



PHARE *Romania*

1993 INDICATIVE PROGRAMME SUMMARY

Romanian - EC Relations now on New Footing



The foundations of a market economy have been introduced in Romania and significant progress has been achieved. Nevertheless the reform process is hindered by the seriousness of the economic crisis and the effects of the turmoil in neighbouring Yugoslavia.

The Indicative Programme has been drawn up against the background of three important developments: the signing of the Europe Agreements, the recent approval of the Government's four year reform programme and the new PHARE guidelines for 1993-1997.

The new Indicative Programme thus contains new elements, and the priorities of PHARE assistance have been integrated into the Government's medium term Reform Programme. There are no pre-determined allocations to specific areas and the commitments will be decided in the light of forthcoming appraisals of both needs and priorities.

Past PHARE programmes

Since 1991, 230 million ECU have been committed to economic programmes. In addition, 72 million ECU were given to finance humanitarian and emergency aid measures.

In 1991, 60% of the allocated funds covered the sectors of agriculture, health and transport, while in 1992 the emphasis has been put on technical assistance.

In 1992, 87 million ECU (or two-third of total non humanitarian assistance) were committed for technical assistance in various sectors.

Future Priorities

Economic and private sector development

- **Industrial Policy/ Enterprise Restructuring and Privatisation:** this is a core area of the reform programme. It will be done through a combination of financial and technical programmes. PHARE will support the development of a restructuring agency, other support will come from the EBRD and IBRD. Some viable state enterprises will be considered for support by PHARE. The post-privatisation process will be taken into account as well as the social and environmental dimension of the restructuring process.

In addition, PHARE will also help with the establishment of Investment Funds to support the restructuring process. This will also include restructuring and privatisation of agro-industries.

- **Development of Financial Infrastructure:** the development is closely linked to the emergence of the private sector because of the differences in the financial infrastructure existing in Romania. PHARE will continue to support this area so that it can better serve the needs of the business and consumer sectors. Specific programmes will concern restructuring of public and private sector banks in order to facilitate financial transactions in the economy.

- **Development of Small and Medium Sized enterprises:** SMEs are very important for a strong market economy and are therefore a key to the reform process. PHARE will support these actions through the Romanian Centre for Small and Medium-Sized Enterprises (CRIMM). Measures promoting SME servicing will also be considered.

- **Agriculture and Land reform:** This important sector will continue to be supported by PHARE. It will partly continue to support activities already started such as land reform or the rural credit guarantee system. Of particular importance will be the support for restructuring and privatisation at farm level.

- **R & D policy:** the follow-up will be the future development of the research industry and the adaptation of its infrastructure in accordance with key national priorities.

Human resources, employment and social development

- **Human resources:** in this sector, PHARE will closely work with the World Bank to support the reform of the education system, focusing on issues such as certification and finance. Participation in TEMPUS should be considered.

- **Public health and occupational safety:** the improvement of living and working conditions is also a priority

area for policy reform, in particular concerning primary health care. PHARE will help to develop appropriate institutional and financial arrangements with a view to the progressive adaptation to EC standard.

- **Social and employment policy:** this is also an area of major importance. PHARE, on the basis of the work carried out by the World Bank will focus efforts in helping to develop adequate measures to maintain minimum household income levels and to combat poverty. The development of local employment initiatives is foreseen by 1995. Support for social dialogue will continue.

Institutional reform and public finance management

- **Public and local administration reform:** the public administration's modernisation process will be continued. On the basis of the experience of SIGMA (a regional public administration support programme that has been running since 1991), support for comprehensive staff training and management development is foreseen for both local and central administration.

- **Civic society:** a specific programme for NGOs is envisaged, which could provide management training and support for information networks.

- **Statistics:** continuing support for the computerisation of the statistical office is foreseen for 1994.

- **Customs and Financial Instruments:** the priority will be to computerise the Romanian Customs Administration in order to increase fiscal revenue collection and to improve trade procedures. The plan also includes drafting the required legislation. Additional support will be required to restructure and modernise the fiscal system (by introducing VAT, running a proper Income Tax system etc.) and to improve the means of revenue collection.

- **Public Investments:** a specific emphasis is needed in this sector given the present low level and quality of public infrastructure. Of particular importance will be development of systems allowing priorities to be identified and acted upon, including rigorous cost/benefit analysis.

- **Europe Agreement:** following the signature of this agreement, technical assistance is required to assist Romania in the implementation of the agreement. The following categories could be covered by PHARE: Technical Assistance, legal advice and training; general training activities in EC matters; and public information and education activities.

Other areas of assistance

- **Infrastructure development:** PHARE may provide additional assistance focused on policy definition and related institutional restructuring, particularly in the areas of transport, energy and telecommunications.

Preparation will be made to define appropriate institutional and financial mechanisms for other areas of assistance.

PHARE Assistance: '93 to '94

The Government has considered the expected contribution of PHARE to its medium-term Reform Programme and decided that PHARE assistance should focus on private sector development; human resources, employment and social policy development; institutional reform and public finance management.

In the economic sector, the main goal will be facilitating the process of restructuring and privatisation in a way compatible with all social and environmental implications.

Human resources, employment and social policy development will be dealt with the assistance of other donors such as the World Bank. Health and safety will be a new preoccupation.

The third strategic area for PHARE concerns the management of public finances, including fiscal policy and customs, to support the administration's restructuring efforts at national and local level. The development of the role of the NGOs and support to civic society are also foreseen.

A period of three years has been adopted for the priorities described here.

The criteria guiding the selection of activities are:

- high priority in the Government's medium term reform programme;

- building on previous PHARE efforts as much as possible;

- concentrating effort on a limited number of core activities;

- maintaining a balanced programme of assistance between economic and social priorities;

- promoting Europe Agreement objectives;

- combining impacts at central and local levels and involving non-governmental bodies as much as possible.

For each area of activity the level of financial commitment will be determined together by the Commission and the Government. This will be the basis for agreeing allocations to specific activities, for designing detailed programmes and for preparing financing proposals. Explicit performance measures and targets in the medium and long terms have been agreed by both parties.

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1993 Funding

To support the priorities defined, the Community will make available 130 million ECU for commitment to Romanian programmes in 1993.