

TERMS OF REFERENCE

Project: Facilitating structural programs implementation

Project Owner:	MEF State Secretary in charge with the issue (TBA)
Project Manager:	A MEF manager from the Authority for Coordination of the Structural Instruments (TBA)
Deputy Project Managers:	A Ministry of Transportation (MoT) manager A Ministry of Development, Public Works and Housing manager (TBA) A manager from RBA or a bank
<u>Technical Anchor (TAN):</u>	<u>TBD</u>
Project Working Group:	Representatives of banks, NBR, guarantee funds, Association/Federation of the Local Public Authorities, business associations, etc

I - Background

The Structural Funds were created to help those regions, within the European Union, whose development is lagging behind. The aim is to reduce the differences between regions and create a better economic and social balance within and between Member States.

Under the European structural funding, Romania will get EUR 20 billion support in the period 2007-2013 in order to be used in a wide range of sectors and sub-sectors namely, agriculture, food industry, transport, infrastructure, environmental projects, energy projects, waste treatment and waste collection, water treatment, sewers, water gaining, consultancy, construction, roads, technical equipment, specialized services for SMEs, modernization of industrial companies, purchase of machines and production lines, technology parks, scientific parks, incubation centers and logistical parks, tourism and renovation of existing buildings and infrastructure. The national co-financing (beneficiaries' own funds, budget allocations and bank loans) will be of more than EUR 5.5 billion.



The implementation authorities in the involved ministries are currently preparing the implementation guidelines. In order to clarify the provisions of the current procedural framework for implementing the structural programs and to ease its application for users and co-financing entities, authorities would need to open a dialogue with all involved stakeholders. For example, one issue to be addressed is that of the financing schemes for the local authorities' projects where while banks are required to commit themselves to financing through the Comfort Letters, the implementation guide doesn't provide the banks' right to pre-approve the expenses to be further covered out of the loan proceeds. Clarifications or amendments to the respective regulatory framework would increase the utilization ratio by offering some more control tool on the loan utilization (as in SAPARD case).

At the same time, NBR clarifications on the credit risk applicable to the LGs issued by the guarantee funds would also facilitate structuring of the collateral schemes under loans co-financing with EU structural funds.

The dialogue between all the relevant stakeholders resulting in a clear, coherent, uniform and easy applicable operational and legal framework would contribute to the increase in the absorption rate for structural funds and to the country economic development.

As EU programs and structural funds are a complex domain, with specific responsibilities and regulatory framework for each program, the project will focus on the infrastructure program, building on previous experience in other programs and transferring the identified solutions to others.

II - Project Objective

To prepare a document presenting the proposed solutions for facilitating structural funds absorption under the infrastructure program, based on a comprehensive assessment of the roadblocks perceived by the users and co-financing institutions.

III – Intended Strategy

The project management group (Project Owner, Project Manager, Deputy Project Manager, supported by the SPI Secretariat) acts based on the mandate received from the SPI Committee to prepare a document presenting the proposed solutions for facilitating structural funds absorption under the infrastructure program, based on a comprehensive assessment of the roadblocks perceived by the users and co-financing institutions.

The project management group (PMG) should gain a satisfactory understanding on the drawbacks and/or unclear issues perceived by various stakeholders in the application of the current regulatory framework.

Based on information and documentation provided by PMG, SPI Secretariat will prepare a compilation of the existing legislation on the matter, to be used in the further dialogue with stakeholders.



PMG, with SPI Secretariat support, should list all the stakeholders and enter into dialogue with them in order to get their views on the difficulties in implementing the program on infrastructure and on the possible solutions, and to assess the level of the stakeholders' involvement in the project (representation in the PWG or punctual interventions at significant stages of the project).

PMG should seek to use similar experiences of other ministries involved in the implementation of structural programs.

PMG, with SPI Secretariat and RBA- Technical Commission on Lending support, should conduct an industry survey in order to gather all the issues to be clarified/modified with/by authorities and other stakeholders. The banking survey should be also used to gather banks' representatives for the PWG.

Based on the information gathered as described above, the SPI Secretariat will prepare an issues paper for PWG discussions. PWG should identify possible solutions to the raised problems and should agree on the optimal ones.

After consultations with relevant stakeholders, the solutions addressing all stakeholders' concerns should be presented for SPI Committee endorsement.

The approved proposals should be forwarded to the responsible party for implementation and the project output should be disseminated to all stakeholders and to other ministries involved in the implementation of structural programs.

PMG and SPI Secretariat should follow the implementation of the proposals and inform accordingly SPI Committee, PWG members and stakeholders.

IV- Methodology: from kick off to the accomplishment of the project

Preparation of PWG 1st meeting (PM/DPM and SPI Secretariat)

The Project Owner will appoint PM and ask the other two ministries and the RBA to appoint the DPMs. SPI Secretariat will draft the invitation letter.

The project management group (PMG) will build a common understanding on the drawbacks and/or unclear issues perceived by various stakeholders in the application of the current regulatory framework.

SPI Secretariat will prepare a compilation of the existing legislation on the matter, to be used in the further dialogue with stakeholders.

PMG, with SPI Secretariat support, will establish the list of all stakeholders and will contact the relevant institutions. The discussions held by PMG/SPI Secretariat with the stakeholders aim at inventorying all the difficulties in implementing the structural



programs and ideas for the possible solutions, and at assessing the stakeholders' future involvement in the project (representation in the PWG or punctual interventions at significant stages of the project).

PMG should seek to use similar experiences of other ministries involved in the implementation of structural programs and the experience of other EU new member states.

In order to prepare the bank survey, PMG/SPI Secretariat will have consultations with RBA Lending Technical Commission. SPI Secretariat will send the questionnaire approved by PMG to banks through RBA; the questionnaire will include also the invitation to participate in the PWG and questions on the expected impact on the banks' balance sheets and profit & loss accounts.

Based on the information gathered from discussions held and from the centralized results of the bank survey, SPI Secretariat will prepare an issues paper.

After PMG clearance and before the 1st meeting, SPI Secretariat will send to PWG members the following documents:

1. An issues paper prepared by the SPI Secretariat;
2. Draft TORs prepared by SPI Secretariat and endorsed by PO and PM/DPMs.

PWG 1st meeting

1. PWG members agree on TORs prepared by SPI Secretariat and endorsed by PO and PM/DPM;
2. PWG members discuss the issues paper prepared by the SPI Secretariat;
3. PWG members take stock of the drawbacks/unclear issues perceived by various stakeholders in the application of the current regulatory framework;
4. PWG members outline possible solutions to overcome the difficulties in implementing structural programs;
5. PWG decides if international/domestic technical assistance is needed and the expertise profile.
6. PM/DPM establishes **homework**:
 - SPI Secretariat: prepare the minutes of the meeting and a table with issues, identified solutions, their advantages and disadvantages and implementation way (type of regulation to be modified and responsible party);
 - PWG members: provide input on the documents prepared and sent by SPI Secretariat.

SPI Secretariat will centralize individual contributions and will send the document to PWG before the second meeting.



SPI Secretariat will perform RIA calculations based on the data provided by banks.

SPI Secretariat will take the necessary steps for contracting the technical anchor, if needed.

PWG 2nd meeting

1. PWG members discuss and agree on the possible solutions and implementation ways and steps;
2. PWG members validate RIA findings;
3. PWG members formulate the regulatory amendment proposals;
4. PWG members establish the stakeholders to be asked to provide input on the proposals.
5. PM/DPM establishes **homework**:
 - SPI Secretariat: prepare the minutes of the meeting and a draft document to be sent to stakeholders and technical anchor for feedback;
 - PWG members: provide input on the documents prepared and sent by SPI Secretariat.

SPI Secretariat will send the documents to relevant stakeholders and technical anchor and will centralize their inputs. SPI Secretariat will send the draft document including these opinions and RIA results to PWG members before the third meeting.

PWG 3rd meeting

1. PWG members discuss and approve the final position paper;
2. PWG discuss and agree on the stakeholders' responsibilities for implementing the proposals in a short timeframe;
3. **Homework**: SPI Secretariat: integrate all the views expressed into the final document to be presented for SPI Committee endorsement.

V- Output

PWG 1st meeting

- PWG members agree on the list of issues;
- PWG members agree on possible solutions;
- PWG members send individual contributions;
- SPI Secretariat prepare table on possible solutions, pros and cons, and implementation ways.

PWG 2nd meeting

- PWG members agree on solutions and implementation ways and steps;
- PWG members validate RIA findings;



- PWG members formulate the regulatory amendment proposals;
- PWG members agree on the stakeholders to be asked for feedback;
- SPI Secretariat drafts position paper.

PWG 3rd meeting

- PWG members approve position paper;
- PWG agree on stakeholders' responsibilities in the implementation process;
- SPI Secretariat finalizes and sends the document to SPI Committee for endorsement.

VI - Project Team

The team is composed of:

- Ministry of Economy and Finance, National Authority for Coordination of the Structural Instruments and other involved departments/institutions (PMU, Certification and Payment Authority, etc)
- Ministry of Transport (MoT)
- Ministry of Development, Public Works and Housing (MDPWH)
- SMEs Credit Guarantee Fund
- Business Associations
- NBR
- Association/Federation of Local Public Authorities
- RBA and banks

The team will be chaired by the Project Manager (a manager from MEF) and co-chaired by 3 Deputy Project Managers (MoT, MDPWH and RBA).

SPI Secretariat will report periodically to PO on the project progress.