategy for health ensuring access to quality health services and economic sustainability;

- The existence of a comprehensive strategy to reduce early school leaving;

- Modernisation and strengthening of labour market institutions, in accordance with the Employment Guidelines;

- In fisheries, improve data collection for fisheries management (to ensure a smooth shift from direct to shared management) and the implementation of a Union control, inspection and enforcement system;

- Romania should have appropriate recording systems to allow systematic monitoring of state aid expenditure, to ensure the compliance with state aid rules and, in particular, to avoid accumulation;

- In agriculture and rural development, efforts are needed to strengthen and extend the advisory capacity on innovation and sustainable management of agriculture and forests;

develop a functional cadastre system covering the territory of the country and an agricultural strategy with priorities per sector;

- Adoption of a strategic plan for aquaculture.

4. PRIORITIES FOR EUROPEAN TERRITORIAL COOPERATION

In line with the specific objectives and priorities identified for the various thematic objectives, areas of particular relevance for Romania in the context of European Territorial Cooperation include:

- Research, development and innovation fostering integration in international networks;
- Exchange of experience and networking with regard to the promotion of a low carbon economy in particular for energy efficiency, research and innovation, competitiveness and internationalisation of business, and urban transport;
- Climate change adaptation and risk prevention and management;
- Initiatives in favour of marginalised communities, in particular the Roma;
- Improving transport connections as part of the TEN-T policy and in line with priorities under the Connecting Europe Facility;
- Cooperation with neighbouring countries for risk prevention and risk management taking into account adaptation to climate change and ecosystems management.

Romania belongs to the Danube macro-region, calling for coordination and alignment between the operational programmes and the action plans under the EU Strategy for the Danube Region (EUSDR). Relevant thematic objectives and priorities for Romania that link with the EUSDR include research, technological development and innovation, SME competitiveness, the low carbon economy, adaptation to climate change and risk prevention and management, environmental protection, education, social inclusion, and sustainable transport networks with particular attention paid to the navigability of the Danube.

There is currently no sea-basin strategy for the Black Sea Region. However, territorial co-operation should aim at improving coherence, coordination and alignment of policies and instruments having an impact on the maritime economy. Actions should aim in particular at unlocking the potential of the blue economy and generating sustainable growth and new jobs in maritime sectors. Cooperation to improve marine knowledge, Maritime Spatial Planning and Integrated Maritime Surveillance and the protection of the maritime environment should be foreseen.

The coordination of Structural Funds is currently ensured by the Authority for Coordinating Structural Instruments (ACIS), hosted in the Ministry of European Affairs. This coordination will need to be further enhanced in the 2014-2020 period, paying special attention to ensuring consistency in the management procedures implemented by managing authorities and guidance issued to beneficiaries.

In addition, the coordination role of ACIS could also be extended to other Funds, such as the EAFRD and EMFF, but also European Territorial Cooperation and the macro-regional

Coordination, complementarity and synergy

The balance of funding, the number of programmes and the most suitable architecture will have to be developed in partnership with stakeholders in Romania and in negotiations with the Commission.

attention to particular needs.

The proposed 2014-2020 legislation for the CSF Funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. Cooperation at all levels is key to achieving quality of spending. The Annex I of the Commission's amended Proposal for the Common Provisions Regulation includes elements for a Common Strategic Framework⁷ and sets out different options for integrated approaches to programming, to achieve coordination and synergies during implementation, which Member States are encouraged to explore. For rural development, the option to draw up thematic sub-programmes within a rural development programme provides the opportunity to devote closer

Structure of programmes

efficiently, overcompensation is avoided and distortions of competition are limited.

Support needs to be granted in accordance with EU state aid rules. Financing should address real market failures and be limited to the minimum necessary, so that Funds are used

relevant best practice from other countries could be particularly beneficial for Romania.

Experience from the previous programming period indicates several factors affecting the effectiveness of investment, in particular the need for strategic orientation and concentration, the need for prioritisation, avoiding fragmentation of investments and embedding projects in national strategies and systems, the necessity to ensure maintenance and operation costs for the sustainability of investments, insufficient project pipelines, immature projects, administrative deficiencies, including low quality tender documents, and lack of management skills of beneficiaries. A general shift towards more coherent, strategic and innovative approaches is necessary as well as reinforced administrative capacities and management skills in order to ensure the effective delivery of sustainable projects and to demonstrate clearly the impact on attaining the Europe 2020 objectives. Transnational cooperation and drawing on

A. ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY

The annex contains the arrangements for effective programming and delivery, assessment of funding needs in relation to thematic objectives and assessment of specific aspects of administrative capacities.

strategies or the access to the Connecting Europe Facility (CEF), in order to enhance the synergies between the funding sources, together with the underlying strategies. It should also be accompanied by enhanced consultation and dialogue with the competent Commission services, within or complementary to the annual review meeting. The opportunity of further streamlining – or even formalising – coordination committees at the level of the partnership agreement could be duly considered.

In setting up the programmes, synergies should be sought not only between the five CSF Funds but also with other EU instruments such as Erasmus for All, the Asylum and Migration Fund, Horizon 2020, COSME, the Marie Skłodowska-Curie Actions, The Creative Europe programme, the Programme for Social Change and Innovation, the LIFE programme and the Connecting Europe Facility.

Integrated Territorial Investments (ITI) in Cohesion Policy allow the implementation of parts of programmes in a cross-cutting manner and can provide flexibility other than at programme level to implement integrated actions. Where this mechanism is selected, Romania should define for each ITI an appropriate governance structure and in particular designate a management body. Allocations for the ITI should be defined in the programmes.

Considering the challenging growing territorial disparities in Romania, hindering the sustainability of the growth pattern, tailored integrated approaches to territorial development will be needed and set out in the Partnership Agreement, including – where appropriate – a planned integrated approach to sustainable urban development. It should identify the cities where sustainable urban development strategies will be implemented or the principles established for their identification.

The support provided since 2007 to the seven most important cities outside the capital as growth poles for Romania's regions should be further continued and extended. Support to growth poles could be particularly feasible as an integrated territorial investment and appropriate level of delegated management could be envisaged subject to the assessment of capacities and institutional requirements. The growth poles are also recommended to be proposed for participation in the Urban Development Platform.

Community-led Local Development (CLLD) offers an integrated bottom-up approach in response to complex territorial and local challenges through the involvement of local communities. CLLD can efficiently address many development needs in rural and coastal areas, but also in some small towns initially excluded from Leader and in identified areas and neighbourhoods of larger urban centres.

Romania is invited to explain its approach as regards CLLD across the CSF Funds indicating the main challenges, objectives and priorities, the type of territories, the role of local action groups and of different CSF Funds and the coordination mechanisms. Romania should also indicate the preparatory and implementation support for local actors.

Numerous local action groups have recently started to implement their local development strategies, both under the NRDP 2007-2013 and the EFF. For the next programming period more comprehensive support to such bottom-up local development strategies could increase potential impact. There could be only one CLLD strategy in a given geographical area, although letting the (fisheries) local action groups themselves reflect on the size of territory they wish to cover and the desired type and degree of integration.

B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES

The following sections present the Commission Services' view on priorities for the CSF Funds for Romania. They have been developed on the basis of the Commission services' in-depth country analysis and selected from the 11 thematic objectives, which stem from the Commission proposal for the Common Provisions Regulation⁸ for CSF Funds adopted by the Commission on 6 October 2011. These 11 thematic objectives translate the Europe 2020 strategy into operational objectives to be supported by the CSF Funds.

The 11 thematic objectives are common for cohesion, rural development and the maritime and fisheries policies; they ensure that interventions under these policies are aligned towards the achievement of joint objectives: those of Europe 2020. They provide a menu of possible funding objectives for the whole of the EU. According to each Member State's specific situation a more focussed selection is then made in agreement with the national authorities. According to the Commission services, the challenges and funding areas for Romania correspond to the following thematic objectives:

Related thematic objectives	Funding priorities
<ul style="list-style-type: none"> - Promoting employment and supporting labour mobility; - Promoting social inclusion and combating poverty; - Investing in education, skills and lifelong learning. 	<ul style="list-style-type: none"> - Improving human capital through higher employment and better social inclusion and education policies
<ul style="list-style-type: none"> - Promoting sustainable transport and removing bottlenecks in key network infrastructures; - Enhancing access to, and use and quality of, information and communication technologies. 	<ul style="list-style-type: none"> - Developing modern infrastructure for growth and jobs
<ul style="list-style-type: none"> - Strengthening research, technological development and innovation; - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF). 	<ul style="list-style-type: none"> - Promoting economic competitiveness and local development
<ul style="list-style-type: none"> - Supporting the shift towards a low-carbon economy in all sectors; - Promoting climate change adaptation, risk prevention and management; - Protecting the environment and promoting resource efficiency. 	<ul style="list-style-type: none"> - Optimising the use and protection of natural resources and assets
<ul style="list-style-type: none"> - Enhancing institutional capacity and an efficient public administration; - Enhancing access to, and use and quality of, information and communication technologies. 	<ul style="list-style-type: none"> - Modernisation and reinforcement of the national administration and of the judiciary

⁸ COM(2011)615 final/2; http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1

FUNDING PRIORITY: IMPROVING HUMAN CAPITAL THROUGH HIGHER EMPLOYMENT, AND BETTTER SOCIAL INCLUSION AND EDUCATION POLICIES

The objectives of the funding priority 'Improving human capital through higher employment and better social inclusion and education policies' will be achieved by thematic objectives 'Promoting employment and supporting labour mobility', 'Promoting social inclusion and combating poverty' and 'Investing in education, skills and lifelong learning'.

Thematic objective: Promoting employment and supporting labour mobility

Europe 2020 headline target	Current situation in Romania	National 2020 target in the NRP
75 % of the population aged 20-64 should be employed	62.8% (2011)	70%

Country Specific Recommendation of 2012:

Implement the measures agreed in the June 2012 Second Supplemental Memorandum of Understanding between the EU and Romania (paragraphs 37 to 39 of Annex 1: labour market).

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Sustainable integration of young people not in employment, education or training into the labour market
 - Increase the participation of young people on the labour market and ensure a smooth transition from education to active life, including by up-scaling the new apprenticeship system;
 - Stimulate self-employment and entrepreneurship for young people in all sectors;
 - Ensure that young people are either in a job, education or (re-)training within four months of leaving school or tertiary education ("youth guarantee");
 - Provide counselling, guidance support and activation measures to young unemployed.
2. Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility
 - Provide active and preventive labour market measures at an early stage and open to all. Special attention should be given to vulnerable groups via integrated pathways by combining individualised support and access to vocational education and training and by raising the skill level (especially for Roma, long-term unemployed, inactive, persons with disabilities, etc.);
 - Anticipate and offer counselling and individual support on long-term employment opportunities created by structural shifts in the labour market, such as the shift to a low-carbon and resource-efficient economy;
 - Increase the share of self-employment in total employment and provide incentives for entrepreneurship and business creation, with particular emphasis on emerging sectors, such as the green growth, healthcare and ICT sectors;

⁹ Thematic objectives 2, 3, 4, 5, 9 and 10 according to the draft Regulation

- Improve the quality and the accessibility of social and health services, particularly for the most vulnerable (the elderly, people with disabilities, children, people living in rural areas, etc.). Particular emphasis should be put on the Roma people. The range of such services should address actual needs. Special attention will be given to maternal and child care particularly in regions with high levels of infant mortality and to particular health risk factors;
- Improve data collection concerning health status of population by income, education and ethnic group in order to design appropriate policies and programmes for vulnerable groups;
- Improve the level of skills and competences of professionals in the field of health and social services for better inclusion;
- Support rationalization of the hospital network, and reform and decentralization in the health system, to ensure quality, sustainability and cost-effectiveness of care, matching

1. Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

Europe 2020 headline target	Current situation	National 2020 target in the NRP
Reducing the number of people at risk of poverty or exclusion by at least 20 million in the EU (compared to 2008 levels)	Decreased by 788,000 people (2011)	Decreasing by 580,000 people as compared to 2008

Thematic objective: Promoting social inclusion and combating poverty

- Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance and delivery:
- CSF funding should be delivered through efficient programming which includes reforms and systemic measures to support a comprehensive approach and through a strong and dedicated institutional set-up;
 - The highest possible job efficiency of measures should be ensured.
- Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at access to ICT, competitiveness to SMEs, low carbon economy, climate change adaptation, social inclusion and education⁹
- Promote new employment opportunities in rural areas through diversification of the rural economy to sectors other than agriculture and investment in relevant skills;
 - Foster growth and job creation in fisheries and coastal communities by adding value to fisheries activities and products, and diversifying activities in particular towards other maritime sectors.

future needs. Additionally support capacity-building, training and other preparatory measures enabling implementation of existing EU legislation and recommendations in health;

- Support the transition from institutional to community-based care services for children, people with disabilities and mental health problems and the elderly, including targeted infrastructure investment.
2. Investing in health and social infrastructure which contribute to national, regional and local development
- Improve quality of life in and attractiveness of rural settlements by promoting community-led local development (building on experience from LEADER) and through investments in improving both small scale infrastructure and access to local basic services for the rural areas as pre-condition for their economic development and retaining population;
 - Support the upgrade and modernisation of health and social infrastructures, in accordance with the outcome of the rationalisation strategy, with special attention to the most deprived areas.

Furthermore, the CSF Funds should contribute to following specific objectives:

- Combat stereotypes, raise awareness for the prevention of trafficking and discrimination against Roma (at school, on the labour market, access to services, etc.);
- Promote the social economy and social enterprises;
- Reduce the spatial concentration of poverty, including the promotion of integrated plans where social housing is accompanied notably by interventions in education, health (including sport facilities) and employment.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:

- CSF funding should be delivered through efficient programming which includes reforms and systemic measures to support a comprehensive approach and through a strong and dedicated institutional set-up.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at the competitiveness of SMEs, low carbon economy, climate change adaptation, employment and education.¹⁰

Thematic objective: Investing in education, skills and lifelong learning

Europe 2020 headline target	Current situation	National 2020 target in the NRP
The share of early school leavers should be under 10 %	17.5% (2011)	11.3%
At least 40% of 30-34 years old should have completed a tertiary education	20.4% (2011)	26.7%

¹⁰ Thematic objectives 3, 4, 5, 8 and 10 according to the draft Regulation

- For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:
1. Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education
 - Prevent early school leaving through evidence-based comprehensive and consistent policies, particularly in rural areas. Diversify provision of second chance education, notably in VET. Special attention should be placed on reducing early school leaving among Roma, while preventing and combating all forms of school segregation;
 - Increase the quality of school education (primary and secondary education) based on evidence of school performance and improvement;
 - Increase participation, affordability and quality of early childhood education and care, particularly in the age group 0-3 years old;
 - Improve learning support for struggling learners and invest in upgrading the skills of teachers and management staff.
 2. Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels
 - Improve access and retention in higher education of students from rural areas and disadvantaged groups;
 - Improve the governance and management of higher education institutions in order to improve quality of teaching and research and develop an attractive system of higher vocational education;
 - Support the internationalisation of higher education, including advanced research and mobility.
 3. Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
 - Increase the quality, labour market relevance and accessibility of initial and continuing VET programmes, with a special focus on low skills and rural areas;
 - Increase and diversify provision of basic skills (literacy, numeracy and digital literacy), including through the validation of non-formal and informal learning;
 - Better match education and training with labour market needs, particularly in higher education and vocational training, including through apprenticeships, practical training in companies and partnerships. Give priority to new economic realities (industrial restructuring in the regions concerned, transition to a low-carbon and climate-resilient economy, changing labour demand, etc.).
 4. Investing in education, skills and lifelong learning by developing education and training infrastructures
 - Upgrading and modernising education infrastructures, including in rural areas, with a focus on the most deprived areas.
- Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:

- CSF funding should be delivered through efficient programming which includes reforms and systemic measures to support a comprehensive approach and through a strong and dedicated institutional set-up;
- The support to education infrastructures should be sustained by a national strategy and by planning provision needs at local level. This should be based on a mapping of the existing structures and their adequacy, against projected demographic trends in school population.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at research and innovation, access to ICT, low carbon economy, climate change adaptation, competitiveness of SMEs, environment protection, employment and social inclusion¹¹.

FUNDING PRIORITY: DEVELOPING MODERN INFRASTRUCTURE FOR GROWTH AND JOBS

The objectives of the funding priority 'Developing modern infrastructure for growth and jobs' will be achieved primarily by thematic objectives 'Promoting sustainable transport and removing bottlenecks in key network infrastructures' and 'Enhancing access to, and use and quality of, information and communication technologies'.

Thematic objective: Promoting sustainable transport and removing bottlenecks in key network infrastructure

Country Specific Recommendation of 2012 :

Implement the measures agreed in the June 2012 Second Supplemental Memorandum of Understanding between the EU and Romania (paragraphs 32 to 34 of Annex 1: railway reform)

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds taking into account the low development level of the transport network and systems in Romania and pursuing rebalancing modes of transport:

1. Develop a high quality railway network reversing the current decline
 - Continued upgrading of the core network corridor and designated lines aiming especially at boosting rail freight transport¹², at the appropriate design speeds and standards and while carrying out the necessary ERTMS investments;
 - Supporting the restructuration of the network and the modernisation of the railway companies which may include the upgrading of rolling stock, enhancing also accessibility.
2. Promote sustainable urban transport
 - Designing sustainable urban mobility plans based on low-carbon transport modes for urban agglomerations and investing in subsequent infrastructures and accessible rolling stock while providing institutional support for local transport management.

¹¹ Thematic objectives 1, 2, 3, 4, 5, 6, 8 and 9 according to the draft Regulation

¹² Whenever international transport is concerned the need for support to overcome bottlenecks at borders would need to be evaluated (e.g. customs authorities).

¹⁴ Thematic objectives 4 and 5 according to the draft Regulation

¹³ Idem.

- Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at low carbon economy and climate change adaptation¹⁴.
- through requalification measures in particular.
- The current shortage of skilled civil engineers on the local market should be tackled,
 - For inland navigation along the Danube key priorities identified with other concerned countries, in particular Bulgaria, need to be taken in to account;
 - The rail and road agencies should be restructured and reinforced, granting higher accountability and appropriate resources to project managers, and financial sustainability should be ensured in particular in the railway sector;
 - A mature and realistic project pipeline is needed with attention paid to operation and maintenance, including the designing of maintenance strategies and earmarking the required financing and human resources. The proposed projects will need to be screened for their climate resilience;
 - Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:
 - At external borders, the national plans and priorities concerning CSF funding instruments should support modernisation of EU customs infrastructure, equipment, and systems, as well as administrative capacity building, as appropriate.
7. Advance cross-border and customs border crossing points for fast, secure and efficient EU external trade
- Promoting monitoring and mapping tools, identifying the most problematic "black points" and implementing the necessary preventive investments.
6. Improve road safety
- Developing multimodal platforms.
 - Developing infrastructure, such as berthing, port facilities and transport connections with the hinterland in order to foster maritime connectivity and develop maritime and coastal tourism;
5. Support inland navigation, in particular along the Danube in cooperation with other concerned countries, and interoperability of transport modes
- Ensuring the connectivity of the regional road networks to the TEN-T network and developing other modes of transport with a view to improving the accessibility of the concerned territories.
4. Enhance regional connectivity and mobility
- Completing motorways on the core network corridor and develop other parts of the core network to appropriate standards corresponding to priorities from the comprehensive transport master plan to be developed¹³.
3. Support the development of the TEN-T road network

Thematic objective: Enhancing access to, and use and quality of, information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Extending broadband development and the roll-out of high-speed networks
 - Deployment of broadband infrastructure in areas suffering from market failure, in particular in rural areas; interventions should include access networks: backhaul facilities and ground equipment and laying down passive broadband infrastructure (ducts, dark fibres, etc.);
 - Promoting the extension of New Generation Access;
 - Improving the monitoring of ICT development and performance, with a view to better identifying and tackling market failure, through the creation of mapping tools, filled by data collected by the national regulator;
 - Further extend knowledge of the sea to increase efficiency of marine activities and spur innovation in marine and maritime data use and collection.
2. Developing ICT products and services (e.g. e-learning, e-health, e-culture) and business applications (e.g. e-commerce) and enhancing demand for ICT
 - Promoting awareness raising actions and demand stimulation and fields and areas with low penetration, in particular rural areas;
 - Fostering ICT training and certification both in the formal education systems and complementary to them, including the use of online tools and digital media for re-skilling and continuing professional development giving due attention to access for vulnerable and disadvantaged groups and people with disabilities.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at research and innovation, education and administrative capacity¹⁵.

FUNDING PRIORITY: PROMOTING ECONOMIC COMPETITIVENESS AND LOCAL DEVELOPMENT

The objectives of the funding priority '**Promoting economic competitiveness and local development**' will be achieved primarily by thematic objectives 'Strengthening research, technological development and innovation' and 'Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF).

Thematic objective: Strengthening research, technological development and innovation

Europe 2020 headline target	Current situation	National 2020 target in the NRP
3% of EU's GDP to be invested in research and development	0.47%	2%

¹⁵ Thematic objectives 1, 10 and 11 according to the draft Regulation

This thematic objective should be implemented in line with the priorities identified in the ERA Communication adopted by the Commission on 17 July 2012¹⁶. The funding priority for this thematic objective translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Increase of private research and innovation development, with the aim at boosting innovation of economic operators
 - Develop incentives for research collaboration between large domestic or foreign companies and SMEs with an innovative approach, involving where appropriate universities and other resource institutions, encouraging start-ups and spin-offs;
 - Increase the research and innovation capacities of firms, including SMEs, supporting technological and applied research and investing in pilot lines and early product validation actions, especially with the aim of creating new products and technologies protected by various forms of IPR (patents, licenses) and boosting high-tech exports;
 - Improve the matching of skills produced by universities and higher education institutions with market needs and promote internships based on collaboration between universities and firms.
2. Supporting R&I infrastructures and capacities to develop excellence centres, relying on future competitiveness clusters and existing capable and connected R&D centres within growth poles
 - Promote the capacity of R&D Romanian institutions to integrate with international networks¹⁷ and the capacity of Romanian R&D institutions to efficiently network with other EU and international partners participating in transnational programmes fostering also Romania's inclusion in the digital European Research Area and e-science;
 - Further strengthening the administrative capacity, streamlining the sectoral governance, including ensuring the role of education for R&I, and concentrating the public resources on the most promising and capable beneficiaries which may include setting competitive working conditions to attract leading scientists.

3. Promoting an innovation-friendly environment for business, through product and service development, technology transfers, networking and clusters

- Revise the intellectual property rights framework with the view of increasing commercialisation of research and innovation by public and private stakeholders;
- Promote the transfer of knowledge and innovation in rural economy through the European Innovation Partnership for agriculture and sustainability;
- Foster the development of clusters and cooperation between clusters organisations and knowledge institutions, including in the maritime, agricultural and green growth sectors ;
- Provide high quality shared access facilities and full package of services tailored to match the needs of innovative companies, including promotion of commercialisation.

¹⁶ COM(2012) 392 final

¹⁷ Including establishing regional or national partner facilities for ESFRI Roadmap Projects and other equivalent world class research infrastructures.

Specific attention should be given to agricultural and agri-food sectors, marine related industries as well as other fields considered to have a high innovative potential;

- Promoting smoother access to finance for start-ups and innovative firms with higher risk profile;
- Supporting products and services innovation through the promotion of creative services, in particular vis-à-vis SMEs and public services.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:

- Revision and alignment of R&I around a limited number of sectoral priorities in those areas in which Romania and its regions have strengths identified by international benchmarking and in those which contribute to address societal challenges and can attract business such as R&I related to health and the transition to a low-carbon economy;
- Ensure an effective coordination and governance, for instance by a government high-level policy coordination body in the field of R&I of an interministerial nature under the umbrella of the Prime-Minister;
- Ensure the efficient use of CSF Funds through synergies with Horizon 2020 activities.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at access to ICT, competitiveness, low carbon economy, climate change adaptation and risk prevention and management and education¹⁸.

Thematic objective: Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms
 - Improving access to support services for SMEs, to foster their development and growth. It would include access to finance, through tailored financing engineering instruments. Easing access to microfinance, especially in the agricultural sector and in particular for young people and those furthest away from the labour market, and microenterprises;
 - Improving and developing local infrastructures and services to the population where necessary for the development of new entrepreneurial activities and diversification of the rural and coastal economy;
 - Supporting the life cycle of enterprises from the setting up (business nurseries, support to investment), and during their life (loan facilities and financial instruments, risk management tools for agriculture, insurance services, etc.), addressing threshold effects which may hamper their growth and development capacities;

¹⁸ Thematic objectives 2, 3, 4, 5 and 10 according to the draft Regulation

- Supporting competitiveness, innovation and the shift towards high value-added in the agricultural sector through modernization of holdings, transfer of knowledge and advisory services.
- 2. Fostering the upgrade of the economy by developing new business models for SMEs, in particular for internationalisation
 - Supporting access to international markets;
 - Promoting the development and the performance of technology-driven industries¹⁹ and increase the innovative potential of enterprises, including to seize the opportunities of the transition to a sustainable, resource efficient and low-carbon economy;
 - Promoting the diversification of activities:
 - i. In the agricultural, forestry and agri-food sectors, interventions should target the creation of new products, processes, marketing channels and entrepreneurial skills;
 - ii. In the fishery and aquaculture sectors, incentives to producers/investors for the diversification of species and production of species with real market prospects (e.g. sturgeon, trout, etc.), to encourage the pluri-activity of fish farms (tourism, leisure, production and selling of fisheries and agricultural products, etc.), while providing specific support for the restructuring and better organization of the producers' organizations, including for the catching sector;
 - iii. Tapping on the potential of the bio-economy sectors in order to maintain and create economic growth and jobs in rural and industrial areas as well as coastal areas in line with the Blue Growth initiative.
 - Integration of primary producers into the food chain, through support for quality schemes, promotion in local markets, horizontal and vertical cooperation, new marketing and networking opportunities, the development of short supply chains and the setting up of producer groups;
 - Harness sustainably the untapped potential of the sea and coast in line with the Blue Growth Initiative, in particular in areas such as blue energy, aquaculture, maritime and coastal tourism, marine mineral resources, blue biotechnology.
- Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:
 - Support will be targeted for ensuring regional and territorial concentration in favour of areas suffering from lower density of SMEs and facing reconversion challenges, in particular in rural areas;
 - Simplified and streamlined access of SMEs to EU financing support, through one-stop-shop mechanisms, receiving the application for support and later disseminating to the various applicable measures;
 - Concentration on activities, products and services of higher added value in areas identified as critical for Romania's future competitiveness, consistent with the national strategies for

research and innovation and smart specialisation which should accompany the existing regional strategies, in particular those developed in the context of the growth poles;

- In agriculture, lower emphasis should be put on the classical farm investments (machinery, storage facilities, etc.), in order to prioritize more innovative, sustainable and value added oriented investments.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at research and innovation, access to ICT, low carbon economy, employment, social inclusion and education²⁰.

FUNDING PRIORITY: OPTIMISING THE USE AND PROTECTION OF NATURAL RESOURCES AND ASSETS

The objectives of the funding priority '**Optimising the use and protection of natural resources and assets**' will be achieved primarily by thematic objective 'Supporting the shift towards a low-carbon economy in all sectors' as well as thematic objectives 'Promoting climate change adaptation, risk prevention and management and 'Protecting the environment and promoting resource efficiency'.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Europe 2020 headline target	Current situation	National 2020 target in the NRP
20% greenhouse gas (GHG) emissions reduction compared to 1990 ²¹	+9% (2020 projected emissions compared to 2005) ²² -7% (2010 emissions compared to 2005) ²¹	+19% (national binding target for non-ETS sectors compared to 2005)
Increase in the share of renewable energy sources in final energy consumption to 20%	+23.6% (2010) ²³	+24%
20% increase in energy efficiency (corresponding to 368 Mtoe)	Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in article 3(3) of the energy efficiency directive. This will be available only by 30 April 2013.--	19% in primary energy consumption (about 10Mtoe).

²⁰ Thematic objectives 1, 2, 4, 8, 9 and 10 according to the draft Regulation

²¹ 30% if the conditions are right.

²² Based on existing measures, Commission report *Progress towards achieving the Kyoto Objectives* (2012)

²³ By 2009, Romania had already reached its 2011/2012 interim target.

Country Specific Recommendation of 2012:
 Implement the measures agreed in the June 2012 Second Supplemental Memorandum of Understanding between the EU and Romania (paragraphs 26 to 28 of Annex 1: deregulation of electricity and gas prices).

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Support to energy efficiency in housing, public buildings and infrastructure, SMEs and the agricultural sector
 - Investing in energy-efficiency and renewable energy in housing and public buildings and facilities through tailored support allowing for leverage effects and targeting high-impact quality measures. For residential buildings low income beneficiaries should be privileged reflecting affordability constraints;
 - Favouring high energy efficiency standards when supporting businesses or equipment measures for economic operators, including in industrial manufacturing and the agricultural and food processing sectors;
 - Increasing energy efficiency in heating and cooling systems, including district heating, through the rehabilitation of heat distribution and transport networks;
 - Supporting advice on energy-efficiency, awareness raising and capacity building for public authorities, home owners and businesses.
2. Promotion of low-carbon transport and public infrastructure in urban areas
 - Developing and implementing sustainable urban transport plans in urban agglomerations, as part of larger low carbon strategies in urban areas;
 - Implementing energy efficient public lighting systems as part of integrated urban development plans.
3. Reduction of greenhouse gas emissions in the agricultural and forestry sectors
 - Enhancing carbon sequestration and emission reduction through agro-forestry systems, forest planting and maintenance; sustainable forestry models of new and existing forests; establishing or maintaining healthy grassland; maintaining peat lands and wider soil organic matter and investing in new forest technologies;
 - Reducing nitrous oxide and methane emissions from agriculture through: support for lower use of nitrogen fertilisers and pesticides, improved livestock management practices (for the treatment of animal wastes) and support for more climate-friendly crop rotation.
4. Promotion of renewable energy sources
 - Facilitating and stimulating the supply, storage, transport and use of renewable sources of energy and of by-products, wastes, and residues;
 - Renewable energy production, including distributed generation and RES heating would be promoted as far as needed to reach the assigned targets, paying attention to

the financial sustainability and to the technology capacity estimations in Tables 10 to 12 of the NREAP²⁴;

- Develop RES innovations, technologies and industries by targeted support schemes for SMEs in the field of production and development of RES technologies as well as support for R&D and cluster initiatives in line with smart specialisation strategies.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:

- Deregulation of electricity and gas prices should be pursued as stipulated in the Second Supplemental Memorandum of Understanding between the EU and Romania and the roadmap adopted by the Government that foresees electricity and gas prices for households to reach market prices by end 2017 and end 2018 respectively;
- Energy efficiency measures should be optimised by leveraging public support through an optimal combination of grant and financial engineering instruments, consistently balanced with the parallel liberalisation of energy prices.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at research and innovation, competitiveness of SMEs, climate change adaptation, transport and education²⁵.

Thematic objective: Promoting climate change adaptation, risk prevention and management
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For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Reinforced adaptive capacity and support the national adaptation strategy
 - Promoting the mainstreaming of required adaptation and risk prevention measures in the concerned sector policies, including the modification of technical norms;
 - Increasing resilience of infrastructure and services with regard to natural risks and adaptation to climate change (e.g. rehabilitation of old infrastructures, coastal erosion preventive investments, river flood protection or specific civil engineering structures or bespoke measures like green spaces in urban areas);
 - Improving marine and coastal observation systems to reduce the uncertainty on the impacts of climate change.
2. Support adaptation measures in the agricultural sector
 - Sustainable irrigation water management, including water efficiency, through water pricing and, the creation of on-farm water storage; support for water-efficient cropping patterns, and the establishment and management of forest protection belts against erosion;

²⁴ Investments in energy technologies and solutions should take into account the Strategic Energy Technology Plan (SET Plan).

²⁵ Thematic objectives 1, 3, 5, 7 and 10 according to the draft Regulation

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. In the water sector, the second phase of the water and wastewater investments entailed and prioritised in the master plans should be implemented by the regional operators, whereas water supply systems should continue to be developed in the rural municipalities;

Thematic objective: Protecting the environment and promoting resource efficiency

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at the low carbon economy, environment protection, education and administrative capacity²⁶.

– A cooperative approach with neighbouring countries in particular in the Danube Strategy's framework is needed.

– Flood risk mapping should be undertaken in all river basins, in cooperation with neighbouring countries with regard to the Danube, and industrial risk mapping needs to be updated;

– The adaptation component of the National Climate Change Strategy should be finalised providing a framework and guidelines for sector action plans and for lower administrative levels;

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:

- Implementing environmental measures in agriculture with a focus on risk prevention and management and forest fire prevention and restoration.
 - Supporting risk management measures such as rapid reaction centres for flood management with recourse to transnational cooperation where more appropriate;
 - Supporting flood risk prevention investments privileging soft and eco-system based measures;
 - Reinforcing administrative capacity, with a focus on economic evaluation and tailored technical skills (development of training infrastructure and programmes, tools and methodologies), for designing and implementing risk prevention plans, including risk mapping and assessment, risk management plans;
 - Supporting flood risk prevention investments privileging soft and eco-system based measures;
 - Supporting risk management measures such as rapid reaction centres for flood management with recourse to transnational cooperation where more appropriate;
 - Implementing environmental measures in agriculture with a focus on risk prevention and management and forest fire prevention and restoration.
3. Support to risk prevention investments and risk management measures
- Ensuring a high potential for adaptation to climate change and diseases and maintaining genetic diversity, especially by supporting local crop varieties and livestock breeds;
 - Improved soil management through support for practices to prevent soil degradation and depletion of soil carbon stock, such as low tillage, winter green cover, woodland on slopes and the establishment of agro-forestry systems and new forests.

For drinking water supply, recourse to remedial actions should be encouraged to meet the applicable quality values including for lead, cadmium, nitrates and pesticides pollution, whereas a sound water quality monitoring system should be further implemented;

Promotion of alternative destinations than landfilling for sludge management should also be continued, in particular for smaller municipalities, whereas water efficiency should be promoted by reducing water abstraction, including through improving the efficiency of existing irrigation systems in rural areas and further reduction of leakages;

Measures to tackle diffuse and point source pollution from agriculture, e.g. by nitrates, phosphorus and pesticides, and to reduce nutrient loads to water courses should be promoted; Support investments in manure storage capacities.

2. In the waste sector, investments supported through the first programming period may be upgraded to the 2020 recycling target and the objectives in the Resource Efficiency Roadmap, also encouraging, whenever relevant, alternative treatment methods of different waste streams; These investments should be designed in view of reinforcing the first steps of the waste hierarchy (prevention, re-use and recycling);
3. Treatment of polluted soils should be given priority. Distinction should nevertheless be drawn between situations generating acute environmental or health threat priority, and other sites. In agriculture, production techniques that enhance the buffer and filter functions of soils, and promotion of management practices that improve the organic matter content of soils should be supported;
4. Regarding air quality, the coordination of urban and any territorial development with objectives related to air quality and atmospheric pollution needs to be strengthened. Adequate and tailored programmes, targeting the polluting sources and intensity should be promoted, together with abatement measures for NH₃;
5. Preservation of biodiversity should be strengthened, with the proper implementation of management plans, but also by collective approaches to the provision of environmental public goods, green infrastructure, farming systems with a high nature value, and sustainable farming practices helping to preserve, enhance and restore biodiversity and related ecosystem services. The management, restoration and monitoring of marine ecosystems and ecosystems related to aquaculture should be promoted. Full consistency of the investments in all Natura 2000 areas with the prioritised action frameworks (PAFs) should be ensured;
6. Implementation of the reformed Common Fisheries Policy (CFP) and the development of sustainable coastal fishing communities along Romania's coast and estuaries (i.e. transition to Maximum Sustainable Yield, transition to a discard ban strategy, improvement of data collection for resource conservation purposes, strengthening the control of the implementation of CFP rules and effective reduction of overcapacity). Romania should in particular identify its fleet overcapacity and promote appropriate adjustments to match the resources productivity;
7. Supporting the sustainable exploitation of marine waters and coastal zones by implementing the Marine Strategy Framework Directive, Integrated Coastal Zone Management (ICZM) and Maritime Spatial Planning (MSP), including related capacity-building activities, in the particular context of the Black Sea.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at low carbon economy and climate change and risk prevention and management²⁷.

FUNDING PRIORITY: MODERNISATION AND REINFORCEMENT OF THE NATIONAL ADMINISTRATION AND OF THE JUDICIARY

The objectives of the funding priority 'Modernisation and reinforcement of the national administration and of the judiciary' will be achieved primarily by thematic objective Enhancing institutional capacity and an efficient public administration as well as thematic objective Enhancing access to, and use and quality of, information and communication technologies²⁸.

Thematic objective: Enhancing institutional capacity and an efficient public administration

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

1. Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance

- The modernisation and reinforcement of the national administration and of the judiciary should be promoted by way or targeted measures, to be reflected in the national strategy under preparation:

- Implement the action plans prepared by the Romanian Government further to the functional review of the World Bank for several ministries and agencies and for the judiciary, as well as of a monitoring structure to ensure progress of implementation;
- Improve the budgetary and legislative process, by streamlined impact assessment and effective consultation procedures;
- Support monitoring and evaluation, as well as policy-making functions within ministries, by staffing and empowering the corresponding units;
- Strengthen the policy and coordination capacity and empowerment at governmental level;
- Reinforce the human resources management capacity, by developing proactive human resources strategies within public administrations, rationalising the evaluation and promotion systems and providing management trainings to public managers;
- Raise the professionalism and attractiveness of the public administration, encouraging harmonisation of remuneration, ensuring transparent recruitment processes and strengthening its independence;

27 Thematic objectives 4 and 5 according to the draft Regulation

28 For the thematic objective 'Enhancing access to and use and quality of, information and communication technologies' only priorities and specific objectives related to this funding priority are included below. Other priorities and specific objectives have been included under the funding priority 'Developing modern infrastructure for growth and jobs'.

- Improve the efficiency and quality of civil justice procedures, including written procedures, small claims, insolvency procedures and enforcement of decisions, and promote the exchange of related best practices and advocate mediation and other alternative dispute resolution;
- Modernise court organisation and develop human resource management, self-administration, accountability and transparency of the judiciary;
- Improve the governance for maritime sectors including data sharing between maritime authorities and functions.
- Parallel implementation on structural measures aiming at improving the public governance and tackling current administrative culture shortcomings, underlying the above deficiencies. They will need to be smoothly designed, tailored to the specific Romanian context, requiring sound cooperation with and ownership of the Romanian government;
- Improving and enforcing deontology rules, regulating in particular the departure of officials for the private sector or the capacity to exercise simultaneous activities. The required measures should stem from critical analysis of the current shortcomings, carried out in close cooperation with the National Agency for Integrity;
- Engaging sound reflection on the decentralised administration, supported by sound consultation process and relying on subsidiarity, budgetary and economic analysis on transferred competences.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance, effectiveness and delivery:

- Adequate funding should be allocated to the investment priority aiming at enhancing institutional capacity and efficient public administration. The support is not limited to training measures; it includes expertise, international exchange of information, consultancy, etc. and can thus be used very strategically and efficiently supporting governmental efforts to reform public services with a view to better regulation, oversight and general good governance;
- The contribution of social partners, NGOs and other relevant stakeholders in employment, social and education policies to the shaping and implementation of policies in these areas is crucial and will become even more important. Therefore, adequate funding for capacity building for these groups should be ensured.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at access to ICT²⁹.

<p>Thematic objective: Enhancing access to, and use and quality of, information and communication technologies (e-government and e-services)</p>

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF Funds:

- Develop, introduce and support the use of e-government instruments (including e-procurement and e-justice), designed with a holistic organisational and modernisation

²⁹ Thematic objectives 2 according to the draft Regulation

Weaknesses witnessed in the functioning of the management of Structural Funds will need to be overcome by implementing in particular the measures entailed in the Priority Action Plan for strengthening absorption of Structural Funds and dedicating special efforts to the simplification of management procedures.

The key principle of sound financial management remains the basis for the development of management and control systems in the next programming period. For Cohesion Policy, the management and control systems for 2014-2020 should build on the positive achievements in the 2007-2013 period. For rural development, Romania should ensure an effective and efficient control environment and be able to confirm in advance the operationality of its control systems.

- The functioning of competent national institutions for public procurement also raised serious concerns, encountering several deficiencies, including lack of consistency, lack of cooperation and mistrust between institutions, uneven quality of decisions issued or reliance on redundant and formalistic verifications.
- The key principle of sound financial management remains the basis for the development of management and control systems in the next programming period. For Cohesion Policy, the management and control systems for 2014-2020 should build on the positive achievements in the 2007-2013 period. For rural development, Romania should ensure an effective and efficient control environment and be able to confirm in advance the operationality of its control systems.
- The functioning of monitoring committees is largely unsatisfactory, artificial and formal, with the lack of participation of stakeholders and absence of ownership;
- The absence of administrative structures at regional level undermines the capacity of national authorities to have a dialogue with regional partners and support regional strategies;
- The functioning of competent national institutions for public procurement also raised serious concerns, encountering several deficiencies, including lack of consistency, lack of cooperation and mistrust between institutions, uneven quality of decisions issued or reliance on redundant and formalistic verifications.
- Lack of cooperation and even mistrust between public institutions, undermining synergies and complementarities;
- Consultation mechanisms are often formal, not allowing for sound and fruitful feedback and are ineffective as many socio-economic partners – Non-Governmental Organisations (NGOs) in particular – often do not dispose of the appropriate professionalism or even independence;
- The functioning of monitoring committees is largely unsatisfactory, artificial and formal, with the lack of participation of stakeholders and absence of ownership;
- The absence of administrative structures at regional level undermines the capacity of national authorities to have a dialogue with regional partners and support regional strategies;

Several structural weaknesses, which have hampered intervention of Structural and Cohesion Funds during the current programming period, will need to be duly tackled:

General assessment and improvement of administrative capacities

C. ADMINISTRATIVE ARRANGEMENTS

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at social inclusion, education and administrative capacity³⁰.

- Increase the offer from public institutions and the use in the society (in particular in rural areas) of e-services (such as e-health, e-education, e-tourism and e-signature), including actions to overcome technological, economic and social barriers for using such services. Initiatives should contribute to the development of the Digital Single Market.
- scheme and accompanied by training to upgrade the skills of the public employees to use e-government tools;

The independence, professionalism, motivation and accountability of managing authorities will need to be further reinforced. Regarding the managing authorities, special attention should be also devoted to the cooperation with sector directorates of the concerned line ministries (managing authorities should not substitute these latter as sole legitimate policy making bodies, but should on the other hand better mainstream these national policies in their financing strategies and mechanisms) and the coordination of intermediate bodies.

Regarding the audit authority, concentration of audit activities under the national office should be envisaged, with respect to the coordination difficulties encountered and the greater exposure of regional offices to local political influences, altering their independence.

With regard to public procurement and the functioning of competent national institutions recommendations stemming from the evaluation carried out by Commission services should be implemented accordingly.

Therefore, for the CSF Funds, Romania is encouraged to reflect, in light of the above issues, on how sound financial management could be further enhanced by the application of simplification, better coordination of Funds and programmes and by cutting administrative costs and burden for the beneficiaries and for cohesion policy, by the wider use of e-Cohesion possibilities.

Support to beneficiaries to ensure project delivery and reducing administrative burden

Further efforts should be devoted to reinforce the capacity of beneficiaries. Whereas tailored assistance could be directly channelled to larger beneficiaries, accompanied by sound ownership and appropriate endogenous reinforcement and restructuring, streamlined assistance should be provided to sectors sheltering a broader scope of smaller and more heterogeneous beneficiaries (tailored guidance, help desk, dissemination of standardised documents etc).

Regarding ESF support, revised and more balanced approach should also be engaged, concentrating funding resources to critical mass of larger and capable beneficiaries, whereas symmetrically the need of smaller communities could be addressed through dedicated calls, related to smaller projects benefiting from higher co-financing rates.

Above all, the administrative burden should be lightened for beneficiaries, for all critical steps of the project cycle (application for funding, payment verification and reporting and monitoring). The simplification should ensure due proportionality of the applicable requirements with the capacity of the beneficiaries, and the risks at stake, regarding payment verification.

Partnership

Partnership structures and arrangements at national, regional and local levels should be reinforced in order to contribute not only at the preparatory stage of programmes but also throughout implementation.

Romania should continue its efforts to reinforce the capacity of social partners and NGOs for EU Funds monitoring, with a view to increasing their input for example in the monitoring committees.

Monitoring and evaluation

Monitoring and evaluation systems need to be adjusted to meet the requirements and objectives of the new regulations, in particular with regard to performance and result orientation. Moreover, it is essential to make better use of evaluation results which requires, in turn, that evaluations are properly designed, planned and focussed on concrete

recommendations that can be acted upon at the appropriate stages of programme and project cycles. Stakeholders, including beneficiaries need to be associated throughout the evaluation process, including design and planning.

The weaknesses detected in the existing information system (SMIS), should be tackled, whereas the use of the system, which has not been used as a management tool, with the recourse to parallel systems for some procedures, should be optimised.

This system should be upgraded for ensuring a smooth and effective transition to the coming programming period to comply with the regulatory requirement. It should also be adapted to the needs of all European Funds, in particular the ESF. At the level of the beneficiaries clear guidance is needed on the data to be put into the system, respecting proportionality principles.