

PUBLIC

DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

STRATEGY FOR ROMANIA

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

1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period on the Bank's Strategy for Romania and provide the Bank's management responses.

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 11 February 2020. The public was invited to comment on the draft strategy no later than 23 March 2020. The previous strategy was also made available on the EBRD website at <http://www.ebrd.com/where-we-are/romania/overview.html>.

Information about the public consultation process was posted on the EBRD's dedicated Consultation Hub, which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. The Communications Department also advertised the public consultation on social media. 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.

During the consultation period, one set of written comments was received by the EBRD.

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 on 5 December 2019 in Romania. The objective of the meeting was to gather civil society's feedback during the preparatory phase for developing the draft strategy. The consultation was hosted by the Resident Office in Bucharest and attracted 10 participants from different civil society organisations. The EBRD was represented by the Head of the Resident Office; the Economic, Policy and Governance team; the Country Strategy Coordination team and the Civil Society Engagement Unit. The summary of the meeting and the list of CSO participants to the consultation process are provided in the Annex 1 to this report.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Comment	EBRD Response
<i>Priority 1 - Promote investments in sustainable infrastructure and regional development</i>	
<i>Key objective 2 – Improved quality of sustainable infrastructure for effective/efficient economy interactions</i>	
<p>Gas transmission, distribution networks, and gas interconnection projects are not perceived by environmental organisations as sustainable investments. Given the recently adopted 2050 climate neutrality targets, investing in gas is considered risky as costs of disinvestments should be taken into consideration in 20 years from now. This energy approach would put Romania in a situation where the country should phase-out both from coal and gas, thus delaying a transition to clean energies. In addition, investments in natural gas infrastructures are not regarded as suitable to support Romania's decarbonisation path. According to environmental organisations, this type of infrastructures is constantly losing methane, a greenhouse gas with a 23 times higher impact than carbon dioxide. These investments risk becoming stranded assets in view of the forecast of the natural gas consumption in the final energy mix consumption for the period 2005-2017 and for the period 2020-2035. According to the Romania National Energy and Climate Plan, during the 2005-2017 period the use of natural gas in the final energy consumption followed a constant decrease and the estimates for the 2035 timeframe show that, despite a little increase in 2025, the use of natural gas will still remain at 2017 levels. In view of these findings, high investments in natural gas projects may pose serious financial risks.</p>	<p>The EBRD, as well as many other institutions, considers natural gas vital in supporting the development of renewable energy, which is intermittent by nature. Gas interconnectors are essential for developing a common gas market and provide alternative sources of gas for countries depending on one source. The EBRD will consider financing gas transmission and distribution projects in line with the EBRD Energy Sector Strategy and applicable EU directives on supporting a common energy market and gas market. The EBRD will continue to support applicable projects subject to satisfactory due diligence on carbon shadow pricing analysis, which is now mandatory for all the projects considered for financing by the EBRD.</p> <p>In line with the EU Green Plan, a huge capacity of renewables will gradually be installed in the next 30 years. During these 30 years, there will be the need for gas generation to balance the coal phase-out, in view of the upcoming closure of over 3000MW of lignite and coal power plants in Romania. Therefore, it is expected that investments in gas generation will not be turned into stranded assets for the next 20-30 years. Same as above, any such projects will be subject to our shadow carbon pricing analysis and the final financing decision will be made based on such analysis.</p>
<p>Civil society encouraged the Bank to develop more quantifiable indicators when it comes to investments in electricity and gas</p>	<p>Tracking indicators used in Country Strategies of the Bank are selected from a standardised Compendium of Indicators, this ensures that the results of</p>

<p>transmission, distribution networks and off-shore gas fields development.</p>	<p>these indicators is regularly collected and reported on. Such indicators usually cover selected key broad topics, while focused assessments such as those looking at gas transmission and distribution networks are to be covered by project specific, more detailed evaluations</p>
<p>Special attention must be paid to the existing legislation, which has been put through an intensive amendment process to ease the implementation of projects of national importance in natural gas and electricity transmission.</p> <p>The current measures provisioned for the implementation of such projects are based on what are perceived to be questionable derogations from laws set to protect the environment, protected natural areas as well as property rights.</p> <p>Civil society indicate that these legislative changes were made without the necessary degree of transparency and public participation standards to decision making processes. Due to these legal derogations, this type of projects can be implemented in protected areas, occupy indefinitely and free of charge forestry lands belonging to the state, and overall benefit from other law derogations made to speed up their development.</p> <p>According to civil society, investments should be conditioned to an improvement in environmental protection legislation and clear and strict public consultation procedures at all project levels. Consequently, the following suggestion is made for Key Objective 1 – Improve the quality of institutions - “supporting improved governance, such as for prudent policy formulation, project preparation and implementation, and strengthening of regulatory frameworks and regulatory bodies.”</p>	<p>The EBRD Strategy for Romania recognises that governance will be needed to improve the business climate and address Romania’s transition gaps. The Strategy further recognises that government effectiveness remains particularly low for EU standards and is the weakest governance dimension as measured by the World Bank’s Worldwide Governance Indicators (WGI). Strategic planning in policy-making is identified in the Strategy as one of the major challenges in the area of governance. Through continued engagement with the public sector, including at sub sovereign level, the EBRD expects to support efficient sustainable infrastructure thereby supporting the improvement of the quality of institutions and related implications at regulatory level.</p> <p>In this context, Objective 1 states that the Bank will aim to improve the business climate by supporting improved governance, such as for prudent policy formulation, project preparation and implementation, and strengthening of regulatory frameworks and regulatory bodies. Enhance cooperation with other International Financial Institutions will be part of this effort.</p> <p>The EBRD believes that Objective 1 reflects the nature of the comment received.</p>
<p>Quantifiable indicators should be set up for Just Transition investments, such as number of municipalities that benefit from investments in Just Transition or number of miners reskilled/re-hired. Clearer and more stringent sustainability criteria should be in</p>	<p>Tracking indicators used in Country Strategies of the Bank are selected from a standardised Compendium of Indicators, this ensures that the results of these indicators is regularly collected and reported on. Such indicators usually cover selected key broad topics while focused assessments such as</p>

place for the implementation of investments in the production of biofuels and biochemical.	those looking at Just Transition are to be covered by project specific, more detailed evaluations
Key objective 3 – Increased access to municipal infrastructures unlocking economic opportunities	
Investments in energy efficiency should target the whole residential sector (public and private buildings) given the fact that the latter had the highest share of total final energy consumption during almost all 2005-2017 period, with the evolution of the final consumption not registering major changes throughout the years. Specifically, the investments should target the thermal rehabilitation of buildings in the public administration sector, apartment blocks, single-family dwellings, educational establishments, public hospitals as well as buildings for commercial purposes. Other solutions should be implemented in order to provide the necessary thermal comfort along with the use of renewable energy.	The EBRD actively supports and plans to further invest in green buildings in Romania both in the municipal, residential and commercial sectors, through the mentioned Green and Smart city actions and investment in green buildings in the property and tourism sector, mentioned under Priority 1. The EBRD also finances residential buildings under the Green Economy Financing Facilities for Romania (https://ebrdgeff.com/romania/ where we also offer green mortgages).
Priority 2 – Support Productivity through Corporate Expansion, Innovation and Skills Upgrade	
<i>Key objective 3 – Access to skills development (incl. skills mismatch reduction)</i>	
<p>When it comes to the process of decarbonisation and transition from coal, the investments need to be focused on alleviating the socio-economic costs of the transition. These could target, inter alia, investments in the creation of new businesses; upskilling and reskilling of workers; implementation of projects based on renewable energy and measures for energy efficiency; land restoration and regeneration, and decontamination of sites.</p> <p>Reskilling of people who may lose their jobs in the coal sector should be indicated as priority. Such activities could include reskilling and retention programmes for people affected by the layoffs from the decreasing coal industry.</p>	<p>The EBRD Just Transition Initiative includes a focus on supporting companies with advisory measures for inclusive workforce planning and developing tailored re-skilling and up-skilling programmes - in collaboration with education institutions - towards new internal and external roles for which there is going to be an economic need. Such programmes will be designed as comprehensive support packages including training along with career guidance, job search counselling services and support for companies to foster the exchange of such practices with affected suppliers.</p> <p>This support will aim to address broader labour market needs. Measures will include <i>inter alia</i> developing relevant Labour Market Information Systems; promoting sharing of workforce data; strengthening the role of sectoral associations and regional/local authorities in the coordination and support to</p>

The investments should be designed according to the provisions of the ‘territorial just transition plans’ that the regions planning a ‘just transition’ need to elaborate. In this manner, the investments and projects intended to support this process will target the exact needs of that particular region.

external redeployment; introducing formal apprenticeship frameworks for newcomers as well as other policies and strategies to reduce the negative impacts of the transition on workers directly and indirectly impacted (particularly if disadvantaged or from otherwise vulnerable social groups).

To ensure a long term-vision, policy-level activities might also include support to skills systems to identify, prioritise and address new skills needs related to the transition. The activities may also aim at engaging with sector skills councils and other public-private skills training partnerships to assess whether existing occupational standards and Technical and Vocational Education and Training (TVET) courses for younger and older adults are fit-for-purpose.

Moreover, on the policy side, there should be a focus technical assistance and capacity building for civil servants and administrators to improve know-how towards policy innovation at local level on issues related to integrated economic development and programming, long-term strategic planning and foresight for decision making and investment processes, policy design for resilient and inclusive local labour markets and business ecosystems, and effective procurement and management of dedicated funding streams for training and placement from the EU or other sources.

EBRD Strategy for Romania

Consultation with civil society, 5 December 2020

(EBRD resident office in Bucharest)

Summary of key messages from CSOs:

Good Governance

- Civil society highlighted the importance of fostering meaningful opportunities for multi-stakeholder dialogue with the public and private sector with the objective to increase public awareness on investment projects of public interest.
- An independent judiciary and freedom of the media are identified by civil society as essential elements for a competitive market and the overall development of the country.

Business environment

- Civil society identified the following main barriers to a healthy business environment: low level of competition among the SMEs sector; scarce support for entrepreneurship opportunities; financial exclusion of segments of the population, in particular in rural areas and other underserved regions; skills shortage in particular of ICT skills that could support digital transformation.
- Civil society is in particular supportive of the EBRD's support for economic diversification, SMEs and entrepreneurship opportunities. The EBRD was also encouraged to focus more extensively on regional integration.

Green economy

- Environmental organisations expressed significant dissatisfaction with fossil fuel investments in Romania.
- Civil society organisations encouraged the government to prioritise environmental protection with a particular focus on the adoption of the new Green New Deal for Europe.
- It is important that EBRD's investments in Romania are aligned with the global sustainability agenda with the primary objective to support transition to green and sustainable energy resources.

List of CSOs participating to the consultation process

1. Aspen Institute
2. CEE Bankwatch Network
3. Director, Freedom House
4. Transparency International Romania
5. The American Chamber of Commerce in Romania
6. European Institute for Romania (IER)
7. Centre for International Private Enterprise (CIPE)
8. Energy Cities Network Romania (OER)
9. Terra Ecologica
10. Terra Mileniul Trei