

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR ROMANIA

**REPORT ON THE INVITATION TO THE PUBLIC
TO COMMENT**

PUBLIC

1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Romania was posted on the EBRD website in English and Romanian for 45 calendar days, starting from 13 July 2015 to 27 August 2015. The previous Strategy was also made available on the website in English and Romanian at <http://www.ebrd.com/downloads/country/strategy/romania.pdf>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through social media platforms (e.g. Facebook and Twitter).

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with civil society organisations (CSOs) on 27 November 2014 in Bucharest to gather civil society's feedback during the preparatory phase leading to the draft strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff involved in the Strategy preparation process, including senior political councilors and economists.

The consultative meeting was chaired by the Head of the Resident Office in Romania. The workshop attracted civil society representatives from four local civil society organisations. The summary of the meeting and list of participating organisations are provided in the Annex to this report.

During the consultation period no comments were received by the Bank in written format.

ANNEX 1

Summary of EBRD meeting with civil society – 27 November 2014, Bucharest

On 27 November 2014 the EBRD Resident Office in Romania hosted a workshop with civil society representatives in Bucharest. The event was attended by four participants from local civil society organisations, including NGOs working on good governance, think tanks and economic research institutions. Following a presentation on the Bank's activities and key operational priorities in the forthcoming EBRD Strategy, the floor was opened for a roundtable discussion on a wide range of topics, including the socio-political context, transparency and good governance, private sector competitiveness, the development of the SME sector and the remaining challenges of EU membership.

Participants welcomed the Bank's approach in consulting civil society at an early stage of the country strategy process and encouraged the Bank to pursue dialogue with civil society as part of institutional decision-making processes. CSO representatives furthermore broadly endorsed the main operational priorities set forth in the upcoming country strategy for Romania.

Corruption, transparency and good governance

Transparency and corruption were among the main concerns for civil society participants, who pointed to the 2014 Corruption Perception Index (CPI) according to which Romania was ranked 69th out of 175 countries around the world for corruption. CSO representatives claimed that corruption affects both the central and local levels of government, with public resources being spent in a preferential manner, including through opaque public procurement procedures. CSO representatives also suggested that although the EU Progress Report under the Co-operation and Verification Mechanism attests a positive track record for anti-corruption and integrity institutions in fighting high-level corruption, further challenges lie ahead with regards to judicial independence and the rule of law. Civil society representatives moreover considered that the corporate governance of state-owned-enterprises was not transparent and required significant improvement – an area where EBRD expertise could prove highly beneficial. The Bank assured participants that it will continue to encourage and support the privatisation of SOEs in relevant sectors via strategic sale or partial public listing, as well as champion improvements in corporate governance and efficiency in line with the new corporate governance code of the Bucharest Stock Exchange developed with the support of the Bank. The EBRD will moreover broaden its policy dialogue with the authorities to address complex issues such as independent and professional management for state-owned companies.

European integration and the absorption of EU funds

Participants pointed to the fact that Romania currently ranks last in the European Union in terms of its absorption of EU funds for 2007-2013, largely due to a lack of

administrative capacity, strategic coherence, project implementation, as well as corruption in the allocation and disbursement of funds. In addressing this challenge, the Bank intends to continue its cooperation with the EU, other IFIs and the government to stimulate a fuller absorption of EU Structural and Cohesion funds, particularly in those areas where transition gaps are most significant.

Private sector competitiveness and business climate

Civil society participants expressed concern about the business climate and private sector competitiveness in Romania, which scored poorly in many competitiveness surveys such as the World Bank's Doing Business 2015 Report (48th out of 189 countries). According to CSO representatives, this is mainly due to bureaucratic obstacles to doing business, corruption, inefficient governance of state-owned enterprises and poor infrastructure. This has also contributed to a significant decline in foreign direct investments during the past few years. The Bank considers that substantial restructuring, commercialisation and privatisation remains necessary across numerous sectors. It will seek opportunities to support the local corporate sector, and to stimulate foreign direct investment with the overall aim of bolstering domestic competitiveness. The Bank will also support export-oriented companies and innovative producers of higher value added goods.

Inclusive growth and the development of the SME sector

According to civil society participants, there are several factors constraining the development of the SME sector in the country, including the poor business climate, improper procurement procedures, and the shortage of business skills in some regions of the country. Moreover, participants claimed that access to finance remains limited for SMEs, in particular for companies located outside the more advanced regions of the country. These areas are affected by the lack of investment inflows and poor quality of infrastructure, which exacerbates regional disparities and inclusion problems. Leveraging its recently reinforced SME finance and development capabilities, the Bank informed CSOs of its plans to support competitiveness and sustainable growth of SMEs with viable business models through investment and business advice. It will seek to stimulate sustainable, commercial lending to SMEs and MSMEs with the help of various financial instruments, including local currency financing, dedicated frameworks and credit lines, and other suitable instruments. The Bank will also step up its efforts to improve the business environment through policy dialogue and will promote the adoption of good management, financial transparency and integrity best practices by MSMEs. The EBRD will furthermore support investments in the less developed regions of Romania with a view to promoting inclusion and regional integration.

Sustainable energy policies

Representatives of civil society organisations shared their expectations in terms of the role played by the EBRD in enhancing compliance with environmental and social standards by companies, and advancing corporate social responsibility practices. EBRD representatives assured CSO participants that the Bank's Environmental and Social Policy and Performance Requirements will apply to all projects carried out in Romania. The Bank will moreover support Romania's transition to a low carbon economy by encouraging energy production from renewable and environmentally sound sources, and

provide technical assistance to corporates employing energy-saving technologies consistent with the Bank's Sustainable Energy Initiative (SEI). The EBRD will focus on promoting energy efficiency both on the demand side, working directly with large industrials and indirectly through financial intermediaries for SMEs and larger enterprises, and also on the supply side, through smart metering and grid solutions. The Bank will also support the development of Romania's energy sector by targeting investments to upgrade its transmission and distribution infrastructure. The EBRD will furthermore promote better corporate governance for SOEs in the energy sector by leveraging Bank finance with corporate governance action plans similar to those currently underway with Romgaz and Electrica.

List of participating organisations to the consultation meeting in Bucharest on 27 November 2014

1. Romanian Academic Society
2. Academy of Economic Studies
3. Social Governance Centre
4. Expert Forum