



# **Enterprise Development and Strengthening Program For Romanian Micro, Small and Medium Sized Enterprises (MSMEs)**

## **Final Program Report**

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## Acronyms

AA	AA
ACPR	Alliance of Romanian Employers' Confederations
ADER	Alliance for Economic Development of Romania
AER	Romanian Ecotourism Association
AJTS	Sibiu County Tourism Association
AmCham	American Chamber of Commerce
AMCOR	Association of Romanian Consultants in Management
ANAT	National Association of Tourism Agencies
ANIS	National Employers' Association of the Software Industry and Services
ANTREC	National Association for Rural and Eco Tourism
AOAR	Romanian Businessmen's Association
ARIES	Romanian Association of the Electronics and Software Industry
ARTCE B&B	Romanian Association for Accommodation and Ecological Tourism – "Bed & Breakfast"
ATB	Bucovina Tourism Association
ATRT	Transylvania Rural Tourism Association
ATS	Sighisoara Tourism Association
ATZS	Sighisoara Tourism Zone Association
BAH	Booz Allen Hamilton
BSO	Business Services Organization
CDC	Citizen's Development Corps
CDIMM	Center for Micro and Medium Enterprise Development
CEED	Center for Entrepreneurship and Executive Development
CEROPE	Center for Economic Policy
CES	Socio-Economic Council
CGAP	Consultative Group to Assist the Poor
CIPT	Confederation of Private Entrepreneurs
CLIR	Commercial Legal and Institutional Reform
CMMI	Capability Maturity Model Integration
CNIPMMR	National Council for SMEs and Cooperatives
CNPPCT	National Center for the Preservation and Promotion of Traditional Culture
CHF	CHF International
CIP	Community Improvement Project
CLIMM	Local Council for SMEs
DA	Democratic Alliance
DWM	Developing World Markets
EC	European Commission
EBRD	European Bank for Reconstruction and Development
EDS	Enterprise Development and Strengthening Program
EF	Express Finance
EIU	Economist Intelligence Unit
EU	European Union
FAST	Flood Assistance for Timis Project
FDI	Foreign Direct Investment
FEPAIUS	Textile and Light Industry Employers' Union
FIAS	Foreign Investment Advisory Service
FIC	Foreign Investors' Council

FIHR	Hotel Industry Federation
GEA	Group of Applied Economics
GoR	Government of Romania
GTZ	Gesellschaft fur Technische Zusammenarbeit (German Technical Cooperation)
HFH	Habitat for Humanity
HRRF	Housing Repair and Reconstruction Fund
ICES	International Center for Entrepreneurial Studies
ICT	Information, Communications, and Technology
IDC	International Data Corporation
IFC	International Finance Corporation
IMF	International Monetary Fund
IOCC	International Orthodox Church Charities
ISEB	International Systems Examination Board
ISN	Information Support Network
ISTQB	International Software Testing Qualifications Board
IR	Intermediate Result
IMF	International Monetary Fund
J&A	Jacobs and Associates
JAR	Junior Achievement Romania
JCIR	Junior Chamber International
M&E	Monitoring and Evaluation
MBAEC	MBA Enterprise Corps
MCTI	Ministry of Communications and IT
MEC	Ministry of Economy and Commerce
MFI	Micro Finance Institution
MIS	Management Information Systems
MOPF	Ministry of Public Finance
MP	Minister of Parliament
MSME	Micro-, Small-, and Medium-Sized Enterprise
MTMM	„Maramures Land Micro region Economic and Social Development” Association
NACE	Classification of Economic Activities in the European Union
NAD	National Agency for Development
NBFI	Non-Banking Financial Institution
NBR	National Bank of Romania
NGO	Non-Governmental Organization
NTA	National Tourism Authority
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
OPTBR	Spa Tourism Industry Employers’ Association
OSIM	State Office for Inventions and Trademarks
OVR	Operation Villages Romania
PHARE	Poland and Hungary Action for the Reconstruction of the Economy
PMP	Project Management Professional
PR	Public Relations
PRM	Greater Romania Party
PRS	Project Reporting System
PSD	Social Democrat Party
QIP	Quick Impact Project
RACC	Romanian American Chamber of Commerce
RADP	Romanian Agribusiness Development Project
RAEF	Romanian American Enterprise Fund

RCB	Romanian Convention Bureau
RCI	Regional Competitiveness Initiative
RFP	Request for Proposals
RFR	Romanian Flood Recovery Project
RIA	Regulatory Impact Analysis
RITI	Romanian Information Technology Initiative
RTI	Research Triangle Institute
SABA	Strategic Alliance of Business Associations
SAR	Romanian Academic Society
SCAMPI	Standard CMMI Appraisal Method for Process Improvement
SEE	South Eastern Europe
SEI	Software Engineering Institute
SEO	Search Engine Optimization
SOREC	Romanian Economic Society
SPIN	Romanian Software Process Improvement Association
SQL	Structured Query Language
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
TOT	Training of Trainers
TTBiz	Travel and Tourism Business
UGIR	General Union of Romanian Industrialists
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNWTO	World Tourism Organization
USAID	US Agency for International Development
UVP	Unique Value Proposition
VAT	Value-Added Tax
VIP	Visiting International Professional
WB	World Bank
WRI	Web Reservations International
WTTC	World Travel and Tourism Council

## Executive Summary

Over five years the Enterprise Development and Strengthening Project (EDS) worked to strengthen the competitiveness of medium and small enterprises (MSMEs) in Romania. It had three main objectives which it achieved through four intermediate results.

### Objectives

- I. Improve the legal and regulatory environment for MSMEs;
- II. Increase MSMEs' competitiveness and exports; and
- III. Increase MSMEs' access to credit.

Improved Business Environment for MSMEs, the component of EDS tasked with achieving the first intermediate result partnered with Romanian civil society, the private sector and the Romanian government to advocate for legal and regulatory reform that favored MSME economic growth. The second and third intermediate results directly addressed the competitiveness of two sectors in Romania, chosen for their potential for growth. The component for intermediate result 2, Improved Competitiveness of Tourism Firms, worked directly with stakeholders in Romania's burgeoning tourism industry to increase both supply and demand. Intermediate result 3, Improved Competitiveness of Selected ICT Firms, was implemented by Booz Allen Hamilton, who provided both technical guidance and business development training to the ICT sector. The fourth intermediate result, entitled "Improved Competitiveness of MSMEs in CHF Lending Program," provided microfinance services, the engine for growth for all MSMEs in Romania.

A fifth intermediate result, Romanian Flood Recovery Programs (FAST, RFR) was added in September, 2005 to the project in response to the floods of 2005 and 2006. For the victims of these floods, EDS provided not only humanitarian aid, but also mobilized community resources and provided loans to allow them to rebuild their livelihoods.

***CHF International is pleased to report that the EDS project met and/or exceeded all its deliverables on time and within budget.***

### Result 1 – Improved Business Environment for MSMEs

The EDS Legal and Regulatory Component focused on improving policy, legal, regulatory, and administrative frameworks of the Government of Romania (GoR) that support market expansion via a strategic, opportunistic, flexible, and demand-driven approach. Since the program's inception, major activities have included: technical assistance on formulating micro-, small-, and medium-sized enterprise (MSME)-friendly legislation; lobbying for the passage of such legislation; building sustainable advocacy, and; helping the GoR with the implementation and execution of MSME-friendly legislation, including the streamlining and improvement of related processes.

Successful campaigns for improvements in labor market flexibility, business registration requirements, the net tax burden and investor protection have resulted in an improved business environment for MSMEs in Romania, in certain areas surpassing that of those of countries in the EU. The initiatives pursued by the EDS Legal and Regulatory Component have concretely contributed to improvements in policy, legal, regulatory, and administrative frameworks that support market expansion by:

- **Establishing a Legislative Monitoring System.** Now administered by a local organization, the Advocacy Academy (AA), this system provides an objective and detailed analysis of the Romanian Parliament’s activities to all major business organizations in Romania. This accountability tool for Members of Parliament (MP) facilitates communication and cooperation between BSOs and MPs on issues important to business development.
- **Legislative tracking.** The component mapped and tracked progress towards legal and regulatory reforms that directly benefit MSMEs, publishing its findings. The Legislative Tracking Matrix was published approximately every six weeks on the CHF website and distributed electronically to over 100 stakeholders.
- **Campaigning against corruption.** EDS and the AA worked with the Romanian Coalition for a Clean Parliament to lobby for the elimination of candidates for parliamentary elections that did not meet the competency standards of Romanian civil society. The coalition succeeded in eliminating 51 candidates that could not meet established standards. EDS and the AA also drafted position papers and held Candidate’s Forums to allow parliamentary candidates to discuss relevant issues with business representatives.
- **Improving the laws and regulations governing MSMEs.** EDS assisted private sector groups to successfully campaign for reforms to the Romania Fiscal Code. It also provided technical assistance directly to the Ministry of Finance to guide the reforms of the Fiscal Code so that it would be less burdensome to businesses and to improve fiscal administration. EDS also successfully defended the Fiscal Code from multiple negative changes that would have cost Romanian businesses at least \$12 million per year and over \$150 million in 2007.
- **Publishing Position Papers and Impact Studies and holding Roundtable discussions.** Over the life of the project, more than 250 position papers and impact studies were written and published by EDS and its partners. The Legal Component organized the first fiscal conference for SMEs that was attended by other 100 SME and BSO representatives. It also co-sponsored with the UNDP the “South Eastern Europe Sub regional Conference on Micro, Small and Medium Enterprise Development.” All these initiatives facilitated discussion and encouraged advocacy within the Romanian legal framework.
- **Passage of the Microfinance Law.** This law legitimized microfinance activities and saved borrowers over \$200,000 per year by making the interest paid fully rather than partially deductible.

## **Result 2 – Improved Competitiveness of Tourism Firms**

The Competitiveness Component of the Enterprise Development & Strengthening (EDS) program aimed to increase the economic growth and sustainability of selected sectors by creating increased sales, productivity and jobs in MSMEs. Technical assistance was offered to MSMEs as well as to regional and national tourism associations working in the selected regions.

Over the life of the project, the Tourism Competitiveness Component evolved from a narrowly focused intervention in one region of the country to a multi-faceted, flexible unit that addressed many aspects of Romania’s tourism industry in multiple regions while working with many different types of beneficiaries and local partners. At the end of the project, the component has created and installed 47 informational panels at sites, prepared and distributed 38 different map guides and informational brochures. The number of international tourists visiting Romania has increased by 10.2% over the life of the project, which may be due to Romania’s accession to the

European Union. However, domestic tourism has increased by 13% percent, an increase more directly attributable to ameliorations of the services of the tourism industry. Major achievements include:

- The component compiled a database of Romanian and foreign tour operators that market Romania as a tourist destination and made it available to all partners.
- An International Visitor Profile Survey was conducted, gathering data from more than 600 departing tourists at the airport in October 2005. Based on the findings of this initial survey, a more comprehensive study was initiated across five regions in peak tourist season. The component compiled the answers from 2,260 respondents and distributed the valuable market information to tourism stakeholders and partners.
- Development of a Tourism Asset Mapping Database to catalogue garner interest for

### **Result 3 – Improved Competitiveness of Selected ICT Firms**

In December 2004, CHF Romania began collaboration with Booz Allen Hamilton to identify a sector to support under the Competitiveness component of its Enterprise Development and Strengthening (EDS) program. The researchers identified the Information & Communication Technology (ICT) industry as the most attractive sector for support under the program. Program highlights include the following:

- The 200 companies with which EDS worked experienced revenue growth of 149.8 percent, compared to ICT market growth of only 13.3 percent.
- 96.2 percent of ICT companies ranked EDS as a high quality program.
- Nearly three quarters of the companies surveyed said that the program played a very significant or significant role in improving their competitiveness. The top three contributions cited were improved project management, increased quality of products and services, and increased productivity of projects.
- The Trade Promotion program succeeded in establishing a sustainable public and private partnership that for the first time. It has ownership of the website, brand book and copyright for the brand, “Romania IT”. Direct marketing efforts resulted in over 5 million media impressions for the Romania IT industry, including articles in The Economist, the 2007 EIU IT Global Competitiveness Report and the Associated Press.
- During CeBIT 2007, the Romanian delegation obtained 1,200 contracts with Pan-European companies, valued at approximately 4 millions euros.
- Training programs focused on both end user and training providers. EDS training programs have led to new master level courses in Capability Maturity Model Integration (CMMI) in four universities, qualification of a Romanian Lead Appraiser (representing the first such appraiser in Eastern Europe), and sponsorship of over 120 companies to become Project Management Professional (PMP) certified.

### **Result 4 – Improved Competitiveness of MSMEs in CHF Lending Program**

The CHF and Express Finance (EF) Romania MSME lending operation disbursed a total of \$48,968,407 during the life of the project. Of the total disbursements, \$25,893,130 went to companies active in commerce, \$7,103,053 to entrepreneurs in small-scale production, and \$15,972,224 to companies in the service sector. For the last quarter of the project, Express Finance disbursed a total of \$3,360,105.12, and out of that, \$1,900,881.42 went to companies active in commerce, \$1,017,517.48 to entrepreneurs in the service sector and \$441,706.22 to firms in small-scale production.



## Result 5 – Romanian Flood Recovery Programs (FAST, RFR)

FAST provided assistance to 2,347 vulnerable people in the county of Timis, disbursing \$300,440 of loans for home improvement. Also, EDS mobilized communities to identify and address key social and economic infrastructure needs. The project implemented 15 QIPs with a total value of \$101,642, of which 26% was provided by the community. These projects created 1,138 person-weeks of employment and accelerated the process by which affected population returned to their normal lives.

The RFR program far surpassed its goal of 100 completed infrastructure projects with a total of 145 completed projects. In partnership with IOCC and HFH, EDS provided direct assistance to 4,665 families, completed 13 economic infrastructure projects. Through the project's 37 QIPs and 71 CIPs, EDS assisted 282,716 people in six counties. All loan funds designated for flood-affected beneficiaries, in excess of \$250,000, was disbursed and continues to be administered through the EDS project's legacy institution, Express Finance.

After floods in April 2006 further damaged areas along the Danube River, EDS provided humanitarian assistance for the 2006 flood victims, CHF and its partner, IOCC, delivered food and hygienic materials to over 7,521 families in the effected areas and disbursed an additional \$200,000 in home repair and reconstruction funds.

## I. Result 1 – Improved Business Environment for MSMEs

### 1.1 Overview

The EDS Legal and Regulatory Component focused on improving policy, legal, regulatory, and administrative frameworks that support market expansion via a strategic, opportunistic, flexible, and demand-driven approach. Since the program's inception, major activities have included: technical assistance on formulating micro-, small-, and medium-sized enterprise (MSME)-friendly legislation; lobbying for the passage of MSME-friendly legislation; building sustainable advocacy, and; helping the Government of Romania (GoR) with the implementation and execution of MSME-friendly legislation, including the streamlining and improvement of related processes.

The principal objectives of the EDS Legal and Regulatory Component's approach were designed to:

- **Promote legal and regulatory reform** that responds to and supports the practical needs of the MSME sector;
- **Orient implementing institutions** to be customer-focused and enforce laws and regulations in a transparent, efficient, and predictable manner; and
- **Create productive links** between empowered constituent organizations and local and national policy-makers that result in a dialogue for ongoing, effective reform.

The Legal and Regulatory Component cooperated closely with groups representing the MSME sector to assess priority needs for regulations and legislation which would address the practical needs of the sector. The Component has both designed and contributed to sureys targeting

MSMEs and applied the results through direct advocacy as well as through the network coordinated by the component's primary advocacy partner, the AA (AA). Feedback, assessments, and evaluations developed by the component were also applied to further awareness among government institutions regarding the need to more closely engage the MSME sector in open and transparent dialogue.

The component also focused on assistance to GoR ministries and agencies in improving specific laws and regulations deemed essential to MSME development and in developing new mechanisms to encourage better and more efficient partnerships. To maximize its impact, the component and its partner, the AA, initiated a major program aimed at building private sector advocacy capacity by directly engaging private sector stakeholders in advocacy campaign activities and business related public policy reforms. To reach the widest possible MSME audience, the component utilized an extensive network of local, regional, and national non-governmental organizations (NGOs) and business support organizations (BSOs) which had been developed by CHF's existing in-country micro lending program to complement the AA's network. This initial network, consisting of over 60 business-focused interest groups, was later extended to include foreign investor's groups including the American Chamber of Commerce (AmCham), the Foreign Investors Council (FIC), and the British, Canadian, German, and Swiss Chambers of Commerce, among others, in order to target key strategic interests.

The initiatives pursued by the EDS Legal and Regulatory Component have concretely contributed to improvements in policy, legal, regulatory, and administrative frameworks that support market expansion by through:

#### ***Streamlining Regulatory Processes and Inspection***

EDS legal and regulatory specialists worked with representative BSOs and private sector leaders to identify major bottlenecks in the regulatory process. EDS recognized that issues relating to business registration, daily management and operations (including licenses and permits), inspections, audits, access to secured credit and the business cost of tax reporting were major obstacles to growth in the MSME sector. Based on stakeholder input, the EDS team developed proposals for legislative, regulatory and administrative reforms consistent with Romania's European Union (EU) accession obligations.

#### ***Increasing MSME Participation in Policy Making Processes***

The EDS team brought together MSMEs and BSOs, as "clients" of the government, with government policy-makers and public officials responsible for regulating the sector in a participatory dialogue aimed at identifying and addressing opportunities for reform. The component has organized public hearings on specific laws as well as initiating and coordinating public debates, organized conferences, seminars, round tables and workshops.

#### ***Reducing Taxation Levels and Streamlining Procedures***

EDS also identified similar USAID- and EU/European Commission (EC) - supported projects, coordinating efforts to provide technical assistance to appropriate public institutions in areas of interest to MSME sector stakeholders. Developing alternative taxation structures aimed at increasing actual revenues through reducing taxation loads and the resultant opportunity-cost of compliance to MSMEs was a key area of this technical assistance. The desired result was to increase actual participation by MSMEs in the taxation regimen. The component also worked closely with representative BSOs to draft legal strategies, including local and national advocacy campaigns, resulting in productive efforts toward taxation reform.

Interventions at the local level were supported at the national level through the Legal & Regulatory Component management team, which built positive working relationships with key

partners in the legal and regulatory domain. Partners within the government included, but were not limited to, the Prime Minister's Office; Department for Business Environment; National Working Group for Business Environment Action Plan; Ministry of Justice; the Ministry of Finance; Ministry of Economy; Ministry of Labor and key Parliamentary Committees.

The Legal and Regulatory Component has elevated the importance of MSME regulatory issues in the eyes of the general public, provided government officials with detailed analyses of continuing regulatory obstacles and proposals for reform, and helped monitor the effective implementation of previous reform efforts. Overall, the EDS program has significantly contributed to building a legal and regulatory environment conducive to MSME competitiveness by emphasizing flexibility and responsiveness in a very dynamic environment.

The interventions of the Legal and Regulatory Component have focused on, but were not limited to, the following results:

## **1.2 Improved Local Capacity to Conduct Policy and Legal Analysis**

Key to improving the business environment in a sustainable manner is the development of local actors' abilities to recognize legal impediments to doing business in Romania, and subsequently training them to develop alternative policies that address those impediments. Under this intermediate result, the EDS team has focused on addressing issues through building a program of legislative monitoring, streamlining regulatory reform efforts, instituting regulatory impact assessment, and building a sustainable platform for regulatory change such as the Candidates Forums and sustained anticorruption campaigning.

### **1.2.1 Legislative Monitoring System**

In order to support the advocacy efforts of BSOs, the Legal and Regulatory Component teamed with the AA to develop a legislative monitoring system. This monitoring aims to provide a detailed and objective analysis of the Romanian Parliament's activity through the use of scientific and mathematic tools. Working through the AA, the EDS Legal and Regulatory Team has closely monitored the activity of each member of the Romanian Parliament and each parliamentary commission that is debating topics of interest to the business community. The first results of this monitoring activity were synthesized and analyzed in a Parliament Monitoring Report published in May 2006. The full report is attached in Annex 1 – Legislative Monitoring/sub-annex 1.1\_AA Legislative Monitoring Report 2005-en.pdf.

This initiative had the following specific objectives:

- To monitor all 530 members of Parliament's activities as related to private sector development;
- To provide regular reports to all major business organizations in Romania (chambers of commerce, business associations, business support centers, lobby groups, etc) regarding the MPs' activities that are relevant to business environment strengthening;
- To increase the awareness of elected official to the real needs of Romanian entrepreneurs;
- To facilitate cooperation and communication between BSOs and MPs on issues important to business development, and;
- To develop a refined and improved accountability tool for MPs.

The main activities during 2004 -2006 included:

- Setting up an Information Support Network (ISN)
- Background Research and Documentation
- Developing clear indicators/ indexes
- Launching the Academy's new monitoring system
- Preparing the Interim and 2005 Annual Monitoring Reports
- Communication and dissemination amongst the 530 MPs, Media and BSOs.
- Team building

Analyses are both quantitative and qualitative and based on two indicators developed following various calculations and weightings. The two indicators are the parliamentary yield indicator and the parliamentary efficiency indicator. The content of the monitoring report for 2005 and of the annexes covering the ordinary sessions (February — June; September — December) and the extraordinary session (July — August) have been structured around the main arenas of parliamentary debate: the plenum of the two parliamentary Chambers and the standing committees. Moreover, since the Parliament is Romania's sole legislative forum, the report paid special attention to legislative proposals that were not drafted in the plenum or in the standing committees, but instead resulted from legislative initiative of individual MPs, as is their right and, to a certain extent, their duty. A comparative study of draft laws in 2005, emerging from both the MPs and from the Government, shows that these two big initiators of laws have made relatively equal efforts at improving the Romanian regulatory environment. 46.34% of the legislative initiatives debated by the Parliament came from the MPs (senators and deputies) and 53.66% came from the Government.

#### **Major accomplishments:**

Progress was registered toward increasing awareness of various stakeholders upon the utility and efficiency of this instrument. About 2000 copies of the 2005 Report were sent in electronic format and/or hard copy to all business groups (including local chambers of commerce and private businesses association from all around the country, all members of Parliament, journalists, and opinion leaders). The 2005 Report has also been published on the AA website: ([http://www.advocacy.ro/monitorizare/Raport\\_de\\_Monitorizare\\_2005\\_ro.pdf](http://www.advocacy.ro/monitorizare/Raport_de_Monitorizare_2005_ro.pdf)).

Looking to ensure sustainability of the report over the next years and to assess potential other niches and market needs, the AA held a round table event featuring prominent public opinion leaders, journalists, and leaders of business groups. Participants who assessed the report and underlined its value in public policy debate included:

- Robert Turcescu, TV anchorman and political journalist, president of the Professional Journalists Club
- Ruxandra Bandila, Executive Director of the Foreign Investor Council
- Dragos Paslaru, economic analyst and executive director of the Group of Applied Economics (GEA), a public policy think tank
- Cristi Parvulescu, political analyst



and president of the ProDemocracy Association

Debate and analysis helped to identify the future course of this activity including the program's sustainability. The legislative monitoring system will be sustainable and operate without further assistance by the end of 2007. All supporting documentation regarding the EDS Legislative Monitoring activities conducted in cooperation with the AA can be found in Annex 1 – Legislative Monitoring/sub-annex 1.2\_Legislative Monitoring Documents.

### **1.2.2 Legislative Tracking**

The Legal and Regulatory Component periodically drafted and disseminated legislative and regulatory briefs on issues relating to the MSME business environment, particularly the core areas identified in the Commercial Legal and Institutional Reform (CLIR) assessment. The component mapped and tracked progress towards legal and regulatory reforms that directly benefit Romanian MSMEs, both by itself and in cooperation with the Legislative Specialist at the US Embassy. The Legislative Tracking matrix was published regularly on the CHF website and distributed electronically to over 100 recipients (BSO representatives, think tanks, government officials, main EDS partners and other stakeholders). Updates to the legislative monitoring report were provided at approximate intervals of six weeks. This monitoring process and dissemination of reports will be continued and used by the AA following the completion of the EDS program as part of its legislative monitoring exercises. All supporting documentation regarding the EDS Legislative Tracking activities conducted in cooperation with the AA can be found in Annex 2 – Legislative Tracking with sub-annexes covering each year from 2004-06.

### **1.2.3 Streamlining Regulatory Reform**

Interventions at the local level were supported at the national level through the EDS management team via building positive working relationships with key partners working in legal and regulatory environment including, but not limited to, the Prime Minister's Office; the Department for Business Environment; the National Working Group for Business Environment Action Plan; the Ministry of Justice; the Ministry of Finance; the Ministry of Economy and Commerce; the Ministry of Labor; and key Parliamentary Committees.

Following recommendations of various international donors and foreign investor groups, the Romanian Government established, via a Governmental Decision, a National Working Group for Improving the Business Environment. This Advisory Board brings together, under the auspices of the Vice Prime Minister of Business Environment, representatives of the main government agencies related to business development and representatives of major business associations, public policy think tanks, and the international donor community. The main EDS Legal and Regulatory partners (AA, AmCham, FIC, GEA) and the EDS Legal and Regulatory representative became official members of this National Working Group in 2004. These private sector representatives have been given the chance to monitor implementation of the National Action Plan for improving the Business Environment and also to provide direct input and recommendations for amending specific legislation. The National Action Plan for Improving the Business Environment has been attached in Annex 3 – Streamlining Regulatory Reform/sub-annex 3.1\_National Action Plan for Improving the Business Environment.doc.

In 2004, favorable circumstances led to the appointment of EDS consultant, Barry Kolodkin, as a private business environment advisor to the Prime Minister on behalf of the AmCham. His activity increased the efficiency and openness to policy proposals formulated within the Program and raised public awareness of the EDS program and its activities. Mr. Kolodkin's activity plan

can be found in Annex 3 – Streamlining Regulatory Reform/sub-annex 3.2\_Business Advisor Activity Plan.doc.

### **1.2.4 Regulatory Impact Assessment**

The EDS Legal and Regulatory Component raised the issue of the government's central role in creating a regulatory environment that improves the investment climate for private sector led growth while creating a more sustainable and more efficient public sector. Regulatory impact analysis (RIA) is a tool that most developed countries use to assess regulatory problems and to decide if and how the government should take action. RIA also presents the options for change, assesses the economic and social impacts of regulatory intervention, details who is affected, and finally present what is the best option. Romanian integration into EU added urgency and weight in promoting this issue within the Government.

Aiming to assist the Government in developing a broader regulatory reform strategy the EDS Legal and Regulatory Component worked with several partners<sup>1</sup>. Under the authority of General Secretariat of the GoR, the Center for Economic Policy (CEROPE) hosted a roundtable on impact assessment of public policies. Relevant ministries, members of Parliament, civil society representatives RIA experts worked together to find the most suitable manner for streamlining the implementation of RIA in Romania. The first steps for implementing RIA were taken through adopting Law 24 in 2000 and Governmental Decision (GD) 50/2005, but a fully functional RIA system was still a long way from realization. To continue the process, a working group that included the EDS Legal & Regulatory team was established to determine the actions needed for RIA implementation. The Legal and Regulatory Team participated in a series of seminars organized by the General Secretariat of the Government dedicated to developing a Handbook for Regulatory Impact Assessment. In cooperation with GEA, the EDS team prepared and presented a case study, showing the impact analysis of the micro enterprise tax amendment, to be included in the Government handbook. The Legal and Regulatory Component also worked with Ministry of Justice on drafting and submitting a case study on a structured public consultation model to be included in the handbook.

Main parts of the plan were to increase awareness and then introduce a pilot RIA in the second revision of the Company Law in close cooperation with the Ministry of Justice. Consequently, the Component Manager and one representative of the Ministry of Justice participated in a one-week training course on the principles, procedures, and methods of RIA, organized by The Development Office of the College of Europe together with Jacobs and Associates (J&A) Europe. As an immediate follow-up, the course attendants decided to establish regional network of RIA practitioners and continue to work and share experience and expertise using an online platform. The regional network, which includes Romania (General Secretariat of the Government and Ministry of Justice), was launched under a Foreign Investment Advisory Service (FIAS)/World Bank initiative in early 2007. During the final months of the program, transfer of RIA know-how and was main focus of the Legal and Regulatory team. All documentation relating the EDS activities in RIA are attached as Annex 4 – Regulatory Impact Analysis.

### **1.2.5 Building the Platform for Regulatory Change**

#### **Candidates' Forums and Anticorruption Campaigning**

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<sup>1</sup> Center for Economic Policy (CEROPE), Group for Applied Economics (GEA), Romanian Academic Society (SAR), and Governmental Bodies (General Secretariat of the Government, the Department of Economic Environment).

The program targeted the 2004 national elections as an opportunity to highlight MSME legal reform efforts. Utilizing the AA network of private entrepreneur groups, the Legal and Regulatory Component assisted AA in a series of Candidates' Forum hosted by BSO leaders in cooperation with local, regional, and national media outlets in Timisoara, Cluj, Arad, and Bucharest.

The AA was also asked by various civil society groups to join anticorruption campaigning organized during the election, such as the **Romanian Coalition for a Clean Parliament**. The coalition monitored the Parliamentary candidates according to a set of standards set by Romanian civil society. The final list of candidates not meeting the standards set (95 names for the Social Democrat Party (PSD), 9 names for the Democratic Alliance (DA), 46 names for the Greater Romania Party (PRM), and 3 for the Hungarian party) was published and the parties were requested to withdraw them from the election lists. 27% of the candidates on the initial lists were retired by either the DA or the government party, PSD, following negotiations with the coalition. The Coalition went on to print the flyers informing the voters on their candidates. **The success of eliminating 51 candidates who clearly did not meet anyone's standards to be representatives is unprecedented and is due to relentless efforts by the Romanian media and the unity of the coalition in defending this project.**

Another initiative joined by AA was the Anticorruption Coalition<sup>2</sup>, set up in May 2004 under the initiative of the International center for Entrepreneurial Studies. Annex 5 - Anticorruption contains information on the perception of corruption by the private sector as well as other supporting documentation on EDS work with the Anticorruption Coalition. The coalition brought together over 200 business groups and associations in advocacy campaigning for "Reduction of Corruption and Development of Ethical Practices" that target the government and political candidates in the election. A series of over 20 round tables and forums were organized under this initiative.

Specific support to these initiatives included:

- Drafted position papers to be used by business representatives in discussions with political candidates during the Candidates' Forums. Annex 6 – Election Work contains the three position papers drafted for these forums.
- Organized ten Candidates' Forums, through the AA, at the local level and one at national level. More details can be found in the AA web archive ([www.advocacy.ro](http://www.advocacy.ro)).
- Assisted the AA in their anti-corruption advocacy campaigns organized during the election period (Clean Parliament National Coalition and Anticorruption Business groups Coalition). The AA became a member of these coalitions and disseminated reports to over 60 BSOs from all over the country that are members of the AA network.

The EDS Program has developed the capacity of the following local partner institutions listed below, which serve as a legacy of the project.

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<sup>2</sup> *Coalition's Secretariat is provided by a team of representatives from SABA/ADER/ICES: STRATEGIC ALLIANCE OF BUSINESS ASSOCIATIONS (SABA) consists of 45 members, business associations; ALLIANCE FOR ECONOMIC DEVELOPMENT OF ROMANIA (ADER) consists of 130 members, business associations and INTERNATIONAL CENTER FOR ENTREPRENEURIAL STUDIES (ICES) is a non-government, non-profit professional organization, a Think Tank for business associations in Romania.*

**The Advocacy Academy** has been the main advocacy partner of the component over the life of the project and has steadily increased its institutional capacity and involvement in advocacy at the national level. The organization is currently recognized and praised as the most competent advocacy organization actively promoting transparency in public policy and organizing public hearings. The AA has successfully expanded an EDS supported pilot project of legislative monitoring from covering only legislators in Timis County to nationwide coverage. It has recently been elected (November 2006) by over 1500 civil society organizations to be the civil society representative in the Romanian Socio-Economic Council (CES), a tripartite autonomous public institution that serves as a consultative body to both Parliament and the Government on economic and social policies. AA has also been recommended by the civil society organizations to receive the appointment of the European Council of Ministers on the European Economic and Social Committee.

*“The huge experience we gathered empowered us to go further, don’t give up and involve our sector to design the best future in our further business policies.” - AA Acknowledgement letter*

### **Activities Sustained:**

- Technical assistance services supporting:
  - Public hearings on various issues ( i.e.public hearing requested and funded by Pharmaceutical associations during spring 2006; Public Hearing requested and financed by the Parliament on Lustration Law- October 2006)
  - Coordination of Advocacy campaigning
- Training on advocacy (fee based) – AA has reached agreements with five Chambers of Commerce for a series of advocacy training programs
- Legislative Reporting

**The American Chamber of Commerce and the Foreign Investors Council** have been the Component’s main partners in preparing and promoting reforms for improving the business environment. The EDS Legal and Regulatory Component has added the an MSME perspective to the joint legal briefs, opinions, position papers issued by these partner institutions. AmCham, FIC, EDS, AA and GEA are all members in the National Working Group for Monitoring Business Environment Action Plan.

Advocacy work with these partners focused on Labor, Fiscal, Investment and other business-related legislation. The EDS presence on task forces within AmCham has contributed to an increased awareness of MSMEs and their needs within targeted legislative reform.

**Activities sustained:** AmCham and FIC have increasingly become more active and influential advocating for issues related to business environment. EDS supported advocacy campaigns targeting Fiscal and Fiscal procedure Code, Investment law, Social insurance, Health system, Company Law, and Labor legislation. Both organization will continue to advocate on behalf of MSMEs and the greater business community for appropriate reforms to these legislative issues.

**Group of Applied Economics (GEA)** was founded at the beginning of 2004 by nine young economists and the Romanian Economic Society (SOREC), a reputed professional association, reuniting some of the most prestigious economists active in academic and research activities. GEA is an independent think-tank, ready to contribute to the economic policy debate in Romania and to provide public policy solutions for the economic problems currently faced by Romanian society.



GEA is a young and ambitious NGO, which taps the potential and the expertise of the new generation of Romanian economists, especially those who have studied abroad in prestigious universities. GEA was selected as an EDS partner in several projects, including:

- Impact assessment of proposed changes to the microenterprise turnover tax (their study was published and used in the EDS Fiscal Code advocacy campaign). The study is attached in Annex 7 – GEA Analyses/sub-annex 7.1\_GEA Microenterprise Turnover Tax Analysis.doc.
- Monitoring Tacit Approval Implementation (published and presented to the National Working Group on Business Environment). GEA's report on Tacit Approval is attached in Annex 7 – GEA Analyses/sub-annex 7.2\_GEA Report on Tacit Approval.doc.
- Prepared a comparative study in cooperation with Salans to provide recommendations for the draft proposal of the Tacit Approval Law. The Comparative Study is attached in Annex 7 – GEA Analyses/subannex 7.3\_GEA Tacit Approval Law Comparative Study.doc.
- Impact assessment of a special tourism tax that showed the negative impact of such a proposed reform and identified other alternatives. The assessment is attached in Annex 7 – GEA Analyses/sub-annex 7.4\_GEA Tourism Tax Impact Analysis.doc.
- Prepared a case study for the General Secretariat of the Government's Manual of Legislative Procedures

### **1.3 Improved Laws and Regulations Governing MSMEs**

Building the capacity of firms alone is insufficient to improve Romania's economy. The purpose of this result was to change the regulatory environment in order to encourage the market to foster not dampen economic activity. The primary way success in this sub-result has been gauged is through measurable progress in reforming key laws and regulations.

EDS Legal and Regulatory Component offered technical assistance and support to enacting and reforming key laws and regulations as follows:

#### **1.3.1 Technical Assistance with the Fiscal and Fiscal Procedure Codes and Tax Administration**

Since 2003 the EDS Legal Component has provided on-going technical assistance to the Ministry of Finance aiming to amend the Fiscal Code to be less burdensome to businesses, especially SMEs, and to improve fiscal administration. The component combined direct technical assistance with advocacy campaigning at both the Ministerial and Parliamentary level. Major activities initiated by the Legal and Regulatory Component included :

##### **A. Organizing a nationwide conference and several roundtables to collect inputs and discuss SMEs taxation related amendments:**

On September 12, 2003 the Legal and Regulatory Component organized, in close cooperation with the National Agency for SMEs and the AA, a nationwide conference to publicly debate the draft provisions of the first Romanian Fiscal Code and discuss SME taxation-related amendments. The conference gathered together over 115 representatives of major business support and employers' organizations, foreign investors groups, government officials, local experts, and media. Annex 8 – Fiscal Conference 2003 provides a summary of the conference results including the Final Report (sub-annex 8.1), the policy papers presented (sub-annex 8.2), the list of participants (sub-annex 8.3), and the recommended amendments (sub-annex 8.4).

This summary was sent to the 115 participants and another 100 representatives from private sector groups and media. The Legal and Regulatory Component presented and discussed the conference results with representatives of the Ministry of Public Finance (MOPF) and presented a series of amendments to the draft Fiscal Code. Two out of the seven amendments proposed by SME sector in the conference were accepted and included in the draft code presented by the MOPF for Government approval in late 2003. The Romanian Government approved on October 2, 2003 the draft Fiscal Code and sent it to the Parliament for debate and approval. The term for parliamentary review provided an opportunity for advocacy and lobbying on behalf of the SME sector during 2004 at various government levels. Advocacy efforts in the area continued through 2006 and must continue in the future as the government has promised to revise the Fiscal Code annually.

Prior to the conference the Legal and Regulatory team developed an in-depth analysis of Romania's taxation policies. This policy paper, attached in Annex 9 – Fiscal Code/sub-annex 9.1\_Fiscal Code Position Paper.doc, provided the basis for the advocacy campaigning of 2004, 2005 and 2006. Additional tax policy analysis and briefings were developed and debated in over 20 roundtables and seminars organized with entrepreneur groups and employers' organizations during the 2004 to 2006 timeframe.

#### **B. Direct Assistance to Ministry of Finance on Drafting Specific Amendments**

The Legal and Regulatory team members worked directly with representatives of Ministry of Finance to formulate specific amendments to the Fiscal Code provisions regarding the **definition of royalties, the micro enterprise tax, the IT tax exemption, and tax treatment for micro loan interest.**

The latest changes to the code were approved and passed in July 2006 and will be implemented in 2007. However, several issues were not properly addressed and continue to have a negative impact upon the business. The social contributions (social security, unemployment fund, and health insurance contributions) remain uncorrelated with the stipulations of the Fiscal Code and contain ambiguous regulations, leading to difficulties and errors of judgment. Reducing these contributions to a reasonable level, able to be borne by taxpayers, and submitting them to the same rules as the other taxes regulated by the Fiscal Code could result in a feasible long-term solution leading to an improved business environment. Details on fiscal code amendments can be found in Annex 9 – Fiscal Code/sub-annex 9.2\_Fiscal Code Amendments.

#### **C. Initiating and Developing Advocacy Campaigning;**

The Legal and Regulatory Component, assisted by the AA, provided leadership and support to business associations and major private sector stakeholders (AmCham, FIC) in advocacy efforts supporting the proposed amendments at the Ministerial level and at the level of Parliamentary specialized commissions. Four advocacy campaigns were organized to promote improvements to the fiscal code and tax administration during between 2003 and 2006. The campaigns included the following types of activities:

- Developing position papers and advocacy programs with the AmCham Tax Committee and BSOs
- Advocacy at the Ministerial level in cooperation with AmCham, FIC and SMEs representatives

- Parliamentary advocacy in cooperation with the AA

The Legal and Regulatory team wrote over ten draft policy papers and analyses on fiscal policy issues and distributed them for comments to over 60 local and national BSOs as well as to other private interest groups for comments and revision via the AA. Based on inputs from its BSO network, the AA, in close cooperation with EDS team, annually finalized specific proposals and amendments to the Fiscal and Fiscal Procedural Code and promoted them on behalf of the business community at the Governmental and Parliamentary levels through direct mailing, public meetings and hearings within Parliamentary commissions, and regional and national seminars and roundtables. Moreover, the AA site ([www.advocacy.ro](http://www.advocacy.ro)) constantly published, and continues to publish, relevant information and also hosted communication regarding the specific advocacy campaigns initiated by the EDS program. Details on the advocacy efforts relating to fiscal code reform can be found in Annex 9 – Fiscal Code/sub-annex 9.3\_Fiscal Code Advocacy.

As part of its Parliamentary advocacy campaign, EDS and the AA offered the possibility to Parliamentarians, for the first time, to analyze the impact of two proposed fiscal amendments (the microenterprise turnover tax and the fiscal incentives for software developers) prepared by the EDS program. Conclusions of these ex-ante assessments helped Parliamentarians amend the Government proposal in favor of SMEs, particularly software developers.

These changes will save small businesses at least \$150 million in 2007 and will continue to encourage firm creation while increasing the tax base and creating more jobs. By excluding NACE class 7 firms, at least two thirds of the “suspicious” micro-enterprises will be required to pay the normal 16% profit tax, which may stimulate disguised employees to reconsider paying social security contributions.

The facilities granted to software developers will lead to increased competitiveness for the IT sector. The tax exemption is proving effective in reversing “brain drain” by drawing back highly-qualified Romanian engineers from abroad and enabling the software industry to grow by 20% annually.

#### **D. Developing and Publishing Impact Studies and Position Papers**

EDS appraised the academic and public policy groups active in Romania and reached cooperation agreements with several public policy think tanks to assist in the fiscal reform process with in depth assessments and cost analysis of various policy reform proposals. In close cooperation with the GEA, the Legal Regulatory Component produced impact assessments on the increase in the microenterprise tax (Annex 7 – GEA Analyses/sub-annex 7.1\_GEA Microenterprise Turnover Tax Analysis.doc.) and the fiscal incentives for the tourism industry (Annex 7 – GEA Analyses/sub-annex 7.4\_GEA Tourism Tax Impact Analysis.doc). The component also cooperated with the Junior Chamber International Romania (JCIR)<sup>3</sup> on an impact assessment of the introduction of a flat tax (Annex 9 – Fiscal Code/sub-annex 9.4\_JCI Flat Tax Strategy.doc).

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<sup>3</sup> The Public Policy Council created within the Junior Chamber International Romania (JCIR)

Several other policy papers, recommendations and comparative studies were provided to the National Fiscal Administration regarding the tax inspectors and tax administration<sup>4</sup>. The proposed recommendations for a code of practice and code of ethics for tax inspectors aimed to promote a different attitude by tax inspectors and change their role from punishment and control toward education and prevention.

### Major Accomplishments:

- Successful defense against multiple negative changes to the Fiscal Code, including amendments that would have cost Romanian businesses at least \$12 million per year and over \$150 million in 2007. In 2004 and 2005 - blocked an initiative to repeal the special tax for micro-enterprises resulting in the number of micro-enterprises to increase by approximately 50% in the last three years. In 2006 - lowering the micro enterprise tax by 1% and granting fiscal facilities for software developers to help increase the competitiveness of the software sector, stimulate foreign direct investment (FDI) and improve productivity.
- Amendment to Fiscal Code and passage of the Microfinance Law, legitimizing microfinance activities while saving borrowers over \$200,000 per year as the interest on microfinance loans was made fully rather than partially deductible.
- Successfully lobbied for amendments to the Fiscal Code that will save Romanian businesses over \$10 million per year<sup>5</sup> on labor taxes starting in January 2004.
- Completed the first regulatory impact assessment study in Romania that was used in Parliamentary advocacy campaigning.
- The first foreigners to appear before Romania's Senate Committee on Finance to testify about the Fiscal Code .
- Initiated the first advocacy campaign promoting SME-related fiscal issues, bringing together local Romanian BSOs and foreign investors.
- Organized the first fiscal conference for SMEs that was attended by over 100 SME and BSO representatives (2003).
- Co-sponsored with the United National Development Programme (UNDP) the “South Eastern Europe (SEE) Sub Regional Conference on Micro, Small and Medium Enterprises Development.”
- United local Romanian BSOs and foreign investors in the first advocacy campaign for fiscal issues related to SMEs

The component successfully introduced two business-friendly amendments to the Fiscal Code: lowering the micro-enterprise turnover tax<sup>6</sup> to 2% (from the current 3%) and granting fiscal

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<sup>4</sup> AmCham and FIC organized a joint meeting with the Ministry of Finance on November 21st, 2006. During the meeting the Ministry of Finance expressed its interest to work together with the business associations for timely initiating the revision of the amendments for Fiscal Code 2008. It was agreed that a review of problems and recommendations will be initiated in January 2007, including an assessment of the costs and benefits for unifying all taxes in one single code. In this respect separate meetings with the Ministry of Labor and Ministry of Health (January 15, 2007) are scheduled for January.

<sup>5</sup> For instance, Romania has about 22,000 tax-paying enterprises in the "small" category (11-50 employees). Their average payroll is about \$140,000 per year. Our deductions would allow them to reduce their tax burden by 0.5% of payroll. This may not sound like much, but if we assume that just 50% of the firms will use the deductions, then the saving is: 22,000 x \$140,000 x 50% x 0.5% = \$7,700,000. Similar calculations for the other three size categories gave us a total of about \$16 million in 2004. We have been conservative in our public statements, saying "at least \$12 million" per year, but the larger figure is (in our opinion) entirely defensible.

incentives to software developers. All other EDS supporting documentation relating to the Fiscal Code can be found in Annex 9 – Fiscal Code/sub-annex 9.5\_Fiscal Code Archive.

### 1.3.2 Business Registration

Between 2001 and 2002 Romania established a system of Unique Bureaus (“one-stop shops”) in county capitals across the country. These are centers where entrepreneurs can incorporate companies and partnerships, register new businesses, and receive authorization from the courts and the necessary government agencies (environment, labor, etc.) to begin business. Yet the Unique Bureau System included requirements that are unnecessarily expensive, time-consuming, and sometimes quite difficult for SMEs to fulfill.

The EDS provided technical assistance to the Romanian Government (Department for Business Environment and the Ministry of Justice) and the Central Commercial Registry to improve the efficiency and reduce the cost of enterprise registration and authorization.

This on-going assistance began in 2003. Main partners were the Department for Business Environment, the Ministry of Justice, the Central Commercial Registry, the FIAS team, the National Council for SMEs and Cooperatives (CNIPMMR) and its Local Councils for SMEs (CLIMMs), the Confederation of Private Entrepreneurs (CIPT), GEA, and the AA. **Following EDS input AmCham SME Committee is pursuing currently to promote new amendments to the specific Registration Law for Self employed people.**

The Component’s main activities, aimed to reduce the time and cost for business registration while improving the bureau’s management efficiency, included:

- Assessment and analysis of the Unique Bureaus across the country;
- Organizing local workshops and roundtables with local BSOs to create a set of specific proposals for changes to the business registration requirements that was presented to the Government<sup>7</sup>;
- Survey of the “would-be business man” seeking registration and authorization in various locations around the country;
- Comments and recommendations on enterprise registration legislation.

During 2004 and 2005 the Legal and Regulatory team organized 20 site visits and joint roundtables in close cooperation with local CLIMMs (local SME organizations in nine counties in southern and eastern Romania), local organizations of private entrepreneurs (CIPTs in Timisoara and Arad), local Chambers of Commerce, and the local administration representatives from the Unique Bureaus. These meetings aimed to assess and discuss the performances of various Unique Bureaus from around the country and to identify any drawbacks in the current business registration processes. The conclusions of the private public dialogue were encouraging since apparently **enterprise initiation has noticeably improved in the last 2-3 years** yet it was also revealed business registration costs and procedures vary dramatically across various counties. The legal and regulatory team presented the findings and conclusions

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<sup>7</sup> Our recommendations included the following: Shift from ex ante approval to ex facto inspection for most businesses; Reduce fees; Do not impose the special “transition tax”; Disseminate best practices within Romania. Regional conferences of technical personnel would be one option. Even a simple newsletter might help; Eliminate the fiscal criminal record; Eliminate the role of the judecator. If this seems too drastic a reform, then consider reducing the judecator’s role. For instance, judicial approval could be required only for large companies or SAs, allowing the majority of small enterprises to proceed without it; Faster and easier termination and removal from the registry.

of these visits to the National Trade Registry management team and offered support to an institutional capacity building project aimed at eliminating management differences across regional offices.

During 2004 the Legal and Regulatory Team assisted the Department for Business Environment to implement the Foreign Investment Advisory Service (FIAS) survey on business registration. EDS comments on the FIAS business registration report can be found in Annex 10 – Business Registration/sub-annex 10.1\_EDS Comments on FIAS Report.doc. Findings from the questionnaires and interviews were synthesized and introduced in the final FIAS report which is attached in Annex 10 – Business Registration/sub-annex 10.2\_Assessment on Administrative Barriers to Doing Business. A proposed “Action Plan for Improving the Business Environment” (Annex 10 – Business Registration/sub-annex 10.3\_Business Environment Action Plan 2005-2006.doc) was issued as the result of a public-private working group seminar which analyzed the assessment.

Following the seminar recommendations to simplify and reduce the administrative requirements for business registration the government issued a new ordinance (**Emergency Ordinance no.75/2004 regarding the modification of the Law no. 359/2004 establishing simplified administrative formalities for the Companies’ registration and authorization**) which, beginning in 2005, reduced the registration period from ten days to only three.

Despite numerous changes to the Enterprise Registration Law (six changes within three years, between 2003-2006)<sup>8</sup> the National Registry does not have a system for monitoring implementation of new legislation and thus lack proper and accurate inputs and analysis needed to improve bureau management efficiency and further reduce the costs to companies. There were significant differences in local needs and capabilities that need to be addressed. To fill this gap, the component initiated a survey. The interviewees were the “would-be business man” seeking registration and authorization. In cooperation with the EDS Credit Component, proposals from 47 new businesses were identified from 20 localities all over the country covering various types of companies<sup>9</sup>. The candidates were selected based on the following criteria: geographical diversity, specific activity diversity and quick response to our call for offers. The component conducted face-to-face discussions and concluded contract agreements with 21 potential entrepreneurs. A detailed report on this activity has been attached in Annex 10 – Business Registration/sub-annex 10.4\_Companies Registration Report.doc.

The findings were distributed to the Ministry of Justice and the National Registry for discussion and to the BSO network for further input and commentary. The evidence suggests that large discrepancies exist among the distinctive patterns regarding the costs for business registration and the prevalence of corruption in any given county. These patterns are also reflected in the behavior of multiple agencies within a particular county. Unless reform can influence the way in which county characteristics distort centrally administered policies, lasting efforts will remain ineffective in this respect. Management reform was halted due to legislative uncertainty and the questioned juridical status of the National Registry. A new legislative initiative, currently under debate in Parliament, aims to re-transfer the registration services from the state to the Chamber of Commerce. Until the situation is clarified, leadership of the National Registry and at the local levels is resisting change.

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<sup>8</sup> Changes in Enterprise registration

<sup>9</sup> Consultancy, printing shop, interior design and interior construction, shows/festival organizer, driving school; food en-gross and en-detail trade, toilet paper production, human resources selection, market surveys and public polls, children’s hairdresser, rural tourism promotion, fertilizers and seed retail, snail breeder, soap production, paper production, tourism, traditional masks production – craftsman, medical tourism, guesthouse, pheasant breeder, turkey breeder, candle production – craftsman, etc.

**Major accomplishments:**

- Simplified procedures for registration has led to an increased number of MSMEs (11.3% more MSMEs registered in 2005 than in 2004.)
- Business Registration Law has been amended several times leading to an approximate 70% reduction in the average time needed for business registration, from approximately 40 days in 2002 to about 11 days currently.

Results of the component's efforts in Enterprise Registration reform are reflected in the current system, one that is actually superior to many EU countries. For example, registering a new enterprise in Italy typically takes 15 days, 12 man-hours, and costs about \$400. However, Romania's current system requires only 12 days, 8 man-hours, and \$150.

Additionally, constant lobbying efforts have led the Ministry of Finance to draft new legislation intended to further reduce the time and bureaucracy associated with new enterprise registration. This initiative would eliminate the requirement for "potential business persons" to ask for their "criminal fiscal record" meaning that all information necessary to establish the fiscal record of a person would be electronically communicated to the Trade Registry by the Ministry of Finance. The draft was adopted by the Government in December 2006 and then submitted to the Senate. Initial reports are encouraging and it is expected that the draft law will be approved in 2007.

All supporting documentation of the Component's activities relating to business registration can be found in Annex 10 – Business Registration/sub-annex 10.5\_Business Registration Documentation.

**1.3.3 Business Authorization and Licensing**

Excessive bureaucracy is perhaps one of the greatest obstacles affecting the business environment. Following USAID assistance in 2003, the Romanian Government promoted a new law concerning the procedure of silent approval (L486/2003). According to this procedure, in some cases involving the issuance of authorizations or licenses, the licenses can be considered granted if an official response from the authorities has not been received within a proscribed period of time. The EDS Legal Component, in close cooperation with the World Bank and the Government, initiated a thorough analysis to monitor compliance with Silent Approval Law<sup>10</sup> and to assist in drafting the required secondary legislation meant to simplify the licensing procedures for specific activities.

In 2005, the component commissioned GEA to conduct a survey investigating the functionality of the silent approval procedure for five pilot authorizations/licenses, as follows: construction/building authorizations, environmental authorizations, transport licenses, utilities authorizations (energy and gas hook-ups) and tourism licenses. The analysis was carried out in three major areas – Timisoara, Cluj and Bucharest. Its findings were presented to the members of the National Working Group on Business Environment and recommendations were provided to the Ministry of Justice for legislative revision. The final report also included a comparative study on international legislative models, approaches to tacit approval, and methods to speed the authorization process. The GEA comparative study and the final report on Tacit Approval is

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<sup>10</sup> A law concerning the procedure of silent approval (L486/2003) was approved by the Senate in April 2003. According to this procedure, in some cases of issuing authorizations or licenses, when lacking an official response from the authorities, the licenses can be considered as granted.

attached in Annex 7 as sub-annexes 7.2 and 7.3. This monitoring study was also promoted for public debate in cooperation with the Department for Business Environment. As a result of this first public-private debate, the Ministry of Justice drafted a proposal amending the Silent Approval Act that was circulated nation-wide for further public debate. The component organized an advocacy campaign with the AA in late 2005 and 2006 to promote specific recommendations for revising the proposed licensing regulations. It is expected that the silence is consent principle will be in effect for seven authorization procedures by the end of 2007. All documentation supporting the Component's activities relating to business authorization and licensing is attached as Annex 11 – Red Tape & Silent Approval.

### **1.3.4 Bankruptcy and Closing Businesses in Romania**

In 2003, the EDS team produced an assessment of the commercial law environment for Romanian SMEs. The assessment is attached as Annex 12 – Commercial Law Reform Assessment.doc<sup>11</sup>. This report has a special chapter dedicated to analyses on bankruptcy procedures, bankruptcy law (64/1995), and other regulations, making concrete recommendations to improving the legislative framework. The EDS team presented the findings and recommendations for discussions in meetings with various stakeholders (major law firms; Ministry of Justice; World Bank; EC delegation) and disseminated them to the main BSOs and employers' organizations.

The EDS team also offered support to the advocacy campaign targeting amendments to the Bankruptcy Law. Amendments were formulated by the Government and adopted in 2004 and 2005. The EDS Legal team monitored the development and progress of the Bankruptcy Law amendments and issued monthly legislative tracking bulletins distributed via electronic email to over 300 stakeholders. The legislative tracking bulletins were also published on the CHF website. Stakeholder feedback in response the EDS monitoring of the bankruptcy law amendments was collected and communicated to the Ministry of Justice. The Bankruptcy Law 64/1995 was abrogated in 2006 and replaced the Insolvency Procedure Law 85/2006, the drafting of which the EDS team was not involved, as bankruptcy is not as much of threat to SMEs when compared to the issue of closing a business.

Should an entrepreneur decide to close his business, not due to a lack of profitability but other reasons, he must go through a long, costly, and complicated process. The Central Trade Registry was recently confronted with the issue of closing tens of thousands of "dead" businesses, resulting in the government issuing amendments to the Registration Law (359/2004). These amendments ensure specific simplified closing procedures but only for those businesses that had not changed their registration certificate by December 2004. The simplified procedures, however, are not valid for companies that did not meet the deadline. The AmCham Tax committee continues to advocate for reform of these closing procedures within the context of Company Law revision, an initiative begun by the EDS team.

### **1.3.5 Improvements to the Labor Code**

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<sup>11</sup> This report is a partial update of the 1998-99 CLIR Diagnostic Report on Romania. Booz Allen Hamilton did that report at the request of USAID. It examined seven areas of Romanian commercial law: Bankruptcy, Collateral Law or Secured Transactions, Company or Enterprise law, Competition law, Contract law, Foreign Direct Investment, and Trade. The report examined not only the laws, but also the legal framework, including implementing and supporting institutions. Booz Allen also undertakes this new report, in its capacity as subcontractor for the Legal and Regulatory Component of USAID's SME project. It concentrates on areas that are particularly relevant to SMEs. It produces a short list of recommendations for legislative and regulatory changes that would be particularly useful SMEs. It is expected that these will help the Component concentrate its efforts on those areas where they will give the most effective return. The assessment was conducted in Romania between June 20 and August 3, 2003...



Regulations regarding labor were scattered across several laws and secondary legislation until 2003 when first post-communist Romanian Labor Code was issued. Although laudable for attempting to gather labor regulations into one piece of legislation, the code was perceived by the business community as one of the most restrictive in Europe. It imposed complex and rigid rules on record keeping, collective bargaining, working hours, and on the ability of employers to dismiss employees. The code was particularly troublesome for SMEs because it favored union's interests, with particular attention given to the issues and problems of large firms. The business environment immediately expressed the need to revise the Labor Code and EDS was actively involved in the process from the very beginning<sup>12</sup>. A multi-faceted intervention was developed and implemented during 2004 – 2006 which included the following components.

- Constant monitoring of Government and MP initiatives and actions in this area; close coordination with World Bank, International Monetary Fund (IMF) and European Union.
- Long term advocacy campaigning by mobilizing Romanian BSOs and coordinating with the AmCham and Foreign Investors Council.
- Public awareness and consultation activities (roundtables with local stakeholders, participation in seminars and conferences, writing articles in newspapers and business magazines)
- Technical assistance to the Ministry of Labor (A EDS expert teamed up with a World Bank expert to assess the Labor Code and issued recommendations for its improvement; lawyers assisted in drafting Labor Code amendments).
- Testifying in Parliament.

#### **2004<sup>13</sup> in brief:**

- EDS and the AA surveyed over 100 SMEs from all over Romania regarding compliance with the Labor Code provisions and any obstacles/barriers to compliance. The findings and case studies were posted on the AA, distributed to BSOs, relevant governmental bodies, and members of Parliament.
- EDS legal experts conducted a comparative analysis of Romanian and other EU country Labor legislation that was provided to the Government and The World Bank.
- The component assisted both the government and the business associations in organizing and coordinating public consultations planned for the Labor Code revision process. EDS' draft amendments and recommendations were provided to all parties involved in consultations.
- A Labor Code Assessment Report, including specific recommendations for amending the Labor Code, was developed jointly by World Bank and EDS legal experts.

**2005 in brief:** The Ministry of Labor announced that the Labor Code would be modified during the year of 2005.

- EDS legal experts assisted the ministerial legal department in drafting the specific amendments to the Labor Code in Romanian language to ensure consistency with the recommendations provided in English. However, soon after their publication on the GoR

<sup>12</sup> Labor Code issued in 2003 was amended by the Emergency Ordinance 65/ 2005, adopted and modified by Law 371/ 2005, and by Emergency Ordinance 55/ 2006, whose adoption is currently under debate in Parliament.

<sup>13</sup> All efforts made in 2004 were conditioned by the political situation: local elections were organized in June 2004, and general elections were organized in November 2004. Three different Ministers of Labor ran the Ministry during 2004.

website, the GoR withdrew the draft under heavy pressure from trade unions. The GoR subsequently left the amendments to be completed via negotiations between the trade unions and the employers' associations within the Social Economic Council.

- The component assisted in coordinating a large advocacy and awareness campaign with the Alliance of Romanian Employers' Confederations (ACPR) and foreign investors groups, including AmCham, FIC, and the Romanian British Chamber of Commerce. The EDS team provided media articles, opinion papers, case studies, comparative studies, and held seminars, public debates. EDS experts assisted BSOs to defend their position during negotiations with the trade unions.
- Negotiations resulted in a new set of amendments, providing very limited relief to SMEs, which were passed by Emergency Ordinance and codified into law (Law 371) in December 2005. During the parliamentary debates, EDS consultants wrote articles and presented opinions in special events, leading to small SME-friendly changes to the law.

The final Labor Code Law incorporates several of our recommendations as follows:

- Increased flexibility in concluding fixed term labor contracts: increases to 24 the number of months for fixed term contracts; limits the number of successive contracts; clear definition of successive contracts; eliminates the obligation to turn a fixed term contract into a permanent contract.
- Partial clarification of the non-competition clause: three proposals accepted, yet a non-negotiable level of indemnity remains stipulated by the law.
- Partial flexibility accepted for the probation period.
- Partial flexibility for work time: 48 hours per week averaged over three months.
- Increased flexibility for setting work norms.
- Increased flexibility concerning firing: no inquiry required for professional incompetence; improved requirements for collective layoffs; eliminate requirements for a response from Labor office.
- Improved provisions regarding obligations to inform the employee.
- Less burdensome provisions for SMEs regarding professional training: Only companies with more than 20 employees must have annual professional training programs.

#### **2006 in brief:**

- The component continued advocacy campaigning for further improvement to the provisions of the Labor Code with regard to SMEs.
- The component, working with the National Union of Romanian Industrialists (UGIR), organized regional roundtables and conferences to discuss existing Labor Code compliance barriers for small companies (up to 20 employees). Findings and recommendations were provided to Parliament.
- The component, working through Amcham, drafted a position paper on the Ministry of Labor's draft amendment regarding the transposition of EU directives into the Romanian Labor, which was adopted as an Emergency Ordinance and is currently under debate in Parliament.

- The GoR issued an Emergency Ordinance modifying the Labor Code to comply with EU directives, and so considered the modifications non-negotiable. In response, the component analyzed the modification and issued a position paper to complement a Green Paper, presented by the EC, entitled, “Modernizing Labor Law to Meet the Challenges of the 21<sup>st</sup> Century.” These papers were presented at an AA-sponsored public hearing in the Chamber of Deputies which intended to spark debate over the issues deemed insufficiently addressed in the modification: labor flexibility and security, competition clause, minimum works conditions standards, unreasonable work absences, sanctions, and liabilities.

*“EDS...had an effective contribution to stimulating the Committee’s activity mainly in drafting analysis and position papers, i.e. regarding the definition of the SMEs, business registration, registration of self-employed persons, regulatory impact analysis and others. EDS team has also contributed very effectively to the training programs offered by AmCham to their smaller members (i.e. seminars on latest regulations and financial programs; advocacy meetings with high rank officials etc).” - Anca Harasim, Executive Director, American Chamber of Commerce*

### Major achievements:

- Labor Code amendments promoted by EDS have led to a 33% increase in Romania’s ranking in the global hierarchy regarding labor market flexibility in the World Bank’s “Doing Business Report.”
- Amendments to the CES Law allowed the AA and other civil society organizations to become elected members of CES, assisting greatly in promoting transparency and professionalism within the Romania public policy process. As a CES member, the AA will be more effective and efficient in advocating for MSME-friendly legislation.

Annex 13 – Labor Market Flexibility contains all supporting documentation for the Component’s activities regarding the Labor Code.

### 1.3.6 Access to Finance and the Microfinance Law

The EDS Legal and Regulatory Component worked in close collaboration with the Microfinance Coalition in proposing a new law to govern microfinance institutions. This was an unprecedented piece of legislation meant to provide regulated and easy entrance into the microfinance lending market with the aim of attracting more lenders and raising the total amount of loans. Romania’s microfinance institution (MFI) sector has a 14-year record of success. Romanian MFIs have made over \$400 million in loans, leading to the creation of an estimated 24,000 jobs. Despite its small size, the sector has some of the most competent and professional financial managers in Romania. The Microfinance Law provides a moderate level of oversight with the National Bank of Romania (NBR) having responsibility for the sector and the authority to issue norms or regulations as needed. All MFIs must make regular reports to the NBR for statistical purposes, be incorporated and have at least € 200,000 of capital.

EDS direct assistance to the Microfinance Coalition included:

- Awareness campaigning among GoR agencies and institutions in order to capture interest and involvement in promoting the proposed new law.
- Defense of the proposed law in direct negotiations with the Ministry of Finance, the SME Agency, the Ministry of Justice, the Ministry of Trade, and the National Bank.

- Testifying in defense of the proposed law in specialized Parliamentary Commissions (economic, justice, and budget-finance).

The Microfinance Law was passed in June 2005, following more than two years of negotiations and discussions. The World Bank, USAID and the European Bank for Reconstruction and Development (EBRD) also took an interest in the law and submitted comments. Details regarding EDS work in drafting the Microfinance Law can be found in Annex 14 – Microfinance/sub-annex 14.1\_Microfinance Law.

### Non-Bank Financial Institution (NBFI) Law

The 2005 Microfinance Law was expected to have beneficial effects, including an immediate reduction in taxes paid by microfinance borrowers. Its importance, however, has been reduced due to the adoption, in January 2006, of a new Non-Bank Financial Institution (NBFI) Law. Provisions of the new law require microfinance companies to re-register as non-bank financial institutions and to

***“CCIAT members have benefited from larger and easier access to finance due to CHF” – Corina Dragomirescu, Vice President Timis Chamber of Commerce***

make changes to the name of the microfinance company that had been previously established under the Microfinance Law. New bureaucratic requirements of the new law have placed additional administrative burdens on microfinance institutions. Two microfinance programs, in Petrosani and Baia Mare, have discontinued their lending operations due to their institutions not meeting the requirements of the new law.

Beginning in November 2005, the component took the lead in a Microfinance Coalition’s advocacy campaign aiming to improve the drafted law and the specific norms for the law’s implementation. Advocacy efforts, which included several meetings with the Ministry of Finance and NBR, had little impact. The draft law was passed as an ordinance in order to avoid parliamentary debate and begin immediate enforcement of the the law’s provisions. Despite this, the EDS team continued its advocacy efforts by proposing amendments during subsequent parliamentary discussions and by working closely with the NBR on the implementation of the ordinance’s norms. The advocacy campaign aimed to raise awareness and educate GoR decision makers on the barriers introduced by the new legislation. The outputs of the joint advocacy effort of the EDS team and the Microfinance Coalition were as follows:

- position papers related to microfinance and the Consultative Group to Assist the Poor (CGAP) principles of Microfinance Regulation (Annex 14 – Microfinance/sub-annex 14.3\_NBFI Legislation/Position Papers NBFI)
- participation in the seminars organized by the NBR, Romanian Parliament and the Leasing Association<sup>14</sup>
- requested to testify in Parliament

Additionally, the component provided direct technical assistance to Microfinance Coalition in establishing a legally registered entity, in this case an association. Formal registration would add value and enhance the power of their advocacy efforts. The component prepared the association’s statute and bylaws, coordinated the internal consultation process and networking, and offered to provide technical assistance with the registration process.

<sup>14</sup> 29th of March - Seminar organized by NBR on "Legislation on leasing and other non-banking institutions" ; (65 participants from 30 institutions i.e. leasing companies; banks; guarantee funds; governmental agencies; micro credit organizations etc).

Key to the EDS-supported advocacy campaign were motivation letters, submitted comments, suggestions, and proposals asking the Ministry of Finance and NBR to exclude microfinance institutions from the provisions of the new draft law. In addition to undue administrative burdens, EDS analyses also noted that the application of the new law would produce a negative impact on revenue collected by the GoR. Estimates determined that the passing of this law would result in \$20 million worth of microloans being issued over a subsequent 3-year period, resulting in foregone creation of approximately 1,600 jobs and an estimated \$2.2 million in lost tax revenue. EDS' recommended modifications were not accepted by the NBR.

For the remainder of the project's duration, the component continued to lobby the NBR regarding secondary legislation for microfinance institutions in conjunction with continued Parliamentary advocacy. Comments were provided to over five pieces<sup>15</sup> of secondary legislation regarding microfinance companies. The stance of the NBR, however, was rigid and no response to these comments was given. The secondary legislation was passed without incorporation of any recommended changes. Advocacy campaigning within Parliament was more successful and several amendments<sup>16</sup> regarding non-profit organizations that manage microfinance programs were approved due to Microfinance Coalition lobbying. This amendment ensured that such microfinance programs would not be forced to close, saving \$1 million in loans that were disbursed during 2006. The component was also very active in assisting the Express Finance (EF) team to register with the NBR according to the NBFILaw. EF finally received approval of their registration in May 2007.

Full details regarding the Component's activities surrounding the NBFILaw can be found in Annex 14 – Microfinance/sub-annex 14.3\_NBFILegislation.

### 1.3.7 Enterprise Law

Revision of the legislation regarding trading companies in the field of corporate governance started in the fall of 2005 under a World Bank adjustment loan. The EDS team agreed with the WB and GoR to assist the Ministry of Justice in organizing the public consultation process and participating in the drafting of new legal provisions. The component provided assistance to the WB and used two local experts to build on the 204 CLIR analysis and produce a short brief on the existing law. The experts worked with the Ministry of Justice and the WB's visiting international expert to generate a concrete set of recommendations. The WB's assistance focused on the implementation of OECD principles of Corporate Governance whereas EDS targeted the implementation of EU Directives and SME-specific topics.

<sup>15</sup> Norm regarding the minimum endowment of NBFILs

Norm regarding the General Registry, and the Special Registry

Norm regarding the registration criteria for the Special Registry of Non Banking Financial Institutions and the registration standard form

Norm regarding the issuance of electronic payment instruments

<sup>16</sup> The law was adopted by both chambers of Parliament and was promulgated by the President on the 28<sup>th</sup> of June through Decree nr. 888/2006. The main modifications included in the text of the ordinance capture some of the proposals provided and advocated for by the Legal and Regulatory component in close cooperation with Microfinance coalition. The main changes refer to:

- a) New definition of non-banking financial institutions - NGOs established according to the Ordinance 26/2000 are included into the non-banking financial institutions.
- b) NGO's will be registered together with houses for mutual support into the "Registru de evidenta"
- c) NBFILs may provide *connected* services and consultancy regarding their activities foreseen in paragraph 1.
- d) The share capital of non bank financial institutions shall be registered integrally in cash at subscription.
- e) NBFILs are obliged to elaborate internal norms within 5 days after registration into the special register.
- f) NGO's are allowed to have credit activities from public funds (national or international) and from international governmental reimbursable or non-reimbursable funds. For accession of private funds the NBFILs must be organized as S.A.

Between October 2005 and June 2006 component assistance included:

- Organizing over 30 public consultations with 250 representatives of business and professional associations, law professors, Supreme Court judges and others.
- Assisted and co-organized, with the Ministry of Justice, the first-ever public hearing organized by the Romanian Government. Following recommendations and subsequent revisions, the Government adopted and sent the draft amendments to Parliament for debate and adoption.

The Draft Enterprise Law amendments reflect most of the requirements of the Organization for Economic Cooperation and Development (OECD) Governance Principles and EU Directives. The Ministry of Justice, however, was acting under the pressure of the EU integration process and several other issues requiring thorough revision were left untouched by the consultant's team.

Revision of the Enterprise Law is not complete, leaving room for further work on other issues of importance for protecting small investors. Agreement was reached between the Ministry and the EDS Team to bring another international consultant to assist the Ministry with concrete recommendations regarding:

- Audit, capital and other financial issues to clarify confusion on the subject of company financial controls - particularly on the relative roles of censors, internal auditors, external auditors, and audit committees;
- The need for greater flexibility and clearer provisions for private and smaller companies;
- Duties and liabilities of directors and other controlling persons;
- Registration and startup of companies;
- The complex procedures for terminating a company;
- The rules for mergers and takeovers; and
- Shareholder access to company information.

An initial technical assistance project for assessment of the Romanian Enterprise Law was conducted in September 2006. The resulting report incorporated the results from meetings with the Ministry of Justice and a range of business and professional persons who were affected by the current Enterprise Law. The assessment report was disseminated to EDS stakeholders for comments and further recommendations. One large Romanian Law firm, Tuca and Associates, reacted with their own additional analysis of the Enterprise Law. Agreement was reached with the Ministry of Justice that a more detailed analysis and recommendation report would be necessary in order to complete revision of the Enterprise Law. Due to the approaching close-out of the Legal & Regulatory Component, EDS was not able to finance an international consultant to complete this analysis. Instead, the component focus its remaining efforts to work through the AmCham Tax Committee to continue exerting pressure on the GoR to address the remaining unresolved issues. A position paper on capital was drafted and shared with the Ministry of Justice, and the Department for Business Environment within the GoR. As a follow-up to the AmCham SME Enterprise Law roundtable, the EDS team drafted an SME-specific position paper on Enterprise Law that was sent to the AmCham and FIC members for consultation and approval.

Meanwhile, the EDS team monitored the legislative process of the first phase<sup>17</sup> of the draft Enterprise Law revision. The draft was sent to Parliament for debate and adoption at the end of June 2006. After several reviews by the Legal Commission, the draft was finally adopted by the plenary of the Chamber of Deputies on October 31<sup>st</sup>, 2006. The law was promulgated by the President on November 27<sup>th</sup>, 2006 and it is now Law no.441/ 2006.

Full details of the Component's activities relating to Enterprise Law are attached in Annex 15 – Enterprise Law Documentation.

### **1.3.8 Revising Other Draft Laws and Suggested Recommendations**

The component has also provided, on an ad hoc basis, support in revising, and commenting on, various pieces of legislation promoted by the Government that have a direct impact upon the business environment.

**Investment Law:** Following a request from the Prime Minister's Office, the EDS team conducted an analysis of the Investment Law and participated in various debates on the issue. A first draft law was published in August 2006 and distributed to the AmCham and FIC for consultation. The EDS team provided some comments relating to SMEs and analyzed similar investment laws from Hungary, Bulgaria and the Czech Republic to add to a larger comparative study used to justify amendments to the Romanian draft law. The EDS team was also member to a special AmCham task force established to monitor and comment upon the Investment Law. EDS also worked with FIC and GEA to develop working recommendations the GoR National Action Plan for Improving the Business Environment at the request of the Department for Business Environment.

**Public Procurement Law:** Following request from the American Embassy the legal team performed a revision of the Public Procurement Law. The analysis developed is attached in Annex 16 – Other Law Recommendations/sub-annex 16.1\_Public Procurement Law Analysis.doc.

**SME Law:** The GoR, through the National Agency for SMEs, has revised the SME Law several times. The changes made did have an important impact upon SMEs or their business environment. Following a USAID request, the EDS team provided a paper commenting upon the proposed amendments. The comments are attached in Annex 16 – Other Law Recommendations/sub-annex 16.2\_Draft SME Law Comments.doc.

#### **Amendments to Government decision (HG 1247/2005) on state financial support for ITC**

**Companies:** Responding to the IT business associations' interest into changing the current legislation regarding financial support for acquiring international standards, the EDS IT component initiated an advocacy campaign. The EDS legal team offered technical assistance on drafting amendments, writing policy papers and coordinating lobbying activities. These efforts aimed to introduce the CMMI<sup>18</sup> quality system into the government program aimed at increasing the competitiveness of industrial products. As the result may be achieved only through a legislative change, the legal team prepared an opinion paper along with recommended implementation steps. The ITC Legislative Proposal is attached in Annex 16 – Other Law Recommendations/sub-annex 16.3\_ITC Legislative Proposal.doc.

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<sup>17</sup> This phase was completed in early 2006 as part of the joint WB-EDS TA project on Enterprise Law.

<sup>18</sup> CMMI – Capability Maturity Model Integration, for detail please see the IT Component Section of this report.

## 1.4 Increased Private Sector Input into the Policy Reform Process

An important dimension of EDS's reform efforts is promoting increased private sector input into the policy reform process. Two indicators of progress in this domain are the number of reforms identified and addressed through public-private dialogue, and the number of public-private policy roundtables on MSME issues.

The component assisted business groups to increase their input to on-going reform through amendments provided to various ministries and also assisted the various ministries to embark on closer public consultation. Another aim of EDS was to build the capacity of Romanian interest groups, as well as local think tanks and research centers, to analyze issues of critical importance to Romanian MSMEs as well as increase such organizations' credibility and visibility vis-à-vis Romania policymakers. The main reform areas identified and addressed through public-private dialog were Enterprise Law, Fiscal Code and fiscal procedure Code, Labor Market Flexibility, Labor Code, Red tape, Enterprise Registration and Authorization, Silent Approval Act, Access to finance through Microfinance, factoring and regulation on non-bank financial institutions, legislative procedures, public administration accountability and transparency, corruption, and reform of the judicial system.

As part of the component's advocacy programming, several conferences, seminars, and roundtables were organized in close cooperation with EDS stakeholders. All documentation relating to EDS sponsored and/or organized conferences and seminars is attached as Annex 17 – Conferences & Seminars.

### Conferences:

- EDS organized the Fiscal Code Conference in cooperation with National Agency for SMEs to present the assessment on the fiscal legal framework and make policy proposals for tax policy in Romania (2003);
- EDS, in cooperation with UNDP, organized in Bucharest the Southeast Europe Sub-Regional Conference on MSME Development addressing issues such as MSME strategic development and Regulatory Impact Assessment (2004);
- EDS organized the International Microfinance Conference in cooperation with the Microfinance Coalition to tackle access to finance issues and address microfinance legislative frameworks (2005);
- EDS, in cooperation with CNIPMMR and the National Agency for SMEs, organized the World Convention of Small and Medium Sized Enterprises in Bucharest (2005);
- EDS, in cooperation with Cartel Alfa, GEA, Civil Society Development Foundation, Romanian "Caritas" Confederation, World Social Forum, Romanian Center for Global Studies, Pro Democracy Association, and the National Federation of Social Workers in Romania, organized the Social Dialog Forum addressing the importance of public-private dialog in the reform process (2005);
- EDS, in cooperation JCIR, organized the Young Entrepreneurs Fair attended by over 100 entrepreneurs from all over the country;

*"The conferences emphasized different opinions that could connect the vision, and we were able to understand better what the decision maker wanted and needed exactly. We could understand from them the opinions of all the participants and we learned exactly what needed to be modified. We were deciding together which the next steps were."- AA*



- EDS, in cooperation with the Research Triangle Institute (RTI), a Romanian public policy institute, organized two conferences: one on fiscal reform and one on judicial reform;

Each of these conferences brought together between 100 and 500 entrepreneurs and BSOs from all over the country with governmental officials, civil society groups, trade unions, banking industry members; members of Parliament, and media.

EDS representatives have also participated in other regional conferences outside of Romania, namely: International Factoring Conference (Paris, 2005); The World Bank International Conference on Inspection and Control Reform (2005); Regional Conference on Access to Finance (Belgrade, 2005); OECD Conferences on Regulatory Reform (Ljubljana and Paris).

The Legal and Regulatory Component, in close cooperation with government officials and private sector representatives (Lawyers, tax experts, public policy think tanks and public opinion survey institutes, BSOs and chambers of commerce, government agencies and public servants) has hosted or attended over 200 roundtables to discuss specific issues of interest to the EDS program objectives. In close cooperation with the AA, the component has organized public hearings and offered technical assistance to MoJ in promoting and implementing a fair, transparent and efficient dialogue through such public hearings and debates.

**Major accomplishments:** The round tables, policy papers, case studies, and analyses developed under the Legal and Regulatory Component have contributed to increasing private sector input into the policy reform process as follows:

- The case study entitled, "Impact of the Increase in the Microenterprise Turnover Tax" developed by Legal Component in cooperation with GEA has been incorporated in the "Operational Manual on Public Policy Process and Impact Evaluation" produced by the General Secretariat of Romanian Government for the use of all civil servants.
- Amendments presented during public hearings have been incorporated by the Ministries of Justice and Finance in the draft legislation on Company Law and the Fiscal Code.

The joint participation of the private sector into working groups (Ministry of Justice; Ministry of Labor; Ministry of Finance) as well as direct participation to high level government organizations/groups such as the National Working Group on Business Environment have contributed to increasing the impact of MSMEs into the policy reform process.

## II. Result 2 – Improved Competitiveness of Tourism Firms

### 2.1 Overview: Increased Competitiveness of the MSME Sector

The Competitiveness Component of the EDS program aimed to increase the economic growth and sustainability of selected sectors by creating increased sales, productivity and jobs in MSMEs. In order to assess the needs and capacities of various industry sectors and thus, to select sectors for competitiveness projects, the EDS program conducted five sector assessments in 2003. After completing the assessments, in 2004 the Competitiveness Component conducted two pilot projects in the garment production sector and in the tourism sector in Maramures. As a result of these pilot projects and further comprehensive research, the Competitiveness Component has developed a three-year strategy for increased assistance to

the tourism sector and in December 2004. The Information & Communication Technology industry was identified as a new sector to work in 2005-2007.

### **2.1.1 Component Focus: Improved Competitiveness of Tourism Firms**

The Competitiveness Component of the EDS program aimed to increase the economic growth and sustainability of selected sectors by creating increased sales, productivity and jobs in MSMEs. In order to assess the needs and capacities of various industry sectors and thus, to select sectors for competitiveness projects, the EDS program conducted five sector assessments in 2003. The assessments focused on the following sectors: Wood Products, Textiles/Garments, Tourism, IT/Software and Glass/Ceramics. The assessments analyzed each sector's potential in Romania for increased growth in exports and investment and identified barriers and constraints to increased MSME activity in the sectors. These analyses identified the Tourism and Garment industries as having the greatest potential for growth, particularly in respect to MSMEs. The Tourism Sector Assessment is attached in Annex 1 – Tourism Component Strategy & Partners/sub-annex 1.1\_EDS Tourism Sector Assessment.doc.

After completing the assessments, the Competitiveness Component conducted two pilot projects, in 2004, in the garment production sector and in the tourism sector in Maramures. As a result of these pilot projects and further comprehensive research, the Competitiveness Component developed a three-year strategy (2005-08) for increased assistance to the tourism sector, which included an expansion of activities to the counties of Sibiu, Mures and Suceava. The EDS Tourism Strategy is attached in Annex 1 – Tourism Component Strategy & Partners/sub-annex 1.2\_EDS Tourism Strategy FY05-FY08.doc. The EDS program worked with local partners (associations, public institutions and other donor organizations) to implement a series of technical assistance activities aimed at increasing sales, productivity and jobs in tourism MSMEs in the selected counties of Sibiu, Mures, Maramures and Suceava. Utilizing an integrated approach, the other components of EDS also contributed to the economic growth and sustainability of the tourism sector by providing increased use of micro-credit and other financing to upgrade and expand tourism facilities, goods, and services and by providing assistance with advocacy efforts to improve the fiscal and regulatory policies affecting the tourism industry.

Technical assistance was offered to MSMEs as well as to regional and national tourism associations working in the selected regions. Technical assistance provided to MSMEs included training for guesthouse owners, artisans, museums, traditional culinary products producers, tourism information centers and management teams of tourism destinations. Topics included increasing the quality and consistency of goods and services offered, accessing financing for upgrades and expansion of activities and facilities and improving target marketing techniques and tools.

### **2.1.2 Regionally Focused Interventions vs. National Level Assistance**

Working with public sector organizations, private sector associations and individual enterprises, amongst other stakeholders, at both the national and regional levels, the objectives of the tourism project were to:

- Reposition the industry to attract greater numbers of higher value tourists with value-added goods and services at market prices
- Improve the quality of products and services to meet niche market demand
- Encourage innovations by improving access to finance

- Reduce costly barriers through private and public-led reforms

In order to facilitate and encourage lasting change, EDS interventions were focused on supporting activities in the areas of **market research, product development, promotion and marketing, and capacity building**

The EDS team made consistent attempts to connect with tourism development initiatives at national level through coordinated efforts with the National Tourism Authority (NTA), the leading government tourism institution. After an encouraging start, when the EDS team and NTA approached the development of a branding strategy for Romanian tourism together with the private sector, sketched an action plan for the development of a national tourism strategy and succeeded to negotiate Romania's signing of a Geotourism Charter with the National Geographic Society (the third country in the world and the second in Europe, continual political changes at the NTA level jeopardized all the previous efforts and prevented the EDS Program from initiating new common projects. In three years (2004-2007) the NTA has had four presidents coupled with long periods of complete lack of management and decision making authority. Therefore, the EDS management team decided to shift from focusing on national-level interventions to a more regionalized approach and direct collaboration with local partners. Collaboration with NTA, however, did continue as the EDS team continued to assist with facilitating preliminary meetings for the national tourism strategy development contracted a website development company to redesigning the two websites, internal and external, belonging to NTA.

Based on the experience accumulated in Maramures and due to the need to include other regions with high potential for tourism development, several regions were carefully analyzed and their tourism potential thoroughly examined. The EDS management team submitted their choices to USAID for approval, providing specific reasons for their inclusion into the program:

**Sibiu** – In 2007, Sibiu would become one of the two European Cultural Capitals of Europe (with Luxembourg), driving estimates that the region would gain high exposure and many tourists, especially from Europe, would be enticed to visit.

**Sighisoara** – This region of Mures County has continuously shown increases in the number of beds, accommodation units, and tourist-nights. Furthermore, rural tourism, an EDS main focus, had shown consistent positive growth in this region.

**Bucovina** – This region of Suceava County is home to several United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage Painted Monasteries, is home to a rich cultural heritage, and contains abundant rural tourism resources that were seen as ripe for further development.

### **2.1.3 Component Staffing and Partnerships**

The Tourism Project was managed from the Bucharest office where the Tourism Component Manager was located. The office in Bucharest also hosted the Citizens Development Corps (CDC) Project Officer, completely allocated to the Tourism Project, and the Regional Tourism Coordinator for Bucovina.

The first regional office was opened in Baia-Mare, Maramures, within the precincts of the Chamber of Commerce and Industry Maramures. The office opened in May 2004 and closed in March 2007 following completion of all major projects financed by EDS. The activity of the

tourism office in Maramures continues under the auspices of the County Council, which opened a Tourism Information Center whose staff is filled by the former EDS Regional Tourism Coordinator and EDS Program Support Officer. The Maramures staff also benefited from an MBA Enterprise Corps (MBAEC) Volunteer Advisor. The office in Sibiu was opened in June 2005 and closed at the end of July 2007. A Regional Tourism Coordinator, supported by a Project Support Officer, headed the Sibiu office. The Sibiu team also enjoyed contributions from of a part-time Romanian consultant, an MBAEC Volunteer Advisor, a CHF Visiting International Professional (VIP) Volunteer Advisor (later extended as a CDC Tourism Advisor), and a Community Economic Develop Peace Corps Volunteer. The office in Sibiu was better staffed because the personnel in that office had to cover both Sibiu and Sighisoara. Additionally, due Sibiu's highly visible appointment as a European Cultural Capital, more emphasis was placed on the activities in the region, resulting in the need for greater human resource.

Besides the above-mentioned personnel, the Tourism project worked with part-time consultants, both foreign and Romanian. Two American consultants came to Romania in 2004 for sector assessment and initial work plan development. An American hospitality consultant, hired to train rural guesthouse owners, visited the country twice for a period of 60 days in 2005 while another consultant visited Romania four times in 2005-2006 to assist with the EDS tourism strategy development. An American branding consultant visited Romania on two missions in 2006 for almost 20 days.

**Collaboration with national and regional stakeholders** was established in order to implement all project activities. For each intervention, a local or national partner was actively engaged in order to ensure local participation and long-term sustainability. From the project's inception, the Tourism team collaborated with 3 governmental agencies and ministries, 11 national representative organizations, 37 regional organizations and 6 international and donor organizations. A complete list of all partners and stakeholders, including contact information and project detail, is attached in Annex 1 – Tourism Component Strategy & Partners/sub-annex 1.3\_EDS Partners List.xls.

## **2.2 Increased Capacity of Tourism Organizations & Firms**

### **2.2.1 Interventions at the National Level**

#### **2.2.1.1 Market Research**

##### **Database of Romanian and foreign tour operators selling Romania**

Although similar initiatives were initiated in the past by the NTA and the German assistance program, Gesellschaft fur Technische Zusammenarbeit (GTZ) (but only for the German market), no updated database of Romanian and foreign tour-operators selling Romania had been made available to interested public and private sector entities. The Tourism team initiated intensive research in late fall 2005 to compile a comprehensive database, resulting in the detailing of all relevant information for 128 Romanian tour-operators and 187 foreign tour-operators. The database was made available to partners at the moment it was finalized and was also placed on the EDS Tourism Resource DVD provided to all EDS stakeholders at the end of the program. The complete database is attached in Annex 2 – Market Research Deliverables/sub-annex 2.1\_Tour Operator Database.xls.

##### **International Visitor Profile Survey (2005 and 2006)**

In order to identify a representative “profile” of the foreign tourist visiting Romania, the EDS Team, in cooperation with the NTA, conducted a pilot exit survey at Henri Coanda Airport in

October 2005, interviewing more than 600 departing tourists. The 2005 pilot survey results are attached in Annex 2 – Market Research Deliverables/sub-annex 2.2\_2005 Visitor Survey Report.doc. The results were passed to the NTA to be included in the development process for the National Tourism Strategy. The positive results led to the implementation of a larger scale visitor survey conducted during the peak 2006 tourism season. In August 2006, using the 2005 pilot survey experience as a basis, the Tourism team implemented a much more comprehensive market research project resulting in over 2,260 interview respondents across five regions. The survey was conducted using the face-to-face personal interview method, in 5 different regions of Romania: Bucharest, Sibiu, Sighisoara, Maramures and Bucovina. The interviews were conducted in Bucharest in the departure lounge of Henry Coanda International Airport after the tourists had completed all departure formalities, by a team of interview operators with previous experience in quantitative market research. In all the other regions interviews were conducted at the most important tourist sites and also in different accommodation units. EDS engaged 39 volunteers as interview operators across the country, working on a part-time basis (4-6 hours/day). A local coordinator supervised each region and all the interview operators were trained in advance by EDS staff. A total of 2268 questionnaires were completed as follows: Bucharest - 861, Sibiu – 339, Sighisoara – 416, Maramures – 312, Bucovina – 340. People of 77 different nationalities were interviewed. The questionnaire was translated in English, French, German, Italian and Hungarian. The survey interviews were finalized within three weeks and a detailed analysis and report with conclusions and recommendations was subsequently submitted for comments to EDS team members. The final version of the survey report was offered to tourism stakeholders and partners. The complete survey report and a sample questionnaire are attached in Annex 2 – Market Research Deliverables/sub-annex 2.3\_2006 Visitor Survey.

### **Tourism Asset Mapping Database**

Tourism asset mapping was undertaken in each of the project regions in order to catalogue all relevant assets in the regions. As not one stakeholder or public institution in any of the regions maintained a consolidated and verified database of tourism assets, it was decided that such an activity would benefit local stakeholders in their efforts to understand the tourism infrastructure of their respective regions. Asset mapping database templates were developed for each of the regions and information was collected from a number of sources. As well as existing databases and websites (such as rotur.ro), teams visited specific attractions where deemed necessary. The Sibiu office entered into an agreement with the nearby Lucian Blaga University, establishing an intern program for its tourism students to involve them in the data collection process as part of their practicum. Much data already existed in Maramures and therefore the work there involved more verification than collection. The Structured Query Language (SQL) database was completed in early 2007 and instructions for users and interface developers were also compiled. An Asset Application Database Kit was produced and has been included on the EDS Tourism Resource DVDs provided to stakeholders. The kit is attached in Annex 2 – Market Research Deliverables/sub-annex 2.4\_Asset Mapping Database Kit.zip.

### **Romania Books Database and Guidebook Coverage of Romania**

A short assessment of Romania travel guides and travelogues performed in 2005 suggested that the country is under-represented amongst some of the larger travel guide publishers. The Tourism team undertook a comprehensive survey of international guidebooks and travelogues covering Romania to identify level of coverage. While Lonely Planet and Rough Guide appear to remain the most popular, we identified eight major publishers that had yet to include Romania within their travel guide series. These publishers were contacted, along with justifiable reasons why they should consider including Romania, and asked why they were yet to include the country. Of the four that responded, one publisher, Insight Guides, has declared that they will be

producing a guidebook on Romania in 2007 and promised to contact the EDS team for assistance if they feel they require it. Another suggested that their editors would use the information provided for further study of the potential market. The guidebook assessment is included in Annex 2 – Market Research Deliverables/sub-annex 2.5\_Romanian Travel Guidebooks and Travelogues.doc.

Apart from the international travel guides and travelogues mentioned above that are generally easily accessible for overseas tourists, there is a wealth of books available focusing on the regions of the country that can only be found through thorough searching of bookshops. The EDS program aimed to identify these books, make them known more widely to bookshops and tourism information centers and, if possible, make them available for purchase online for an international audience. Each of the regional teams identified useful books available in their regions through discussions with stakeholders, visits to libraries and by conducting online searches (for example the online library of George Washington University). The complete lists of available books focusing on all regions, including those in print now, are attached in Annex 2 – Market Research Deliverables/sub-annex 2.6\_Books Databases.

### **Global Tourism Trends Market Research Study**

At the request of the NTA and in preparation for the National Strategy for Tourism that NTA intended to develop, the EDS Team commissioned a survey monitoring the current situation in tourism and trends for the following years. The survey, conducted by two CDC MBAEC Volunteers and two Romanian consultants, was included in the preparatory materials for the strategy. General Trends in Global Tourism were identified on the following items:

- Established source markets
- Emerging source markets
- Starting in 2001: trends shift
- Lessons from the crises
- Intensified competition
- Changing profile of traveler

The complete market study is attached in Annex 2 – Market Research Deliverables/sub-annex 2.7\_Market Research for National Strategy.zip.

### **2.2.1.2 Collaboration with National Tourism Institutions and Professional Associations**

#### **National Tourism Authority (NTA):**

##### **Tourism strategy**

In September 2005, The EDS Tourism Project and the NTA signed a partnership agreement committing to work together on a number of projects benefiting Romanian tourism. The partnership agreement is attached in Annex 3 – NTA Documents/sub-annex 3.1\_NTA – CHF Partnership Agreement.doc.

The EDS Tourism Project entered into intense discussions and planning activities with the NTA in response to an NTA request for assistance formulated in July and August 2005. Progress was made toward developing a national strategy for tourism although the process stalled towards the end of 2005 due to the removal the NTA President and cabinet at that time. For a long while the situation remained unclear although counterparts in the NTA affirmed that the

strategy process should continue. By the end of September 2005 a number of activities had been completed, many with direct support from the EDS project:

- 1) The collection of information through the formation of seven working groups
- 2) SWOT analyses produced individually by public and private sector organizations
- 3) A SWOT analysis, vision, aims and objectives for strategy development was the outcome of a round table conference in Sinaia involving almost 100 stakeholders from across the country
- 4) An outline of the final strategy

The EDS program offered support to the National Authority for Tourism in reviewing the legal, regulatory and business environment as part of its support for the National Tourism Strategy development process. The project's two MBAEC volunteers finalized part of the strategy focusing on global and European tourism trends and forecasts, as described above. Progress was very limited in developing the National Tourism Strategy past a preliminary stage due to extremely high turnover of NTA leadership and the resulting constant changes in priorities. While EDS continued to offer support to the NTA, the strategy was largely being developed in-house at the NTA until mid-2006. In 2006, the World Travel & Tourism Council (WTTC) issued a special report on Romania, which EDS assisted in developing and in which CHF is mentioned. This report, including policy analysis contributed by EDS, formed a major foundation of the strategy and awakened people at the NTA to the importance of finalizing a formal tourism strategy. The strategy development process subsequently accelerated in the form of a Tourism Master Plan, which the NTA commissioned the World Travel Organization (UNWTO) to develop. A basic first draft was presented to the public in May 2007. The final Master Plan and the associated National Tourism Strategy were finalized in July 2007.

### **Geotourism Charter signed on World Tourism Day, September 2005**

World Tourism Day (September 27) was established by the World Tourism Organization in 1979 and first celebrated in 1980. Its primary goal is to foster awareness among the international community of the importance of tourism and its social, cultural, political and economic values. As part of its celebration of World Tourism Day in 2005, Romania became the third country in the world to adopt an official "geotourism strategy." The concept, developed by the National Geographic Society, refers to "tourism that sustains or enhances the geographic character of a place – its environment, culture, aesthetics, heritage, and the well-being of its residents." The Geotourism Charter was signed during a press conference at the Hotel Intercontinental by Gheorghe Dobre, Minister of Transportation, Construction, and Tourism, John Francis, National Geographic Society Vice President for Research, Conservation and Exploration, Mark Taplin, U.S. Embassy Charge d'Affaires and the President of the National Authority for Tourism, Mr. Ovidiu Iuliu Marian. The event was attended by a large community of tourism stakeholders and the Charter was co-signed by major association representatives of the tourism industry (National Association for Rural, Ecological, and Cultural Tourism (ANTREC), the Hotel Industry Federation (FIHR), the Spa Tourism Industry Employers' Association (OPTBR), the Romanian Association for Accommodation and Ecological Tourism – „Bed & Breakfast,” the Romanian Convention Bureau (RCB), and the Romanian Ecotourism Association (AER)). The Geotourism Charter is attached in Annex 3 – NTA Documents/sub-annex 3.2\_Geotourism Charter NTA.doc.

### **Redesign of [www.mturism.ro](http://www.mturism.ro) and [www.romaniatravel.com](http://www.romaniatravel.com)**

The National Tourism Authority possesses a number of web domains, one internal corporate site, one external promotional site located in Romania, and a few other promotional sites hosted overseas. Because of the inconsistent image being portrayed between all sites, the lack of modern user interface and poor quality information on some, EDS suggested that the Authority

update all the sites along a common theme using modern Internet technology. The original proposal was drafted with the intent that support would come from the the Romanian Information Technology Initiative (RITI) Access Project (a USAID-funded IT-related program). However, their involvement did not come to fruition and EDS remained with the obligation to assist. Whilst there were strong arguments in favor of supporting the initiative, EDS was concerned with the apparent lack of commitment, involvement and planning by the NTA. While it was very much hoped that the activity would proceed, its success depended largely on the continuing relationship with the NTA and its ever-changing leadership. Booz Allen Hamilton, partner in the EDS consortium led by CHF, issued a set of recommendations on use of Information Technology Best Practices, Gap Analysis, and Implementation Steps. These recommendations are attached in Annex 3 – NTA Documents/sub-annex 3.4\_NTA Website Recommendations.ppt. Based on these recommendations, the Tourism team in partnership with the appointed persons from NTA, developed a redesign plan that was implemented by Kondiment SA, who was selected in a competitive bidding process. Kondiment executed the website design and implementation services for the external site, [www.romaniatravel.com](http://www.romaniatravel.com), and the internal site, [www.mturism.ro](http://www.mturism.ro). The project was finalized in August 2007.

### **Greetings from Romania competition**

The “Greetings from Romania” postcard competition was launched in June 2005, before the end of the school year. The competition was organized by the EDS Program and Junior Achievement Romania (JAR) in order to promote the image of Romania worldwide through the imagination and talent of Romanian students. “Greetings from Romania” is an invitation addressed to foreigners to discover Romania through greeting cards designed by students aged up to 18. The winning designs were used by the NTA at promotional events in both postcard and poster formats. The project received more than 800 entries from over 200 schools representing all regions of Romania. The winning entries are attached in Annex 10 – Promotional Materials/sub-annex 10.1\_Greetings from Romania.

### **Presentation for OECD Tourism Committee Meeting in Porto, Portugal, 2006 on “Developing tourism strategies to enhance the competitiveness of the destination: the experience of Romania”**

The NTA was invited to Portugal to attend the reunion of the Tourism Committee of OECD for the conference entitled “Increase competitiveness of tourism”. The NTA material for the conference was entitled, “Developing tourism strategies to enhance the competitiveness of the destination: the experience of Romania” and was developed by the EDS tourism component based on the EDS tourism component’s objective to “Increase the competitiveness of the Romanian Tourism.” The EDS tourism team developed the presentation for the NTA. The presentation is attached in Annex 3 – NTA Documentation/sub-annex 3.3\_EDS Tourism Presentation for OECD & NTA.doc.

### **National Association for Rural, Ecological, and Cultural Tourism (ANTREC)**

#### **National Strategy for Export, Rural Tourism Section**

The EDS program provided assistance to the Export Council in outlining in detail the activities that need to be completed for the Rural Tourism Sector as part of the strategy development process. EDS comments are attached in Annex 4 – Rural Tourism Support/sub-annex 4.1\_National Export Strategy.

#### **Site redesign for ANTREC**

The EDS Program selected one web design company to be the official service provider for the redesign of the ANTREC Romania website ([www.antrec.ro](http://www.antrec.ro)). Considering the rich rural and



cultural traditions of Romania, rural tourism was identified as a great potential opportunity to increase Romania's tourism competitiveness. Statistics show that the occupancy rate of the rural guesthouses in Romania is 60 per cent while the number of incoming foreign has been steadily increasing. Main stakeholders from tourism industry believe that the increase is due to promotion on Internet. Most of the tourists came from Germany, France and Israel. The EDS Program saw the need to offer these potential customers the opportunity to better inform themselves about the rural tourism opportunities provided through the main player in the field, ANTREC Romania. It is hoped that tourists will come to Romania to experience rural tourism or extend their stay in Romania and combine other types of tourism with rural tourism. Through this intervention, the EDS program hoped to encourage more tourist visits to Romania by improving rural tourism promotion and developing a more user-friendly online booking system through the redesigned ANTREC website. The redesign website is located at [www.antrec.ro](http://www.antrec.ro) and EDS comments and recommendations for the ATREC website are attached in Annex 4 – Rural Tourism Support/sub-annex 4.3\_ANTREC Romania (4.3.4). Information on the site is offered in Romanian, English, French and German. New menus items were introduced and the site has become more user-friendly and informative. The site is ranked in the 48<sup>th</sup> position among tourism sites accessed in Romania in terms of frequency and number of visitors (1,416) as of April 27, 2007.

### **Attendance at the International Congress on Rural Tourism in Crimea**

The Tourism Project funded the participation of ANTREC Romania to the second Annual Conference Eurogites, which was held in Crimea, Ukraine between September 26<sup>th</sup> and 28<sup>th</sup> 2005. These activities were part of the project "Romania's participation to the Annual Conference Eurogites".

The objective of this Congress was to provide a meeting point and discussion forum for the Rural Tourism Entrepreneur, but also for public and private authorities involved in rural development. The Congress focused on the following issues:

1. Rural Tourism and Sustainability
2. Benefits of Rural Tourism for local communities
3. Rural Tourism and European Integration
4. Traditions and Tourism - a symbiosis for progress
5. Towards an European product in Rural Tourism

The ANTREC representative spoke about their activities and the contribution brought to the development of rural tourism and associations in tourism by the EDS program. The ANTREC representative's report on the Congress is attached in Annex 4 – Rural Tourism Support/sub-annex 4.3\_ANTREC Romania (4.3.1).

### **Launching of the new magazine "Vacante la Tara"**

ANTREC invited the EDS Tourism component to partner with them at the events dedicated to Maramures at the Romanian Peasant Museum (see above). EDS assisted ANTREC in organizing a photo exhibition entitled "Maramures – A dream vacation." The opening of the photo exhibition coincided with the inauguration of several events celebrating Maramures in the summer of 2006. The second activity that ANTREC organized was a culinary event entitled "La Placinte Inainte," featuring traditional plates from Maramures, prepared on the spot, within the precincts of the Museum's restaurant by housewives brought from Maramures. Finally, ANTREC launched a special issue of their "Vacante la tara" ("Vacation in the Country") Magazine dedicated to Maramures. Promotion Materials produced for the event are attached in Annex 4 – Rural Tourism Support/sub-anex 4.3\_ANTREC Romania (4.3.2 & 4.3.3).

### **Search Engine Optimization (SEO) for the ANTREC website**

The EDS program sponsored this web promotion effort targeting key tourism websites in Romania. The overarching objective was to increase inbound tourism through improving the online channel. The ANTREC website, also redesigned by EDS, was identified as an integral piece of Romanian tourism's online presence and would benefit greatly from SEO. The final SEO reporting for the ANTREC website is attached in Annex 5 – Search Engine Optimization/sub-annex 5.1\_ANTREC.

### **Mioritics Cultural Association**

#### **International Tourism Fair: Travel Technology & Destinations Travel – London 2006**

EDS funded the attendance of Mr. Alexandru Popescu, President of the Mioritics Cultural Association to the Travel Technology Show and Destinations Travel Show that took place in London, UK, in early 2006. The sponsorship was meant to offer a promising young leader of one of the most dynamic tourism-promotion association in Romania the chance to update his knowledge and get informed about the developments in travel and tourism, especially as relates to technology, at the international level. A final report was generated and the information collected applied in improving the association's activities. Mr. Popescu's report is attached in Annex 9 – Consultant & Activity Reports/sub-annex 9.12\_Mioritics London Travel Market Report.doc.

#### **Upgrade and Redesign of Mioritics Association website: [www.dordeduca.ro](http://www.dordeduca.ro)**

This intervention aimed to support the ongoing development of active tourism in Romania promoted through the Mioritics Association's website, [www.doreduca.ro](http://www.doreduca.ro) (roughly translated "dor de duca" means a "yearn for roaming/travel"). Four target groups were identified for participation in the project: local authorities and regional associations, event organizers, providers of related services and mass media. The end beneficiaries of this intervention will be primarily Romanian, but also foreign tourists, and local communities where the website-promoted events take place.

This project focused on the following areas:

- Enlargement of existing partnerships with Mioritics' target groups;
- Strengthening and improvement of the existing event agenda database;
- Redevelopment of the current portal **[www.dordeduca.ro](http://www.dordeduca.ro)** (implemented by the Mioritics Association as a pilot project in 2002);
- Promotion of Romanian events to specialized international sites; and
- Continuation of EDS regional event bulletins, providing a monthly online and email update of events being held in the EDS project regions of Maramures, Sibiu, and Bucovina.

### **The Romanian Association for Accomodation and Ecological Tourism – “Bed & Breakfast” (ARTCE B&B)**

#### **SEO and Website Redesign**

EDS sponsored this web promotion effort as part of the larger SEO project aiming to help promote key tourism websites in Romania. The overall objective of the SEO intervention was to increase inbound tourism through improvement of the online channel. The ARTCE B&B website was identified as and an integral part of Romanian tourism's online presence. Although the website possessed rich content, only one page was indexed due to inadequate technology (Flash™) used in the website's construction. The technology also caused major difficulties in

site navigation. Prior implementing the SEO recommendations, the new technological site construction methods were employed to solve these problems. The final reporting of the ARTCE B&B is attached in Annex 5 – Search Engine Optimization/sub-annex 5.3\_B&B.

## **The National Center for the Preservation and Promotion of Traditional Culture (CNPPCT)**

### **Certification of Authenticity for Popular Art Creations**

This intervention arose out of collaboration among Romanian traditional art enthusiasts, specialists in traditional Romanian culture, and EDS team members who all expressed a keen interest in the preservation of traditional cultural heritage in Romania, especially tradition popular crafts. EDS responded by inviting leaders of the community working in the preservation of traditional Romanian culture to an open discussion where the idea of creating a national certification system for popular creation authenticity. Following a few more meetings, all participants agreed that the steward of the trademark and the future administrator of the certification system should be the National Center for Preservation and Promotion of Traditional Culture (CNPPCT), that has affiliates in all regions of Romania and the knowledge, human resources and technical capability to organize certification meetings whenever requested by artisans.

Participants decided to apply for an individual commercial trademark (CeRT Romania with an element of visual identity). The way the trademark would be transferred to each region was already designed by CNPPCT, based on their regional organization system. The project team developed a business plan for the trademark administration. The team also generated a financial projection for making this project sustainable. The trademark has been officially registered in the Register of Submitted Trademarks, the deposit constituted and the trademark is now under examination and approval is expected in August 2007.

The NTA has agreed to promote the authenticity trademark for crafts and will feature a permanent page on its commercial site ([www.romaniatravel.com](http://www.romaniatravel.com)) featuring the crafts authenticity trademark initiated by the Tourism component. The National Center for Conservation and Promotion of Traditional Culture will provide the information for the webpage. All materials relating to the Crafts Trademark process are attached in Annex 6 – Crafts Certification Trademark.

## **Prime Romania**

### **National Congress of Students in Communication**

The Conference was dedicated to presenting the official points of view of the representative institutions of Romania, starting with the Ministry for Foreign Affairs and the Delegation of the European Commission, regarding the promotion of Romania's image both domestically and internationally. The Tourism Component was invited to host a plenary presentation of destination branding and facilitated a seminar on "Branding Bucharest." The branding presentation is attached in Annex 7 – Branding/sub-annex 7.1\_Branding Presentation.pdf.

## **2.2.2 Interventions at the Regional Level**

### **2.2.2.1 Bucovina**

#### **Bucovina Tourism Association (ATB)**

### **Sustainability and Business Planning**

ATB saw a significant increase in the number of members during the time period of the relationship with EDS. ATB's baseline membership at the time EDS initiated the Bucovina program in 2004 with 22 members. By the end of 2006, ATB could count 32 members, showing an increase of 33% in just 2 years, an accomplishment for a new association covering a relatively small geographical area. The Tourism Component worked with ATB to develop a business plan for 2007-2010, following the model already developed by the Sibiu EDS team for the Transylvania Rural Tourism Association (ATRT). The business and strategic planning for ATB was coordinated in conjunction with IBD/GTZ, who supported the business planning initiatives with technical assistance and also sponsored ATB's ISO 9000 and ISO 14001 certifications, making ATB the first Romanian tourism association to earn the certifications.

### **Website Redesign and Search Engine Optimization (SEO)**

ATB developed and launched a new website, [www.bucovina.travel.ro](http://www.bucovina.travel.ro), with support from the EDS program. As part of the larger SEO project covering multiple project partners, the Component contracted a firm specializing in SEO to conduct the project. The firm issued preliminary reports for each website, edited a guidebook for webmasters, decided upon the keywords in Romanian and other foreign languages and guided the execution of the SEO process. The ATB website was subject to the following upgrades: initial monitoring, personalization of page titles, descriptions and keywords, implementation of a friendly site architecture, a Google sitemap added, written guidelines for webmaster developed, an RSS news file added, and submission for inclusion in over 300 human-edited web directories. All documents relating to the ATB SEO project are attached in Annex 5 – Search Engine Optimization/sub-annex 5.2\_ATB.

### **Tourism Info Center Bucovina**

The EDS Program, in cooperation with the USAID-funded Romanian Agribusiness Development Project (RADP), organized a tourist information center training in Rasnov in 2006. The Tourism Information Center in Bucovina, managed by ATB, was invited to attend and materials were made available for the ATB Center's use. The Center was also supported logistically and technically to attend national and international tourism fairs. EDS financed the construction of traditional carved wooden furniture to furnishing their stands at tourism fairs. ATB promotional materials have also been developed within the scope of EDS assistance to the association.

#### **2.2.2.2 Maramures**

##### **Training of Trainers: Accommodation Training for Rural Guesthouses**

This activity was held in cooperation with multiple partners: "Maramures Land Microregion Economic and Social Development" Association (MTMM) Maramures, YMCA Maramures, ANTREC Maramures, Valea Verde Association, ARTCE B&B Maramures, and Operation Villages Romania (OVR) Vadu Izei. The primary purpose of this activity was to train local association representatives to be more effective trainers able to deliver training programs to accommodation owners, especially rural guesthouses. The training programs were designed to help accommodation owners in the region raise their level of guest services and product quality. The main component of this consultancy activity consisted of teaching twenty people to work effectively as trainers and coaches with accommodation owners. This training of trainers program was successful because the project design included formal classroom training of the participants as well as coaching instruction in the field as the new trainers performed their first training sessions with accommodations owners. Seventeen participants consisting of 10 men and 7 women were committed to this process. Participants represented seven different micro-

regional organizations whose reach extends throughout the Maramures region. These micro-regional organizations have the potential to play a pivotal role in contributing to the development of sustainable rural tourism in the region. The workshop was one step in providing technical tools to the associations so that they can support their constituents in rural communities. The final reports prepared by the EDS Accommodation Training Consultant on his activities and also on the training session itself are attached in Annex 9 – Consultant & Activity Reports/sub-annex 9.1\_Final Report\_Accom Training\_Consultant.doc and sub-annex 9.2\_Final ReportTOT2March05.doc.

### **County Center for Tourism Information “Maramuresinfoturism”**

This center, housed within the structure of the Maramures County Council, was established in late 2005 as a cooperative effort between the County Council and the Maramures EDS Tourism Team. The idea for such a center was pushed by the EDS Team and encouraged by the President of the County Council, however, it was only following the EDS-implemented brand audit of Maramures that it became obvious that a centralized organization dedicated to tourism development could further develop the branding of the county. In November 2006, the County Council passed a resolution authorizing the creation of the Information Center in order to coordinate the efforts of a fragmented tourism industry and continue the implementation of the branding initiative. EDS supported the creation of the center by providing technical support in designing the new Center’s organizational structure and mission, donated furniture and equipment, and supported the transition of EDS staff to positions within the new center following the closing of the EDS Tourism field office. The EDS Regional Tourism Manager and Tourism Program Support Officer both joined the County Tourism Center following their tenure with EDS in the roles of Info Center Manager and Marketing and Promotion Coordinator, respectively.

#### **2.2.2.3 Sibiu and Sighisoara**

### **Transylvania Rural Tourism Association (ATRT)**

#### **Website Redesign and Promotion Assistance**

EDS offered support to ATRT in redesigning their website. EDS issued a request for proposals for the website development, however, at the last moment, ATRT decided not to accept EDS assistance and instead chose to continue to develop the website internally. EDS provided the designer with recommendations for Search Engine Optimization and offered assistance in editing English Language content. Despite continued efforts to assist ATRT in improving their online presence, ATRT’s decision to maintain internal control of the process has resulted in no significant improvements or redevelopment of the ATRT website. An additional effort to assist ATRT with promotional materials was the development of a flyer intended to promote the organization to potential new members in Transylvania. The flyer is attached in Annex 4 – Rural Tourism Support/sub-annex 4.2\_ATRT (4.2.3).

#### **ATRT Business Plan (Draft)**

With EDS technical assistance, the Transylvania Rural Tourism Association (ATRT) developed a comprehensive business plan to guide their operations during the time period of 2006-2013. The completed draft plan was presented to the ATRT Board of Directors, which agreed that such development efforts were worthwhile and gave approval to the executive director to initiate implementation of the recommendations. The initial financial projections incorporated into the business plan were derived from a thorough financial analysis of the organization which found the ATRT financial sustainability beyond 2008 would not be possible without continued sponsorship from the associations various French partners. In developing the business plan,

EDS worked with ATRT's executive director to address these potential financial shortfalls and help strategize for a necessary growth of the association. Rapid growth of the association and the subsequent influx of membership dues would be vital in order to avoid future financial problems. The marketing plan developed within the ATRT business plan addresses the need for membership expansion and some implementation steps have been undertaken. The two major marketing initiatives, undertaken with EDS assistance, were the website redevelopment consultation (discussed above) and the development of a series of trainings targeting potential guesthouse owners. These trainings are one of the best marketing channels for ATRT to expand their membership because it presents ATRT as the greatest resource in the area for potential owners, which should lead to new guesthouse joining ATRT. The ATRT business plan draft is attached in Annex 4 – Rural Tourism Support/sub-annex 4.2\_ATRT (4.2.1). Also a set of recommendations for future development was provided to ATRT and is attached in Annex 4 – Rural Tourism Support/sub-annex 4.2\_ATRT (4.2.2).

### **Sibiu County Tourism Association (AJTS)**

#### **Sibiu County Sustainable Tourism Development Strategy 2006 - 2013**

In March 2006, with EDS financial and technical support, the Sibiu County Tourism Association (AJTS), hosted a tourism symposium to begin development of a long-term strategy for tourism in Sibiu County. In this symposium, representatives from over 100 government, private sector, and non-governmental organizations discussed over 70 different issues facing tourism development in Sibiu County. The participants selected 10 issues as the primary focus areas to be addressed in the County Tourism Strategy, which would cover the period from 2007 to 2013. In addition to directly consulting on the strategy, EDS has contributed to supporting its development in the following key areas: asset mapping to provide AJTS with updated information on the tourism assets in Sibiu County, visitor surveys to support strategic decisions regarding future target markets, and branding consulting to develop a specific plan for developing a destination brand identity for Sibiu. Supplemental goals of this project were to improve dialogue and communication among stakeholders working towards the development of tourism in Sibiu County and to assist AJTS market itself as the premier tourism development and promotion organization in Sibiu County. A final report on the symposium, with conclusions and recommendations, is attached in Annex 9 – Consultant & Activity Reports/sub-annex 9.7\_Sibiu Tourism Association Report.pdf.

#### **Restaurant Association Needs Assessment in Sibiu**

AJTS and EDS hosted three meetings for restaurant owners to discuss the possibility of working together to develop an industry association. The participants discussed the benefits and processes related to forming a restaurant association and attempted to discover why greater representation from the industry at these meetings was not possible. Prevailing opinions were that most owners were concerned mainly with the running of their businesses and would most likely participate in an association if there was one in existence though are not willing to work to develop one. All of the information gathered during the needs assessment will be retained by AJTS so that they may maintain a file on restaurants should initiative emerge in the future. The survey and the results of the needs assessment are attached in Annex 9 – Consultant & Activity Reports/sub-annexes 9.8\_Sibiu Restaurant Survey.doc and 9.9\_Sibiu Restaurant Survey Results.xls.

#### **Sighisoara Tourism Association Development**

In September 2005, the EDS Program organized a tourism forum in Sighisoara, bringing together guesthouse owners, hotels, tourism agencies, tour-operators, NGOs, and public

administration representatives to discuss establishment of tourism association to lead tourism development in the area. Following a series of meetings and discussions facilitated by the Sibiu EDS team, two separate tourism organizations were ultimately established: Sighisoara Tourism Association (ATS) and Sighisoara Tourism Zone Association (ATZS). Although the EDS Program made considerable effort encouraging both organizations to work together, attend tourism fairs under the same banner and pursue tourism development initiatives with joined forces, difficult local politics proved too influential for EDS to pursue partnership activities with either association. Support was therefore limited to technical assistance and consulting services provided to both entities.

### **Veritas Foundation**

EDS provided technical assistance to the Veritas Foundation, which runs a small café and is active in tourism and artisan support in Sighisoara. Technical assistance included a complete review of the past cash flows of the Veritas' International Café gathering of baseline sales data across the range of over 250 different artisan crafts and food products sold at the café.

## **2.2.3 Tourism Firm–level Interventions**

### **2.2.3.1 Professional Training**

#### **Accommodation Training for Rural Guesthouses (Maramures)**

As reported in section 2.2.2.2, the EDS Program organized a Training of Trainers (TOT) for local association representatives focusing on effective training techniques for future delivery of the program to accommodations owners. The training programs were designed to help accommodation owners raise the level of guest service and product quality in the accommodations sector of the region. The EDS trainers trained over 90 guesthouse owners from Maramures and the training modules were presented, in written format, to many other organizations, who used the material to train their members or simply made copies available to their members. The training modules are attached in Annex 8 – Training Materials/sub-annex 8.1\_Accommodation Training for Rural Guesthouses.

#### **Web Reservations International (WRI) Training**

The benefits to guesthouses of registering on the Web Reservations International database was explained and well received by guesthouse owners and their representative associations. 17 and 26 guesthouses, from Sibiu and Bucovina, respectively, participated in 'Web Reservations International' workshops to train them in registering their guesthouses online. 11 guesthouses have now successfully signed on to the WRI system in Sibiu and many received bookings shortly thereafter. EDS worked especially well with the Transylvania Rural Tourism Association (ATRT) in registering the association's members. EDS trained the association's director in the registration process during which the 11 guesthouses mentioned above were registered. The director will complete registration for all the member guesthouses and will manage the WRI system and all bookings made through the system as an additional service to the association's members. Documentation explaining the WRI system and registration and management procedures was also presented to seven guesthouses in Maramures. The EDS WRI presentation outline is attached in Annex 8 – Training Materials/sub-annex 8.2\_WRI Presentation Outline.doc.

#### **Public Relations (PR) Training for Tourism Entrepreneurs**

EDS developed a PR Training Seminar that was designed for tourism associations and tourism entrepreneurs. The seminar had a first general and introductory module and then it touched specialized subjects for each category. The seminar was held in Sibiu and 13 people attended.

The PR Training materials are attached in Annex 8 – Training Materials/sub-annex 8.3\_PR Training.

### **Marketing Training for Artisans**

In 2004, immediately following inception of the tourism program in Maramures, the EDS team realized a need to assist artisans to better integrate themselves into the greater tourism sector in Maramures. Utilizing resources and materials from CHF International's "Craft Center," a customized training program was developed that responded to artisans' needs. The seminar's first module focused on practical advice on how to make their business gain expected results, including analyzing records on sales and inventory. The module also offered information about practical tools for display presentation and techniques. As an addendum to this training, EDS organized a "Maramures Tourism Promotion and Craft Fair" in Bucharest. It was appropriate then, that the second module of the Craft Center Training workshop was tailored to train artisans on how to prepare for participation in a domestic retail craft fair. The marketing was reprised for the artisans featured on the Traditional Crafts Road in Sibiu and other interested participants. All of the training materials are attached in Annex 8 – Training Materials/sub-annex 8.5\_Artisan Training (8.5.2, 8.5.3, 8.5.4).

#### **2.2.3.2 Access to International Markets**

##### **Entering the Global Marketplace**

A CHF International "Crafts Center" Program Officer delivered the "Entering the Global Marketplace" training module from a larger *Artisan as Entrepreneur* training series to eleven artisans on 23 May 2006 as a follow-up to the marketing seminar delivered in conjunction with the Traditional Crafts Road project in Sibiu. The training focused on assisting artisans to better understand segments of the global crafts retail market and the capabilities they would need in order to successfully market their product on the international market. The training module is attached in Annex 8 – Training Materials/sub-annex 8.5\_Artisan Training (8.5.1).

#### **2.2.3.3 EU integration and its Impact on Tourism**

##### **EU Awareness Campaign and guides on accessing funding for tourism projects.**

The seminar "The Impact of EU accession on the Tourism Sector" was developed in partnership with The Center for Small and Medium Sized Business Development (CDIMM) Baia-Mare and a private consultant in Sibiu. The purpose of this workshop was to present the European Union and its regulations with a special emphasis on SMEs in the tourism sector and European financing opportunities. The workshops took part in all the regions and over 135 tourism industry representatives attended the meetings. The presentation is attached in Annex 8 – Training Materials/sub-annex 8.7\_EU Integration Impact on Tourism.ppt.

### **2.3 Strengthened Ability to Promote Tourism**

#### **2.3.1 Regional Tourism Promotion and Promotional Materials**

##### **Destination Branding: Maramures and Sibiu**

Destination branding formed a major part of the EDS tourism component's work plan for FY 2006. There had been significant attention paid to the creation of a new national brand for Romanian Tourism although, unfortunately, little headway was made during the timeframe of the EDS tourism component due to constant leadership turnover at the NTA. Rather than wait for the NTA to move forward with a new national branding exercise, the EDS project believed in



the merit of educating public and private sector tourism stakeholders in the EDS regions about destination brands and the branding process, including:

1. The benefits of creating a positive and effective brand;
2. The steps to develop regional brands, and;
3. Providing some direction on additional activities that can be undertaken, alongside existing market research and promotional efforts, to assist in the development of more positive and contemporary images for each of the regions.

EDS contracted a destination-branding consultant to work with stakeholders in both Sibiu and Maramures developing a tourism brand strategy. Her assignment focused on practical steps for the regional stakeholder to follow and resulted in the production of guidelines for stakeholders on how to progress with brand development. The consultant conducted brand audits for the Sibiu and Maramures regions. Individual and group meetings were held with stakeholders in each region and tours of the major attractions were undertaken. Two presentations were made in each region. The first introduced the concept of branding and the second followed up with some recommendations, branding guidelines and also some visual graphics. The results of the assignment were incorporated into a number of other activities that the project was undertaking, namely, the Maramures Cultural Circuits, the airport information boards, and the Maramures County Council tourism portal. The brand reports are attached in Annex 7 – Branding/sub-annex 7.2\_Maramures Brand Report.pdf and 7.3\_Sibiu Brand Report.pdf.

### **Calendars of Events (2005, 2006)**

In 2004, the Tourism team in Maramures, in collaboration with local tourism associations and institutions, produced the first-ever Calendar of Events for the region, covering 2005 events. The initiative was extremely successful and the material was very well received at the International Tourism Fair in Bucharest in the spring of 2005. Therefore, in 2006 all the three regions (Maramures, Sibiu and Bucovina) produced similar promotional materials for their regions. Using the EDS-created template, the newly established Maramures County Council Tourism Information Center produced a 2007 version, illustrating the sustainability of this initiative. The Calendars of Events produced by EDS are included in Annex 10 – Promotional Materials/sub-annex 10.6\_Calendars of Events.

### **Monthly Events Bulletins**

From 2004 to the beginning of 2006, the Tourism Project issued Monthly Events Bulletins to tourists, agencies and tourism information offices in Romania and abroad, featuring information on events of interest to tourists in the project regions. The bulletins were then outsourced to the Mioritics Association for one year under a partnership agreement. Following expiration of the partnership agreement, Mioritics has continued to produce the bulletins, emailing them to more than 800 tourism agencies, information tourism offices abroad, embassies, and other tourism stakeholders. The bulletins are also posted on Mioritics website, [www.dordeduca.ro](http://www.dordeduca.ro). Materials related to the bulletins are attached in Annex 10 – Promotional Materials/sub-annex 10.5\_Monthly Bulletins.

### **Culture & Tourism.ro magazines for Maramures and Sibiu**

The GoodArtofNoon Cultural Association partnered with the EDS Project on two projects, one of which was the publication of promotional magazine for the project regions of Sibiu and Maramures. The association develops cultural projects aimed at raising public awareness of Romania's rich cultural heritage. Their "Culture&Tourism" magazines presented presented the cultural heritage of multiple regions in Romania, targeting both foreign and domestic tourists. The EDS Program offered assistance for the issues dedicated to Maramures and Sibiu,

assisting with the translation and editing of texts and printing costs. EDS sponsored 3,000 copies of the Maramures magazine and 5,000 copies of the Sibiu edition. The project was also financially supported by other donor agencies.

### **“Greetings from Romania” Postcard Competition**

The “Greetings from Romania” postcard competition was launched in June 2005, before the end of the school year. The competition was organized by the EDS Program and Junior Achievement Romania (JAR) aiming to promote the image of Romania worldwide through the imagination and talent of Romanian students. The project was an invitation addressed to foreigners to discover Romania through the greeting cards made by students aged up to 18. The winning designs have been, and will continued to be, used at major promotional events by the National Tourism Authority and other regional project partners in the form of postcards and posters. Implementation of the project included special “kids’ corners” at events held in conjunction with World Tourism Day 2005 in Bucharest and at the 2005 “Cheese & Brandy” Festival in Sibiu. JAR distributed competition invitations to more than 200 schools covering the entire country, resulting in more than 800 entries from all across Romania. The winning entries are attached in Annex 10 – Promotional Materials/sub-annex 10.1\_Greetings from Romania.

### **ATRT Promotional Flyer**

In the beginning of the tourism project in Sibiu, the EDS Program assisted the Transylvania Rural Tourism Association in the creation and printing of a basic promotional flyer aimed at promoting themselves to potential new members. The flyer is attached in Annex 4 – Rural Tourism Support/sub-annex 4.2\_ATRT (4.2.3).

### **Bucovina Brochures**

Following the initial template developed with support from the German GTZ, the EDS Program assisted the Bucovina Tourism Association in updating, improving and printing 10,000 copies of the Bucovina brochure in English, German and Romanian, for the International Tourism Bourse in Berlin, 2006. The copies were distributed among partners though most were made available for sale through the Suceava Tourism Information Center. The brochure is seen as a benchmark for further production of promotional materials, as the design, content, photos, and general layout of the material were of the highest quality. Terra Design, a local firm and member of the association, provided the creative design and printing services.

### **Ciocanesti Village Promotional Brochure**

Although it is only a small village on the way from Bucovina to Maramures, Ciocanesti village has distinguished itself through persistent preservation of traditional architecture and customs of the region. Known for its Painted Eggs Festival in the spring and Trout Festival in early autumn, Ciocanesti was in need of promotional materials to highlight its tourist offering. EDS worked with the Town Hall and was also supported by the local ANTREC branch to produce a promotional flyer for the village. The Ciocanesti Brochure is attached in Annex 10 – Promotional Materials/sub-annex 10.4\_Ciocanesti Brochure.

### **Maramures UNESCO Churches Leaflet**

The Maramures EDS team collected local legends and traditions from the priests of the 8 UNESCO wooden churches to produce this information leaflet. The vast amounts of stories gathered were parsed down to a level that would provide visitors to the churches short stories on the histories of the various churches and are intended for distribution by the churches for promotional purposes. The leaflet is attached in Annex 10 – Promotional Materials/sub-annex 10.2\_Maramures Churches Leaflet.pdf.

### **Maramures Artisan Promotional Brochures**

To complement the Maramures Artisans' Training, EDS worked with the 22 artisans to create promotional brochures in English and Romania. EDS worked with each artist individually to produce promotional materials that highlighted their craft and personalities. The artisans have distributed the brochures at various craft and tourism fairs and some even partnered with local guesthouses to display their brochures. The artisans have easy-to-use template in order to cost-effectively reprint their brochures as needed. The materials produced are attached in Annex 10 – Promotional Materials/sub-annex 10.3\_Artisan Promotional Files.

### **2.3.2 Tourist Guides and Circuits**

To address a lack of purpose-designed self-guided tour options for travelers in Romania, EDS initiated projects in each region addressing this need while playing to strengths of the respective region's tourism offerings.

#### **Maramures World Heritage Trail and Map-Guide**

In Maramures, clearly the 8 UNESCO wooded churches are the draw and so EDS designed a self-guided cultural heritage circuit through the county focusing on these assets while also providing useful information such as lodging and dining options, artisans, and other areas of interest. All of the information gathered was compiled into a comprehensive map-guide, perfect for tourists traveling by car to discover the wonder of Maramures while visiting the famous churches. The map-guides were produced in English and included a full-color map for ease of navigation in addition to the tourist information. The project also meshed well with the EDS-financed directional road signs for the churches. The map-guide and supporting files are attached in Annex 11 – Cultural Circuits/sub-annex 11.2\_Maramures World Heritage Trail

#### **Saxon Heritage Trail and Map-Guide**

Saxon history and heritage is vital to the identity and allure of Sibiu and Sighisoara. EDS developed the Saxon Heritage Trail project to expand upon the tourism offerings in Southern Transylvania while also creating a strategy to preserve and protect the Saxon heritage monuments of the area. This well-produced and professional product serves as a souvenir from a tourist's stay in Sibiu and can be purchased at any church featured on the trail as well as tourist information centers throughout the county. The Saxon Heritage Trail is a new, improved self-guided driving tour of the Saxon Heritage monuments in southern Transylvania. This product features not only the churches and castles, but also the necessary tourism infrastructure information, such as hotels, restaurants, gas stations, and tourism information points. Ten locations were selected based upon a tourism-readiness assessment performed by members of Sibiu EDS team, covering the route from Sibiu to Agnita to Sighisoara to Medias to Sibiu. The pilot project for installations the churches was conducted at the monument Valea Viilor and pronounced a success. Each church featured on the trail benefited from new internal signs, site management policy training, small informational brochures in three languages (English, Romanian, and German), and a large information panel located outside of the structure. The Association for the Protection of the Fortified Churches of Transylvania was the contractual partner in this overall project. The Saxon Heritage Trail map-guide was also produced, in English only, and included a fold out map outlining the circuit for easy navigation. All materials relating to the Saxon Heritage Trail are attached in Annex 11 – Cultural Circuits/sub-annex 11.1\_Saxon Heritage Trail.

#### **Traditional Crafts Road and Brochure**

The Traditional Crafts Road was developed by EDS, in conjunction with the National Museum Complex ASTRA Sibiu, as a tourist circuit running through the region of Sibiu County known as

“Marginimea Sibiului.” The purpose of this project was to build up artisans’ capacity to host tourists in their homes while also creating better and easier opportunities for tourists to visit the artisans. Each of the six artisans featured on the trail is able to perform demonstrations, offer refreshments and items for sale, have scrapbooks and photo albums of their achievements and allow tourists the opportunity to try their hand at the artisan’s craft. A brochure outlining the circuit was produced and made available at targeted tourist information points. Signs for the artisans to post outside of their homes were also produced. The Traditional Crafts Road Brochure is attached in Annex 11 – Cultural Circuits/sub-annex 11.6\_Traditional Crafts Road Brochure.pdf.

### **Village Walking Trails Project**

Three village (Rasinari, Tilisca and Saliste ) walking trails have been developed in Sibiu County with the support of the local authorities, the Community Foundation Sibiu and financing from the Netherlands. The projects focused on a 3-point plan to help visitors explore the villages mentioned above: informational flyers, large village maps posted on large panels in the village centers, and small information panels marked each of the tourist objectives. As part of the agreement the EDS program funded the large information panels, the small panels for monuments and the leaflets to promote the trails while partners supplied graphic design work and installation of all panels. Sample flyers are included in Annex 11 – Cultural Circuits/sub-annex 11.5\_Village Walking Trails.

### **Painted Eggs Road and Brochure**

The Bucovina region is rich in traditions, perhaps most importantly the painting of eggs. EDS worked with artisans in the area and the Ciocanesti town hall to develop a tourist circuit focusing on this unique cultural heritage. The Painted Eggs Road traces a route through Bucovina, noting the locations of various egg painter artisans. Each artisan featured on the road was also trained in hospitality and was provided with a sign to mark their homes and workshops. The brochure provides information on the history of egg painting and the artisans as well as a full color map outlining the recommended route. The brochure is attached in Annex 11 – Cultural Circuits/sub-annex 11.3\_Painted Eggs Road.

### **Pocket Guide to Sibiu**

In collaboration with the Sibiu Tourism Association, the Sibiu EDS team developed a small tourist guide to Sibiu (Little Guidebook of Sibiu). The material was distributed at the International Tourism Fair in Bucharest 2006, one of many preparations for promoting Sibiu as Cultural Capital of Europe in 2007.

### **Tourist Itineraries for the Bucovina Tourism Association (14 Itineraries)**

With technical assistance provided by EDS staff and real examples of how to design a tourist program, the members of the Bucovina Tourism Association developed 14 traditional and new itineraries in Bucovina, capitalizing on the well-known cultural heritage of the painted monasteries and the so-called green-tourism opportunities in the national park of Calimani Mountains. EDS applied industry best practices in the development of the itineraries and provided consultation on the design of the promotional flyers. The promotional flyers can be found in Annex 11 – Cultural Circuits/sub-annex 11.4\_Bucovina Tourist Itineraries.

## **2.3.3 Signage for Cultural and Historic Monuments**

### **“Cultural Patrimony – Discover its Value” 38 Information Panels**

38 cultural interpretation boards were placed at various monuments throughout Sibiu, Maramures, Mures, Brasov, Valcea and Suceava counties through a partnership between EDS,

the GoodArtOfNoon Cultural Association, the Ministry of Culture, BRD Bank and AVIS. As well as assisting financially in the partnership, EDS reviewed the English language texts for each sign. An example of the panels is located in Annex 13 – Signage/sub-annex 13.5\_Information Panel Example.jpg.

### **Information Panels for Saxon Heritage Trail Fortified Churches**

To supplement the Saxon Heritage Trail map-guide and site management tools, EDS financed the manufacture of 7 large information panels for placement outside of the monuments featured on the trail. Only 7 panels were ordered due to the fact that 2 of the monuments received panels under the previously mentioned “Cultural Partrimony – Discover its Value” Project and the panel intended for Sibiu was declined by the church officials. The panels were modeled after the same design as the above-mentioned panels with the notable exception of the use of laser engraved texts as opposed to adhesive stickers.

### **Directional Road Signs for Maramures World Heritage Monuments**

Directional road signs, indicating the location of eight World Heritage churches in Maramures, were placed in a cost-share agreement with the County Council. Utilizing the World Heritage logo, it is anticipated that their positioning will lead to a greater number of visitors, a fact acknowledged by some of the priests of the churches through discussions. Early monitoring of the project indicates that they have been useful in guiding more tourists to the monuments.

### **Dacian Ruins in Tilisca, Sibiu**

The recently discovered ruins of a Dacian citadel in Tilisca, near Sibiu, have become a major point of interest for tourists visiting Sibiu County and are also the subject of considerable archeological importance. Tilisca is also one of the villages found on the Village Walking Trail – a project implemented by EDS and a Dutch foundation, which supports tourism development in the local communities. The EDS ordered the manufacture of 2 large information panels to mark the ruins, one panel at the bottom of the hill and the other at the top, alongside the ruins. The panels are models after those developed for the Saxon Heritage Trail. An example can be seen in Annex 13 – Signage/sub-annex 13.4\_Dacian Ruins Panel Example.jpg.

## **2.3.4 Tourism Promotion Within Airports:**

### **Tourism promotion stand at the Otopeni Airport**

EDS financed the construction and placement of an airport information stand at Henri Coanda International airport outside of Bucharest. The stand provides tourists with a large range of information materials on Romania. The National Authority for Tourism is responsible for collecting and reprinting materials for permanently supplying the stand. The Tourism project also facilitated an agreement with the publishers of the InYourPocket guidebook to have a regular supply on display.

### **Baia-Mare Airport Welcome Panels**

EDS installed two welcoming information panels at the Baia Mare airport. In the past, there was no welcome or information panel to greet the visitors at the airport. The boards have added to the aesthetic beauty of the airport and promote tourist attractions of Maramures. Pictures of the panels are attached in Annex 13 – Signage/sub-annex 13.2\_Baia Mare Airport Large.jpg and 13.3\_Baia Mare Airport Small.jpg.

### **Suceava Airport Touch-Screen Computer**

EDS financed the placement of 2 tourist maps and installed an interactive touch-screen computer at the Suceava airport. Additionally, flyers and promotional materials were provided so that visitors arriving through the airport now have more information on-hand offering details on activities in the area.

### **2.3.5 Tourism Fairs and Event Management**

#### **Maramures Tourism and Crafts Fair, May 2005**

The Maramures Tourism Promotion and Craft Fair was a two-day event, featuring tourism businesses and artisans from Maramures. The aim of the event was to promote Maramures as an exciting tourism destination. The target market for this promotion was the large international community in Bucharest. The target market included foreigners who currently reside in Bucharest and have an interest in traveling within Romania and in purchasing high quality traditional Romanian crafts as souvenirs. The Tourism team considered that this target market would have the time and interest to visit Maramures but that it was not well educated about the tourism opportunities existing in Maramures. The Fair was designed to provide the link between these lucrative potential customers and the tourism service providers and representatives of communities within Maramures. The Fair also featured tourism businesses such as accommodations, museums, transportation, tour operators, tourism associations and others. CHF provided booths, free of charge, to non-profit business support organizations and government representatives. CHF had asked these organizations to host their members in their booths – providing space for their members for promotion. The report on the fair is attached in Annex 9 – Consultant and Activity Reports/sub-annex 9.3\_Report MM Tourism Promotion and Craft Fair.doc.

#### **Microfinance Conference Fair, June 2005 and Romania Night**

As part of the EDS regional promotion efforts, the Tourism team, in collaboration with Event Horizon planners, organized *Romania Night*. This event was part of the 8<sup>th</sup> Annual Microfinance Conference. This event also invited the Romanian Agribusiness Development Project (RADP), a USAID-funded program, to present their vintners to the participants at the event. Over 350 conference participants attended. The Junii Sibiului dancing company provided entertainment and the performance was greatly enjoyed by the participants. Songs and dances from all the regions of Romania were performed, presenting and promoting Romanian culture and tradition.

#### **Chamber of Commerce Maramures Fair, Baia-Mare**

During the Chamber of Commerce Maramures-sponsored annual fair, entitled “Maramures tara veche cu oameni fara pereche,” CHF held the first in a series of workshops in a campaign to promote EU awareness. The purpose of the workshops was to present the European Union and its regulations, with a special emphasis on the way this relates to MSMEs in the tourism sector. There were 18 attendees representing NGOs, local authorities, museums, artisans, guesthouses, and tour agents.

#### **Maramures Cooking Festival**

EDS, with support from the Maramures Folk Creation Centre and the Baia Mare North University, organized a competition for identifying authentic Maramures recipes. Over 50 recipes were submitted to the competition and prizes were awarded for the top three prizewinners in an award ceremony. The recipes were translated into English and made into a book highlighting the unique cuisine, an ideal souvenir for visitors. The book will likely be sold through guesthouses and shops in the region. Some of the recipes will be included on the Maramures County Tourism Web Portal in the future.

### **Maramures Wedding Festival**

EDS supported the attendance of artisans to the International Wedding Festival held in Vadu Izei on 2<sup>nd</sup> July 2006. As well as providing support for the promotion of the event, tents used in Sibiu for the artisans attending the Cheese & Brandy Festival were erected for artisans in Vadu Izei. EDS also helped design, print and distribute the posters for promoting the festival.

### **Bucovina at the Bucharest Travel Fair, 2006**

The EDS program supported the attendance of Bucovina tourism stakeholders at the Bucharest Travel Fair in April 2006. The project supported the construction of a stand based on traditional Bucovinean furniture and financed the production of printed itineraries and a presentation to the travel trade. 22 Bucovina Tourism Association (ATB) were represented and an estimated 1500 visitors came to the stand. 156 Tourism agencies left their business cards and 72 people were present at the launch of the Bucovina Tourist Itineraries. 9 media representatives came to the stand and took photographs and interviews stakeholders.

### **TURSTUD in Sibiu, 2006**

CHF also supported the Club of Economics Students Association to organize the 4<sup>th</sup> edition of TURSTUD, the Sibiu Tourism Fair by paying for one banner to highlight the event.

### **Cheese and Brandy Festival, Rasinari (2005 & 2006)**

EDS assisted and participated in the annual Cheese & Brandy festival held in the village of Rasinari in Sibiu County. The 2005 event attracted more than 50 local producers and 800 visitors. During the festival, the project supported a workshop on EU standards. The Greetings from Romania postcard competition was hosted in a special “kids’ corner.” EDS also purchased tents for artisans to use and contributed to an analysis of the event via a guest questionnaire and the subsequent data analysis. In 2006, EDS contributed only technical support and tent usage to the festival’s organizers. The 2006 event was larger and better organized than the 2005 event, testament to the fact that the organizers learned from their experience of the prior year. Under EDS guidance, the organizers introduced new revenue generating systems for parking and vendor selection and for the first time ever the festival made a profit. The 2005 survey and results summary are attached in Annex 9 – Consultant and Activity Reports/sub annex 9.4\_Cheese&Brandy Questionnaire.doc and 9.5\_Cheese&Brandy Survey Results.xls

### **Peony Festival, Gura Raului**

EDS provided technical assistance and limited financial support to the Peony Festival in Sibiu held in July 2006. Tents used in the previous year’s Cheese & Brandy Festival were provided to the organizers and EDS financed the printing of a promotional poster. The poster is attached in Annex 4 – Rural Tourism Support/sub-annex 4.2\_ATRT (4.2.4).

### **Craftsmen Fair in Sighisoara, June 2004**

The Tourism team worked with the Veritas Foundation in organizing the annual fair. The EDS Program partially supported the accommodation of the 30 participating artisans and assisted with the development of promotional materials.

### **Sibiu 2007 Promotional Film Sent to Berlin Tourism Bourse in 2006**

The EDS Program helped financially and logistically to register the documentary movie produced by the ASTRA Film Studio at the documentary movie presentation section at the Tourism Bourse in Berlin 2006. The film intended to promote Sibiu in preparation of the complex series of events relating to Sibiu’s Cultural Capital of Europe in 2007.

## **2.3.6 Technical Assistance and Management Training for Museums**

**Audio Tour Guides: Sibiu and Maramures**

The EDS team in Sibiu, in collaboration with the National Museum Complex “ASTRA” Sibiu and the United States Peace Corps, developed a pilot project for an audio tour program at ASTRA’s open-air village museum in Sibiu. The concept behind the pilot project was to assist ASTRA museum in developing a sustainable and expandable new product offering at the popular open-air village museum. By expanding the level of guide services at the museum, ASTRA would attract more visitors and supply these visitors with a more rewarding museum experience. In addition to the purchasing of the audio tour equipment, the project included a series of training sessions which addressed the following areas: sales and marketing of new and existing museum products and services, statistical analysis tools which would help ASTRA to better understand visitor trends and preferences, and financial analysis of new and existing museum products and services in order to better recognize profitable activities and more accurately forecast different revenue streams. All revenues earned from the pilot program have been reinvested into the audio tour program to manage its sustainability and future expansion. All materials relating to the ASTRA Audio Guide Program, including training manuals, are attached in Annex 8 – Training Materials/sub-annex 8.8\_ASTRA Audio Guide. Given the interest in and success of the audio guide project in Sibiu, the Maramures EDS team subsequently initiated a similar project with two Maramures county museums. The project was implemented at the history museum in Baia Mare and the open-air village museum in Sighetu Marmatiei.

**Museum Round Table in Sibiu: Improving the Visitor Experience**

On Monday, 15 May 2006 the Sibiu EDS project team hosted a museum roundtable conference at the “Friedrich Teutsch” House of Culture and Dialog in Sibiu. The purpose of the event was to gather together representatives from all museums in Sibiu County and select museums from the other EDS project regions of Maramures and Bucovina for a series of informative presentations and discussions regarding museums in Romania. The theme for the conference was “Improving the Visitor Experience” and the presentations and discussions were focused around this subject, including defining and improving the visitor experience, marketing and promotion, and integrating artisans into museums. Of the 46 museums invited, 28 persons participated representing 22 museums and/or institutions.

**Bruckenthal Natural History Museum Visitor Experience Analysis**

Resulting from the museum round table event, the Brukenenthal Natural History Museum requested assistance from the Sibiu EDS team in providing an analysis of the museum’s current visitor experience. The EDS team conducted 3 site visits to the museum that resulted in a set of recommendations for improving the visitor experience through innovative display and interpretation as well as ways to incorporate special events into the museum’s offerings. In 2007, the museum entered renovation and the museum staff developed a new management plan. Many of the EDS team’s recommendations were incorporated into the management plan though as renovations will not be completed until after the completion of the EDS program, direct results of EDS recommendations cannot be measured. The complete set of recommendations are attached in Annex 9 – Consultant & Activity Reports/sub-annex 9.6\_Natural History Museum recommendations.doc.

**Signage and Pavement for the Open-air Village Museum in Suceava**

With EDS technical and financial support pathways and interpretative signage have been installed at the Village Museum in Suceava. A map has also been produced and a press release highlighting all the improvements was released on 29<sup>th</sup> June 2006.

**“Maramures in the Mirror” Festivities at the Romanian Peasant Museum in Bucharest**



EDS provided technical assistance and financial support of a three-museum, six week exhibition of Maramures in Bucharest. Based at the Romanian Peasant Museum, the Natural History Museum and the Museum of Geology, the event was entitled “The Country is Full of Countries - Country of Maramures.”

With all three museums involved, the event helped to promote Maramures as a tourism destination amongst tourists and expatriates. The following activities were supported as part of the EDS contribution:

1. **Temporary Exhibition at The Museum of the Romanian Peasant:** “Maramures in the Mirror,” an interactive event consisting of the three exhibitions at the three neighboring museums;
2. **Traditional Music Concert** – two generations of fiddlers;
3. **Printing an Exhibition Brochure**, which was distributed free of charge together with a unique entrance ticket for all three museums;
4. **Hosting a Gastronomical Evening of Maramures Cuisine.**

### 2.3.7 IT Interventions for Improving Tourism Promotion

#### **Redesign of [www.mturism.ro](http://www.mturism.ro) and [www.romaniatravel.com](http://www.romaniatravel.com)**

The National Tourism Authority owns and operates both a corporate website and a promotional website located in Romania and other being promotional sites hosted overseas. Because of the inconsistent image being portrayed between all sites, the lack of modern user interface and information of poor quality on some, EDS suggested that the Authority update all the sites along a common theme using modern Internet technology. The original assistance proposal drafted was to be supported by the RITI Access Project (a USAID-funded IT-related program). However, their involvement did not come to fruition and EDS was left with the obligation to assist. While there were strong arguments in favor of supporting the initiative, EDS was concerned with the apparent lack of commitment, involvement, and planning on behalf of the NTA. Nonetheless, a was finalized with Kondiment SRL for the redevelopment of two websites for the National Authority for Tourism. The first site, the NTA’s corporate site ([www.mturism.ro](http://www.mturism.ro)) was redesigned and updated. The second site, a consumer site ([www.romaniatravel.com](http://www.romaniatravel.com)) was also redesigned and the NTA hired a contractor to develop new content. The consumer site’s redesign was based on recommendations made by the EDS IT component based on a study they completed on best practices in national tourism websites.

#### **Search Engine Optimization (SEO)**

As more and more tourists research, plan, and purchase vacations over the internet, websites aiming to capture and entice potential tourists must increasing design their sites around criteria that results in improved search engine rankings. Search Engine Optimization (SEO) is a process in which a website is analyzed by qualified professionals, who then issue a set of recommendations aimed at increasing the site’s search engine rankings resulting in increased traffic to the site. Due to the growing importance of search engine rankings, EDS sponsored a select few Romanian tourism industry websites. The Sibiu Town Hall ([www.sibiu.ro](http://www.sibiu.ro)), ASTRA museum ([www.muzeulastra.ro](http://www.muzeulastra.ro)), ANTREC ([www.antrec.ro](http://www.antrec.ro)) and ARTCE B&B ([www.bed-and-breakfast.ro](http://www.bed-and-breakfast.ro)) websites were chosen for optimization consultation. The NTA website ([www.romaniatravel.com](http://www.romaniatravel.com)) and the Maramures County Council Tourism portal ([www.visitmaramures.ro](http://www.visitmaramures.ro)) were also optimized as part of their design contracts. An RFP for the 4 sites was issued and awarded to KSD SRL for implementation (the individual work for every site was quoted separately). The contracted company issued preliminary reports on each website, edited a guidebook for webmasters, decided upon the keywords in Romanian and other foreign languages and started the SEO process through the issuance of positioning reports. The

websites were subject to the following processes: initial monitoring, personalization of pages titles, descriptions and keywords, implementation of a friendly site architecture, a Google sitemap added, written guidelines for webmasters developed and delivered, an RSS news feed added, and the sites were submitted for inclusion to over 300 manually edited web directories.

### **Maramures County Council Tourism Portal ([www.visitmaramures.ro](http://www.visitmaramures.ro))**

EDS issued an RFP for the development of a tourism web portal for Maramures County Council and Antiq Design, based in Brasov, was selected as the contractor. The site map was created along with basic design work. The website's content and photographs were developed internally by EDS staff from Bucharest and Sibiu. The new website incorporated a large number of activities that EDS completed in Maramures including: branding, asset mapping, traditional recipes and cultural routes. The website is maintained and updated regularly by the Maramures County Council Tourism Information Center.

### **Panoramic Tours of Bucovina - Collaboration with Panoramax**

Panoramax, an IT company specializing in creating 360 degree virtual tours provided, free of charge, 50 tours of the Bucovina region. EDS facilitated the visit of Panoramax to the region and has passed along to all Bucovina stakeholders the information required to upload these tours, free of charge, to their own proprietary websites. The tours can be viewed at [www.panoramax.ro/bucovina](http://www.panoramax.ro/bucovina).

### **Dezvoltare\_Turism\_Romania@yahoogroups.com**

In 2005, the EDS Tourism team started a yahoo tourism discussion group, which was administered by EDS until the end of the project at which point moderator duties passed to the executive director of the National Association of Travel Agencies. At the time of writing, the group has 158 members and over 900 messages have been posted on the site.

### **Web Reservations International – Free Online Booking for Guesthouses**

Web Reservations International (WRI) is an Irish company that enables real-time credit card reservations at no cost to, and with minimal requirements of, the property owners themselves. Once a property owner registers his property on WRI's website, the property's rooms/beds become available for online booking through WRI's own site and on over 1000 affiliated travel websites.

Online booking of accommodations is the fastest growing avenue for tourists making room reservations. Every year more and more tourists are using the Internet to plan their vacations and online room reservation is a key ingredient in this process. By having the capability to receive room reservations via the Internet local businesses stand to gain more exposure worldwide as well as increase room-night sales. Western tourists, especially independent travelers, prefer to book reservations online and are increasingly unwilling to make the extra effort needed to locate available rooms via more traditional methods (travel agents, telephone, etc.). Through the efforts of the EDS Program, guesthouses were encouraged to enroll with WRI. 17 guesthouses, members of the Association for Rural Tourism in Transylvania (ATRT), and 2 guesthouses in Bucovina, members of the Tourism Association Bucovina, have been enrolled.

## **2.4 Increased Access to Credit**

### **2.4.1 Access to Finance Workshops**

Four EU Awareness training events were implemented in Maramures, Sibiu, Sighisoara and Bucovina targeting small tourism entrepreneurs, guesthouse owners, and artisans. The syllabus

developed was revised and updated with new contributions on European norms and specific regulation. The EDS Credit Component delivered the seminars. 216 entrepreneurs directly participated in seminars or received training materials prepared by CHF.

#### **2.4.2 Access to Finance for Tourism Projects**

In line with the EU Awareness campaign, the EDS program researched EU websites for information and programs relevant to tourism. This information was regularly disseminated to the regions for their consideration in promulgating further. Two comprehensive studies were produced by the Tourism team and are attached in Annex 12 – Access to Finance/sub-annex 12.1\_Financing for Cultural Projects.doc and sub-annex 12.3\_Funding Guide for Partners.doc.

### **2.5 Improved legal and regulatory environment for tourism**

#### **2.5.1 Value-added Tax (VAT) Impact on Romanian Tourism Industry Study**

This paper, undertaken by the Group for Applied Economics, addresses the underperformance of the Romanian tourism sector. Tourism is considered an important industry in many countries in the region, while Romania, with a remarkable potential and tradition in this area, lags behind almost all the other transition economies in terms of industry results. One hypothesis, considered in this paper, was that this underperformance might be caused by a heavy fiscal burden. The EDS Program, following discussions with the National Association of Tourism Agencies (ANAT), ordered the study. The study is attached in Annex 12/sub-annex 12.2\_VAT Impact on Tourism.doc.

#### **2.5.2 EU Integration and its Impact on Tourism**

Within the EU awareness campaign, the tourism entrepreneurs received information regarding the impact on the tourism industry of adoption of EU norms. The presentation delivered addressing these issues is attached in Annex 8 – Training Materials/sub-annex 8.7\_EU Integration Impact on Tourism.ppt.

### **2.6 Collaborative Efforts with Other Organizations and Donors**

#### **2.6.1 Junior Achievement Romania (JAR)**

##### **Tourism and Travel Business (TTBiz) and Job Shadow Day**

The EDS Tourism Component entered partnership with Junior Achievement Romania in order to implement a tourism entrepreneurship training program for youth. The program's objective was to implement the Tourism & Travel Business Program (a business/entrepreneurial course) in three areas: Suceava, Maramures, Sibiu. The program also sought to more than double the current number of student volunteers (JAR program alumni and business consultants).

The project included three main components:

1. Teachers were trained to operating the program within the regular school curriculum or as an extra-curricular activity.
2. Implementation of the TTBiz program in schools
3. A "Best Business Ideas" Competition for the sale and distribution of the winning entries of the "Greetings from Romania" postcard competition.

For the duration of one school year, the JAR TTBIZ Program taught students, in a practical, learning-by-doing way, how to set up and run their own tourism and travel company, how to raise capital, assess market opportunities, and finance a product or service of their own choice.

At the end of the year they closed down the business and presented a report along with a profit and loss statement. Private companies provided volunteer professionals for some classes and on-line business consultancy for students and teachers to additionally support the program. There were 84 teams in the competition (393 students) from 25 towns and 21 counties; 72 teams were composed of high-school students; 11 teams were composed of university students, and 1 team was mixed. The students represented 47 schools and universities.

### **2.6.2 Regional Competitiveness Initiative (RCI) - USAID**

In 2005, the EDS program hosted a regional conference in cooperation with the Regional Competitiveness Initiative (RCI) that involved colleagues from USAID-funded tourism programs in Macedonia, Bosnia & Herzegovina, Serbia, Montenegro and Bulgaria. The conference resulted in the development of a proposal for possible RCI funding aiming to improve the accessibility of quality regional tourism websites through search engine optimization. Unfortunately, despite becoming close to signing a contract with the RCI subcontractor, EDS was informed that they were unable to sign directly with a USAID contractor.

### **2.6.3 Romanian Agribusiness Development Program (RADP) – USAID**

#### **Tourism Information Center Training**

RADP conducted 2 training sessions for tourism information centers in October 2006 as a follow-up to the work of a prior consultant's visit to Romania to work one-on-one with RADP tourism stakeholders. The RADP Project extended invitations to EDS stakeholders to attend one or both of the trainings sessions. Three EDS team members and four stakeholders from the EDS regions attended the training. The training proved to be especially useful for Sibiu County Tourism Association representatives who have applied to knowledge in during the development of several tourism information centers in Sibiu County.

#### **Familiarization Tours**

The EDS Program supported a RADP-organized familiarization tour for UK journalists as the itinerary was due to take in Sibiu and Sighisoara. The Sibiu EDS team supported the RADP-led familiarization trip of 6 UK journalists through Sibiu by arranging for a meeting with the Mayor of Sibiu and a guided tour of ASTRA museum during hours that the museum is typically closed.

One of the journalists, David Browne, from eTurboNews, an online newsletter for global travel and tourism news, published an article on Sibiu on June 14<sup>th</sup>, 2006 that was distributed to over 255,000 tourism industry professionals.

### **2.6.4 United Nations Development Programme**

#### **EU Training on Eco-tourism**

In December 2006, the UNDP Environment and Energy Section organized a training on EU legislation as applied to eco-tourism in Baia-Mare by. Two EDS team members were invited and attended the training. Information and resources were then shared with all relevant EDS stakeholders.

### **2.6.5 Peace Corps**

The EDS Tourism Component enjoyed a fruitful relationship with Peace Corps Romania, which consistently benefited the program. One Peace Corps volunteer was assigned to the Sibiu field office and following his Peace Corps service joined CHF as the EDS project manager. Peace Corps volunteers were also involved in supporting program activities in Maramures and new volunteers in Sibiu also offered assistance. The creation of a website for the Union of Plastic

Artists in Sibiu was a project originally initiated by EDS and was turned over to a volunteer for eventual completion. Peace Corps Romania also invited members of the Tourism team to deliver training sessions to incoming and currently serving volunteers during Pre-Service and In-Service Training on topics ranging from general presentations of the EDS program to working in tourism development in Romania and business education.

### **2.6.6 IBD/GTZ**

The German IBD/GTZ Program had been heavily involved in the development of tourism in Bucovina before the EDS Program entered the region. Therefore, the initial introductory visits to the region were conducted in common with GTZ and the German program introduced the EDS Program to many key local stakeholders and partners, and especially to the Bucovina Tourism Association.

The two programs have collaborated well for national and international tourism fairs, joining logistical and financial forces to support the attendance of participants from Bucovina to such fairs. Training information was exchanged between the two projects and a number of joint initiatives (such as a promotional brochure for Bucovina) were implemented together.

### **2.6.7 Familiarization Tours (Maramures and Sibiu 2006)**

#### **“Meridiani” Magazine**

Between 11th and 14th February 2006, EDS together with the Mara International Travel agency, at the request of the National Tourism Authority, organized a visit for Mr. Enrico Martino, an Italian journalist to write an article about Maramures and the Sapanta Merry Cemetery that appeared in the April 2006 edition of “Meridiani” magazine. The magazine is a monthly tourism magazine, with a 100,000 issue monthly subscription and direct sale circulation.

#### **Lonely Planet Romanian and Moldova**

In April 2006, EDS Sibiu staff met with Robert Reid, the author of Lonely Planet’s Romania and Moldova Guide. A new edition was planned for 2007 and Mr. Reid was conducting the field research and writing. Mr. Reid was given insight many EDS initiatives and partners in the region, including the Village Walking Trail Project, the Saxon Heritage Trail, ATRT, ASTRA Museum Audio Guide Project. EDS arranged a tour of the ASTRA village museum and was given contact details for ATRT so he could further research accommodations in the villages surrounding Sibiu.

#### **“Bell’Europa” Magazine**

The Sibiu team also organized an itinerary for an Italian journalist, Marco Moretti, who visited Sibiu between 29<sup>th</sup> August and 5<sup>th</sup> September 2006. Austrian Airlines sponsored his airfare and ATRT his accommodation. EDS staff assisted as guides and provided logistical support. An article was published in February 2007 in “Bell’Europa” Magazine featuring Romania and especially Southern Transylvania, Sibiu and Sighisoara.

### III. Result 3 – Improved Competitiveness of Selected ICT Firms

#### 3.1 Overview

In December 2004, CHF Romania began collaboration with Booz Allen Hamilton to identify a sector to support under the Competitiveness component of its Enterprise Development and Strengthening (EDS) program. The researchers identified the Information & Communication Technology (ICT) industry as the most attractive sector for support under the program. A database of the component's partners in the public and private sectors is attached as Annex 5 – Participant-Company-Industry Database. We have exceeded all of our program metrics in the three major component segments. Training and Certification, trade promotion and Home Market Development, with a particular emphasis on tourism.

Program highlights include the following:

- The 200 companies with which we worked grew revenue by 149.8 percent, compared to market growth of only 13.3 percent.
- 96.2 percent of ICT companies ranked USAID/EDS as a high quality program.
- Nearly three quarters of the companies surveyed said that the program played a very significant or significant role in improving their competitiveness. The top three contributions cited were improved project management, increased quality of products and services, and increased productivity of projects.
- The Trade Promotion program succeeded in establishing a sustainable public and private partnership that for the first time, has ownership of the website, brand book and copyright for the brand. Direct marketing efforts resulted in over 5 million media impressions for the Romania IT industry, including articles in The Economist, the 2007 EIU IT Global Competitiveness Report and the Associated Press.
- During CeBIT 2007, the Romanian delegation obtained 1,200 additional contracts with Pan-European companies, valued at approximately 4 millions euros.
- Training programs focused on both end user and training providers. EDS training programs have led to new master level courses in CMMI in 4 universities, qualification of a Romanian lead appraiser (representing the first such appraiser in Eastern Europe), and sponsorship of over 120 companies to become PMP certified.

#### 3.2 Training & Certification

Training and certification presents a unique opportunity to shape the Romanian IT market and change perceptions of Romania as a low cost (read: poorly skilled) provider to a high value (read: highly skilled) global partner. We focused the courses in three key areas: project management, process improvement, and sales and marketing.

Initially, we focused on training the participating companies and their employees, thereby laying the groundwork to grow skills and strengthen areas of expertise. However, in the last year, we transitioned the focus to certification, the next logical step that would allow the trainees' newly acquired knowledge to be recognized in the market. With internationally recognized certifications, participating IT companies are better positioned to compete globally.

We focused our courses on 4 key areas:

- Project management

- Process improvement
- Sales
- Software Engineering

### 3.2.1 Project Management

Following extensive research, the ITC Component recognized that the educational system in Romania required improvement in several non-technical areas, specifically project management. Project management impacts company productivity, particularly in larger software projects and high-value-added services where the supplier must determine not only what, but also how, to develop its product.

To increase the number of the local Romanian PMP certifications, the EDS IT component decided to sponsor the PMP preparation class and PMP certification exam at 50% of the total cost.

We selected two local Registered Education PMP Providers (Ten Step Romania and one of the PMI Romania Chapters) as our local partners. We then sponsored 126 people for the PMP preparation class and 15 people for the PMP certification exam. Documentation relating to the EDS-sponsored PMP programming is attached in Annex 6 – Project Management Professionals.

### 3.2.2 Process Improvement – Capability Maturity Model Integration (CMMI)

**We have ensured that one or more Romanian consulting companies have added CMMI lead appraisers to their teams with our support, making Romania the first country between Germany and India with this resource in place.**

Process improvement is a company-level discipline and is crucial as Romanian companies continue to grow, wages rise, and competition with more efficient software houses intensifies. CMMI allows an organization to assess and describe its software development process, so it may compare itself against industry standards and refine and improve the software development process.

The EDS program supported the CMMI adoption in Romania in four ways:

- Provided end user courses for all individuals interested in process improvement for software development but especially for those who plan to work on CMMI assessment teams in their companies or as consultants;
- Provided curriculum development consulting and workshops for university and research institute faculty who were interested in incorporating the CMMI process improvement into informatics courses and for consultants interested in developing CMMI materials;
- Awarded grants for companies interested in investing in CMMI assessments for their companies; and
- Awarded grants to consultants and trainers interested in becoming SEI-certified assessors, lead assessors or trainers.

a) Firm Certifications

**In the last year, all EDS sponsored firms successfully passed the CMMI path milestones (SCAMPI A, B, and C). As a result, they are among the first firms in Romania to have mature processes compatible with the CMMI model. A mechanism is in place for ongoing certification funding through another donor and/or the GoR.**

These companies now have internal and external certified auditors in place, so they may more quickly complete the certification process. Sponsorships provided 50 percent up to a maximum of US\$15,000 for the direct costs of implementation and appraisal.

The CHF selection committee awarded the grants to three Romanian IT companies who fulfilled the selection criteria: (1) Business Information Systems (BIS) in Bucharest, (2) OMNIS Group in Bucharest and (3) Sysgenic Group in Targu Mures. Each company expects to achieve CMMI level two status within one year.

The EDS IT component monitored and controlled the CMMI path for these companies. Upon request, we brought Booz Allen Hamilton consultants to their facilities and organized in-house workshops that focused on how the companies could achieve compatibility with some of the process areas stipulated in the CMMI Model (e.g. Risk Management, Project Management).

In order to help other companies become CMMI compatible and learn from the experience of implementing the CMMI model, we collaborated with local IT experts and the IT associations to create the Romanian Software Improvement Network, or SPIN Romania.

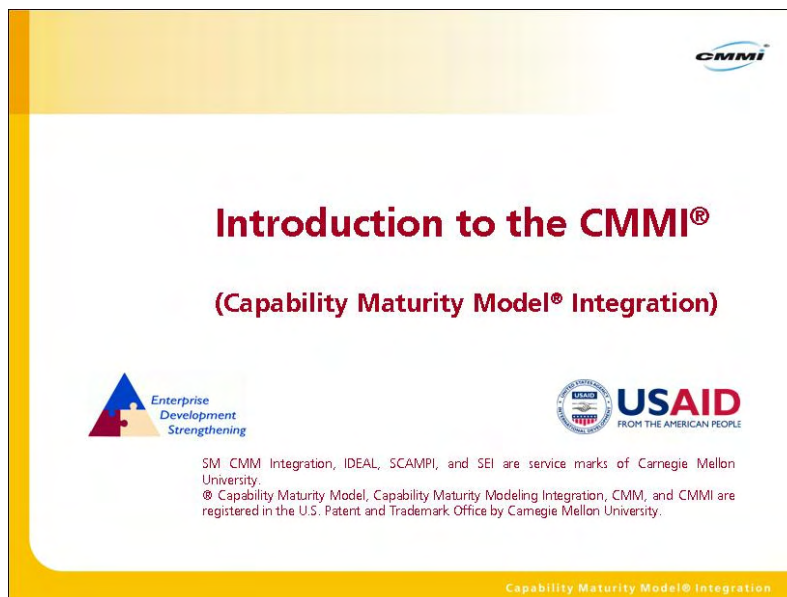
SPIN Romania focuses on improving the software development and maintenance process through a forum that allows free and open exchange of software and systems process improvement experiences and practical ideas. SPIN Romania is now a legal entity affiliated to the Software Engineering Institute and continues to organize periodic workshops with Romanian IT companies on how to address CMMI process areas. **A mechanism is in place for ongoing certification funding through another donor and/or the GoR.**

b) CMMI Curriculum

**Per the workplan, we designed the CMMI university curriculum and achieved the following results:**

- **Developed a complete 1-semester course** for Masters and Bachelors candidates with over 600 slides, speaker notes, exercises, etc. The final version of the course will be complete in approximately one month;
- Received letters of commitment from the rectors of 3 universities (Bucharest Polytechnic, Ioan Cuza Iasi, and the University of Transylvania Brasov) to **create a for-credit course from the materials we developed**; we expect at least one additional university (Timisoara Polytechnic) to collaborate; and
- **Enabled five participating professors to file an application with the Ministry of Education to write a Romanian language book, “Modern Software Development in the CMMI Context,”** which deals with software quality and process improvement. The book has been sent to the publishing house and will be used in the course.





We organized three sessions of the “CMMI Workshop” with support from the following university, government and private sector organizations:

- Computer Science Faculty - Bucharest
- Automatics and Computers - Bucharest
- Faculty of Electronics and Communications Technology - Bucharest
- Chamber of Commerce - Bucharest
- Faculty of Public Administration, Faculty of Computer Science - Iasi
- Faculty of Business Administration - Iasi
- Faculty of Electrical Engineering and Computer Science - Brasov
- Faculty of Automation and Computers - Timisoara
- Faculty of Computer Science - Cluj Napoca
- Faculty of Commerce - Bucharest
- Faculty of Electronics and Communications Technology - Cluj Napoca
- Faculty of Management of Informatics Systems) and
- Two consulting firms (TenStep Romania and Helix Consulting) who plan to include CMMI in their services.

The CMMI course materials are attached in Annex 2 – CMMI Course Material.

c) CMMI Individual Certifications:

**Romania has successfully procured a certification partner as a result of our efforts and a small investment of USAID training funds.**

EDS IT organized 4 sessions of “Introduction to CMMI Staged and Continuous” trainings with 50 companies. These trainings are the first step in achieving a CMMI Maturity Level. We also worked with the two leading IT Associations – the Romanian Association of the Electronics and Software Industries (ARIES) and the National Employers’ Association for the Software Industry

and Services (ANIS) - to organize four sessions of “CMMI for Senior Managers” in Bucharest and Cluj Napoca with regional stakeholders who were interested in learning more about how CMMI can help improve the quality of the IT products.

We marketed Romania’s IT potential to a Canadian CMMI Consultancy Company, Alcyonix. As a result, Alcyonix will be opening an office in Romania and will deliver CMMI consulting and certification services. With this office, **Romania will soon have an Software Engineering Institute (SEI) Transition Partner with a local (Romanian) national as a certified lead appraiser permanently based here.** Therefore, local companies can expect to be certified without having to pay the travel costs of international assessors. **No other country in Eastern Europe and Russia offers CMMI certified lead assessors.**

d) CMMI Grants for Lead Appraisers

The EDS program sponsored the training and certification of a local resident, enabling him/her to serve as a CMMI instructor and/or appraiser to lead CMMI (including SCAMPI A and B) assessments.

The EDS committee decided to sponsor Sebastian Cazacu from Sinergent Consulting. Mr. Cazacu is an experienced trainer who wants to expand his portfolio with CMMI consulting skills. He successfully completed the EDS-sponsored SEI courses and became a certified CMMI lead appraiser. **As a result of our local empowerment initiative, Mr. Cazacu has become the first Romanian CMMI lead appraiser who can audit all the CMMI certifications in the region.**

e) ISTQB Certified testing courses

The EDS team identified a training gap in the Romanian IT sector’s previously established international certified testing courses. Together with ANIS, we identified the International Software Testing Qualifications Board (ISTQB) certifications as a solution to the problem.

The ISTQB is responsible for the international qualification scheme called "ISTQB Certified Tester". The qualifications are based on a syllabus upon which there exists a hierarchy of qualifications and guidelines for accreditation and examination. The ISTQB Foundation Level exam replaced the existing Information Systems Examination Board (ISEB) Foundation Exam as of June 2006 and therefore represents the cutting edge in international certifications.

ISTQB supports a single, universally accepted, international qualification scheme, aimed at software and system testing professionals, by providing the core syllabi and by setting guidelines for accreditation and examination for national boards. Each course is concluded by an examination covering the contents of the syllabus.

The EDS team, in conjunction with ANIS, introduced ISTQB sessions to Romania. We sponsored 20 Romanian IT engineers for ISTQB certifications.

### 3.2.3 Sales & Marketing

The EDS team designed the sales and marketing approach to help the beginner or veteran sales rep, sales manager, or company executive improve sales of technology products, services and solutions.

The core course, called the Sales Process Overview, was a two day, hands-on workshop based on the Signature Selling Method originally developed by IBM. It helps sales people understand the customer's buying process to better match technology solutions to business needs, focus on good leads and eliminate bad ones, and control the sales cycle. We delivered four sessions of "Sales Process Overview" organized by ANIS and sponsored by the EDS IT Component. Since the course generated significant interest, we trained over 50 IT sales people from 30 IT Companies. Now ANIS has assumed responsibility for administering the course and periodically provides new sessions.

**The component has achieved or surpassed all goals and has provided services to 147 companies with total 2005 revenues of \$2.166 billion<sup>19</sup> and employment of 42,756. The program provided training courses to 310 individual attendees toward an FY 2006 goal of 240.** Course materials are attached as Annex 8 – Sales Course.

### 3.2.5 Software Engineering Courses

In FY06, we conducted several seminars to develop a university-level Masters' course in software and systems process improvements and designed and developed over 650 pages of original course materials.

Based on the request of counterparts and stakeholders and on our analysis of subject areas missing in the market and needed by software companies to be competitive in the EU, we identified three courses:

- Modern Software Development - A guide to the current trends in software development to enable better communication and coordination on global development projects. The course materials are attached in Annex 9 – Software Engineering/sub-annex 9.1\_Modern Software Development.
- Product Management and Marketing Today – Participants become familiar with the key thinking on the topic of product positioning and learn about the importance of product management to the success of today's companies. A special emphasis is made on how to leverage the Internet to create great products. The course materials are attached in Annex 9 – Software Engineering/sub-annex 9.2\_Product Management & Marketing Today.
- Web 2.0 Overview - General understanding of Web 2.0, primary technologies and philosophy. The class observes and participates in the complete development of a sample Web 2.0 application. The course materials are attached in Annex 9 – Software Engineering/sub-annex 9.2\_Web 2.0 Overview.

We trained local Romanian consultancy companies (15 trainers) in providing these software engineering courses, which the companies have offered on a sustainable for-profit basis since December 2006. As a result, Sysgenic has organized three sessions of the Modern Software Development course in the past year. **The consolidated feedback forms proved once again the great impact of the EDS software engineering course upon local software engineers who participated in the classes.**

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<sup>19</sup> The figure in RON is 6,363,624,098 converted at the year end rate of 2,9137 RON/USD

ANIS also periodically organizes software engineering courses created by the EDS team. The trainers are the local experts who have successfully completed our “train the trainers” courses.

### 3.3 Trade Promotion

The second pillar of our competitiveness approach centers on trade promotion. Simply acquiring new skills is not enough to gain market traction. While excellent training provides an important foundation, a sector identity must be developed that can reinforce the quality of the industry in order to dispel its “cheap” label.

For Romania to reach its full market potential, the development of stronger public-private partnerships is essential. In FY 2007, the EDS Program has helped the Romanian Government initiate a public-private partnership (also known as Tech-21) for the branding and promotion of the IT industry under the auspices of the National Export Council. Tech-21 completed a Sector Branding Strategy, which sought to promote the industry as a global high value technology partner and make the IT industry an engine for economic development and foreign direct investment in Romania. USAID/EDS provided significant technical assistance in the strategy’s creation and executed the programs detailed within the workplan.

To generate the concept of a national ICT identity, we designed an internal awareness campaign that targeted all relevant stakeholders (industry, government and associations), resulting in the birth of RomaniaIT. We incorporated participant input when implementing the external launch that would generate global awareness of RomaniaIT. We also advised the GoR and ARIES to promote certain niche sectors with the highest potential to compete in the global IT market.

Romania’s potential has not gone unnoticed by the international IT Market, especially as the EDS IT Program has worked to boost Romania’s visibility. For example, Bitkom, the leading German IT association, recognizes the growth that can be achieved if German and Romanian firms partnered together. Bitkom sees Romania as a reliable trade and resource partner in the global IT market. **Our work has also led to positive global exposure for the Romanian ICT Industry in the following publications/media outlets:**

- 2007 EIU Global Competitiveness Report indicating Romania’s ICT industry’s strong competitive position globally (ahead of India, China and Russia)
- Agence France Press
- The Associated Press
- Bucharest Business Week
- Deutsche Welle Radio (German news radio service)
- The Economist
- Gartner (in preparation for comprehensive sector analysis report)
- IDG Europe News Service
- Industrie and Technologies (French IT trade publication)
- Investor’s Business Daily
- IT Europe
- Nine O’Clock News
- The Times / The Times Online (UK)
- Ziarul Financier (leading Romanian financial/business newspaper)

Materials relating the the RomaniaIT export branding activity can be found in Annex 7 – RomaniaIT.

### 3.3.1 Key Accomplishments - Internal Launch

- **Finalized brand identity based on market research and best practices.** The ICT sector brand identity creation and marketing materials overview brief is appended in a separate CD.
- **Designed the internal awareness campaign leading up to the launch of the brand and the Tech-21 partnership.** Activities included a news conference to introduce the RomaniaIT concept internally among government and industry officials. Our inclusive approach enabled stakeholders to understand the importance of internal “buy-in”, as well as the importance of a unified outreach strategy in accessing the international market.
- **Oversaw the formation of the Tech-21 coalition**, which is Romania’s first partnership of this type and magnitude and is comprised of Romania’s 2 leading IT associations, over 500 private IT companies, and various government officials and ministries, including the Ministry of Information Technology and the Ministry of Economy and Commerce. RomaniaIT’s success is evident in its far reaching membership and breadth of membership experience.
- **Presented an internal “stakeholder tour,” consisting of briefings on the status of the sector promotion strategy and recommendations, to more than 10 CEOs of leading IT sector companies.**
- **Initiated approach to the internal awareness news conference and collaborated closely with the Ministry of Communications and IT (MCTI), who hosted the event on January 23, 2007.**
- **Sponsored a Romanian ICT Industry Whitepaper, written by the IDC, which will enable stakeholders to better track and present data to potential buyers and partners**

### 3.3.2 Key Accomplishments - External Launch

- **Developed a promotional video highlighting the IT sector’s Unique Value Proposition (UVP).** The video debuted at the Romania CeBIT news conference and was well received by both the journalists and the RomaniaIT delegation that attended the show. The ICT component recognized the significance of the video not only to the brand launch, but also to solidifying the brand identity. As such, it highlighted the strengths of Romania’s ICT sector, included footage of its different stakeholders, including the CEO of Softwin - Florin Talpes, the leaders of the two main IT Associations and employees from various Romanian IT firms, and engaged professional editing services to deliver a high quality presentation.
- **Designed, sponsored and oversaw the implementation of the RomaniaIT.com portal, which has seen over 130,000 visitors since its inception in March 2007.** The team created the website content and engaged the services of IT Six Global Services, a young and dynamic Romanian IT company from Craiova. The website will serve as the central nervous system of the RomaniaIT branding campaign.
- **Designed and managed the official launch of the RomaniaIT brand, the first sector brand following EU-accession and was officially launched at the CeBIT 2007 Trade Show.** The EDS program advised the Tech-21 coalition on the creation of a national marketing identity in the ICT sector.
- **Engaged a PR firm, Edelman, to manage the press at the fair to improve coverage of the Romania IT brand in the European market.** EDS wrote the RFP for PR support and managed PR firm selection process. In addition to arranging interviews between members

of the RomaniaIT delegation and journalists, the Edelman and CHF International/Booz Allen teams organized the following events: (1) Media Training to prepare panelists and leading representatives of RomaniaIT for the pre-show press conference and media interviews, (2) Pre-show press conference (see below bullet), and (3) a business press luncheon that brought journalists together with various members of the Romanian delegation, including industry, government and IT association representatives. The luncheon did not only result in print publication exposure, but also in a radio feature.

- **Arranged a Pan-European news conference at the CeBIT Trade Show that introduced the sector brand and discussed the emergence of the IT market. More than 40 journalists from Europe, Asia and the U.S. attended, coverage included (for the first time) articles about the growth/strength of the Romania IT market in The Economist, Agence France Presse and The London Times (approx. 5 million media impressions).** Moreover, a number of journalists showed up for spontaneous interviews after the conference at the RomaniaIT booth. Panelists at the conference included Dr. Costin Lianu - the general director of the export division of Ministry of Economy and Commerce, Balint Porcsalmi – State Secretary of the Ministry of Communication and Information Technology, Anca Crahmaliuc – marketing director for Siveco, Ginger Yerovsek - Global Sales Director for BitDefender, and Sorin Gavanescu – CEO of IT Six Global Services.
- **Delivered one of several keynote addresses at Romania Day, an event ushered in CeBIT attendees from all over world to experience RomaniaIT firsthand.** Jason Kemp, from the CHF International/Booz Allen team, spoke to the strides that Romanian IT firms have made over the last few years and highlighted the impact of the Tech-21 partnership on growing Romania’s IT market and global presence.
- **Developed a comprehensive set of marketing materials for the CeBIT and Gartner tradeshows, including brochures, company profiles, speaker biographies, news releases, fact sheets, style guidelines, booth layout and design,** which allowed the RomaniaIT delegation to easily disseminate and market information to prospective buyers, journalists and fair attendees, thereby increasing visibility and understanding of RomaniaIT.
- **Facilitated and monitored the promotional effort surrounding RomaniaIT’s awareness campaign targeted to the United States IT and investment communities.** More than 20 companies from Romania’s IT sector participated in two key events located in San Francisco, California (USA).
- **Designed and managed a media relations campaign to maximize the impact of Romanian companies visiting the United States,** enhancing awareness of the nation’s IT sector in the United States market. Several media representatives visited the RomaniaIT booth at Gartner, while other, financial-oriented and technology trade focused media outlets, attended the RACC conference.
- **Arranged more than 15 analyst meetings between representatives from the RomaniaIT delegation and internationally-respected analysts from Gartner.** During one of the meetings, a leading Gartner analyst agreed to visit Romania to conduct an extensive research report focusing on the country’s IT sector. Gartner reports are extremely influential and the EDS IT team will work with key sector representatives from both the private and public sector to provide appropriate data to, and arrange important interviews for, the visiting analyst. Ultimately, a positive report from Gartner has the potential to increase the sector’s reputation within leading multi-national companies.

- **Produced a brand book and style guide to ensure proper brand management and usage**, as part of the program's comprehensive public relations campaign targeting key stakeholders in the EU and U.S. markets.

### 3.3.3 Key Accomplishments - Niche Industry Promotion

- **Developed and presented an analysis of different ICT sub industries to Romanian government** – decided that strategic subsectors (based on global demand and inherent capacity) are information security and industrial automation.
- **The EDS IT team delivered an IT Security white paper to several Tech-21 members and developed a strategy for promoting the IT security niche on the international market.** The material was very well received by the Ministry of Communication and Information Technology and our event recommendation – IT Security Summit in London – has been accepted by the MCTI. The white paper highlights current industry trends, sizes the market, assesses the various factors affecting domestic demand, and discusses opportunities for investors and those wishing to establish research and development facilities in this field in Romania. The white paper also addresses the rigor and relevance of Romania's curriculum in meeting industry demand and producing a high quality talent pool from which to grow the industry.
- **The EDS IT team completed an Industrial Automation White Paper** which includes profiles of countries targeted for the Romanian export market. This activity included collaboration with ARIES (Romanian Software Industry Association) in designing an event that will maximize marketing efforts relating to the Industrial Automation sub-market.

Materials relating the niche market promotion are attached as Annex 4 – Niche Promotion.

### 3.4 Home Market Development - ICT Applications for Tourism

Linkages to other industries underscore the final component to our competitiveness approach. We recognize that sector promotion does not exist in a vacuum, but rather thrives on synergies. In that vein, we turned our attention to the tourism industry and conceived a search engine optimization project that allowed us to incorporate Romania's growing IT expertise with pressing technology needs of the tourism industry. Our pilot project focused on search engine optimization, a tool that would enable Romania's tourism businesses to generate the most hits on web searches.

Per the workplan, we presented best practices and recommendations to the National Tourism Authority in FY2006. All deliverables have been completed. Annex 3 – IT Tourism Course Material contains information relating to these activities.

## IV. Result 4 – Improved Competitiveness of MSMEs in CHF Lending Program

The following is a performance summary of the EDS credit component implemented by CHF Romania, until August 2006, and after, through Express Finance, the spin-off EDS successor finance institution. The CHF and Express Finance (EF) Romania MSME lending operation disbursed a total of \$48,968,407 during the life of the project. Of the total disbursements, \$25,893,130 went to companies active in commerce, \$7,103,053 to entrepreneurs in small-scale production, and \$15,972,224 to companies in the service sector. For the last quarter of the

project, Express Finance disbursed a total of \$3,360,105.12, and out of that, \$1,900,881.42 went to companies active in commerce, \$1,017,517.48 to entrepreneurs in the service sector and \$441,706.22 to firms in small-scale production.

The EDS Program has met or surpassed all of the established targets for the credit component:

- Offer market rate credit to MSMEs in a majority of counties in Romania - through Express Finance the coverage was 60%, and through the microfinance coalition all the counties were covered;
- Raise a minimum of \$7 million in new capital for MSME lending – CHF/Express Finance succeed to leverage since the inception of the EDS over \$17.8 Mil. exceeding the target by 254%;
- Provide a minimum of \$18 million in MSME lending - since the inception of the EDS, CHF/Express Finance succeed to disburse over \$48.9 Mil. exceeding the target by 271%;
- Provide a minimum of 1,800 MSME loans - since the inception of the EDS, CHF/Express Finance succeed to disburse 6,148 loans exceeding the target by 341%;
- Institutionalize local capacity to lend successfully to the MSME sector by building linkages between and among commercial credit providers, leading MFIs including RAEF, World Vision/KAPA, Opportunity Associates, and others.

#### 4.4.1 EDS Intermediate Result: Portfolio Performance and Results

Please note the following key performance indicators for the EF MSME portfolio for the last quarter of the program, and cumulative results as of end of the EDS. For more detailed information, refer to Annex 1: SME Lending by County and Partner.

- Total MSME loan volume in quarter: \$3,360,105.12 (women \$1,254,904.06 – 37.35%)
- Cumulative historical loan volume – MSME<sup>20</sup>: \$56,295,132.11
- EDS historical loan volume - MSME: \$48,968,407.11
- Total number of loans in quarter: 361 (women 143 – 39.61%)
- Total number of active clients: 2,456
- Portfolio at risk (> 30 days): 1.24%
- Total Principal Outstanding: \$14,910,481.96
- Repayment rate: 98.77%
- Write off rate: 0.0076%
- Loan write-offs during the period: \$0
- Operational sustainability as of August 2007: 105.22%<sup>21</sup>
- Financial sustainability as of August 2007: 89.59%<sup>22</sup>

Performance indicators for the CHF housing portfolio (July - September 2007)

<sup>20</sup> Since CHF Romania began lending in 1996.

<sup>2</sup> Includes all expenses related to loan operations (consolidated CHF and EF, calculation based on a rolling 6-month average – includes CHF HQ overhead).

<sup>3</sup> Operational expenses plus adjusted imputed cost of funds and on equity of EF, loan loss provisions – includes CHF HQ overhead).



- Total housing loan volume (individual, group loans and floods): \$0
- Individual housing loan volume: \$944,724.82 (Women: \$418,510.35– 63.43%)
- Group housing loan volume: \$0
- Flood loan volume: \$0 (Women: \$0 – 0%)
- Total number of loans in quarter: 318 (Women: 201 – 63.21%)
- Number of active housing clients: 709
- Portfolio at risk (> 30 days): 0.06%
- Principal Outstanding: \$944,724.82 (\$746,666.87 Individual Home Improvements, \$1,075.44 Housing Loans, \$196,982.51 Individual Flood Housing)
- Repayment rate: 98.57%
- Write off rate: 0.0076%
- Loan write-offs during the period: \$1,135.67

Both operational and financial sustainability are calculated based on a rolling 6-month average. For the last two months of operations, the credit program has achieved sustainability, with over 100% operational sustainability and is close to 100% financial sustainability. The credit component is growing very quickly and has almost recovered all of the losses registered due to the transfer of operations from CHF to EF. Annex 4.2 summarizes the results of the component over the life of project.

#### 6.4.2 Program Capital Sources

The EDS Program mobilized \$17,851,931 in new capital investment to expand MSME Access to Credit over the lifetime of the program, far surpassing the target of \$7 million. The following table details the capital funds contracted by the Credit Component and currently available for lending through Express Finance for its MSME credit program.

**Table 4.2 – CHF/EF Credit Program Capital Funds**

Source	Total Balance Amount	Terms	Special Conditions
USAID	\$1,150,000	Grant funds	Unrestricted
USAID	\$254,120	Grant funds	Unrestricted
USAID	\$250,000	Grant funds	Unrestricted
CHF capital reflows (retained earnings)	\$503,960	Retained Earnings	Unrestricted
Total Equity		\$2,158,080	
GoR – National Agency for Development	\$2,300,000	0% p.a.; management contract for maximum of 122 months	MSME lending in targeted towns and cities in mining areas
Overseas Private Investment Corp.	\$1,406,250	5.88% p.a. (varies per payment); 37 month grace period and 48 month repayment	MSME lending
Rural Program: World Bank – Government of Romania	\$1,508,333	LIBOR +0.9% p.a. ; 21 month grace period and 48 month repayment	MSME lending in targeted rural localities
Oiko	\$833,333	7.5% p.a. 37 month grace period and 48 month repayment	Unrestricted
Overseas Private Investment Corp	\$2,500,000	7.09% p.a. 7 years and 10.5 month	Unrestricted
CHF International, US	\$1,500,000	7.00% p.a. 9 months, with the possibility to extend the term	Unrestricted

Source	Total Balance Amount	Terms	Special Conditions
Blue Orchard	€2,000,000 (~\$2,586,786)	EURIBOR 6 m + 3.75% 12 months one bullet payment	Unrestricted
Calvert Foundation	\$1,000,000	7.3% p.a. 24 months, payable in four semi-annual installments, with the possibility to extend	Unrestricted
EBRD	€750,000 (~\$1,061,025)	€2.25 in 3 tranches EURIBOR 6m+4.55% 36 months, 18 months grace period, 4 semi-annual installments after the first anniversary of the contract signing	Unrestricted
<b>Total Loan Funds:</b>	<b>\$14,695,727</b>		

### 6.4.3 EDS Loan Products

The credit component began with four loan products designed to meet the needs of MSMEs. Express Finance now offers six products with higher ceilings that allow the loan products to grow with the client's needs. Loan products are now offered to a greater variety of clients, including homeowners, miners, farmers and family associations, among others. Greater flexibility in the guarantee structure was added as well, allowing clients to provide financial collaterals (a bond letter, pre-signed checks, promissory notes) as well as business collaterals (real and fixed assets, movable goods). These loans are priced within market levels and reflect a strategy of cost recovery and portfolio growth. A description of the products currently offered is detailed below:

Table 4.3: Express Finance Loan Products

Loan Product	Size	Client Base	Term	Pricing	Guarantee Structure
<b>Express Standard</b>	€1,000 - 25,000(\$30,000)	SMEs, micro enterprises, individuals, family associations	3-36 months	16% on USD/€, 2-5% upfront commission,	Business collaterals, co-signers
<b>Express Short-Term</b>	€500 - 5,000(\$5,000)	SMEs, micro enterprises, individuals, family associations	1-3 months	6% upfront commission, no interest	Business collaterals, co-signers
<b>Express Rural</b>	\$500 -\$7,500	SMEs, micro enterprises, individuals, family associations	3-36 months	16% on USD, 2-3% upfront commission	Business collaterals, co-signers
<b>Express Mining Areas</b>	\$1,000 -\$13,000	SMEs and micro enterprises, individuals in former mining areas	3-36 months	16% on USD, 2-4% upfront commission,	Business collaterals, co-signers
<b>Express Global</b>	2,000 - 40,000 lei	SMEs, micro enterprises, individuals, family associations	6-30 months	16-19% on lei, 3% upfront commission	Financial collaterals or movable/ immovable goods
<b>Express My Home</b>	300 - 6,000 lei	Home-owners, tenants	3-36 months	12-14% flat on lei, 2-4% upfront commission	Co-signer or bond letters, pre-signed

One of Express Finance's important activities for the future will be the development of new products for its target market. In this regard, a team consisting of one regional manager,

one portfolio analyst, two loan officers and the marketing manager was created with the goal of establishing new products. The possibility of offering multiple currency loans will also be evaluated. The new products development team has already developed ideas for meeting the identified needs, and in the near future, the products will be piloted.

#### Express Fidelity

This product will address clients having a credit history with Express Finance of at least 12 months and demonstrated good repayment of the loan, offering the possibility to receive loans with more flexible conditions/access.

#### Express Agro

This loan will address mainly to the small farmers from the rural area, and will be delivered for two types of usage: investments and working capital (seeds). The challenges will be to achieve through the loan product, the specific needs of the small farmers, in the context of Romania imposing more strict regulations in agriculture, due to the EU integration, but as well receiving large pool of funds for this field.

#### Express Investment

The product will be designed to support the investments in assets, required for the development of the entrepreneurial activities, with the possibility to use the assets purchased as collateral for the loan.

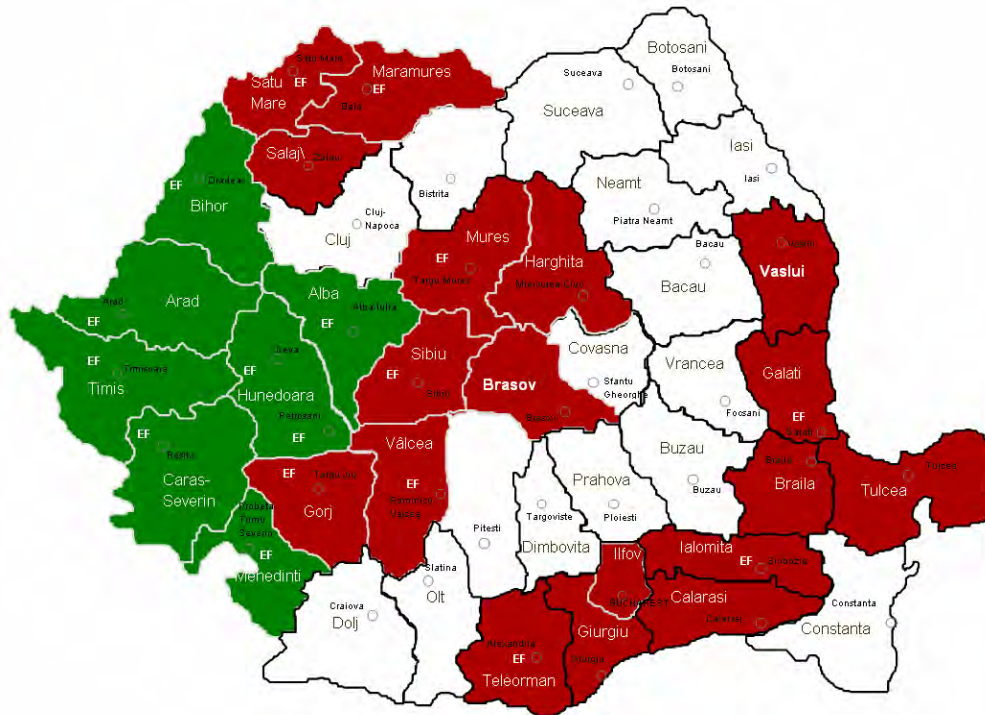
#### Express Start-up

The product will be designed for new established companies, or ones that have less than 6 months of continuous activity (MSMEs, authorized individuals, family associations).

### **6.4.4 Program Consolidation and Geographical Coverage**

Over the life of the project, the component, now an independent, self-sustaining microfinance institution called Express Finance, expanded into 18 new counties. It now serves 25 counties, surpassing the target of reaching 22 counties by program end. In the map below, the original seven counties are marked in green.

Figure 4.1: CHF Romania/Express Finance pre Geographical Coverage -- MSME Loan Program (As of 09/30/2007)



While originally planned to expand operations into Bucharest and the nearby counties of Prahova and Arges, it was found that these areas were comparatively more affluent than other regions of the country. Furthermore, other financial institutions were providing services to these areas due to its proximity to the capital. Rather than compete with other institutions for the more affluent customers, the component chose to pursue the less advantaged and less served regions of Galati, Tulcea, Braila and Vaslui, the poorest in the country.

Program preparations for expansion into these areas included the following:

- **Market assessments:**  
An assessment was conducted in 2003 the Southwestern Region and Hunedoara County and a second assessment in 2004 for the Southeastern Region, Timiș, Arad, Bihor and Satu-Mare.
- **Training and introduction of program methodology to local staff and NGO partners:**  
The credit component provided management courses and technical training to all field staff, particularly middle and senior management. The component used the training courses available through the MicroFinance Center and sent its middle and senior managers to participate in its conferences in Warsaw, Krakow, Bucharest, Budapest.

Local NGO partners, often MSME Associations and BSO providers were informed of the program methodology of targeting MSMEs and learned how to serve as an intermediary to improve their members' access to credit (pre-screening, assisting with loan requests). Many local associations reported an increase in new membership as entrepreneurs learned they would have improved access to credit through the organization.

- Marketing and promotion campaigns implemented:**  
 The marketing efforts of the credit component included both macro and grassroots level efforts. Direct mailing and door-to-door campaigns are the most effective for branch offices, particularly upon the initial opening of offices. However, regional and national media, including television, radio and print media, have also been utilized to raise awareness of the credit component’s activities, as well as the activities of the project as a whole. Examples of such press coverage can be found in Annex 3.

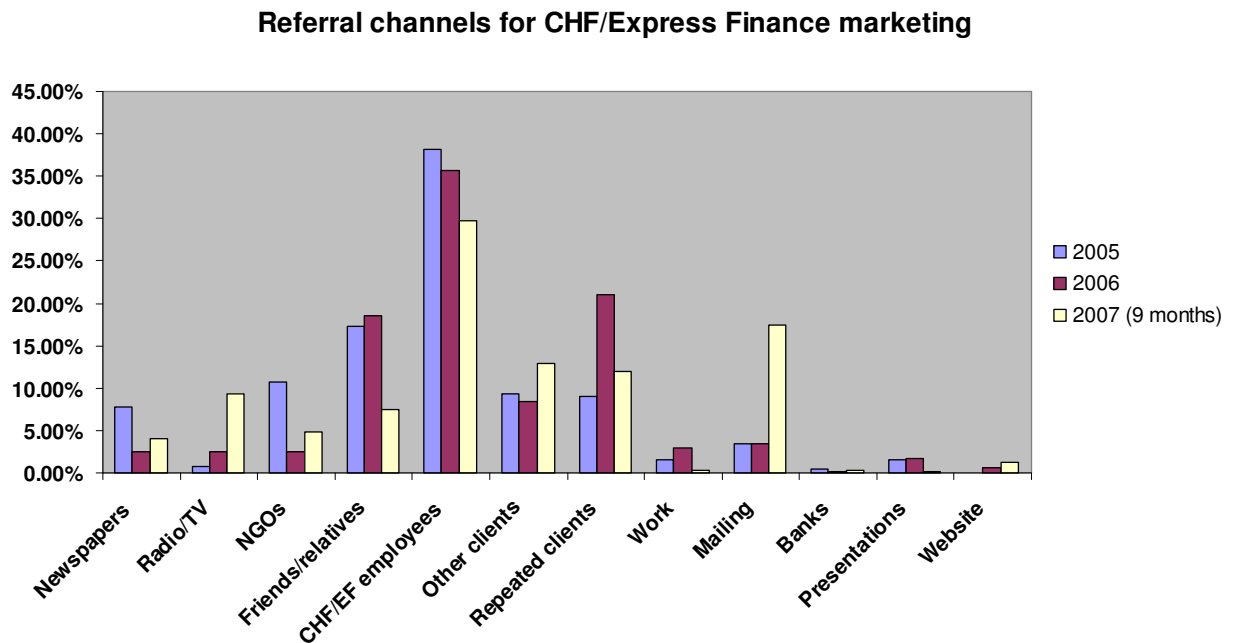
Currently, the marketing and distribution strategies are proposed by the Marketing department, approved by the Senior Management, and implemented by the marketing department in co-operation with Regional Managers and field staff.

These strategies are based on the following main factors:

- Area of the program (new or existing market)
- Competition from other MFIs
- Target clients (rural vs. urban clients)
- Former experience with similar situations

Over the last three years, the main referral channels for the interviewed clients were CHF/EF employees, repeated clients, friends/relatives, and direct mailing as stated on the graph bellow.

Figure 4.2 Marketing referral channels



- Partnership with local organizations**  
 Originally, for the new extension offices, the new hired Loan Officers were based within the offices of NGO partners. This not only saved costs but encouraged a sharing of information between the project and the local partners. The loan officers had access to information gathered by the associations, such as member databases, and the organizations benefited from a close partnership with a financial service organization. The project found that after approximately a year the partner organization was sufficiently trained in techniques to

improve services to its members and the project's activities had outgrown the facilities provided. While some loan offices remain embedded with partner organizations (Galati and Satu-Mare) most branches have facilities of their own.

Currently, the role of these partners is:

- To promote Express Finance products to their members and/or clients, using different meetings, newspapers, brochures and flyers that Express Finance provides
  - To pre-screen the application from their members/clients
  - To set all the documents and send the application file to Express Finance office, as appropriate.
- Innovations  
CHF Romania/EF, during the more than 10 years of micro-lending in Romania, used innovative technologies and experienced new practices and methods for achieving the institutional objectives for serving underserved entrepreneurs and population. The institution was always encouraging, in a transparent way, its employees for seeking new tools for making more flexible but not necessarily less qualitative, the micro-lending portfolio. Some of these techniques/approaches are enumerated below:
    - Partnerships with local organizations as described above
    - Development of Client Focused Product Range by usage:
      - Cash shortages – short-term
      - Working capital – global
      - Investments – standard
      - Energy Efficiency Loans and HILP for population and Condo Associations
    - On-line Regional Credit Committees using the Conference Tool from Yahoo Messenger –EF got "2007 MFC Innovation Award"
    - CHF/ Express Finance was the pilot Institution for the implementation of CHF's web-based loan tracking system WEB ABACUS

#### 6.4.5 Credit Program Activities

##### **Transition from a Credit component to a nationally registered non-bank financial institution, Express Finance**

The sustainability of the credit component was planned to be assured by the establishment of a private Romanian financial services company. In 2006, CHF International started to perform its microfinance activity in Romania via a stand-alone Development Finance Institution (DFI). In January 2006 Express Finance has been legally registered as a private joint stock company in accordance with the Microfinance Company Law no. 240 issued in July 2005 and the General Law on Commercial Companies no. 31 issued on November 16, 1990, amended and updated on October 30, 2005. The company is legally operational and has been notified with the National Bank of Romania (NBR) as a Non-Bank Financial Institution (NBFI) beginning of August 2006 and received its NBR authorization on May 2007. Express Finance is owned by five shareholders, with CHF International being its main investor, with a participation of 99.7%. The remaining 0.3% ownership is held equally by institutions of the CHF International network: AMEEN SAL (Lebanon), MEMCC (Jordan), CHF International Romania (Romania), and LIDER (Bosnia-Herzegovina).

CHF International had transferred all EDS project loan capital funds within Express Finance balance sheet to continue to serve the original beneficiaries of the project and reach others. The final cost to the clients of the program will be similar to that offered on current CHF/Romania loans and Express Finance will maintain the project's mission of providing micro financial services to the smaller, underserved and less affluent MSMEs and population. CHF International will support direct and indirect costs of the operation, with any excess revenues from the loan portfolio reinvested back into the capital base. For the transfer of the credit operations, CHF and Express Finance developed a timeline plan, carried out in three phases, as listed below:

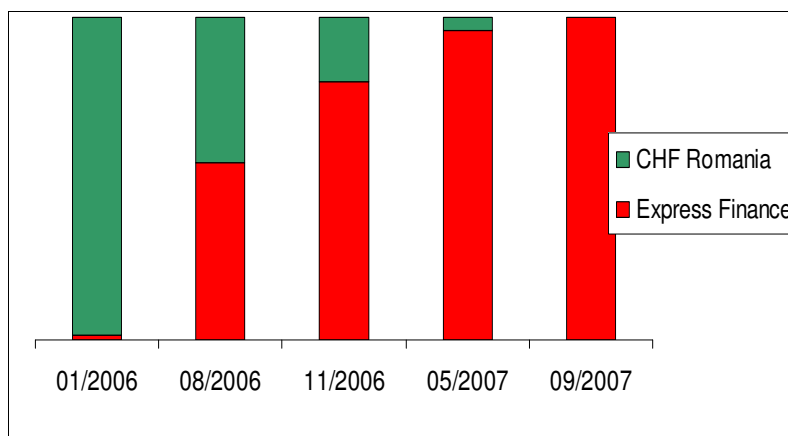
Table 4.4 Transfer implementation plan

Transfer implementation plan	
<b>Phase I</b>	
Approval of Business Plan by CHF	May-05
Submission of Business Plan to USAID	Jul-05
<b>Phase II</b>	
Legal Registration Process as MFI	Aug-05
Completion of Detailed Transition Plan	Oct-05
Test new IT-system for Loan Tracking	Jan-06
Draft Transfer documents between CHF and <i>Express Finance</i> for each of the loan funds	Mar-06
Prepare mechanisms between CHF and <i>Express Finance</i> for the proportional allocation of costs	Mar-06
<b>Phase III</b>	
Legal Registration Process as NBFi at the NBR	Aug-06
Implementation of new IT-system for Loan Tracking	Apr-06
Transfer of staff	June-06
Transfer of offices/equipment/vehicles	June-06
Execution of Loan Service Contracts	June-06
<b>Start of Lending Operations</b>	<b>August 2006</b>

The transfer of the credit component from CHF International Romania, meant that Express Finance received the existing loan portfolio and funding sources of CHF's microfinance activity, consisting of managed funds of \$2.9 million resulting from the GOR/MOPF Rural Finance Microcredit Fund and another \$2.3 million GOR/NAD Mining Areas Microcredit Fund as well as loans from CHF International USA funded by the Overseas Private Investment Corporation (OPIC) USA of a total of \$4.5 million, from OIKO Credit Netherlands of \$1.0 million, BlueOrchard EUR 2.0 million. CHF Romania executed its credit component to EF as the below graph indicates:

Figure 4.3 Steps of the spin-off of CHF International Romania to Express Finance

	Jan 2006	Aug 2006	Nov 2006	May 2007	Sep 2007
Portfolio		55 %	80 %	96 %	100%
Funds		55 %	80 %	100 %	100%
Equity	10%	50 %	50%	50%	100%
Personnel		55 %	100%	100%	100%
Fixed Assets					100 %
Offices / Suppliers		100%			



Express Finance's headquarters are now located in the city of Timisoara in western Romania. The operational microfinance activities via Express Finance started in August 2006 and are carried out through a country-wide network of 17 site-offices (lending offices).

CHF's portfolio has grown from a modest \$150,000 seed fund serving the Timis County business and housing community, to a current portfolio (as of September 2007) of \$14.9 million and 2,456 active clients. Despite rapid growth and geographic expansion, CHF and Express Finance has maintained a high level of portfolio quality – a 99% repayment rate, less than 2% portfolio-at-risk rate over 30 days, and a very low percentage of write-offs for over 12 months: 0.06%.

The General Business Strategy of Express Finance is:

- Continue to explore underserved MSE and housing markets.
- Strengthen and expand branch network capacity throughout Romania.
- Diversify client focused financial product line (start-up, short-term, standard, fidelity, investment, global, rural, individual, housing, floods).
- Local banking partnerships.
- Seek new funding opportunities to grow asset base.
- Strengthen senior and middle management capacity.
- Work closely with CHF International Group of Development Enterprises in the set-up of the LLC.

Over the next four year period, Express Finance will reach more than 5,600 active clients, with an outstanding portfolio of \$36.7 million; achieving break-even point towards end of calendar year 2007. For the first two years of operations as NBF, Express Finance will focus on consolidating its current operations and extending the credit offer within all its site-offices. Due to Romania's accession to the EU in 2007, EF will re-evaluate its mid-term strategy in 2008 by analyzing the real impact this event might have had to the MSME sector and the financial sector as a whole. Within this period, EF will continue to seek alternative ways to attain more favorable internal and external operating conditions that will enable it to grow to its full potential.

Express Finance, as institutional successor of CHF in Romania for the microcredit component will continue to serve entrepreneurs and population without access to credit, and through its methodology, will continue to reach and deliver training related to the credit management and business and financial planning to MSE, and will continue to have a large contribution to the



development of the regional economic environment. The lending operations during the implementation of EDS succeed to impact the labor market by sustaining 35,424 jobs, and helping the creation of 2,684 new ones.

### **Regulatory Reform of the Microfinance Sector, establishment of Microfinance Coalition**

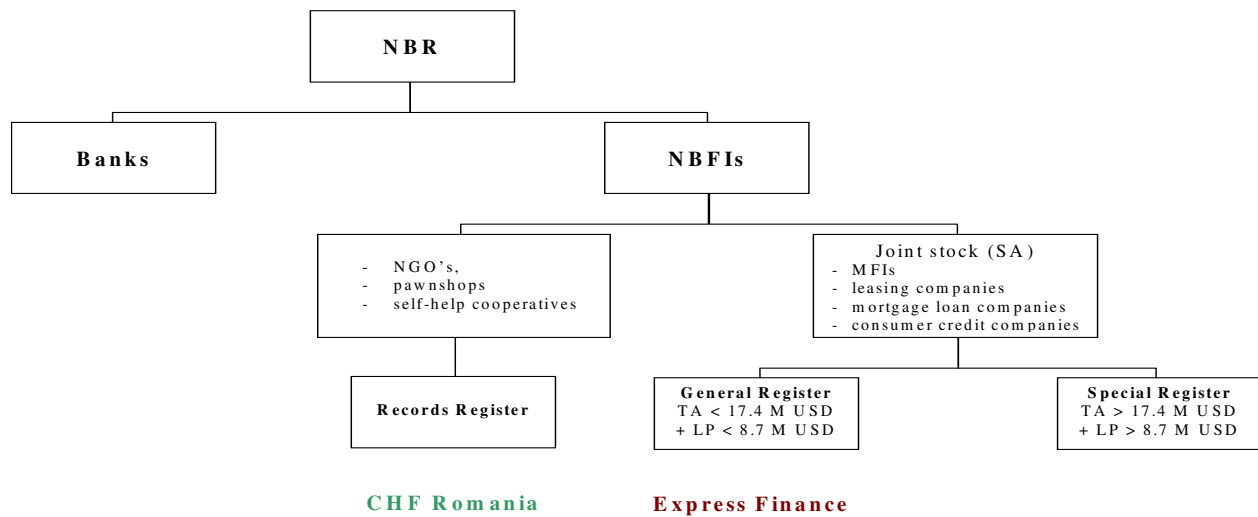
An integral part of the EDS credit component was the normalization and reform of the regulatory enabling environment for microfinance operations. The microfinance industry was unregulated and highly volatile when the credit component began its operations. From 1993 to June of 2005 the microfinance sector worked under the umbrella of NGO Law, protecting the EDS project but creating a risky environment for other MFIs. In large part, the advocacy work of the credit component focused on improving the operational capabilities of delivery structures, and ensuring that obstacles to their viability are identified and addressed in a coherent, responsible, and proactive manner at the policy level.

Shorebank Advisory Services, (SAS), worked with the credit component to form a Microfinance Coalition for the purpose of drafting legislation that would specifically acknowledge the presence of the microfinance industry in Romania for the first time. The Coalition serves as an advocate for the interests of all stakeholders involved in the advancement of the microfinance industry in the country. The Coalition worked with SAS, the Legal and Regulatory Component of the EDS project and Salans, a law firm, to prepare the legislation that became **The Law of Microfinance Companies no. 240 in June 2005.**

Almost exactly one year later, Parliament proposed Government Ordinance no. 28 on Non-Banking Financial Institutions (NBFI), including leasing, microfinance, credit cooperatives and NGOs. The law mandated that all forms of financial institutions be regulated according to National Bank of Romania rules. The Microfinance Coalition worked closely with the Legal and Regulatory component of the project to formulate their response to the proposed legislation, including suggested changes and refinements. The Coalition drafted its recommendations and successfully lobbied the national bank to have its changes incorporated into the national law. The following amendments were incorporated into the final version of the law passed by Parliament.

- Recommendation that NGOs established according to the Ordinance 26/2000 are included in the definition of non-banking financial institutions.
- NGO's will be registered together with houses for mutual support into the "Registru de evidenta"
- IFN's may provide *connected* services and consultancy regarding their activities
- The share capital of non bank financial institutions shall be registered integrally in cash at subscription.
- IFN's are obliged to elaborate internal regulations within 5 days after registration into the special register.

Figure 4.4 Legislative frameworks for NBFIs in Romania



Through the efforts of the Microcredit Coalition, non-profit microcredit initiatives were allowed to continue, ensuring more than \$1 million was allowed to stay in circulation in 2006 alone. Though Express Finance has registered as a “General Register Joint Stock Company” under this law and received official recognition from the Bank of Romania, the regulatory environment of the Microfinance industry remains highly volatile. In the past 12 months there have been three modifications to the legal framework for microfinance institutions, each of which required an adaptation of EF’s by-laws. Since July 2006 and the adoption of Government Ordinance no. 28, there have been numerous revisions to company law, fiscal code and other regulations in accordance with EU integration. The Microfinance Coalition is ready and active in responding to these changes and coordinates the efforts of all stakeholders in Romania’s microfinance industry in responding to this changing environment.

## V. Result 5 – Romanian Flood Recovery Programs (FAST, RFR)

### 5.1 FAST Flood Recovery Program (Flood Assistance for Timis)

#### 5.1.1 Program Overview

The CHF Program **Flood Assistance for Timis (FAST Recovery)** offered assistance to the people affected by the floods of April 2005 in the western Romania county of Timis. FAST Recovery had four objectives to meet the needs of the affected population:

1. Assist displaced families to repair/rebuild their homes;
2. Increase incomes for the low-income affected population through dignified employment;
3. Quickly address key social and infrastructure needs of the community, and;
4. Accelerate the process by which lives of the most affected population begin to return to normal.

The FAST Recovery program employed both economic and social infrastructure components. Economic recovery was addressed through job-intensive programs targeting infrastructure central to local recovery. In the social infrastructure component of FAST Recovery, CHF gave priority to repairing schools and other community focused structures important to the general recovery.

FAST provided assistance to 2,347 vulnerable people in the county of Timis, disbursing \$300,440 of loans for home improvement. Also, EDS mobilized communities to identify and address key social and economic infrastructure needs. The project implemented 15 QIPs with a total value of \$101,642, of which 26% was provided by the community. These projects created 1,138 person-weeks of employment and accelerated the process by which affected population returned to their normal lives.

## 5.2 Romanian Flood Recovery (RFR) Program

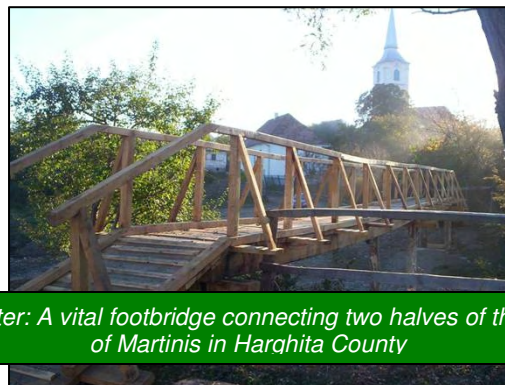
### 5.2.1 Program Overview

The CHF program **Romanian Flood Recovery (RFR)** was designed to build upon the success of the FAST program and has offered assistance to hundreds of families and over 100 communities directly affected by the devastating floods of 2005. CHF implemented projects in Olt, Teleorman, Galati, Vrancea, Bacau, Arges, Harghita, and Mures Counties where there was severe damage and more than 14,000 people were evacuated during the peak of heavy rain fall in July. CHF leveraged its existing CHF offices in Teleorman, Galati, and Mures where it is implementing the USAID funded Enterprise Development and Strengthening (EDS) program.

RFR focused on four objectives defined by both economic and social infrastructure components:

1. Rehabilitating and improving key community infrastructure;
2. Assisting displaced families repair/rebuild their homes;
3. Establishing a flexible Rapid Response Mechanism for delivery of humanitarian relief to the most affected and vulnerable population, and;
4. Jump-starting the economy in flood affected areas through small loans to entrepreneurs.

RFR was designed to integrate **rapid and humanitarian response with longer-term positive economic impact and community involvement**, ensuring lasting positive results in the flood affected areas. The program enables those affected by the disaster to participate in the planning processes of the reconstruction and consider how best to mitigate future flooding hazards.



*Before and After: A vital footbridge connecting two halves of the community of Martinis in Harghita County*

During the first phase of the RFR Program, CHF had two primary international partners, Habitat for Humanity (HFH) and International Orthodox Christian Charities (IOCC), operating in Bacau, Arges, Olt, and Teleorman. Habitat for Humanity focused on rebuilding damaged homes in Bacau and Arges while IOCC delivered humanitarian supplies and assisted CHF in the rehabilitation of infrastructure, primarily in Teleorman and Olt Counties. In addition to providing humanitarian assistance to 2005 flood victims, CHF and its partner IOCC also provided emergency assistance (health packets, food, and forage for animals, cleaning products) to communities in Dolj, Caras Severin, Mehedinti, Gorj, Olt, Teleorman, Giurgiu, Calarasi, Ialomita, Constanta, and Tulcea Counties that were affected by flooding in 2006.

### 5.2.2 Description of Main RFR Target Counties

**Vrancea County** was, by CHF's estimation, one of the three most affected county in which the RFR program operates (the others being Harghita and Teleorman). Most of the projects supported by CHF are in Western Vrancea, where the narrow river valleys in which these villages are located flooded and caused extensive damage. Many of the footbridges that connect the two sides of these villages were washed away or severely damaged, making life in these villages extremely difficult.

**Galati County** was as severely affected by the 2005 floods as any other county, but to their credit government officials and large businesses in Galati have done already done much on their own to recover. A number of large projects have already been completed in Galati County, so CHF focused on completing those that had slipped through the cracks various reasons.

**Olt County** was significantly impacted by the 2005 floods, though of the six counties in which RFR operates it was among the more fortunate in the total amount of damaged infrastructure. CHF is confident that once it has completed both the QIPs and CIPs in Olt, that the vast majority of the county's social and economic infrastructure will have been restored to pre-2005 levels (and in most cases improved upon).

**Teleorman County** was one of the hardest hit and least assisted counties in the country and a major focus for CHF's interventions. The majority of CHF's activities were directly implemented by either IOCC or the Chamber of Commerce Teleorman during the second quarter of FY 2006; however CHF implemented the Community Improvement Projects (CIPs) on its own.

**Harghita County**, unlike many of the other counties in Romania, was hit by flash floods caused by historically unprecedented quantities of rainfall over a very short period of time (less than 24 hours). This led to catastrophic damage and minimal time for communities and residents to evacuate themselves or their valuables; most of the deaths caused by the 2005 floods were in Harghita. CHF worked in Harghita County to address many pressing community infrastructure needs.

**Mures County** was hit by flash floods similar to those in Harghita County but fortunately to a somewhat lesser degree. Also, like Harghita, government officials in Mures have been remarkably successful in appealing for funds from other countries in Europe, especially Germany and Hungary. However, there were still millions of dollars of damaged infrastructure in dire need of repair in Mures. CHF stepped in here to fill some of the gap in needed infrastructure repairs.

**Bacau County** was unique as all of CHF's activities were focused on one community within the county, the town of **Comanesti**. Comanesti was hit hard by the flooding of the Trotus River in 2005, destroying many low-lying homes completely. For many of the families, they did not have

anything left of their homes to repair and so CHF agreed to construct 37 new homes to replace those which were completely destroyed.

### 5.2.3 RFR Sub-awards

#### 5.2.3.1 International Orthodox Cristian Charities (IOCC)

IOCC was one of two sub-awardees of CHF's RFR program and assisted in managing and implementing both humanitarian relief and infrastructure rehabilitation. IOCC project activities took place between November 1, 2005 and June 30, 2006. IOCC's assistance focused on the following three components:

1. Emergency relief and shelter repair for the 2005 flooding in the villages of Plosca and Peretu (Teleorman County). IOCC's results for this component are detailed in the table 5.2 below.

Table 5.2 – IOCC Results (1)

Targeted	Actual	Justification
Provide a four-month supply of firewood for cooking and heating to 291 families	Four-month supply of firewood for cooking and heating provided to 291 families	100% achieved
Provide blankets to 291 families	Blankets to 291 families provided	100% achieved
Provide three months of food parcels to 391 families	Three month supply of food parcels provided to 391 families	100% achieved
Renovate currently unused school for 20 families who do not have shelter alternatives for the winter months (including installation of central heating system)	Currently unused school for 10 families who do not have shelter alternatives for the winter months (including installation of central heating system) renovated	IOCC envisaged that after the rehabilitation of all 20 rooms in the school an additional 10 families may use the school as temporary shelter. However, after the completion of the rehabilitation works, no further families expressed their desire to move to the school, since they already had found other temporary shelter. The total number of assisted beneficiaries did not change, since the initially anticipated 20 families at the Plosca School were already included in the 291 families in Plosca and Peretu who received blankets, firewood and food parcels.
Renovate the school's kitchen for preparing food for 20 families	The school's kitchen for preparing food for 10 families renovated	See above
Provide furniture (bed, tables, chairs, etc) for 20 families who will reside in the school and who lack furniture	Furniture (bed, tables, chairs, etc) provided for 10 families who will reside in the school and who lack furniture	See above

2. Community infrastructure repair for the 2005 flooding in various villages in Teleorman and Olt Counties. IOCC's results for this component are detailed in the table 5.3 below.

Table 5.3 – IOCC Results (2)

Targeted	Actual	Justification
Repair up to ten essential community infrastructure objects in Teleorman County	Eight essential community infrastructure objects in Teleorman County were repaired	Please reference the IOCC final report (Annex 5), section "C.2. Project Implementation Details/C2.1 Mini Grant Projects/ Mini-Grant Rehabilitation Works" as to why eight mini-grant projects were eventually completed in Teleorman County versus the ten initially planned
Repair up to four essential community infrastructure objects in Olt County	Four essential community infrastructure objects in Olt County were repaired	100% achieved
Build local capacity by actively engaging the Teleorman Chamber of Commerce in project implementation	Local capacity of Teleorman Chamber of Commerce built by actively engaging them in project implementation	100% achieved

3. Emergency relief assistance in Dolj and ten other counties for the 2006 Danube floods. IOCC's results for this component are detailed in the table 5.4 below.

Table 5.4 – IOCC Results (3)

Targeted	Actual	Justification
Directly assist 850 families in Dolj County by providing them fresh fruits and vegetables (tomatoes, oranges and carrots)	A total of 508 families in Dolj County were directly assisted by providing them fresh fruits and vegetables (tomatoes, oranges and carrots)	As a result of needs uncovered during the site visits, IOCC provided fruits & vegetables to <i>all family members</i> in one community (Carna), instead of to the originally anticipated school-age children only
Directly assist 800 families in Dolj County by providing them animal forage for either their chicken, pigs or both	A total of 1,105 families in Dolj County were directly assisted by providing them animal forage for their chicken and pigs	The bidding process resulted in acquiring reduced price for forage, which enabled greater amount of forage to be purchased and provided
Directly assist 5,721 families (which represent an estimated 20,025 persons) by providing individual hygiene kits in 11 counties	A total of 4,029 families (which represent an estimated 14,106 persons) were directly assisted by providing individual hygiene kits	Initially it was intended that each target family member would receive hygiene kit. Based on assessed needs during distribution, each family member received 1.4 kits on average.

The total value of the sub-award granted to IOCC was \$441,184. Additional cash and in-kind contributions provided by local town halls, suppliers, IOCC, and the Romanian Orthodox Church totaled \$313,272. IOCC's final report is attached as Annex 1 – IOCC Final Report.pdf.

### 5.2.3.2 Habitat for Humanity Romania (HFH)

HFH was the second of 2 sub-awardees of CHF's RFR program and assisted in managing and implementing the rehabilitation of flood victims' homes in Arges and Bacau counties. HFH's project activities took place between October 2005 and March 2006. HFH supported a total of 245 families; 145 in Bacau County and 100 in Arges County. 131 home repairs and 14 half-builds were completed in the Comanesti area of Bacau County while 4 new construction projects and 96 home repairs were completed in the Golesti/Micesti areas of Arges County.

The original total value of the sub-award granted to HFH was \$500,000 though, following complications regarding the new home construction project in Comanesti, the sub-award was reduced to \$230,123. Additional cash and in-kind contributions provided by HFH and volunteer workers totaled \$92,866. Table 5.5 details the HFH results compared to their original scope of work.

Table 5.5 – HFH Results

HFH Scope of Work	HFH Delivered Results
1. Total Budget: \$500,000	1. Intervention Actual Cost: \$322,080.19
2. Assist: 237 Families	2. Assisted: 245 Families
3. Comanesti Area: 166 Families <ul style="list-style-type: none"> <li>▪ 113 Home Repairs by January 31, 2006</li> <li>▪ 15 Half-builds by February 28, 2006</li> <li>▪ 38 New homes by June 30, 2006</li> </ul>	3. Comanesti Area: 145 Families <ul style="list-style-type: none"> <li>▪ 111 Home Repairs by January 31, 2006</li> <li>▪ 14 Half-builds by February 28, 2006</li> <li>▪ 0 New homes by June 30, 2006</li> </ul>
4. Golesti/Micesti, Arges: 71 Families <ul style="list-style-type: none"> <li>▪ 15 Home repairs in Golesti by February 28, 2006</li> <li>▪ 52 Home repairs in Micesti by February 28, 2006</li> <li>▪ 4 New homes by December 31, 2005</li> </ul>	4. Golesti/Micesti, Arges: 100 Families <ul style="list-style-type: none"> <li>▪ 15 Home repairs in Golesti by December 31, 2005</li> <li>▪ 81 Home repairs in Micesti by February 28, 2006</li> <li>▪ 4 New homes by January 31, 2006</li> </ul>

HFH's final report is attached as Annex 2 – HFH Final Report.pdf.

### 5.2.4 Infrastructure Rehabilitation: Quick Impact Projects (QIPs)

In the first phase of infrastructure rehabilitation (Quick Impact Projects), priority was given to proposals valued at \$10,000, had a high number of beneficiaries, were vital to the social and economic health of the communities, and could be expected to be completed before or during the winter.

By the end of the first quarter of FY 2007 all 37 QIPs had been completed. The total value of all projects were \$550,625, with \$152,879 (28%) provided by the communities and \$397,745 provided by USAID. Over 68,510 beneficiaries were reached through these QIPs. Details of all the QIPs implemented by county with corresponding cost-share and beneficiary information can be found in Section 6: Monitoring and Evaluation.

CHF International was responsible for direct oversight of eight QIPs in Olt, four in Galati, eleven in Vrancea, and two in Mures (25 total); CHF's partner IOCC and their subgrantee, the Chamber of Commerce Teleorman, managed the oversight of eight projects in Teleorman and four in Olt

(12 total). IOCC's corresponding final report detailing all activities associated with their sub-award is attached as Annex 1 – IOCC Final Report.pdf.

### 5.2.5 Infrastructure Rehabilitation: Community Improvement Projects (CIPs)

During the winter months (2005-2006), the RFR program introduced the 2<sup>nd</sup> phase of the RFR infrastructure program, the Community Improvement Projects (CIPs). Following a description of the program to Mayors from hundreds of municipalities at CHF's six County Council meetings, CHF received 221 proposals from participating communities. Following rapid assessments in February and March 2006 of all 221 proposals, CHF selected 62 projects for immediate funding and sent its engineers out to generate technical descriptions and start the tendering process. By the middle of April 2006 the tendering process for most of the approved Community Improvement Projects (CIPs) had come to a close, allowing construction to begin on many of the projects; by the end of July 2006 seven of the projects were completed. By the end of the 1<sup>st</sup> Quarter FY 2007 all of these 62 selected infrastructure projects have been completed.

In addition to the ongoing first round CIPs, in April 2006 further assessments were done of the 67 "on hold" projects to decide which would be funded. These projects were "on hold" for a number of reasons (technical or design issues, inadequate cost share from the community, etc.), but the primary reason the process was divided between Round One and Two was the need to determine the final cost of the Round One projects through the tendering process before approving additional projects.

By May 2006 an additional nineteen (19) projects—valued at approximately \$240,000 in RFR funds — were selected and by the early July 2006 the tendering process for all of these projects was completed. Contracts were signed in the first half of July and construction has been completed on all of these projects with the most recent completions occurring in December 2006. In total, of these 81 approved projects, ten projects were dropped from the program either because the community received funds for the project from other sources or due to a lack of cooperation (financial and/or logistical) from the community.



*USAID, CHF, and Comanesti Officials at the inauguration of 37 new homes for flood affected families in Comanesti, Bacau County.*

By the end of the first quarter of FY 2007 all 71 CIPs had been completed. The total value of all projects were \$1,568,754, with \$575,313 (28%) provided by the communities and \$993,440 provided by USAID. Over 214,206 beneficiaries were reached through these CSIPs. Details of all the CIPs implemented by county with corresponding cost-share and beneficiary information can be found in Section 6: Monitoring and Evaluation.



### 5.2.6 Comanesti, Bacau County: Construction of 37 New Homes for Flood Victims

In addition to the 37 QIPs and 71 CIPs undertaken by the RFR program, CHF International also responded to an opportunity to build 37 homes in Comanesti, Bacau County for families whose homes were completely destroyed by the 2005 floods. The average cost of these homes was of approximately \$13,000 per house in USAID funds (plus over \$6,000 in supplies from the Government of Romania).

Initially, the Comanesti project was to be implemented under CHF's sub-award to Habitat for Humanity. An unexpected development in CHF's partnership with Habitat for Humanity culminated in April 2006 with the decision by USAID to transfer responsibility for building 37 new homes for flood victims in Comanesti, Bacau County from Habitat to CHF International.<sup>23</sup>



*CHF International Romania Country Director, Mazen Fawzy, greets a beneficiary family in their new house in Comanesti, Bacau County.*

The contract for the first set of 19 homes was signed between CHF International and SC Alcor SA at the beginning of June 2006. Unfortunately, due to a surprise decision by the Town Hall of Comanesti insisting that CHF utilize twelve previously constructed foundations, the signing of the second contract was delayed for over a month while CHF and government officials verified the quality of the foundations. Another two weeks delay resulted after the second construction firm, SC Consizo Serv SRL, was dilatory during negotiations and eventually was replaced by Alcor after they refused to sign a contract.

By December 2006, all 37 homes had been completed and an inauguration ceremony was held to commemorate the occasion. USAID mission director, Roger Garner, CHF International Romania, and the mayor and other local government officials were present for the ceremony and official hand-over of keys to the beneficiary families.

### 5.2.7 Humanitarian Assistance for 2006 Flood Victims

In April of 2006 Romania was once again struck by flooding, though thankfully at a level significantly less than the previous year. However, for those communities and families living in close proximity to the Danube River the new flooding wreaked significant havoc, especially for a number of villages in Dolj, Calarasi, and Tulcea Counties. CHF and IOCC reacted quickly to the disaster by conducting rapid assessments of the most affected areas and quickly requesting permission from USAID to redirect approximately \$60,000 in RFR funding towards humanitarian assistance. CHF also began to participate in weekly coordination meetings attended by leading international and Romanian NGOs providing emergency relief to flood victims.

Once CHF had received permission to redirect the \$60,000 in funds, **CHF implemented a three-pronged intervention:**

<sup>23</sup> Originally 38 homes were planned, but one family refused to move to a location away from their extended family and they did not have an appropriate plot of land for building a new home; nevertheless they received the Government materials as well as a few thousand dollars of donated materials from the construction firm completing the other 37 homes.

- Delivering approximately \$9,000 in emergency humanitarian assistance (food and cleaning materials) to over 150 families (over 450 people) in the town of Ostrov, Tulcea County;
- Sub-granting IOCC approximately \$51,000 to distribute three types of assistance through the Romanian Orthodox Church:
  - Providing 850 families in Dolj County with fresh fruits and vegetables (tomatoes, oranges and carrots);
  - Providing 800 families in Dolj County with animal forage for their chickens and/or pigs;
  - Delivering individual hygiene kits to 5,721 beneficiary families (representing an estimated 20,025 people) in eleven (11) counties.
- Providing short-term engineering assistance to Save the Children to help them rehabilitate a school in Rast, Dolj.

### **5.2.8 Low-Interest Home Loans**

Of the \$3.2 million in RFR funds, \$200,000 was designated as loan capital for the Home Repair and Reconstruction Fund (HRRF). Building on over a decade of lending success and work in the Romanian credit sector, the HRRF component of the overall RFR program targets those flood victims whose homes were damaged during the 2005 floods.

The home loan product was first promoted at the County Council meetings and received significant press through the month of January 2006. By the end of September 2006, over \$200,000 had been approved and disbursed (loans in excess of the \$200,000 mark came from reflows). Further details on the HRRF can be found in earlier quarterly reports. A complete list of HRRF loan recipients can be found in Appendix 3 – HRRF Loan Recipients.doc.

### **5.2.9 Improving Livelihoods**

Resumption of income generating activities was a central component of the RFR Program. CHF International recognizes that the re-introduction and maintenance of livelihood assets and skills is vital to the well-being of communities affected by natural disasters.

During the proposal selection process for CIPs, CHF gave priority to projects that would improve the local economy, including roads and bridges that linked communities to each other and to their farmland. CHF also considered the long-term economic health of the community by supporting school and health center reconstruction, both of which are vital for towns and villages if they are to ensure their population does not migrate.

Another means by which the RFR program aimed to improve livelihoods in flood-affected areas was to provide small loans to start-up businesses in these areas. Working through the CHF/Express Finance credit offices in Galati and Alexandria (Teleorman), the RFR program disbursed \$50,000 in loans to start-up businesses in areas hit hardest by the floods of 2005. A complete list of start-up business loan recipients, who have received loans as of the first quarter 2007, can be found in Appendix 4 – Start-up Business Loan Recipients.doc.

### **5.2.10 Coordination**

CHF established communication with international organizations such as the Habitat for Humanity, World Vision, Red Cross, UNDP, International Orthodox Christian Charities (IOCC) and Romanian NGOs such as SME Association Galati and Civitas. CHF also stays in constant

contact with Romanian government officials, especially County Council officials and Mayors of affected communities.

Starting in April 2006 CHF was a regular participant in the weekly coordination meetings held by the international and Romanian NGO community and attended by USAID and Government of Romania officials. These meetings were vital for the proper coordination of flood response amongst the NGOs, ensuring that there would be no duplication in aid provision.

#### **5.2.11 Communication/Media**

Public relations and promotion of CHF's RFR activities has been a priority throughout the course of the project. The primary means used for publicizing the assistance provided has been the use of inauguration ceremonies to mark the completion of RFR projects and handover to the local communities. Inauguration events have included representatives from USAID, CHF, and local government and attracted both local and national media in various capacities.

- The RFR program held **5 inaugural meetings** at the beginning of the project in 5 counties: Vrancea, Teleorman, Galati, Harghita, and Mures. These meetings were attended by local government authority and local media who publicized the meetings and also the aims of the RFR program in the initial stages.
- Additionally, **15 inauguration ceremonies** were held upon completion of some of the many infrastructure rehabilitation projects. Ceremonies were held in Olt, Vrancea, Galati, Harghita, Teleorman, Mures, and Bacau Counties reflected each one of the counties in which the RFR program was active. USAID and CHF representatives joined local government officials and mass media to celebrate the completion and hand-over of these successfully completed community projects.
- RFR activities were also well covered in the media. **93 media articles** featured RFR activities and included media such as newspapers, online journals, and even radio news features.

#### **5.2.12 Systematic Information Collection**

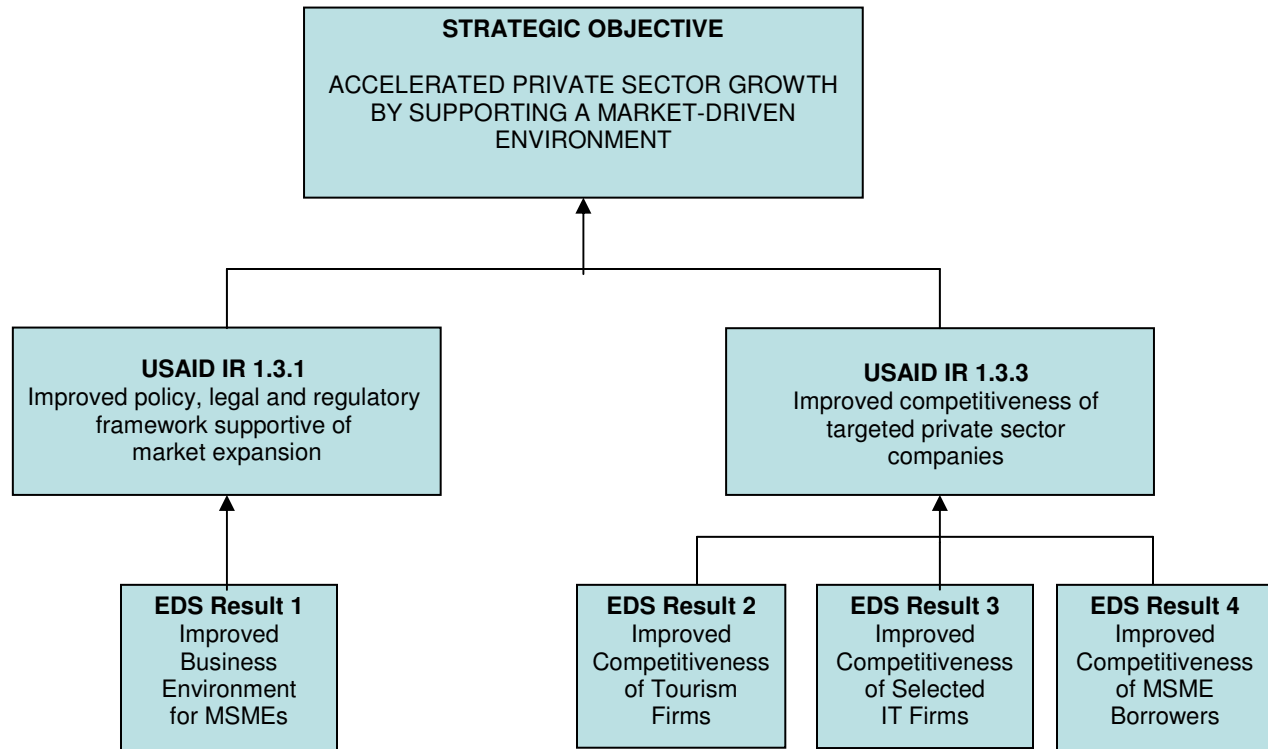
- CHF International promotes systematic information collection through our Web-based Project Reporting System, Web PRS. This system is currently utilized in ten countries and allows USAID, CHF, and any other interested party to see up-to-date information on the progress of RFR. The Web-PRS system currently includes descriptions and photos of all the RFR Quick Impact Projects and Community Improvement Projects. All project records are complete in the Web-PRS system. A complete toolkit, detailing all RFR program activities, cost-share information, and contracts is attached as Annex 6 – RFR Toolkit EN. A sample of RFR success stories can be found attached in Annex 5 – RFR Success Stories.

## **VI. Monitoring and Evaluation Framework**

The Monitoring and Evaluation Framework was established to employ a set of indicators that will help both USAID and CHF tell the story of how they are making a difference in the performance of Romanian firms. The CHF EDS program met or exceeded all of its performance

targets. The following is a summary of EDS program achievements over the life of the project, organized by component.

*Foundation For The Eds M&E Framework: USAID's Performance Monitoring Plan*



## 6.1 Result 1 – Improved Business Environment for MSMEs

### 6.1.1 Impact Indicators

At the highest level, the impact of the EDS Program vis-à-vis Result 1 is to be measured through four indicators:

1. Change in labor market flexibility
2. Change in business registration requirements
3. Change in the investor protection index
4. Change in the net tax burden on MSMEs

The EDS Team has selected these indicators as measures of its impact on improving the business environment for four reasons. First, each of these indicators is a measure of a key legal or regulatory impediment to doing business in Romania; hence, improvements in these measures will reflect a significant change in the environment for creating and operating competitive businesses in the country.

Second, these are indicators that are within the “sphere of influence” of the EDS Program. They are not in the complete control of the Program; however, we see clear windows of opportunity for the program to shape the reform of laws and regulations that underlie these indicators. The

EDS Program can make a clear link between its actions in promoting legal and regulatory reform and changes in these indicators, permitting the program to assume a reasonable measure of attribution.

Third, we have objective and independent measures for three of these four indicators from the *Doing Business Database* established by the World Bank and International Finance Corporation. The indicators in the *Doing Business Database* are up-dated on an annual basis, enabling the EDS Program to obtain an ongoing assessment of progress on these measures from an independent source. Moreover, because the *Doing Business Database* provides comparable measures across 145 economies, they enable the EDS Program to benchmark its progress in helping to create a better business environment in Romania vis-à-vis the progress of other countries. The EDS Program monitor and report on changes in Romania’s progress in creating a better business environment compared to the progress of Poland (a “model” country), Bulgaria (a “comparable” country), and the Europe and Central Asia region.

These indicators were selected because they are closely aligned with USAID’s Intermediate Result 1.3.1 (Improved policy, legal and regulatory framework supportive of market expansion) and its corresponding indicator (the measure of “regulation” on the Index of Economic Freedom produced by The Heritage Foundation and the Wall Street Journal).

In 2004, Romania had a score of “4” on the Index of Economic Freedom measure (where “1” reflects little regulation and “5” reflects excessive regulation). By 2007 their methodology had been revised to provide an even clearer picture of economic freedom by using data-driven equations rather than performance brackets which allows countries to be graded using a percent score rather than a 1–5 rating. In addition, labor freedom was added as a variable. While this prevents comparison to the project’s target, it does allow for an accurate comparison of Romania’s progress over time.

**Table 6.1: Index of Economic Freedom for Romania**

	Overall Score	Business Freedom	Trade Freedom	Fiscal Freedom	Freedom from Gov’t	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
2007	61.3	70.9	74.0	91.7	74.9	69.7	50	60	30	30	61.4
2006	58.9	74.5	63.4	91.7	74.2	66.6	50	50	30	29	59.8
2005	50.8	30	65.4	80.1	74.8	62.6	30	50	30	28	57
2004	48.4	30	52.6	79.9	80	56.8	30	50	30	26	-

The Index of Economic Freedom for 2007<sup>24</sup> states, “Romania’s economy is 61.3 percent free, according to our 2007 assessment, which makes it the world’s 67th freest economy. Its overall score is 12.9 percentage points higher than year 2004 and, partially reflecting new methodological detail. Romania is ranked 31st out of 41 countries in the European region.”

### **Indicator 1: Change in Labor Market Flexibility**

When the project began, Romania has one of the most rigid labor codes in the region, preventing MSMEs from responding quickly to changes in market conditions. As a result, the EDS Legal and Regulatory Team devoted significant resources toward assisting Romania in

<sup>24</sup> <http://www.heritage.org>

reforming its Labor Code. The Hiring and Firing indicators for Romania were benchmarked against indicators for Poland (a “target economy”), Bulgaria (a “comparative country”), and the Europe and Central Asia region as reported in *Doing Business*.

The EDS target was to assist Romania in reducing each of these indicators significantly through a one-time major reform of the Labor Code with a goal of moving closer to Poland’s indicators. Baseline data for Romania and key comparative countries is presented on the following page on each of the five indicators of “Hiring and Firing Workers.”

**Table 6.2: Labor Market Flexibility**

Hiring and Firing Indicators <sup>25</sup>	Romania			Poland		Bulgaria		Regional	
	2004	2006	+/-	2004	2006	2004	2006	2004	2006
Difficulty of Hiring Index	78	33	-45	11	0	33	50	31.3	34.2
Rigidity of Hours Index	60	80	+20	60	60	40	80	51.5	50.7
Difficulty of Firing Index	50	40	-10	30	40	10	10	42.3	37.1
Rigidity of Employment <sup>26</sup>	63	51	-12	34	33	28	47	41.8	40.8
Firing Costs <sup>27</sup> (weeks of wages)	98	3	-95	25	13	30	8.7	38.3	26.7
Nonwage labor cost <sup>28</sup> (% of salary)		33.3			21.4		30.1		26.7

The only indicator that failed to improve is the Rigidity of Hour Index. While Romania’s scores are still beyond those of Poland, local partners of the EDS project (the AA and AmCham) continue to work towards these goals.

## Indicator 2: Change in Business Registration Requirements

Baseline data for Romania and key comparative countries is presented below on each of the four indicators of “Starting a Business.” The specific targets established by the EDS Program were the following:

- No more than 5 procedures with 10-15 sub-authorizations required
- 14 days for filling out the forms (average about 8)
- Waiting for registration and authorization 3-10 days (average about 5) for the average small firm, total time (on average) about 12 days

<sup>25</sup> Source: Doing Business Database; World Bank and the International Finance Corporation (<http://rru.worldbank.org/doingbusiness>)

<sup>26</sup> Rigidity of employment index is the average of three subindices: a difficulty of hiring index, a rigidity of hours index and a difficulty of firing index. All the subindices have several components. And all take values between 0 and 100, with higher values indicating more rigid regulation.

<sup>27</sup> The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weekly wages. One month is recorded as 4 and 1/3 weeks.

<sup>28</sup> Non wage labor cost indicator has been introduced in 2005 and measures all social security payments (including retirement fund; sickness, maternity and health insurance; workplace injury; family allowance; and other obligatory contributions) and payroll taxes associated with hiring an employee in fiscal year 2005. The cost is expressed as a percentage of the worker’s salary. following changes in methodology for DBindicators

**Table 6.3: Business Start-up Indicators**

Year	Ease of Doing Business Rank <sup>29</sup>	Starting a Business				
		Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
2003	..	..	6	29	10.9	0.0
2004	..	..	5	28	7.4	0.0
2005	71	6	5	11	5.3	0.0
2006	49	7	5	11	4.4	0.0

**Note:** 2005 rankings have been recalculated to reflect [changes to the 2006 methodology](#) and the addition of 20 new countries.

The EDS project met all of its targets in the reduction of business start-up requirements. By the end of 2006 Romania's business start-up requirements indicators were better than those of Poland, Bulgaria and the Europe and Central Asia Region. Romania now has one of the best enterprise registration systems in the region; one that is actually superior to many current EU members.

**Table 6.4: Business Registration Requirements**

Business Registration Requirements <sup>30</sup>	Romania		Poland		Bulgaria		Regional	
	2003	2006	2003	2006	2003	2006	2005	2006
Number of procedures	6	5	12	10	10	9	9	9.4
Time (days)	27	11	31	31	30	32	42	32
Cost % of per capita income	11.7%	4.4%	20.3%	21.4%	8.3	7.9%	15.5%	14.1%
Minimum capital % of per capita income	3.3%	0	221%	204%	134%	91.3%	52.8%	53.9%

The simplified procedures for registration led to increased number of MSMEs (11.3% more MSMEs registered in 2005 than in 2004). Moreover, by the end of 2006 following our joint advocacy efforts with local partners, the application for criminal fiscal record has been eliminated. Unfortunately, this will not be reflected in the Doing Business Indicators until 2008.

### Indicator 3: Change in “Protecting Investors” Index

According to the Doing Business 2004 database, Romania received a 2 on the Protecting Investors Index, considerably lower than Poland (rated 4), Hungary (rated 5) and the Europe and Central Asia region as a whole (rated 3.6), signaling that significant legal and regulatory reform remained to be done in this arena. The EDS Legal and Regulatory team focused on such reforms to the Romania's Enterprise Law to increase Romania's rating to 4. However, the World Bank changed the methodology for calculating these rankings in 2005, which makes

<sup>29</sup>This indicator measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain. The main indicators include

- transparency of transactions (Extent of Disclosure Index)
- liability for self-dealing (Extent of Director Liability Index)
- shareholders' ability to sue officers and directors for misconduct (Ease of Shareholder Suit Index)
- strength of Investor Protection Index (the average of the three index) the index ranges from 0 to 10, with higher values indicating better investor protection.

<sup>30</sup> Source: *Doing Business Database* World Bank and the International Finance Corporation (<http://rru.worldbank.org/doingbusiness>)

comparisons to the targets impossible. However, steady progression on these issues can be illustrated by comparison with other countries as detailed below:

**Table 6.5: Ease of Doing Business & Investor Protection Indicators**

	Romania		Poland		Bulgaria		Hungary	
	2005	2006	2005	2006	2005	2006	2005	2006
Ease of Doing Business Rank	71	49	74	75	59	54	60	66
Protecting Investors Rank	43	33	43	33	33	33	114	118

As illustrated by the data, Romania's ranking in the Protecting Investors Index has increased from 43 to 33, mirroring Poland's progress and surpassing that of Bulgaria and Hungary. Also, Romania's improvement in the Ease of Doing Business Rank has surpassed the progress of the other three countries.

### Indicator 3: Change in Net Tax Burden on SMEs

When EDS began, the fiscal environment in Romania was quite difficult. Businesses were obliged to pay multiple taxes, and were subject to arbitrary and unpredictable tax inspections from multiple sources. Since SMEs have fewer specialized tax personnel, the administrative burden falls on them with particular weight. Because even modest improvements to this situation would have huge positive effects on Romania's private sector, the legal and regulator component targeted a 15% cost reduction of the net tax burden for all MSMEs and a 10% reduction in administrative burden, or vice versa by the end of the project.

It was originally planned that the Component would conduct annual surveys to monitor the progress on this indicator, however the amount of resources required for such surveys coupled with the advent of the Paying Taxes Indicator<sup>31</sup> by the Doing Business Database encouraged the project to adopt this Index as an indicator of project success. The indicator measures both financial and administrative costs to businesses and allows for a comparison across other indicators for the component. As shown below, Romania has greatly improved its ranking and surpasses those of the Europe and Central Asia Region in several sub-indicators.

**Table 6.6: SME Net Tax Burden Indicators**

Economy	Year	Paying Taxes						
		Rank	Payments (number)	Time (hours)	Profit tax (%)	Labor tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
Romania	2005	142	89	188	..	..	..	57.7
Romania	2006	131	89	198	9.3	38.6	1.1	48.9
Europe and Central Asia	2006		50	423	11.7	30.6	13.7	56.0

The quantitative estimations of the fiscal impact of the changes introduced through the Component work on Fiscal Code and MSMEs are summarized below. The component exceeded its target of a net tax burden reduction of 15% cost reduction for all MSMEs and 10% reduction in administrative burden with decreases of 62% for social contributions, 60% for unemployment tax, and 70% for profit tax as illustrated below:

<sup>31</sup> The Paying Taxes indicator addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as measures of administrative burden in paying taxes. Taxes are measured at all levels of government and include the profit or corporate income tax, social security contributions and labor taxes paid by the employer, property taxes, property transfer taxes, the dividend tax, the capital gains tax, the financial transactions tax, waste collection taxes and vehicle and road taxes.



Table 6.7: SME Tax Rates

	Baseline	2003	2004	2005	2006	2007	Percent reduction
Social Contributions	31%	23.5%	22%	22%	19.75%	19.25%	62%
Unemployment tax	5%	3.5%	3%	3%	2.5	2%	60%
Health	1%	7%	7%	7%	7%	7%	-
Profit/Income tax	54%/54%	25/40	25/40	16/16	16/16	16/16	70% / 70%

In order to the Legal and Regulatory component contracted the Group for Applied Economics, a public policy think tank, to perform an impact evaluation of fiscal regulations on micro enterprises. The study, “*Impact analysis of the 1.5% micro enterprise tax*” is attached in the Result 1 Annexes/Annex 7 – GEA Analyses/sub-annex 7.1\_GEA Microenterprise Turnover Tax Analysis.doc. The methodology consisted of three different methods of analysis:

- Quantitative analysis of data regarding the evolution of the SME sector in Romania (in order to have a real picture of the impact of the tax on Microenterprise development, the analysis was based on the following sets of biannual data from the Ministry of Public Finance and the National Trade Registry:
  - The number of new micro and small enterprises created between 1997 and 2004,
  - The number of micro and small enterprises registered
  - The average number of the employees in micro and small enterprises
  - The number of micro enterprises that pay the 1.5 percent tax;
  - The fiscal biannual contributions of micro and small enterprises from 1997-2004
  - The main activity field for micro enterprises (CAEN codes)
- A structural model encompassing the evolution of micro-enterprise creation using data from 1997 to 2004.
- A survey on micro and small enterprises created since 2002, which was applied to a sample of 100 micro and small enterprises in different fields from several counties.

*“The greatest improvement in our advocacy capacity as a result of the interaction with EDS is the increased ability to negotiate with government and Parliament and the increased awareness for professional documentation, research and expert legal analysis.” – Secretary General, AOAR*

The major accomplishments of EDS’s Advocacy Efforts are detailed in Section 1.

### 6.1.2 Intermediate Results and Activity-Level Indicators

The four indicators delineated in the Performance Indicator Reference Sheets reflect the impact of the EDS Program on creating an improved business environment for Romania MSMEs. We regard these as the most important measures of our success in legal and regulatory reform. However, in order to tell the story of how the EDS Program has influenced these indicators, we tracked our progress with three Intermediate Results, each of which has a direct and causal link to the EDS Result 1 (an improved business environment for Romanian MSMEs).

#### EDS IR 1.1: Improved local capacity to conduct policy, legal and regulatory analysis

##### Indicator 1: Sustainable legislative monitoring system in operation

In cooperation with the AA, the EDS Legal and Regulatory Team produced a successful pilot project for legislative monitoring. This project began by monitoring a limited number of legislators (all from the Timisoara region) on business issues. It later expanded to a general

system of legislative monitoring, which tracks all legislators, established indices of business-friendliness, and publicized the results. In 2006, the AA took over the project and began to publish the results independently of EDS support.

The results of the monitoring activity were synthesized and analyzed in a Parliament Monitoring Report published on May 2006. Both quantitative and qualitative analyses are based on two indicators that we have developed after several calculations and analyses: the parliamentary yield indicator, and the parliamentary efficiency indicator. The content of the monitoring report is structured around the main arenas of parliamentary debate: the plenum of the two parliamentary Chambers and the standing committees. A comparative study of the draft laws emerging from the MPs and from the Government shows that the two major legislative bodies: the Government and the Parliament, have made relatively equal efforts to improve the Romanian regulatory environment. Of the legislative initiatives debated by Parliament, 46% came from the MPs (senators and deputies), and 53% came from the Government.

Progress has been registered toward increasing awareness of various stakeholders upon the utility and efficiency of this instrument. Approximately 2,000 copies of the report have been sent to stakeholders ranging from local chambers of commerce and private businesses associations, members of Parliament, and journalists. The 2005 Report has also been published on the AA website.<sup>32</sup>

***“EDS...had an effective contribution to stimulating the Committee's activity mainly in drafting analysis and position papers, i.e. regarding the definition of the SMEs, business registration, registration of self-employed persons, regulatory impact analysis and others. EDS team has also contributed very effectively to the training programs offered by AmCham to their smaller members (i.e. seminars on latest regulations and financial programs; advocacy meetings with high ranking officials etc).” - Anca Harasim, Executive Director, American Chamber of Commerce***

The EDS Legal and Regulatory Component has periodically drafted and disseminated legislative and regulatory briefs on issues relating to the MSME business environment. The Legislative Tracking matrix has been published regularly on the CHF website and distributed electronically to over 100 recipients (including BSO representatives, think tanks, government officials, project partners and other stakeholders). This will continue to be developed and used by AA after the completion of the program as part of the Legislative Monitoring exercise.

The AA also worked to develop the capacity of the Institute for Public Studies which is currently managing the online reports of the activities of each member of the Parliament.<sup>33</sup> The AA provides Legislative bulletins on Parliament initiatives with impact upon the business environment upon request.

## **Indicator 2: Number and percentage of EDS policy, legal and regulatory analyses conducted by local organizations.**

At the onset of the program, the EDS Team assumed lead responsibility for most policy, legal and regulatory analyses. Over time, the program has sought to work increasingly with local think tanks and research centers to conduct the necessary analyses, thus building their capacity to analyze issues of critical importance to Romanian MSMEs as well as their credibility and visibility to Romania policymakers.

<sup>32</sup> [http://www.advocacy.ro/monitorizare/Raport\\_de\\_Monitorizare\\_2005\\_ro.pdf](http://www.advocacy.ro/monitorizare/Raport_de_Monitorizare_2005_ro.pdf)

<sup>33</sup> <http://www.ipp.ro/cummuncescparlamentarii/>

The targeted number of analyses and position papers to be produced by the legal and regulator component was 47: 19 conducted by EDS/BAH and 28 analyses by local actors. Over the lifetime of the EDS program both EDS/BAH team and local actors have developed and provided to the public debate over 250 analysis and position papers, more than 45 were conducted by local actors.

- 28 fiscal code related analysis and position papers out of which 5 developed by EDS/BAH team and 13 by local actors (Group for Applied Economics; local BSOs; AmCham and other local tax experts)
- Over 100 labor legislation related analysis, opinions and position papers out of which more than half developed by the EDS/BAH consultants whereas the rest were developed and provided for public discussions by AmCham Labor task Force, the local BSOs, AA and law firms such as Salans; Baias; Volonciu and others.
- 58 analysis and position papers have been devoted to modernizing the Company Law and amendments have been prepared in joint exercise with Law firms, EDS/BAH consultants, AmCham and Foreign Investors Council task forces and over 60 BSOs.
- Seven policy papers have been prepared and discussed in public meetings with all parties' political candidates. Five papers were prepared by BAH team and three by local actors (AA; The strategic alliance of business associations)
- Seven analysis and policy papers were dedicated to strategies in reducing red tape i.e. silent approval procedure. Two opinion papers were developed by BAH team and the rest by local actors (Group for Applied Economics, AmCham and AA)
- Two policy analysis were performed by Group for Applied Economics and Romanian Academic Society (SAR) on tourism policy
- Thirty other opinion papers, analysis or recommendations were developed by BAH team members based on specific request of USAID, US Embassy or ministerial agencies
- Twenty-two other opinion papers were developed on specific or general economic policy issues by local actors (AA; Romanian Business Owners Association; AmCham; UGIR; CNIPMMR; Institute of Public Policy; Junior Chamber International; Group for Applied Economics and others)

## **EDS IR 1.2: Improved laws and regulations governing MSMEs**

**Indicator 1:** Progress toward enacting and reforming key laws and regulations

**The Fiscal Code:** EDS surpassed its target to have three business-friendly amendments to the Code passed in each year. The major achievements in this area include:

- Successful defense against multiple detrimental changes to the Fiscal Code, including amendments that would have cost Romanian businesses at least \$12 million per year and over \$150 million in 2007 alone.
- The L&R Component blocked in initiative in 2004 and 2005 to repeal the special tax for micro-enterprises, which has caused the number of micro enterprises to increase by about 50% in the last three years;

- Drafted and supported a reduction of the micro enterprise tax by 1% and granting fiscal facilities for software developers that will help increasing competitiveness of software sector, stimulate FDI and productivity improvement.
- Drafted and supported an amendment to Fiscal Code and passage of Microfinance law, legitimizing microfinance activities while saving borrowers over \$200,000 per year (interest on microfinance loans became fully deductible rather than partially deductible)
- Successfully lobbied for amendments to the Fiscal Code that will save Romanian businesses over \$10 million/year<sup>34</sup> on labor taxes, beginning in January 2004.

*“Grace to our results we were elected by civil society structures and nominated by the Prime Minister in the Romanian and European Economic Social Council, were we are involved to act and react on the new policies for the business environment. Also, the Romanian Chamber of Deputies, through its president, asked AA to help them, in their efforts for transparency, to implement public consultation procedures very similar with those developed in the American Congress, known as public hearings. All those new challenges for AA cannot happen without the support, the involvement and the transfer of knowledge of CHF International.”*  
- AA Acknowledgement letter

### **The Labor Code:**

The achievements in working on the Labor Code can be summarized as follows:

- The Legal and Regulatory Component advocated for amendments to the Labor Code that lead to positive changes (+33% raise) in the hierarchy of the ranking of Romanian with regard to the labor market flexibility registered by the Doing Business Report. The Legal and Regulatory Component had a major contribution to drafting amendments to the Labor Code.
- Amendments to the Socio-Economic Council Law (May 2006) allowed the AA to be elected a member in the Economic and Social Council with other civil society organizations active in promoting transparency and professionalism in the public policy process in Romania. As CES member AA will be able to be more effective and efficient in MSME advocacy.

**Enterprise Registration Law and Silent Approval Act:** As a result of the project’s awareness-raising and advocacy activities, the Enterprise Registration law has been revised to a system that is currently superior to many EU countries. There has been an 70% reduction in the average time needed for business registration, from approximately 40 days in 2002 to about 11 days currently.

The EDS Legal Component worked closely with the World Bank and the RoG to conduct a thorough analysis of compliance with Silent Approval Law<sup>35</sup> and to assist in drafting the required secondary legislation meant to simplify the licensing procedures for specific activities (constructions, connections to public utility, tourism licensing and environment permits). The EDS/Group for Applied Economics report included also a Comparative Study on international

<sup>34</sup> For instance, Romania has about 22,000 tax-paying enterprises in the "small" category (11-50 employees). Their average payroll is about \$140,000 per year. Our deductions would allow them to reduce their tax burden by 0.5% of payroll. This may not sound like much, but if we assume that just 50% of the firms will use the deductions, then the saving is: 22,000 x \$140,000 x 50% x 0.5% = \$7,700,000. Similar calculations for the other three size categories gave us a total of about \$16 million in 2004. We have been conservative in our public statements, saying "at least \$12 million" per year, but the larger figure is (in our opinion) entirely defensible.

<sup>35</sup> A law concerning the procedure of silent approval (L486/2003) was approved by the Senate in April 2003. According to this procedure, in some cases of issuing authorizations or licenses, when lacking an official response from the authorities, the licenses can be considered as granted.

legislative models and approaches to tacit approval and methods to speed the authorization process. The recommended changes are currently being processed by the Government.

### **Microfinance Law and Law on Non Banking Financial Institutions:**

Drafted in 2004, the Microfinance Law was passed in 2005. The EDS Legal and Regulatory Component worked in close collaboration with the Microfinance Coalition in proposing a new law to govern microfinance institutions. This was an unprecedented piece of legislation meant to provide regulated and easy entrance into the microfinance lending market with the aim of attracting more lenders and raising the total amount of loans. The component made sure that information on the law (for instance, on the tax consequences, which were significant) was available.

More work had to be devoted during 2006 for the **Law on Non-banking Financial Institutions**, a new regulation promoted by the Government in December 2005 and with direct impact upon microfinance providers. The Component managed to provide limited input to this law working in close cooperation with the Microfinance Coalition in a Parliamentary advocacy program.

The main outcomes of the joint effort of the Legal and Regulatory Component and the 11 members of the Microfinance Coalition have been as following:

- position papers related to microfinance and CGAP principles on Microfinance Regulation
- participation in the seminar tables organized by the National Bank, Romanian Parliament and the Leasing Association<sup>36</sup>
- request for testifying in Parliament

### **Enterprise Law:**

Based on the request from the Ministry of Justice and in close cooperation with the World Bank, AA, AmCham and Salans Law Firm, the EDS Program assisted during 2005- 2006 the modernization of the Romanian Enterprise Law (Company Law). Draft Enterprise Law amendments reflect most of the requirements of the OECD Governance Principles and of the EU Directives. BAH-selected consultants provided expert opinions on a number of issues which are detailed in Section 1. After being reviewed several times by the Legal Commission, the draft was finally adopted by the plenary of the Chamber of Deputies on October 31<sup>st</sup>, 2006

### **Other Laws that EDS/BAH worked upon include:**

- *Investment Law* (initial draft repealed after joint opinion provided by BAH/EDS, Amcham and FIC)
- *Public Procurement Law* (initial draft repealed after comments provided by EDS/BAH and US Embassy)
- *SME Law*
- *Government decision (HG 1247/2005) on state financial support for ITC Companies*

***“The FIC has been given the opportunity to present its position regarding important business issues, argument its position and equally hear other opinions and arguments. Equally these conferences and roundtable allowed certain organization to join forces for a common lobby process. The process was more structured and more prone to success due to EDS coordination.”***

***- Executive Director, FIC***

<sup>36</sup> 29th of March - Seminar organized by BNR on "Legislation on leasing and other non-banking institutions" ; ( 65 participants from 30 institutions i.e. leasing companies; banks; guarantee funds; governmental agencies; micro credit organizations etc).

### EDS IR 1.3: Increased private sector input into the policy reform process

**Indicator 1:** Number of reforms identified and addressed through public-private dialogue

One of aims of the EDS Team is to build capacity of Romanian interest groups as well as local think tanks and research centers to analyze issues of critical importance to Romanian MSMEs as well as their credibility and visibility vis-à-vis Romania policymakers. The main reform areas identified and addressed through private public dialog were Enterprise Law, Fiscal Code and fiscal procedure Code; Labor Market Flexibility; Labor Code, Red tape; Enterprise Registration and Authorization; Silent Approval Act; Access to finance through Microfinance, factoring and regulation on non banking financial institutions; Legislative Procedures; Public administration accountability and transparency; Corruption; and Judicial System reform.

*“The EDS team provided us with information about the deficiencies of the registration process and evaluated and monitored the effects of the legislative changes, informing us about any measures that needed to be taken.” – Anisoara Ujica, Legal Division Department Director, National Trade Registrar Office*

EDS efforts were directed toward promoting increased private sector input into a number of policy reform issues selected based on the initial CLIR assessment and discussions with main stakeholders. The reform topics addressed during the lifetime of **the program met the targets of ten over reforms over the life of project through the following 13 reforms:**

- 2003: fiscal code
- 2004: enterprise registration; microfinance regulation and access to finance; labor legislation reform
- 2005: labor legislation; micro enterprise taxation policy; enterprise registration and enterprise reform
- 2006: taxation policy; access to finance for small companies and regulatory framework; enterprise reform; streaming regulatory reform and regulatory impact assessment; reducing red tape in dealing with licenses

**Indicator 2:** Number of public-private policy roundtables on MSME issues

The Legal and Regulatory Component, in close cooperation with governmental officials and private sector representatives (lawyers, tax experts; public policy think tanks and public opinion survey institutes, BSOs and chamber of commerce, governmental agencies and public servants), held over **200 roundtables, exceeding its target of 16**. These roundtables are detailed in Section 1 of this report. They addressed specific issues under the focus of the EDS program (debating and working on the reforms supported i.e. fiscal reform; labor market reform; doing business reform; access to finance reform; MSME policy; etc). In close cooperation with AA the Component has organized public hearings and offered also technical assistance to Ministry of Justice in promoting and implementing a fair, transparent and efficient dialog through public hearings and debates.

*“...at the end of the day, the CHF initiative has contributed directly to simplifying the administrative procedures for businesses in Romania.”. – Dragos Paslaru, Former Executive Director of Group for Applied Economics*

## 6.2 Result 2 – Improved Competitiveness of Tourism Firms

Under the USAID Strategic Objective: *Accelerated Private Sector Growth by Supporting a Market-driven Environment*, the objectives of the Enterprise Development and Strengthening Program related to tourism include:

- 1) Reposition the industry to attract higher value tourists with value-added goods and services
- 2) Improve the quality of products and services to meet niche' demands in Bucovina, Sibiu, Mures and Maramures
- 3) Encourage innovations by improving access to finance

The tourism industry in Romania experienced marked growth during the life of the project due to Romania's accession to the European Union and the nomination of Sibiu as the European Cultural Capital of 2007. Over the life of the project, the results on the following indicators were achieved.

### 6.2.1 Increased Access to Credit

Table 6.8 : CHF Achievements in Increasing Access to Credit by Tourism Firms (As of June 30, 2007)

Indicators	Baseline	Cumulative Total per Project	End of Project Goal	LOP Total vs. LOP Goal
Number of Tourism firms receiving new credit	10	253	29	872%
Volume of new credits disbursed in Tourism	\$131,50	\$2,713,292	\$355,500	763%
Activity Level Indicators:	Baseline	Progressive Total	Progressive Goal	LOP Total vs. LOP Goal
Number of Tourism firms trained in access to finance workshops	0	216	200	108%
Number of Tourism firms assisted with credit applications <sup>37</sup>	0	253	40	633%

The EDS Tourism Component has exceeded its initial credit targets by large margins, both in terms of number of firms served and total amount of funds dispersed and has met all activity level indicator progressive goals. ***Over the life of the project, 254 firms nationwide have received \$2,713,292 in funds relating to tourism development through Express Finance credit.***

In addition to providing services, a series of Access to Credit Workshops for the EDS tourism stakeholders were held in each region. These workshops were well received and participants appreciated the professional presentation presented by well-informed people experienced with working in the area. The project trained 216 persons over the life of the project.

<sup>37</sup> NOTE: Numbers reflect the following methodology: all firms who received credit have also been assisted with credit applications through CHF/EF technical assistance. In some prior quarterly reports this was not reflected.

## 6.2.2 Increased Capacity of Tourism Firms

Table 6.9 CHF Achievements for Increasing Capacity of Tourism Firms

	Baseline	FY 2004	FY 2005	FY 2006	FY 2007	End of Project Goal	End of Project Achievement	% of Project Goal
Number of Firms Receiving Assistance from EDS Activities	0	12	292	325	43	525	672	128%

The tourism component has exceeded its end of project goal 525 firms assisted by 28%, a real accomplishment. Firms and individuals, mainly artisans, received assistance via organized trainings, inclusion in cultural circuits and other promotional materials, and one-on-one consultations. These numbers are not reflective of the true measure of EDS technical assistance effectiveness due to the fact that many public institutions, museums, NGOs, BSOs, and their members and employees were also targeted by EDS technical assistance but are represented in this data set.

## Accommodation Capacity and Occupancy Data

Table 6.10: Accommodation Capacity in Romania and the Project Regions

Number of Bed Places		Baseline: Calendar Year (CY) 2004	CY 2005	CY 2006	% Change 2005/04	% Change 2006/05	LOP (2006/04) % Change
<b>Maramures</b>	All Accommodation	671,340	976,902	1,198,955	45.5%	22.7%	78.6%
	Hotels	420,345	525,444	605,576	25.0%	15.3%	44.1%
	Urban Pensions	12,782	65,231	102,542	410.3%	57.2%	<b>702.2%</b>
	Rural Pensions	54,821	176,641	265,196	222.2%	50.1%	<b>383.7%</b>
<b>Mures</b>	All Accommodation	1,184,481	1,570,361	1,696,436	32.6%	8.0%	43.2%
	Hotels	784,931	930,763	966,591	18.6%	3.8%	23.1%
	Urban Pensions	128,894	138,865	180,850	7.7%	30.2%	40.3%
	Rural Pensions	6,310	44,414	69,502	603.9%	56.5%	<b>1001.5%</b>
<b>Sibiu</b>	All Accommodation	1,107,525	1,162,782	1,384,254	5.0%	19.0%	25.0%
	Hotels	583,983	627,298	684,280	7.4%	9.1%	17.2%
	Urban Pensions	82,103	115,811	133,161	41.1%	15.0%	62.2%
	Rural Pensions	55,725	103,204	160,126	85.2%	55.2%	<b>187.4%</b>
<b>Bucovina</b>	All Accommodation	1,760,839	1,932,576	2,056,713	9.8%	6.4%	16.8%
	Hotels	1,038,648	1,040,720	1,013,653	0.2%	-2.6%	-2.4%
	Urban Pensions	200,461	269,147	281,572	34.3%	4.6%	40.5%
	Rural Pensions	150,427	213,627	323,622	42.0%	51.5%	<b>115.1%</b>
<b>Brasov</b>	All Accommodation	3,900,501	4,219,468	4,527,316	8.2%	7.3%	16.1%
	Hotels	1,643,227	1,726,984	1,932,171	5.1%	11.9%	17.6%
	Urban Pensions	428,328	747,192	874,013	74.4%	17.0%	104.1%
	Rural Pensions	635,833	717,274	745,095	12.8%	3.9%	17.2%
<b>Romania</b>	All Accommodation	53,988,640	54,978,838	56,499,904	1.8%	2.8%	4.7%
	Hotels	36,460,409	37,040,807	37,777,022	1.6%	2.0%	3.6%
	Urban Pensions	2,321,332	3,173,055	3,745,131	36.7%	18.0%	61.3%
	Rural Pensions	2,132,008	2,528,316	3,188,350	18.6%	26.1%	<b>49.5%</b>



Unfortunately, full year data for this metric was unavailable at the time this report was compiled. Results through calendar year 2006 do show real progress in the increase in accommodation capacity in the project regions and in Romania as a whole when compared to the baseline year, 2004. Most notable is the huge increases in accommodation capacity of rural pensions over the life of the project in all the project regions and throughout Romania despite a relatively modest increase overall for all accommodation types (4.7%). Rural pension capacity has more than doubled in each of the project regions over the life of the project and grown almost exponentially in both Maramures and Mures counties. Most probably these increases are due to the availability of EU SAPARD funding for rural development that provided successful applicants with reimbursement of up to 70% of eligible costs for the construction of rural pensions. With SAPARD funding winding down following EU accession on January 1, 2007 we have seen a leveling off of accommodation capacity growth in the rural areas. Also, the explosion in capacity over the last few years has led to a sharp decline in occupancy rates, as shown in the next table, stemming from increased competition in rural accommodation markets and over-building due to SAPARD reimbursements, despite an increase in tourist arrivals in rural areas.

Table 6.11: Occupancy Rates in Romania and the Project Regions

Occupancy Rates		Baseline (CY2004)	CY 2005	CY 2006	CYTD <sup>38</sup> 2007	LOP % Change
<b>Maramures</b>	All Accommodation	27.7%	21.4%	17.6%	15.2%	-45.1%
	Hotels	33.1%	29.2%	25.6%	22.6%	-31.7%
	Urban Pensions	24.2%	16.9%	13.8%	13.3%	-45.0%
	Rural Pensions	8.4%	4.7%	4.2%	2.2%	-73.8%
<b>Mures</b>	All Accommodation	34.5%	32.9%	34.8%	32.1%	-7.0%
	Hotels	40.4%	39.7%	41.3%	37.4%	-7.4%
	Urban Pensions	17.6%	22.9%	24.6%	22.8%	29.5%
	Rural Pensions	20.3%	21.3%	20.0%	15.0%	-26.1%
<b>Sibiu</b>	All Accommodation	33.3%	31.7%	31.4%	27.4%	-17.7%
	Hotels	38.8%	37.7%	38.9%	38.6%	-0.5%
	Urban Pensions	26.8%	27.7%	32.1%	29.3%	9.3%
	Rural Pensions	21.9%	19.8%	17.9%	17.1%	-21.9%
<b>Bucovina</b>	All Accommodation	24.6%	22.5%	24.3%	22.3%	-9.3%
	Hotels	29.7%	29.1%	31.4%	27.7%	-6.7%
	Urban Pensions	13.3%	13.1%	18.2%	19.2%	44.4%
	Rural Pensions	16.7%	12.3%	14.0%	14.1%	-15.6%
<b>Brasov</b>	All Accommodation	24.6%	23.7%	23.3%	22.8%	-7.3%
	Hotels	34.8%	36.1%	33.8%	31.9%	-8.3%
	Urban Pensions	21.2%	16.0%	16.9%	18.9%	-10.8%
	Rural Pensions	14.9%	10.7%	9.7%	10.2%	-31.5%
<b>Romania</b>	All Accommodation	34.3%	33.4%	33.6%	30.8%	-10.2%
	Hotels	41.6%	41.1%	41.0%	37.0%	-11.1%
	Urban Pensions	19.9%	18.9%	19.6%	20.6%	3.5%
	Rural Pensions	15.7%	14.5%	14.4%	14.2%	-9.6%

Occupancy rates for all types of accommodation in Romania have been relatively stable over the life of the project, though trending slightly downward due to increases in accommodation capacity as discussed above, especially for rural pensions. Notable exceptions to this trend are

<sup>38</sup> Calendar year-to-date reflects January – June 2007.

to be found in the increase in occupancy rates for urban pensions in the project regions of Mures, Sibiu, and Bucovina, as well as throughout Romania. The most probably driver behind this trend is that urban pensions increasingly offer cost-effective solutions for tourists in urban areas as hotel prices are generally quite high throughout the country, often equalling or surpassing western European prices, even at lower quality standards. Maramures exhibits a continuing year over year decline in occupancy rates, most likely correlating to the dramatic increase in rural guesthouse capacity over the last few years, which has outpaced demand. Occupancy rates should recover to, and probably increase above, prior levels should construction of new properties slow and the trend of increasing tourist arrivals and tourist nights continue, allowing demand to catch up with supply.

**Table 6.12: Tourist Nights in Different Categories of Accommodation in Romania and the Project Regions**

Tourist Nights in Rural Guesthouses by Category		Baseline: CY 2004	CY 2005	CY 2006	CYTD 2007	LOP (2006/04) <sup>39</sup> % Change
<b>Five Star</b>	Total	0	5,312	5,211	3,439	
	Romanians	0	677	1,620	2,579	
	Foreigners	0	4,635	3,591	860	
<b>Four Star</b>	Total	8,565	22,517	32,791	22,074	282.8%
	Romanians	7,748	19,473	26,485	18,112	241.8%
	Foreigners	817	3,044	6,306	3,962	671.8%
<b>Three Star</b>	Total	29,045	88,774	124,370	64,951	328.2%
	Romanians	25,054	76,647	111,898	59,271	346.6%
	Foreigners	3,991	12,127	12,472	5,680	212.5%
<b>Two Star</b>	Total	93,562	211,117	252,903	129,722	170.3%
	Romanians	82,991	184,285	228,506	118,010	175.3%
	Foreigners	10,571	26,832	24,397	11,712	130.8%
<b>One Star</b>	Total	17,813	38,247	44,069	18,775	147.4%
	Romanians	15,796	34,788	41,541	17,763	163.0%
	Foreigners	2,017	3,459	2,528	1,012	25.3%

Tourist nights in all categories of accommodation have steadily increased in each year covered by the EDS program, amongst both Romanians and foreigners. While we only have data through the first half of 2007, it appears that this trend will continue. Especially interesting is the shifting of tourist nights from one and two star accommodations to three and four star ones, most notably amongst Romanians. The underlying basis for this shift is twofold: (1) an increase in the number of three and four star accommodations across the country; and (2) an increase in discretionary income amongst the Romanian tourist population allowing for, and appreciating, higher classes of accommodation. Clearly, the upward-trending tourist nights spent in all types of accommodations is an encouraging sign for the Romanian tourism industry even though growth in number of foreign tourist nights is not growing at the pace that domestic tourist nights have increased.

### 6.2.3 Changes in Practice due to EDS Interventions

Due to the seasonal nature of the tourism industry and its slow reaction to improvements in services it was often difficult to measure the immediate effectiveness of an intervention. For example, the impact of the informational panels could only be measured by entrepreneurs in the area who witnessed the increase in the number of tourists and the length of their stays. While

<sup>39</sup> 2006 vs. 2004 percentage change is used for LOP as it is the most recent year of full data available at the time of project completion.

many interventions of the EDS program were impossible to quantify, the testimonials of beneficiaries grant valuable insight into their impact. The caretaker of the wooden church in Poienile Izei cites an 80% increase in the number of tourists due to the installation of road signage and informational panels.

97% stated the competitiveness of their business or organization in the tourism industry had increased on a regional level during the life of the project and 88% found their competitiveness had increased on a national level. Notable interventions included: the marketing seminar, informational panels, brochures, the 2005 Artisans' Fair. Some beneficiaries stated that the long length of the training interventions accomplished two tasks: effectively imparting the information that allowed them to increase the quality of the services they provide as well as allowing them to establish relationships with other artisans that proved sustainable and useful well after the conclusion of the training.

The Tourism Component found the firm-level interventions to be extremely effective. During the course of the project's monitoring and evaluation activities, beneficiaries cited their appreciation of the project's hands-on approach. While previous projects merely told them what to do, EDS was a partner that shared the work with them. Several stated that the greatest contribution of the project was that it established a support network amongst artisans by encouraging them to work together. Marina Bogdan, Executive President of The Community Foundation of Sibiu, stated that the project's community interventions helped her organization understand that "tourism is an effective means for community development."

Most participants saw the roundtables and symposiums organized by the project as an important activity because it allowed them to participate in the national tourism strategy and provide feedback to the tourism strategies. The Department head of the Museum of Natural History in Sibiu, Dou Banduc, stated that EDS' greatest contribution was "bringing all stakeholders together...to create a networking that works together towards a development strategy."

Many cited the greatest challenges to their businesses to be new EU regulations and local government bureaucracy. Romanian legislation prevents artisans from selling internationally except on consignment. Legislation does not currently protect traditional architecture, nor allows for differentiation between the religious and commercial activities of the church. All cited the early closure of the EDS project impeded the effectiveness of the interventions, signifying the importance they placed upon the activities.



*Eugenia Pau participated in the Traditional Crafts Road and the Marketing Seminar, the lessons of which she has incorporated in the management of the crafts kiosk and guesthouse she manages with her granddaughter. Mrs. Pau has noticed a marked increase in the number of tourists to her businesses due to the informational panel the project installed in her town that guides tourists to points of interest. A Greek television crew came to interview her and made a film about icon painting in the area.*

## 6.2.4 Strengthened Ability to Promote Tourism (Regional and National)

### Tourism Data Analysis

Table 6.13: Total Number of Tourists in Romania and the Project Regions

Total Number of Tourists		Baseline: CY 2004	CY 2005	CY 2006	CYTD 2007	LOP (2006/04) <sup>40</sup> % Change	
<b>Maramures</b>	All Accommodation excluding hotels	Total	22,297	28,274	31,771	16,546	42.5%
		Romanians	20,501	25,654	28,729	15,299	40.1%
		Foreigners	1,796	2,620	3,042	1,247	69.4%
	All Accommodations	Total	78,837	91,348	96,862	48,673	22.9%
		Romanians	61,522	69,414	78,351	39,195	27.4%
		Foreigners	17,315	21,934	18,511	9,478	6.9%
<b>Mures</b>	All Accommodation excluding hotels	Total	29,419	62,516	76,673	32,483	160.6%
		Romanians	23,820	48,491	59,348	26,224	149.2%
		Foreigners	5,599	14,025	17,325	6,259	209.4%
	All Accommodations	Total	139,128	202,994	238,147	110,822	71.2%
		Romanians	98,946	144,660	172,860	80,757	74.7%
		Foreigners	40,182	58,334	65,287	30,065	62.5%
<b>Sibiu</b>	All Accommodation excluding hotels	Total	72,243	78,201	90,680	49,772	25.5%
		Romanians	58,380	60,237	75,639	42,420	29.6%
		Foreigners	13,863	17,964	15,041	7,352	8.5%
	All Accommodations	Total	214,942	228,627	252,694	138,289	17.6%
		Romanians	140,356	155,013	183,962	102,215	31.1%
		Foreigners	74,586	73,614	68,732	36,074	-7.8%
<b>Bucovina</b>	All Accommodation excluding hotels	Total	52,591	57,339	74,292	33,916	41.3%
		Romanians	47,380	52,284	68,825	31,567	45.3%
		Foreigners	5,211	5,055	5,467	2,349	4.9%
	All Accommodations	Total	187,412	192,120	211,003	94,923	12.6%
		Romanians	143,358	148,847	174,088	79,358	21.4%
		Foreigners	44,054	43,273	36,915	15,565	-16.2%
<b>Brasov</b>	All Accommodation excluding hotels	Total	175,322	179,442	175,681	93,516	0.2%
		Romanians	151,993	149,706	153,247	81,558	0.8%
		Foreigners	23,329	27,116	22,434	11,958	-3.8%
	All Accommodations	Total	421,765	448,147	484,044	257,295	14.8%
		Romanians	329,511	359,259	401,307	211,564	21.8%
		Foreigners	92,254	88,888	82,737	45,731	-10.3%
<b>Romania</b>	All Accommodation excluding hotels	Total	1,297,626	1,323,672	1,486,657	730,632	14.6%
		Romanians	1,153,847	1,172,685	1,339,009	662,297	16.0%
		Foreigners	143,779	150,987	147,648	68,335	2.7%
	All Accommodations	Total	5,638,517	5,805,096	6,216,028	2,994,077	10.2%
		Romanians	4,279,023	4,375,185	4,836,196	2,302,952	13.0%
		Foreigners	1,359,494	1,429,911	1,379,832	691,125	1.5%

<sup>40</sup> 2006 vs. 2004 percentage change is used for LOP as it is the most recent year of full data available at the time of project completion.

Tourist arrivals have increased over the course of the EDS Project in all of the program areas and across Romania. As the component has focused its efforts on rural areas and MSMEs, it is encouraging to see higher growth in tourist arrivals across the project regions in accommodations excluding hotels. Perhaps the sole disappointment in LOP change in tourist arrivals is reflected in the foreign tourist arrivals in Sibiu for 2006, which is down from 2004. Most likely this is explained by the extensive renovations which covered the entire city over the course of 2006 in anticipation of the 2007 European Cultural Capital. Arrivals of foreign tourists in Sibiu for the first half of 2007 show that arrivals for the full year should easily surpass those of 2004, 2005, and 2006 especially considering that the busiest 2 months in the tourist season, July and August, are not reflected in these numbers. Also important to note is that tourist arrivals in Maramures, the first EDS project region, have continued to grow each year and are poised to increase yet again in 2007. This is noteworthy as the primary attraction in Maramures is rural tourism and a majority of tourism service providers in the region are classified as MSMEs, reflecting a noticeably positive change for the industry and a growing recognition of the rural tourism offerings of the region. Domestic tourism has also been consistently on the rise during the 2004-2007 timeframe, an important measure of improving incomes amongst domestic tourists.

Table 6.14: Total Number of Tourist Nights in Romania and the Project Regions

Total Tourist Nights			Baseline: CY 2004	CY 2005	CY 2006	CYTD 2007	LOP (2006/04) <sup>41</sup> % Change
Maramures	All Accommodation excluding hotels	Total	47,205	55,209	56,408	26,942	19.5%
		Romanians	43,660	49,931	50,604	24,112	15.9%
		Foreigners	3,545	5,278	5,804	2,830	63.7%
	All Accommodations	Total	186,185	208,729	211,229	95,352	13.5%
		Romanians	155,372	165,289	177,900	78,286	14.5%
		Foreigners	30,813	43,440	33,329	17,066	8.2%
Mures	All Accommodation excluding hotels	Total	92,242	146,261	190,985	82,181	107.0%
		Romanians	80,734	112,644	146,674	66,564	81.7%
		Foreigners	11,508	33,617	44,311	15,617	285.0%
	All Accommodations	Total	409,124	516,081	589,817	263,612	44.2%
		Romanians	319,813	391,359	451,813	204,791	41.3%
		Foreigners	89,311	124,722	138,004	58,821	54.5%
Sibiu	All Accommodation excluding hotels	Total	141,461	132,689	168,196	82,704	18.9%
		Romanians	117,659	105,119	142,276	68,106	20.9%
		Foreigners	23,802	27,570	25,983	14,598	9.2%
	All Accommodations	Total	368,305	369,029	434,455	225,337	18.0%
		Romanians	244,018	245,708	312,905	159,599	28.2%
		Foreigners	124,287	123,321	121,550	65,738	-2.2%
Bucovina	All Accommodation excluding hotels	Total	124,268	132,017	182,178	79,804	46.6%
		Romanians	113,435	121,359	170,342	71,351	50.2%
		Foreigners	10,833	10,658	11,836	8,453	9.3%
	All Accommodations	Total	432,448	435,199	500,302	216,511	15.7%
		Romanians	361,371	364,802	437,076	185,703	20.9%
		Foreigners	71,077	70,397	63,226	30,808	-11.0%
Brasov	All Accommodation excluding hotels	Total	212,109	377,609	402,197	211,317	89.6%
		Romanians	337,154	315,212	342,868	179,613	1.7%
		Foreigners	52,475	62,397	59,329	31,704	13.1%
	All Accommodations	Total	960,836	1,000,318	1,054,922	553,611	9.8%
		Romanians	748,727	794,386	855,503	434,848	14.3%
		Foreigners	212,109	205,932	199,419	118,763	-6.0%

<sup>41</sup> 2006 vs. 2004 percentage change is used for LOP as it is the most recent year of full data available at the time of project completion.

<b>Romania</b>	All Accommodation excluding hotels	Total	3,347,480	3,141,703	3,506,137	1,518,463	4.7%
		Romanians	2,957,846	2,762,506	3,124,538	1,332,155	5.6%
		Foreigners	379,634	379,197	381,599	186,308	0.5%
	All Accommodations	Total	18,500,550	18,372,988	18,991,695	7,953,428	2.7%
		Romanians	15,167,545	14,908,854	15,749,590	6,374,888	3.8%
		Foreigners	3,333,005	3,464,134	3,242,105	1,578,540	-2.7%

**Notes:** Accommodations are examined with and without hotels as the project aims to increase the competitiveness of MSMEs. It is assumed that hotels are most often located in urban centers and less likely to be micro and small enterprises. Foreigners are examined in addition to all tourists as it is assumed that they provide a greater level of expenditure.

Tourist nights have also increased notably during the 2004-2006 period, especially when hotels are excluded from the data set. Tourist nights in the project regions have outpaced growth on the national level by a considerable margin, both in terms of foreign and domestic tourists and across all accommodation types. It is interesting to note that even though foreign tourist arrivals (table 6.13) in Sibiu were down over the life of the project, tourist nights showed a much lower decline. Even though less foreigners chose to visit Sibiu in 2006 due to the reasons cited above, those that did visit stayed for longer periods of time, which is encouraging. Additionally, non-hotel accommodation for all types of tourists and across all the project regions has grown considerably when compared to the growth in nights spent in hotels, illustrating an increasing preference for rural tourism throughout the project regions, resulting in greater incomes for the MSME tourism sector.

**Table 6.15: Lengths of Stay in Romania and in Rural Guesthouses**

Average Length of Stay		Baseline: CY 2004	CY 2005	CY 2006	CYTD 2007	LOP (2007/04)% Change
Romania	Tourists	3.3	3.2	3.1	2.7	-18.2%
	Romanians	3.5	3.4	3.3	2.8	-20.0%
	Foreigners	2.5	2.4	2.3	2.3	-8.0%
Mountain Areas	Tourists	2.5	2.4	2.3	2.2	-12.0%
	Romanians	2.5	2.4	2.3	2.1	-16.0%
	Foreigners	2.5	2.3	2.4	2.7	8.0%
Mountain Rural Guesthouse	Tourists	2.4	2.2	2.6	2.2	-8.3%
	Romanians	2.4	2.2	2.6	2.1	-12.5%
	Foreigners	2.8	2.0	2.8	3.1	10.7%
Rural Guesthouses	Tourists	2.0	2.2	2.0	2.0	0.0%
	Romanians	2.0	2.1	1.9	1.9	-5.0%
	Foreigners	2.3	2.8	2.5	3.1	34.8%

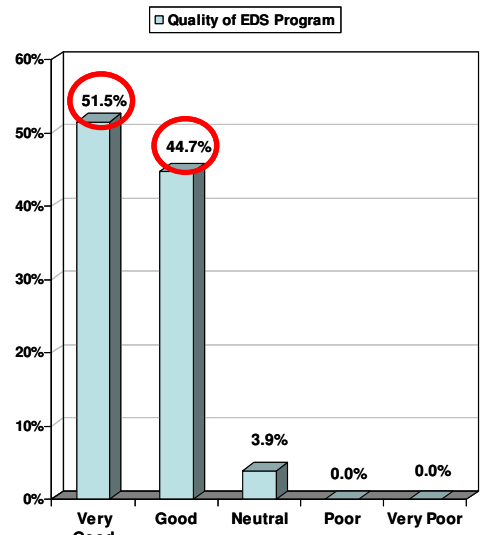
Average lengths of stay have remained relatively flat over the course of the project with one important exception, foreign tourists in rural guesthouses. Data through year-to-date 2007 is especially encouraging in that it illustrates large increases for this group versus the prior years. Stay lengths by foreigners in rural guesthouses have increased by 34.8% versus 2004. Longer average lengths of stay correlate directly to increases in tourist spending and with the rural guesthouse seeing such a large increase, one can only infer that the rural communities and MSMEs in these communities are seeing an increased economic benefit.

### 6.3 Result 3 – Improved Competitiveness of Selected ICT Firms

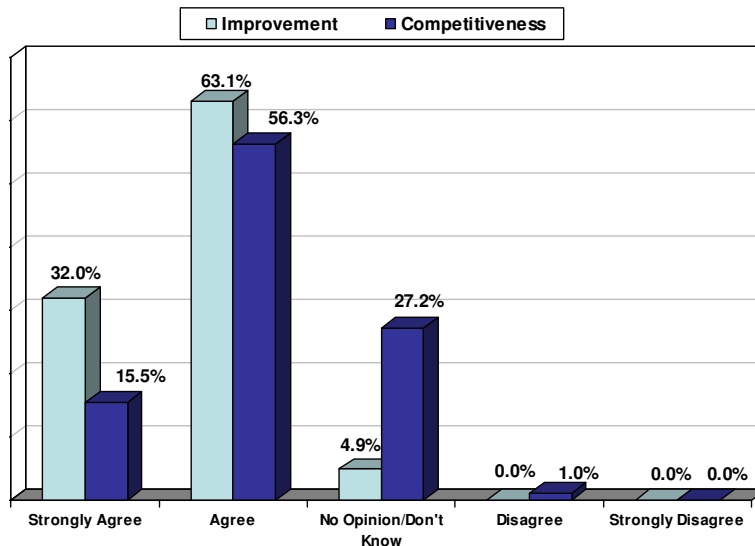
#### 6.3.1 Monitoring and Evaluation – Survey

In the summer of 2007, the component issued a follow-up survey to the one administered in 2006. In that survey, 96.2 percent of ICT companies ranked USAID/EDS as a high quality program, consistent with the high level of satisfaction indicated last year.

To the question, “Has your participation in USAID/EDS programs improved your professional skills or those of your colleagues and employees?” 95.1% agreed or strongly agreed. The growing satisfaction with the knowledge-sharing aspect of the program can be attributed to our training approach. The component has emphasized the dynamic nature of IT and program management skills acquisition in our courses and ensured that learning does not simply end in the classroom. The component focused on “training the trainers” so that knowledge is more easily disseminated. EDS also ensured that trainees earn internationally recognized certifications so that their skills more immediately reap market returns.

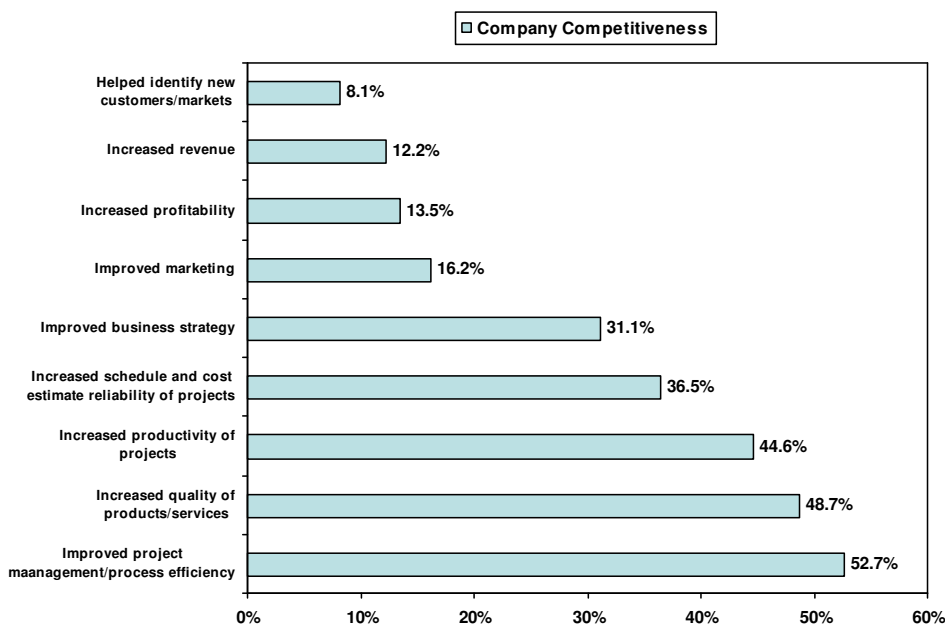


To the question, “Has your participation in USAID/EDS programs improved the competitiveness of your company?” 71.8 percent agreed or strongly agreed in 2007. The high satisfaction can be attributed to the component’s aggressive promotion program, which brought many companies to international trade fairs for the first time. This exposure allowed Romanian ICT vendors to interface with international buyers from target markets and effectively gauge the strategies of competitors from other countries. As a result, companies became savvier to the demands of the international market.



When asked how the program had improved Company Competitiveness, of those respondents that indicated they agreed, 52.7 percent cited improved project management, 48.7 percent cited increased quality of their product or services, and 44.6 percent cited improved productivity. The results speak to EDS’ course/certification sponsorship strategy, which incorporated specific industry requirements for sound management and product promotion. For example, the component dedicated over \$80,000 from our project budget in FY07 alone towards sponsoring CMMI and certification courses and certifying certification auditors.

The component’s leadership believes the strong results stem from the rigor and quality of the project management training and exposure to key trade shows – two key areas of the component’s enterprise strengthening approach. Of the respondents, 36.5 percent cited increased schedule and cost estimate reliability of their projects, 31.1 percent cited improved business strategy, 16.2 percent cited improved marketing, 13.5 percent cited improved profitability, 12.2 percent cited increased sales and 8.1 percent cited new customers and markets.



A. Monitoring and Evaluation - Financial Data

The tables below chart important financial metrics for participating companies in EDS’ program. Participating companies’ metrics are charted against those of the overall Romanian IT industry. The usefulness of the data is somewhat reduced by the time lag in preparation (it takes 9 months after the year-end to obtain all figures) and we believe that the figures are even higher at present, given Romania’s recent momentum in the global ICT industry. Also, because the data is taken from tax filings, companies tend to state the lowest possible profitability results. However, for purposes of comparison, the data is instructive and shows the significant gains made by companies who participated in the program in the last year (from 2005 to 2006) and over the life of the project (from 2004 to 2006).



Metric	Baseline (2004)	Update 2005	Update 2006	2006 Target	Results over 2005	Results over Life of Project
Revenue (\$million)	1740.9	2166.7	5412.8	Market: 13.31% <sup>42</sup>	149.8% Increase over 2005 136.49% Above 2006 Target	210.9% increase from 2004
Profit (\$million)	137.47	231.32	389.07	5% increase	68.2% Increase over 2005 63.2% Above 2006 Target	183.0% increase from 2004
Average Wage (\$/yr) <sup>43</sup>	\$8,736	\$9,085	n/a	n/a	n/a	4.0% increase between 2004 and 2005 <sup>44</sup>
Employment (headcount)	35,540	42,756	67,902	10% increase	58.8% Increase over 2005 48.8% Above Target	91.1% increase from 2004

Companies in EDS' program ("EDS Companies") experienced considerably higher growth in 2006 and overall (for the life of the project) compared to other Romanian IT firms. EDS Companies experienced significant market gains in 2006 due to the project's increased momentum in the trade promotion program. Moreover, the component's emphasis on project management and process improvement enabled EDS Company managers to hire wisely and grow their ranks effectively. 2007 growth is expected to be even higher, given the major milestones achieved this year: unification of industry stakeholders, creation of a national IT identity, and EDS Companies' participation in two major international trade shows.

Since the component only had two years to fulfill its objectives, it adopted an aggressive training and certification approach that enabled it to exceed all training objectives, as shown below.

Table 6.19 – Component Training Objectives and Results

Metric	Program Target	FY07 Actual <sup>45</sup>	Results
Individual Training Sessions	405	459	100% of Program Target <b>13% over target</b>
Individual Certifications	150	152	100% of Program Target <b>1.3% over target</b>
Company CMMI Certifications	2	3	100% of Program Target <b>50% over target</b>
Instructors Trained	11	12	100% of Program Target <b>9% over target</b>

#### 6.4 Result 4 – Improved Competitiveness of MSMEs in CHF Lending Program

The following is a performance summary of the EDS credit component implemented through Express Finance, the spin-off EDS successor finance institution. The CHF and Express Finance (EF) Romania MSME lending operation disbursed a total of \$4,976,684 during the life of the project. Of the total disbursements, \$2,458,332 went to companies active in commerce, \$697,960 to firms in small-scale production, and \$1,820,392 to companies in the service sector.

The EDS Program has met or surpassed all of the established targets for the credit component:

- Offer market rate credit to MSMEs in a majority of counties in Romania;
- Raise a minimum of \$7 million in new capital for MSME lending;

<sup>42</sup> European IT Observatory 2007.

<sup>43</sup> NeoIT – May 2005 and June 2006 reports; based on entry level wage

<sup>44</sup> 2006 data unavailable

<sup>45</sup> Cumulative – includes FY06 results

- Provide a minimum of \$18 million in MSME lending;
- Provide a minimum of 1,800 MSME loans;
- Institutionalize local capacity to lend successfully to the MSME sector by building linkages between and among commercial credit providers, leading MFIs including RAEF, World Vision/KAPA, Opportunity Associates, and others.

#### 6.4.1 EDS Intermediate Result: Portfolio Performance and Results

Please note the following key performance indicators for the EF MSME portfolio for April to June 2007. For more detailed information, refer to Annex 3: SME Lending by County and Partner.

- Total MSME loan volume in quarter: \$4,976,684 (women \$1,882,338 – 37.82%)
- Cumulative historical loan volume – MSME<sup>46</sup>: \$52,935,026
- EDS historical loan volume - MSME: \$45,608,301
- Total number of loans in quarter: 443 (women 175 – 39.50%)
- Total number of active clients: 2,194
- Portfolio at risk (> 30 days): 1.22%
- Total Principal Outstanding: \$ 13,812,346
- Repayment rate: 98.80%
- Write off rate: 0.00%
- Loan write-offs during the period: \$0
- Operational sustainability: 106.38%<sup>47</sup>
- Financial sustainability: 92.32%<sup>48</sup>

Performance indicators for the CHF housing portfolio (April - June 2007)

- Total housing loan volume (individual, group loans and floods): \$109,488
- Individual housing loan volume: \$109,488 (Women: \$56,151 – 51.28%)
- Group housing loan volume: \$0
- Flood loan volume: \$0 (Women: \$0 – 0%)
- Total number of loans in quarter: 59 (Women: 33 – 55.93%)
- Number of active housing clients: 486
- Portfolio at risk (> 30 days): 3.40%
- Principal Outstanding: \$435,119 (\$157,225 Individual Home Improvements, \$1,611 Housing Loans, \$276,283 Individual Flood Housing)
- Repayment rate: 98.31%
- Write off rate: 0%
- Loan write-offs during the period: \$0

<sup>46</sup> Since CHF Romania began lending in 1996.

<sup>47</sup> Includes all expenses related to loan operations (consolidated CHF and EF, calculation based on a rolling 6-month average – includes CHF HQ overhead).

<sup>48</sup> Operational expenses plus adjusted imputed cost of funds and on equity of EF, loan loss provisions – includes CHF HQ overhead).

Both operational and financial sustainability are calculated based on a rolling 6-month average. For the last two months of operations, the credit program has achieved sustainability, with over 100% operational sustainability and is close to 100% financial sustainability. The credit component is growing very quickly and has almost recovered all of the losses registered due to the transfer of operations from CHF to EF. Annex 2 summarizes the results of the component over the life of project.

### 6.4.2 Program Capital Sources

The EDS Program mobilized \$15,124,362 in new capital investment to expand MSME Access to Credit over the lifetime of the program, far surpassing the target of \$7 million. The following table details the capital funds contracted by the Credit Component and currently available for lending through its MSME credit program.

**Table 6.20 – CHF/EF Credit Program Capital Funds**

Source	Total Balance Amount	Terms	Special Conditions
USAID	\$1,150,000	Grant funds	Unrestricted – used for equity of EF
USAID	\$254,120	Grant funds	Restricted to Floods - Timis County
USAID	\$250,000	Grant funds	Restricted to Floods - RFR project
CHF capital reflows (retained earnings)	\$427,901	Retained Earnings	Unrestricted
Government of Romania – National Agency for Development	\$2,300,000	0% p.a.; management contract for maximum of 92 months	MSME lending in targeted towns and cities in Areas 1 and 2; mining areas
Overseas Private Investment Corp. (OPIC I)	\$1,562,500	5.88% p.a. (varies per payment); 37 month grace period and 48 month repayment	MSME lending
Rural Program: World Bank – Government of Romania	\$1,759,722	LIBOR +0.9% p.a. ; 21 month grace period and 48 month repayment	MSME lending in targeted localities in Western and Central Plains
Oiko	\$833,333	7.5% p.a. 37 month grace period and 48 month repayment	Unrestricted
Overseas Private Investment Corp (OPIC II)	\$2,500,000	7.09% p.a. 7 years and 10.5 month	Unrestricted
CHF International, US (commercial name of the fund: HQ USD)	\$1,500,000	7.00% p.a. 3 months, with the possibility to extend the term	Unrestricted
Blue Orchard	€2,000,000 (~\$2,586,786)	EURIBOR 6 m + 3.75% 12 months one bullet payment	Unrestricted
<b>Total Amount:</b>	<b>\$15,124,362</b>	<b>\$650,000</b>	

### 6.4.3 EDS Loan Products

The credit component began with four loan products designed to meet the needs of MSMEs. Express Finance now offers six products with higher ceilings that allow the loan products to grow with the client's needs. Loan products are now offered to a greater variety of clients,

including homeowner, miners, farmers and family associations, among others. Greater flexibility in the guarantee structure was added as well, allowing clients to provide financial collaterals (a bond letter, pre-signed checks) as well as business collaterals (real and fixed assets, movable goods). These loans are priced within market levels and reflect a strategy of cost recovery and portfolio growth. A description of the products currently offered is detailed below:

Table 6.21 - Express Finance Loan Products

Loan Product	Size	Client Base	Term	Pricing	Guarantee Structure
<b>Express Standard</b>	€1,000 - 25,000	SMEs, micro enterprises, individuals, family associations	3-36 months	16% on USD/€, 2-5% upfront commission,	Business collaterals, co-signers
<b>Express Short-Term</b>	€500 - 5,000	SMEs, micro enterprises, individuals, family associations	1-3 months	6% upfront commission, no interest	Business collaterals, co-signers
<b>Express Rural</b>	\$500 - \$7,500	SMEs, micro enterprises, individuals, family associations	3-36 months	16% on USD, 2-3% upfront commission	Business collaterals, co-signers
<b>Express Mining Areas</b>	\$1,000 - \$13,000	SMEs and micro enterprises, individuals in former mining areas	3-36 months	16% on USD, 2-4% upfront commission,	Business collaterals, co-signers
<b>Express Global</b>	2,000 - 40,000 lei	SMEs, micro enterprises, individuals, family associations	6-30 months	16-19% on lei, 3% upfront commission	Financial collaterals or movable/ immovable goods
<b>Express My Home</b>	300 - 6,000 lei	Home-owners, tenants	3-36 months	12-14% flat on lei, 2-4% upfront commission	Co-signer or bond letters, pre-signed

#### 6.4.4 Program Consolidation and Geographical Coverage

Over the life of the project, the component, now an independent, self-sustaining microfinance institution called Express Finance, expanded into 18 new counties. It now serves 25 counties, surpassing the target of reaching 22 counties by the end of the program.

#### Regulatory Reform of the Microfinance Sector, establishment of Microfinance Coalition

An integral part of the EDS credit component is the normalization and reform of the regulatory enabling environment for microfinance operations. The microfinance industry was unregulated and highly volatile when the credit component began its operations. From 1993 to June of 2005 the microfinance sector worked under the umbrella of NGO Law, protecting the EDS project but creating a risky environment for other MFIs. In large part, the advocacy work of the credit component focused on improving the operational capabilities of delivery structures, and ensuring that obstacles to their viability are identified and addressed in a coherent, responsible, and proactive manner at the policy level.

Shorebank Advisory Services, (SAS), worked with the credit component to form a Microfinance Coalition for the purpose of drafting legislation that would specifically acknowledge the presence of the microfinance industry in Romania for the first time. The Coalition was comprised of 11

members: The Coalition serves as an advocate for the interests of all stakeholders involved in the advancement of the microfinance industry in the country. Through the efforts of the Microcredit Coalition, non-profit microcredit initiatives were allowed to continue, ensuring more than \$1 million was allowed to stay in circulation in 2006 alone. **Jobs Sustained: 42,943 and New Jobs Created: 4,296.**

## 6.5 Romanian Flood Recovery Programs (FAST, RFR)

All FAST and RFR program contractual obligations were closed-out by the end of the first quarter of FY 2007. Both projects exceeded all of their targets. FAST provided assistance to 2,347 vulnerable people in the county of Timis, disbursing \$300,440 of loans for home improvement. Also, EDS mobilized communities to identify and address key social and economic infrastructure needs. The project implemented 15 QIPs with a total value of \$101,642, of which 26% was provided by the community. These projects created 1,138 person-weeks of employment and accelerated the process by which affected population returned to their normal lives.

The RFR program far surpassed its goal of 100 completed infrastructure projects with a total of 145 completed projects. In partnership with IOCC and HFH, EDS provided direct assistance to 4,665 families, completed 13 economic infrastructure projects. Through the project's 37 QIPs and 71 CIPs, EDS assisted 282,716 people in six counties.

### 6.5.1 FAST Objectives and Corresponding Results

<i>Objective 1</i>	<i>Indicators</i>
Assist displaced families to repair/rebuild their homes.	<ul style="list-style-type: none"> <li>▪ Those needing funding receive it in the first two weeks.</li> <li>▪ Housing Repair and Reconstruction Fund fully disbursed by month 12 (April 30, 2006).</li> <li>▪ Average completed application to disbursement time less than ten days.</li> </ul>
<b>Results:</b>	
CHF has provided financing, via a specially created Housing Repair and Reconstruction Fund (HRRF), for families to repair/rebuild their homes. The HRRF provided immediate financial assistance to affected families and was funded by an initial \$250,000 reprogrammed from existing EDS - Access to Credit resources. An additional \$50,000 was redirected from CHF International's current Home Improvement Loan Funds bringing the total HRRF to \$300,000.	
The deadline set for disbursement of all HRRF funds was set for April 30, 2006. By April 28, \$298,500 had been disbursed and by June 2, 2006 \$300,440 had been disbursed. HRRF loans are currently being recovered and full recovery of disbursed loans is expected by April 30, 2009. All reflows are incorporated into CHF's Home Improvement Loan Fund.	

<i>Objective 2</i>	<i>Indicators</i>
Increase incomes for the low-income affected population through dignified employment.	<ul style="list-style-type: none"> <li>▪ Number of person/weeks of employment created.</li> </ul>
<b>Results:</b>	
The FAST Recovery program initiated a series of Quick Impact Projects (QIPs) aimed to address socio-economic infrastructure needs of affected communities while also providing employment for the low-income affected population. <b>15 QIPs were implemented in 12 communities resulting in a total of 1,138 person-weeks of employment.</b>	

<i>Objective 3</i>	<i>Indicators</i>
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Quickly address key social and economic infrastructure needs of the community.	<ul style="list-style-type: none"> <li>▪ Infrastructure receives significant use.</li> <li>▪ Community agrees that infrastructure is important.</li> <li>▪ Minimum of 5 infrastructure projects completed.</li> <li>▪ All projects completed by month 6.</li> </ul>			
<b>Results:</b>				
The FAST Recovery program successfully completed 15 QIPs in 12 communities. Each QIP implemented was selected for implementation according to a community-submitted proposal identifying the social or economic importance of the proposed infrastructure rehabilitation. Since much of the affected areas remained under water at the time of proposal submission, most of the initial approved projects focused on clean-up efforts (dead animal and debris removal), pumping flooded buildings, and cleaning contaminated wells.				
<b>Table 5.1 – FAST Program Quick Impact Projects</b>				
<b>Project Name</b>	<b>Town/Village</b>	<b>Grant Amount</b>	<b>Community Match</b>	<b>Completion Date</b>
School and Kindergarten	Rovinita Mare	\$5,668.11	\$2,100.56	Dec. 22, 2005
Community Center	Rovinita Mare	\$6,198.46	\$1,197.44	Dec. 22, 2005
School	Brestea	\$4,315.50	\$1,720.85	Dec. 22, 2005
Animal Shelter	Otelec	\$5,000.00	\$1,217.57	Aug. 19, 2005
Medical Center	Foeni	\$1,851.37	\$204.64	Aug. 19, 2005
Animal Shelter	Cruceni	\$5,123.53	\$0.00	Oct. 17, 2005
Kindergarten	Jimbolia	\$5,154.34	\$955.26	Sep. 15, 2005
Community Center	Rachita	\$4,756.10	\$922.50	Dec. 7, 2005
Bridge	Jupinesti	\$5,066.07	\$4,360.11	Feb. 15, 2006
Bridge	Povergina	\$7,497.42	\$7,319.75	May 31, 2006
Medical Center	Manastir	\$4,632.75	\$2,195.38	Dec. 18, 2005
Dentist Practice	Otelec	\$1,975.06	\$36.95	Dec. 10, 2005
Medical Center	Otelec	\$4,762.92	\$289.88	Dec. 6, 2005
School Heating System	Otelec	\$7,449.40	\$4,000.00	Mar. 7, 2006
Kindergarten	Dumbrava	\$5,331.73	\$338.58	Jun. 2, 2006
<b>15 Total QIPs</b>	<b>12 Communities</b>	<b>\$74,782.76</b>	<b>\$26,859.47</b>	
The <b>total value of all QIPs</b> implemented under the FAST Recovery program is <b>\$101,642.23</b> , 73.5% coming from grants and the remaining 26.5 % from matching community contributions.				

<b>Objective 4</b>	<b>Indicators</b>
Accelerate the process by which lives of the most affected population begin to return to normal.	Indicators for this process are identical to indicators of the other objectives.
<b>Results:</b>	
Please references the results sections above as the indicators for this objective are identical to those listed above.	

## 6.5.2 RFR Objectives and Corresponding Results

The table below provides detailed results of the QIPs organized by county:

**Table 6.6 – RFR Program Quick Impact Projects by County**

Nr.	County	Village, Community	Description	CHF/USAID Contribution	Community Contribution*	Total Project Value	Beneficiaries (Direct & Indirect)
1	Olt	Bobicesti,	Primary	\$15,671.79	\$4,311.49	\$19,983.27	441

		Bechet	School Rehabilitation				
2	Olt	Boicesti, Bechet	Kindergarten Rehabilitation	This project was combined with the one above for contracting purposes.			40
3	Olt	Gavanesti, Brosteni	Kindergarten Rehabilitation	\$8,699.51	\$1,555.07	\$10,254.57	71
4	Olt	Gavanesti, Baleasa	Bridge Construction	\$18,588.95	\$11,370.37	\$29,959.32	3,222
5	Olt	Icoana, Icoana	Health Center Rehabilitation	\$8,964.39	\$17,185.95	\$26,150.34	2,500
6	Olt	Valcele, Barcanesti	Latrine Renovation (General School)	\$8,863.31	\$3,059.30	\$11,922.61	1,283
7	Olt	Schitu, Schitu	General School Rehabilitation	\$21,632.36	\$11,281.90	\$32,914.26	488
8	Olt	Schitu, Schitu	Kindergarten Rehabilitation	This project was combined with the one above for contracting purposes.			105
9**	Olt	Potcoava, Potcoava	School Gymnasium Repair	\$13,423.97	\$444.44	\$13,868.41	650
10**	Olt	Potcoava, Potcoava	General School Rehabilitation	\$20,579.83	\$15,555.56	\$36,135.39	541
11**	Olt	Izvoarele, Izvoarele	School Heating System Repair	\$9,904.76	\$1,111.11	\$11,015.87	1,550
12**	Olt	Izvoarele, Alimanesti	School Rehabilitation	\$18,575.69	\$6,048.27	\$24,623.96	2,891
<b>TOTAL OLT COUNTY (12 Projects)</b>				<b>\$144,904.56</b>	<b>\$71,923.46</b>	<b>\$216,828.02</b>	<b>13,782</b>
13**	Teleorman	Contesti, Contesti	Road Rehabilitation	\$10,606.02	\$3,896.27	\$14,502.29	3,150
14**	Teleorman	Vartoape, Vartoape	Footbridge Rehabilitation	\$9,247.55	\$3,522.83	\$12,770.37	3,500
15**	Teleorman	Scurtu Mare, Valea Postei	School Rehabilitation	\$7,956.21	\$5,376.66	\$13,332.87	217
16**	Teleorman	Mereni, Mereni	Health Center Rehabilitation	\$7,892.99	\$2,394.26	\$10,287.25	3,010
17**	Teleorman	Orbeasca, Laceni	Drainage Channel Rehabilitation	\$3,790.72	\$2,016.09	\$5,806.82	3,220
18**	Teleorman	Gratia, Gratia	Drainage Channel Rehabilitation	\$8,091.11	\$1,003.83	\$9,095.09	1,540
19**	Teleorman	Scurtu Mare, Valea Postei	Road and Footbridge Rehabilitation	\$8,935.85	\$961.79	\$9,897.63	1,000
20**	Teleorman	Dracea, Rusca	Road Rehabilitation	\$11,065.60	\$2,721.89	\$13,787.49	1,100
<b>TOTAL TELEORMAN COUNTY (8 Projects)</b>				<b>\$67,586.04</b>	<b>\$21,893.62</b>	<b>\$89,479.66</b>	<b>16,737</b>
21	Galati	Sendreni, Sendreni	Garbage Management System	\$9,984.98	\$1,507.41	\$11,492.39	6,442
22	Galati	Cosmesti, Cosmesti Vale	Health Center Rehabilitation	\$9,673.79	\$1,872.33	\$11,546.12	2,920
23	Galati	Tudor Vladimirescu,	Sports Field Rehabilitation	\$9,635.19	\$2,833.33	\$12,468.52	1,011

		Tudor Vladimirescu					
24	Galati	Ivesti, Ivesti	Sports Stadium Renovation	\$12,223.50	\$1,765.56	\$13,989.06	4,900
<b>TOTAL GALATI COUNTY (4 Projects)</b>				<b>\$41,517.46</b>	<b>\$7,978.63</b>	<b>\$49,496.09</b>	<b>15,273</b>
25	Vrancea	Cirilgele, Bontesti	Classroom Rehabilitation (General School)	\$11,568.12	\$1,615.22	\$13,183.34	3,088
26	Vrancea	Andreiasu de Jos, Rachitasu	Kindergarten Rehabilitation (General School)	\$4,388.01	\$807.81	\$5,195.83	106
27	Vrancea	Andreiasu de Jos, Rachitasu	2 Classroom Rehabilitations (General School)	\$10,597.61	\$2,027.44	\$12,625.06	144
28	Vrancea	Suraia, Suraia	Reconstruction of Three Culverts with Tubes	\$10,565.28	\$2,370.04	\$12,935.32	7,500
29	Vrancea	Poiana Cristei, Poiana Cristei	Medical Center Reconstruction	\$22,037.04	\$12,037.07	\$34,074.11	4,144
30	Vrancea	Cirligele, Bontesti	Latrine Renovation (General School)	\$12,169.73	\$1,361.64	\$13,531.37	288
31	Vrancea	Vizantea-Livezi, Livezile-Mesteacanul	Culvert Reconstruction	\$11,216.41	\$8,500.04	\$19,716.45	1,350
32	Vrancea	Jitia, Jitia	Footbridge Rehabilitation	\$12,603.70	\$595.10	\$13,198.80	555
33	Vrancea	Naruja, Naruja	Reconstruction of Footbridges	\$12,132.14	\$8,644.87	\$20,777.01	427
34	Vrancea	Tataranu, Martinesti	Footbridge Rehabilitation	\$4,548.52	\$345.71	\$4,894.23	3,120
35	Vrancea	Nistoresti, Nistoresti	Water Pump Consolidation	\$10,010.54	\$1,894.73	\$11,905.27	480
<b>TOTAL VRANCEA COUNTY (11 Projects)</b>				<b>\$121,837.11</b>	<b>\$40,199.68</b>	<b>\$162,036.78</b>	<b>21,182</b>
36	Mures	Fantanele, Fantanele	Renovation of 2 Classrooms & Gymnasium (General School)	\$9,881.93	\$3,069.66	\$12,951.60	780
37	Mures	Panet, Panet	Kindergarten Rehabilitation	\$12,018.52	\$7,814.44	\$19,832.96	756
<b>TOTAL MURES COUNTY (2 Projects)</b>				<b>\$21,900.45</b>	<b>\$10,884.10</b>	<b>\$32,784.55</b>	<b>1,536</b>
<b>TOTAL ALL QIPs (37 Projects)</b>				<b>\$397,745.62</b>	<b>\$152,879.49</b>	<b>\$550,625.11</b>	<b>68,510</b>

\*Community contribution includes cash and in-kind contribution by the locality, county council, government of Romania, and donations of labor and/or materials by the implementing construction company.

\*\*Projects implemented by IOCC under sub-award no. 26136-2006-SG-002.



The table below details of all the CIPs implemented by county with corresponding cost-share and beneficiary information.

**Table 6.7 – RFR Program Community Infrastructure Projects by County**

Nr.	County	Village, Community	Project Description	CHF/USAID Contribution	Community Contribution*	Total Project Value	Beneficiaries (Direct & Indirect)
1	Olt	Valeni, Valeni	Dam Consolidation	\$21,889.44	\$3,700.34	\$25,589.79	5,000
2	Olt	Valeni, Valeni	Pluvial Water Drainage System Rehabilitation	\$13,332.22	\$1,852.96	\$15,185.19	1,120
3	Olt	Serbanesti, Serbanesti	Sanitary Group Rehabilitation	\$3,559.20	\$1,335.19	\$4,894.39	1,752
4	Olt	Izvoarele, Izvoarele	Medical Center Rehabilitation	\$4,139.63	\$4,363.89	\$8,503.52	4,184
5	Olt	Corbu, Milcoveni	Bridge Rehabilitation	\$12,298.00	\$20,740.74	\$33,038.74	1,500
6	Olt	Gavenesti, Gavenesti	Cultural Center Rehabilitation	\$12,001.51	\$2,618.76	\$14,620.27	2,035
7	Olt	Dobretu, Horezu	Communal Road Rehabilitation	\$9,925.02	\$5,575.93	\$15,500.95	2,357
8	Olt	Tatulesti, Tatulesti	Brook Rehabilitation & Road Rehabilitation	\$8,414.83	\$3,111.11	\$11,525.94	1,130
9	Olt	Izvoarele, Alimanesti	Repair Heating System (General School)	\$19,328.94	\$6,768.52	\$26,097.46	3,882
<b>OLT COUNTY TOTAL (9 Projects)</b>				<b>\$104,888.80</b>	<b>\$50,067.44</b>	<b>\$154,956.24</b>	<b>22,960</b>
10	Teleorman	Plosca, Plosca	Pluvial Water Drainage System Rehabilitation	\$6,351.39	\$5,606.30	\$11,957.69	6,810
11	Teleorman	Zimbreasca, Zimbreasca	Communal Road Rehabilitation	\$27,749.86	\$12,348.70	\$40,098.57	1,200
12	Teleorman	Zimbreasca, Zimbreasca	Culvert Reconstruction	This project was combined with the one above for contracting purposes.			1,200
13	Teleorman	Traian, Traian	Communal Road Rehabilitation	\$17,606.74	\$6,124.44	\$23,731.18	360
14	Teleorman	Calinesti, Calinesti	Road and Pluvial Water Drainage System Rehabilitation	\$12,448.15	\$4,433.41	\$16,881.56	1,100
15	Teleorman	Scurtu Mare, Scurtu Slavesti	Communal Road Rehabilitation	\$7,391.84	\$5,777.78	\$13,169.61	1,600
16	Teleorman	Tatarastii de Jos, Tatarastii de Jos	Drainage Channel Rehabilitation	\$3,185.03	\$4,372.22	\$7,557.26	3,950
17	Teleorman	Tatarastii de Jos,	Comunal Road Rehabilitation	\$27,777.78	\$29,157.78	\$56,935.56	4,650

		Tatarastii de Jos					
18	Teleorman	Tiganesti, Tiganesti	Pluvial Water Drainage System Rehabilitation	\$2,079.26	\$3,860.37	\$5,939.63	8,000
19	Teleorman	Dracea, Zlata	General School Rehabilitation	\$7,765.66	\$3,870.74	\$11,636.40	119
20	Teleorman	Uda Clocociov, Uda Clocociov	General School Rehabilitation (Roof)	\$7,607.78	\$6,041.04	\$13,648.81	810
21	Teleorman	Mereni, Mereni	Cultural Center Rehabilitation	\$24,320.63	\$23,574.07	\$47,894.70	3,450
22	Teleorman	Ciolanesti, Ciolanesti	Kindergarten Roof Rehabilitation	\$1,227.21	\$326.77	\$1,553.98	142
23	Teleorman	Traian, Traian	Brook Rehabilitation & 300 m Road	\$25,571.59	\$11,257.78	\$36,829.36	2,050
<b>TELEORMAN COUNTY TOTAL (14 Projects)</b>				<b>\$171,082.91</b>	<b>\$116,751.40</b>	<b>\$287,834.31</b>	<b>35,441</b>
24	Galati	Sendreni, Serbestii Vechi	Dike Rehabilitation	\$11,450.74	\$2,916.15	\$14,366.89	1,360
25	Galati	Tudor Vladimirescu, Tudor Vladimirescu	Culvert & Drainage Channel Rehabilitation	\$13,859.26	\$4,166.67	\$18,025.93	6,800
26	Galati	Brahasesti, Brahasesti	Drainage Channel Cleaning	\$9,872.83	\$3,037.04	\$12,909.87	3,210
27	Galati	Matca, Matca	Bridge Rehabilitation	\$20,688.15	\$7,037.04	\$27,725.19	6,000
28	Galati	Targu Bujor, Targu Bujor	Flood Embankment Repair	\$7,263.01	\$481.48	\$7,744.50	23,000
29	Galati	Beresti Meria, Balinesti	Kindergarten Rehabilitation	\$8,746.67	\$1,098.76	\$9,845.43	2,214
30	Galati	Beresti Meria, Aldesti	Health Center Rehabilitation	\$8,293.33	\$2,839.50	\$11,132.84	4,861
31	Galati	Sendreni, Sendreni	Children's Social Center Repair	\$5,977.41	\$3,646.57	\$9,623.98	210
32	Galati	Liesti, Siret	Footbridge and Access Road Rehabilitation	\$20,007.61	\$5,000.00	\$25,007.60	1,850
33	Galati	Piscu, Piscu	Road Rehabilitation	\$28,448.09	\$9,259.26	\$37,707.34	5,025
34	Galati	Ghidigeni, Ghidigeni	Drainage Channel Rehabilitation	\$4,137.23	\$1,172.84	\$5,310.07	7,600
<b>GALATI COUNTY TOTAL (11 Projects)</b>				<b>\$138,744.33</b>	<b>\$40,655.30</b>	<b>\$179,399.63</b>	<b>62,130</b>
35	Vrancea	Gura Calitei, Plopu	Culvert over River	\$19,630.94	\$2,444.48	\$22,075.43	3,100
36	Vrancea	Valea Sarii, Buchila	Footbridge Rehabilitation	\$25,555.56	\$4,790.16	\$30,345.71	4,927

37	Vrancea	Vrancioaia, Poiana	Footbridge Rehabilitation	\$14,148.52	\$5,061.76	\$19,210.28	2,650
38	Vrancea	Mera, Vulcaneasa	Footbridge Rehabilitation	\$20,357.41	\$6,172.87	\$26,530.28	4,000
39	Vrancea	Chiojdeni, Chiojdeni	General School Rehabilitation	\$9,368.84	\$845.71	\$10,214.56	293
40	Vrancea	Milcovul, Lamotesti	30 Culverts (on tubes) for Drainage	\$5,246.30	\$1,024.73	\$6,271.02	1,386
41	Vrancea	Reghiu, Reghiu	Footbridge Rehabilitations	\$6,327.78	\$5,845.09	\$12,172.87	848
42	Vrancea	Vidra, Vidra	Footbridge Rehabilitation	\$24,463.70	\$6,790.16	\$31,253.86	9,000
43	Vrancea	Spulber, Spulber	Footbridge Rehabilitation	\$24,796.96	\$3,024.73	\$27,821.68	3,050
44	Vrancea	Nerehu, Paraul Pinului	Latrine Rehabilitation	\$2,224.86	\$419.79	\$2,644.65	150
45	Vrancea	Nereju, Nereju Mic	Footbridge Rehabilitation	\$19,547.73	\$2,654.36	\$22,202.09	950
46	Vrancea	Andreiasu de Jos, Rachitasu	Completion of School Rehabilitation QIP (nr. 26-27 in Table above)	\$9,109.09	\$1,925.96	\$11,035.05	496
47	Vrancea	Andreiasu de Jos, Andreiasu de Jos	Bridge Rehabilitation	\$19,181.32	\$6,396.33	\$25,577.66	2,150
<b>VRANCEA COUNTY TOTAL (13 Projects)</b>				<b>\$199,959.00</b>	<b>\$47,396.13</b>	<b>\$247,355.13</b>	<b>33,000</b>
48	Mures	Craciunesti, Craciunesti	Road Rehabilitation	\$19,665.56	\$20,933.13	\$40,598.69	4,351
49	Mures	Craiesti, Craiesti	2 Bridge Rehabilitations	\$20,476.89	\$6,817.37	\$27,294.26	1,027
50	Mures	Fantanele, Fantanele	Drainage Channel Cleanings	\$2,967.07	\$2,592.59	\$5,559.66	2,373
51	Mures	Galesti, Galesti	Cultural Center Rehabilitation	\$6,207.41	\$3,016.51	\$9,223.92	3,000
52	Mures	Iernut, Cipau	Drainage Channel Cleanings	\$11,222.60	\$3,712.59	\$14,935.19	1,500
53	Mures	Lunca, Logig	Drainage Channel Cleanings	\$15,428.70	\$4,649.07	\$20,077.77	3,100
54	Mures	Mica, Deaj	Road Rehabilitation & Drainage Channel Cleaning	\$23,196.73	\$7,732.61	\$30,929.34	2,400
55	Mures	Panet, Panet	Kindergarten Repairs (Continued from QIP 37 above) & Drainage Channel Cleaning	\$20,831.49	\$5,168.57	\$26,000.06	756

56	Mures	Viiisoara, Ormenis	Bridge Repair	\$14,767.27	\$4,922.43	\$19,689.70	516
57	Mures	Chibed, Chibed	Hydrotechnical Works – Bridge and Riverbed	\$28,532.28	\$164,876.54	\$193,408.81	1,700
58	Mures	Ogra, Lascud	School, Kindergarten, Cultural Center, and Medical Office Rehabilitation	\$16,938.89	\$7,412.96	\$24,351.85	256
<b>MURES COUNTY TOTAL (11 Projects)</b>				<b>\$180,234.87</b>	<b>\$231,834.37</b>	<b>\$412,069.24</b>	<b>20,979</b>
59	Harghita	Feliceni, Hoghia	Cultural Center Repair	\$14,852.51	\$5,755.64	\$20,608.15	3,020
60	Harghita	Tusnad, Tusnad-Nou	Road Rehabilitation	\$9,992.72	\$5,031.11	\$15,023.83	2,114
61	Harghita	Remetea, Remetea	Drainage/Sew er System Rehabilitation	\$23,532.13	\$6,817.56	\$30,349.69	6,348
62	Harghita	Danesti, Danesti	Riverbed Rehabilitation	\$12,188.89	\$4,340.30	\$16,529.19	856
63	Harghita	Carta, Ineu	Riverbed Consolidation	\$18,264.44	\$3,994.29	\$22,258.74	5,800
64	Harghita	Mugeni, Mugeni	Rehabilitation of 3 Roads	\$21,810.91	\$11,400.89	\$33,211.80	1,017
65	Harghita	Martinis, Martinis	Footbridge Reconstruction	\$5,758.89	\$638.05	\$6,396.94	3,634
66	Harghita	Sancraieni, Sancraieni	Footbridge Reconstruction	\$6,682.05	\$3,537.06	\$10,219.11	2,500
67	Harghita	Santimbru, Santimbru	Riverbank Consolidation	\$12,733.88	\$5,264.79	\$17,998.67	2,064
68	Harghita	Odorheiu Secuiesc	Drainage/Sew er System Rehabilitation	\$11,109.56	\$4,493.96	\$15,603.51	240
69	Harghita	Balan, Balan	Cultural Center Rehabilitation	\$17,585.82	\$19,485.30	\$37,071.11	10,350
70	Harghita	Simonesti, Simonesti	Cultural Center Rehabilitation	\$25,032.83	\$12,555.56	\$37,588.38	1,334
71	Harghita	Simonesti, Cobatesti	Road Rehabilitation	\$18,609.18	\$5,294.67	\$24,281.11	419
<b>HARGHITA COUNTY TOTAL (13 Projects)</b>				<b>\$198,531.06</b>	<b>\$88,609.18</b>	<b>\$287,140.24</b>	<b>39,696</b>
<b>TOTAL ALL CIPs (71 Projects)</b>				<b>\$993,440.97</b>	<b>\$575,313.82</b>	<b>\$1,568,754.79</b>	<b>214,206</b>

\*Community contribution includes cash and in-kind contribution by the locality, county council, government of Romania, and donations of labor and/or materials by the implementing construction company.

## VII. List of Annexes

### 7.1 Overview

Due to the size and number of the annexes referenced in this report, each component's annexes are provided on the accompanying DVDs. This section details the contents of each component's annexes for reference purposes.

## 7.2 Result 1 – Improved Business Environment for MSMEs

### ANNEX 1 – Legislative Monitoring

- 1.1\_Legislative Monitoring Report 2005-en.pdf
- 1.2\_AA Legislative Monitoring Documentation (folder)

### ANNEX 2 – Legislative Tracking

- 2.1\_2004 Legislative Tracking Documents (folder)
- 2.2\_2005 Legislative Tracking Documents (folder)
- 2.3\_2006 Legislative Tracking Documents (folder)

### ANNEX 3 – Streamlining Regulatory Reform

- 3.1\_National Action Plan for Improving the Business Environment.doc
- 3.2\_Business Environment Advisor Activity Plan.doc

### ANNEX 4 – Regulatory Impact Analysis (folder)

### ANNEX 5 – Anticorruption (folder)

### ANNEX 6 – Election Work

- 6.1\_Business Environment Talking Points.doc
- 6.2\_First 100 days elections policy paper.doc
- 6.3\_Legislative Problems.doc

### ANNEX 7 – GEA Analyses

- 7.1\_GEA Microenterprise Turnover Tax Analysis.doc
- 7.2\_GEA Report on Tacit Approval.doc
- 7.3\_GEA Tacit Approval Law Comparative Study.doc
- 7.4\_GEA Tourism Tax impact Assessment.doc

### ANNEX 8 – Fiscal Conference 2003

- 8.1\_Conference Final Report.doc
- 8.2\_Policy Papers Presented (folder)
- 8.3\_Conference Participant List.xls
- 8.4\_Recommended Amendments 2003.doc

### ANNEX 9 – Fiscal Code

- 9.1\_Fiscal Code Position Paper.doc
- 9.2\_Fiscal Code Amendments (folder)
- 9.3\_Fiscal Code Advocacy (folder)
- 9.4\_JCI Flat Tax Strategy.doc
- 9.5\_Fiscal Code Archive (folder)

### ANNEX 10 – Business Registration

- 10.1\_EDS Comments on FIAS Report.doc
- 10.2\_Assessment on Administrative Barriers to Doing Business.doc
- 10.3\_Business Environment Action Plan 2005-2006.doc
- 10.4\_Companies Registration Report.doc
- 10.5\_Business Registration Documentation (folder)

ANNEX 11 – Red Tape & Tacit Approval (folder)

ANNEX 12 – Commercial Law Reform Assessment.doc

ANNEX 13 – Labor Market Flexibility (folder)

ANNEX 14 – Microfinance

14.1\_Microfinance Law

14.2\_Advocacy Campaign

14.3\_NBFI Legislation

ANNEX 15 – Enterprise Law (folder)

ANNEX 16 – Other Law Recommendations

16.1\_Public Procurement Law Analysis.doc

16.2\_Draft SME Law Comments.doc

16.3\_ITC Legislative Proposal.doc

ANNEX 17 – Conferences & Seminars (folder)

### **7.3 Result 2 – Improving the Competitiveness of Tourism Firms**

ANNEX 1 – Tourism Component Strategy & Partners

1.1\_EDS Tourism Sector Assessment.doc

1.2\_EDS Tourism Strategy FY05-FY08.doc

1.3\_EDS Partners List.xls

ANNEX 2 – Market Research Deliverables

2.1\_Tour Operator Database

2.2\_2005 Visitor Survey Report.doc

2.3\_2006 Visitor Survey (folder)

2.4\_Asset Mapping Database Kit.zip

2.5\_Romanian Travel Guidebooks and Travelogues.doc

2.6\_Books Databases (folder)

2.7\_Market Research for National Strategy.zip

ANNEX 3 – NTA Documents

3.1\_NTA – CHF Partnership Agreement.doc

3.2\_Geotourism Charter NTA.doc

3.3\_EDS Tourism Presentation for OECD & NTA.doc

3.4\_NTA Website Recommendations.ppt

ANNEX 4 – Rural Tourism Support

4.1\_National Export Strategy (folder)

4.2\_ATRT (folder)

4.3\_ANTREC Romania (folder)

ANNEX 5 – Search Engine Optimization

5.1\_ANTREC (folder)

5.2\_ATB (folder)

5.3\_B&B (folder)

## 5.4\_ASTRA (folder)

ANNEX 6 – Crafts Certification Trademark

- 6.1\_Crafts Certification Plan Initial.doc
- 6.2\_Crafts Authenticity Business Plan.doc
- 6.3\_Crafts Certification Financial Projections.xls

ANNEX 7 – Branding

- 7.1\_Branding Presentation.pdf
- 7.2\_Maramures Brand Report.pdf
- 7.3\_Sibiu Brand Report.pdf

ANNEX 8 – Training Materials

- 8.1\_Accommodation Training for Rural Guesthouses (folder)
- 8.2\_WRI Presentation Outline.doc
- 8.3\_PR Training (folder)
- 8.4\_Improving the Visitor Experience (folder)
- 8.5\_Artisan Training (folder)
- 8.6\_Rural Tourism.ppt
- 8.7\_EU Integration Impact on Tourism.ppt
- 8.8\_ASTRA Audio Guide (folder)

ANNEX 9 – Consultant & Activity Reports

- 9.1\_Final Report\_Accom Training\_Consultant.doc
- 9.2\_Final ReportTOT2March05.doc
- 9.3\_Report MM Tourism Promotion and Craft Fair.doc
- 9.4\_Cheese&Brandy Questionnaire.doc
- 9.5\_Cheese&Brandy Survey Results.xls
- 9.6\_Natural History Museum recommendations.doc
- 9.7\_Sibiu Tourism Symposium Report.pdf
- 9.8\_Sibiu Restaurant Survey.doc
- 9.9\_Sibiu Restaurant Survey Results.xls
- 9.10\_Sighisoara Stakeholder Meeting Notes.doc
- 9.11\_Sighisoara Questionnaire Results.doc
- 9.12\_Mioritics London Travel Market Report.doc

ANNEX 10 – Promotional Materials

- 10.1\_Greetings from Romania (folder)
- 10.2\_Maramures Churches Leaflet.pdf
- 10.3\_Artisan Promotion Files (folder)
- 10.4\_Ciocanesti Brochure (folder)
- 10.5\_Monthly Bulletins (folder)
- 10.6\_Calendars of Events (folder)

ANNEX 11 – Cultural Circuits

- 11.1\_Saxon Heritage Trail (folder)
- 11.2\_Maramures World Heritage Trail (folder)
- 11.3\_Painted Eggs Road
- 11.4\_Bucovina Tourist Itineraries (folder)
- 11.5\_Village Walking Trails (folder)
- 11.6\_Traditional Crafts Road Brochure.pdf

ANNEX 12 – Access to Finance

- 12.1\_Financing for Cultural Projects.doc
- 12.2\_VAT Impact on Tourism.doc
- 12.3\_Funding Guide for Partners.doc

ANNEX 13 – Signage

- 13.1\_Maramures Road Signs.jpg
- 13.2\_Baia Mare Airport Large.jpg
- 13.3\_Baia Mare Airport Small.jpg
- 13.4\_Dacian Ruins Panel Example.jpg
- 13.5\_Information Panel Example.jpg

Additionally, a set of EDS Tourism Resource DVDs is included. This 2 DVD set was distributed to all EDS partners for use as reference materials and so that EDS materials may be reproduced. DVDs were made in both English and Romanian.

**7.4 Result 3 – Improved Competitiveness of Selected ICT Firms**ANNEX 1 – Administered Surveys & Results

- 1.1\_2006 EDS IT Survey Summary.pdf
- 1.2\_Forrester Survey (folder)

ANNEX 2 – CMMI Course Material (folder)ANNEX 3 – IT Tourism Course Material (folder)ANNEX 4 – Niche Promotion (folder)ANNEX 5 – Participant-Company-Industry Database (folder)ANNEX 6 – Project Management Professionals (folder)ANNEX 7 – RomaniaIT (folder)ANNEX 8 – Sales Course (folder)ANNEX 9 – Software Engineering

- 9.1\_Modern Software Development (folder)
- 9.2\_Product Management & Marketing Today (folder)
- 9.3\_Web 2.0 Overview (folder)

**7.5 Result 4 – Improved Competitiveness of MSMEs in CHF Lending Program**ANNEX 1 – SME lending by County and PartnerANNEX 2 – Results of Express Finance lending results by indicatorANNEX 3 – Press Coverage of Express Finance's activities**7.6 Result 5 – Romanian Flood Recovery Programs (FAST, RFR)**ANNEX 1 – IOCC Final Report.pdfANNEX 2 – HFH Final Report.pdfANNEX 4 – RFR Success Stories (folder)ANNEX 5 – RFR Tool Kit EN (folder)