

EVALUATION OF DFID COUNTRY PROGRAMMES

COUNTRY STUDY: Romania 1997-2003

Principal Author
John Gray



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The opinions expressed in this report are those of the authors and do not necessarily represent the views of the Department for International Development.

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PREFACE

This evaluation of DFID's Romania Country Programme is a component of a three-country pilot evaluation exercise designed by DFID's Evaluation Department in 2003. The pilot exercise, which also included studies of the Brazil (**Report EV 653**) and Cambodia (**Report EV 654**) programmes, was developed to address a gap in DFID's evaluation coverage and to respond to a growing demand across DFID for systematic lesson learning at the country level. A further report (**EV 652**) summarises the findings of the three country pilot country programme evaluations (CPE) and makes recommendations for how CPE should be taken forward within DFID.

The programme had two specific aims:

- 1) to develop appropriate approaches and methodologies for the evaluation of DFID programmes at the country level;
- 2) to assess the relevance, appropriateness, efficiency and effectiveness of the DFID country programme in achieving intermediate development impacts.

Inclusion of the Romania country programme in the pilot study was, in part, due to the desire of the DFID's country team to draw upon evaluation findings in the preparation of a new country plan scheduled to occur during 2003–04.

The evaluation covered the period 1997, the formation of DFID as an independent government department, to 2003.

The study was managed by Arthur Fagan and Lynn Quinn of Evaluation Department in conjunction with the appointed study consultants Oxford Policy Management (OPM).

Preparatory work started in June 2003 and an initial visit to Romania took place between 29 July and August 1. The main in-country activity, undertaken between 6–17 October 2003, was followed by a series of interviews with key personnel in the UK. Analysis of data gathered and preparation of the draft evaluation report was concluded in July 2004. In accordance with EvD policy, considerable effort was expended in communicating lessons learned throughout the evaluation process. In support of this, the study team formed a Core Learning Partnership intended to bring together DFID personnel, Romanian government officials, representatives of multilateral and bilateral donor partners, national project partners as well as relevant national and international development consultants. Following preparation of the draft report, all stakeholders were encouraged to provide comment on the document. The consultation process concluded with a seminar in London during July 2004, following which a number of factual corrections were made to the report text.

Key study conclusions were:

- the programme was largely successful due to DFID's understanding of local circumstances, flexibility, willingness to take risks, ability to adapt to circumstances on the ground and to respond more rapidly than other agencies;
- the technical assistance provided by DFID was generally high quality, committed and long-term. In particular, DFID advisers, though London-based, were able to identify and support key development opportunities;
- most CSP period projects were designed to complement and add value to much larger EC and World Bank programmes, with the most influential often being small, strategic contributions delivered early in the multilateral planning process;
- the programme was less successful when it attempted to support central public sector reforms at a time in the late 1990s when the government's commitment to reform and its capacity for policy formulation was weak. It was also less successful at influencing multilateral programmes when it simply provided technical assistance or add-on components but had not been involved as a partner from the outset;
- for most of the period, the Romania programme was a low-key operation directed from London, which depended heavily on the delivery of project-based contracted technical assistance (TA) services as the main vehicle for change. Only in the final years of the programme was an attempt made to break out from this limited role, as evidenced by the attempt to achieve strategic influence at a high level of government through the public sector reform programme and through support for the Commission on Poverty Alleviation and Social Inclusion Promotion (CASPIIS).

M.A. Hammond
Head, Evaluation Department

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It should be noted that Appendices B, C, and D do not form part of the evaluation of the DFID programme but were commissioned as background papers.

The team would like to express its gratitude for the assistance provided by a wide range of individuals who have been interviewed or who have contributed material for the study.

Oxford Policy Management

ACRONYMS AND ABBREVIATIONS

| | |
|--------|--|
| ANOFM | Romanian Unemployment Agency |
| AZM | Agency for Mining Regions |
| BBC | British Broadcasting Corporation |
| BC | British Council |
| BE | British Embassy in Bucharest |
| BNS | National Trade Union Block (a Romanian unions' association) |
| CAS | Country Assistance Strategy (World Bank) |
| CASPIS | Commission on Poverty Alleviation and Social Inclusion Promotion |
| CDF | Comprehensive Development Framework |
| CDR | Democratic Convention of Romania |
| CEE | Central and Eastern European |
| CFBT | Education Reform Pre-University |
| CGMC | Central Group for Mine Closure |
| CIMP | Centre for Improvement of Management Performance |
| CLG | Core Learning Group |
| Codecs | Romanian MBA programme, joint project with Open University, UK |
| CSEED | Central and South-East Europe Department |
| CSOs | Civil Society Organisations |
| CSP | Country Strategy Paper |
| CURS | Bucharest-based polling institute |
| DAC | Development Assistance Committee |
| DAHR | Hungarians' Alliance |
| DFID | Department for International Development |
| DNSF | Democratic National Salvation Front |
| DP | Democratic Party |
| DS/BE | Development Section of the British Embassy in Bucharest |
| EBRD | European Bank for Reconstruction and Development |
| ECAD | Europe and Central Asia Department |
| EC | European Commission |
| ECE | Economic Commission for Europe |
| ECT | European Consultancy Team |
| EKHF | Environmental Know How Fund |
| ETIS | Employment Training and Incentive Scheme |
| EU | European Union |
| EvD | Evaluation Department (of DFID) |
| FCO | Foreign and Commonwealth Office |
| FOIA | Freedom of Information Act |
| FRDS | Romanian Fund for Social Development |

| | |
|----------|---|
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| GOR | Government of Romania |
| GRP | Greater Romania Party, extreme-right political party |
| ICCV | Bucharest-based polling institute |
| ICE | Internal Commission for Energy |
| IMF | International Monetary Fund |
| IPEEC | International consultant for mine closures in Romania |
| IRIS | Institutional Reform and the Informal Sector (US think tank) |
| ISPA | Instrument for Structural Policies for Pre-Accession |
| KHF | Know-How Fund |
| LA21 | Local Agenda 21 |
| LP | Liberal Party |
| MARR | Mining Affected Regions Reconstruction |
| MATRA | Netherlands agency for support to transition countries |
| MCSM | Mine Closure and Sectoral Management |
| MIC | Middle Income Countries |
| MIR | Ministry of Industry and Resources |
| MIS | Management Information System |
| MMSS | Ministry of Welfare |
| MOE | Ministry of Education |
| MOLSS | Ministry of Labour and Social Security |
| NAD | Agency for Development of Mining Areas |
| NADIRPMR | National Agency for Development and the Implementation of Programmes for Mining Regions |
| NATO | North Atlantic Treaty Organisation |
| NGO | Non Governmental Organisation |
| NPCD | National Peasant Christian Democratic party |
| NSF | National Salvation Front |
| OA | Overseas Assistance |
| ODA | Overseas Development Administration |
| OPM | Oxford Policy Management |
| OPR | Output to Purpose Review |
| PCR | Project Completion Report |
| PAD | Project Appraisal Document |
| PAL | Programmatic Adjustment Loan (of the World Bank) |

| | |
|--------|---|
| PHARE | EC's Programme for Assisting Eastern European Transition Countries |
| PHRD | Japanese Trust Funds at the World Bank |
| PIU | Project Implementation Unit |
| PM | Prime Minister |
| PMU | Project Management Unit |
| PSAL | Industrial Restructuring & Privatisation |
| PSD | Party for Social Democracy |
| RAR | Romanian Auto Register |
| RBI | Romanian Banking Institute |
| RCP | Romanian Communist Party |
| RDP | Rural Development Programme |
| Ricop | Romanian Industrial Restructuring and Labour Reconversion Programme |
| RSDF | Romanian Social Development Fund |
| SAPARD | Special Assistance Programme for Agriculture and Rural Development |
| SC | Steering Committee |
| SDF | Social Development Fund |
| SDS | Social Development Scheme |
| SEE | Southeast Europe |
| SGS | Small Grants Scheme |
| SMART | Support for Administrative Reform |
| SME | Small and Medium-Sized Enterprise |
| SPAR | Structural Public Administration Reform |
| SRI | Romanian Service of Information |
| TA | Technical Assistance |
| TBC | Tuberculosis |
| TVR | Romanian Public Television |
| TOR | Terms of Reference |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |
| WB | World Bank |

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EXECUTIVE SUMMARY

S1. This is a report of an evaluation of the DFID programme in Romania. The evaluation forms part of the wider Country Programme Evaluation study, which is currently being undertaken by OPM on behalf of the Evaluation Department of DFID. The wider evaluation study has two aims: (i) to prepare evaluations of DFID programmes in three countries (Brazil, Cambodia and Romania); and (ii) to develop appropriate approaches and methodologies for the evaluation of DFID programmes at the country level.

S2. The evaluation was conducted in the period July – October 2003 using a variety of methodologies, including extensive in-country participation by DFID's staff, partners and other stakeholders.

S3. The evaluation covers the period 1997–2003, during which DFID expenditure averaged around £5 million per year. Although DFID has been in existence over all this period, it is useful to see the period as falling into two sub-periods:

S3.1 The early period (1997–99), referred to here as the Know-How Fund (KHF) period, when although under DFID management, the content of the programme was confined to projects identified and developed during the pre-DFID period.

S3.2 The later period (2000–03), after the publication of the Romania Country Strategy Paper (CSP), when the programme was unambiguously owned and managed by DFID.

Main findings

S4. DFID's programme in Romania has taken place in a difficult and volatile political context. Despite this, the programme has been largely successful. The majority of projects, especially during the latter period under the guidance of the CSP, have been broadly successful in achieving their outputs.

S5. The programme was largely successful because:

S5.1 Most of the projects were realistic and based on a reasonable knowledge of local circumstances.

S5.2 DFID was flexible and willing to take risks. It was able to adapt to the reality on the ground, and to respond more quickly than other agencies.

S5.3 DFID advisers, even though London-based, were able to identify and support key development opportunities.

S5.4 The technical assistance provided by DFID was generally high quality, committed and long-term.

S5.5 The majority of the CSP period projects were designed to complement and add value to much larger EC and World Bank programmes. The most influential were often small, strategic contributions early in the multilateral planning process.

S5.6 Most of the successful private sector projects in the KHF period, and projects more generally in the CSP period, worked with co-operative and committed Romanian partners.

S6. The programme was less successful when it attempted to support central public sector reforms at a time in the late 1990's when the government's commitment to reform and its capacity for policy formulation was weak. It was also less successful at influencing multilateral programmes when it simply provided technical assistance or add-on components, but had not been involved as a partner from the outset. While viewed as worthwhile by all the parties concerned, the three examples of DFID-World Bank project-level collaboration were not always easy or unproblematic.

S7. For most of the period, the Romania programme remained a low-key operation, directed from London and depending heavily on the delivery of project-based contracted technical assistance (TA) services as the main vehicle for change. The development of a strong advocacy or process-support role was constrained by a combination of limited capacity in the local office, a limited and declining availability of London-based advisers, a significant project management load, and the lack of a strong working relationship with the British Embassy. Only in the final years of the programme was an attempt made to break out from this limited role, notably through the attempt to achieve strategic influence at a high level of government through the public sector reform programme and through support for the Commission on Poverty Alleviation and Social Inclusion Promotion (CASPIIS).

Lessons

S8. The Romanian experience is of interest in relation to the issues surrounding appropriate approaches and human resource support for country programmes where DFID is an extremely small player in relation to total aid budgets, and aid is a relatively small proportion of national income and the government budget.

S9. The main lesson drawn is that in small country programmes, the critical resource is actually human rather than financial. A strategic approach to the country programme needs to be matched with accessible and skilled human resources: advisers from London, local staff (local and expatriate) and consultants. In the most successful cases, it was the combination of high quality inputs from DFID advisers (even if London-based), relatively small amounts of funds, and high quality technical assistance that achieved a result.

S10. The evaluation also contains lessons for how DFID can influence the programmes of multilateral agencies, notably the World Bank and the European Commission. In the case of the World Bank, it is important not to confuse collaboration with influence. Achieving influence over the design or implementation of a World Bank project is difficult to achieve through the provision of TA alone, or even of add-on components financed by DFID, where DFID has not been involved from the outset of project preparation. By way of contrast, DFID can probably achieve much more in terms of influence, and at lower cost, by being ready to provide small amounts of TA at the design stage, or by being able to respond quickly with high quality TA when a strategic opportunity is identified.

1.0 INTRODUCTION

1.1 This is the report of an evaluation of the DFID programme in Romania. The Romania evaluation forms part of the wider Evaluation of Country Programmes, which is currently being undertaken by OPM on behalf of the Evaluation Department of DFID. The wider evaluation project has two aims: (i) to prepare evaluations of DFID programmes in three countries (Brazil, Cambodia and Romania); and (ii) to develop appropriate approaches and methodologies for the evaluation of DFID programmes at the country level.

1.2 The evaluation was undertaken over the period July–October 2003 and involved a total of three visits to Romania, including an initial scoping mission in July, a brief follow-up mission in September and a main team visit for a two-week period in October.

1.3 In keeping with the twofold objectives of the project, the evaluation adopted a rather comprehensive set of methodologies, including desk reviews, extensive stakeholder consultations in both the UK and Romania, the use of survey instruments to collect information on the project portfolio and on the nature of DFID's partnerships in Romania and the use of detailed case studies for a selection of important projects. Appendix A details the various methodological instruments used in the course of the evaluation.

1.4 In spite of being a relatively small country programme, DFID's Romania programme provides the evaluator with a number of issues of interest. While covering of a wide range of issues relating to the design, management and effectiveness of the programme, the evaluation has also sought to analyse in greater depth a limited number of issues for which Romania provides particular experience. Specifically the evaluation has sought to address two main issues which are of wider interest to DFID:

1.4.1 Transition from KHF to CSP: The Romania programme provides an example of the transition of a country programme from the Know-How Fund (KHF) period, which was characterised by a relatively loose and unprogrammed approach, to the latter period under review when DFID's activities were cast within the framework of the Country Strategy Paper (CSP) of 1999. The evaluation has sought to understand the effects of this major change in approach to programme management.

1.4.2. The Influencing Agenda: The Romania programme in particular during the CSP period, provides a laboratory for examining the effectiveness of DFID's objectives of influencing its major multilateral partners, since this objective was explicitly set out in the CSP and actively pursued in the course of CSP implementation.

1.5 The report is structured as follows. Section 2 discusses the context (in terms of Romania's development challenges and policies) within which the DFID programme has been formulated and implemented. Section 3 analyses DFID's strategy towards Romania. Section 4 examines the evolution of the country programme and its relevance to the strategy objectives. Section 5 focuses on processes of partnership, ownership, and DFID's management. Section 6 assesses the outcomes of the programme. Section 7 presents conclusions and highlights major issues emerging from the evaluation.

1.6 Additional material is presented in the appendices. This includes two case studies and a background paper commissioned as inputs to the evaluation from the Romanian Academic Society (SAR). It should be noted that while these proved extremely valuable, conclusions and opinions expressed in the case studies and background paper do not form part of the conclusions of the evaluation.

2.0 CONTEXT

Political and economic context

2.1 Romania has experienced a difficult transition in the post-communist era in both political and economic terms. The political transition has been described as an ‘incomplete revolution’ with a narrow elite retaining a large degree of political control in spite of the shift to democratically elected governments formed from different parts of the political spectrum.¹ This has resulted in a partial and fragmented approach to reform and in the 1990s, the country was widely perceived as dragging its feet on essential reforms. This has, however, been influenced latterly by a broad national consensus on the desirability of rapid accession to the EU as the way forward for the country, and the reform agenda has been progressively driven by the imperatives of the accession process.

2.2 In December 1999, Romania was invited to open accession negotiations with the EU within the framework of the conditions for accession defined at the 1993 meeting of the European Council, and with the target date for accession set at 2007 by the European summit meeting in Copenhagen in 2000. The issue of EU accession has subsequently become central to government policies and national debate. Successful completion of the accession process will depend formally on meeting the central condition, namely the existence of a functioning market economy with capacity to withstand competitive pressures and market forces within the EU. This requires far-reaching and rapid actions by the authorities to create the necessary legal and institutional framework, essentially captured in the *acquis communautaire* of the EU to achieve macroeconomic stabilisation, to develop programmes to address poverty and improve social protection, and to upgrade infrastructure. In practice, the accession process cannot be regarded as purely technical, but has an important political dimension and will be influenced by factors such as Romania’s joining of NATO and its stance during the 2003 Iraq war. From the point of view of the development of DFID’s programmes, however, the drive for accession, and the opportunities potentially arising from accession has provided a critical contextual element.

2.3 Although democratic elections have been held regularly since the revolution of 1989, the country has been characterised by political instability in the sense that the number and affiliation of political parties has constantly shifted and individuals show limited loyalty to parties, switching easily between them, especially in the run-up to and aftermath of elections. This fluidity at the political level has combined with weakness and politicisation of the civil service to limit the ability of the country to formulate and execute coherent strategies for structural change over time.

2.4 The difficult political structure has been matched by poor economic performance marked by rapid inflation and GDP decline during the 1990s. During the first ten years of transition, annual growth in GDP averaged -2.9%. This was largely caused by the need to eliminate microeconomic distortions in the country, which during the 1980s increased in Romania compared with its neighbours, as well the impact of discounting for inflated communist statistics. Private sector activity as a proportion of GDP is lower than the average for central Europe, and agriculture accounts for an unusually high proportion of GDP.

¹ The interpretation of political developments summarised in this section is elaborated in the background paper prepared for the evaluation (Romanian Academic Society, 2003).

2.5 The poor economic performance of the last decade was strongly determined by the initial conditions of 1989: an unbalanced industrial structure, weak institutions, and weak social capital – all of which represented a major handicap for the country. Problems were worsened by the Balkans conflict, which disrupted normal economic activities. The embargo on Serbia and the blocked regional transportation routes significantly raised budget and current account deficits. Furthermore, macroeconomic stabilisation policies were inconsistent and structural reforms not only lacked political will and vision, but were also delayed, unfocused, and easily derailed by social and political pressures. This led to a situation of negative annual growth and hyperinflation. There was a rapid rise in unemployment and increased poverty, especially in rural areas, substantially broadening the development gap between Romania and the EU. This decline has been reversed in the past two years: GDP has registered a growth and the budget deficit has been controlled to around 3% of GDP with an accompanying fall in the inflation rate.

Poverty in Romania

2.6 The World Bank has recently carried out a major poverty assessment in the country.² This shows that poverty in Romania has declined since 2000, but is still high, at just under 30% in 2002. Extreme poverty is over 10%. World Bank data indicate that in 1998 Romania had the fourth highest poverty rate in Central and Eastern Europe.

2.7 Poverty is most prominent amongst young families with many children, the unemployed and self-employed. Female headed-households are particularly vulnerable. The recent declines in overall poverty rates are very much associated with increases in economic growth.

2.8 The main structural cause of poverty in Romania is the survival of a large rural sector, where eight million peasants live from rural subsistence farming. This in turn is linked historically to the survival of an economically unsustainable farming system based on strip farming, followed by collectivisation and then a failure of the post-1991 governments to address the issue of property rights and land-holding size effectively.

2.9 Romania has three main ethnic minorities: Hungarians (5.9%), Roma (2.5%) and Germans (0.5%). There are no significant differences in the average level of welfare between Hungarians, Germans and the majority population. However, in 2002, the Roma were 2.7 times more likely to be found among the poor, and 5 times more likely to be found among the extreme poor. Three out of five Roma live in extreme poverty. Notwithstanding this, poverty is a widespread problem in Romania, and over 80% of the poor and extreme poor are ethnic Romanians. The latest EU report on accession indicates that discrimination against the Roma continues to be widespread in practice. Although the government adopted the Roma strategy in 2001 to address these issues, the results have been uneven. The main achievements have been in access to education and vocational training.

The donor environment

2.10 Romania receives substantial external assistance, amounting to 1.64% of GNI in

² World Bank (2003), *Poverty in Romania: Profile and Trend during 1995–2002*

2002, which is second only to Bulgaria in transitional economies. This is overwhelmingly provided by the two major multilateral players, the European Union and the World Bank (see Table 1 below). They have very different agendas: the EU is almost exclusively concerned with the accession agenda, notably the transportation and implementation of the *acquis communautaire* into Romanian law; the WB has a development agenda oriented to structural economic change and poverty reduction. The other major donor organisation in terms of funding is USAID, which has recently started a project in the field of decentralisation with a budget of US\$40million budget over five years.

Table 1: Donor assistance to Romania – 1998-2002 (\$ million)

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------------------|------|-------|-------|-------|-------|
| Net OA ³ Receipts (\$ml) | 367 | 387 | 432 | 648 | 701 |
| WB gross disbursements | 352 | 162 | 442 | 238 | 157 |
| EU PHARE disbursements (Euro) | | 178 | 199 | 257 | 263 |
| | | (167) | (215) | (287) | (278) |

Source: Net OA figures from OECD/DAC statistics, WB from Romania country brief, EU from PHARE annual report. There were not significant disbursements from other EU programmes during this period. The EU and World Bank figures are gross, which explains the discrepancies with the OA net figures

2.11 The EU's accession agenda focuses on political and economic criteria for accession. Countries must have achieved 'stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities'. The economic criteria focus on the existence of a functioning market economy, and the capacity to cope with competitive pressure and market forces within the EU. In addition, there are specific elements of the legal and institutional framework, the *acquis*, with which Romania has to comply for accession, which fall into 29 different chapters. The latest report on the Romanian accession process concludes that Romania has made steady progress towards the *acquis* but that the country still needs to develop a strategy to address the reform of the legislative and policy process. The country is continuing to fulfil the political criteria, and can be said to have moved towards a functioning market economy, but this progress has to be maintained.⁴

2.12 By contrast, the World Bank's Country Assistance Strategy focuses on the need to establish a macroeconomic environment conducive to lower inflation and sustainable growth. It focuses on the recent success in this area, but emphasises the need for increased privatisation, improved financial sector regulatory framework and the need for agreed social assistance legislation.

³ OECD DAC statistics, World Bank country data and EU Phare reports

⁴ European Union (2003), 2003 Regular Report on Romania's Progress towards Accession

3.0 DFID'S STRATEGY

3.1 The UK has provided development support to Romania since 1990, initially through the KHF administered by the FCO and from the Development Section in the British Embassy (DS/BE). In 1997, the KHF was transferred from the FCO to DFID, initially with a seconded staff member from FCO. This was a period of rapid policy evolution for DFID, especially through the White Paper of 1997.

3.2 For purpose of this evaluation, which covers the years 1997 to 2003, the period may be seen as falling into two main sub-periods:

3.2.1 1997–99, when the programme was effectively implementing projects initiated by the KHF and which started prior to May 1997. During this period attention was progressively applied to the development of a DFID CSP, which was finally published in October 1999.

3.2.2. The period 2000–03, during which the programme has been substantially implementing programmes defined in the CSP. KHF-type projects became a minor part of the portfolio.

3.3 Assessment of the relevance and appropriateness of the strategy clearly needs to distinguish the two sub-periods defined above. Annual programme expenditure over the whole period is given in table 2.

Table 2: Romania Country Programme annual expenditure – 1997/8–2002/3

| Year | Country Programme Expenditure (£ million) |
|-----------|---|
| 1997/8 | 5.71 |
| 1998/9 | 4.14 |
| 1999/2000 | 3.74 |
| 2000/1 | 3.44 |
| 2001/2 | 5.43 |
| 2002/3 | 6.15 |

Strategy during the 'KHF period'

3.4 The KHF commenced operations in Romania in 1990 with similar objectives to those of the KHF in other countries in the region, namely to support the process of transition, including both economic transition from a command economy to a market-based economic system, and in the political sphere, from totalitarianism to democracy. During the period prior to 1997, which falls outside the scope of this evaluation, the KHF developed projects in a wide range of economic sectors and in support of many private sector institutions, educational institutions and civil society organisations (CSOs). It also worked directly with Government agencies in several areas of reform, including public administration and agriculture (fisheries). During the period prior to May 1997 the KHF was managed by the Joint Assistance Unit, which comprised officials from the Foreign and Commonwealth Office and the Overseas Development Administration (ODA). With the establishment of

the new UK Government in 1997, the KHF was absorbed into the new Department for International Development (DFID). Accordingly, in a technical sense the entire period covered by this evaluation (except the early months of 1997) fell within the period after DFID was responsible for KHF programmes in Romania. Nevertheless it is useful to distinguish between the period 1997–99 when, to a large degree, the programme continued to run on KHF lines, compared to the period from 2000 onwards, when it conformed more closely to a characteristic DFID country programme.

3.5 During the period 1997–99, the majority of the projects under implementation were designed and initiated during the KHF period prior to the formation of DFID. As a result of the creation of DFID, and especially the publication of the White Paper of November 1999, the KHF strategy was re-examined in the context of the wider strategy outlined in the White Paper, which had a primary emphasis on the use of development assistance in the fight against poverty. The White Paper itself noted 'The Know-How Fund has achieved much but programmes now need to be reshaped to give greater emphasis to protecting the poorest and to enabling the widest number of people to share in the fruits of change.'

3.6 The direction of change of DFID's strategy for the transition countries was elaborated in the document 'Support for Transition Countries – A New Strategy' prepared in 1998. Romania was allocated a budget of £6 million per year. Within the region, only Bosnia-Herzegovina received a larger budget allocation. During the period under review, attention in the region increasingly focused on the post-conflict countries of the western Balkans, initially Bosnia, but subsequently also the reconstruction of Kosovo.

3.7 The new strategy recognised the emergence of a new set of problems, including budgetary crises and the collapse of previous social protection systems, malfunctioning of the core functions of the state, such as law enforcement of citizens' and corporate rights, and the appearance of uncontrolled and exploitative capitalism. The new strategy document set out a programme based on five main elements:

- strengthening of the enabling framework for economic transition
- an inclusive approach to economic management
- empowerment of individuals and groups
- the integration of environmental considerations into economic planning
- the integration of the transition countries into global economic frameworks including, for the pre-accession countries, accession to the EU.

3.8 In the event, it took a considerable period for the new strategic directions to be reflected fully in the Romania country programme. An initial CSP was prepared in 1998, but only in draft form, and it was not until the publication of the CSP in 1999 that DFID's strategic objectives and programme priorities were made public. Thus the period 1997–99 forms an interregnum during which many activities were continued from earlier KHF period, but during which there was intensive discussion within DFID on the appropriate way forward. The result is that the period lacks a clear benchmark document setting out the objectives and programmes of DFID in Romania that can be used as a basis for evaluation. Having said this, the 1998 draft CSP provided a useful statement of DFID thinking about the appropriate direction for the programme.

3.9 The main features of the programme during the KHF period may be summarised as:

- 3.9.1 Projects were typically developed by KHF advisors who were sent out with a mandate to identify and develop projects in their area of interest/expertise; the result was a programme which consisted of a large number of distinct projects operating largely in isolation of each other, and in the absence of any coherent strategic objectives beyond the broad KHF objectives of accelerating the transition to a market economy and the emergence of a plural society.
- 3.9.2. The majority of projects had private sector or civil society beneficiaries and only interacted with the central government to the extent necessary.
- 3.9.3 The programme was controlled from London with very limited inputs to project selection or design from the DS/BE, which more or less acted as a 'post-box'.

Strategy during the CSP period

3.10 The development of the CSP marked a distinct change from practice during the KHF period, a change that started during the (lengthy) process of preparation and finalisation of the CSP in October 1999.

3.11 The CSP established a programme for a period of three financial years (1999/2000 to 2001/2). Whereas support under the KHF had concentrated on support for economic transition to a market economy through a broad range of independent initiatives, mostly to the private sector, the CSP focused on increasing the capacity of government, civil society and the private sector to achieve and sustain transition, while ensuring that the social dimensions were addressed. Within this framework, the CSP defined five programme areas or outputs:

- an accountable and responsive public administration pursuing effective social and economic policies
- strengthened capacity to deal with the social dimensions of restructuring
- strengthened capacity to promote development at the regional level.
- strengthened civil society to reduce social exclusion
- strengthened capacity to plan and manage sustainable environmental improvements at the regional/local level.

3.12 An important additional element of the CSP was the stated objective of influencing the major multilateral donor partners:

'Building on the successes and lessons of previous assistance, we need to focus the bilateral programme more selectively on areas where the UK has a clear comparative advantage, and in the light of other donor plans. It will be equally important to work to influence the design and implementation of programmes of support from the IMF, World Bank and EU to which the UK is a significant contributor. This strategy covers both bilateral and multilateral activities.'

'We shall look for opportunities for further collaboration and for further co-financing opportunities with the World Bank and the EC. And we shall seek to ensure that EBRD investments are targeted on priority areas'

'In particular we shall seek to strengthen the specific focus on the accession agenda, the quality of institutional appraisal ..'

3.13 The evaluation has assessed the CSP in respect of its preparation process, clarity and coherence, and its relevance and appropriateness.

Preparation process

3.14 Following the preparation of a first draft CSP in 1998 and a lengthy gestation period, the CSP in its final version was drafted in London and circulated to the DS/BE for comment and subsequently circulated to partner organisations in Romania. It is worth noting that the Romania CSP was prepared as one of many by CSEED in a short period of time. Changes in senior management of the department and the perceived need to be imposing a tighter system of management control on what was regarded as a poorly managed and unruly programme crystallised in the use of the CSP as a key vehicle for imposing order and control on the programmes in the countries in the region. The CSP provided a vehicle for this purpose through the clearer definition of objectives and the subordination of project activities to broader programme purpose and goals. Following the circulation of the draft CSP, a review and refinement exercise was undertaken in Bucharest over a one-week period, attended by a significant number of advisers. This event led to only minor changes in the CSP, but provided an opportunity for the advisory team to familiarise themselves with the local context and to plan project interventions consistent with the CSP.

Clarity and coherence

3.15 The launching of the CSP marked a watershed in the history of the Romania programme: for the first time the DS/BE had a clear view of the objectives of the programme; the wide circulation of the document to partners in Romania led to a higher profile for DFID in the country; and a reference framework was established for the identification of new project activities. In practice, the transition from KHF to DFID was gradual, as several well-performing projects were continued and on-going projects were allowed to run their course, but were mostly not renewed.

Relevance and appropriateness

3.16 The evaluation has assessed the relevance and appropriateness of the strategy set out in the CSP in four main areas:

- the shift in orientation to the public sector
- the choice of strategic outputs
- the alignment of the CSP to the accession process.
- alternative strategies.

Orientation to the public sector

3.17 The CSP marks a major shift from the KHF period in the shift of attention to the public sector, compared to the KHF preoccupation with development of the private sector of the economy and civil society. This shift was motivated by the recognition that the reform process in Romania was stalling, or at least progressing slower than in other eastern European countries, and that the shortcomings of the public administration were at the root of this stalled reform. This was an appropriate shift in orientation and was borne out by subsequent events, especially as the EU increasingly focussed on shortcomings in public administration as a potential obstacle to successful accession.⁵ The limited capacity to formulate and sustain reformist legislation was already affecting a number of projects started in the KHF period and this could not be remedied without greater attention to the public sector.

Choice of output areas

3.18 The five output areas in which the CSP was developed form a suitable set of objectives given the wider strategic framework and the priorities of DFID as a whole at the time. These were in fact progressively reduced to the two 'pillars' of Public Administration Reform and Social Development/Social Exclusion as a result of budgetary pressures, a perceived need for further concentration of the programme, and a dwindling interest in addressing environmental problems as a main sector by DFID head office.

Alignment to the EU accession process

3.19 The CSP established a strong link between the DFID programme and the EU accession process. However, the goal-statement in the CSP does not explicitly state accession as the objective. Rather, the transition to a pluralist democracy and well-regulated economy are seen as critical elements in positioning Romania to enter the EU. The CSP highlights the increasing problem of poverty in Romania and the fact that it is one of the poorest countries in the region. But the linkage between accession and poverty reduction is not explicitly articulated, though it is implicitly anticipated that accelerated growth and improved social protection systems associated with successful adherence to accession will be important instruments of poverty reduction. The cautious wording of the CSP is in contrast to the position of successive Romanian governments, who have focused directly on the desirability of accession, and to the extent that the GoR (Government of Romania) has an anti-poverty strategy, it is based on the assumption that accession will provide the framework within which poverty can be eradicated.

Alternative strategies

3.20 The Romania CSP, like other CSPs prepared by DFID at the time, does not include an explicit discussion of alternative strategies that were considered and rejected. This is not very surprising given the regional department's decision that the DFID programmes in pre-accession countries would focus on strengthening the accession process from a poverty

⁵ Notably in the 2002 EU Report on Romania's progress towards accession, which highlighted poor public administration as a critical obstacle.

point of view and the attention given to the agenda of influencing the multilaterals. The consideration of alternatives is, accordingly largely a matter of conjecture of what might have been, or perhaps ought to have been considered.

3.21 Perhaps of greatest interest is the possibility that the CSP might have adopted a radically different alternative to the actual concentration on working to strengthen the government and public service and influencing the multilaterals. Given the political constraints underlying Romania's failure to keep pace with the front-runners for EU accession, an interesting alternative strategy would have been to have established the development of civil society and the erosion of the monopoly on power of the elite through broader empowerment as the centre-piece of the strategy. Such a strategy would, of course, have required a much stronger break with the past, notably through substantial strengthening of the DS/BE, possibly a break from cohabitation with the FCO, and the provision of a more continuous level of advisory support from London throughout the life of the programme. Such a programme would have aimed to transform the government system through the building of countervailing power in civil society and the support for an internally led process of political transformation, as opposed to the project-based approach of working with and within the government apparatus. In the event, the actual strategy pursued has had a very limited impact on civil society and has accepted that fundamental reform will only proceed when and as fast as the ruling elite considers necessary.

4.0 DFID'S PROGRAMME

4.1 The previous section has provided an assessment of DFID's strategy, both during the KHF period and as it is set out in the CSP of 1999. This section examines the extent to which DFID actually implemented its strategies in the KHF and CSP periods.

The KHF period programme

4.2 As noted already, the project portfolio during 1997–99 had its origins for the most part before the establishment of DFID, and the programme was put together using approaches characteristic of the KHF. A key feature of the KHF was its flexibility in responding, within its broad mandate, to a wide range of requests for assistance arising from different categories of potential beneficiary. This origin of projects is evident in the portfolio of projects, which are spread over a wide range of institutions in discrete project activities. The evaluation sought to assess this project portfolio on the basis of a selection of fifteen projects that covered 75% of the total DFID spend in Romania during this period. The projects selected are listed in Appendix E. It is useful to see the projects in the portfolio as falling into three clusters:

- 4.2.1. a group of projects which worked on reform agendas with central ministries of government: including public administration (the SMART project), fisheries, criminal justice reform, health sector reform, and education finance
- 4.2.2 a cluster of projects working with training and business development institutions in the private sector: the Small and Medium Enterprise (SME) project, Centre for Improvement of Management Performance (CIMP), Enterprise reform project, banking institute, stock exchange, insurance sector work and accounting reform, and the Open University (Codecs)
- 4.2.3 a miscellaneous group including initiatives such as projects with the Romanian Auto Register, the Post Office, media (BBC school), support for general practice, emergency services.

4.3 In relation to the strategic objectives of the KHF, it is clear that the cluster of projects, which worked with government institutions aimed to accelerate the reform process through policy and institutional innovations. The second group of projects aimed to support accelerated development of the private sector, mainly by addressing human resource constraints in that sector. The status of the third group, however, is less clear in relation to KHF strategic objectives as the projects are very diverse. While in some cases the justification for inclusion of projects in the programme is clear (e.g. the support to a pluralist society through the BBC media school), in other instances it is not clear (e.g. Romanian Auto Register, Post Office, general practice and emergency services projects).

4.4 It is concluded that, during the KHF period, while the overall objectives of the KHF programme are reflected in the majority of projects in the portfolio, this is not universally the case. While the adoption of a strongly demand-led approach had the strength of bringing with it strong beneficiary commitment (at least in the private sector institutions), it also was associated with a lack of tight control on programme content and the inclusion of some projects which bore only a modest relationship to the objectives of the KHF.

The CSP period programme

4.5 The evaluation reviewed the portfolio of projects implemented in the period following the finalisation of the CSP to establish whether they truly reflected the directions, emphasis and intentions of the CSP. In practice there was an intermediate period following publication of the CSP when DFID was still implementing a significant number of projects conceived and commenced prior to the CSP. The reprogramming of the country portfolio took some time to get under way and this was reflected in a drop in the absolute level of spending during 2000, which also coincided with the settling of a new, apparently more reformist government and the exploration of new opportunities that this offered. Programme spending then picked up again in 2001 as the newly identified projects started to come on stream. Figure 1 illustrates the timing of the major projects implemented during the CSP period.

4.6 The finding of the evaluation is that the implementation of the CSP, in terms of the identification and development of projects consistent with the CSP as a whole and with the objectives of the CSP at the level of the five outputs, was undertaken in a remarkably disciplined and systematic way. This was achieved through a combination of the selective continuation of projects commenced under the KHF period that were deemed to be appropriate and consistent with the objectives of the CSP, the closure on contract termination of projects which were less consistent and the search for new project opportunities to give effect to CSP output directions.

4.7 There are a few exceptions to this general conclusion, and these cases are arguable: the continuation of the substantial health project which had already suffered significant delays and set-backs due to apparent lack of GoR commitment and the adverse effects of personnel changes (at ministerial level) is a case in point. The justification for the continuation of this project on general public administration grounds were weak and would appear to have been influenced by strong interventions from the sectoral adviser. A second and more readily defensible case is the continuation and further development of project activity in Child Protection, which was primarily driven by a political imperative given the attention which the issue was receiving at the European Parliament and the potential for this issue to knock the accession process off course. This project can also be justified in terms of its contribution to development of approaches to decentralisation, as it provided essentially the first practical case of the decentralisation of management of a social service to the local level.

Figure 1: Evolution of the portfolio – Major projects during the CSP period

| CSP Output (2000 effective date) | FY → | 97/98 | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 |
|---|------|-------|-------|--|-----------------------------------|-------------------------------|-------|-------|
| 1: An accountable and responsive public sector administration pursuing social and economic policies | | | | Probation £1.5m | | | | |
| | | | | Accountancy and Audit reform £2.3m | | | | |
| | | | | | Civil service reform £0.26 m | | | |
| | | | | | Insurance £0.4m | | | |
| | | | | | Assistance to child reform £3.0m | | | |
| | | | | | | Assist court of audit £0.125m | | |
| | | | | | | Assist MOLSS £0.4m | | |
| | | | | | Health sector reform £0.65m | | | |
| | | | | | | Energy sector reg £0.4m | | |
| | | | | | Education Finance £1.12m | | | |
| 2: Strengthened capacity to deal with the social dimensions of restructuring | | | | Assistance to mining £2.8m | | | | |
| 3: Strengthened capacity to promote development at the regional level | | | | | Rural development £0.2m | | | |
| 4: Civil society strengthened to reduce social exclusion | | | | RSDF £0.33m | | | | |
| 5: Strengthened capacity to plan and manage sustainable environmental improvements at the regional/local levels | | | | Sustainable development in Pilot municipalities £0.48m | | | | |
| | | | | Environmental Project Design £0.68m | | | | |
| | | | | | Private sector water/waste £0.14m | | | |

4.8 A further indication of the degree of discipline in programming the CSP lies in the almost complete lack of small projects with only a loose justification in terms of relevance to the CSP. This may reflect the lack of delegated powers to commit funds at the DS/BE level and the tight control of commitment, maintained by the relatively distant groups of country programme managers and advisers in London, who were not continually exposed to bottom-up pressures for the financing of small projects.

4.9 The CSP strategy attached a central role to the development of relations capable of delivering influence on the two major multilateral players, the WB and the EU. The pattern observed is that this was achieved primarily by maintaining openness to project opportunities arising rather than by a purposive high level planning and programming exercise with these two partners. The review of the major projects, which in the event provided the vehicles for developing collaborative relations with the WB and the EU⁶, indicates that DFID was actively ready to respond to opportunities arising at the project level, but did not force the issue to become involved in project-level co-financing and that this was probably an appropriate method of approach. The result was that DFID became involved in projects where this was appropriate in terms of complementarity of donor roles. The downside of this approach was that DFID's involvement only commenced at a relatively late stage in the project cycles, specifically after completion of the design stage, and in the case of the WB, after or shortly before the signing of project loan agreements between the WB and the GoR. The implications of this are explored more closely in Section 6 below.

Weaving a poverty agenda into pre-accession

4.10 The final aspect of programming examined by the evaluation relates to DFID's effectiveness in programming activities that pursued a poverty-oriented agenda, given the UK Government's (and the EU's) clear prioritisation of the accession process over poverty reduction activities *per se*. DFID set itself the target of programming activities that would influence the implementation of the accession process in such a way as to make accession (and the post-accession situation) more pro-poor.

4.11 The evaluation found a number of important examples of where DFID's choice of project, or more frequently, location of pilot activities, was driven by a desire to impart a stronger and shorter term poverty-reduction objective into broader set of accession activities pursued by the government with EU support. These include:

- 4.11.1 Projects which aimed at increasing the capacity of local communities to plan activities and access existing (ISPA and SAPARD) and potential (structural) funds coming on stream from the EU pre-accession and post-accession. Examples of this are the project Local Agenda 21 (LA21), which assisted selected municipalities (which had already been selected on the basis of poverty criteria) to develop capacity for self-help on a sustainable basis; the more recent project of Local and Regional Partnership Development, for which the pilot regions were specifically selected on the basis of their poverty; and the Local Education Finance Project which again targeted some of the poorest regions for inclusion as pilots (though in this case, within a group designed to obtain a balance of relatively well- and relatively poorly-endowed judets).

⁶ These included Mining (Closure and Social Mitigation), RSDF, Local Education Finance and Public Administration.

- 4.11.2 The use of the Small Grants Scheme (SGS) as a development instrument to fill in gaps in the CSP implementation not picked up in major project initiatives. This includes the targeting of SGS grants to communities with extreme poverty levels (which also acts as a proxy for targeting on Roma communities) and to address, if only in a small way, issues of gender and social exclusion (for example, support provided for shelters for abused women). It is noted that the level of support through indirect channels brought to bear on the Roma issue is less than that foreseen in the CSP. Local office staff justify the approach to this issue on the basis of the undesirability of separating off or segregating the Roma in project design, an approach which is seen as tending to increase inter-community animosities, but rather addressing their social exclusion as primarily a poverty issue, to be picked up by concentrating resources on the poorest localities and communities. While the majority of SGS interventions appear to have been well designed and managed, there have been exceptions. Our attention was drawn to a project for £60,000 (roughly one third of an annual SGS budget) aimed at a local community business venture in the north, which had completely failed.
- 4.11.3 The decision to target projects that would contribute to the decentralisation process must also be seen as providing a pro-poor emphasis to DFID's programme, since the lack of administrative capacity to implement the proposed extensive decentralisation presented a potentially major impediment to the broad-based flow of benefits from the accession process.
- 4.11.4 Last but not least, DFID has provided significant support to the Commission set up to address Social Exclusion and Poverty (CASPI), including an influential scoping study. The EU has since indicated that the Commission should move to align its programmes more closely with the poverty reduction plan.

4.12 The pattern emerging from these interventions is that DFID broadly accepted the nature of the activities of the other donors, especially the EU, and sought to define its own activities in a way that gave a pro-poor slant to the implementation of accession measures (such as decentralisation).

4.13 While this approach is laudable, it was based on acceptance that it would not be possible to have a direct influence on the actual use of these major financing instruments by the EU. Poor groups could be assisted to work within the rules, but these rules themselves (for the major EU support programmes) were beyond the reach of the programme, other than through the rather generic and high-level prior input of the UK in the design of these instruments through participation in the Brussels-based fora (Management Committees, the Committee of Permanent Representatives, etc). This is in contrast to DFID/KHF activities in some other CSEED/ECAD countries that sought to have a direct influence on the interpretation of the room for manoeuvre in the application by the EU of its pre-accession support instruments.

4.14 In relation to the implementation of cross-cutting issues, it has already been noted in the previous section that the CSP paid little attention to these, except where, as in the case of sustainable environment, they were incorporated as specific objectives at the

output level of the CSP. Notably, virtually no attempt was made to address gender issues, and this position is defended by the country team (in London and Bucharest) on the grounds that Romania's post-communist context did not provide extreme situations of gender inequality. This was taken to justify only light attention being afforded to this cross-cutting issue.

4.15 In the case of the environment, having been established as one of the identified output areas, there was initially a significant level of project-based activity (notably through the Sustainable Environment Development in Regions project and LA21). During the course of CSP implementation, the priority afforded to the environment was lowered, in line with directives and discussions in the wider DFID context, which was reflected in the reduced availability of DFID in-house advisers in this field who were being pruned as a result of central DFID policy changes. From 2002, a clear decision had been taken that no further environment-oriented projects would be developed, as part of the policy of streamlining the country programme on only two of the five original outputs (or 'pillars'). From that date, programming of the CSP has concentrated on public administration and social development/ social exclusion.

5.0 PROCESS – DID DFID OPERATE IN THE RIGHT WAY?

5.1 If the strategy was relevant, and the programming at project level conformed broadly to the objectives and areas of activity identified in the CSP, it is appropriate to ask whether DFID, in implementing the programme, conducted itself in ways which were conducive to achieving successful outcomes. The evaluation addressed this question concentrating on three issues:

- 5.1.1. The nature of DFID's partnerships and whether these measured up to what was called for by the CSP;
- 5.1.2 The balance of DFID's activities between broad types of activity, such as project development and implementation, advocacy work and involvement in supporting processes.
- 5.1.3 Assessment of the appropriateness of the management systems and deployment of human resources made available for programme delivery.

Partnerships

5.2 The CSP laid emphasis on DFID's partnerships, concentrating on the relations with the two major multilateral donors, the WB and the EU and the relations with beneficiaries, especially in government. The evaluation has sought to assess the quality and nature of DFID's partnership relationships through a relatively formal process involving the initial identification of a long list of partners (drawn from an even longer list of stakeholders in DFID's programmes), and the use of a survey instrument to assess the pre-identified important partnerships, as seen by each of the parties.

5.3 The finding of the evaluation is somewhat simple and stark: in terms of the donor partner organisations, DFID has only two important partner relationships – those with the WB and the EU. Although vestigial relationships exist with the various bilaterals (Netherlands, Germany and USAID), these mostly take the form of *ad hoc* arrangements to ensure adequate co-ordination and avoid duplication at the individual project level. The one apparent lacuna is in respect of USAID, which is by far the largest bilateral donor organisation operating in Romania, and which has initiatives in areas with strong overlap with DFID. The partnership assessments recognised the need for this relationship to be strengthened in the interests of stronger co-ordination and collaboration. It is noticeable that there is no regular forum for discussion between the bilateral donors, and no 'like-minded' grouping such as one finds in many lower income countries receiving budget support, which needs careful co-ordination across donors.

5.4 The key relationships with the WB and EU are considered in connection with the analysis of DFID's influencing agenda later in this report. Suffice it to say here that, while DFID has adopted a pro-active stance in the development of its partnerships with these two major institutions, which are the behemoths of external support to Romania, there are structural obstacles to the formation of strong, close and lasting partnerships in both cases. These arise from differences of objective, differences of local staffing and advisory capacity and organisational structure, and differences of project archetype compared to DFID.

5.5 While DFID's relations with other donors and also with beneficiary organisations are clearly important, it can be argued that the most critical relationships are actually between the consultants financed by DFID and their respective beneficiary organisations. While the DFID/beneficiary relationship may be quite shallow, with DFID playing a financing and quality control role, the relations between consultants and the beneficiary are typically much closer, extending through (and sometimes beyond) the life of the project, including extensions. This relationship is also a demanding one, requiring sensitivity to political, cultural and social norms by the consultant, and willingness by the beneficiary to accept and act on technically sound advice. There are many ways in which this relationship can become soured, reducing the effectiveness and impact of the project. In several cases in the course of this evaluation the beneficiaries indicated that their relationship with DFID was rather limited and formal, even if important when problems needed to be resolved; but their really important relationship was with the consultants, whom they worked with on a day-to-day basis.

5.6 The Romania programme is, happily, replete with strong and enduring consultant/beneficiary partnerships. These partnerships are usually emphasised as a major reason for success by the project staff (both local and external consultants) in the Project Self-Assessment Survey. Examples of strong enduring partnerships include the Child Protection, Probation, Accounting and Audit and Local Education Finance projects. Where this relationship has not worked out, as for example in the initial consultancy staffing for the Mine Closure and Mining (Social Mitigation) projects, this had an immediate bearing on project progress.

5.7 Much attention is currently paid to the nature and quality of DFID's partnerships with beneficiaries and other donor organisations. Given the importance of the consultant/beneficiary partnership in determining project outcome, it would be appropriate for increased attention to be paid to how DFID can help to establish, support and monitor consultant/beneficiary partnerships. Important potential points of friction, such as office accommodation arrangements, formal opportunity for review of consultants' work by the beneficiary, and mechanisms for encouraging genuinely joint reporting, all deserve close attention.

5.8 DFID's relations with the GOR have been predominantly at the project level, taking the form of relationships built around specific project interventions. There is no strong relationship between DFID and the GOR as a whole. This situation, which is common to DFID and the other bilateral organisations, stems primarily from the persistent weakness through the period under review of the central organs of government, a weakness reflected in frequent institutional changes, frequent personnel changes and changes in status of key GoR respondents and the lack of a clearly mandated office in the central government to act as co-ordinator. There have, of course, been projects working with central government institutions (such as public administration reform and education sectors) but these have confined their attention to the specific projects for which these institutions were beneficiaries.

5.9 It is perhaps as a result of this weak relationship to central government that DFID has not identified the influencing of government as a major element of its strategy. This is true of both the KHF and CSP periods.

The balance of DFID's activities

5.10 If one looks across DFID's portfolio country programmes, one can identify several quite different ways in which DFID seeks to operate at country level. These include:

- project-based activities, where the project is the focus of support and the benefits are expected to derive more or less directly from effective project implementation
- advocacy work, which is based on changing the perceptions and behaviour of other relevant players (government, other donors, civil society, etc.)
- direct involvement in processes oriented towards changing the quality and effectiveness of interactions between major stakeholders.

5.11 It is immediately apparent that the Romania programme has concentrated almost exclusively on the delivery of contracted project-based technical assistance as its principal intervention strategy, though this has been modified in the past couple of years, notably in the area of public administration reform. Senior country programme managers in London accept that this was an intentional element of their strategy. Faced with a set of country programmes that were regarded as problematic in the late KHF period, there was a conscious decision to focus attention on bringing order through the imposition of strategic objectives through the mechanism of the CSP and a disciplined approach to the use of projects as the principal delivery vehicle within programmes. This decision reflected the reality on the ground in Romania that the local office lacked the capacity to develop and pursue approaches based more heavily on advocacy and direct involvement in development/transition processes in country. This weakness stemmed from the office staffing situation inherited from the KHF period, typified by relatively low status, if able, local professional staff in the DS/BE, an absence of full-time in-country DFID advisers and, perhaps, the inherent difficulty of engagement in advocacy work in the politically confused situation presented in Romania.

5.12 In principle, it would have been possible to relax some of these constraints, and especially those relating to staffing, by increasing the level and degree of seniority of DFID staff engaged on the programme, especially in-country. However, the reality was that the geographical department was suffering from a staffing problem overall, created not least by the withdrawal earlier than anticipated of the FCO seconded staff who were initially attached to DFID after the KHF was moved to DFID. So even if an active process of staff recruitment had been followed, it would have taken a significant time for this to be reflected in effective in-country advocacy or process-related work.

Programme management

5.13 Management of the Romania programme underwent major changes during the period under review, stemming in the first place from the establishment of DFID as a department and the subsequent transfer of responsibility for the KHF from the FCO to DFID. Prior to the establishment of DFID, the DS/BE fell unambiguously under the BE, while the content of the programmes and technical issues were addressed from London and by visits of advisers sent by KHF headquarters. Through this period, the DS/BE was a low-status office with low graded local staff, acting essentially as a post-box. There was sometimes friction between the successive heads of the DS/BE and KHF London.

5.14 As part of the development of the capability to manage the CSP implementation, greater attention was paid by DFID to increasing the utilisation of the DS/BE, culminating in the appointment of an A2 DS/BE Office Manager mandated to strengthen management systems and given authority to make greater use of the existing staff in the office.

5.15 The evaluation has conducted an institutional analysis of the DS/BE through systematic interviews of staff and relevant managers in the country programme office in London and in the BE. The results are quite clear: the decision to give the local office a more significant role has been effectively implemented. The incoming office manager gave the local staff specific portfolios of projects to manage (for a circumscribed set of functions) and encouraged them to play a more proactive role, still under the clear leadership of the London-based country programme managers, to enter into dialogue with beneficiaries, consultants and other stakeholders with a view to making a more substantive contribution to programme development and implementation. This process has continued over time and, coupled with a reduced availability of advisory staff from London, the local staff have come to play an important role in the overall programme, including, for example, the preparation of draft ToRs for consultants, management of local tenders within the permitted threshold and preparation of first draft of more strategic documents, such as the DFID Pre-Accession Strategy (a euphemism for 'Exit Strategy' since DFID is committed to exit prior to EU accession).

5.16 In spite of these changes, which made an important and positive difference to the working environment of the local staff, the programme has continued throughout the period to be strategically managed from London and the role of visiting advisers has been critical, especially in the project identification process. Over the period there has, however, been a noticeable reduction in the frequency of adviser visits. This tendency was commented upon frequently, not only by the local office staff, who were directly affected by the need to resolve specific issues at project level, but also by DFID's donor partners, who complain that communication with DFID has become more difficult over time as the advisers have become rarer visitors. Discussions with country programme managers have pointed to several reasons for this trend: the shortage in absolute terms of advisers attached full-time or part-time to the sub-regional department; the pull-factor exercised by the western Balkans which were seen as a more challenging environment for advisers and absorbed a large proportion of adviser time, and a conscious decision by the country programme manager in London to minimise the supply of advisers on country visits to strategically important interventions. The problem of adviser availability has been exacerbated by rapid turnover in the past three years of the individuals in advisory posts. This has made it difficult to achieve consistency and continuity of supervision. This has led to difficulties in providing an adequate responsiveness on the major projects co-financed with the World Bank (as discussed below).

5.17 It is perhaps unsurprising that the transfer of the KHF from the FCO to DFID has left a legacy of awkwardness, though no major problems have occurred. Mundane tasks are performed by both sides to maintain relations: the BE does the accounting and staff management for DS/BE and DFID maintains a routine flow of reports, but given the centrality of the accession issues on the political agenda and the specific role which DFID is attempting to play in influencing the implementation of the accession process, the relationship is somewhat distant, if cordial.

6. OUTCOMES

6.1 The evaluation has sought to assess the outcome of the DFID country programme at several levels: at the project level, at the CSP output level and in terms of the broader objectives set out in the CSP, notably including the effectiveness of DFID's influencing agenda. Particular attention has been paid to assessing the influencing agenda as Romania provides an important laboratory for the study of influence – both because of the explicitness with which this objective was stated and because of the significant efforts made to implement that approach.

Outcomes at the project level

6.2 In order to assess the effectiveness of the Romania programme at project level, and given the impossibility of examining all projects in the time available, the evaluation made a purposive selection of projects which accounted for 75% of total programme spend in each of the two sub-periods, 1997–99 and 2000–03. The selection was based on size, potential for throwing light on wider issues (e.g. the influencing agenda, the availability of individuals with institutional memory in Bucharest or London). For the selected projects basic PCM documents were assembled, beneficiaries and other major stakeholders were surveyed (through the Survey of projects) in Romania, and key respondents in DFID, beneficiary organisation and consultants were interviewed for the most interesting projects, and on the basis of availability of respondents during the missions.

The KHF period 1997–99

6.3 A summary of the findings for the KHF period projects selected for review is provided in Appendix E below, Part A. These results may be summarised as follows, using the classification of projects into clusters set out in Section 4 above.

6.4 During the KHF legacy period (1997–99) there was no country strategy document that specified objectives corresponding to the output level objectives of the CSP. Accordingly, for this period the success of the programme is to be measured as the sum of project-level achievements. By the nature of the KHF programme, these were distributed across a large number of sectors and institutions. The following principal conclusions can be drawn:

- 6.4.1. Projects which aimed at working closely with central government institutions on reform agendas were in the main not successful. They encountered frequent changes in the institutions they were supporting, not only following elections, but also between elections. In general they met with limited commitment within government for the reform processes that were at the core of the projects. Examples of largely unsuccessful projects were the SMART project in public administration reform; the fisheries project, which aimed to prepare the sector for privatisation, but which met with constant lack of commitment for major institutional change (though the sector was privatised shortly after the end of the project and drew heavily on materials prepared under the project); and the education and health sector initiatives, which both met with constant changes in institutions and personnel and lack of commitment

- 6.4.2. The second cluster of projects, which sought to increase capacity in the private sector of the economy through training and capacity development projects, by contrast, was generally highly successful. Examples include the SME project, the CIMP and other regional initiatives in development of management training capability and the Banking Institute project, which pioneered distance teaching to reach a large audience in the banking sector
- 6.4.3 The cluster of miscellaneous projects contains a range that can only really be assessed in their own terms at project level. There are important successes, such as the support for OU/Codecs and the media (BBC school) which clearly had locally important results in their respective fields and whose impact was sustainable (creation of a critical mass of trained news journalists in the case of the media project). However other projects in this cluster had only a limited or short-term impact, or suffered from design faults that jeopardised the achievement of sustainable impact. Examples in this category are the initiatives in Emergency Services, which was based on a deficient design, which ignored the role of the ambulance services and the General Practice project, which did not include a sufficiently strong institutional base for sustainability.

6.5 Given the small size of the programme in relation to country size it is not possible to assess the overall impact of the KHF in accelerating transition, but it certainly made a positive contribution.

The period 2000–03

6.6 Project activities in this period were much easier to assess: some are ongoing or recently completed and tracking down beneficiaries and consultants was generally possible. The findings of the evaluation at project level for the 12 projects selected for the period are summarised in Appendix E Part B.

6.7 The overall findings of the evaluation regarding the project-level effectiveness during this sub-period may be summarised as follows

- 6.7.1 The overall standard of project performance was high. Although few of these projects have been formally scored (since they mostly fall under the threshold for PRISM) the typical score is a good 2 and several projects would have scored 1. There are no major disasters.
- 6.7.2 DFID typically played a leading role in project identification and design, with beneficiary organisations initially paying a secondary role in identifying projects.
- 6.7.3 A majority of the projects addressed cross-cutting issues in one way or another, most frequently poverty with a medium term perspective.

6.8 Several projects met obstacles in terms of the poor operating environment in Romania, especially as manifested by the rapidly changing political context, by instability in the beneficiary institutional affiliation and mandate, by frequent politicised changes in personnel following elections and from an initially low level of beneficiary commitment (especially in institutions of central government).

6.9 The average level of technical assistance provided through consultants was very high and appreciated by beneficiary organisation. There were, of course some exceptions, notably in respect of the initial consultant appointments to the Mining Closure and Social Mitigation projects; relations between beneficiary organisations and consultants have generally been good, and this in spite of the rather low level of involvement of beneficiary organisations in the drafting of ToRs and in the selection of consultants.

6.10 The portfolio includes several highly successful essentially stand-alone projects addressing the strengthening of organisations and systems of social significance for examples the projects in Child Protection and Probation).

6.11 Several projects have successfully contributed to capacity and institution building at the regional and local level, even though this has been achieved in a relatively uncoordinated manner, as separate and distinct interventions. This has been to a large degree the result of the lack of any co-ordinating body for the DFID programme as a whole in the GoR.

6.12 The public sector reform activities performed poorly for several years as a result of the constraints mentioned above, but are now yielding important benefits through a more targeted and strategic approach operating at a higher level. This has been facilitated by an increased willingness of the GoR to address core problems of the political and administrative system in the past 18 months.

Outcomes by CSP theme

6.13 During the CSP period there is a set of five output-level objectives defined in the CSP document and it is possible to ask to what extent these CSP output-level objectives were met. The conclusions of the evaluation in relation to each of these thematic objectives are:

- 6.13.1 Accountable public administration: as indicated above, progress was very limited during the larger part of this programme, with both the SMART and SPAR projects encountering substantial constraints to up-take and effectiveness (and both scoring low overall at project completion). However, they formed the basis for the later (and still continuing) high-level strategic advice to the Romanian PM, which appears to be having a major impact in assisting the GOPR to define its strategic reform process for PAR. This process is now on-going and apparently enjoys high-level support and the prospects of the benefits lasting the next election are good. The final benefits in terms of improved and responsive public administration are not yet measurable (or even discernible) but the process appears to be in place that will eventually yield these benefits. This is a significant contribution and to a large degree negates the former poor experience in this CSP output area.
- 6.13.2 Strengthened capacity to deal with social dimensions of restructuring: the major projects in support of this objective (Mining – social mitigation and RSDF) have had mixed results as set out in the case studies. Overall, while there had been some impact in this area, this was less than hoped.
- 6.13.3 Promotion of development at the Regional level: several projects have addressed this area successfully, including the Local Education Financing

project (on-going) and the local level capacity building undertaken in some of the major social sector programmes (including probation and child welfare). The achievement in this area is satisfactory in relation to spend.

- 6.13.4 Strengthening civil society to reduce social exclusion: the programme in this area has been quite small, and one specific area identified for action in the CSP (the Roma issue) has not been directly addressed through a stand-alone project. This area has fallen short of what was expected on the basis of the CSP.
- 6.13.5 Strengthened capacity for sustainable environmental improvements: Again some notable successes, especially the LA21 project which, although technically not falling under this CSP output area, in fact contributed to this objective; and the projects in support of local capacity to develop and manage water projects. The output was given reduced status during CSP implementation on instruction from the country manager in London and no new projects were accepted after 2001.

The DFID influencing agenda

6.14 The 2000 CSP recognised the importance of working ‘to influence the design and implementation of programmes of support for reform’ from the IMF, World Bank, EU and EBRD. In order to assess the extent and effectiveness of DFID’s influencing agenda with the multilaterals, the evaluation developed a methodology based on the identification of a possible set of objectives and instruments for the exerting of influence. Table 3 below provides a summary of the potential objectives and instruments, the likely mapping of instruments onto objectives and some requirements for effective influencing. The objectives and instruments included in Table 3 are drawn from first principles and aim to provide a deconstruction of the concept of ‘influence’ in the context of the relations between two donor organisations. The main point is that the various types of influence programme, such as DFID’s programme in Romania, there are only a limited number of instruments that can plausibly be applied.

6.15 The framework identifies four broad types of influencing objective:

- the framework identifies four broad types of influencing objective
- broad advocacy of a poverty agenda
- improving the design of programmes
- enhancing the quality of delivery during implementation;
- facilitation.

6.16 It also identifies five mechanisms for the delivery of influence:

- in-country dialogue
- provision of TA
- advisory support
- co-financing
- collaboration between central offices.

6.17 Using this broad framework the evaluation reviewed a selection of DFID activities in the Romania programme, concentrating on the relations with the two major multilateral partners, the World Bank and the EU.

6.18 Prior to the CSP, there already existed a measure of collaboration with the World Bank and the EU PHARE programme. This primarily took the form of co-ordination of the separately budgeted and managed activities of the respective organisations.

‘Influencing’ the World Bank

6.19 During the CSP period, DFID has collaborated closely with the WB in the implementation of three major projects: Mine Closure, Mining (Social Mitigation) and the Romanian Social Development Fund (RSDF). The evaluation has reviewed these three projects through case studies conducted by the Romanian Academic Society (SAR) and through field visits undertaken during the main evaluation mission. The results of these investigations are presented in Appendices B and C and summarised in Boxes 1 and 2 below.

6.20 A number of conclusions can be derived from DFID–World Bank collaboration in these two (strictly three, since the Mine Closure and Mining Social Mitigation were separate projects for DFID) projects:

- 6.20.1 DFID had little influence on the design of the projects as implemented by the World Bank. It was not involved at design stage but only became involved after WB–GOR loan agreements had been signed (or were about to be signed).
- 6.20.2 Where DFID’s consultants attempted to modify the existing design in ways which would impact on the WB’s loan agreement, this was resisted by the WB (even in cases where the arguments of the DFID consultants were technically well-grounded).
- 6.20.3 DFID’s main influence at the design level has been through add-ons – as for example the Social Development Scheme (SDS) in the Mine Closure (Social Mitigation project) or through support for developing additional capacities for the RSDF in the case of the latter project. While the SDS appears to have been a positive development, the jury is still out on the attempt to make the RSDF into a policy-oriented strategic institution, and there has probably been a cost to the wider project in terms of the diversion of RSDF management from its central role of administering the grant funds.
- 6.20.4 In building collaborative project implementation, great care is required to ensure clarity and compatibility of DFID TA ToRs. Shortcomings in this respect led to the failure of the first round consultants on the mine closure project (even though the project subsequently caught up fully when the consultants were replaced). Where DFID’s consultants are intentionally going beyond a purely implementing and operationalising role for the WB-conceived projects, there is the danger of creating inconsistencies of purpose and conflicts of priority for the beneficiary.

- 6.20.5 DFID did not always have the capacity at the appropriate advisory level to be able to respond rapidly to problems emerging on its joint projects. This was exacerbated by the non-comparability of structures of the two institutions both in-country and in their respective head office and by the low status of the DS/BE staff.
- 6.20.6 DFID supervision suffered from frequent changes in personnel, especially at the advisory level. Turnover was much higher than for the counterpart WB managers who typically remained the same throughout the projects.
- 6.20.7 The management of DFID TA was the subject of several shortcomings, including providing an inadequate role to beneficiary organisations in performance assessment.
- 6.20.8 Many of the problems experience by both Mining (Social Mitigation) and RSDF sprang from the complex and politicised environment of the beneficiary institutions and their domestic supervisory structures. This risk was given inadequate prominence at project design stage by DFID. It is not clear that this was a risk that could be effectively minimised by additional DFID resourcing (for example of advisers).

6.21 In addition to the collaboration at project level as described above, DFID has been closely involved in policy dialogue with the WB (and the EC) in the area of public administration in the context of the development of the WB's Programmatic Adjustment Loan (PAL). This is a multi-tranche instrument to provide loan findings in support of, and conditional upon, sustained implementation of the GoR's central reform agenda.

Objectives and mechanisms of influence on multilateral donor partners

| Mechanisms | Objectives | | | |
|---|-------------------------------------|---|--|--|
| | A. Broad advocacy of poverty agenda | B. Design of specific programmes | C. Quality of detailed project/ programme implementation | D. Facilitation: Provision of essential complementary TA |
| 1. In-country dialogue with WB and EC | XXX | XXX | XXX | |
| | Depends on capacity of local office | Needs pro-active identification of potential projects for cooperation | Needs high quality supervision and monitoring of TA- | |
| 2. Provision of TA for project design | | XXX | XXX | XXX |
| | | Requires strategic collaboration from early stage of project | Requires high quality TA | Assumes required TA not available from other donors |
| 3. Support from DFID London-based advisers | | XXX | XXX | |
| | | Requires close liaison with local partner office and HQ | DFID supervision of DFID-sponsored TA can help | |
| 4. Project / programme substantive co-financing | | | | XXX |
| | | | | Requires significant funding probably not available in DFID 'small-country' budget |
| 5. London/ Brussels or Washington channels | XXX | XXX | | |
| | The main channel for this objective | Influence the multilaterals criteria for selecting projects | | |

Notes: In the above table, blank entries indicate an *a priori* unlikely instrument/objective combination. The entry XXX indicates that this category should in principle provide an avenue of influence and the comments in the lower part of the boxes point to particular requirements or limitations for influence through the given instrument/objective combination.

Box 1: DFID collaboration with the World Bank in the mining sector

Reform of Romania's mining sector, which included many major loss-making state enterprises, has been at the heart of problems encountered in implementing economic reforms, with mine closures facing strong and sometimes violent political opposition from the unions. After an earlier period of stop-go, restructuring started in earnest in 1997. The World Bank became involved in 1998, requested by the GoR to provide support for environmentally sustainable mine closure and measures to address the social implications of mine closure, which led to a loan agreement between the WB and the GOR in 1999 for a project which incorporated lessons from WB experience from earlier projects in Ukraine and elsewhere.

DFID became involved in 1999, providing support for the main components of mine closure and social mitigation with a total budget of £2.9m. (£0.6m for mine closure and £2.2 million for social mitigation). The project was coordinated by the Romania desk in DFID London with assistance from the DS/BE. The project had already been fully designed prior to DFID's involvement, so DFID had no input to the project design.

The mine closure component, which was relatively technical in content, initially hit problems with the consultant selected who was unable to reach agreement with the Romanian counterpart (the Central Group for Mine Closure – CGMC - of the Ministry of Trade and Industry) on their role. After several false starts, the consultant was fired and the runner-up from the tender awarded the contract. Thereafter, this component ran smoothly and both DFID and the WB express satisfaction in the outcome as a successful example of collaboration.

Key findings from the mining projects review are:

- The Mine Closure project, which involved no project design changes, was a straightforward and successful example of the complementary input of TA by DFID to a WB project. It is highly rated by the World Bank. Although there were problems with the initial consultants selected, this problem was addressed (eventually through the replacement of the consultants).
- The Mine Closure project had little or no leverage and could in principle have been undertaken by any other bilateral donor. It did not employ TA skills in which DFID has a particular comparative advantage.
- The Mining (Social Mitigation) project was more problematic, largely as a result of difficulties in establishing a sound working relationship between the DFID hired consultants and the beneficiary. In large measure, these difficulties were attributable to shortcomings in the structure of the organisations of the beneficiary and were exacerbated by frequent changes in personnel and reporting lines on the government side.
- The Social Mitigation project demonstrated the difficulty in effecting design changes in a pre-designed WB project during implementation and several attempts initiated by the DFID consultants were successfully resisted by the World Bank. This included proposed changes, which addressed real shortcomings in the original project design.
- The most successful changes were the introduction of the Social Development Scheme (SDS), which was essentially an add-on to the WB design and which provided an effective vehicle for DFID to undertake local community based empowerment work.
- DFID had some difficulty in the management of its consultants in terms of sufficiently rapid response to emerging problems, as the local DS/BE office lacked seniority and the advisers in London were too distant from the project. This led to implementation delays, especially in the Social Mitigation project.

Box 2: DFID/World Bank collaboration on the Romanian Social Development Fund

The initiative for the Romanian Social Development Fund (RSDF) appeared in 1997 when the World Bank identified the need to address rural poverty through measures complementary to the state's social safety net. The RSDF was set up with strong support from the prime minister under his aegis. The institution is a bottom-up initiative whose function is to allocate and manage grants for community development projects with the aim of generating social capital. The World Bank provided a loan of US\$20million for creating the RSDF with a further US\$25million being provided by other donors. The WB support was provided in two tranches, with the second tranche release conditional on satisfactory achievement of output indicators. The loan from the World Bank required complementary TA to support capacity building in the RSDF. The RSDF is managed by an Executive Director and his staff under the supervision of a Steering Committee (SC).

DFID interest in supporting the RSDF, first prompted by a proposal submitted by the British Council, led to redrafted ToRs, which were discussed extensively with the World Bank, but with little direct involvement of the RSDF itself. DFID's principal aim was to develop the capacity of the RSDF beyond the limited role it had been played hitherto (as a competent administrator of grant funds to communities) into a more strategic body that could play a key role in shaping the national poverty reduction strategy. While the WB accepted the role proposed for the DFID consultants, it only saw a small part of this input as co-financing of its project. The result was that the RSDF, which lacked capacity for strategic planning, came to be operating under two quite distinct sets of objectives – those of the World Bank which centred on an administrative role of grants management and those of the DFID consultants, which emphasised development of the strategic capacity of the RSDF as an anti-poverty institution. The WB's position was largely based on the desire to avoid duplication between the role of RSDF and other initiatives aimed at strengthening national and regional anti-poverty strategy and capacities.

The project ended in August 2003 without having achieved all of its outputs and with many questions still hanging over the future role and capacities of the RSDF, especially for the period until after EU accession, when the institution is expected to have an important role in accessing EU structural funds. Its sustainability is thus in question. The overall assessment concludes:

- A lack of common understanding on the TA programme's vision and the role of each partner delayed implementation and reduced the benefits during the lifetime of the project;
- Poor relations of the consultants with the SC contributed to lengthy delays in implementation;
- Although the DFID TA consultants were technically compatible with the WB project, they involved a shift of emphasis in the role and objectives of the RSDF, which made it more difficult for the RSDF to develop a clear vision of the strategy and approach required;
- DFID's objective of creating an institution, which could play a major role in shaping a national anti-poverty strategy, has not been realised by the completion of the project. Although progress in this direction has been made, the duration of the project (reduced to two years from the originally planned three years) proved insufficient for such an objective to be achieved;
- However, the evaluation found that key RSDF staff have a very positive view of DFID TA.

Influencing the European Commission

6.22 DFID has developed a close relationship with the EC based on different formats for cooperation in different areas. The closest relationship has been in the area of public administration, which is recognised by the EC as critical to Romania's accession process, but which does not form a part of the *acquis*. The EC accordingly does not have a large budget for project activity in this area, although some projects in this area have been launched under PHARE. The EC is also quick to recognise that it lacks expertise in this area, leaving a fertile area for co-operation based on complementarity. DFID has successfully exploited this opportunity and has worked closely with the EC in this field, through the joint undertaking of the review of reform progress in public administration, which paved the way for DFID to provide strategic-level TA in this field through the EC to the prime minister. The EC in Bucharest recognises that DFID has played an important role in this field through support to defining the GoR agenda and through close coordination with the WB in the context of the development of its Programmatic Adjustment Loan (PAL).

6.23 DFID has also made effective and strategic use of funds to undertake the preparation of ToR for project activities for more substantial activities to be financed by the EC in public administration, and in this way has influenced the agenda and accelerated the process of implementation. In other sectors, DFID's approach has been to define project activities which influence the way in which the accession process proceeds, notably by increasing the ability of local communities to access and benefit from EC funding sources such as ISPA, SAPARD (to a lesser extent) and, prospectively, the post-accession structural funds. DFID has not influenced the design of these major EC instruments through the Romania country programme. However, as an EU member state it has played its part in development of the instruments through the Brussels-based activities (notably by DFID International Department, but also the CSEED/ECAD unit which co-ordinates with Brussels). In general, however, such influence operated at a higher level and was not perceptible to DFID staff working in-country.

6.24 Overall, apart from these collaborative activities, DFID has not had a significant influence on the EC, either in respect to EC country policies or the design and application of EC instruments, at least through the DFID country programme. The collaboration with the EC has, however, permitted DFID to play a facilitating role with respect to the filling of critical gaps in the accession agenda (notably in public administration) and it has allowed DFID to define project interventions of its own which are more effective than they would have been if they had not taken close account of the current and prospective activities of the EC.

Influencing the EBRD

6.25 The CSP also identified the EBRD as a further target of influence. In the event, however, there has been only limited interaction between DFID and the EBRD in the Romanian context. Reasons cited for this omission include the inaccessibility of EBRD to policy advocacy of the type pursued by DFID because of perceived incompatibility with the EBRD's mandate and confinement of relations with the EBRD to a unit in DFID operating at regional level.

7.0 CONCLUSIONS AND LESSONS

The project focus of the Romania programme

7.1 Judged within the bounds of the programme as set out in the CSP as a project-based delivery programme for assisting Romania, the overall conclusion of this evaluation is that the programme has been rather successful. The majority of projects, especially during the latter period under the guidance of the CSP, have broadly achieved their outputs, even if belatedly in several cases. This success stems from the imposition of an effective system of project cycle management which utilised the CSP as the touchstone for acceptance or rejection of projects, which allowed the orderly termination without extension of projects which were not directly germane to CSP objectives, and monitored projects much more closely than in the previous period. It is a credit to the programme that this has been achieved with rather modest programme management costs and the increasing use of resources provided by the local staff of the DS/BE.

7.2 By contrast, the selection of projects in the KHF legacy was scattered, lacked cohering logic and was managed by a larger number of disparate advisers largely working in isolation from each other. During the KHF period, TA resources were channelled to projects in the public sector and the private business sector. The attempts to achieve progress in central reforms during the KHF period were largely unsuccessful. This outcome is attributable primarily to the inherent difficulty of assisting a government that was weak in policy formulation and commitment for reform. In retrospect, the KHF projects in this area were over-optimistic about the prospects for change in the wake of changes in government following elections.

7.3 The KHF programme was much more successful in its interventions aimed at demonstrating how markets could function in areas such as business development, management training, banking and insurance. The enabling characteristic of these sub-sectors was that change could become self-driven relatively easily, given the high level of qualified staffing and commitment in the recipient organisations.

The shift to a more programmatic approach under the CSP

7.4 In comparison to the earlier period covered in this evaluation, the CSP period is marked by a much clearer definition of the thematic objectives of DFID's programme in Romania. The CSP document made it much clearer for those implementing the programme what was expected of them and made it easier for the programme to retain its focus, through both active project development and through the rejection of proposals for project support in areas which were not covered in the CSP.

7.5 It is less clear, however, whether the increased clarity of thematic purpose deriving from the CSP actually improved the quality and effectiveness of the projects. There is no major difference in the assessed effectiveness of projects under the KHF and CSP periods, and indeed several of the larger projects that dominated the CSP period were in fact developments of initiatives established in the KHF period. What can perhaps be said is that the greater clarity of objectives under the CSP has permitted a more purposive selection and design of project interventions to exploit wider synergies and benefits from establishing

a closer relationship between DFID's projects and wider developments, such as the GoR's decentralisation agenda and the opportunities offered by the evolving accession agenda and the related EU support instruments.

7.6 Despite the more programmatic approach followed after the CSP, the approach remained very project-focused rather than strategic. The need to manage existing projects, and to maintain the spending pipeline through new projects, reduced the advisory time available for developing more strategic approaches with government and other donors. Collaboration tended to be at the project or sector level. Moreover, unlike the approach in some of the Balkan countries, the local office was not mandated to pursue a more strategic agenda.

Working with the multilaterals

7.7 The Romania evaluation has provided an opportunity to examine the effectiveness of the strategy of working with multilateral agencies, and in particular the World Bank and the EC, a stated aim of the CSP that was put into practice.

7.8 The CSP period provides three examples of project-level collaboration with the World Bank: Mine Closure, Mining (Social Mitigation) and the RSDF. In all cases, the collaboration is viewed as worthwhile by all parties involved (DFID, WB and beneficiaries). However, the relationship is not always easy or unproblematic. There is a basic mismatch of objectives: from the WB's point of view, DFID is seen as a useful, and sometimes critical, supplier of complementary TA, which the borrower is unwilling to procure on a loan basis but which the Bank regards as key for project success. DFID TA is expected to fit into pre-identified and appraised project design, which cannot be easily altered. DFID, on the other hand is particularly interested in the leverage to be derived from influencing the project design or the context of project spend.

7.9 Ideally, for DFID to influence project design, it needs to be involved as a strategic partner from the outset of project preparation, but this was not the case in any of the projects reviewed in Romania. This is not accidental. There are several reasons why it may be difficult for DFID to be involved in the design of World Bank projects: World Bank projects are typically large and have a longer gestation and implementation period than the relatively short-term planning and implementation period of DFID's typical project life. (Although the WB operates on a three-year CAS cycle, this is for financial purposes and the total WB project cycles extends longer than one CAS period); and Bank staff are likely to be reluctant to involve DFID as a strategic partner at project design stage because:

- of the the nuisance factor of having to reach agreement with a wider group of financiers (it is already a difficult process within the WB)
- this may be seen as unjustified in view of the disproportionality of financial inputs to the overall project
- the perception that DFID advisers (who are likely to be closely involved in such a process) will have moved on before the project comes to fruition, lending impermanence to the relationship
- amour proper at the WB, which does not perceive itself as requiring support from bilaterals to design projects.

7.10 If leverage is to be achieved by affecting project design after a WB project loan is signed, this will typically be a difficult process and may prove impossible because of the WB's relative inflexibility once a loan agreement is completed. At this stage, the WB's main interest is implementation and disbursement on schedule, rather than seeking further value added in developmental terms by changes to design. The simplest cases will involve add-ons that leave other components unaffected (such as the DFID support for capacity building in the RSDF, which successfully achieved leverage by enhancing the quality of project spend across the WB funded component of the project). Where changes are sought in design of existing components, these are likely to be strongly resisted by the WB (as, for example, the DFID consultants' view on desirable changes to the Mining (Social Mitigation) project, which were, in fact successfully resisted, such as the need for more flexibility on the location of workplace centres).

7.11 The least problematic case is where DFID simply provides TA without influencing design (such as the Mine Closure project), but in these cases there is little or no leverage and the TA could, and probably would, be provided by other donors if DFID support were not forthcoming. Furthermore, such TA can be delivered at lower cost simply by making UK trust funds available to the WB without direct involvement in the programming of the TA (as is done by the Japanese PHRD, for example).

7.12 The Romania programme also demonstrates through the recent collaboration in the area of public administration reform that collaboration is possible on WB programmatic lending. The high level adviser input provided to the GoR has been instrumental in facilitating the inclusion of a strong public administration reform component in the PAL, which is currently under negotiation. However, here again it would be unwise to take this as a paradigm that can be easily replicated elsewhere. The favourable collaboration on the PAL involved significant input from a highly experienced DFID governance adviser, coupled with a strategic opportunity in terms of the change of perception of the issues by the GoR (driven by the accession imperative and the EU 2002 Report which highlighted this area as a possible obstacle to accession on schedule). The lesson is, perhaps, rather that DFID country programmes should be constantly on the look-out for opportunities for strategic activities of this nature, but they cannot be programmed in as a routine.

Helping the multilaterals to work together

7.13 The involvement in the area of public administration in Romania has also demonstrated that DFID can play a significant role in helping the larger players to work together. In particular the WB and the EU in Romania have not had an easy relationship owing to basic differences in the objectives and working methods. DFID's presence has acted as a bridge and has facilitated an improved and more constructive working relationship between the WB and the EU. This has been driven both by specific DFID project activities in the area of public administration and through the strategic input of the adviser to the PM.

Working with EC on the accession agenda

7.14 DFID has sought to collaborate with the EC in the context of the accession agenda. This has taken two major forms: assisting the EC in ensuring that major gaps which are essential for the accession process but which the EC itself is not in a position to address

adequately (mainly because they fall outside the *acquis*) are addressed. Prime examples are the close collaboration on development of the public administration reform agenda and the project work on child protection; secondly, by developing DFID's own projects in areas where there was a potential for influencing the outcome of the accession process in a pro-poor direction, mainly through empowerment of local communities to access EU funds and through promotion of the decentralisation agenda. These were intelligent approaches to adopt, given the virtual impossibility, because of the financial resources available, of actual co-financing of projects between DFID and the EC.

Influencing government

7.15 It has already been noted that the CSP is curiously silent about the scope and aim of influencing the GoR. This is curious given the apparently larger scope for influence that is afforded by well-established and bureaucratic external donor organisations such as the EU and the WB. In the event, the evaluation believes that DFID has in fact had a significant influence on the some key institutions within the GoR. This has been achieved in two ways: (i) by working through projects to explore innovative ways of approaching important issues (Local Education Finance, child protection and the probation service are all good examples of project-based influence); and (ii) through the strategic interventions at an advisory level, of which the clearest example is the impact of the adviser to the PM in generating a momentum for fundamental reform. Given the lack of commitment in the CSP to influencing the GoR and the lack of orientation of the DS/BE to advocacy work, it is surprising how much has been achieved (at least in relation to the small scale of the DFID presence and programme).

Strengths of the DFID Romania programme

7.16 The CSP sets out the aim of orienting the programme on the basis of DFID comparative advantage, but without venturing to identify where that advantage lies. With the benefit of hindsight it is possible to identify a number of strengths, which have served to differentiate DFID in Romania. These include:

- 7.16.1 **Flexibility:** cited by many interviewees in the course of the evaluation, especially beneficiary organisations. This refers to the willingness and ability to adapt projects and programmes to the reality on the ground. In several cases, DFID was contrasted in this respect with the larger donors, especially the World Bank, which gets locked into loan-funded projects and cannot easily change course; and the EU, which is perceived as trapped by the complexities of its own bureaucracy into inflexible positions.
- 7.16.2 **Willingness to take risks,** as for example in experimenting with project approaches (DFID tends to be contrasted with the WB in this respect)
- 7.16.3 **Quality of DFID advisers** in selected areas who can be seen to have been the driving force in some of the major achievements of the programme.
- 7.16.4 **Quality of technical assistance:** the quality of TA provided by DFID is widely regarded as being high. There have, of course been exceptions and problems on some individual projects, but these do not detract from the general view conveyed by almost all beneficiary organisations visited, including those visited on field trips.

Weakness in the DFID Romania programme

7.17 Weaknesses of the Romanian programme noted in the evaluation include:

- limited capacity of the local office (in spite of the progress made in the past two years to utilise the local staff of DS/BE)
- limited availability of advisers, especially in recent years
- failure to develop a strong advocacy role for, or a strong working relationship with, the British Embassy
- initial risk identification and assessment. Several projects failed to identify, let alone correctly classify, *ex ante* risks.

Lessons for DFID small-budget country programmes

7.18 The Romanian experience is of interest in relation to the issues surrounding appropriate approaches and human resource support for country programmes where DFID is an extremely small player in relation to total aid budgets, and aid is a relatively small proportion of national income and the government budget. So the evaluation has considered what lessons can be learnt in this respect.

7.19 In spite of the differences of objectives pertaining to the KHF and DFID periods, the underlying strategy of intervention was common to the two periods: in both periods the programmes concentrated on the provision of technical skills as the principal resource transfer through the mechanism of **TA-based projects**.

7.20 During the CSP period, DFID started to implement strategies that were substantially influenced by the poverty-reduction commitment of the 1997 White Paper. The CSP provided an effective vehicle for focusing the programme on a limited number of objectives. With a well-disciplined programming process, the CSP was converted to projects rather faithfully. The CSP, in comparison to the earlier KHF period, paid much greater attention to seeking leverage in its activities, either through working in close collaboration with the two large multilaterals, or through selecting and designing projects with a greater capacity for replication and broader impact in the context of EU Accession.

7.21 However the Romania programme remained a low-key operation, depending heavily on the delivery of contracted TA services as the main vehicle for change. The low status and staffing of the local office prevented the development of a strong advocacy or process-support role by DFID staff and advisers. Only in the final years of the programme was an attempt made to break out from this limited role, notably through the attempt to achieve strategic influence at a high level of government through the public sector reform programme.

7.22 The lesson drawn from these observations is that in small-country programmes, the critical resource is actually human rather than financial. There needs to be a matching of the strategic approach to the country programme and the accessibility and delivery system for skilled human resources (advisers from London, country office staff (local or expatriate), and hired TA). With the shift in strategic focus to the western Balkans and the recent

reorganisation of the advisory departments, the Romania programme has lacked the capacity or adviser support to play a high-profile strategic support role to Government.

7.23 The evaluation also contains lessons for how DFID can influence the programmes of multilateral agencies, notably the World Bank and the European Commission. In the case of the World Bank, it is important not to confuse collaboration with influence. Achieving influence over the design or implementation of a World Bank project is difficult to achieve through the provision of TA alone, or even of add-on components financed by DFID, where DFID has not been involved from the outset of project preparation. By way of contrast, DFID can probably achieve much more in terms of influence, and at lower cost, by being ready to provide small amounts of TA at the design stage (as it did in drawing up the terms of reference for EC projects) or by being able to respond quickly with high quality TA when a strategic opportunity is identified (as in the case of the adviser on public administration reform). In all these cases it was the combination of high quality inputs from DFID advisers (even if London-based), relatively small amounts of available funds, and high quality technical assistance that achieved the result.

Persons Consulted
DFID UK

| | |
|------------------|---------------------------------------|
| Jessica Irvine | Head of Department, ECAD |
| Richard Moberley | Programme Manager, South-East Europe |
| Jim Butler | Accession Countries Programme Manager |
| John Hargreaves | Senior Advisor, Governance |
| Dave Smith | Balkans Programme Manager |
| Simon Robinson | Programme Officer (Romania) |
| Ann Condy | Social Development Advisor |
| Robin Milton | Social Development Advisor |
| Colin Kirk | Head, Evaluation Department |
| Arthur Fagan | Deputy Head, Evaluation Department |
| Phil Compernelle | Economist, Evaluation Department |

DFID Bucharest

| | |
|------------------|--|
| Bob Napier | Manager, Development Section Bucharest |
| Gena Stanciu | Senior Programme Officer |
| Mircea Ciocan | Programme Officer |
| Marianne Pavalan | Senior Programme Officer |
| Oana Lupu | Programme Officer |
| Alex Costescu | Programme Administrative officer |

British Embassy, Bucharest

| | |
|--------------|-----------------|
| Mike Reilly, | First Secretary |
|--------------|-----------------|

Donor Organisations in Romania

| | |
|------------------|--|
| Ann-Marie Sandi | Senior Programme Officer, World Bank |
| Christina Grau | Head of Phare Sector, European Delegation in Bucharest |
| Ms Taneascu, | Desk officer, Public Administration, European Delegation |
| Ms Babulescu | Task Manager, Monitoring and Evaluation, European Delegation |
| Jonathan Scheele | Delegate, European Delegation in Bucharest |
| Martin Tims | MATRA Coordinator Netherlands Embassy |
| Ammick Amyot | Canadian International Development Agency |
| USAID | |

Beneficiary Organisation Staff and Consultants

| | |
|-------------------|--|
| Maria Manolescu | Secretary of State, Ministry of Finance (Accountancy, audit) |
| Anca Amuza | Ministry of Finance, Department of Accounting |
| Gabriela Coman | President, National Agency for Child Protection |
| Ken Sigrist | Adviser to the Prime Minister |
| Director | Ministry of Education (Education Local Finance project) |
| Jim Miller | Romania Social Development Fund, IMC Bucharest |
| Silviu Cacciu | Assistance to Child Welfare |
| Godfrey Cleff | Romania Social development Fund |
| Bill Frazer | Education Local Finance project |
| Marian Nica | Ministry of Public Administration |
| Michael Turturean | Ministry of Public Administration |
| Maria Sandor | Citizens Advisory Information Services) |
| Paul Smith | Local and Regional Partnerships Development |
| Martin Flaherty | Local and Regional Partnerships Development |
| Kevin Haines | Probation project |
| George Lane | Child Protection project |
| Vlad Penescu | Director, Centre for Improvement of Management Performance |
| Anca Girgiu | Civil Society for Development Foundation |
| Adina Drogetoiu, | Counsellor, Ministry of Labour and Social Security |
| George Romanca | National Centre for Sustainable Development |
| Amelia Willie | Director, Department of Probation |
| Alexandra Lasu | Ministry of Finance |
| Georgette Pefiu | Ministry of Finance |
| Robert Raitt, PAI | SMART project |
| Bernard Cooke, | Project Director, Accountancy and Audit Reform project |
| Kevin Haines | Project Manager, Probation in Romania project |
| Mr Birle | Head of NAD, Baia Mare |
| Mr Timis | Head of NAD, Borsa |
| Mr Ioan Makovei | Director of the state mining company, Baia-Mare |
| Mr Stetscu Rumus | Vice-Mayor of Borsa |
| Mr Ferenc Bokor | Consultant, Enterprise PLC, Team Leader for the World Bank mining project, component on enterprise support and workspace centre management |
| Mr Sorin Pop | Consultant for MATRA (Netherlands) on community development in Maramures and former head of Human Resources Department in NAD Bucharest |

MAIN DOCUMENTS CONSULTED

DFID (1997), *Eliminating World Poverty – A Challenge for the 21st Century*.

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PROJECTS REVIEWED

A. Sub-Period 1997/8–1999/2000

MIS 540041: Centre for Improvement of Management Performance

MIS 550035: RBI Distance Learning

MIS 532001: Assistance to media

MIS 550016: OU/CODECS Training

MIS 550019: Education Reform Pre-University

MIS 555010: Emergency Services

MIS 540053: Ministry of Finance Diagnostic

MIS 542024: Support for Administration Reform

MIS 540054: SME Sector Development

MIS 542034: Romanian Auto Register

MIS 555009: General Practice Management

MIS 542041: Criminal Justice Reform

MIS 542030: Post Office Consultancy

MIS 540059: Enterprise Reform in Romania

MIS 501018: Cleaner Production

B. Sub-Period 2000/1–2002/3

MIS 540060: Local Education Finance

MIS 508001: Local and Regional Partnership

MIS 542052L Assistance to Probation

MIS 542057: Mining (Social Mitigation)

MIS 559010: Romania Social development Fund

MIS 501022: Environmental Management in Municipalities (LA21)

MIS 540065: Romania Accountancy band Audit Reform

MIS 543055: Assistance to Mine Closure

MIS 542060: Romania Child Protection

MIS 542067 Institutional Support to MOLSS

MIS 501020 Strengthening Capacity in Environmental Project \Design
Technical Assistance to the PM's office

APPENDIX A: METHODOLOGY OF THE EVALUATION

In keeping with the wider purpose of the evaluation to explore appropriate methodologies for the evaluation of DFID programmes at the country level, a wide range of methodologies were applied in the Romania evaluation. These included:

- initial briefing sessions with regional and country programme managers in DFID London and EvD in East Kilbride
- review of background literature on Romania and assembly of major reports
- an initial scoping mission to Romania, which concentrated mainly on a series of detailed briefings and discussions with the DFID Section in the British Embassy in Bucharest. These included group sessions on programme overview and evolution; analysis of DFID's partnerships; and stakeholder analysis
- the preparation of a stakeholder analysis in collaboration with the staff of DS/BE, which involved the identification of all significant partners/stakeholders in DFID's programme and the plotting of their position on a graph to demonstrate the relative importance of each and the degree of influence which DFID believed it to have with each stakeholder
- the commissioning of several analyses from OPM's partner organisation in Romania, the Academic Society of Romania. These included:
 - (i) preparation of a Background Paper on drivers of change and the political context
 - (ii) a survey of major projects in the DFID programme since 1997 with beneficiaries and consultants as respondents. The survey covered 15 of the larger projects in the portfolio drawn from both the period 1997–99 and from the later period (2000–2003)
 - (iii) a formal assessment of partnerships as viewed by both DFID and its partners in government and donor agencies. Again this partnership survey adopted a formal approach in which respondents were asked to classify their partnership relationship with DFID in a spectrum for each of 25 pre-defined aspects of a partnership
 - (iv) in-depth project case studies for 3 projects. The projects were selected with a view to providing a more detailed understanding of DFID's performance at the project level, to provide examples of projects involving significant field operations, and finally, to provide case study material on projects where DFID was working in partnership with a major multilateral donor partner (the World Bank)
- on the main evaluation mission, the systematic interviewing of DFID staff and partner organisations on a selection of 24 projects that covered 75% of the programme spend over the period under review. The number of projects selected was based on the desire to review projects providing coverage of 75% of the programme spend during each of the two sub-periods. The individual projects in each period were selected for review on the basis of a set of criteria which included: scale, projects involved in the key area of public administration reform, projects illustrating experience in relation to decentralisation, projects of interest

in relation to DFID's relations with donor partner organisations, examples of less successful projects, projects for which adequate documentation was available either in London or Bucharest

- interviews with partner organisations to assess how others see DFID in Romania. These included government, NGO and private sector beneficiaries, government agencies and other bilateral donor organisations. These interviews were carried after completion of the project survey and the partnership survey.
- an institutional assessment of the DFID office in Bucharest
- field visits to selected areas of operation of the two mining sector projects selected for in-depth study
- the establishment of a Core Learning Group (CLG) of interested stakeholders and partners in Romania. The CLG met twice during October 2003 to provide feedback, initially on the proposed methodology for the evaluation and latterly on the preliminary findings of the evaluation at the time of completion of the main country visit by the evaluation team.

APPENDIX B: CASE STUDY OF DFID SUPPORT TO MINING SECTOR REFORM 1998–2003

B1. Objectives and methodology of the study⁷

The present study is part of an evaluation of the Romanian programme of the Department for International Development (DFID), the international development agency of the UK government. As part of this evaluation, two case studies were produced, one on FRDS (Romanian Fund of Social Development), and the present one, on DFID's mining project.

The objectives of the case study are to:

- assess the relevance, consistency, and coherence of objectives of the DFID project
- assess the efficiency and effectiveness in meeting these objectives
- assess the outcome / impact of the project and its sustainability
- identify lessons and good practices

The main information sources for the case study have been:

- project documents (correspondence, ToRs, logical frameworks, consultant reports – OPRs, PCR)
- interviews with key personnel, from the different stakeholders – a list of interviews is annexed
- a study trip in the Tg. Jiu area, where we visited a closed mine, and a Social Development Scheme project, and had interviews with project implementers. An additional similar visit took place in the Borsa region.

The approach of the case study followed the project log frame. Special consideration was given to the different stakeholders involved.

The DFID project consisted of providing consultancy to the Romanian government for implementing a loan agreement with the World Bank aimed at closing mines in a sustainable manner (both socially, and ecologically). It is thus difficult to directly link DFID with the impact of the mine closing programme itself. We have consequently focused on the process of implementing the DFID project, rather than on measuring the outcome of the mine closure programme. To be more explicit, we expected that the successes or shortcomings of the mine closing programme have less to do with the DFID consulting contribution, and probably more with the WB and / or with the Romanian agencies. The DFID contribution was to be assessed mainly on the implementation of its more limited project.

B2. Background

The restructuring of the Romanian mining sector started in earnest in 1997, following the election of a reformist government at the end of 1996. Faced with large losses in the mining sector, and taking into consideration the awesome reputation of the miner trade

⁷ This study was prepared by Bogdan Chiritiou, of SAR, with Cosmin Pinteau and Emanuel Rauta.

unions who had stormed the capital in four previous occasions⁸, the government decided to buy them off with large one-off redundancy payments. The measure had a large success, with miners lining up, and allegedly offering bribes, to be fired. Soon afterwards things turned sour, as the redundancy payments were freely spent on the purchase of domestic appliances and leisure activities. Miner families awoke with no savings and no source of income. The impact was worst felt in the Jiu Valley, where large mining communities were concentrated, and the economy was non-diversified. People failed to find alternative employment either there, or by relocating elsewhere in the country.⁹

The government changed track in 1998 and asked for support from the World Bank to continue the restructuring of the mining sector. The loan agreement had two components: one for mine closure in an environmentally sustainable manner, and one for social mitigation. DFID ended up providing the consultants, which supported the Romanian agencies implementing the loan agreement. The details of the loan agreement and of DFID's involvement are provided below, when the role of each stakeholder is presented. It is worth bearing in mind however, that the focus of this loan was no longer the Jiu Valley, where the initial mine closure measures had been introduced in 1997, and where most unrest was to take place. All the mines to be closed were outside the Jiu Valley and only some social mitigation activities took place there.

B3. Stakeholders

The main stakeholders in the project have been, the international funding agencies (World Bank and DFID), the international consultants, and the Romanian government counterpart agencies; Romania societal actors had a rather reduced involvement.

International Financial Institutions And Donor Agencies

a) The World Bank

In 1999, the World Bank concluded a loan agreement with the GoR to provide 44.5 million USD in order to support the closure of 29 mines and to mitigate the social consequences from mine closures (not restricted to the area of the 29 mines to be closed). The Bank had been involved in similar projects in other CEE countries like Ukraine, Russia and Poland. The loan agreement resulted in a standard World Bank programme, following well-established World Bank procedures. Management-wise, for each of the two components (mine closure, and social mitigation), responsibility was devolved to a senior Washington staff member. They were supported by the Romanian Residence Office, where one staff member was assigned to monitor the implementation of the loan agreement. It is worth mentioning that these three key staff members have been in charge for the whole duration of the programme.

⁸ In 1990, they ransacked the headquarters of the then Christian Democrat and Liberal opposition parties. In 1991 they forced the resignation of the Petre Roman cabinet, whose social democrats were in 1996 a junior partner in the governing coalition.

⁹ Things were actually to run out of control soon, with the Jiu Valley miners marching again to Bucharest in the spring of 1999, and throwing the country into confusion, before being finally defeated by troops.

b) DFID

DFID had decided to re-focus its Romanian programme on influencing the projects of larger donors like the WB and EU.

Following prompting by different British consultants with experience in the field (e.g. IMC Consulting), after the conclusion of the loan agreement between WB and GoR, DFID volunteered to support this programme, by providing assistance to the Romanian agencies involved in implementing the loan agreement.

DFID allocated a total of £2.8m for this project; £0.6m for mine closure, and £2.2m for the social mitigation component. DFID has selected two consultants, one for the mine closure component and one for the social mitigation component. The project was co-ordinated by the Romanian Desk from DFID's London headquarters, assisted by local DFID staff, based in the UK Embassy in Bucharest. During the implementation of the project, due to the very technical nature of mine closure, DFID hired a UK-based external consultant with experience on environmental issues. Similarly, a London-based DFID adviser on social development has been involved in the project.¹⁰ Changes of the personnel involved have resulted in changes of outlook on the project.

International Consultants

a) Mine closure

In autumn 1999, DFID selected by tender IPEE as the consultant for the mine closure component. IPEE was apparently a relatively new and less well-established organisation. They soon fell out with the Romanian counterparts and the World Bank over whether their role was to assist the work done by the Romanian agencies (as they understood the ToR) or to actually share tasks, and take responsibility for the work done. After a few attempts to bridge this gap, and the resignation of two team leaders, DFID finally gave up on them. In spring 2000, DFID appointed the runner-up in the initial tender as consultant. Wardell Armstrong is a reputable consultancy with experience in mining. They came relatively quickly to an understanding with the Romanian authorities and the World Bank over their role. DFID has oiled this agreement by providing fresh money for tasks that had not been budgeted.

Wardell Armstrong employed a team of part-time consultants, which paid regular visits to Romania. They do not have an office in Bucharest – during their stay in Romania they use the office facilities of the Romanian counterpart.

b) Social mitigation

The tender for the social mitigation component of the project was won by IMC Consulting. IMC had previously worked on a social mitigation project in Ukraine. It was also already present in Romania. IMC has established an office in Bucharest (it has since won a number

¹⁰ According to the project memorandum, a social development adviser (who left and was replaced at the middle of the project), an economic adviser, an enterprise advisor and a senior project co-ordinator from the Romanian Desk, all from DFID headquarters, have worked on the project.

of other projects). The director of the Romanian operations was in charge of the team of consultants working on this project. There has, however, been a high turnover of individual consultants over the duration of the project. Apparently only one of the three-person consultant team has survived during the whole duration of the contract.¹¹

Romanian Government Agencies

a) Ministry of industry

Overall co-ordination of the Romanian agencies was the responsibility of the Ministry of Trade and Industry (renamed Ministry of Industry and Resources, after the 2000 elections, and later Ministry of Trade and Economy).

b) PMU / PIU

In accordance with World Bank procedures, for the management of the project, a Project Management Unit (PMU) was created, appointed by the Secretary of State (Minister, in Romanian terminology). The PMU enjoys a large autonomy, and consists of Romanian public servants, but they are much better paid than their colleagues. Correspondingly, in each agency involved in the project, Project Implementation Units (PIUs) have been created. They report to the head of the respective agency, but were also expected to collaborate with PMU.

This system of multiple subordinations and wide differences in wages has fuelled tensions between the agencies involved (especially PMU and AZM).

c) Central group for mine closure

CGMC is the Industry Ministry structure responsible for mine closure. It held authority over the state companies that owned the mines. It has survived for the whole duration of the project, but has undergone a number of name changes.

d) Agency for mining regions (AZM, also known by the English acronym of NAD)

AZM was created in 1998, following an agreement between the then newly elected government, and the miner trade unions, in order to mitigate the negative social consequences of large-scale redundancies in the mining industry. Initially reporting directly to the prime minister, it was later incorporated in the Ministry of Industry. The trade unions failed to play a key role in the functioning of AZM, as will be explained later.

AZM was located in Bucharest, in the building of the Ministry of Industry, and had 14 regional offices.

It was chosen as the institutional host of the WB social mitigation programme. At the start of the programme, it was a new institution, under-staffed, and under-resourced. The staff was inexperienced – most people, including management, came from the mining industry,

¹¹ The quality of the consultants has also declined over time, according to one Romanian partner.

and had no experience of social work. AZM was also affected by the instability of the Romanian administration: over the duration of the project it had three general managers (whose tenure bears a good correlation with the lifespan of the governments who appointed them). The first general manager was a political appointee (with no experience either in mining or in social mitigation), while the other two came from the mining industry. Similarly with their staff, none had any experience in social development.

AZM has been under close scrutiny and pressure during its whole existence. It was created in 1998, following the large redundancies of 1997, which threw the mining regions into crisis. The social need, and the expectations were very high. Since AZM made a very slow start, it came under strong criticism. Things got even worse after the 2000 elections (and the change of government), when the Economic Committee of the Senate gave the agency an ultimatum to produce results within two months, or face abolition. The agency has, however, managed to survive.

Other Romanian Stakeholders

a) Trade unions

As mentioned above, the creation of AZM was part of the 1997 memorandum concluded between the Romanian government and the miner trade unions. This participatory mechanism failed however. Trade unionists realised there were risks in being closely involved with government decision-making (which was set to impose unpopular downsizing measures). Therefore, trade union leaders preferred to disengage from the activity of AZM (and from the restructuring policy in general), therefore preserving the liberty to criticise the policy of the government. Their most significant connection with the project was a study trip to the UK for trade union leaders, funded by the British Government and co-organised by IMC.

Instead, they created their own mechanism for social mitigation. They put together a company, which subcontracted a number of activities from the mining company. The company (Conservmin) did not make profits, employed former miners only, paid wages much lower than a miner's wage and hired people only for the minimum period legally mandated in order to be eligible for unemployment benefit (initially 6 months, now 12). They have therefore dodged the WB demanded reduction in labour force (by shifting the employees from the mining company to the newly-established one) and have abused the welfare system. The company has failed to develop other clients apart from the mining company and is thus unable to survive on its own. They have succeeded, however, in keeping a large number of former miners within the safety net.¹²

b) Local government

Local government appears to have been equally detached from the project, as there is little mentioning of it in the project correspondence. IMC inspired the creation of the association of mining communities, but the initiative was not supported by the WB, and the association did not play an important role in this project.

¹² We did not receive an estimate of the number of people who benefited from this assistance.

Realities do not look that bleak in the field however. As mentioned in the methodology section, we have made a study visit to the site of a closed mine – Rogojelu, in Farcasesti, Gorj. The mayor of the village was very positive about the project, he was very happy the community could reclaim waste land for agriculture, and mentioned the community was kept informed about the project, and the desires of individual land owners were taken into account.

B4. Project goals, objectives, and expected outputs

The DFID project aimed to provide technical assistance to the Romanian agencies involved in implementing the loan agreement with WB, in order to facilitate the achievement of the objectives of the loan agreement, and to increase the institutional capacity of the Romanian government (central, regional, and local), civil society and private sector.

Specifically, the hiring of the mine closure consultant was expected to lead to:

- permanent closure of 29 mines, and the environmental remediation of each site, according to international standards
- strengthening of CGMC's technical and managerial capacity, enabling it to independently manage and organise in the future mine closures up to international standards
- the production of a Closure Procedures Manual, in accordance with World Bank procedures.

The specific tasks were focused on drawing the closure plans, preparation of procurement documents, assistance in the bidding and contracting procedure, and on carrying out quarterly audits.

Similarly, the social mitigation consultant was to develop the capacity of AZM, so that it was able to implement the World Bank project, and to operate independently further on. Its tasks included the operationalisation of the elements provided by the WB memorandum:

- micro-credit scheme
- managed work-space
- enterprise support services (One Stop Shops)
- job and career change counselling
- social dialogue measures
- community services
- development of a public information network
- institutional development of AZM.

There are a number of project shortcomings which can be traced to the ToRs. As mentioned above, there has been a difference between what the first mine closure consultant, IPEE, has understood as its tasks and what the Romanian counterpart (GCMC), supported by WB, expected. While the consultant understood their role as providing only technical support (in order to develop the capacity of GCMC), they were eventually required to supervise

the drawing up of closure plans and to monitor their execution. DFID appeared to sympathise with the consultant, but ended by accepting the arguments of WB. A pattern became apparent in this first conflict, and was to be repeated over and over again during the project, with WB finally imposing its view.

Having the consultant responsible for the production of closure plans raised the issue of the payment for the data and the work of the Romanian Design Institutes, to which they were contracted. Eventually, after long and tense negotiations, the Romanian Design Institutes were paid only for the new data they had to gather and the plans they produced (i.e. not for data they already had). Since this expenditure was not covered in the budget of the consultant, DFID agreed to provide the extra amount necessary.

There have been a number of problems with the ToRs for the social mitigation component too. Apparently similar terms proved to mean different things to the WB and DFID – e.g. social monitoring, or social dialogue. In addition, an important element of the WB's project, the Employment Training and Incentive Scheme (ETIS), was not included in the DFID's TOR. During implementation however, ETIS was perceived to be in need of support and much of the consultant input has been redirected towards it.

The PMU has also complained that ToRs did not clearly differentiate between the tasks the consultant had to provide in relation to the PIU (apparently less needed), and its assistance to the rest of AZM.

The ToRs have been substantially re-drafted after the mid-term evaluation. The tasks have been described more precisely, and the outcome indicators have been clarified. More significant, at the proposal of the consultant, a new intervention aimed at poverty alleviation has been introduced – the Social Development Scheme (SDS).

B5. Outputs and impact of the project in relation to its objectives

At the time of writing, the social mitigation component has ended, but the mine closure is still under way. The project is in serious delay, but has made good progress towards achieving its objectives.

The World Bank is pleased with the progress of the mine closure component. In all 29 sites, the work is under way, or has already been accomplished. The head of PMU calls Wardell Armstrong the best consultant he has worked with in over ten years of experience. Anecdotal evidence collected during the study trip at Rogojelu mine illustrates the good impact of the project. The contractor and the provider of technical assistance have been impressed by the more flexible, outcome-oriented methodology of the mine closure plan (when compared with the more rigid, process oriented, Romanian procedure). The professionalism of the consultant and of the DFID independent expert was appreciated. Not least, the standards imposed for the conditions for personnel (showers, protection equipment) have received praise.

The picture is more mixed in what concerns the social mitigation component. The malfunctions of AZM and the conflict between the consultant and the top management of the agency in the first half of the project have slowed down its implementation. Only after

the appointment of another head of AZM, in 2002, did it become possible to make headway. A lot of work has been put into training in order to develop the institutional capacity of AZM at all levels: general director, top management, heads of the 14 regional offices. It is difficult to assess the impact of this training effort. The consultant claims it has succeeded in determining the de-centralisation of decision making in agency. They also pride themselves in steering the agency towards a role of facilitator rather than provider of services (with the exception ETIS, directly managed by AZM). Both DFID and the World Bank seem to agree with this optimistic outlook since they are willing to pour considerable amounts into an expanded SDS, managed independently (i.e. without the support of a consultant) by AZM. This would suggest they believe AZM's capacity has improved considerably. In addition, the staff of the Social Unit of AZM (in charge with implementing the SDS) we have interviewed have been highly appreciative of the training (and of the activity of the consultant in general).

SDS is the flagship measure heralded by the consultant – and a rare innovation in the World Bank-designed project. SDS is a late arrival in the project. It offered grants of up to £5,000 to community groups following a project competition (in some cases after a facilitation process which has identified the needs of the community – i.e. the pilot Partnership Intervention). It was managed by AZM regional offices and was funded by DFID with £150,000 (unlike all the other interventions which were funded under the WB loan). The scheme has funded a total of 55 projects. As mentioned above, the redirection of substantial DFID (£200,000) and WB (\$5 million) resources –savings from the mine closure component –is a vote of confidence.¹³

On a field visit to Borsa, Maramares we have seen that the Social Development Scheme is very highly regarded as innovative, simple and accessible to communities. AZM and mayors provided information and support to communities on the procedures for application. Skills in project selection, accounting etc., were transferred to local AZM. The scheme has been very popular – 30 applications were considered in Borsa and five were selected, of which we visited three: a school playground; a school computer class in Baia-Borsa community and social housing in a mining community, Baia-Borsa. All the projects are highly appreciated by local communities. Key benefits are: a) alleviation of urgent social problems in the communities; b) mobilisation of communities which have no experience in working together; c) promoting cohesion between communities, as the sites developed are of common use and value to the communities. The computer class is a good example; it makes the local school more attractive for children who would otherwise go to other schools and offers a possibility for computer training and use of computers for the community. The community can use the class as a meeting place. Other communities now would like to create such computer classes in their schools and asked for support. Another visit, to Tg. Jiu provided a more mixed perspective. We have interviewed the staff of the AZM Tg. Jiu office and visited the SDS projects from Tg. Jiu. Therefore we can offer only tentative conclusions, based on the particulars of the region we visited. The interviews have confirmed that SDS had a very good media impact for the agency, and has also helped morale (at last they were able to do something directed to their beneficiaries). While the cost efficiency of the scheme was praised¹⁴, the amounts were however too small to have a sizeable impact upon poverty in the whole region.

¹³ The methodology employed however will be the more complicated, but World Bank-compatible one, used by the Romanian Social Development Fund (FRDS).

¹⁴ Overall, SDS has attracted 200% co-funding from other sources (mainly Romanian administration).

The main project we visited was a block of one-room flats, used as social housing¹⁵ (the other was a park next to the city high school). The SDS grant has refurbished the common bathrooms on each floor. The project has attracted a very large investment by the local government, which connected the block to the water network. Visiting one year after the implementation of the grant, however, there were serious failings. The ceramic floors and walls looked attractive but the bathrooms were not functional. The building did not have heating, so showers could not have been used. A number of sinks and toilets were not functional, partly because of stolen parts, partly because of being out of order. Moreover, it was significant that the grant has failed to create a feeling of community, a key element of sustainability. There was no restriction on access to either the entrance to the building or the bathrooms, which inhibited the perception of ownership. The tenants were not even able to mobilise in order to have the out-of-order sinks and toilets repaired. We witnessed recriminations between the tenants and, to our question why the people who fixed the toilets on the fourth floor could not be persuaded to do the same in the rest of the block, we were told 'everybody is taking care of his/her floor'.

Furthermore, in spite of the 'self-help' philosophy of the scheme, we found out that the tenants, because they were too unskilled, did not work alongside the craftsmen at the refurbishment so they simply stood by while some people refurbished their bathrooms on DFID money. In fact, the application for the grant appears to have been written by a local council employee, with little participation of the beneficiaries. It is worth mentioning, however, that the DFID staff believed this to be one of the less successful SDS initiatives – unrepresentative of the whole scheme.

The most successful intervention in the Tg. Jiu region appears to have been the Employment and Training Incentive Scheme (ETIS).¹⁶ In spite of its name, it is basically a wage subsidy for former miners and their family members. For expediency, this intervention is being managed directly by AZM, instead of being sub-contracted.

The micro-credit facility has been implemented. At least in the Tg. Jiu region, its terms are less favourable than other similar schemes available in the area and success has been limited.

The Enterprise Support and the Workspace interventions have been coupled, upon the request of the World Bank. The workspaces are refurbished older buildings, made redundant after mine closure. The number has been reduced due to the high development costs. In the region visited, the intervention is to be launched by the end of the year. Both the consultant and the AZM staff we talked to are sceptical. The buildings are inappropriate for industrial use (they are former office buildings) and are located in remote areas. The consultant opined that it would have been better and cheaper to build new, purpose-built spaces as workspaces and to allow the older mine buildings to be used in the informal economy. IMC was, however, overruled by WB.

¹⁵ The block consisted of 55 studios, inhabited by about 115 tenants.

¹⁶ This might not hold true elsewhere however. Apparently, ETIS does not perform well in the Jiu Valley region, since in that economically depressed region there are not enough companies to take advantage of ETIS.

B6. Risks and assumptions

The logical framework of the project takes into consideration two types of risks:

- the political will of the government to pursue the restructuring of the mining sector
- the capacity of the Romanian agencies to implement the components of the project

The political will has been steady, and has survived a change of government following the 2000 elections. With hindsight, one could argue that the capacity-related difficulties have been underestimated. Poor management skills at AZM, and agency in-fighting (partly caused by the WB PMU / PIU system) have created considerable difficulties in the implementation of the project. Cultural factors may also have played a role, such as attitudes to women, or suspicions of corruption.

B7. Sustainability

Following the good progress in the mine closure component and the savings from the original estimates, the World Bank has accepted the extension of the project to two other large mines (still to be determined at the time of writing this study). As mentioned in the previous section, both DFID and WB have decided to pour substantial additional resources in the Social Development Scheme. Both developments support the sustainability of the project.

B8. Assessment of project implementation in relation to its impact

Timeliness

The social mitigation component would have been most necessary after the large redundancies of 1997. Coming three years later, much of the earlier dire social consequences have withered away naturally. A smoother implementation would have helped the project having results earlier but this lateness was basically a problem of the World Bank loan agreement, for which DFID bears no responsibility.

Duplication of other initiatives

Given the unique position of DFID as a close partner of the World Bank but also running a bilateral programme of an EU Member State, it was in an excellent position to help integrate the World Bank and EU programmes. Instead, we could find only one reference to a meeting of the project where representatives of the European Commission Delegation also attended. Many of the interventions implemented by AZM were similar to Phare programmes (SMEs, Ricop, Human Resources). The EU-funded Mining Affected Regions Reconstruction (MARR) programme (dedicated to mining regions) is mentioned in the project memorandum. Actually there has been no apparent effort at co-ordination and there has been some duplication of activities. There has also been a level of duplication even with World Bank-sponsored programmes implemented by the Unemployment Agency (ANOFM) – e.g. the unemployment agency offers micro-credits at more favourable rates than AZM and also provides business counselling for start-ups.

Apart from cannibalising their business, these duplications have another disadvantage. Much of the energy put into the project (i.e. consultants' time) has gone into preparing rule books for the different interventions. By synergy with other programmes, much of this effort could have been saved, and re-directed. For example, when WB will allocate the extra funding for SDS-type projects, the SDS procedure designed by IMC will be replaced with the one of RDSF (Romanian Fund for Social Development), which is compatible with WB rules. In addition, according to the consultant, the EU is not interested in working with AZM, as it does not fit its regional development system. Of course, facilitating the integration of the projects of two large donors (with resources hugely superior to DFID's), both coming with highly formalised procedures, is no easy task.

Project design and management

DFID had only a limited success at influencing the WB project (as its strategy paper would demand). By contrary, it was the World Bank which has prevailed on all differences of opinion save one – the only major contribution of the consultant / DFID to the design of the project is SDS. This situation has not always been in favour of the project – e.g. the consultant was probably right in opposing the workspace intervention in the form it was requested by the WB. Moreover, the outlook of the World Bank was very much focused on objectively identifiable outcomes. DFID and the consultants were more interested in developing the capacity of the Romanian stakeholders, even if the results were more difficult to gauge. Over the medium term, it is quite possible the British approach would have been more beneficial.

There are a number of reasons which explain this inability of DFID to exert its influence, even when this would have benefited the project. Firstly, DFID had to get involved in a project after it had already been designed. The failure in communication between DFID and WB, which resulted in ToRs not sufficiently adhering to the WB memorandum, have made things even worse. Finally, there is also a management factor here. The WB staff dealing with the project was highly stable and competent. DFID had a high turnover of UK-based staff, who, in addition, were not all qualified in the area of the project. The environmental expert on mine closure was hired only after the project had commenced, and the adviser on social development was replaced in the middle of the project and came with a radically new approach. That is why we had a very clear picture of what and how the World Bank wanted to achieve through this project, while DFID vacillated from increasing the capacity of AZM to abandoning it and looking for other partners.

A solution to increase the capacity of DFID to leave its mark on projects would be to have UK-based specialists in certain areas (e.g. mining, social mitigation etc.), responsible for the similar projects in a number of countries¹⁷. The day-to-day running of a certain project could, however, be devolved to the local staff who have a better understanding of the country where it operates and is closer to events. Finally, this set-up should be in place from the very beginning and actively engage with the Romanian and WB partners in the design of the project.

¹⁷ Apparently this was the set up of the project. However, by consulting the correspondence of the project we have found only limited and disconnected interventions of these advisers. In addition, the frequent change of correspondent has bewildered the Romanian partners and the consultant, who were left with the impression of instability in DFID staff.

Management of consultants

The troubled history of the consultants involved in the project is also worth examining. The first consultant on mine closure had to be fired and the consultant on social mitigation had a rocky relationship with the beneficiaries, which contributed to the over one year's delay of the social mitigation component. In the first case, the root cause was probably the poorly drafted ToRs and, perhaps, a poor choice of the selection committee. It is worth mentioning that there was no involvement of the beneficiaries in the selection procedure (unlike in the case of the social mitigation consultant). Designing the ToRs in close co-operation with the World Bank and the Romanian beneficiaries, and perhaps involving them in the selection of the consultant, might have prevented these problems.

In the social mitigation case, much blame could be laid on the poor management of the Romanian beneficiaries, and on clashing personalities. There are, however, factors under DFID control which also contributed to this situation. Allowing the consultant to operate from separate premises instead of sharing the office with the beneficiary helped their estrangement. More importantly, the lack of involvement of the beneficiary in assessing the performance of the consultant (a problem apparently especially in the case of PMU¹⁸, and less so of AZM) fuelled the view that DFID is the only client the consultant has to pay attention to. Both represent lessons for future projects.

In addition, many parties concerned complained of poor communication: both the consultant and PMU had the feeling they were not part to essential communication. It would probably be beneficial in future to restrict bilateral meetings, to conduct most communication in meetings where all concerned parties are present and copy everybody with the key documents produced. Communication would be improved with more authority being devolved to the local staff of DFID, to whom the consultant should report, and who would be best able to relate to all the stakeholders of the project (e.g. Romanian beneficiaries, World Bank Residence Mission, consultants).

Romanian partners

Finally, it is fair to underline the difficult conditions the project had to operate in. Romanian agencies are a very weak and difficult partner. Poor management skills, over-centralisation, political appointments, lack of resources and bureaucratic in-fighting would have made the implementation of the project a daunting task, no matter what.

¹⁸ The head of PMU claimed he has been denied access to the social mitigation consultant ToRs and was not asked to provide feedback on the regular reports of the consultant.

List of Interviewees

DFID

Ms. Gena Stanciu – Programme Co-ordinator

IMC

Mr. David Ford – Team Leader

AZM

Mr. Marcel Hoara – Director, Social – Economic Development

Mr. Candido Domenico – Adviser, social programmes

Ms. Daniela Plantus – Adviser, social programmes

Ministry of Industry and Resources

Mr. Titu Criveti – Director of PIU mine closure

PMU

Mr. Nicolae Turdean – Director of PMU

Trade Unions

Mr. Condescu – Leader of Oltenia Miners Free Trade Union

Tg Jiu Study Visit

Mr. Iliescu – Director of Community Relations, Lignit National Company Oltenia (CNLO)

Mr. Pauna Ilariu - Lignit National Company Oltenia (CNLO)

Mr. Constantin Pirvulescu – Mayor of Farcasesti, Gj (to which Rogojelu is part of)

Mr. Vasile Fulgu – Coordinating Director, Sartex Ltd (the constructor hired for closing mine Rogojelu)

Mr. David Lacatusu – Head of Works for Rogojelu, Sartex Ltd

Mr. Popescu – safety at work, Rogojelu, Sartex Ltd

Mr. Gheorghe Cornea – head of technical assistance for the closure of Rogojelu mine, Crescent Ltd

Mr. Ioan Bogdan – topograph, technical assistance (Crescent Ltd), Rogojelu

Ms. Tania Nicu – AZM Tg. Jiu regional office

Mr. Marian Nicu – consultant for enterprise development, Tg. Jiu

Mr. Ion Ciochina – Director, Unemployment Agency (AJOFM) Gorj

Borsa Visit

Mr Birle, Head of AZM, Baia Mare

Mr Timis, Head of AZM, Borsa

Mr Ioan Macovei, director of the state mining company, Baia-Mare

Mr Stetcu Rumus, Deputy-mayor of Borsa

Mr Ferenc Bokor, consultant, Enterprise PLC, Team Leader for the World Bank mining project, component on enterprise support and workspace centre management

Mr Sorin Pop, consultant for MATRA (Netherlands) on community development in Maramures and former head of Human Resources Department in AZM Bucharest

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APPENDIX C: CASE STUDY OF DFID TECHNICAL ASSISTANCE TO THE ROMANIAN SOCIAL DEVELOPMENT FUND¹⁹

C1. Introduction

The present case study focuses on the qualitative aspects of the two-year TA programme to the Romanian Social Development Fund (RSDF), financed by the British Department for International Development (DFID). The analysis takes a wide perspective placing the TA in relationship with the most influential factors from its environment. The major issues tackled are the quality of formal and informal relationships established, the motivations of persons involved and the impact all these had on implementation.

Specifically, we address:

- overall relevance, consistency, and coherence of programme-objectives
- efficiency and effectiveness in meeting these objectives
- specific outcomes vs. larger impact of the programme
- sustainability and lessons learned.

To meet these objectives, programme-related documents such as Terms of Reference, Logical Frameworks, Output to Purpose Reviews, World Bank aide memoirs and official correspondence were analysed. These documents provide accurate understanding of the formal progress of project implementation, offering clear ratings for the level of achievement for programme milestones on one hand and, on the other hand, several qualitative considerations.

Six in-depth interviews were conducted with RSDF staff, past employees, community facilitators and representatives of the main partners in the project – the World Bank, DFID Bucharest Office, and IMC Consulting. As a result, we managed to draw a map of stakeholders showing the relationships that influenced the programme and outlining the changes that occurred after the technical assistance intervention. Also, the analysis took into consideration how these particular findings fit into the larger frame of DFID assistance to Romania. The case study itself is part of a larger evaluation of DFID's assistance to Romania.

C2. Background

The initiative for the Romanian Social Development Fund first appeared in 1997 when the World Bank (WB) identified the need to address rural poverty through measures complementary to the state's social safety net. Also, the newly elected government expressed its commitment to fighting poverty. The prime minister showed a personal interest in the establishment, under his aegis, of a Social Development Fund (SDF) – an innovative tool to address poverty at the grass-roots level and to develop local capacities for self-help and management [15].* SDF was a distinctive bottom-up model of development, which contrasts with previous top down initiatives. Its purpose was to allocate grants for specific

¹⁹ This report was prepared by Csilla Kajtar of SAR.

* Figures in parentheses refer to list of references on p87.

community development projects with the aim of generating social capital at community level. The in-cash and/or in-kind contribution of the applicant community is set for 5% of the total project cost [20].

The WB disbursed a loan of US\$20m to the Government of Romania with the specific purpose of creating a Romanian SDF. The total budget of the programme was estimated at US\$45m, of which, besides the WB, the Government of Romania was to contribute US\$5m and other donors approximately US\$20m. SDF had two phases: programme initiation (SDF I) and programme development (SDF II). [15]

To ensure timely and effective implementation of the WB programme objectives, an autonomous institution - the Romanian Social Development Fund (RSDF) - was established by law 129/1998 and placed under the authority of the prime minister. A Steering Committee (SC), chaired by a president, was to set broad policy guidelines for RSDF. The members of the SC were appointed by the president and the prime minister and they were likely to be changed at elections due to Romania's intense state politicisation. The positions in the SC had to be filled by the following members:

- one representative of the prime minister
- one representative of each of the following ministries: Ministry of Labour and Social Solidarity; Ministry of Public Finance; Ministry of Public Works, Ministry of Transportation and Housing; Ministry of Public Administration
- four widely recognised personalities of civil society, who were not members of NGOs involved in the Fund's activity, to be nominated by the president.

The day-to-day activity of RSDF was carried out by an executive director and staff organised in five departments.²⁰ The central activity consisted in awarding grants on a competitive basis to demand-driven sub-projects. The two main objectives of RSDF were those of the WB SDF programme: (a) to improve the livelihood of beneficiaries from poor rural communities and disadvantaged groups; and (b) to promote social capital enhancement and civic engagement among project beneficiaries. While the main objectives are the same for SDF I and SDF II, a comparative table (table 4) below outlines the differences among the specific objectives for the two phases (in italics are the activities added with SDF II).

²⁰ See Organisational Chart attached

Comparison of SDF I and SDF II objectives

| SDF I components | SDF II components |
|---|---|
| <p>A. RSDF Sub-projects</p> <p>A. 1. Financing sub-projects prepared by recipients in poor rural communities and disadvantaged groups:</p> <ul style="list-style-type: none"> • small rural infrastructure (rehabilitate, upgrade, build or equip); • community based social services; • income generating activities and employment opportunities <p>A.2. Training and technical assistance aimed at community-level capacity building for:</p> <ul style="list-style-type: none"> • participatory identification and prioritisation of needs; • design, implementation and monitoring of sub-projects; • use of cost-effective standards and appropriate technologies for small infrastructure. | <p>A. RSDF Sub-projects</p> <p>A. 1. RSDF Sub-Project Development. Financing sub-projects prepared by recipients in poor rural communities and disadvantaged groups, including <i>youth at risk</i>:</p> <ul style="list-style-type: none"> • small rural infrastructure (rehabilitate, upgrade, build or equip); • community based social services; • income generating activities and employment opportunities; • <i>follow-up activities</i>. <p>A.2. Building Community Capacity through preparation, facilitation, appraisal, supervision of sub-projects and provision of training.</p> |
| | <p><i>B: Knowledge Sharing and Partnership Building.</i></p> |
| <p>B. RSDF Institutional support</p> <p>B. 1. Strengthen the institutional capacity of the RSDF through training and technical assistance.</p> <p>B.2. Provide support to the overall management of the RSDF project.</p> | <p>C: Institutional Strengthening</p> <p>C. 1. RSDF institutional support <i>including decentralized units</i>.</p> <p><i>C.2. Project monitoring and evaluation.</i></p> |

The condition for graduation to SDF II and receiving the second fraction of the WB loan was for RSDF to reach the key programme outputs (which remained similar for SDF II) and the mandatory benchmarks listed below [15]:

Outputs and benchmarks for graduation to SDF II

| Key Outputs of SDF I | Key Outputs of SDF I |
|---|--|
| Organised and trained community groups. | Well-functioning RSDF organisation including trained staff, adequate administrative, monitoring and evaluation systems. |
| Non Governmental Organisations (NGOs) oriented towards delivery of community-based social services. | 1,000 sub-projects applications registered and 300 poor rural communities assisted. |
| Small infrastructure improvements initiated in poor rural communities. | Grants awarded to at least 200 projects. |
| Income generating activities initiated in poor communities. | Bank-financed sub-projects of which about 60 should be completed. |
| Capacity to implement, monitor and evaluate the programme. | Beneficiary assessment initiated, supported by monitoring system. At least 60% of the programme load must be disbursed. |

RSDF's main tasks were its own institutional development, disbursement of approximately US\$25m, the achievement of the outputs mentioned above, and the accomplishment of all benchmarks in 3 years' time (January 1999 – December 2001). In this context, assistance for RSDF's institutional strengthening and capacity to attract and retain well-qualified personnel became paramount. To accomplish this goal, under SDF I, a budget of US\$1.6m was allocated of which US\$400,000 was specifically for training and consultancy for RSDF. The WB share of this budget category represented US\$ 400,000. Under SDF II, the budget for institutional support was increased to US\$2.54m, with the WB paying only US\$280,000. This time, the institutional support already included approximately US\$250,000 contributed by DFID.

The British Council (BC) identified first the RSDF's potential need for a TA programme in addition to the support from the WB. Thus in 1999, the BC submitted to DFID the ToR for a two-year assistance programme requesting a £315,000 budget allocation as DFID contribution [3]. This proposal was turned down at that time, but in March 2000, DFID submitted for debate to the World Bank a ToR proposal, very similar in content with the one presented by the BC.

From this point, the ToR was shaped through a dialogue between the World Bank and DFID; in this planning phase, RSDF was not extensively involved. When fully designed, the ToR was also presented for consultation to RSDF. Their specific requirement was for increased staff capacity to better carry out the disbursement of funds and another specific output to be added: grant recipients (final beneficiaries) from the community to be trained and effective. [6]

Comparison Of WB and DFID objectives:

| WB hierarchy of objectives for SDF II [16] | DFID purpose and outputs [8] |
|---|--|
| <p>Output from each component:</p> <p>A.1.1. Poor rural communities have access-improved infrastructure.</p> <p>A.1.2. Disadvantaged groups have access to improved community-based social services.</p> <p>A.1.3. Improved opportunities for income generation and employment among target population.</p> <p>A.1.4. Improved environmental situation in small poor villages and corrected potential problems of SDF I sub-project.</p> <p>A.2. Increased local capacity for raising and managing resources to solve priority problems.</p> <p>A.3. Improved situation of poor women (heads of large families, elderly widows with no family support, women victims of violence, unemployed women).</p> <p>B. 1. Increased awareness among stakeholders of:</p> <p>(i) participatory and inclusive approaches to local development; and (ii) the importance of sanitation and environmental issues for poverty reduction.</p> <p>B.2. Linkages and partnerships established at local level among communities, NGOs, local authorities and private sector.</p> <p>B.3. Community Driven Development better reflected development and anti-poverty strategies and programmes.</p> <p>C.1. RSDF is operating in a cost-effective manner.</p> <p>C.2. RSDF is operating as a learning institution.</p> | <p>Purpose:</p> <p>RSDF develops the sustainable capacity to measurably enhance the social capital development and poverty alleviation impact of the funds under its management as part of a coherent national approach to these issues</p> <p>1. A strategic and policy dimension to the work of the RSDF which has established macro/micro links to enable it to form part of a co-ordinated national approach to PA and community empowerment.</p> <p>2. Effective poverty and social capital and inclusivity measurement indicators developed and in use by the RSDF which provide a baseline and progress information to fund management and inform national strategy.</p> <p>3. Significantly enhanced operational systems, procedures, training packages and resource networks to assist the Fund's operations and the capacity of both its field operations and management</p> <p>4. Effective strategy for knowledge sharing and information network strategy developed and in use at as local and national level, combined with targeted supporting promotional activities</p> <p>5. Models of fund decentralisation developed, piloted and appropriate format implemented within project timescale.</p> |

The DFID proposal was approved with a £1m budget for two years.²¹ Of this amount, the WB considered only US\$250,000 as relevant to the SDF II programme objectives. These areas budgeted in the WB Project Appraisal Document as DFID contributions were: activities with the National Commission on Poverty, Quality Assurance, Household Survey, and the upgrade of the Management and Information System of RSDF (MIS).

The TA programme's goal was to enable RSDF's to contribute to a national strategic approach to poverty alleviation in Romania by strengthening community driven development. [5] The table above summarises the two sets of objectives that RSDF had to meet under the SDF II programme on one hand, and under the TA programme on the other. Some of the objectives are complementary but others are not and likely to place an additional burden on RSDF management and SC. The column on the right represents the WB prioritisation of objectives.

In addition to the specific objectives of SDF I, SDF II introduced two new components regarding RSDF's institutional development, namely: (1) decentralisation; and (2) development of strategic management capacity. Also, the WB introduced new indicators of performance related to:

- networking and experience sharing activities across communities
- refining eligibility criteria
- increasing the number and scope of the community sub-projects
- conducting monitoring and evaluation activities at RSDF level and disseminating results to governmental institutions and to the public.

In connection with the above, a mid-term review would be held before 30 April 2004. However, the RSDF will first have to develop an action plan to strengthen project implementation and sustainability to:

- formalise the partnerships between communities and local authorities
- establish a more coherent link between community initiatives and overall sectoral policies
- establish control groups and define formal users committees and train them
- define an exit/transformation strategy going beyond the programme period to integrate RSDF with the government's overall framework for public sector reforms and decentralisation.

These additional WB requirements are closer to the strategic outcomes DFID proposed. Nevertheless, it is important to make the following distinction: while the Bank's goal has always been that RSDF becomes well-integrated in the Romanian environment implementing the programme coherently within national anti-poverty policies, DFID has aimed to determine RSDF to pro-actively shape the national anti-poverty policy. In other words, the WB did not exclude RSDF's involvement in influencing national policy, but placed primary emphasis on sound programme implementation done by well-qualified staff.

²¹ Initially the proposal was discussed for a three-year implementation time, but later it was shortened.

The WB position regarding RSDF's strategy was also determined by avoidance of programme duplication. At the inception of SDF I, UNDP was assisting Romania to design its first Poverty Alleviation Strategy – a project that was mentioned as ongoing in the WB Project Appraisal Document for SDF II. [15, 22, 16] Also, just prior to starting of SDF II, the government Commission on Poverty Alleviation and Social Inclusion Promotion (CASPIIS) was created as a government body under the personal co-ordination of the prime minister and with the goal of shaping national anti-poverty policy. In the same period (1998 – 2000), the WB was investing in a National Regional Development Agency designed to produce a national strategy for regional development and fighting poverty (it did in 1999) and to decentralise gradually to regional offices to be able to later handle pre-structural and structural funds. [19] Thus, the Bank's position regarding the goal of the TA was clearly about avoiding programme duplication.

Compared to the other partners, the main beneficiary's, i.e. RSDF's understanding about the role of the assistance was yet slightly different. They expected a combined balance of the following needs to be met: (1) its internal needs for increased efficiency and effectiveness on one hand; and (2) its external needs for a more strategic approach based on establishing more institutional links with the main actors involved in poverty alleviation in Romania. [3]

The contractor that finally carried out the TA – IMC Consulting Ltd – was chosen through a tender procedure DFID organised with RSDF consultation. The British Council also participated in the procedure, but its proposal was rejected on grounds of lack of expertise in social policy and insufficient macro policy emphasis and global vision. [3]

The TA project ended in August 2003 without meeting all the outputs. RSDF would have appreciated a longer TA (3 years, as initially planned) considering its ambitious goal, most importantly the culture of self-sustainability is not yet achieved and the agency does need further support. [11] Currently, one consultant from the initial IMC team is being paid for an extra 9 months of work with RSDF in order to finalise activities that were only delayed but otherwise on the right strategic and sustainable track. Exit/transformation strategies include variants with and without Bank and donor financing and with and without being mainstreamed into government functions. Three possibilities are envisaged:

- enhancing RSDF's role as a national-level institution that finances projects initiated by grass-roots, community-based organisations. RSDF could use public funds, as well as funds from international funding agencies (EU, private investment funds, the World Bank)
- transforming RSDF into a centre of excellence in community-driven development. RSDF staff and experienced consultants could be engaged in three categories of TA: facilitation, appraisal and supervision activities for new projects, poverty monitoring and evaluation, poverty alleviation measures
- link the RSDF up closer with the decentralisation program, possibly merging it with other agencies that finance local activities.

The above are merely ideas on the table; the RSDF does not have a concrete implementation strategy for any of them. [14] Currently, the WB, as much as the RSDF would support further TA provided by IMC in order to meet the outputs established in 2000 and to shape a sustainability strategy. [9,11]

C3. Considerations on the overall relevance of the programme

Lack of common understanding regarding the TA programme's vision and the role of each partner were the principal causes for the delayed implementation and final outcomes. First, differences in priorities occurred between the WB and DFID; later within RSDF severe disagreements appeared between the management and the Steering Committee's views (from July 2001 until June 2002); and lastly, IMC did not bring the main partners together to, possibly, re-discuss the too ambitious expected outcomes. After June 2002 the implementation improved significantly but this occurred too late relative to the August 2003 deadline.

The TA programme goal and purpose were consistent with the DFID country objectives for Romania. [10, 13] However, from the design phase of the TA, slight discrepancies could be noticed if one compared the objectives established by the WB with the ones of the TA. In the second phase of the programme the Bank required RSDF to continue the efficient disbursement of funds for community projects adding the request that RSDF implements SDF coherently with the national policy on poverty and with the new developments regarding regionalisation. At the same time, DFID was focusing more on the strategic policy shaping orientation of RSDF. Correspondence between the WB and DFID revealed some concerns of the first one regarding duplication of activities or outputs proposed by the TA which are already planned or carried out through the SDF I programme objectives.

Added to this consideration is the fact that by 2001, when the DFID intervention started, the RSDF proved to be an efficient and secure disbursement agency that had established a reputation for delivering practical results relatively quickly in the poorest rural communities. The Project Appraisal Documents (PADs) and aide memoirs do not mention major technical issues regarding RSDF's capacity for grant disbursement and meeting the specific objectives – consequently the WB gave the approval for starting SDF II. Moreover, RSDF was never involved in major public scandals or corruption issues. All these entrenched a comparative advantage in grant management that the management and SC were strongly prone to further build on.

IMC's mandate, outlined in the TOR document, was to develop the capacity of RSDF to meet its objectives integrated with a coherent national approach. The priority was to link RSDF's successful project delivery to the CASPIS poverty strategy and the policy of the GoR. [7] For this, RSDF should have been efficiently advised on the appropriate networking with other institutions or on working with individual members of the SC. This particular networking might have been hindered for several reasons such as RSDF's un-recognised performance at the policy making level, the disagreements with the SC, lack of appropriate PR at RSDF's level. In fact, DFID Bucharest office regarded that while professional advice could have pushed RSDF towards integration at policy-making level, IMC was not in the position, not was it its duty, to be doing this.

The relationship between the key partners was not clearly outlined from the inception phase of the project. Also, the vision of these partners about the purpose of the TA was slightly different and IMC was aware of these since the programme inception phase. Possibly, further negotiation could have solved the differences and lead to re-considering the ambitious programme goals in the context of shorter implementation time. However,

the only means for re-addressing the programme’s goals and objectives and for changing the Logical frame would have been to request an Output to Purpose Review (OPR) prior to the mid-term OPR that is usually done. [14] Even when IMC requested the OPR it could not be done in a timely manner because the position of Social Development Advisor in DFID London Office was open at the time. Moreover, even the scheduled mid-term OPR was greatly delayed for the same reason and it occurred only in October 2002. [14]

The timing of the TA was an influential factor. The interviews revealed two complementary opinions: some argued that if one considers the capacity building aspects of the TA, this was provided too late in RSDF’s development process; others pointed out that, the TA started too early considering its ambitious goals for shaping long-term strategies and influencing national policy.

Individuals interviewed mentioned that the assistance could have had a stronger impact if it had been implemented from 1999 when RSDF was newly established. At that time RSDF had a better absorption capacity for change and was able to incorporate a more balanced long term/short term and task-oriented/strategic approach. By 2001 the WB, as well as other potential donors, saw in RSDF an efficient money disbursing institution. Therefore, most financial incentives for RSDF were by then to continue and improve the grant making capacity and consider policy making a supplementary activity.

Supporters of the second opinion underlined that RSDF had to demonstrate first that it was successful in its bottom-up method for addressing poverty and only afterwards building on this success could it start influencing policy. From this perspective, only now would it be appropriate to stress with more success on the involvement of RSDF in national policy-shaping endeavours.

Positive features and problems of IMC Consulting in carrying out this TA process, as identified in interviews, are as follows:

Table 7: Positive and negative features of the TA

| IMC’s recognised positive features | IMC’s problems |
|--|--|
| Flexible, open to change (even if after a year) | Did not manage to change RSDF’s organizational culture [11] |
| Motivated staff | Started by attempting to impose activities that would not address the needs expressed by RSDF [18,9] |
| Good senior specialists on poverty issues | Not strong-handed enough for a “grown” organization [18] |
| Good team leader – same person who is still offering consultancy | Specialists very much appreciated, yet spending less time at RSDF than the non specialists [18,11] |
| | Too small staff [11,9] |

Currently, both main partners in the project – RSDF and the World Bank – qualify the impact of the technical assistance to be fairly good in terms of the frame initially established and considering the unexpected risks that greatly delayed the intervention. Should there be a possibility to obtain additional funding, the two partners would support the program's continuation. [9, 11] The TA is seen to be on the right track even if it did not meet the objectives. However, these positive opinions about the program's impact are likely to be motivated by the potential receiving of another grant for its continuation.

Table 8: Changes to the SDF's purpose and outputs

| Purpose/Output | Change in rating Feb 02 – Sept 2003 | Reason for change |
|--|---|--|
| 1. A strategic and policy dimension to the work of the RSDF which has established macro/micro links to enable it to form part of a co-ordinated national approach to PA and community empowerment. | (4 – 2) | Strategy and policy documents prepared and implemented by RSDF with appropriate timetable for review and revision; Subproject information collated and interpreted to form a contribution to national policy issues; Demand for RSDF generated information at the national policy level. |
| 2. Effective poverty and social capital and inclusivity measurement indicators developed and in use by the RSDF which provide a baseline and progress information to fund management and inform national strategy. | (2/3 – 2) | Measurement indicators developed and in use; Base line and progress data collated and disseminated to national agencies; Use of RSDF social capital data by other national agencies. |
| 3. Significantly enhanced operational systems, procedures, training packages and resource networks to assist the Fund's operations and the capacity of both its field operations and management | (x – 2) | Operating systems demonstrate improved performance over project time scale; Types of training delivered and numbers trained increase; Resource Centre operational, supplying information to new beneficiary groups |
| 4. Effective strategy for knowledge sharing and information network strategy developed and in use at as local & national level, combined with targeted supporting promotional activities | (3/2 – 2) | Example case studies developed; Increased awareness of RSDF activities on a national level; Increased number and quality of applications from poorest areas |
| 5. Models of fund decentralisation developed, piloted & appropriate format implemented within project timescale. | (x – 2) | Functional decentralisation of RSDF operations in target counties in operation |
| Purpose: RSDF develops the sustainable capacity to measurably enhance the social capital development and poverty alleviation impact of the funds under its management as part of a coherent national approach to these issues | (x – 2) | Poverty and social capital indicators demonstrate improved impact over project time frame. Increased levels of community participation and transparency in decision making in communities |

All ratings²² improved between October 2002 – September 2003²³ but none of the outputs are likely to be completely achieved at this date and especially if further funding is not available. Table 8 specifies the changes as much as the reasons for improvement.

²² **Ratings:** 1 = likely to be completely achieved; 2 = likely to be largely achieved; 3 = likely to be partially achieved; 4 = likely to be achieved only to a very limited extent; X = too early to judge the extent of achievement

²³ Draft Programme Report by IMC to DFID

Successes of the TA programme

- switch to a more efficient milestone - setting and monitoring approach following the DFID Output to Purpose Review in October 2002
- the setting up of the Studies, Analysis and Synthesis unit that is providing policy briefs to the Steering Committee
- the setting up of the monitoring and evaluation component that resulted in the improvement of data collection and use (data on social capital and poverty)
- community-driven development and social capital development as a positive result of their intervention accompanied by the RSDF case studies and relevant reports
- start of the process of influencing policy through the relationships with CASPIS (RSDF is mentioned in the English version of the CASPIS plan) and local authorities, but it is probably too soon to provide evidence
- development of a consultative, collaborative, process approach
- good working-relationship developed among DFID, IMC and RSDF
- improved public image of RSDF and of the bottom-up poverty strategy of the WB
- meeting some of the milestones such as establishing the decentralised branch in Lasi, getting involved with the poverty plans for over 6 local authorities, or establishing networking strategies.

Weaknesses of the TA programme

- contribution to national policy for poverty alleviation not clear
- uncertainty if policies and programmes of other donors have been influenced. [7] With SDF II the Bank's approach became close to what DFID was envisaging, however, it cannot be determined if this was due to the TA or merely to the general trend for strategic approach in development
- tangible results including measurable impact on the final beneficiaries are unlikely to be fully realised within the project lifetime
- inappropriately assessed risks, which later caused delay in programme implementation
- steering committee is not that representative in linking the institutions/ organisations they represent with RSDF
- did not consolidate any of the initiated changes, thus if the financing is stopped now, the improvements might not be sustainable
- did not motivate RSDF to actively work on a long-term strategy.

C4. Stakeholders

The list of stakeholders initially identified in the project memorandum is rather incomplete and the mechanisms of relating to any of these entities are not described.

Table 9: Stakeholders Listed In The Project Memorandum

| Primary stakeholders | Nature of impact | Relative priority of interest |
|---------------------------------|-------------------------|--------------------------------------|
| Rural communities in poverty | + | 5 |
| Local government | +/- | 3 |
| Government of Romania | +/- | 5 |
| Staff of RSDF | + | 5 |
| Secondary Stakeholders | | |
| Vulnerable disadvantaged groups | + | 3 |
| World Bank | + | 4 |
| European Union | + | 3 |
| Regional Development Agencies | + | 2 |
| Private Sector Contractors | + | 2 |

More realistically, from IMC Consulting's perspective, the stakeholders would be as follows: (in bold are the ones with which the relationship improved *due to the TA*):

Within the control area of the TA team:

- own employees

Stakeholders within the influence range of the TA team: DFID London Office

- DFID Bucharest Office
- the World Bank
- council of Europe Development Bank
- the Anti Poverty Committee (CASPIIS)
- the Ministry of Public Finance
- RSDF Steering Committee
- RSDF management and staff
- community facilitators

Stakeholders in the appraisal range of the TA team (of which positions and influence can be only estimated but not controlled or influenced):

- Ministry of Industry and Resources
- SAPARD Agency
- Ministry of Justice
- beneficiaries of RSDF
- EC Delegation to Romania
- Ministry of Transportation

- Ministry of Labour, Social Solidarity and Protection
- Ministry of Administration and Interior
- Regional Development Agencies
- Ministry of Health

From IMC's perspective, the most important actors are by far the RSDF top management and the SC. While IMC's relationship with the management is productive, not the same can be said regarding the one with the SC.

The SC, mostly neglected in the project memorandum, plays a crucial role in shaping policy for RSDF. In 2001, while the chairman was Professor Loanid, the SC's involvement with micro-management deteriorated the relationship with the top management and halted the progress of the TA programme. The SC also requested removal of the poverty mapping exercise and reallocation of £200,000 from the technical assistance as a grant to RSDF to finance in-country training and to dismantle RSDF to the Civil Engineering Faculties throughout the country. [17] Professor Loanid died in July 2002 and in September 2002 Romeo Postelnicu was nominated, a person with more strategically oriented views, advocating in favour of the Fund. [7]

DFID Bucharest office was responsible for the coordinating – monitoring and support – for IMC and the technical assistance programme. However, this position seemed not to be clear since some individuals interviewed underlined that the Bucharest Office should have gotten more involved in implementation. Overall, IMC perceived DFID Bucharest as supportive.

DFID London office was the organisation to which IMC was directly reporting. The reports reached DFID Bucharest only afterwards. IMC had a good relationship with the London Office. The main problem with this institution was the frequent change of staff. This issue caused the Household Survey component to be neglected and finally left out and the OPR to be very much delayed.

IMC representatives believe that relationships between the project and partners improved steadily during the project through sharing of knowledge, involvement in study tours (SC, management, Ministry of Finance, WB) and consultation. Also, the TA resulted in SAS, the unit designed to help the SC be informed about issues on the agenda, and thus enable them to take informed policy decisions. So far, SAS only provides information for internal use. [7]

C5. Review of risks and assumptions

The risks of this project, rated overall as low in the project memorandum, have been correctly evaluated if one considers the specific outcomes proposed to be met. For example, the risk of RSDF not carrying out the tasks of the programme was considered minimal judging by the proven commitment and track record of the staff of the RSDF in improving their impact on poverty alleviation and social capital development demonstrated in their delivery of SDF I. [3] However, the potential resistance of the staff to a change somewhat imposed was neglected.

Foreseen risks correctly rated as low:

- commitment of GOR to the operations of the Fund
- commitment of the World Bank to the continuation of the RSDF through SDF II
- commitment of RSDF core personnel to work of the DFID TA project

Foreseen risks correctly rated as existing:

- Steering Committee commitment to the TA project and Change of Steering Committee members with elections

Unforeseen risks that influenced negatively the programme implementation:

- pressure on RSDF to disburse funds whilst developing strategy, policy and external partnerships
- lack of absorption capacity within national, regional and local structures to receive the benefit of RSDF's community-based experience
- continuous change in staff at the DFID London office.

Ownership by RSDF is established through regular meetings between Project Manager and RSDF to collaborate and check out project component design, action plans and to review implementation.

C6. Evidence of sustainability

At this stage, sustainability seems a far target rather than a promise. TA advises that RSDF should make a clear case on their specific contribution to Romania's overall development, get to be known as a strong organisation of public purpose and, potentially, look ahead for structural funds. Currently, the perception is that RSDF carries out the government's tasks.

Decentralisation and involvement in the regions was also an issue pushed forward by the TA because once Romania joined the EU regional development must be addressed. RSDF's work is building local capacity and informing the regional development plan. Thus the Lasi office is encouraged to develop and be involved regionally. Also, the process approach of TA, the training packages designed, the improved MIS, the SAS Unit and consolidation of links with CASPIS are well in place and will ensure a base for future sustainability.

Sustainability will, however, be hindered if additional TA for several years does not consolidate the seemingly positive changes that the assistance programme initiated. At this point it is not certain if RSDF will become an independent NGO or will be incorporated within the government structures. However, it is important to mention that for neither of these two possibilities does a long-term strategic vision exist. The TA's goal would be to assist RSDF in taking an informed long-term development decision.

C7. Key lessons for project process and outcomes

For DFID to shape successfully a project it needs to be involved early in the design stage. This was clearly not the case in this project, where considerable time was spent finding a place for DFID in an already-active initiative. Furthermore, due to lack of full awareness of the stronger donor's more comprehensive perspective and parallel initiatives DFID invested too much in pushing forward for RDSF an objective covered by the WB as much as other organisations. A more appropriate strategy would have been to coordinate with the WB in endorsing one strategic oriented development agency.

Considering its declared focus on shaping national strategies and influencing policies of other donors, DFID should design an appropriate set of indicators for measuring progress in this area. The indicators should help to determine which changes in donor behaviour or in policy were caused by DFID programmes and which occurred due to other factors.

For externally-driven initiatives such as RSDf's intention to be complementary to other government initiatives, careful and continuing dialogue is necessary between donors, projects and government actors, both during project design and during implementation. Projects success is determined not so much by the most efficient arrangement of internal organization and resources but by an appropriate co-alignment with external agencies. [21]

Our opinion is that a careful balance of domestic and foreign expertise must be blended for such technical assistance exercises to meet their potential. Entrusting the consultancy to a local unit in co-operation with the foreign implementing agency might have provided the local expertise which needed to be transferred to the foreign consultant, removed the number of foreign interventions complicating the structure and reduced the risk that the whole enterprise is seen rather as alien, creating further obstacles to its sustainability. Such an approach might also have shielded the project from frequent changes of personnel in the London office by creating a well-inserted, authoritative and permanent office in the field.

DFID and project designers need to take into account the political and organisational context in Romania. The country still significantly lacks the capacity to develop sustainable anti-poverty programmes at national, regional and local level. It is likely that until Romania qualifies for structural funds after EU accession, the project will not become sustainable and considerable effort needs being put into turning it into a know-how centre able to provide assistance for developing large projects, as structural funding requires. This may imply that the project should be radically changed in order to survive, and the sooner discussions start with the government on its future the better it will be to adjust a possible next phase instead of mechanically continuing along the same lines.

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APPENDIX D: ROMANIA'S UNFINISHED TRANSFORMATION: DEMOCRATISATION WITHOUT DECOMMUNISATION

In the first part of this report a model is introduced to explain Romania's political transition. The second part looks at its history since 1996, while the third part details the present situation of politics, economics and society. The fourth part outlines the challenges for the international assistance in Romania.

D1. Hard break with the past

While Europe tries to enlarge simultaneously to twelve new countries, there is still little historic evidence that poor countries are able to catch up with the rich world in a short period of time. More often than not, economic development tends to group countries in regional clusters. Romania struggles to complete successfully its European integration, but growing evidence shows that South East Europe (SEE) as a whole is falling behind Europe.²⁴ The extent to which the heritage of Communist times was successfully tackled with emerges as a crucial factor in explaining successful or failed transitions.²⁵

Romania had the hardest of all communist regimes in Eastern Europe, except Albania, and its shaking off in 1989 was possible only due to the consent of Ceausescu's own army and Securitate. Their agreement to a change of regime came in the same package with their own life insurance, however: even before passing a new constitution the first freely elected Romanian parliament adopted in 1991 a law on national security, sealing most of the communist archives indefinitely. The country remains the only one where archives of the former Communist Party are inaccessible to historians, being kept under lock by the army. Attempts to finalise the trial of two generals who ordered the shooting of anti-Ceausescu protesters by the anti-communist government of 1996 – 2000 were reversed by the current government of Ion Iliescu, the former liberal apparatchik who had received the power from the Army in 1989. Violent protests against what intellectuals and the media saw as 'neo-communists' at the beginning of the transition have decreased considerably after the failure of anti-communists, in their turn, to deliver on their 1996 electoral promises. After their subsequent defeat in the 2000 elections, the initial reason for their protest has quietly slipped into oblivion.

Most of the anti-communist movement throughout the painful Romanian transition was based on the serious warning that the absence of decommunisation would render reforms ineffective. Not the symbolic fight against communism, but the elimination of the lasting effects of residual communism was the point behind the civil society movement of the last decade in Romania and the main programme of the Democratic Convention of Romania (CDR) and its president, Emil Constantinescu, who won the 1996 elections. The governments of Mr Iliescu have openly and consistently fought against this vision in the first 14 years of transition, in ten of which he strongly controlled the government. In 2003 Romania, a soon-to-be NATO and EU member, is still facing tremendous challenges, despite the achievement, at a formal level, of many prerequisites of market and democracy.

²⁴ See European Stability Initiative, *The Road to Thessaloniki* (www.esiweb.org) and Romanian Academic Society UNDP Early Warning Report Romania 7/2002, (www.sar.org.ro)

²⁵ See Valerie Bunce, 'The Political Economy of Postsocialism', in *Slavic Review*, Vol. 58/ No. 4 (1999), pp.756 – 793

The 2002 Progress Report by the European Commission shows concern with stagnation in essential points of the transformation which prevent Romania from being a functional market economy, while acknowledging that political criteria were met.²⁶ This seemingly paradoxical assessment shows the weakness of evaluations based on formal criteria only. An *informal* political factor may well be the one responsible for hindering the creation of a market economy and preventing transformation in virtually every area: resistance to open and fair competition by predatory elites thriving on state capture. This shows in the evaluation of corruption, where Romania still scores the worst of all accession countries. (Table 10)

Table 10: Romania in comparison - international rankings of corruption

| Country | Freedom House Score* | Transparency International Score** |
|----------------|----------------------|------------------------------------|
| Hungary | 2.50 | 4.9 |
| Poland | 2.25 | 4.0 |
| Slovenia | 2.00 | 6.0 |
| Bulgaria | 4.75 | 4.0 |
| Czech Republic | 3.25 | 3.7 |
| Estonia | 3.25 | 5.6 |
| Latvia | 3.50 | 3.7 |
| Lithuania | 3.75 | 4.8 |
| Romania | 4.25 | 2.6 |
| Slovakia | 3.75 | 3.7 |

* 1–7 seven scale, with one representing the highest and 7 the lowest level of corruption.

** 1–10 scale, with one representing the lowest and 10 the highest level of corruption.

Source: Freedom House <http://www.freedomhouse.org/research/nitransit/2000/index.htm> and Transparency International http://www.transparency.org.ro/comunicat_CPI_2002.htm

The main model characterising the Romanian political transition is what we call 'democratisation without decommunisation'. The transition was largely dominated by the communist-times political elite, which remained entrenched in all key areas of society, from the strategic industries to the now private media²⁷. Change is driven by international pressure and domestic civil society inconstant pushes, but control of the change remains safely in the hands of the post-communist elite. Progress is made, but slowly, and at times trends of change can even be negative. Romania, of all accession countries has an unfinished power struggle between the new and the old elites. It is actually fairer to say

²⁶ European Commission 2001 Regular Report on Romania's Progress Towards Accession, http://europa.eu.int/comm/enlargement/report2001/ro_en.pdf

²⁷ While they disagree about anything else, the two most recent papers on the post-communist transition by Michael McFaul, on one hand, and Philippe Schmitter and Terry Karl (on the other) fully agree that control over the transition process by post-communists has been the rule of the game in Romania. A detailed outline of the Romanian political transition can be found in Alina Mungiu's chapter on Romania in the 1999 Cassell book edited by Mary Kaldor and Ivan Vejvoda 'Democratization in East Central Europe'.

that the old elite seems to have won, and change is allowed only to the extent it does not limit the privileges of networks of influence and power who live on state capture. This 'culture of privilege' drives away the most educated and the young. The 2002 census found that one million Romanians were missing by early 2002. Another million was added after the Schengen visas were lifted for Romania. The country has lived through the worst mass desertion in its history in the last decade, and brain drain is a growing problem. Replacement of the old elite by a new one was not helped by this continuous haemorrhage of the best and brightest. Over 60% of Romanians indicate in polls that the best solution for them or their family is to emigrate, at least temporarily, and 63% consider in 2003, when Romania is well on its way towards full NATO and EU membership, that the country is heading in a wrong direction and they live worse than they did in communist times.

D2. Explaining Romania's hesitant transformation

The 1996 elections changed more in the Romanian political life than just the holders of power. During its first years after the fall of the Ceausescu regime (1989), Romania was the perfect example of an 'electoral democracy'.²⁸ Free and reasonably fair elections produced regularly parliaments (1990, 1992) and governments dominated by the communist successor parties (National Salvation Front, NSF, then Democratic NSF, DNSF, the Party for Social Democracy, PSD) chaired authoritatively by Ion Iliescu, a former nomenklatura member. Once elected, these institutions operated in principle within the framework of procedural democracy, but in practice often breaking the rules and norms accepted in the West as the expressions of liberal democracy. Even when these institutions were doing so, the public opinion was either too weak, or divided, or simply too indifferent to demand more accountability. Further impoverishment of the poorest due to mismanagement of the economy and rampant corruption brought the post-communist regime to an end in 1996, prompting hopes that the electoral democracy phase was over and a more substantial approach to democratic institutions and government accountability will emerge.

The 1996 post-electoral alliance brought together the winning anti-communist coalition – the Democratic Convention – with former Prime Minister Petre Roman's Democratic Party (DP), a splinter of the 1990 National Salvation Front. This move was the first to end the most important cleavage of the Romanian political life, that between anti-communists and post-communists.²⁹ The hopes surrounding the new government were very high in both the national and international public opinion. Squabbles among coalition members led to the downfall of their first government in early 1998 and by 2000 the main concern of members had become attribution of blame to the partners. The coalition was blown away in the November 2000 elections by Ion Iliescu and his PSD. Emil Constantinescu, the 1996 elected president, praised at the time as the only Romanian democratic head of state this century, did not even dare to run again for his legal second term fearing his electoral performance, as predicted by the public opinion polls, would be a disaster. The

²⁸ The term was coined by Larry Diamond.

²⁹ Post-communist parties are conceptualised in this report as parties drawing upon the political elite of the communist regime for their leadership, upon the ideological and institutional heritage of communism for their ideology and policy-making, and upon a population defined by residual communist attitudes for their constituency. This clarification is necessary because of the extraordinary circumstances created by the 1989 popular uprising against Ceausescu, which led to the birth of a post-communist political system with no official successor to the Romanian Communist Party (RCP.)

leading party of the coalition, the historical National Peasant Christian Democratic Party (NPCD) did not pass the electoral threshold it itself had raised earlier in 2000. The rest of the coalition parties, the historical Liberal Party (LP), the Hungarians' Alliance (DAHR), and the Social Democrats (DP) were reduced to about a quarter of the seats in the 2000 parliament. The best-placed candidate for presidency of the former government coalition – as they competed among themselves – could not reach 15% of the votes cast, while right-winger Corneliu Vadim Tudor emerged as the main challenger of Ion Iliescu.

The explanation of the defeat of the democrats is twofold. On one hand we have important circumstantial causes; the management of the coalition and the electoral campaign strategy fall under this category. The continuous squabbles within the government coalition have created frequent gridlocks during their term in office, prompting Romanians to overwhelmingly declare in public opinion surveys that they prefer a government made of one party, not a coalition. But the massive return of the people to either moderate (Iliescu) or radical populist leaders (Vadim Tudor) and the failure of Constantinescu to pursue his decommunisation programme is rooted into deeper and less immediate grounds.

The Romanians' vote in 2000 can also be attributed to the high costs of the economic transition. 2000 was the first year of modest economic growth (less than 2%) after years of decline, but with an important inflation of 40% still raging. The purchase power of Romanians in 2000 was less than 50% compared to 1989 (and has improved only slightly since then), which prompted a majority to answer in polls that economic life had been better during the Ceausescu regime.³⁰ The victory of 1996 was split among the many small parties of the anti-communist opposition who had serious problems afterwards in providing a unitary and coherent government. The most serious cleavage separated the traditional historical parties from Petre Roman's Social Democrats, a split wing of Iliescu's 1990 National Salvation Front. The attempts by historical parties to restore property confiscated by the communist regime were constantly and effectively opposed by Social Democrats, afraid they would alienate their constituency. After four years in government the CDR left its main electoral promise – the strengthening of property rights – still largely unfulfilled. Despite efforts, mainly by Christian Democrats – National Peasants, to speed up privatisation, the overall low appeal of the Romanian business environment for foreign investment combined with the complicated regulatory framework of privatisation adopted in the early 1990s lead to the perpetuation of state property in about two-thirds of the economy (in terms of assets), while the small private sector has gradually become accountable for most of the GDP.

On the other hand, the failure of the economic transition is not entirely due to mismanagement by various governments, though both post-communists and anti-communists proved highly incompetent in running the economy, but to the exceptional strong constraints left by the Ceausescu times. Unlike its Central European neighbours, 1989 Romania had no private property to speak of, a heavy industry developed by communist planning and not organically, and the deepest penetration of society by the communist regime. 31% of the adult Romanians had been party members, twice the regional average (14%) and more than three times higher than the figure in Poland or Hungary.

³⁰ Of course, this comparison is deceptive, since in a shortage economy money had nominal value only as there were no goods around to buy, and the official exchange rate used in calculating the GDP was purely fictitious. However, it looks as if people tend to forget about shortages and remember fondly the nominal value of their 1989 money.

One Romanian in seven worked as an informant for Ceausescu's feared secret service, the Securitate. Since most of the recruiting took place among the most educated, the direct outcome is reflected in the lack of alternative elites to the communist one after 1990.

The historical parties were even deeper afflicted by this lack of well-trained experts and staff and relied heavily on aging political prisoners or their descendants, thus further narrowing their recruitment basis. After 1996 the small non-governmental sector was crippled by the massive transfer of skilled staff and experts to the government, in order to fill in positions where political parties had not enough human resources. While extremely weak when considering human resources or the production of policies, political parties were very assertive in putting a firm grip on government: a 1998 law of organisation of the government established that senior positions could only be filled by coalition party members. This led to massive but superficial recruitment, as many specialists agreed to join parties in order to get or keep a government job. Political positions thus defined were then split among coalition member parties based on the percentage of their representation in the Parliament. The only good outcome of this Balkan try at consociational democracy was the equitable participation for the first time of the Hungarian minority in government, as Hungarians occupied not only local government positions but also 7% of those at the central level. This led to an unprecedented detente in the relations with Hungarians, consolidated the position of moderate Hungarian leaders within DAHR and muted ethnic issues in electoral campaigns for the first time in ten years.

The factors connected with management of the transition mattered in their turn quite importantly for the strong grip of power by post-communists. It becomes obvious that the 1996 victory of anti-communists parties came too late and it was too incomplete to be able to change the transition blueprint created by post-communist parties. What is this blueprint, which makes all the difference between first-wave applicants to the European Union and a laggard country such as Romania? And what kind of society has it created in the end? Here are some of its defining features:

Absence of decommunisation, which led to the survival of formal and informal communist networks and provided communism with retrospective legitimacy

After a decade of transition Romania is still the country where communism not only was never put to trial, but also survived as a legitimate doctrine, often putting its traditional enemies to trial itself. Unlike Bulgaria, Romania has never passed a civil service law to cleanse the administration of communist-times bureaucrats, nor did it expose the former Securitate informants. When a law of screening former Securitate files (which allowed citizens to see their own files but did not ban from public positions the former collaborators) was passed in December 1999 it was too late and the law was never properly implemented. Most of the targets of such a law had already won the battle for economic and political power. Former communist elites control most of the formal and the informal economy, the new private media included. The press is still dominated authoritatively by former Securitate agents and national-communist ideology. Economy and the freedom of expression apart, the absence of decommunisation affected the legal culture and the moral health of the society in general, as people understood no justice was possible since Stalinist torturers, December 1989 terrorists and vigilante miners being still at large. In January 1999 the miners besieged Bucharest and, after beating the police, they were stopped at the last moment by the government and the army with a mixture of threats and promises. The

event, broadcast extensively by BBC, CNN and every European channel showed to the whole world how frail the power installed in November 1996 really was. The assault was led by extremist GRP members and it was reported that the miners defeated the riot police in their first confrontations due to the fact they had better communication equipment, meaning plenty of mobile phones, while the police used outdated radio stations. Except for a few miners leaders who were fined nobody else was ever charged for this assault on the democratic foundations of the state.

The control of the transition, notably of the property transfer by means of a conservative economic policy, meant to preserve and subsidise the state property

The main concern of the Romanian transition was not creation of a market economy. For the post-communist political class it was the control of the transformation, mainly of the privatisation process, which mattered most. In this way they achieved two important objectives: preservation of a mass constituent basis in the state sector and accumulation of private assets in the hands of their political clientele. Even as late as 1998 Iliescu's main condition in order to support the government's budget was the slowing down the privatisation and its control by the Audit Court. The Court, whose president, like most important figures of the judiciary, had been appointed and granted tenure in the Iliescu era, even tried in 1997 to interfere with the process of determining *the right* price of assets to be privatised, in a pure communist manner. Two sectors where privatisation was completed in the early 1990s in the other CEE countries – tourism and agriculture – were only approached towards the end of the decade in Romania, which explains their dismal performance today. By and large, domestic rent-seeking groups were allowed to strip downs their assets and profit from blocking competition.

Thus, Romania is one of the cases that verifies best the 'Hellman hypothesis' – i.e. that when post-communist reforms fail, this is more often due not to the natural opposition of 'losers' (blue collar workers, state pensioners, etc) but mostly to tacit sabotage from first-state winners, well-connected groups who subsequently resist the levelling-off of the playing field by transparentisation and opening up to competition.³¹

The creation of a political system with low accountability of both the government and the parliament and a weak judiciary

Due both to constitutional settings and organic laws, the system suffers most from lack of accountability. Elections on party lists and frequent defections of MPs from one party to another, with total disregard of the mandate given by the voters, made Parliament the most unpopular public institution. There were attempts after 1996 to reduce the scope of immunity, but with no effect. The Constitution grants immunity to MPs regardless of the nature of the offence, political or criminal, and the Parliament's own regulations make the lifting of the immunity almost impossible: only twice, in the case of Vadim Tudor and of a PSD member who embezzled and bankrupted a state bank, did MPs succeed to strip a colleague of his immunity. The judiciary, dominated by communist magistrates, also proved resistant to attempts at reform. Experience measured in years of practice was embedded in the new laws as the main criteria for being a member of all influent judicial courts and instances – so former communist-times magistrates dominate the judiciary.

³¹ Hellman, J et al (2000). *Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition*. Policy Research working paper 2444, World Bank.

This explains in part why the campaign against corruption launched by Emil Constantinescu since 1997 did not achieve much. It is also true that the 1996 rulers had little understanding of institutions and little will to reform them. The small progress they achieved was mostly prompted by the Western gentle push. They lacked the expertise and the will power to adjust the institutions to their needs, and they shared the delusion that replacing Iliescu's people with their own, often relatives and associates they felt they could absolutely trust, was enough to achieve change. By 1999 Constantinescu had the courage to say it plainly: 'We won the elections, but not the power', he said in a memorable statement. Until his last day, however, he remained as incapable as the rest of the coalition leaders to understand that their amateurish approach to the reform of institutions was as much to blame as the fierce resistance to change of the public administration, corrupted media and business circles.

There is one extra explanation completing this picture, though: the insufficient Western support for the Romanian leaders elected in 1996. Romania was not invited in 1997 to join the North Atlantic Alliance despite intensive advocacy efforts by Emil Constantinescu and Jacques Chirac, the French President. The Kosovo war caused important losses to the Romanian economy, due mostly to the embargo on the Danube traffic; the bombing of Serbia, a traditional ally and a Christian Orthodox neighbour country was highly unpopular in Romania. Romanians identified strongly with Serbs and resented Western involvement in defence of the Albanians, speculating a similar offensive might one day involve Transylvania, where a 2 million strong Hungarian community still resides. They would however have accepted Constantinescu's strong endorsement of NATO had this policy boosted the living standards. Instead in 1999 the government was forced to pay foreign debts contracted by the PSD government in 1994–5 in order to avoid bankruptcy: practically every Romanian contributed almost a quarter from his or her personal revenue in 1999 in order to pay the debt, an effort similar to the one Ceuasescu had asked in his last years, even if this time the tool used was keeping wages in the public sector well below the inflation. By the beginning of 2000, despite Romania receiving a formal invitation to join the EU at the December 1999 Helsinki summit, Constantinescu had become a loser in the eyes of most Romanians, a politician who betrayed traditional alliances and friendship to end up being treated by the West in no way better than Iliescu had been in his time. The year 2000, despite boosting exports and a return to growth recorded the lowest rate of direct foreign investment in recent years. Convinced that Romania is again on its own, Romanians decided it was old-timer Ion Iliescu, not amateur Constantinescu who could make the most of scarce domestic resources.

D3. Challenges after the first decade

D3.1. Political challenges

When the loose anti-communist coalition, which had ruled ineffectively since 1996, was smashed in the November 2000 elections by Ion Iliescu and his renovated party (the Party for Social Democracy, PSD), many observers had the impression that history was repeating itself. But things have evolved substantially since 1996 as the political transition nears its end. By political transition we mean here the process of replacing formal institutions from communist times with new, official and equally formal institutions, market and democracy. This process is now largely over in Romania. Of course, this does not mean the communist

heritage was liquidated. It took West Germany three decades to rid itself of the Nazi heritage³², and Nazism did not so pervasively invade the day-to-day life of the Germans as communism had in the Romanian society. Linz and Stepan consider a democracy to be consolidated when the democratic norm—free elections, basically—becomes the ‘new rule in town’ and is accepted by all relevant actors. Undeniably, this is the case in Romania, which is a consolidated democracy, as well as a procedural one.³³ Again, this does not mean that the institutional transformation is over. Romania is engaged in a lengthy process of European integration, which means, above all things, a continuous *formal* institutional transformation. The challenges to democracy are rather *informal* in their nature, but that does not make them less serious. We shall review them in turn.

D3.1.1 Continuation of the practice of politicising the Administration

According to a count by the Union of Civil Servants at least 10,000 civil servants, who should have been protected by the 188/1999 law of civil service, were laid off in 2001. Lawsuits against the government brought by various plaintiffs are pending in the administrative and criminal courts. As many of these civil servants had been appointed by the previous governments, the current government claimed in its defence that it would be utterly unfair to grant tenure to politically appointed civil servants with a doubtful competence. Civil service law was part of the EU conditionality when Romania was invited to start the negotiation process at the Helsinki summit in late 1999. Its purpose was to insulate the public officials from political pressure and institute a civil service with a European-style discipline, professionalism and *esprit de corps*. However, the 2001 institutional reshuffle – changing the name of government offices, such as the Presidential Administration instead of Presidency, so as to facilitate the purging of the public sector by unwanted civil servants – has sent a clear signal that domestic habits (such as politicisation of the administration) override any laws or regulations.

D3.1.2 Widespread political corruption

Political corruption is on the rise. 651 directly elected mayors out of the 2957; so more than a fifth of those who had been elected in June 2000 shifted political allegiance after the autumn 2000 legislative elections³⁴. Of these turncoats, 82% went to the victor PSD. The Alliance for Romania, a splinter of PSD, which made the third Romanian party in June 2000, lost 73% of its mayors after losing legislative elections. There is no evidence coercion played a part in these shifts. Such moves are also frequent between Parliamentary caucuses, as there is no regulation to prevent defection from one party to another and politicians try hard to always be on the winning side. This practice largely discredits politics and the parties, as constituents vote for one party only to see the elected pass to another party whenever it fits their personal interests. Romania has an electoral proportional system, so voters choose among party lists, not individual candidates.

³² See David P. Conradt, 'Changing German Political Culture', Gabriel Almond and Sidney Verba (eds.) *The Civic Culture Revisited* (Newbury Park: 1963).

³³ Robert Dahl classified democracies in formal or procedural (formal rules, from free elections to civilian control over the military is accomplished) and substantial (not only the democratic norm is officially set, but compliance with the norms is generalized behaviour). See Robert A Dahl *Democracy and its Critics*, (Yale University Press, New Haven and London, 1989)

³⁴ Data released by the Pro-Democracy Association.

Table 11: Experience with the public sector in the previous year³⁵

| Experience with bribing | School % | Court % | City Hall % | Police % | Hospital % |
|------------------------------------|-------------|------------|----------------|-------------|---------------|
| Last year dealings with... | 19.3 | 14.9 | 42.0 | 20.0 | 46.9 |
| ...and had to bribe to get service | 26.5 | 22.6 | 14.8 | 13.9 | 51.5 |

As practice and theory seldom meet in Romania, since the release of the anti-corruption strategy last fall, Romania has been plagued by the worst corruption scandal in a long time, and the manner in which the government has dealt with it is still a topic of heated public debate (Table 11). The 1996–2000 regime prosecuted the most notorious cases, but since they were ineffective in reforming the judiciary, most trials were only at the beginning at the change of power in 2000. A General Anti-Corruption Prosecutor Office was created in 2002, but its head is politically appointed. Unsurprisingly, the office has prosecuted only political opponents of PSD so far.

Political corruption is not random in Romania. Rather it succeeded in creating a system of its own, a *partitocrazia*, where public positions, political or not, are divided among party clients. There is statistical evidence that the opportunities of obtaining every executive position in the public sector is higher for party members than for non-members.³⁶ This system fosters both corruption and mismanagement, as party membership has reduced to less than 2% of the general population.

D3.1.3 Secret services not fully accountable

Romania's secret services have always made headlines, and as long as they continue to do so this is a sign they have not yet achieved the discrete profile of intelligence services in a democratic country. This pattern has not changed lately. The Romanian Service of Information (SRI) launched a report in the autumn of 2001 deploring the 'loss of sovereignty' of the state in the Hungarian dominated counties of Covasna and Harghita, a material so groundless and inflammatory that the Prime Minister had to scold the service in public. SRI also resists to the passing on the archive of the former communist-times political police, the Securitate, to the civilian authority entrusted by the law with its management, the CNSAS, defending the past of the Securitate as its own. It also needed the pressure of the American secret services for the expulsion of an Iraqi diplomat from Bucharest suspected of being the main knot in a web of terror-related business.³⁷ Both heads of the secret service, domestic and foreign, are allegedly connected to the businessman Sorin Ovidiu Vantu, the nodal character of major embezzlement scandals³⁸ and their close social ties with Vantu were proved beyond doubt.

³⁵ Based on BOP Metromedia 2001.

³⁶ See Mircea Comsa, *Fetele schimbarii* (Bucuresti, 1993).

³⁷ According to Rick Jervis, 'Romania's Expulsion of Iraqi Diplomat Increases Suspicion of European Spying,' *Wall Street Journal Europe* (20 December 2001)

³⁸ Related to the insurance company Astra and the bank Banca de Scont.

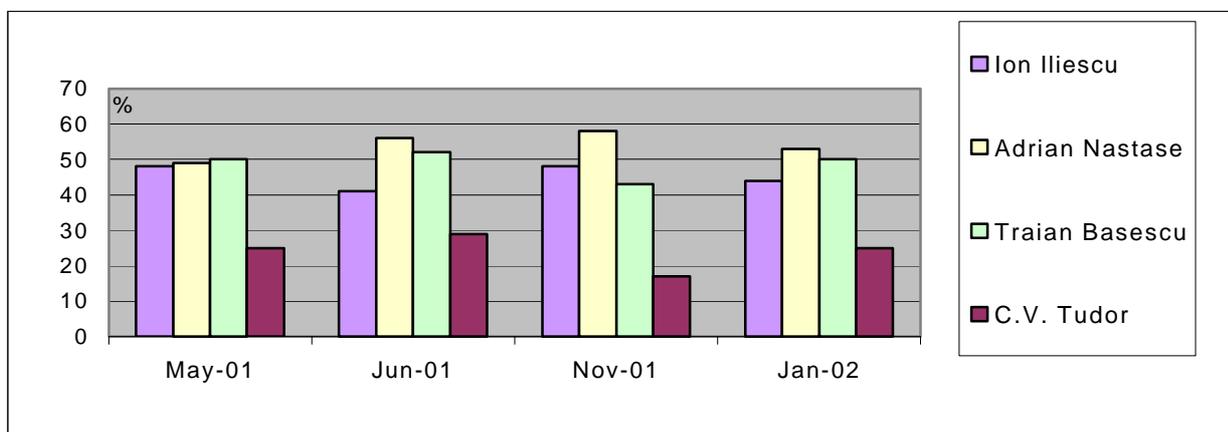
D3.1.4 Tampering with public media

In 1997 the process of reforming the public broadcasting started after eight years of stagnation. By that time both television (TVR) and Radio (RR) were still largely dominated by Ceausescu-times characters. Attempts to replace generations were met with violent protests by PSD and Greater Romania Party, who made accusations of political cleansing when anchors who had spent their lifetime reading Ceausescu's statements were finally pushed in more discrete positions. The Parliament elected Broadcasting Boards, which took over management in both TV and Radio in 1998 and 1999. These boards reflected the composition of the Parliament so they in fact allowed Greater Romania Party's representatives a legal stake in the public media for the first time. After 2000, the pattern of replacing the heads of the public media with the government's own favourites began again. At TVR, the executive director and the head of the News department were immediately replaced, although the latter had a valid management contract. The members of the board of the State Radio were fired. TVR's yearly report was also rejected by the Parliament, so as to allow a smooth departure for the 1998 appointed Board, although the Board complied with the requested changes of personnel above. The new Board included, among others, national communist journalists who had organised propaganda campaigns for Radovan Karadjic during the Yugoslav war (Dona Tudor). The most serious problem, although related to the smallest stake, was incurred by the state news agency, Rompres. Rompres has traditionally been financed by the government, which also used to appoint its head. In 2002, two government ordinances included Rompres fully in the government, under the Department of Information. This provoked the rage of civil society, invited a reprimand from the European Commission in their yearly report and initiated a legal project meant to make the Parliament the supervisory of the news agency.

D3.1.5 An unbalanced political system

The political opposition in Romania is extremely weak and lacking resources in every sense. It has only one charismatic leader, Traian Băscu, the mayor of Bucharest, who is weakened by frequent attacks from the government-controlled media (Figure 2). It is basically reduced to two parties only, the National Liberals and the Democrats, which get along with great difficulty, despite last minute talks of creating a pre-electoral alliance (Figure 3).

Figure 2: Trust in leaders



Renewing leaders is the most urgent need for Romanian opposition parties, which have relied largely in the past decade on the same people, who proved unsuccessful both in campaign and in government. A survey of public attitudes reinforces the impression that political elites, and not the public, are mostly to blame.³⁹ Romanians are no anti-democrats, but – especially those living in urban areas – are extremely discontent with their political ‘class’.

Figure 3: Voting intentions after the 2000 elections (SAR-CURS)

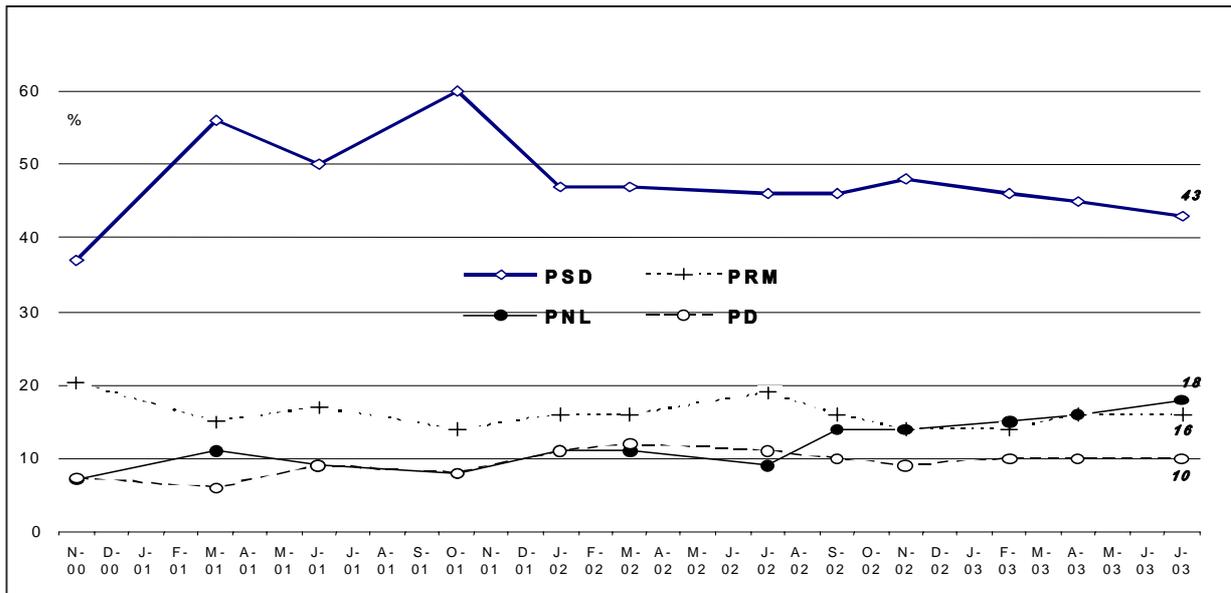


Table 12: The range of anti-democratic options⁴⁰

| Variables | Agree % | Disagree % |
|--|---------|------------|
| If Parliament was closed down and parties abolished, would you... | 19.4 | 71.8 |
| Best to get rid of parliament and elections and have a strong leader who can quickly decide everything | 30.2 | 65.1 |
| The army should govern the country | 13.2 | 80.7 |
| We should return to communist rule. | 17.7 | 77.8 |
| A unity government with only the best people should replace government by elected politicians | 59.2 | 31.9 |

³⁹ Unless otherwise specified, public opinion data originates from a survey by SAR-CURS, November 2001.

⁴⁰ According to Eurobarometer, poll by CURS, October 2001.

Table 13: Perception of politicians and administration⁴¹

| Variables | % |
|---|------|
| Conflict between political class and rest of Romanians | 51.0 |
| Corruption widespread in the public sector | 69.5 |
| Blaming incompetent governments for the failure of transition | 62.0 |
| MPs work for the public interest | 11.0 |

The legitimacy of the Romanian democracy, indicated by political trust seems threatened by the poor quality of governance. Beyond politics, the policy-making process needs to be reinvented in Romania, as every party is crippled by the absence of qualified policy makers and experts, and the government as a whole is a loosely co-ordinated, poorly tuned and often overloaded complex of organisations. As it is, though, it works infinitely better with one party in government than with a coalition. The solution for keeping the legitimacy of the political system within acceptable boundaries lies in the quality of governance. Reform of the public administration, and the state in general, is the key to democratic legitimisation and European accession of Romania.

D3.2. Ethnic challenges

The second major political issue concerns the cohabitation between Romanians, who make about 90% of the current population of Romania and the ethnic minority groups: Hungarians, the most politically self-assertive group, and the Roma, the most socially disadvantaged group.⁴² The last European Commission's progress report on Romania's accession performance acknowledges fulfilment of the Copenhagen political criteria for accession, notably in the area of minority rights, but it stresses that the 2001 adopted strategy meant to help the Roma catch up with the rest of the population should be implemented fully.⁴³ Other international actors have praised the Romanian-Hungarian reconciliation, symbolised by the presence of the Hungarian party in a formal government centre-right coalition from 1996 to 2000. With the loss of the elections by the coalition in the fall of 2000 a new political reality seemed to threaten the beginnings of consociative democracy sketched during the previous government. However a new informal parliamentary alliance was shaped between the winners, Romania's Social-Democratic Party (PSD) and the Hungarian Alliance (DAHR), allowing Hungarians to keep their proportional share of public executive positions.

As a result, formal issues, which could foster ethnic conflict, seem largely sorted out. Affirmative action programmes for the Roma are up and running, Hungarians have their share of public sector jobs and may use Hungarian in local governments, courts and every education level short of an all-Hungarian university. Occasional major demands from the radical wing of the DAHR,⁴⁴ as well as inflammatory statements from Romanian officials (such as the Covasna-

⁴¹ SAR-CURS poll representative for urban Romania, August 2001.

⁴² 1.6 million Hungarians and roughly 1million Roma of a total of 22 million.

⁴³ 'Regular Report-2001 on Romania's Progress towards Accession', Commission of European Communities; <http://www.europa.eu.int/comm/enlargement/romania/index.htm>

⁴⁴ For a thorough review, see Constantin Iordachi, 'The Romanian-Hungarian Reconciliation Process. From Conflict to Co-operation,' *Romanian Journal of Political Science*, Vol.2/ No 3-4 (2001), pp. 88-143.

Harghita scandal provoked by the Romanian intelligence service), occur quite regularly and the party of the nationalist leader Corneliu Vadim Tudor continues to be the second largest in the Romanian Parliament. Founded in 1991, this party had always depicted DAHR as a 'paramilitary' and 'fascist' group and the governments including it, such as the 1997–1998 Ciurbea government as 'the Romanian-Hungarian government'. The party evolved from only 4.4% in the 1996 elections to a considerable 22% in 2000, while Vadim Tudor jumped spectacularly from 4.7% to 27% in the first round of the presidential elections. After the alliance of PSD with DAHR, Vadim Tudor has not delayed turning his criticism towards the new government party, seen by him as being taken over again by Hungarians.

Table 14: Attitude towards Roma

| Authorities treat the Roma worse than the Romanians | % |
|--|----------|
| Agree | 8.8 |
| Agree in part | 29.3 |
| Disagree | 57.7 |

On the other hand, Romanians seem little inclined to admit Roma have a hard time. A majority believes the Roma are not discriminated against, despite the figure of those believing that Roma are treated worse than Romanians being constantly on the rise. Except for this minority it is unlikely the government Roma strategy will find many allies.

D3.3 Economic challenges

Based on World Bank estimates, in the first ten years of transition, the GDP annual growth average was negative, at about -2.9%. As a result, Romania's 2000 GDP was about 75% of 1989's. That the situation is far from normal is illustrated by even the most cursory comparison with the other Central European countries – Czech Republic, Hungary, Slovakia, Slovenia and Poland – all of which were engaged in a similar economic transformation during the same time frame. True, eliminating the microeconomic distortions, which during the 1980s increased in Romania compared with its neighbours, as well as discounting for the inflated Communist statistics, explain most of this nominal decline.

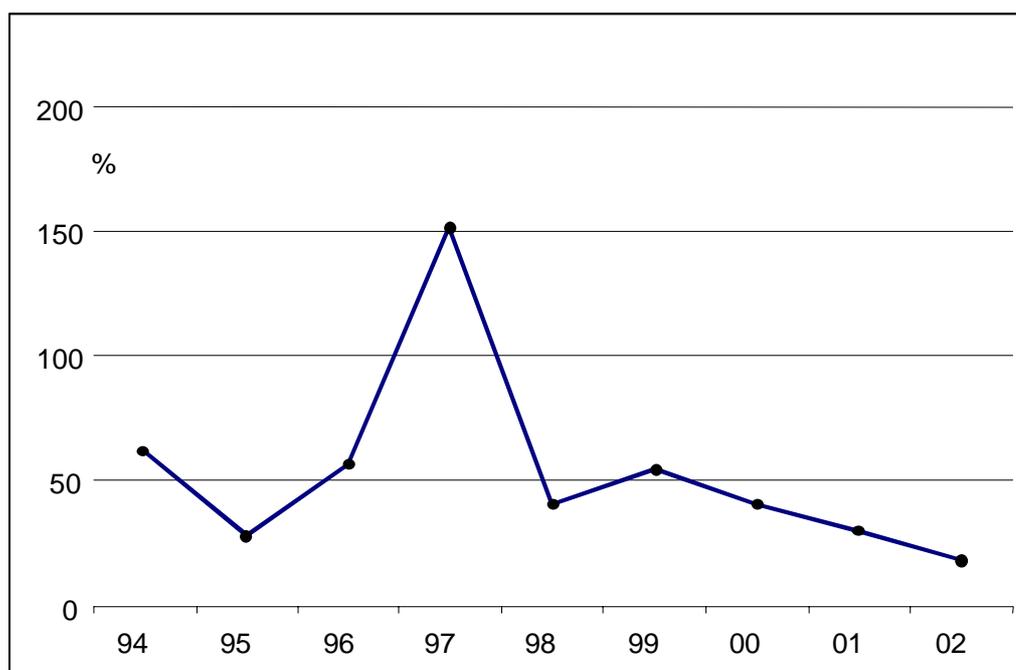
According to the World Bank's estimates, private-sector share of GDP in Romania is substantially smaller (60%, as compared with the Central European average of 70%); its agriculture, as a percentage of GDP, is 20%, compared with the other Central European countries' average of 4.7%; its Enterprise Reform Index is 2.0 compared to the Central European average index of 2.9; and with a Competition Policy Index of 2.0 Romania lags behind the Central European countries that have an average of 3.0. A similar lag is illustrated by Romania's Privatisation Index of 3.0, which compares with the Central European countries index of 4.0. These economic statistics are also economic realities and affect the population's well being. According to various analyses, between 25 and 40% of the population is under the poverty level – depending on how the standard is defined. In addition, life span and the quality of life generally have been steadily deteriorating during the last ten years (European Bank of Reconstruction and Development Transition Report, 1999). It is true that the poor economic performance of the last decade was strongly determined by the initial conditions of 1989: an unbalanced industrial structure, weak

institutions, and weak social capital—all of which represented a major handicap for the country. It is also true, more recently, that the Balkans conflict disrupted normal economic activities and that the embargo on Serbia, and the blocked regional transportation routes, significantly raised budget and current-account deficits and reduced the output in the six most-affected countries by about 2% (estimate by the International Monetary Fund in consultation with the World Bank). Nevertheless, there were other factors at work over which the decision makers had more control, but these were mismanaged during almost the entire ten-year period: thus, macroeconomic stabilisation policies were inconsistent and structural reforms not only lacked political will and vision but were delayed, unfocused and easily derailed by social and political pressures.

Romania inherited what can be considered a fully 'etatized' economy and the first steps towards privatisation were rather reluctant. In 2001 the country recorded significant progress, its 4.9% GDP growth being among the highest in the region. Despite this success, analysts fear that most of the structural reforms, especially in industry, were again postponed.⁴⁵ This chronic delay in shutting down loss-making industries explains why Romania has managed during the last decade to keep its unemployment rate at around 10% or lower.

Furthermore, a system of social transfers has emerged that is the opposite of a welfare state " the hyperinflation economy. Not only does it affect private enterprises and worsen the business environment, but it also hurts the poor people, pensioners and all those living on a fixed income denominated in national currency and lacking the means or knowledge to protect themselves against their savings' erosion. Meanwhile, arrears continue to accumulate in the Romanian economy, especially in the state-owned sector, making the current growth unsustainable in the long run.

Figure 4: Annual inflation rate



⁴⁵ Based on Sorin Ionita and Liviu Voinea, 'The Challenge of Development', *The Romanian Annual Early Warning Report, Section One*, UNDP and the Romanian Academic Society (SAR), March 2002, Section one.

The post-communist economy inherited strong 'strains in the system' – such as the magnitude of distortions in the economic structure, created mainly during the late 1970s and 1980s by the irrational investments promoted by the communist regime. While such strains were present in all post-communist states, the situation in Romania was worse than average.⁴⁶ Second, a wrong consensus existed among many Romanian decision-makers and commentators regarding the causes of inflation and the interplay of macro-aggregates in general. As a consequence, monetary and fiscal policies were designed as if Romania was a stable market economy and all the country needed was macro fine-tuning and not fundamental reforms. Thirdly, a tacit unholy alliance has emerged across the spectrum to continue with inflation as an alternative to reforms because it was more politically palatable.

Many opportunities were lost in the last decade to sell state owned companies to strategic investors for a good price. There is evidence, however, that the firms have performed significantly better after privatisation. Important sectors, such as energy, are not yet privatised. Poor and confusing legislation in the field of property restitution, as well as the ineffectiveness of the judiciary to handle the hundreds of thousands of property trials on their hands, have prevented the creation of a land market until late in the transition, hindering the emergence of a farmers' category. The state still struggles with the privatisation of the state farms, protected throughout the transition by a powerful lobby of former communist managers.

On top of development challenges, 50 years of communist neglect have left Romania in a paradoxical state: serious local pollution in 'hot spots' coexists with a general level of environmental degradation below the European level - due mostly to under-development. The disaster relief system is only partly reformed and not fully functioning. The risk of spillover to the entire region on the model of the 2000 Tisza-Danube pollution scandal is still considerable.

Table 15: Poverty in Romania, 1995–2000

| Year | Poverty rate | Extreme poverty rate |
|------|--------------|----------------------|
| 1995 | 25.3 | 8.0 |
| 1996 | 19.9 | 5.1 |
| 1997 | 30.1 | 9.5 |
| 1998 | 33.8 | 11.7 |
| 1999 | 41.2 | 16.6 |
| 2000 | 44.0 | - |

Source: Tesliuc, Pop, Tesliuc, 2001

⁴⁶ The phrase was coined by the former finance minister Daniel Dăianu, see *The Romanian Annual Early Warning Report, Section One*, UNDP and Romanian Academic Society (SAR), March 2002.

Table 16: Poverty in Central and Eastern Europe, 1995–1999

| Country | Year | Poverty rate | |
|----------------|---------|----------------|---------------|
| | | 2 USD PPP*/day | 4 USD PPP/day |
| Moldova | 1999 | 55.4 | 84.6 |
| Russia | 1998 | 18.8 | 50.3 |
| Albania | 1996 | 11.5 | 58.6 |
| Romania | 1998 | 6.8 | 44.5 |
| Macedonia | 1996 | 6.7 | 43.9 |
| Latvia | 1998 | 6.6 | 34.8 |
| Bulgaria | 1995 | 3.1 | 18.2 |
| Lithuania | 1999 | 3.1 | 22.5 |
| Ukraine | 1999 | 3.0 | 29.4 |
| Slovakia | 1997 | 2.6 | 8.6 |
| Estonia | 1998 | 2.1 | 19.3 |
| Hungary | 1997 | 1.3 | 15.4 |
| Poland | 1998 | 1.2 | 18.4 |
| Belarus | 1999 | 1.0 | 10.4 |
| Croatia | 1998 | 0.2 | 4.0 |
| Czech Republic | 1996 | 0.0 | 0.8 |
| Slovenia | 1997/98 | 0.0 | 0.7 |

Note: The poverty estimates use thresholds in USD/day/adult at 1996 PPP (purchasing power parity) equivalent. *Source: World Bank, 2000*

The situation of regional trade is also telling. Romania has a significantly higher than average export concentration index with the EU.⁴⁷ Yet, this index remained constant, at 0.18, for the last four consecutive years. It can be submitted, as a hypothesis, that Romania has reached a certain level of concentration, a kind of a threshold that cannot be surpassed in the absence of further, and deeper, structural changes. One could also argue that this stalemate shows that the 'advantage of backwardness' has already been used and its associated convergence potential is diminishing. The coverage ratio with the EU has been locked at 89% over the last three years and the same three product groups have an aggregated share of about 60% of total exports to the EU.

⁴⁷ The indicator used is the Hirschmann concentration index and shows the degree of concentration, or specialisation, in foreign trade. This index varies between 0 and 1 (or 0% and 100%) – normal values correspond, according to UNCTAD calculation (data available for 1998), to an average index of 0.16 for transition economies and 0.17 for developed economies. Significantly lower values indicate low concentration (numerous products contribute with small shares in total trade), while significantly higher values indicate high concentration (a few products contribute with large shares in total trade). See L. Voinea, 'No Harry Potter in Romanian Foreign Trade', *The Romanian Annual Early Warning Report, Section One*, UNDP and Romanian Academic Society (SAR), March 2002.

D3.4. Social challenges

The prominent feature of the Romanian social landscape after a decade of transition is the absence of social cohesion. A difficult transition increased social resentment towards the rich and anyone perceived as doing better. Poverty has increased in Romania over the transition period, mainly as a result of the negative economic evolution. Both the poverty rate and the extreme poverty rate have doubled since 1995 (Table 15). Romania is also a laggard in regional comparison tables, registering the fourth worst poverty rate in Central and Eastern Europe. Only Albania and the former Soviet Republics of Moldova and Russia encounter a worse situation (Table 16).

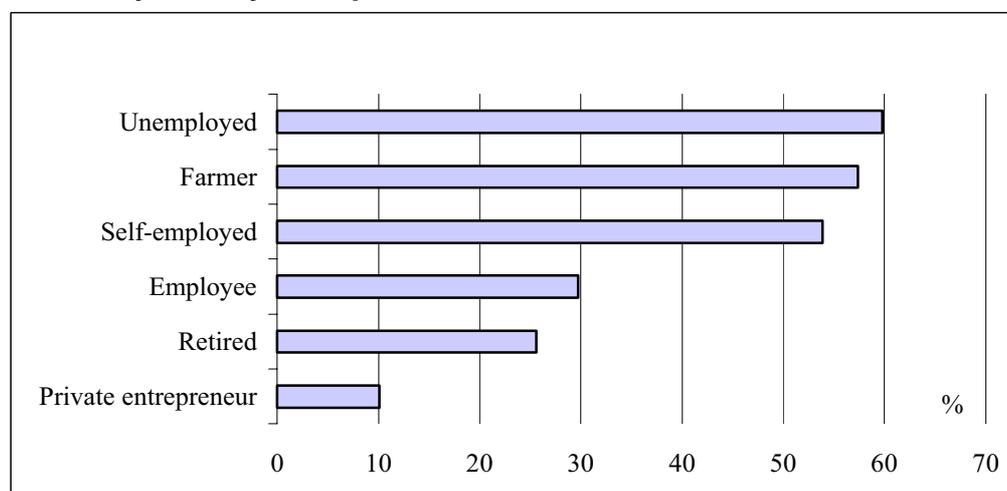
D3.4.1. Sources of poverty

Figure 5 shows the breakdown of poverty in the Romanian population. Contrary to the common wisdom, poverty is most prevalent not among pensioners but among young families with many children, unemployed and self-employed people. Over 80% of the families with four or more children live in poverty (Figure 6). Single parent families are also prone to living in poverty (Figure 7).

Poverty also correlates strongly with low education attainment. A household whose head did not attend the secondary school is seven times more likely to live below poverty line, than a household headed by a university graduate (see Figure 8).

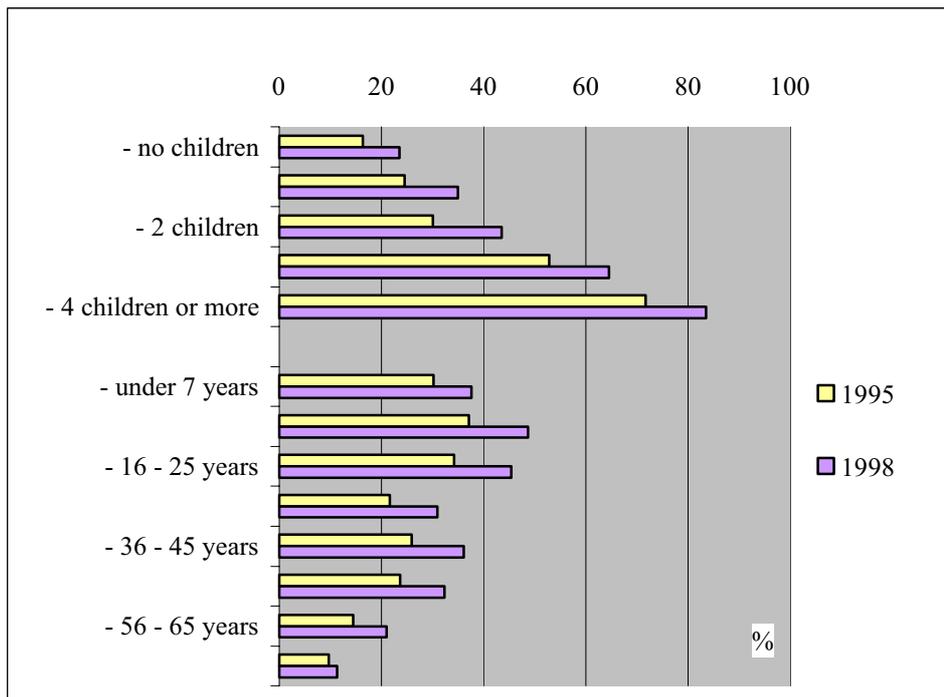
The main structural cause of poverty in Romania is the survival of a large rural sector, where eight million peasants live from subsistence farming (Figure 7). Comparing the urban social indicators with the rural ones we find the rural inhabitants at a serious disadvantage compared to urban ones on most items (Table 21). They make only about 60% of the personal income of urban residents, with differences among incomes smaller than in the urban areas, they are older and less educated. However, 96% of them live in traditional houses, compared to only 49% in the nearest category, towns with fewer than 30,000 inhabitants. Paradoxically, the latter may be at a disadvantage due to higher utilities costs in the urban areas, dependent upon centralised and outdated heating systems.

Figure 5: Poverty rate by occupation of the head of household



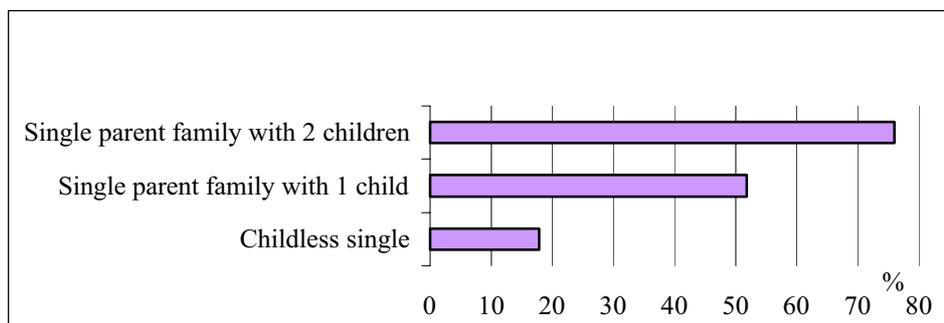
Source: Tesliuc, Pop, Tesliuc, 2001.

Figure 6: Poverty rate by age and number of children



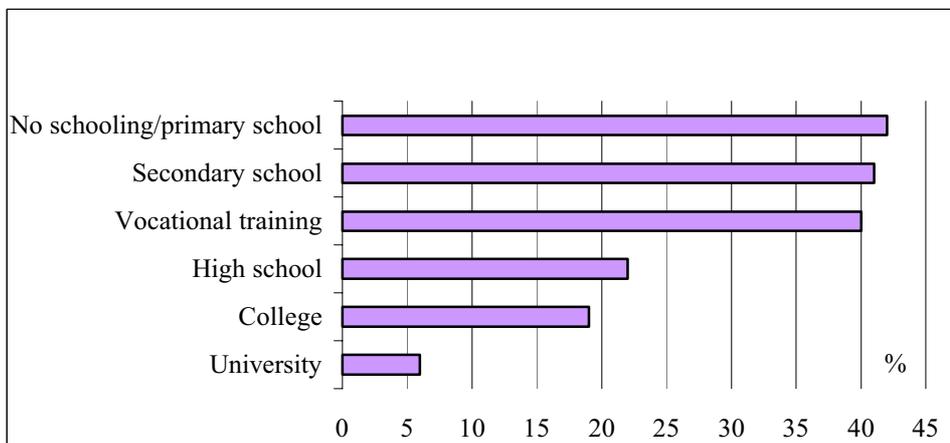
Source: World Bank

Figure 7: Poverty rate in single parent families (1994)



Source: ICCV

Figure 8: Poverty rate by education level of the household head



Source: World Bank

Table 17: Workforce in agriculture and PPP in ECE countries

| | CZ | ES | HU | PL | SL | BU | LV | LI | RO | SK |
|-----------------------------------|----|----|----|----|----|----|----|----|----|----|
| % of workforce in agriculture | 5 | 7 | 6 | 19 | 10 | 27 | 15 | 17 | 44 | 6 |
| GDP/capita at PPP % of average EU | 57 | 41 | 51 | 40 | 69 | 28 | 29 | 38 | 25 | 48 |

Source: Eurostat. Data for 2001

Table 18: Social benefits,% average wage

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|
| The average public social insurance pension | 46.4 | 44.7 | 45.1 | 43.6 | 45.2 | 42.6 | 40.8 | 38.6 | 40.3 | 37.2 | 35.9 | 34.3 |
| Child allowance | 10.5 | 9.7 | 7.2 | 5.4 | 4.9 | 4.2 | 4.3 | 3.9 | 7.4 | 6.2 | 4.3 | 3.2 |
| Supplementary allowance for the 2nd child* | - | - | - | - | - | - | - | - | 13.7 | 10.1 | 7.0 | 5.5 |
| Income support | | - | - | - | - | - | 21.3 | 14.0 | 15.6 | 13.2 | 10.6 | 7.7 |
| Support allowance (post unemployment benefit) | | - | - | 20.0 | 16.1 | 14.4 | 18.6 | 15.7 | 15.4 | 14.7 | 16.8 | 12.9 |
| Employment subsidy | - | - | - | - | - | 24.7 | 20.1 | 17.0 | 18.8 | 17.9 | 21.9 | 17.4 |

*Since 1997, a supplementary allowance for families with 2 or more children has been introduced

Table 19: Rural–urban social indicators compared

| Variables | Urban Mean _____ (st. dev.) | Rural Mean _____ (st. dev.) | Total population Mean (st. dev.) |
|------------------|--------------------------------|--------------------------------|-------------------------------------|
| Age | 44.15 (16.01) | 48.78 (17.77) | 46.34 (17.02) |
| Education | | 4.71 (1.41) | 3.47 (1.31) 4.13 (1.50) |
| Personal income | 40 Euro | 21 Euro | 30 Euro |
| Household income | 65 Euro | 42 Euro | 54 Euro |

Source: Centre for Regional Sociology, CURS 2000

The roots of rural underdevelopment are older than communism. A large amount of literature on Romania's failure to catch up in the twentieth century focuses on the lack of economic sustainability of small rural holdings, the so-called 'strip farming'. The dream of a prosperous peasantry on the Western model was undermined by a large surplus of agricultural population combined with a drop in productivity after the 1918–21 land reform, which destroyed the larger estates. Extended families, combined with the customary rule of dividing the property evenly among heirs, have also prevented land consolidation. Nevertheless, some peasants had managed to gain some economic autonomy, if not prosperity, by 1945

– to only end up either in the Gulag or the collective farms after the Soviet army imposed communism. By 1989, except for mountainous regions where pastures make up the only land available, Romania was fully collectivised.

A presidential decree in 1990 restored to peasants the so-called 'surrounding land' – the garden and a small strip next to one's house that could be used for household purposes, though not owned – which had been taken away by the communist regime in the late 1980s. The law 18/1991 was in the same time restitution, as well as, in a strange meaning, a privatisation law. Not only peasants and former owners had their property rights re-established, but others received land as their own property as well. Article 8 ran as follows:

- the establishment of the right to private ownership on lands belonging to the estate of former agricultural co-operatives is undertaken under the conditions established by the present act *either by the reconstitution of the property right or by adjudication*
- the law benefits former members of the co-operative who brought their own land when it was created, members who had been deprived in any form by the co-operative of their land, as well as their heirs by virtue of the civil law; also the members who did not bring any land and other specified persons.

The last meant the 'late-settlers' in the village, who more often than not had been a part of the communist rural bureaucracy. For the land to suffice, an upper limit was established at 10 ha per family, but otherwise the law left the final decision to the restitution committees, dominated by the mayors, who after cutting their own share and that of their cronies returned land in much smaller quantities than that. The law exempted from restitution the lands that had been part of state farms, not co-operatives. Owners whose land had fallen in the area of these units received instead shares in the newly and purely nominally privatised state farms. Not even in the case of the richest, or by association, have owners ever come to get as much as a seat on the board of these state companies.

The small 'privatisation' operated by this law was more than dubious. Even by communist law, the land belonging to state farms was part of the public estate; the one belonging to the co-operative was held in collective, but it was not state property. In the case of most peasants their land was not nationalised, but they had 'willingly' accepted to reunite it in the kolhoze estate. The 1991 law was thus practically distributing private property to categories and persons favoured by the regime with no connection to that property whatsoever. Despite clear evidence that former owners, especially forty years later after collectivisation, could not receive enough land even in cases where there was only one heir per family (an exceptional circumstance) the state proceeded to dismantle pieces of one's family's old estate to offer property rights to another. Heritage is also complicated in a country where making a will is not common practice (also from habit, as there was so little private property during the communist regime), and where the Second World War, communism and corrupt mayors have tampered with property records. By 1996 more than 600,000 lawsuits were pending in the very ineffective Romanian courts and roughly only a third of total property titles have been distributed five years after the law was enacted. Furthermore, distribution of property after 1990 empowered the local, communist-time bureaucracy, who had both the property archives and the legal power to decide over restitution matters; it turned it into a veritable 'predatory elite' who distributed land first and foremost to their clients.

After the arrival in power in 1996 of the Christian Democrats-National Peasants, a party traditionally tied with the interests of the peasantry, another law (169/1997) tried to counter the negative effects of the first one. This law extended restitution to 50 hectares within the limit of available land and opened the possibility of restoring the land from state farms as well. Its implementation was however paralysed by its dependency on the law of state farms privatisation, blocked for three years in the Parliament by a powerful cross-party lobby of state farms managers. This other law was needed in order to 'calculate' the land available for restitution. With the law 169 thus put on hold, most mayors stopped the restitution altogether, even in places where the situation was clear. In many cases, people who did not have legal rights over the land sold it formally or informally, prolonging the legal hell of land restitution.

Small size holdings are presently almost the general rule, with medium ones having become exceptional. Peasants work their land either by traditional means, or have to hire – expensively – modern machines to do the same, as only 3% of land-holders have such assets. Land holders make 45.5% from the total population still, mostly based in villages, but due to recent restitution to heirs, also in cities (Table 20).

Table 20: Dimensions of rural property in historical comparison

| Size in hectares | % 1918 | % 1949 | % 1999 |
|--------------------------------------|-----------|-----------|-----------|
| <i>Under 5 (subsistence farming)</i> | 75 | 76.1 | 81.6 |
| 5-10 | 17.07 | 17.8 | 15.1 |
| 10-20 ha | 5.49 | 4.89 | 3.1 |
| Over 20 | 2.54 | 1.2 | 0.2 |
| Total land available | 3.280.000 | 3.067.000 | 3.211.507 |

Source: *Encyclopaedia of Romania*, Romanian Academy, Bucharest, 1939; *Romanian National Statistics Office (CNS)*.

Other factors, besides fuzzy property rights, contributed to creating a model of dependency among the peasantry. Amongst them are the persistence, even after decades of communist industrialisation, of significant overpopulation in rural areas; the lack of productivity, as in over 50% of holdings most works are undertaken with horses; the existence, for most of the transition, of a unique state agency with the legal right to buy the crops; the poverty and parochialism which cut off the village from political information. The villages vote, in their words, 'for the state', and the campaign touching them is reduced to the usual bribes and threats from the local elites in order to vote for their party. No consistent national strategy was ever drafted to address the underdevelopment of rural Romania, in spite of the resources invested in this type of research by the EC and the World Bank.

D3.4.2. Poverty alleviation

The Romanian Government has employed a wide array of instruments in fighting poverty. Most social expenditure is now financed from employment related contributory benefits, the most important being healthcare, pensions, and than the unemployment benefit. Access to education services, an important poverty prevention tool, is free at point of delivery.

General health care is conditional upon wage-related contributions, but provided freely in emergency, to children, pensioners and peasants; however, there are extensive 'national programs' in place providing free treatment for everybody (conditions such as TBC, diabetes, neoplasm, etc).

In general, non-contributory benefits have witnessed a shift from universal coverage to means testing. The only large universal benefit existent is the child allowance. Means-tested income support was introduced in 1995. During the transition years the value of social benefits has decreased dramatically in both real and relative terms. More recently the central government has introduced a minimum income support policy as a partially funded mandate for local governments. This has been one of the key campaign pledges of the new administration of Adrian Nastase meant to bridge the gap between the guaranteed minimum and the actual income of the family, other social benefits included. There is a supplementary heating allowance for income support recipients and the universal child allowance was substantially increased.

The minimum income guarantee integrates a number of social benefits:

- income support, burial support and emergency relief, funded from the local budget
- child allowance, and the allowance for the wives of conscripts, funded from central budget.

The income support will continue to be provided by the local government, but overall 80% of funds are expected to come from the central government, through defined destination grants. Apart from cash transfers, the income support could include goods or services.

However, substantial social benefits remain available today as remnants of the 'premature welfare state'⁴⁸ put in place by the communist regime, for example, universal two-year paid maternal leave. These benefits represent an increasingly heavy burden on the public resources, are open to abuse (as the old social control mechanisms which used to keep them in check were abolished) and there is little proof they accomplish their desired effects – in the case mentioned, a higher birth rate and better chances for women on the labour market. The same can be said about the pension system, used by the post-1989 governments as a cushion against unemployment, to the effect that the average retirement age for men in Romania revolves today around 53, one of the lowest in the world. And the same is true regarding the ultra-liberal rules governing early or illness-based retirement, which led to an unnaturally large share of 'permanently disabled' working age population and a notoriously corrupt industry of medical experts in job-related ailments.

D3.4.3. Poverty trap

The problem commonly associated with means-tested benefits is the disincentive to work. Since any increase in income is offset by the decrease in the amount of the social benefit, the marginal utility of labour can be low. The result is the so-called 'poverty trap': people do not find it worthwhile to take the pain of a regular job and therefore do not acquire the experience necessary for advancing to better paying positions.

⁴⁸ Kornai Janos (1992), *The Socialist System*, Princeton Univ. Press.

Field evidence⁴⁹ had found little support that this theory applies in Romania. Due to their low administrative capacity, the Romanian authorities are hardly able to check on the income statements of the applicants for social benefits. The most likely outcome in Romania is driving the recipients of social assistance towards the black market, rather than just making them idle. Occasionally safeguards are put in place, such as the ones provided for by the income support law. The able-bodied recipients are required to perform up to 72 hours per month community work in order to collect their benefits and those legally employed receive 15% higher income support.

D3.4.4 Implementation problems

The Achilles' heel of the income support policy, the pillar of social protection envisaged by the current government, has been its reliance on local administration. Table 21 and 22 paint a dramatic picture of the ability of the local government to implement means-tested benefits. In 1995 the distribution was dealt with by the central government. Since 1996 it has been taken over by the local administration. Facing such a big administrative and financial challenge, the local governments failed to a large extent to implement the measure properly. In 2000 the number of families receiving income support represented only 6% of the number of 1995 – see Tables 21 and 22.

Table 21: The number of families receiving income support (end of year, compared with 1995)

| Year | 1996 | 1997 | 1998 | 1999 | 2000 |
|------|------|------|------|------|------|
| % | 49 | 26 | 22 | 15 | 6 |

Source: MMSS

Table 22: The dynamic of real expenditure on social benefits (1995 = 100%)

| Year | 1996 | 1997 | 1998 | 1999 | 2000 |
|------|-------|------|------|------|------|
| % | 144.2 | 47.6 | 30 | 14.8 | – |

Note: The 1995 expenditure covered only the last 3 months of the year. Source: MMSS

In 1994 the estimated number of households qualifying for local income support was 659,000, or about 12% of the population. By 1998 only 50,000 households, including 0.5% of the population, were actually receiving income support.

The minimum income guarantee policy introduced in 2002 could have the same fate. The Ministry of Welfare (MMSS) estimates that those covered by it will amount to 600,000–750,000 a comparable number to those entitled to income support in 1995. Under a comparable administrative and budgetary burden local administration might crack again. By 2000, most of local authorities, especially in rural areas, had practically stopped distributing income support. Under the present provisions of the law, a large proportion of the beneficiaries of the minimum income guarantee will come from rural areas (e.g., pensioners from the former socialist farming system). This will create a huge pressure on

⁴⁹ The Romanian Institute for the Quality of Life (ICCV), a report by Luana Pop.

the local government from rural communities, which are in many cases losers from the financial de-centralisation reform introduced by the previous government. In 1994 income support covered 87% of the extreme poverty threshold, and 58% of the poverty one. By 1998 its real value has eroded to only 48% of the extreme poverty threshold, respective 32% of the poverty one. In 1997, income support amounted to only 0.05% of GDP. Now the government expects the minimum income guarantee to raise this amount to 0.4% of GDP, an eight-fold increase.

D4. The role of international assistance

When we evaluate the impact of the international donors on the institutional reforms it is useful to distinguish two main categories of assistance programmes, according to their functional purpose:

Institution building, mainly in the public sector, with the aim of setting up new public agencies or reform the existing ones, provide training or equipment, implement new procedures, transfer best-practices, and so on. The target group here is the public sector or portions of it and the ultimate goal is to improve its effectiveness, transparency and user-friendliness. For the purpose of this report let us call this assistance, type A.

Capacity building in the private sector, which aims to increase awareness among the public and stimulate participation, whether we are speaking of non-profit forms of association or even profit-oriented activities. The fundamental idea here is that no matter how sound the institutions become through efforts of type A, there will always be communities who do not have the capacity, experience or resources to participate in democratic governance or take advantage of economic opportunities when they arise. Institutional reforms of type A are, so to speak, similar to pushing a string: in order to get the desired effect, there should be someone pulling at the other end. When there isn't, some intervention is necessary to show people how to do it or to capacitate them, which takes the form of grass-roots activity, facilitation or micro-financing. In theory this works well and there is no doubt that some intervention of this kind is necessary in Romania, but by its very nature this complex of activities – type B – is much more difficult to design and implement than domestic planners and well-meant donors let us believe.

Some preliminary observations should be made here. First, the types A and B are analytical categories rather than accurate descriptions that fit the reality perfectly. There are always borderline cases, as well as certain actors who can be targeted with both kinds of intervention – for example, the local governments, part of the institutional reform as far as the budgetary process is concerned, but also part of the capacity building effort at the grass-root level in impoverished areas. Investments in infrastructure, like the ones financed by the EU or the World Bank, are complex projects which cut across categories: they improve the managerial capacity of domestic institutions by speeding up the transfer of skills to national institutions; but also represent a direct investment in communities who otherwise cannot finance the necessary improvements.

Second, the distinction between types A and B has important practical consequences, because the design, implementation and evaluation of the two kinds of assistance are very different in terms of means, expertise involved and the participation of beneficiaries.

When things are mixed up, undesired effects may occur – for example, an overemphasis on broad participation in, and 'local ownership' of, programmes can easily block reforms of type A, especially in societies where corruption and clientelism constitute the rule rather than the exception. Listening to the beneficiaries, an increasingly popular idea in the international donor organisations, may be a good thing, but the process of listening should have structure, timeframe and very clear purposes, otherwise nothing more than endless complaints and long laundry lists will come out of a typical open-ended consultation (with the item 'more money' always towards the top). Making public choices in an organised and meaningful way is not something that occurs naturally in communities, organisations or professional bodies, but the result of a long and deliberate process of structured learning. Sometimes the confusion is increased deliberately by those who will try to turn programmes of type A into type B, with their own home base as a prime beneficiary. There will always be domestic groups who will use the rhetoric of democratic consultation – no matter if broad participation makes sense or not in a particular programme, and if it does, who should participate and in what forms – in order to appropriate resources or to block undesired changes. One such group, and a very powerful one, is the central bureaucracy.

Third, in the CEE countries the first priority of foreign donors should be the assistance of type A. In the post-communist world, in spite of current difficulties, most people do have the knowledge and material resources necessary to act in their own advantage once the right institutions are in place. When this does not happen, the main culprit is usually a wrong institutional framework or system of incentives. A certain passivism in post-communist societies is real, but much too often it is blamed on psychology, deep cultural cleavages along sexy Huntingtonian borders, or material deprivation, when in fact it is only the rules of the game which are skewed. When these are fixed, we usually see rational behaviour and self-reliance emerging with remarkable speed.

This is not to deny that there are pockets of poverty and destitution where an intervention of type B is required: certain isolated rural areas, small towns with ailing mono-industries, the Roma community, etc. But such intervention will not be sustainable and unintended consequences will predominate as long as the problems of type A are not fixed in the first place.

Briefly stated, the point here is that, given the relative magnitude of problems in these societies, *for the same amount of resources committed by a foreign donor the quickest and biggest social impact by far is achieved with intervention of type A.*

All this said, let us see how the international assistance effort worked in Romania in the recent years. Our brief analysis will focus on three main donors who initiated and financed development programmes with institutional reform components in the region: EU, World Bank and US bilateral assistance through USAID.

D4.1. The European Union

The EU is the most important donor and its contribution is likely to increase in the future as Romania presumably makes further steps in the accession process. Unfortunately, it is also the most inefficient as far as institutional reform is concerned. Brussels has not been able to use its leverage in order to speed up changes that everybody knew were necessary.

Most of the time, the impression is that some measures are pressed on the Romanian Government just in order to check boxes on a list; after some sketchy elements are implemented, the EU is happy to put up with any kind of nonsense coming from Bucharest. The Law of the Civil Service was a condition for taking Romania in at the Helsinki summit in 1999. The fact that was openly broken afterwards brought no reaction from Brussels, even though the Union invested money in training people who were subsequently purged. Most of the time the EU Delegation in Bucharest tends to be accommodating, to put it mildly, to the wishes of the Romanian cabinet in office. The various twinning programmes import different philosophies from the Member States, which are often not consistent with each other.

The EU has no staff in the field who could help with the design and administration of the programmes it finances. This is a crucial point, since in the CEE countries there is a shortage of managing capabilities very often underestimated by Western donors and analysts. Even when local people are well intended (which is not always the case) the rate of absorption of funds is small because the capacity to generate sound projects is limited. Moreover, the EU is geared towards big programmes, which, once started, must move a lot of money within a specified deadline. There is little flexibility or room for feedback and assessments tend to be made in terms of inputs rather than outcomes. Hence the obvious preference for infrastructure projects, or big programmes that make substantial resources available to existing Romanian public institutions for them to play with, rather than use these resources in order to reform the institutions and make them more efficient – a tendency that well suits the Romanian authorities and aggravates the problem of clientelism. Therefore, even though the programmes look fine because they were completed more or less on time and the administrative costs are small, impact in terms of reform is negligible. For example, little can be shown in the way of results for all the educational programmes financed by EU in Romania in the last decade – Socrates, Erasmus, etc. Hundreds of students and teaching staff were toured around Europe, all in non-degree programmes too short to make a difference to someone's professional development. The main beneficiaries of this form of academic tourism were probably the second-rate Western European universities who were paid for hosting East Europeans. With less money, the World Bank programme of financing alternative textbooks or the Soros Foundation's strategy of financing advanced degrees in western-type universities are likely to have a much more substantial and long-lasting impact on these societies.

Since the EU has no professional staff in the field to monitor projects, no strategy for the transfer of managerial skills and no reliable system of measuring outcomes, both the A and B components of its aid tend to take the form of distributing handouts. These are easy to evaluate in terms of inputs, easy to administer in a centralised way and the spending capacity of the beneficiaries, once a programme is approved, is never a problem. To be sure, there are rules and procedures to be followed and everything is subject to verification by the EU Audit Court. But most of the time the procedures refer to the strict following of budgetary lines or compliance with intricate EU regulations – like rules of origin for equipment and supplies used in the projects.⁵⁰ So that the institutional building effort (A) usually ends up in shopping sprees by public institutions (on office technology most often) or short

⁵⁰ These should be made in EU or a candidate country, even when there are similar products available manufactured in non-EU states which cost less; compliance with the rules of origin is not always simple, since in the new globalised economy there may be different locations where a product is made, assembled, sold or the brand registered.

training schemes abroad for those employees with the right connections to make it into the exchange team. Type B programmes are equally uncoordinated. Big designs and goals do not translate automatically into workable institutions able to keep the activity focused on achievable objectives. There is a real danger that the growing EU assistance, if not restructured, will create a culture of dependency in the public sector and parts of the private one similar to the cargo cult among the people of the Pacific islands. And, instead of contributing to positive changes, it will inject more resources into an unreformed system, thus increasing the stakes of an inefficient and corrupt game.

D4.2. The World Bank

The World Bank is generally more successful in enforcing its conditionality on the Romanian Government. The results are still mixed, but there is a strong sense that the overall vision that underlies the WB operations in Romania is correct and that big lending programmes like PSAL (industrial restructuring and privatisation), ASAL (reforms in agriculture) or the currently negotiated PAL can play a role in pushing the reform ahead. Technical assistance in areas like improving the business environment, strengthening the financial sector or restructuring the land market in rural areas is badly needed. WB also helped with the setting up and financing the most successful B-type project in Romania so far – the Romanian Social Development Fund, together with DFID. RSDF is a permanent body which recruits and train facilitators and sends them to work for longer periods in the poorest and most isolated rural communities. The facilitators encourage poor people to associate and initiate small productive activities or make partnerships with the local government in order to improve the local infrastructure, help them write applications for funds and develop basic management skills, and help them run the projects once a small grant is offered by RSDF or other donors. The chances are high that when the assistance ends in one village such projects will be sustainable and it is the merit of RSDF that it forged the appropriate organisational culture which makes this kind of intervention – which is much more proactive and difficult to implement – successful, in spite of the limited funding available.

There are two threats facing the WB development programmes, however. First, the same pressures mentioned above are present to transform the institution-building assistance into a distribution of handouts. In 2000, the Bank came up with the idea of initiating a Rural Development Programme (RDP) in Romania, with a size similar to a yearly instalment of the EU Sapard program. As the government were dragging their feet over Sapard because of the turf wars between central agencies, and the EU aid was slow to come anyway, the idea was that the Bank's programme would offer the opportunity to move forward, put the institutional framework for running Sapard in place and test it. However, this original idea had to be abandoned due to strong resistance by the Romanian authorities and the unpreparedness of the WB to press the issue too far. Instead, the RDP was turned into an annex component of Sapard with no strings attached and phased over the same period of seven years. What could have been an institution-building programme is thus likely to end up as a supplement to a typical EU disbursement of money through the complicated and corrupt domestic channels patronised by the Ministry of Agriculture.

The second threat is of a more general nature, but it explains very well why such things happen with programmes like RDP. The new overall strategy of the World Bank to promote inclusiveness, participation of beneficiaries other than the national governments, listen to the

voices of the local communities and learn from them, can easily become a cliché void of any content. The people, both at the giving and receiving end of a programme, learn very quickly that the keys of success in the new approach are not the sound organisational structure, clear objectives and measurable performance, but the right kind of rhetoric full of buzz-words like broad participation, empowerment, attention to the real needs of the people as opposed to those identified by bureaucrats, etc. What is important is to show that you care, not the actual impact you make in reality.⁵¹ The rhetoric of participation also contributes to the above-mentioned obscuring of differences between A- and B-programmes. Very often the fact is overlooked that successful B-programmes require not only careful planning, but also very flexible and professional implementation mechanisms and presuppose high administrative costs – when the purpose of the programme is to stimulate profit-oriented activities and run micro-lending schemes, what we do practically is investment banking.

This rhetoric is all the more dangerous since it has strong natural constituencies:

- various local groups who want to take part, whether they have a business or not, in order to gain prestige or access to resources
- all the stakeholders involved, in order to shape the intervention as much as possible according to their needs. This is especially important in A-programmes: sometimes they will attempt to block any change, sometimes they will try to shift the focus towards a distribution of handouts
- local experts working as consultants, who have learnt that it is possible to make a decent living by running over and over again 'need-assessments' and provide at high cost the same predictable and mostly useless piece of advice: this and that community are poor and must be helped, making people co-operate is a good thing indeed and the list of needs is the following... (and always more or less the same).

The Romanian authorities, who have noticed very early on that, due to high transaction costs and the lack of structuring, such broad consultations lead nowhere.⁵² When everybody becomes exhausted with the exercise and the deadline draws closer, they know that the conditionality will relax and the donors become more yielding. Therefore the Romanian politicians and top bureaucrats have developed good role-playing skills, knowing that their attrition strategy will help them prevail in the long run.

Finally, the staff of the donor organisation itself. Instead of working hard on designing programmes, documenting best-practices, finding the right experts and monitoring the implementation of programmes, the rhetoric of empowerment and giving the beneficiaries a voice offers an easy escape: earmark some money, convene eclectic meetings in the recipient country and send some staff there with good intentions and a listening ear, but little else to offer in the way of expertise, in order to stir up things with the hope that some meaningful plan will emerge.

⁵¹ Lady Di-enisation of international assistance, as one WB senior staff called it.

⁵² A good example is the Comprehensive Development Framework (CDF) initiative, a futile two-year effort to bring together all the domestic stakeholders and sources of expertise on development and devise a strategy / document / action plan. It failed because it relied too much on the goodwill and skills of the domestic actors, public and private. Had they had the ability and determination to make such a loose structure work, they wouldn't probably have needed the WB assistance in the first place – indeed, they could have become international providers, and not receivers, of institution-building assistance.

D4.3. US bilateral assistance

Whether it is implemented through the US Agency for International Development (USAID) or not, this kind of assistance differs from those discussed above because it is more tightly controlled by a foreign government, has clearer procedures and tends to be less accommodating to the wishes of the local bureaucracy. The total amount of aid is much smaller than the one provided by the EU or WB, so it is all the more surprising that the results are sometimes spectacular, especially in A-type programs, and can serve as a model to be followed by other donors. To mention just three examples:

- The transfer of know-how in the area of tax reform: a team of American experts from the US Department of Treasury was brought to Bucharest and they worked in the Ministry of Finance for more than two years on drafting the Personal Income Tax Law and its implementation system. The law was adopted and became effective in 2000. It is a good and clear statute, with substantial and long-lasting impact and the whole assistance effort was focused on a very narrow and urgent aspect of institutional reform where domestic expertise was scarce and the need was easy to identify without investing too much time and resources in the assessment process. 'Ownership' or the participation of beneficiaries did not raise special problems, since everybody understood what the whole thing was about. Moreover, an important component of the programme consisted in training for the tax administration structures so that they will be able to carry on their duties under the new law.
- In the area of local government reform, USAID has financed a programme run by IRIS, an American think-tank, which was meant to encourage the local administration to cut red tape and establish one-stop offices for dealing with the citizens and businesses. A series of workshops was conducted in some big Romanian cities, materials and case studies were provided to the mayors and a system of 'Five Star Cities' awards was set up to reward the best performers. The strong backing of the American ambassador, who handed out the awards, secured media coverage and visibility. Thus a small and cheap programme made an impact much above its financial weight and, though its continuation is not guaranteed, it contributed to an increased public awareness of certain best-practices and to the triggering of a positive demonstration effect. It is unlikely that such a programme could have been initiated in the first place if somebody would have just gone around and run surveys asking people what are their 'most urgent needs'.
- Another set of programmes of institutional capacity building financed by USAID were run by the Urban Institute (also an American think tank) and some domestic private partners. UI consultants spent a substantial amount of time in Romania doing institutional audits in local government structures. The main focus was the budgetary process, which had just been considerably decentralised by a law passed in 1998. They produced the best institutional assessments of the budgetary practices in local government available so far, designed a strategy for improving the procedures based on the previous CEE experiences and developed good training materials. They provided valuable inputs to the – then – newly reshuffled Ministry of Public Function – the Local Government's component.

D5. Conclusion: best practices for assisting the institutional reform

Based on the assessment of the Romanian institutional structure provided in the first sections of this material, and the experience of the three donor organisations presented above, a sketchy guideline for assisting institutional reform in Romania can be put forward.

1. There should be a clear focus on the most urgent part of the reform process, which is institution-building. Therefore, most of the effort should go into A-type programmes. The first priority is to encourage the stabilisation of Romanian central coordination agencies, and assist their professionalisation through a well-balanced mixture of aid and conditionality. The point is not, of course, for the aid donors to take over the act of governing, which is neither possible nor desirable, but to provide know how based on international best practices and encourage the beneficiaries to rethink the structures themselves and make them more rational and effective. At least some components of the assistance effort should involve both the current top public officials and the opposition (the shadow bureaucracy who will replace the former after elections, if we are to be realistic).
2. The goals of assistance need to be more narrowly defined, expressed in plain language and the progress towards them measured.
3. It is a good idea to contract out assistance activities to private organisations once an agreement is reached with the Romanian representatives. They possess the human resources and experience necessary to design and carry out sound programs. These can be Western organisations with lean and transparent management structures and strong credentials in the field of public policy. Some continuity in terms of organisations and individual consultants is desirable, and therefore should be encouraged in a co-ordinated way by donors, so that the situation is avoided when the few domestic experts spend their time briefing the n -th round of newly arrived expatriates.
4. The involvement of local experts should be much more carefully assessed in countries where professional reputations and social recognition are still poorly correlated with the actual level of performance, to a degree hardly imaginable in Western societies. The Romanian actors, public or private, can be involved gradually as the project develops, so that they have the time to learn the technical and managerial skills by seeing and doing. The foreign contractors are thus in a much better position to see which domestic partners are reliable in the long run and pass this information on to the donors. Also, the situation is avoided in which programmes administered directly by a big donor, or put to open tender from their inception, a whole network of clients emerge with no capability to carry out the project but with a strong determination to monopolise access to resources. This is an important point to remember, since there is a marked tendency for some domestic groups to colonise formal institutions and programmes and divert them from their original purpose.
5. Do not rely on the co-operation of local bureaucracies, who are heterogeneous, unstable and have a very distorted hierarchy of motives. Most of the time they should be regarded as subjects, rather than instruments, of reforms, although assistance should remain fundamentally co-operative in nature.

6. General-purpose trainings meant to improve qualifications in the public sector do not always help. Actually, they rarely help. Even when they are well designed, the impact is insignificant on public officials who had not developed basic skills during their years of formal education. Participation in such events can bring them prestige, or small material gains when the seminar is held abroad, so they are always eager to come and behave co-operatively if they can pass the selection hurdle in their institutions (the selection process, too, usually reinforces clientelism and factionalisation). On the other hand, executive training for the few top officials who are really able to benefit from it is an exercise of shooting at a moving target – they are likely to leave after short spells in office. Therefore the best thing to do is to include training as a component of institutional reform programmes with clear goals and deadlines, aimed at improving specific procedures rather than the general professional capacity of various individuals. The latter can only be achieved in the long run as a side-effect – or by reforming the education system, which should of course be a legitimate target of international assistance itself.
7. The effort should aim at raising incrementally the performance of existing institutions, rather than encourage the creation of new structures and thus aggravate the fragmentation and fluidity that are serious problems in Romanian public administration. The best way to do this is by implementing changes that increase democratic accountability through transparency and simplification, make the functioning procedures as foolproof as possible and so limit the damage done when a new administration reshuffles the civil service.
8. Local organisations working on issues such as cross-border or inter-ethnic crises, other kinds of open conflicts, human rights, monitoring the quality of governance, anti-corruption policies, judicial reform, economic risks, should be supported for a long time to come by foreign donors. They should always be included as beneficiaries of assistance, alongside governments and business associations. The last two groups cannot be fully trusted to promote the public interests in countries with a high degree of state capture by various interest groups. By contrast, assistance for other domestic reforms such as budgetary procedures, local government functions and revenues, social services, etc., can be run through government agencies too, since there are enough pluralist interests built into these systems to assure balanced results.
9. The efforts of local organisations to consolidate themselves should be helped, not undermined. The face enough difficulties because of the domestic factors discussed above. These small and struggling organisations cannot focus on strategy, marketing and professionalisation if half their time continues to be consumed with administrative procedures imposed by donors. In a way, this was unavoidable in the first years of transition, when nobody's credibility had yet been tested. But after a decade it is probably the time for some ex-ante procedures to be simplified, projects be evaluated on the basis of their substantive output, and local organisations by their demonstrated record of achievements, as it happens with many of their Western counterparts. Some of the most successful projects in the region were possible precisely because the initiators were trusted and allowed to work in flexible arrangements that could be adapted locally to changing circumstances (the FOIA initiatives, risk monitoring). By contrast, in many other cases the close scrutiny of the donor's bureaucracy ensured

formal execution of all the administrative procedures but could not prevent projects from missing their target (there are many examples in areas like party assistance, EU integration, central administration reform). Donors' co-ordination, though often discussed, is hard to achieve in practice given the differences in agenda and the ownership problems. However, one thing that can be done is the sharing of information between donors about the credibility of local actors and their capacity to deliver. In any case, the situation should be avoided in the future when artificial, corporatist NGOs are created with the sole purpose of running major programmes, under informal supervision by the government.

10. Related to the point above, there is a strong and self-interested tendency in foreign assistance agencies (and their Western sub-contractors) to pick and choose the best local people and hire them temporarily as consultants. Typically these are also the best experts working in local organisations, so that in the long run this strategy weakens those institutions and drives them out of the market. True, it may be cheaper for donors to attract the best people on an individual basis and transform them into freelance hunters of lucrative contracts. But if the international community has also set for itself as a goal the development of local policy-analysis capacity, this is a self-defeating course of action. Such unintended but long lasting effects, similar to the undermining of local farmers in poor countries when too much food aid is provided freely by donors, should be given at least some consideration when designing programmes.

In conclusion, a word of caution. The examples discussed above do not suggest that EU assistance in Romania has been a total failure, and American aid an unqualified success. The reality, of course, is much more diverse, with good and bad things to be said about each donor and a final picture in shades of grey rather than clear-cut black and white. The differences in purpose and size of assistance, which are considerable when we discuss about multilateral and bilateral assistance, suggest that these comparisons should be taken with a pinch of salt. The aim of this brief overview was only to offer a framework for understanding the contribution the international assistance can make to institutional reform in Romania, identify some patterns of action and typologies and so provide a background for the assessment of DFID programmes, the final target of this programme.

Appendix E: Project analysis summary

| Part A: EARLY PROJECTS - Accounting for 75% of 1997/8 – 1999/2000 spending | | | | | | | | | | | |
|--|--|--|--|--|----------------------|---|--|--|---|--|---|
| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
| 540041 | Centre for Improvement of Management Performance (Phase III) | Aimed to consolidate gains under previous phases; Basic aim to support economic restructuring through capacity-building in business training | Based on institutional development plan prepared by CIMP | High relevance for creating critical mass of trained businessmen | - | - | Supported CIMP through teething problems to a viable business model and financial sustainability | The project was basically successful if building up CIMP as one (among other) player in the business training and consultancy market | Good: CIMP is still in business | Project successful in capacity development in CIMP; less clear what impact on the wider market of which CIMP was only one player | No scoring in PCR (April 2000) Our scoring: (Purpose level): 2 |
| 550035 | RBI: Distance Learning | | | | | | | | | | |
| 532001 | Assistance to Media | Support for private sector training of journalists provided by BBC. Strong support for private sector in Romania media | Technical concentration on editing role; Worked with individuals, not complete teams from radio and TVC stations | Relevant to political agenda of promoting pluralist media base in support of democracy | - | Soros foundation latter co-financing | Met targets in terms of enrolment and course throughput; | Patronised only by the private sector stations, therefore had little direct influence on the dominant state-run media. 250 journalists trained | Not financially sustainable. Trainees had difficulty persuading employers to adopt BBC-taught practices on return to work | Important achievement in building a critical mass of trained journalists in cementing political democratisation | Some once-off projects which lack long term financial sustainability can be justified in a transition context |
| 550016 | OU/Codecs-Training by DL | *** | | | | | | | | | |
| 550019 | Education Reform Pre-University (CFBT) | *** | | | | | | | | | |
| 555010 | Emergency services | | Failed to address sustainability issues Not relevant to thrust of KHF programme | Not relevant to thrust of KHF programme | - | Built on partnership between local hospitals and community. Problem in relations to ambulance service | Demonstrated one approach to development of emergency services | | Donor dependent – not financially sustainable. The pilot units are, however, still functioning | Impact limited in scope and not linked to wider reforms. No impact on wider health sector reform agenda | Need to identify and design projects with more strategic view from the start. |

Appendix E: Project analysis summary

| Part A: EARLY PROJECTS - Accounting for 75% of 1997/8 – 1999/2000 spending | | | | | | | | | | | |
|--|---|---|---|---|---|---|---|--|--|--|--|
| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
| 542024 | Support for administration reform (SMART) | Initiated by energetic doctor at a particular hospital | Focussed on machinery of government a central unit for CS reform in the Office of the Secretary-General | High Project tried to address central issue of weak government capacity which threatened progress in all areas | - | Close collaboration with EU (via SIGMA programme) Project worked with National Agency for Civil service Reform | | Despite efficient delivery of services the project's counterpart response was inadequate, with lack of high level commitment and frequent institutional and personnel changes hampering progress | The main benefit of the project (seen ex post) was maintaining involvement of DFID in public admin reform which bore fruit in the later CSP period. Lessons from the project were addressed in the subsequent involvement in this area (e.g. on developing incentive system to reduce turnover) | Joint DFID/EU assessment (April 2000) concluded impact had been very limited. PCR scores overall at 4 | The project illustrates the difficulty of engaging in high level reform with a government which is not ready. DFID involvement should be judged over the entire period (1997-2003) and in this light the initial efforts under SMART (and SPAR) appear more favourable even if specific project objectives were not achieved at the time |
| 540054 | SME Sector Development | | Prepared by DFID adviser | High to development of private sector | Addressing poverty through job creation in SME sector | None during project lifetime; results fed into WB and USAID project developments in the field | Implemented as per project memorandum | Replicable model for delivery of promotion of business development services | High 0- the supported bodies are still functioning in 2003 | PCR rated 1 on all components | Lessons on development of business counselling noted in PCR |
| 542034 | Romanian Auto Register | Request from Romanian Auto register and Min of Transport. | Technically oriented project aimed at capacity building in the RAR and achievement of EU standards in certification | Specific to the auto industry; aimed to make auto industry more attractive for investment | - | Romanian Auto Register | Strong performance of consultants in technical training and management improvement in RAR | Good example of a technically sound KHF project with local impact in a specific industry but no wider impact | Good | Has assisted Romania to meet EU standards necessary for EU accession process; no evidence of resulting increased investment in the auto industry | |

| Part A: EARLY PROJECTS - Accounting for 75% of 1997/8 – 1999/2000 spending | | | | | | | | | | |
|--|-----------------------------|---|--|-------------------------------------|---|---|---|---|---|---|
| MIS | Project title | Origin and Ownership | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
| 555009 | General Practise Management | | Relevant to creation of primary health network | Poverty – via improved PHC services | Ministry of Health | | Outputs mostly completed, but results jeopardised by lack of institutional home for in-service training | 'Project has laid a foundation for the future, but far to go for comprehensive adoption'; – OPR | OPR: Purpose rating 3 Aggregate output rating 2 (1999) | Project should have identified a institutional base for GPs at the design stage. Need to work more closely with WB DFID needs to understand the changing reforms in the health environment Project impact would have been greater if combined with formation of a professional body of GPs |
| 542044 | Criminal Justice Reform | Follow on (Phase II) from earlier project. Developing strong ownership by the Dept of Probation as the project progressed | High to the specific area of criminal justice and especially young offenders | – | Based on partnership with government department | Completed probation fellowships in UK and established in-country training courses and developed probation system in pilot judets (Arad) | Phase II made steady progress towards development of the probation service | High. Note uptake in subsequent phase under CSP and embedding of the probation service | A good project addressing a specific social problem area with appropriate solutions | Institutional developments of this types take time (in the end 3 phases to this project) |

Part A: EARLY PROJECTS - Accounting for 75% of 1997/8 – 1999/2000 spending

| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
|--------|------------------------------|---|--|---|----------------------|--|--|---|---|---|---|
| 54 | Fisheries Project | Largest KHF project; strong ownership by Gov department, but unsuitable for promoting privatisation | Poor design – too technically oriented; failed to address legal obstacles to privatisation | Potentially relevant to privatisation process | – | Dept of Fisheries in Min of Agriculture; | Technical and training outputs (incl dev of distance learning component); but central objective of privatisation not achieved during project lifetime. | Negative effect on privatisation because project worked with state bodies which opposed privatisation | Privatisation after project end led to more rapid changes in ownership and management | Poorly conceived project with excessively technical orientation | Privatisation projects should not aim to build technical capacity of state organs which will lose control after privatisation; Need to address legal constraints at design stage |
| 540059 | Enterprise Reform in Romania | | | | | | | | | | |
| 501018 | Cleaner Production | Inadequate information available to assess project | | | | | | | | | |

| Part B: CSP Period Projects (Accounting for 75% of 2000/1–2002/3 spending) | | | | | | | | | | | |
|--|-----------------------------------|--|---------------------------------------|--|---|--|---|--|--|---|--|
| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
| 540069 | Education Local Finance | Earlier project; WB; Decentralisations agenda | DFID with WB | High for sector and wider decentralisation agenda | Poverty (equity in distribution of education budget) | 3 ministries WB (sector loan context) | Piloting revenue formulae; Drafting legislation | Too early to judge; will depend on legislation and uptake of piloted concepts | Potentially high if approaches are accepted | Excellent project but significant risk if approaches not adopted or law not passed | Need for project adjustment following delays arising from legislation delays |
| 508001 | Local and Regional Partnership DP | Former DFID project activity and request from WB for co-financing support on policy side | DFID in collaboration with WB and MOE | High for decentralisation agenda and empowerment of local communities | Poverty, though choice of pilot areas and potential for improving education in poor areas | Close linkage with WB sector project spend | Development of proposals acceptable to Gov; drafting of legislation | String influence on GOR (Min of Educ.) | Depends on law being finally accepted by unions and passed by Parliament | Excellent pioneering project in a difficult, politicised high-risk environment High pay-off if successful. Follows long period of stop-go in the sector | Need to hang on in difficult sectors until the right opportunity for real change arises (Accession agenda, motivated minister etc) |
| 542052 | Assistance to Probation | Initially a UK NGO; subsequently strong ownership by GOR | | High to specific problem of prison population | Poverty | Strong relationship with GOR Dept; links to larger EU project; Collaboration with EU (project under development) and with MATRA (NL) | Establishment of Dept of probation; training of staff; | Has given judges increased option of non-custodial sentences; not yet reflected in early releases (awaiting passing of new Penal Code) | High, already guaranteed in institutional strengthening of the Dept of Probation | Excellent project addressing important social issue | High quality of TA with sustained input over several years working closely with local beneficiary can produce significant institutional development |
| 542057 | Mining NAD Social Mitigation | WB requested co-financing TA | DFID in collaboration with WB and NAD | The project addresses directly the severe problem of the downside social effects of mine closure | Poverty, especially through the Social Development Fund set up by NAD with DFID support | Co-financing a WB project; | Institutional strengthening of NAD; Empowerment of local communities through SDS. Project was delayed by initial problems in relations between the consultant and the beneficiary | In its final 18 months the project has made substantial progress in meeting outputs (not all were met at completion) | Mixed. The delay in resolving problems with the TA and initial poor relation of TA to beneficiary delayed completion of project and reduced benefits | Mixed. The delay in resolving problems with the TA and initial poor relation of TA to beneficiary delayed completion of project and reduced benefits | Difficult to influence WB projects in terms of project design except through add-ons: DFID not able to achieve desired level of supervision and responsiveness to problems in project implementation |

| Part B: CSP Period Projects (Accounting for 75% of 2000/1–2002/3 spending) | | | | | | | | | | | |
|--|--|---|--|--|--|---|--|---|---|---|---|
| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
| 559010 | Romania Social Development Fund | Proposal from British Council and request for TA co-financing support from WB | DFID the main actor with collaboration of WB and (more limited) the beneficiary - RSDF | High relevance to ability of country, and poorer areas to access current WB and future EU post-Accession grant schemes for local communities | Poverty both through local grants and through attempt to build central policy capacity in RSDF | Co-financing with WB | Progress was slowed down by problems between consultants and beneficiary (Steering Committee) and between WB and DFID; Delays reduced benefits | | Not clear that RSDF will fulfil DFID's idea of a strong policy capacity and lead role in poverty strategy | Mixed: while the project has enabled to RSDF to be more effective in poverty targeting of its grants the impact on the RSDF, as a poverty-oriented institution is not proven. | Need for harmonised ToRs in co-financed projects; Potential problem in co-financing projects of creating mixed objectives for beneficiary |
| 501022 | Environmental Management Municipality (LA 21) | Local Agency and UNDP | DFID with Agency and UNDP inputs | High for local environmental improvement | Directly addressing environmental issues within strategy at local level | Agency, UNDP, local city authorities and CSOs | National strategy developed with CS and adopted by Gov; Local institutional framework and Action Plans in 4 cities | Local ability to organise and access ISPA funds from EU | Good | Excellent project | |
| 540065 | Romania Accountancy & Audit Reform | Ministry of Finance, building on earlier project | DFID with consultation of MoF | Specific relevance to chapter of the acquis in this field | - | - | Led to rapid meeting of acquis in this area | Satisfactory | Good, the relevant depts of MoF are now extending the work to related areas | Excellent | High quality TA and close working relationship with beneficiary essential; to good out-turn |
| 542055 | CGMC Implementation Phase (Assistance to Mine Closure) | Approach from the WEB for co-financing for TA required by the project | Project designed by the World Bank; DFID TA input essentially technical within WB project design | The wider WEB project was highly relevant to economic transition – the need to accelerate closure of uneconomic mines | - | Co-financing a World Bank project; Local partner the CGMC | Targets met for mine closure | Targets for mine closure met; contribution to macro management through reduction of subsidies to uneconomic mines | High; Methods developed by the project now being applied in other closure operations | Achieved: the 29 mines have been closed and a capacity for further environmentally sound closure created | Pure TA co-financing for WB project without any attempt to redesign project is the simplest relationship with WB |

| Part B: CSP Period Projects (Accounting for 75% of 2000/1–2002/3 spending) | | | | | | | | | | | |
|--|--|---|--|--|---|--|---|---|--|---|--|
| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
| 542060 | Romania Child Protection (assistance to Child Welfare) | Earlier project; Strong political pressure for the child protection issue to be addressed from EU Parliament as condition for Accession negotiations to proceed | DFID with beneficiary, | High to the specific problems of child warehousing and corrupt international adoptions process | Poverty and social exclusion: targeted on excluded and abused child group | Close partnership with Child Agency; dialogue with bilaterals (USAID and the bilaterals) more formal co-ordination chaired by Unicef | Substantial programmes both in developing the legal framework and the central institutional capacity; pioneering approach giving judets the mandate To organise child welfare – a precursor for wider approach to de-centralisation | Strong institutional development at centre; effective trained capacity at regional level | High; although the agency has been reabsorbed within Gov. it has a strong voice; closer collaboration now with MOLSS | This is a n excellent stand-alone project | |
| | TA Support to PM's Office | | DFID adviser, working closely with beneficiary B WB and EU | High to the central issue of public administration and the system of government | Not directly | WB and EU (the adviser is technically an EU implant) | Initially very slow; latterly critically important input in assisting GOR to set overall public admin., reform agenda | Still under implementationA key milestone will be the signing of the WB PAL and its subsequent implementation | Good chance to break from the past pattern of stop-go in pub admin Reform | A strategic if opportunistic input by DFID may have major impact in medium term | Pro-active DFID adviser stance necessary to establish working relation with WB in strategic area; Prior DFID involvement in less successful PAR projects gave DFID legitimacy in this area; Collaborative strategic joint activity with EU (PAR Assessment of 2001) paved the way. |

Part B: CSP Period Projects (Accounting for 75% of 2000/1–2002/3 spending)

| MIS | Project title | Origin and Ownership | Design and Appraisal | Relevance | Cross-Cutting Issues | Partnerships | Progress and Achievements | Outcomes, Impact, Influence | Sustainability | Overall Assessment | Lessons, Issues |
|--------|--|------------------------------|---------------------------|--|----------------------|---|--|--|--|--|--|
| 501020 | Strengthening Capacity in environmental Project Design (SPECD) | Approach from municipalities | Prepared by DFID advisers | Highly relevant to Accession process – supporting municipalities to learn to ISPA and other EU funds | Environment | Project supported in principle by EU. Also by Min of Environment (which had no capacity to participate directly in the project) | Increased capacity in local government and in the local consultancy company which delivered the training courses | Has provided an affordable mechanism for municipalities to increase their capacity to access EU funds through local training | Good: the courses are continuing after the completion of the project; participants are financed by their employers, so financially sustainable | In spite of delays in start-up, which meant that the project could not assist the original municipalities in their ISPA applications, the project went ahead and has been effective in capacity creation | This is a good example of a project conceived to work alongside EU programmes and to help communities to benefit from EU funds pre- and post-accession |

Appendix F: DFID Romania - Expenditure by sub-period and by project

| Project Title | KHF period 1997-1999/2000 Disbursements (£' 000) | | | | | | | | | |
|--|--|---------|-----------|--------|--------|--------|--------|---------|--|--|
| | 1997/8 | 1998/9 | 1999/2000 | 2000/1 | 2001/2 | 2002/3 | 2003/4 | TOTAL | | |
| Energy & Environment Programme | 17,173 | | | | | | | 17,173 | | |
| MUDP Water Off Study Tour | 52,100 | | | | | | | 52,100 | | |
| Recycling & Waste Management | 15,000 | 3,791 | | | | | | 18,791 | | |
| Biodiversity Conservation | 6,828 | 13,976 | | | | | | 20,804 | | |
| Inland Fisheries Phase II | 7,495 | 702 | | | | | | 8,197 | | |
| ICE Seminar | 3,745 | | | | | | | 3,745 | | |
| Assistance to Radio Romania | 19,269 | 107,960 | | | | | | 127,229 | | |
| Print Media Training | 2,100 | | | | | | | 2,100 | | |
| Assistance to RTV Brasov | 7,898 | | | | | | | 7,898 | | |
| Media Development | 72,950 | | | | | | | 72,950 | | |
| Radio Series on Management | 99,812 | | | | | | | 99,812 | | |
| Securities Market Diagnostic Study | | 297,821 | | | | | | 297,821 | | |
| Securities Market Dev. | 104,787 | | | | | | | 104,787 | | |
| Assistance to OSIM | 58,823 | 8,203 | | | | | | 67,026 | | |
| SME Sector Development | 15,885 | 5,360 | | | | | | 21,245 | | |
| Enterprise Reform in Romania Privatisation | 141,814 | | | | | | | 141,814 | | |
| Local Auth Technical Links | 10,910 | 8,003 | | | | | | 18,913 | | |
| DUBS-IROMA Prjt | 34,742 | | | | | | | 34,742 | | |
| Post Office Consultancy | 160,085 | | | | | | | 160,085 | | |

Appendix F: DFID Romania - Expenditure by Sub-Period and by Project

| | | | | | | | | |
|--|---------------|---------|---------|--------|--|--|--|---------|
| Romanian Auto Register | Political/CSO | 175,356 | 73,404 | | | | | 248,759 |
| Accession to the EU | Political/CSO | 202 | | | | | | 202 |
| EU Anti Dumping Seminar | Social/Env | 20,597 | | | | | | 20,597 |
| EU Training for Lawyers | Political/CSO | 70,971 | 8,859 | | | | | 79,830 |
| Jim Conway Foundation Negotiation Skills | Political/CSO | 11,186 | | | | | | 11,186 |
| Regional Dev Capacity Bldg | Political/CSO | 12,702 | | | | | | 12,702 |
| Competition Council Visit | | 5,429 | | | | | | 5,429 |
| Chamber of Commerce Survey | | 13,316 | | | | | | 13,316 |
| Support BNS Trade Union | Political/CSO | 34,848 | 80,697 | | | | | 115,545 |
| ISO 9000 Feasibility Study | | 23,415 | | | | | | 23,415 |
| Uni.Management Timisoara | | 6,272 | | | | | | 6,272 |
| Training Awards Programme | Social/Env | 78,327 | 29,281 | | | | | 107,608 |
| Training for Univ Managers | Social/Env | 33,321 | 9,279 | | | | | 42,600 |
| Health Sector Field Mngr | Social/Env | 48,329 | 10,795 | | | | | 59,124 |
| Sex Educ Feas Study | Social/Env | 33,008 | | | | | | 33,008 |
| Health Sector Mission | Social/Env | | 5,984 | | | | | 5,984 |
| Charities Eval Services | Social/Env | 31,206 | | | | | | 31,206 |
| Children Soc. Services | Social/Env | | 136,850 | | | | | 136,850 |
| Children Soc. Services | Social/Env | 20,777 | | | | | | 20,777 |
| NGO Development Wshop | Political/CSO | 23,467 | 10,256 | | | | | 33,723 |
| Bacee NGO Seminar | Political/CSO | 3,356 | | | | | | 3,356 |
| Management Network Project | | 18,700 | | | | | | 18,700 |
| Floods | Social/Env | 31,672 | | | | | | 31,672 |
| Cheverning Scholarships | Social/Env | 3,744 | | | | | | 3,744 |
| Wales/Romania Farmer Exchange Visits | Social/Env | 15,054 | 6,997 | 13,717 | | | | 35,768 |
| Potato Cyst Nematode | Social/Env | 10,192 | 86,524 | 20,088 | | | | 116,803 |

Appendix F: DFID Romania - Expenditure by Sub-Period and by Project

| | | | | | | | | | |
|--|---------------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Tirgu Mures- Phase II | | 55,121 | 9,647 | 22,363 | 15,500 | | | | 102,631 |
| Assistance to the Media | Political/CSO | 80,336 | 61,584 | 333,906 | | 19,512 | | | 495,338 |
| Insurance Sector Assistance | Economic | 61,763 | 58,760 | 53,303 | 52,972 | 12,276 | | | 239,074 |
| Ministry of Finance Diagnostic | Economic | 556,409 | 299,575 | 663,830 | 83,127 | | | | 1,602,941 |
| Kirklees/Arad | | | 6,834 | 7,053 | | 2,000 | | | 15,887 |
| Bournemouth/Targu Mures | | | | 7,984 | 6,550 | | | | 14,534 |
| Transylvania Business CEn | Economic | 78,729 | 32,016 | 9,546 | 6,875 | 1,278 | 23,990 | | 152,434 |
| Criminal Justice Reform | Social/Env | 82,096 | 71,957 | 3,385 | 13,912 | | | | 171,350 |
| Ministry of Labour support | Political/CSO | 101,473 | 29,718 | 1,395 | | | | | 132,587 |
| Probation services project | Social/Env | | 55,057 | 306,073 | 307,570 | 394,296 | 466,253 | 214,491 | 1,743,740 |
| Academic Links Programme | Social/Env | 70,972 | 88,710 | 36,359 | | | | | 196,042 |
| Health Promotion Prjt | Social/Env | 59,600 | | | | 36,400 | | | 96,000 |
| General Practice Management | Social/Env | | 176,787 | 66,804 | 29,885 | 43,425 | | | 316,897 |
| Emergency Services | Social/Env | 512,649 | 13,362 | 33,992 | 62,345 | | | -60,000 | 562,348 |
| Pre-investment Feasibility Studies Scheme (PIFS) | | 187,399 | 53,090 | 46,321 | 20,798 | | | | 307,609 |
| DFID SGS | Political/CSO | 68,272 | 106,534 | 248,494 | 146,043 | 6,148 | 230,319 | 59,344 | 865,153 |
| Visits by DFID staff | Political/CSO | 40,145 | 34,850 | 64,521 | 71,819 | 69,868 | 77,501 | 6,986 | 365,690 |
| KHF Section Staffing | | 10,774 | 43,731 | 46,526 | 73,790 | 66,993 | 73,976 | 9,602 | 325,391 |
| Entertainment Costs | Social/Env | 502 | 245 | 796 | 922 | 915 | 801 | 538 | 4,720 |
| Internet equipment | Social/Env | | 470 | 260 | 20,911 | 2,411 | 24,745 | 19 | 48,812 |
| Jicap IV | | 189,198 | 155,934 | 95,147 | | | | | 440,280 |

KEY:

- Social/Env
- Political/CSO
- Economic

DFID Romania – Expenditure by Project and Theme – CSP Period

| Project Title | CSP Classification | CSP Period 1999/2000 – 04 Disbursements (£'000) | | | | | TOTAL |
|--|--------------------|---|---------|---------|---------|---------|-----------|
| | | 1999/2000 | 2000/1 | 2001/2 | 2002/3 | 2003/4 | |
| Rural Development Project | 3 | | 43,361 | 98,748 | 44,708 | | 186,817 |
| Agriculture Pollution | 5 | | 14,244 | | | | 14,244 |
| SAPARD Pre Accreditation | | | | 71,557 | | | 71,557 |
| Enviro Project Development | 5 | | 83,480 | 369,887 | 220,529 | 21,807 | 695,703 |
| Romania Business Environment Associations | | | | 38,221 | 56,325 | 30,000 | 124,546 |
| Public Private Partnerships in the Water Sector | | | | 115,430 | 17,855 | | 133,285 |
| Local & Regional Partnership Dev Prog. | | | | 4,030 | 554,124 | 494,906 | 1,053,060 |
| Account. & Audit Project | 1 | | 505,745 | 643,229 | 307,260 | 117,722 | 1,573,976 |
| Romanian Court of Audit | 1 | | | 106,380 | 73,429 | | 179,809 |
| Education Local Finance | 1 | | | 69,234 | 457,846 | 211,108 | 738,188 |
| Mining Sector Restructuring | 2 | 46,520 | 47,304 | 35,226 | 29,624 | 13,392 | 172,066 |
| CGMC Implementation Phase | 2 | 108,247 | 313,117 | 212,430 | 83,940 | 44,749 | 762,483 |
| Mining – NAD Procurement | 2 | 39,385 | 374 | 65,163 | | | 104,922 |
| Mining NAD Social Mitigation | 1 | 147,671 | 884,359 | 705,704 | 871,422 | 97,826 | 2,706,982 |
| Public Administration Reform | 2 | | 186,422 | 98,868 | | | 285,290 |
| Child Protection | 1 | | 100,711 | 394,163 | 628,212 | 245,300 | 1,368,386 |
| Governance and Anti-Corruption programme | | | | | 10,358 | 2,298 | 12,656 |
| Support to National Energy Regulation Authority (ANRE) | | | 5,366 | 301,547 | 37,180 | | 344,094 |
| Assistance to Citizen Advice Services | | | 626 | 51,119 | 125,027 | 125,110 | 301,882 |
| Public Admin Strategy Adviser | 1 | | | 38,232 | 100,632 | 56,611 | 195,474 |

Appendix F: DFID Romania - Expenditure by Sub-Period and by Project

| | | | | | | |
|--|---|--------|---------|---------|---------|-----------|
| Assistance to MOLSS | 4 | | 469,541 | 105,709 | | 575,251 |
| Public Expenditure Review | | | 52,781 | | | 52,781 |
| Civil Serv Assess and Design | | | 23,565 | 44,567 | | 68,131 |
| Strength Capacity Imp Sustain Dev Design | | | | 36,070 | | 36,070 |
| Socil Mitig Project, Phase II | | | | 5,426 | 113 | 5,538 |
| Advisory Support to NACS | | | | | 6,426 | 6,426 |
| Education Finance Review | 1 | 6,606 | | 43,307 | | 49,914 |
| Health Sector Reform project | 1 | | 138,125 | 263,865 | 56,359 | 458,349 |
| Romania Social Dev Fund | 4 | 41,007 | 254,821 | 622,281 | 233,252 | 1,151,361 |
| Romania Info Centre Exit | | | 11,224 | | | 20,739 |
| Kirklees/Arad Enhancement | 4 | | 4,890 | | | 35,410 |
| Assist to Social Sector Dev | 1 | | | 192,199 | 286,993 | 479,193 |
| Anti Poverty Commission | 4 | | 61,438 | 1,825 | | 63,263 |
| Instit Support to Poverty Comm | 4 | | 61,000 | 30,500 | | 91,500 |
| Social & Health Care Linkages | 4 | | | 54,614 | | 54,614 |
| Small Grants Scheme Projects | | | 86,504 | 1,543 | | 116,986 |
| A3 Country Costs | | | 16,577 | 58,516 | 3,411 | 78,504 |
| Imprest / Post Accounts | | | 37,326 | 16,771 | | 54,924 |
| IFRC Preliminary Appeal 25/2002 | | | | 50,000 | | 50,000 |
| | | CSP1 | | | | |
| | | CSP2 | | | | |
| | | CSP3 | | | | |
| | | CSP4 | | | | |
| | | CSP5 | | | | |

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID's assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

DFID's headquarters are located at:

1 Palace St
London SW1E 5HE
UK

and at:

DFID
Abercrombie House
Eaglesham Rd
East Kilbride
Glasgow G75 8EA
UK

Switchboard: 020 7023 0000 Fax: 020 7023 0016

Website: www.dfid.gov.uk

Email: enquiry@dfid.gov.uk

Public Enquiry Point: 0845 3004100

From overseas: +44 1355 84 3132

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