

Romania

The Development Challenge: When communism fell in 1989, then-President Ceausescu's draconian policies had left Romania the poorest country in Southeastern Europe. Until 2000, much of Romania's economic progress was hampered by slow privatization and stop-and-start economic reforms. Under the current government, the macro-economy has improved. Growth in 2003 is estimated at 4.5% and is projected to be 5% in 2004 and 2005, despite a severe drought. Inflation has declined from 40.7% in 2000 to an anticipated 14.5% in 2003 and is projected to decline to 8.8% by 2005. Most major privatizations have been completed, with the significant exception of the energy sector.

Despite this progress, the economic situation remains mixed, with Romania one of the poorest European Union (EU) applicants. Government statistics indicate that almost one in three Romanians lives in poverty. The proportion is much higher in rural areas, where wages are far below Romania's average of \$140 per month. GDP per person reached only \$2,100 in 2002. Many Romanians are under-employed, and attractive employment options remain limited. Over 40% of the population is engaged in agriculture, most on small subsistence plots. Many young, educated workers continue to leave the country in search of better opportunities elsewhere.

Confidence in democracy is undercut by endemic corruption, low political accountability, and continued high levels of poverty. Civil society remains weak, with little influence on public policy or public opinion. Partly a legacy of communism, the concept of citizenship, including the responsibility of constituent interest and involvement, has yet to take root among much of the population. This is exacerbated by a "party list" system for parliamentary elections, eliminating any real tie between national level office holders and their constituent districts. In the 2000 elections, a large number of disaffected voters turned to an extremist and xenophobic party that offers no sustainable solutions for resolving the country's problems. The central government is transferring responsibility for many services to local governments without providing the necessary fiscal and management resources. Unfunded central government mandates in utilities, education, social welfare, and health are a pressing problem. On the whole, there appears to be no coherent plan for decentralization and no analysis of the impact of decentralization on local governments. Too little attention has been given to the efficient use of local resources, the need to establish community priorities, and the means to enhance local service delivery.

The health and child welfare situation in Romania remains bleak. Life expectancy at birth is 71 years, one of the lowest in Europe. Infant mortality, under-five mortality, and maternal mortality are among the highest in Europe. In 2000, maternal mortality rates were six times the EU average and pediatric AIDS cases are the highest in Europe. More than 34,000 children still live in state-run "children's homes". Romania's nascent community-based services, which care for an additional 60,000 children, require considerable assistance to mature into an effective sustainable system.

The most recent European Commission (EC) Report concludes provisionally that Romania will likely meet EU membership requirements by 2007, despite not yet being recognized by the EC as a functioning market economy. Nevertheless, "overall capacity for programming, operational management and financial control remains insufficient," evidence of the serious challenges facing Romania.

The USAID Program: The USAID program is fully integrated into the Embassy's Mission Performance Plan, which identifies democracy, rule of law, economic development, and regional security as priorities. The prospect of joining NATO and the EU and stronger ties with the U.S. provide the important incentives that keep Romania on the path to reform.

USAID support for economic growth in Romania includes projects to support: capital market reform, energy sector reform, privatization, and improvements in the business climate in order to attract increased foreign direct investment and boost domestic entrepreneurial initiatives. Additionally, USAID will broaden support to agricultural development to move the rural economy from small-plot subsistence agriculture to increased efficiency and competitiveness.

USAID will continue to assist local governments, judicial reform, civil society organizations, and political parties to create and sustain the necessary democratic institutions and behavior. As 2004 is an electoral year, USAID assistance will support increased transparency in campaign financing and reporting, balanced media coverage and equal access to media, issue-oriented public dialogue and debates, and increased voter turnout. The Government of Romania (GOR) recently adopted a strategy for judicial reform; USAID assistance will support the integrity and capabilities of the Romanian judiciary, including activities to strengthen the Superior Council of Magistrates, and enforce an ethics code among judges and court staff.

Corruption is widespread in the health and welfare sector and undermines citizen confidence in democracy in addition to impeding service delivery. USAID will help to develop more transparent and accountable procurement and financing systems to allocate limited resources more appropriately and reduce corruption. Assistance for broader policy and program reforms in the social sector will continue.

Other Program Elements: USAID/Romania's portfolio is supplemented by several regional projects. Most of these activities contribute directly to Mission strategic objectives while some are special initiatives. They include: Agro-industry Competitiveness, Development Credit Authority Mortgage Finance, Southeast Europe and Regional Electricity Market, Regional Energy Efficiency, Regional Mortgage Market Development, Balkan Infrastructure Development Facility, Trans-Balkan Romania Fund, Small and Medium Enterprise Financial Facility, Corruption Assessment of Romania, Fiscal Decentralization Initiative, Local Government Information Network, Tuberculosis Control, RiskNet HIV/AIDS Program, Rational Pharmaceuticals Management, Radiology Training for Early Detection of Breast Cancer, Drug Information Center, and the Global Fund for HIV/AIDS, Malaria and Tuberculosis.

Other Donors: USAID works closely with the European Union, the World Bank, the International Monetary Fund, European Bank for Reconstruction Development, United Nations Development Program, and other donors to ensure coordination and avoid duplication. The EU committed \$780 million for pre-accession funding; this funding is expected to increase to approximately US\$1 billion annually by 2006. In its last Country Strategy for Romania, the World Bank programmed approximately \$995 million for FY 2002 - FY 2004.

Data Sheet

USAID Mission:	Romania
Program Title:	Expanding the Market-Driven Private Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	186-0130
Proposed FY 2004 Obligation:	\$11,290,000 AEEB
Prior Year Unobligated:	\$1,170,000 AEEB
Proposed FY 2005 Obligation:	\$10,306,000 AEEB
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2006

Summary: USAID's program to expand the market-driven private sector includes training and technical assistance to: improve government policies and regulations, strengthen business-related NGOs and government institutions, promote business competitiveness and increase exports, and promote the transfer of remaining state assets to private ownership.

Inputs, Outputs, Activities:

FY 2004 Program:

Policy, Legal and Regulatory Reform (\$2,400,000 AEEB). USAID activities will support insurance reform, introduce mortgage-backed securities and mortgage bonds, and improve listing and corporate governance rules for recently merged stock exchanges. USAID support for the National Securities Commission will improve anti-money-laundering and other fraud-detecting measures. The legal framework for non-bank micro-lending services will be strengthened as well as agriculture subsidy elimination, food sanitation standards improvement, and legislation for a market information system to comply with EU requirements. In the energy sector, legislation will be drafted for the newly liberalized market. Principal contractors: Deloitte Touche Tomatsu (DTT) (Prime), Urban Institute (Prime), Cooperative Housing Foundation (CHF) (Prime), InterNews (Prime), USDA (Prime).

Strengthen Market Institutions (\$2,750,000 AEEB, \$420,000 AEEB carryover). USAID will assist business associations, chambers of commerce, and government agencies to improve collaboration and services for small businesses. A specialized Arbitration Chamber of the National Securities Commission and supervision functions of the National Bank of Romania will be strengthened. Telecenters will be established in five poor, rural communities to promote economic growth. USAID will continue technical assistance and training to improve the sustainability of private agribusiness and water users associations. Assistance will be provided to the Romanian Water National Authority to improve water management, moving Romania closer to EU's requirements. Principal contractors: DTT (Prime), CHF (Prime), PA Consulting (Prime), and Chemonics (Prime).

Improve Competitiveness (\$5,640,000 AEEB; \$750,000 AEEB prior year recoveries). USAID support will increase competitiveness of private companies by improving their access to capital. New financial instruments will be developed to provide long-term capital by attracting new companies to list shares, issue bonds, and trade debt instruments. Micro-lending organizations will be started in seven new counties. USAID support will improve productivity, product quality, and marketing in regional tourism and apparel. Technical assistance will be provided to government agencies to improve the business climate and to business associations to improve export services. USAID will provide technical assistance to new service centers for agricultural exports and clusters of high value agricultural producers. Training will be provided to improve the competitiveness of energy utilities, while developing instruments to mitigate market risks, transform the current electricity producer into a power exchange, and promote electricity exports. Technical assistance will help four industries and two local water utilities increase competitiveness and profitability while achieving environmental compliance. USAID will also support Romanian-American partnerships working on economic growth activities that will improve enterprise

competitiveness. Principal implementers: DTT (Prime), CHF (Prime), Academy for Educational Development (AED) (Prime), MASHAV (the Israeli Foreign assistance Agency) (Prime), and Chemonics (Prime).

Promote Privatization (\$500,000 AEEB). USAID will facilitate the privatization of state-owned assets of the Ministries of Transport, Construction and Tourism, and Economy and Commerce (including two power plants). Technical assistance and training for 135 water users associations will facilitate the transfer of state-owned irrigation systems to private associations. Technical assistance will continue to the Ministry of Industry and Resources and associated agencies as the privatization of the electricity industry progresses. Principal contractors: DTT (Prime), Chemonics (Prime).

Romanian-American partnerships (\$750,000 AEEB carryover). USAID will use these funds to support partnerships working on economic growth activities.

FY 2005 Program:

Policy, Legal and Regulatory Reform (\$2,606,000 AEEB). USAID will provide training and technical assistance for policy development and drafting of new legislation for the National Securities Commission to improve commercial conflict resolution, business regulation, export, and micro-finance legislation. USAID will continue to support policy reforms in agriculture and energy sectors to conform to EU requirements. Principal contractors: DTT (Prime), Urban Institute (Prime), CHF (Prime), InterNews (Prime), PA Consulting (Prime), USDA (Prime). -+

Strengthen Market Institutions (\$2,150,000 AEEB). USAID will continue to assist with the merged Stock Exchange and development of sound corporate governance. Assistance will be provided to business organizations and local authorities to develop their capacity in decision-making. USAID will assist with the creation of additional microfinance and information technology services in underserved areas. Private agri-business as well as government agencies will be supported to increase their capability to attract funding for infrastructure. Principal contractors: DTT (Prime), CHF (Prime), PA Consulting (Prime), USDA (Prime), Chemonics (Prime).

Improve Competitiveness (\$4,050,000 AEEB). USAID's support will increase private participation in the stock market and use of financial instruments to raise funds, and reform pension and insurance systems. USAID will also increase competitiveness and exports of small businesses in at least two additional sectors. Activities to increase competitiveness in agriculture, energy, and environment will be continued. Expansion of micro-finance services will be targeted to the poorest regions of the country. In the energy sector, two municipal heating utilities will be restructured to prepare them for privatization and improve customer service. Principal contractors: DTT (Prime), CHF (Prime), AED (Prime), MASHAV (Prime), Chemonics (Prime).

Promote Privatization (\$1,500,000 AEEB). USAID will assist the GOR to sell public assets' shares on the stock exchange. Assistance will be provided to privatize electricity generating companies to increase efficiency and access to investment and trade opportunities. Assistance will also be provided to ameliorate environmental liability for privatization transactions and to preclude impediments to attract foreign capital. Principal contractors: DTT (Prime), Chemonics (Prime).

Performance and Results: USAID assistance during the year contributed to the disbursement of \$8.1 million in small business and housing loans and leveraged \$27 million for home mortgages and \$400,000 for information technology. State-owned irrigation equipment was transferred to 87 water-users' associations, bringing more than 560,000 acres under improved private management. USAID leveraged \$41 million in other donor funds for irrigation systems and \$40 million from the EU to implement the Small and Medium Towns Infrastructure Rehabilitation Program. Advisors completed the ten-year strategy for energy sector reform and a plan for privatizing the electricity industry. By the end of the current strategy Romania will have a legal framework for business that will bring it closer to EU requirements; the Government of Romania and NGOs will have the skills to implement critical legislation and regulations; private businesses will be more competitive in international markets; and 75% of the GDP will be generated by private businesses.

Data Sheet

USAID Mission:	Romania
Program Title:	Improved Local Democratic Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	186-0230
Proposed FY 2004 Obligation:	\$9,550,000 AEEB
Prior Year Unobligated:	\$1,170,000 AEEB
Proposed FY 2005 Obligation:	\$9,900,000 AEEB
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2006

Summary: USAID's democracy program is improving local democratic governance, increasing the accountability of local politicians, building a stronger civil society and raising the ethical standards of judges and court staff. The program provides technical assistance and training to local governments to: improve services; strengthen financial management; increase responsiveness to citizens' needs; open decision-making to citizen participation; strengthen the capacity of civil society organizations (CSOs) to monitor and improve local government performance; promote effective participation of citizens in local politics to increase the accountability of local political parties; provide ethics training for judges and court staff; and strengthen the capacity of the Superior Council of Magistrates.

Inputs, Outputs, Activities:

FY 2004 Program:

Strengthen local government management and citizen participation (\$8,300,000 AEEB, \$64,000 AEEB carryover, \$806,000 AEEB prior year recoveries). Through its program to support democratic local governance, USAID will provide technical assistance and training to an additional 90 local governments while completing assistance to the original 79 city halls. This technical assistance is improving local government performance to deliver better public services more efficiently. USAID and selected Mission partners will also help local governments elaborate public policies and prioritize activities consistent with community needs. USAID assistance will continue to support long-term goals, such as local economic development and improving the national legislative framework, that promote sustainable local development. CSOs will also be involved in these reforms, through participation in public-private partnerships that will solve specific problems identified by citizens, and/or by monitoring local officials' performance to bring about enhanced transparency and accountability. Fifty CSOs will participate in strategic planning, as well as implementation and oversight activities during FY2004. Also 45 new community services will be created using participatory approaches. Further, USAID intends to use prior year unobligated funds to support Romanian-American partnerships that will work to improve local governance, and the citizens participation in the life of their communities. Current partners: Development Alternatives Inc. (prime); Academy for Educational Development (sub). Others are to be determined.

Increase local political organizations' responsiveness to grassroots initiatives (\$800,000 AEEB). The Opening Politics by Acting Locally (OPAL) program will expand its activities from eight to 13 counties. Assistance will focus on preparations for the elections in 2004 with an emphasis on training 225 local political party branches in candidate selection, electoral campaign management, and communication, campaign finance, and polling and research. OPAL will promote public awareness and advocacy campaigns by providing technical assistance to 15 civic groups with issues-based debates and with the monitoring of campaign and political party finances. Implementing partners: National Democratic Institute for International Affairs, International Republican Institute (Primes).

Increase independence, integrity and transparency of the judiciary (\$450,000 AEEB). USAID will continue to work with the Superior Council of Magistrates and the Ministry of Justice to develop clear and transparent judicial performance and evaluation standards. Three hundred judges will receive ethics

training. Additional judges will be trained by the National Magistrates' Institute using materials developed with USAID assistance. USAID will provide technical assistance to develop a code of ethics for court clerks and to build the capacity of the School of Clerks to train court staff on the new standards. USAID will also provide technical assistance to develop and conduct a specialized training for judges who hear access to information cases. USAID support will assist six courts to establish public information offices in compliance with the Access to Information Law. Implementing partner: American Bar Association/Central European and Eurasian Law Initiative (Prime).

Elections (\$300,000 AEEB carryover) USAID will use these funds to support increased transparency in campaign finance, balance media coverage, issue oriented debates, and increased voter turnout. Implementing partner: to be determined.

FY 2005 Program:

Strengthen local government management and citizen participation (\$8,650,000 AEEB). USAID will continue to provide training and technical assistance to the second target group of 90 local governments. USAID will award the second round of grants, totaling \$1 million, to local CSOs for projects to improve governance and local services. Implementing Partners: same as above.

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Increase local political organizations' responsiveness to grassroots initiatives (\$800,000 AEEB). USAID will continue to provide training and technical assistance to local branches of political parties and CSOs to encourage greater citizen participation in politics. Implementing Partners: same as above.

Increase independence, integrity and transparency of the judiciary (\$450,000 AEEB). USAID will continue to provide technical assistance and training to solidify reforms contained in the Law on Judicial Organization, the Statute of Magistrates, and the Law on the Organization of the Superior Council of Magistrates, which will be passed in 2004. Implementing Partners: same as above.

Performance and Results: USAID assistance contributed directly to better democratic governance in Romania. Fifty U.S.-assisted CSOs now participate in strategic planning, implementation and oversight activities with local authorities. Thirty-one CSOs work with 134 local governments on priority projects identified by citizens. USAID assistance to five political parties has resulted in more effective communication by party officials with CSOs. CSOs advocate local government reforms that address citizens' concerns such as the lack of shelters for victims of domestic violence, the lack of medical personnel in villages, and the need for transparent local budgeting. CSOs also work with local governments on procedures for allocating local government funds to CSOs, and to increase the capacity of small rural authorities to manage development funds. In one of USAID's programs, \$2.7 million has leveraged another \$3.2 million from private U.S. sources, Romanian NGOs, and local governments for partnership in Romania. As a result of the civics education program, more than 600 teachers are using a new civics text and curriculum in their classrooms. USAID assistance has supported an Alternate Dispute Resolution pilot program, and now a cadre of 20 lawyers is using mediation to resolve civil cases more rapidly and less expensively than taking them to court. The Rule of Law program has successfully tested case assignment software in eight courts. The software will be handed over to the Ministry of Justice for nationwide distribution and implementation. The National Magistrates' Institute has developed, with USAID assistance, a judicial ethics handbook and reference materials to be used in training programs.

By the end of the current (FY 2006) strategy, USAID expects that the quality of public services will improve, while unit costs will be reduced. Local governments will increase their generation and retention of own-source revenues. CSOs will be monitoring and influencing more effectively the performance of local public officials. Local civic organizations will be partnering with local authorities to deliver services that respond better to citizens' needs. The Superior Council of Magistrates will play a stronger role in the promotion, discipline, and removal of judges. A code of ethics for court staff will be enforced. Courts will implement the Freedom of Information Act.

Data Sheet

USAID Mission:	Romania
Program Title:	Child Welfare and Women's Health Care Reform
Pillar:	Global Health
Strategic Objective:	186-0340
Proposed FY 2004 Obligation:	\$5,535,000 AEEB
Prior Year Unobligated:	\$853,000 AEEB; \$500,000 CSH
Proposed FY 2005 Obligation:	\$5,294,000 AEEB
Year of Initial Obligation:	FY2002
Year of Final Obligation:	FY 2006

Summary: USAID's program to reform child welfare and women's health care includes training and technical assistance to: improve policies, legislation and quality of services; train a professional cadre in child welfare and reproductive health; and educate the public and decision-makers. USAID programs will improve community service delivery in child welfare, reproductive health, and infectious disease prevention with greater benefit to recipients than costly institutional care and at a lower cost to the Government of Romania (GOR).

Inputs, Outputs, Activities:

FY 2004 Program:

Reform of the Child Welfare System (\$3,185,000 AEEB, \$200,000 AEEB carryover, \$500,000 CSH carryover). The development of local community child welfare services is far from complete. USAID will continue funding 50 existing sub-grants that implement community-based child welfare services. USAID will award five additional grants to close the worst of the remaining institutions for disabled and HIV-infected children. These grants will also support the social integration of at-risk youth. The training of mayors, which has been completed, will be extended to about 50 members of four new community boards in order to encourage officials to provide local preventive services. Community Service Standards, which were drafted with USAID assistance, will be legislated and disseminated nationwide and used by the GOR to monitor service quality. Development of a national monitoring system will be completed which will allow the GOR to monitor the provision and cost of services, improve financial planning, and enhance transparency of the child welfare system. All activities will be implemented locally and nationally by public-private partnerships. Implementing Partners: World Learning, U.S. Department of Health and Human Services (Primes); International Orthodox Church, Bethany Christian, and SERA Romania (Subs).

Increase the Use of Reproductive Health Services (\$1,850,000 AEEB, \$613,000 AEEB carryover). USAID will continue the nationwide expansion of the reproductive health services to improve the access to and the quality of primary care services. To facilitate the provision, management, supervision, and evaluation of primary community care, technical assistance and training will be provided to more than 1,100 family doctors and 800 nurses in 900 additional rural and urban communities, 41 health authorities, and over 200 Roma mediators, community nurses, and health promoters. The national strategy to prevent sexually transmitted infections will be finalized and implemented. The contraceptive security plan will be updated to meet the increased demand for contraceptives. A three-year plan for the new Behavior-Change-Communication (BCC) campaigns will replace the Information-Education-Communication (IEC) public awareness program. Campaigns for unwanted pregnancy, marketing of reproductive services at primary care level, and early detection of breast cancer will be conducted. Safe motherhood programs in two districts will increase the quality of and access to pre- and post-natal primary care and reduce the rate of hospitalization and the average length of stay. One program for youth-friendly reproductive health services will be developed in Bucharest, serving 13,000 clients per year. USAID will begin a national early detection program for cervical cancer and finalize standards and protocols. Implementing Partners: John Snow International (Prime); Societatea de Educatie Contraceptiva si

Sexuala, Asociatia Romana (SECS) anti-SIDA, Population Services International, and, the Youth-for-Youth Foundation (Subs).

Prevent HIV/AIDS (\$500,000 of AEEB, \$40,000 AEEB carryover). The National AIDS strategy will be revised and technical assistance will be provided to strengthen the national HIV/AIDS surveillance system. USAID will support a national campaign to prevent HIV transmission and combat stigma and discrimination. USAID will provide technical assistance for implementation of the Global Fund Program to Fight AIDS, TB, and Malaria. Five outreach programs for high risk groups, such as prison inmates, street children, Roma, poor-rural underserved, and youth will be continued. Voluntary Counseling and Testing Centers, a successful NGO/public partnership, will be supported in Bucharest, Iasi, and Constanta. Implementing Partners: John Snow International (Prime); Societatea de Educatie Contraceptiva si Sexuala, Asociatia Romana (SECS) anti-SIDA; Population Services International; and, the Youth-for-Youth Foundation (Subs).

FY 2005 Program:

Reform the child welfare system (\$2,960,000 AEEB). USAID will provide policy guidance, fund small grants, and advocate for the development of improved standards and training of professionals and officials. Programs and training will focus on the municipal and community level. More local preventive programs will be developed as local officials develop a better understanding of their roles and responsibilities for protecting children. To remove the current incentive to place children in institutions, USAID will support the development of a new formula for funding child welfare. USAID will continue to fund grants to close the worst residential facilities and to increase the proportion of children using community services, rather than being institutionalized. To ensure sustainability of these activities, USAID will support the efforts of organizations such as the United Way and the ProChild Federation. Implementing Partners: World Learning, U.S. Department of Health and Human Services (Primes); International Orthodox Church, Bethany Christian, and SERA Romania (Subs).

Increase the Use of Reproductive Health Services (\$1,834,000 AEEB). Assistance will ensure legislative coherence and increased allocations from the public health budget for enhanced primary reproductive health services. National training will continue and the reproductive health curriculum will be implemented in medical schools. Several national public campaigns about reproductive health will be organized. Implementing Partners: John Snow International (Prime); Societatea de Educatie Contraceptiva si Sexuala, Asociatia Romana (SECS) anti-SIDA, Population Services International, and, the Youth-for-Youth Foundation (Subs).

Prevent HIV/AIDS (\$500,000 AEEB). USAID will continue assistance and training to prevent the spread of HIV/AIDS through national awareness campaigns, voluntary counseling and testing centers, and outreach activities to high-risk groups. Implementing Partners: John Snow International (Prime); Societatea de Educatie Contraceptiva si Sexuala, Asociatia Romana (SECS) anti-SIDA; Population Services International; and, the Youth-for-Youth Foundation (Subs).

Performance and Results: USAID assistance in FY 2003 contributed directly to reducing the number of children in institutional care by 8,550 (17%), closing 43 institutions with over 100 children each, creating over 200 alternative community services, and drafting legislation for standards of adoption, life skills, case management, child abuse, and neglect. USAID-funded advisors supported the development of the national reproductive health strategy and the integration of primary reproductive health services into 1,738 primary care clinics, of which 77% are in rural areas. USAID-funded programs helped close institutions for disabled children, reintegrate the most vulnerable children into communities, and leverage over \$3,000,000 from the business community and another \$6,000,000 from governmental programs. Mayors in all of Romania's 41 counties were trained in child welfare services. USAID assistance helped create a permanent GOR budget line item (\$650,000 in FY2002) for reproductive health services. USAID supported national awareness campaigns for unwanted pregnancy, reproductive services, early detection of breast cancer; prevention of HIV/AIDS and other sexually transmitted infections, and to fight discrimination of HIV/AIDS victims. USAID support led to the implementation of three special programs for hard-to-reach populations including Roma and those at risk for HIV/AIDS transmission.