

Romania and European integration

Paul Schmidt

Austrian Society for European Politics

March 7, 2011



Economic Situation & Perspectives

European Economic Forecast, Autumn 2010

	92-05	2007	2008	2009	2010	2011	2012
GDP	2,2	6,3	7,3	-7,1	-1,9	1,5	3,8
Public budget balance	--	-2,6	-5,7	-8,6	-7,3	-4,9	-3,5
Current account balance	--	-13,6	-11,4	-4,5	-5,5	-5,6	-6,2
General government gross debt	--	12,6	13,4	23,9	30,4	33,4	34,1
Unemployment rate	6,6	6,4	5,8	6,9	7,5	7,4	7,0
Private consumption	4,7	11,9	9,0	-10,6	-1,6	1,8	3,9
Public consumption	1,1	-0,1	7,2	0,8	-3,9	-1,0	1,7
Exports (goods & services)	11,0	7,8	8,3	-5,5	17,0	6,0	6,1
Imports (goods & services)	12,7	27,3	7,9	-20,6	12,9	6,4	8,3

Credit lines to overcome financial and economic crisis

2009 - May 2011	€ 20 billion (IMF ~ 12,9 bio / EU ~ 5 bio / EBRD & World Bank ~ 2,1 bio)
2011 - 2013	€ 5 billion (IMF ~ 3,6 bio / EU ~ 1,4 bio)



Austria-Romania - Economic Relations

Exports A → R 2010: € 1,66 bio. (+ 5% to 2009)

Imports R → A 2010: € 0,97 bio. (+ 55% to 2009)

Austrian FDI end 2009: € 9 bio. (18,1% of overall FDI)
(2nd place between the Netherlands and Germany)

Opportunities

- Romania sizeable & dynamic market & growth potential
- Alternative energy, green technology, IT & communications, medical technology, touristic infrastructure
- Exports of goods & services
(e.g. tourism (spa & health), development of winter sport regions, privatization & modernization of hotels Black Sea region)



EU cohesion policy Romania – priorities

EU cohesion policy (2007 – 13)

- Romania: approx. € 20 bio. (EU 27: € 347 bio.)
- Allocation € 19.2 bio. under the Convergence objective
- Allocation € 455 mio. under the European Territorial Cooperation objective
- Romania's contribution (including private sources) at least € 5.5 bio.
- All regions in Romania are eligible under the Convergence objective.

Expected impact – wishful thinking?

- GDP-Increase by 15-20 %
- Gross Capital Formation-growth of 28% more than the baseline scenario
- GDP per employee – increase of 5.5% annually.
- Employment (trade sector) – increase of 23%.
- Jobs created/maintained – at least 150 000.



Cohesion Policy in Romania - impact

5 thematic priorities ...

- Basic infrastructure
- Long-term competitiveness
- Development/more efficient use of human capital
- Effective administrative capacity
- Territorial development

... with specific benchmarks – high expectations? Mid term: state of play?

- Infrastructure – 1 400 km of new or upgraded roads; 70% of population linked to water services; 40-50% reduction in primary energy intensity compared with 2001.
- Competitiveness – R&D expenditure to rise to 2.0% GDP; broadband penetration to 40% of population.
- Human capital – employment rate 64% of the population (15-64); proportion of age group with upper secondary education 80%.
- Administrative capacity – more trust in public administration, increasing to 33% (central) and 60% (local) of the public.



EIB finance contracts - Romania

EIB – Finance contracts signed with Romania

1991 – 2010	€ 8.104 mio.
2006 – 2010	€ 3.850 mio. (= 1,3 % of all EIB-contracts)
2010	€ 410 mio. (= 0,6 % of all EIB contracts)

- Construction of wind farms near Black Sea coast in Fântânele, Constanța county (€ 200 mio.)
- Refurbishment and expansion of power transmission network (€ 65 mio.)
- Construction of five industrial and logistic parks (€ 75 mio.)
- Programme of energy efficiency refurbishment of 270 multi-apartment buildings in Bucharest (€ 70 mio.)



TEN-T-Priority Projects

30 Priority Projects of European Interest in EU 27

Romania

- Motorway axis Igoumenitsa/Patra-Athina-Sofia-Budapest (07)
- Rhine/Meuse-Main-Danube inland waterway axis (18)
- Railway axis Athina-Sofia-Budapest-Wien-Praha-Nürnberg/Dresden (22)



Co-operation and Verification Mechanism

Measuring progress in judicial reform and fight against corruption since 2007

EC - Report July 2010

Significant shortcomings / insufficient political commitment to reform

EC – Interim Report February 2011

Important steps

- to improve the celerity of the judicial process ("Small Reform Law,, Law on the Constitutional Court)
- to implement new legislative framework in civil and criminal law
- to close non-viable courts and prosecutors' offices
- to strengthen the recruitment and initial training of magistrates
- to secure track record of the National Anti Corruption Directorate in investigating high level corruption
- BUT significant budget cuts (Parliament)

Next steps recommended

- implementation of the new legislative framework in civil and criminal law
- launch of an independent review of the judicial system (disciplinary system ,celerity of high-level corruption trials and strengthen general anti-corruption policy).



Absorption of EU fundings - Challenges

- Enhance absorption capacity of EU Funds - EC, EIB critical
- Improve implementation of projects - transport is key see Hungary
- Strengthen administrative capacities - in particular regional level
- Speed up judicial procedures - large number of contested public tenders, unclear ownership status



Austrian Society for European Politics

Thank you for your attention!

www.oegfe.at



Österreichische Gesellschaft
für Europapolitik