



**ROMANIA**  
**OFFICIAL DEVELOPMENT ASSISTANCE (ODA)**  
**ASISTENTA OFICIALA PENTRU DEZVOLTARE (ODA)**

**DRAFT**

The Competitive Advantage and «Signature»  
of Romania as an Aid Donor

A PROPOSAL

By

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# The Competitive Advantage and «Signature» of Romania as an Aid Donor

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## Executive Summary

The international scene on which Romania makes its contribution as a (re)emerging donor of Official Development Assistance (ODA) is crowded and dynamic. The new actors from the South (Middle Income Countries) and private donors (the Gates Foundation) have made international cooperation more complex and rendered coordination among donors more difficult. The traditional North-South flows of assistance have become two-way avenues of cooperation, as many countries are, at the same time, recipients and donors of assistance.

By virtue of its EU membership, Romania must contribute 0,17% of GNI to development assistance—it has chosen to focus aid on 3 neighboring countries: Serbia, Moldova and Georgia, with two countries “in attention” (Iraq and Afghanistan.)

This Report discusses Romania’s competitive advantage as an aid provider, and seeks to isolate those domains that might constitute Romania’s “signature” in international assistance—areas recognized as a distinctly Romanian contribution to development assistance.

As I will argue below, the key competitive advantage of Romania, its niche as a donor, is its ability to share truthfully the lessons of transition—not from the perspective of a country for which the ride was easy but, on the contrary, from a position of an unlikely candidate who, nevertheless, by virtue of resilience and good policy decisions, has ultimately overcome the odds and became a successful EU member in less than 17 years. This is an extraordinary tale of hope and an empowering one too—although it may be politically too sensitive to promote as such.

As for Romania’s “signature” domains—those emblematic contributions to development assistance—I have chosen 3 areas in which Romania has made remarkable progress, hence it is a credible donor: Child Protection and De-Institutionalization; HIV/AIDS and Information & Communications Technology (ICT). The first two domains also represent a beautiful story of resilience, in which Romania’s politicians, civil society, etc., have managed, after a difficult start, to turn the odds in Romania’s favor. The benefits Romania would derive in advertising these successes would have an added image-building dimension that helps overcome previous negative international publicity in these domains. The latter area (ICT) is a more straight-forward success story—the model of which can be profitably replicated elsewhere and offer access to knowledge, education and, ultimately, jobs and the alleviation of poverty.

The restrictive “signature” domains are merely useful as a guide for efficiently allocating Romania’s ODA budget which currently is very small (under 2 million Euros). The 3 domains are image builders for Romania—helping recipients but the donor as well.

However, the extensive expertise available in the Romanian state institutions is obviously not limited to these three domains. This know-how therefore ought to be further harnessed and promoted. Perhaps a possible Romanian strategy to benefit from the country’s transition successes and competencies might be to consider the 54 million Euros that Romania disburses annually to the EU (for development and humanitarian affairs) as a target to be reached through joint program partnerships with more senior donors and international organizations. In other words, the strategy would consist in leveraging Romania’s currently small ODA budget to mobilize resources that would at least partially match Romania’s EU contribution (i.e. 54 million Euros.)

# Chapter 1: A new Framework for Development

## “Crisis and Development”

In 2008 the world witnessed the highest official development assistance (ODA) levels ever, a total of 119.8 billion dollars<sup>1</sup>. But the recent financial crisis has already dashed hopes of maintaining the trend in 2009. Instead of the 10,2% ODA increase of last year<sup>2</sup>, we see actual declines in aid levels, in some dramatic cases by as much as 100% (Latvia), or more commonly -27% (Bulgaria and Malta), -19% (Estonia), -10% (Poland), -9% (Hungary) or -1% (the Czech Republic)<sup>3</sup>.

The crisis is not only being felt on the shrinking aid budgets of developed countries, but it is adversely impacting the economic situation of developing countries as well—thus risking to reverse whatever progress has been made so far on the Millennium Development Goals (MDGs)<sup>4</sup>. The World Bank estimates that as many as 100 million more people fell under the threshold of extreme poverty as a result of the fuel and food crisis of the last two years and many more will do so this year, already bringing the proportion of people living in poverty<sup>5</sup> to a whopping 40% of the world population<sup>6</sup>.

Alongside its membership in the European Union, Romania has also taken on its share of responsibility for alleviating world poverty. Officially a “new donor” as of 2007, the country is, however, not entirely new to the practice of international cooperation. During the Communist period, Romania was known as an active provider of Technical Assistance, especially to countries in the Non-Aligned Movement and the Group of 77, with yearly budgets worth hundreds of millions USD<sup>7</sup>.

As a (re)emerging donor, Romania’s contribution to the international community has been modest: the Ministry of Foreign Affairs (MFA) has allocated budgets of about 5 million Euros for 2007 and 2008, but, due to the crisis, the 2009 budget is only 1.9 million Euros.

The positioning of Romania as a new donor is affected not only by its limited funding, but also by the comparison with other EU new member states (NMS). A current map on the web-site of the European Commission<sup>8</sup> shows Romania contributing USD 3 million<sup>9</sup>, compared to Poland’s USD 283.09 million, Hungary’s USD 152.62 million, the Czech Republic’s USD 149.23 million and

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<sup>1</sup> Source: [www.OECD.org](http://www.OECD.org)

<sup>2</sup> *Ibid.*

<sup>3</sup> Source: CONCORD—AidWatch Report, 2009; [www.concordeurope.org](http://www.concordeurope.org)

<sup>4</sup> A set of 8 development targets established in 2000, that 197 world leaders set out to meet by 2015. See: [http://www.mdgmonitor.org/browse\\_goal.cfm](http://www.mdgmonitor.org/browse_goal.cfm) ; <http://www.mdg-gateway.org/MDG-Blog/>; <http://www.undg.org/index.cfm?P=99> ;

<sup>5</sup> The accepted consensus is to set a (PPP-adjusted) threshold of 2 dollars-a-day under which people are considered to be living in poverty.

<sup>6</sup> CONCORD—*Op. Cit.*

<sup>7</sup> A subtle game of “barter” partially explains the generosity of Romania’s cooperation budgets at that time.

<sup>8</sup> See <http://development.donoratlas.eu/> and specifically: <http://fs2.bbj.it/#> under Nb 2. EU Aid Resources

<sup>9</sup> The map gives as most recent baseline year 2006, before Romania actually became an EU member and official donor, presumably on the basis of the estimated future ODA budget of the MFA. In the fall budgetary rectification, the ministry in fact received 5 million Euros, the equivalent of 6.25 million, a figure still vastly smaller than the ODA budgets of the other European countries.

even Slovenia's 41.66 million<sup>10</sup>. Proportionately to the size of its population, which ranks it 7<sup>th</sup> in Europe, Romania is among the smallest ODA contributors, offering only 0,07% of GNI, less than *half* its commitment of 0.17% as a NMS.

"How can Romania's international assistance be most effective and what would make the country credible (and visible) as a donor?" are the questions that the Ministry of Foreign Affairs (MFA) seeks to have answered with this present study, commissioned to the United Nations Development Programme (UNDP) as part of a project to "Strengthen the National Institutional and Educational Capacity to implement ODA" of the MFA (SNIECODA).

### **Romania's role as an "ideal donor" in the new international aid context**

The world in which Romania re-emerges as a donor is changing; the global aid architecture is on the cusp of major transformations. The entrance of new donors from the South and the East—some very large, such as the BRICs<sup>11</sup>—and the large numbers of Middle Income Countries (MICs) that are, at the same time, donors *and* recipients of development assistance, makes the traditional North-South aid flows a thing of the past. There are 40 bilateral donors in the world and over 200 multilateral agencies<sup>12</sup>. In addition, the nearly 120 billion dollars in official development assistance are increasingly supplemented by new international private philanthropy, especially from large donors such as the Gates Foundation, but also from myriad small donors funded by citizens, corporate or governmental sources. Though aggregate private contributions are difficult to measure, recent research estimates that private flows from developed to developing countries reach \$49.1 billion each year.<sup>13</sup>

With such multiplicity of players, the "aid market" is becoming increasingly fragmented. For instance, whereas in 1996 OECD-DAC recorded 17,000 aid activities, 10 years later the number of such activities increased over four fold, to 81,000 in 2006. Due to the moderate increase in the overall aid funding, the average size aid programmes over that same period dropped by half, from \$3.2 million to \$1.6 million.<sup>14</sup> This is not altogether a bad development for smaller donors, but it may adversely influence large scale reform. In addition to the significant drop in project size<sup>15</sup>, one of the key negative outcomes of an increased number of players is the additional difficulty to coordinate among donors, which has, in turn, hindered greater policy coherence.

Experts consider that "development actors should adapt to this new landscape in three ways: first, by establishing suitable networks to coordinate solutions to global problems; second, by concentrating on their own comparative advantage; and third, by establishing clearer mutual accountability between donors and recipients."<sup>16</sup>

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<sup>10</sup> The figure is for 2007 and the Commission did not account for the Romanian line Ministries contributions to various international *fora* and their incipient international programming as part of ODA.

<sup>11</sup> BRIC: Brazil, Russia, India and China.

<sup>12</sup> Source: <http://www.ideas4development.org/from-architecture-to-networks-aid-in-a-world-of-variable-geometry/en/>

<sup>13</sup> *Ibid.*

<sup>14</sup> Source: <http://www.ideas4development.org/from-architecture-to-networks-aid-in-a-world-of-variable-geometry/en/>

<sup>15</sup> Experts estimate the median size of a new project has fallen to approx \$ 67,000.- In: <http://www.ideas4development.org/from-architecture-to-networks-aid-in-a-world-of-variable-geometry/en/>

<sup>16</sup> *Ibid.*

As an “ideal donor”, Romania could help develop credible answers to the challenges faced by many of the world’s 85 Middle Income Countries (MICs). Like Romania, these are also newcomers to international cooperation, and have the same particularity of being, at the same time, donors as well as recipients of assistance (which is designed to help them meet remaining domestic challenges).

A successful Romanian “ideal donor” would fruitfully address the following issues:

- What kind of criteria should determine the allocation of ODA funds? Political choice or reliance on expertise? A strategy of building a “competitive” advantage or an emphasis on “comparative” ones?<sup>17</sup>
- Where to get the expertise needed to harness and boost the state’s own capacity to deliver a coherent policy of development assistance that is efficient and cost effective?
- How to build sufficient capacity to properly deliver public goods?
- How best to communicate abroad the proper message about the objectives of a policy of development cooperation?
- How best to communicate domestically an international assistance policy meant to alleviate poverty abroad, when there are still unmet domestic challenges relating to poverty and social exclusion?
- More pointedly, are there any political costs, in a new democracy, associated with engaging in development assistance, and what are the benefits of such engagement?
- How can civil society be best mobilized in supporting ODA, and how can decision-makers harness the CSOs power of voice, given that NGOs are usually ahead of the curve in support of development?
- How does one mitigate the dilemma between the desirability of promoting one’s experience internationally and the risk of depleting one’s own limited human resource pool necessary for domestic policy building and implementation? In other words, how does active participation in partnerships, twinning, etc., affect the donor state’s human capital, and what solutions can one find to mitigate the domestic vacuum left when the best civil servants are engaged in international assistance?

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<sup>17</sup> As it will become hopefully clear in subsequent chapters, the difference is not semantic and the terms are not interchangeable. While the “comparative” advantage relies on available endowments, elements in which the country compares favorably with others, the “competitive” advantage is the result of a conscious policy choice that requires constant nurturing. For further details see: Michael E. Porter, *The Competitive Advantage of Nations—Why do Some Nations Succeed and Others Fail in International Competition?* The Free Press, A division of Simon & Schuster, N.Y., 1990.

## Chapter 2: Romania's competitive advantage

### About this assignment:

The Terms of Reference (TORs) for this consultancy ask that “a set of criteria be developed to identify Romania's sectors of competitive advantage (“signature”) in development assistance, including a discussion of why Romania needs a signature, whether it should be regional or global in scope, and what specific experience/lessons learned of particularly successful transition processes it should be based on. “

Why develop a competitive advantage strategy when the funds allocated to the MFA in 2009 are fewer than 2 million Euros? Some say that precisely because the money is so scarce the only way to have an impact is to concentrate on what Romania does best. Others, such as this prominent parliamentarian<sup>18</sup>, question the utility of the exercise and suggest one should first concentrate on getting a min budget of Euros 10 million before considering how to best position Romania among donors in the international arena.

This paper seeks to do both:

- a. Offer a strategy for effectively allocating MFA budgets in ways that are both impactful and offer Romania the greatest leverage as a new donor,
- b. Suggest solutions for increasing Romania's contribution or leveraging its extensive experience.

### Why does Romania need a “signature”?

The reasons for developing a competitive advantage strategy for Romania's ODA are in fact quite similar to the reasons for which companies seek to develop a known “brand”—because a reputable ‘signature’ confers credibility and a good image that “sells” produces return benefits to the seller much beyond the confines of the ODA program itself.

A good, well articulated ODA ‘signature’ will reap rewards for Romania that will far outweigh the amounts of money spent in development assistance per se. A good, simple, direct and credible ODA program that is reputed for its strength and excellence will yield the following political benefits:

- Appreciation for Romania in the EU—especially with the Commissioners responsible for Development and RelEx, the Enlargement Commissioner, the staff of DG Development, RelEx, AIDCO, etc.
- A related and perhaps even bigger benefit in Brussels is that a thoughtful development assistance strategy shepherded by Romania in the Black Sea region will help the Commission articulate its larger policy of cooperation in this area—a role which Brussels very much looks at Romania to perform. In the words of this former Romanian Minister of Foreign Affairs, now an Ambassador in a major EU capital, “Brussels expects that we fill the EU Foreign Policy vacuum in the East”

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<sup>18</sup> The President of a political party now in opposition, and member of the Foreign Affairs committee of the Senate.



- It will build Romania's reputation with the OECD in Paris—both in the DAD as well as the Development Center, and, once the economic criteria will be met, will help Romania feel very much welcomed in the organization
- It will enhance Romania's standing in the UN, both in the General Assembly and, especially, with the Agencies of the UNDG, because any innovative Romanian approach in terms of ODA will likely interest other MICs who are also new to development assistance and are facing similar challenges
- A well articulated ODA policy will promote Romania's standing in the international community
- Last, but far from least, a well thought out and well communicated development cooperation policy will eventually mobilize Romanians and help them “count their blessings” as they will realize how far they have come in 20 years.
- In a related development, a well articulated and properly communicated strategy will also mobilize state employees and boost the confidence of Ministerial staff as they will feel empowered by the opportunity to share their expertise.

The best example of the international stature and prestige derived from an astutely built cooperation policy is being offered by Romania itself, during the Communist years. Analysts estimate that between 1966-1970 the assistance offered by Romania hovered around \$ 40 million per year, but it increased as much as 8 times in the period 1971-1975, reaching an average of \$350 million a year<sup>19</sup>—a level deemed “by far the largest aid budget in Eastern Europe”<sup>20</sup> at that time.<sup>21</sup>

It is not just the amounts spent on cooperation that seem staggering—even by today's standards (especially given the economic situation in Romania at that time). But the benefits Romania reaped from its policy are remarkable, if we remember only the stature the country enjoyed within the Group of 77 and among developing countries, not to mention the commercial benefits it derived from successful technical cooperation, followed by multi-million dollars contracts for its engineering and infrastructure development skills<sup>22</sup>.

All of this shows that a good ODA policy is a win-win proposition: it both helps alleviate poverty in developing countries but it also plants the seeds of future cooperation beneficial to the donor as well<sup>23</sup>.

But it is the political benefits that cannot be emphasized enough—again, the preeminence of Nicolae Ceausescu in the 70's in the developing world bears witness to how important a

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<sup>19</sup> World Vision Romania—UNITAID for Romania, A call for Acting Now! *Manuscript*, p.2.

<sup>20</sup> Ronald H. Linden, “Romanian Foreign Policy in the 1980s: Domestic—Foreign Policy Linkages”, in Michael Sodaro and Sharon L. Wolchik Sodaro (eds.), *Foreign and Domestic Policy in Eastern Europe in the 1980's: trends and prospects*, St. Martin's Press, New York, 1983, p 55, quoted in World Vision, *op. cit.*, p.2.

<sup>21</sup> At the end of WW2, Romania's diplomatic relations were limited to 1 country in Africa, 1 in Asia and 2 in Latin America. By 1974 however, diplomatic relations reached 39 African countries, 32 in Latin America and 16 in Asia; cited in World Vision, *op. cit.* Footnote 1.

<sup>22</sup> See also Footnote 8.

<sup>23</sup> Currently, an interesting example of such mutual benefits would be Iraq, where the upcoming process of privatization could be assisted by Romanian experts and open the way for lucrative international contracts in key domains for Romanian exports such as infrastructure, machinery, agriculture, etc.

thoughtful policy of development cooperation (accompanied by adequate funding) is to a country's standing in the international arena.

A note, however, of conceptual clarification is in order, before detailing the competitive advantage criteria as such.

As I will endeavor to show, the very idea of selecting an area of competitive advantage is, by definition, a matter of *choice*. In the business of ODA, the choice is simple: it is about what one finances. No specific substantive expertise is required to be a good funder—proper, transparent rules and procedures suffice. In addition, the best aid is *untied* aid hence the donor's experience ought to be irrelevant to the choice of specific domains to be funded. Expertise plays a role only when one responds to various calls for proposals, twinning offers, etc. But in that case, it is the caller of the offer makes who makes the choice of the domains to be funded, not the respondent.

Hence a paradox: rather than look at *expertise* as a criterion for how to spend the bilateral budget in ODA, the MFA should realize that the money is best spent making a purely "political" choice that sends a clear message about what Romania values and wants to promote in the world. Romania's experience and expertise come in handy when it is not its *own* money that is being spent, but someone else's.

In short, Romania needs an ODA "signature" to make credible statements about its values, to acquire prestige and reap indirect political (and economic) benefits from its experience, and in order to promote its know-how for the use of other donors.

### **The notion of "competitive advantage"—a refresher**

The currently limited MFA budget notwithstanding, identifying Romania's competitive advantage and designing a strategy to effectively promote Romania's specificities as a donor requires first sketching the parameters within which one builds the competitive advantage position.

An added wrinkle is that the Romania's image as a donor is not yielded just by the limited funds managed by the MFA,<sup>24</sup> but also by the programs that the other line Ministries undertake in the international arena and report as ODA (Euros 80 million reported in 2007, figure not available yet for 2008).

Consequently, in order to position itself as a desirable, specialized donor, Romania has to develop not one but actually *two*—overlapping—competitive advantage strategies. One strategy pertains to the MFA in its capacity as funds provider (programming its own ODA budget), while the other strategy must be for Romania as a whole—which includes all the line Ministries and Agencies whose international programs are counted against Romania's ODA.

In this latter case, the MFA has a facilitator's and coordinator's role, rather than being itself the ODA prime funder. Hence the MFA's role is to provide strategic direction and help facilitate line Ministries' contacts abroad, either with potential recipients of Romanian assistance or with the potential funders of Romanian expertise (i.e. traditional donors.) Both roles overlap but while the

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<sup>24</sup> As a reminder, these are approx. Euros 5 million in 2007 and 2008, and 1.9 million in 2009.

MFA has direct jurisdiction over how it chooses to spend its own ODA budget, and it can only indirectly advise of the direction in which the other (line) Ministries take their programs.

An incursion into marketing theory will clarify the actual ingredients needed to build a credible positioning and competitive advantage. These building blocks will be used to show how Romania can establish an optimal international position as an aid provider.

If Romania were “Romania Inc.,” i.e. a corporation rather than a country, the approach to establishing its competitive advantage would go through identifying 3 key ingredients: (a) its cost leadership; (b) a differentiation strategy; and (c) its focus, or market niche. The same applies to the MFA, in its theoretical corporate guise as “MFA Inc.”

How does such business approach translate into the world of Official Development Assistance?

If we take these criteria, it follows that banking on the advantage of “cost leadership” (point “a” above) would mean endeavoring to be the least expensive ODA provider (in terms of management costs); on the other hand, relying on a “differentiation strategy” (point “b”) would mean boosting competitiveness by offering *more* programming for the same amount of funding; finally, the advantage potentially gained by focusing on a market niche (point “c”) would derive from catering to actual needs not served by other donors (i.e. “competitors” for the opportunity to fund...).

Following marketing guru Jack Trout’s injunction, that “a country must be handled like a business or a brand”<sup>25</sup>, the MFA will identify those development directions and areas of interest for Romania that help it make its mark in the international arena.

Another world-renowned marketing guru, Michael Porter, reminds us that nations develop competitive advantage strategies as successfully as the best corporations. The point however, according to Porter, is to emphatically distinguish the advantages derived from developing a truly *competitive* strategy from merely banking on a country’s traditional “comparative advantage”. For instance, while a country’s comparative advantage is given by existing endowments (land, location, resources, size, etc.), and represents a rather passive way of profiting from those domains in which differences are in one’s favor (e.g. low wages), developing a *competitive* advantage strategy, on the other hand, is an act of creation, matter of pro-active choice! (E.g. being skilled in IT, such as India).

Making such conscious choice will be just as important when it comes to deciding on Romania’s “signature” as a donor of international assistance, as it is in making economic or corporate policy.

It is worth noting the relevance of factors that create the competitive advantages of a nation. According to Porter these are: (a) firm strategy, structure and rivalry; (b) demand conditions; (c) related supporting industries, and (d) factor conditions (i.e. the best being ‘specialized factors’ that are created, not inherited, and which demand high and constant investments).

Applied to Official Development Assistance this brief incursion into micro & macro economics yields the following considerations:

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<sup>25</sup> [http://www.cadranpolitic.ro/view\\_article.asp?item=2474](http://www.cadranpolitic.ro/view_article.asp?item=2474)

1. The ODA market, on which Romania has (re)entered, is in fact composed of two distinct sub-markets:
  - a. A “buyers” market, made up of targeted ODA recipients (e.g. governments, local authorities, civil society, the private sector, etc.)
  - b. A “sellers” market, made up of all the other providers of development assistance—whether bilateral, multilateral or private.
2. The competitive advantage strategy of the MFA ought to be akin to that pursued by a corporation seeking a micro-economic advantage;
3. The competitive strategy for Romania as a whole (as a donor of ODA) follows the “macro” principles presented above.

### **Criteria and tools for identifying Romania’s competitive advantage:**

In further detail, these two frameworks (micro and macro) yield 2 sets of complementary criteria to be considered when selecting the area(s) of competitive advantage:

- (A) A framework for the MFA in its role as primary ODA provider, meaning a plan to spend the allocated budget (approx. 2 million in 2009) with maximum efficiency, and
- (B) An overlapping, complementary framework for Romania as a whole, in its role as an international donor of assistance. In this latter role the MFA has the “Orchestra conductor” part, each ministry playing in fact its own tune.

In this latter framework, the key for the MFA will be to articulate Romania’s distinctiveness forcefully enough as to be convincing not only towards external partners, but also to be heard *within* Romania (in the Presidency, the Prime Minister’s office, the ODA staff in line Ministries, etc.) The purpose is to steer the cabinet’s and line Ministries’ focus in the same direction, create synergies among the various projects of different Ministries and have programs converge as much as possible towards Romania’s stated international position.

In order to fund its development assistance programmes, Romania has at its disposal the following (financial) tools:

- The MFA budget itself (a small amount this year—approx. 2 mill Euros);
- The line Ministries budgets,
- Altogether, these reported approx 80 million Euros in 2007 and an estimated 95 million Euros in 2008 (includes Romania’s dues to the EU Development budget which is about 67% of this amount).
- In other words, it is for these 80 respectively 95 million Euros that Romania must build its competitive advantage as a donor.

As a reminder, the overall aid market on which Romania makes its contribution is:

- a. A total ODA market of 120 billion USD in 2008;
- b. Private philanthropy contributions to development assistance amounting to approx. 50 billion USD (2008).

The challenge thus is to find a strategy that effectively makes Romania’s “drop” in the aid ocean “stand up to be counted”.

In practice, as mentioned above, two sets of criteria will be used to determine Romania's points of competitive advantage. They are as follows:

**Framework 1** (Criteria derived from "micro-economics"): The MFA as a service/funds provider

Following the set of micro-economic factors outlined above, in order for the MFA to find its competitive niche and "signature" as a provider of ODA, it needs to:

(a) Maintain a *cost advantage* in providing international assistance—i.e. develop a reputation as an efficient donor with low program management costs. If achieved, this cost advantage can be fruitfully promoted to the donor community as a distinctive attribute of Romanian aid. Such advantage is especially crucial when Romania's reputation is being built in the first phase of implementing Romania's competitive advantage strategy. (As I will show below, for as long as its budget is negligible, the MFA is bound to seek international partnerships with wealthier donors and pursue development assistance with OPM (Other People's Money) if it wants Romania to be perceived as an international player.) The cost advantage factor thus becomes a key argument for successfully accessing other donors' funds.

(b) Build a differentiation strategy, meaning figuring out what makes Romania stand out among donors, what special expertise it can provide and/or what more it can deliver for the same amount of funding (i.e. be efficient and unique in its programming).

(c) Focus on a market niche, which can be either a functional area (cater to a specific developmental need, e.g. HIV/AIDS, or Information and Communication Technology for Development, etc., domains which this report will further detail), or geographic (such as Romania already has on its immediate neighborhood with the current 3 programme countries: Serbia, Moldova and Georgia.)

A caveat is in order here: (b) and (c) are complementary but not identical criteria. While (b) centers on the provider's offering (i.e. what Romania is good at, what it does best), (c) focuses on the recipients needs, i.e. a domain or geographic area not adequately catered for by the other donors.

While (b) requires an effective and honest self-assessment of capabilities (i.e. expertise residing at central and local levels, in civil society and the private sector, etc.), (c) requires primarily having one's ear to the ground, questioning recipients in the field and building partnerships driven by *local need* rather than by donor priorities.

The second set of criteria, derived from Porter's competitive advantage of nation is as follows:

**Framework 2** (Criteria derived from a macro-economic perspective): The MFA as an enabler, coordinator and prime-violin of Romania's ODA

As a reminder, there are 4 sets of relevant factors that concur to building a nation's competitive advantage: (a) firm strategy, structure and rivalry; (b) demand conditions; (c) related supporting industries, and (d) factor conditions.

When applied to Romania's competitive stance as a donor, rather than thinking in terms of "firms" one needs to think about (line) "Ministries".

In order to create a donor identity for Romania (while coordinating and enabling the work of line ministries in delivering ODA), the MFA needs to:

- (a) Get to know the ministerial competencies in detail. Seek the common themes among the projects promoted by various Ministries, then favor those where the MFA can build actual synergies in the field, e.g. an organic agriculture project backed by the Ministry of Agriculture and an export promotion scheme (for the same beneficiaries) proposed by the Ministry of Commerce. This will help the MFA get more traction for each of its interventions in target countries and make Romania a more desirable donor for its integrated approach.
- (b) A point similar to point (c) in Framework 1, but looking at the macro-level: Identify the preferences and assistance needs of Romania's potential ODA recipients (i.e. respond to needs assessments in the field) for instance by having trained Embassy personnel on the lookout for the opportunity to promote Romania's expertise and match it with other donors resources;
- (c) Partner with other stakeholders that have complementary skills and interests;
- (d) Remember that the best 'specialized factors' are created, not inherited, and they demand high and constant investments (such as a constant flow of communications among ministries).

Porter was among the first analysts to observe the importance of "clusters" in fostering competitive advantage—a concept that works in development assistance as well, as I will show below.

### **Additional Criteria**

The traditional way of looking at developing selection criteria, in order to chose among projects is to focus on:

#### Sharing best practices/lessons learned:

- Selecting projects that are emblematic, for they represent something that Romania clearly wants to identify with, is a typical program/project of a particular Agency/Ministry
- Are a "Best practice", something that an organization is proud to have achieved and thinks is suitable for replication elsewhere;
- Conversely, are a "Lesson Learned" that one would like to share with others, or one that represents an obstacle that an organization has overcome, a trap that one wants to prevent others from falling into;

#### Build capacity by sharing outstanding team and management competencies:

- Selecting programs/projects that stand out because the team involved in carrying it out is exceptionally gifted and can train others in its skills;
- Programs that required special entrepreneurial abilities;

#### Adequately respond to recipients' need:

- Program/project that stands out because the subject matter is needed in counter-part countries;
- Program/project that stands out because the beneficiaries were well served by Romania's involvement;

Respond to the donor's policy considerations:

- A domain/program/project that best represents Romania's (foreign) policy objectives;
- A domain/program/project that might best represent Romania's image abroad;
- A domain/program/project that best exemplifies what Romania stands for in the world.

Projects that are emblematic for the country:

- Display a skill, value or preference that the government seeks to highlight.

Relatively unique:

- Few other donors exhibit the same competencies in the same domains.

Are politically desirable and "safe":

- Do not risk being misinterpreted and thus hinder diplomatic, political or commercial relations with recipient countries.

It is possible to group the considerations above in the following a few broad categories:

1. Responds to local **need** (in recipient countries)
2. Available **competency**
3. **Feasibility**
4. **Best practice/lesson learned**
5. (Donor) **policy** considerations
6. (Donor) knowledge is relatively rare (**uniqueness**)
7. **Emblematic** appeal
8. Limited political **risk**.

Annex I provides a table synthesizing how various programmes that are candidates for Romania's "signature" status, score on these criteria.

**Performance, Lessons Learned, Credibility and the necessity of Choice:**

There seem to be two schools of thought regarding what Romania might share with developing countries:

- One believes in-country "performance" is the most important criterion because it is *sine qua non* of credibility
- Another says that "lessons learned" from less positive experiences are equally worth sharing with others, in order to prevent them from making the same mistakes.

With a wealth of experience such as it has, Romania will have to decide whether it uses one or the other approach in promoting its assistance program.<sup>26</sup>

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<sup>26</sup> This dichotomy is especially relevant for those domains that are still being monitored by the Commission—such as Justice. Does Romania promote its successes (in harmonizing the *acquis*, or setting up an ingenious Probation system) or, rather, should it focus its assistance on sharing the lessons learned from having still difficulties in reforming the Justice System?

In a *tour de table* about Ministerial expertise held at the UN on May 14<sup>th</sup> 2009 and during one-on-one discussions with representatives of Ministries, it clearly appeared that the Romanian state apparatus exhibits considerable expertise that can be shared with developing countries.

However, because relatively few Ministries have actually undertaken projects abroad (and when they did it was in projects managed by traditional donors), the available expertise is individual rather than institutional. In those projects where Romania successfully benefitted from outside assistance, the management of the Project itself usually remained in foreign hands. It is therefore rare to find projects where Romania can transfer the whole project management cycle—it is more likely to transfer individual expertise<sup>27</sup>.

Each Ministry invited to the UN meeting chose one or two domains of expertise and pledged to send lists of experts for further follow up<sup>28</sup>.

Obviously the breadth of expertise is impressive—faced with specific demands Romania will be able to call on a wide array of available knowledge within each Ministry. But, as Michael Porter reminds us in *The Comparative Advantage of Nations*, selecting a “niche” or an area to specialize in is a matter of *choice*, not endowments<sup>29</sup>.

Therefore, it would be up to the MFA to make this choice according to Romania’s policy considerations.

Ideally, the MFA should articulate its international assistance priorities not only in response opportunities or needs in recipient countries, but also according to the Romanian state’s priorities, not just in Foreign Policy but also in Defense and Economic/Trade policy as well<sup>30</sup>. A cursory look at the three strategies (Foreign Policy, Defense and Trade) would identify the points of convergence and would ensure that ODA is consonant with Romania’s other policy priorities.<sup>31</sup>

In the absence of an explicit selection of domains for (foreign) policy reasons, and precisely because the long list of potential domains of specialization prevents establishing easy hierarchies, I propose to add a drastic criterion in order to eliminate excess competence.

That determining factor meant to restrain the domains in which Romania provides international assistance (in a first phase) is, the *international* credibility of Romania promoting a given domain.

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<sup>27</sup> Asked pointedly who, among the Ministerial staff, would have the overall competence to replicate abroad a project successfully implemented in Romania, interlocutors observed that the overall supervision in Romania was carried out at the Secretaries of State level, however “they were too busy to actually master the finer points of the project, so they may not fully have the ability to replicate it”.

<sup>28</sup> I learned by visiting various Ministries that most of the experts lists had been send only to the MFA, hence in all but one case I could not access this valuable resource to discuss face to face with the experts indicated by each Ministry.

<sup>29</sup> A telling example of the importance of choice vs. endowments is Holland’s specialization in tulip production—it was a choice made on the basis of transportation criteria even though its environment was far from conducive to specialty agriculture (wrong climate, poor soil, etc.)

<sup>30</sup> There is a heated debate about the “drivers” of international cooperation--some proponents of untied aid do not even accept “national interest” as a legitimate consideration for developing an ODA policy as a donor, let alone ting the aid to returns in the benefit of the donor itself.

<sup>31</sup> The various state strategies (FP, Defense, Trade) have been updated at different times when conditions in the other fields had already changed. Hence it is difficult at this time to extract appropriately specific guidance from these.



If one promotes “best practices” the credibility naturally stems from performance. On the other hand, when one shares “lessons learned” the credibility is derived from the donor’s honesty and openness in sharing his own mistakes.

As a new donor, Romania needs to package its experience and be able to legitimate its expertise. It can only articulate a credible image of know-how and competence if it is aware of the perception that others have of its strengths and weaknesses. How is, for instance, Romania perceived in, say, Brussels? How will this reputation help it win for instance, Twinning bids? The key, in Brussels and elsewhere, is to be credible in the claims that are made.

Thus the credibility criterion involves promoting the ODA domains in one of two ways, as follows:

- Promoted as “**Best Practice**” would be those areas where Romania’s claims are credible *prima-facie* (e.g. Child Protection, ICT, HIV-AIDS, Agriculture—Phyto-Sanitary domain, Emergency Health Services—SMURD, Migration and Trafficking, etc.).
- On the other hand, promoted as “**Lessons Learned**” might be those domains where it is credible that Romania *learned* from its own experience (e.g. Justice—though some domains, such as the Probation system, represent a best practice.)

The key to building a clear image and a good reputation is to focus only on those domains that convey the desired perception, not blurring it with extra baggage—the MFA should avoid the temptation of spreading itself too thin, especially in domains which do not immediately spring to mind as being associated with Romanian excellence. Promoting such expertise will be always possible (and welcome) in a second phase, when Romania’s “brand” as an ODA provider is already established and its specialty clearly articulated.

Given the hindsight of 17 years of transition, I believe that Romania’s true niche among all new EU member states is that it has overcome all odds and made it into the EU. “*If we could make it (be a consolidated democracy, a market economy, a member of the EU), you can too!*” may not be, for Romania’s politicians, the most palatable message to promote internationally. But it surely is likely to be the most powerful and empowering message of all, because it would have the strength of being utterly genuine. This, I believe, would be Romania’s strongest competitive advantage: the credibility of its lessons learned.

Before detailing the domains I will recommend for Romania’s “signature”, I will first look at the recipient countries’ needs, as determined by the three UNDP’s consultants’ reports (for complete Reports see separate files).

## Chapter 3: Identifying needs in the 3 priority countries (Serbia, Moldova and Georgia)

Orvel Ray Wilson, a strategy expert, says pointedly: "Customers buy for their reasons, not yours"<sup>32</sup>. Therefore, to discuss Romania's areas of expertise and tailor its signature as a donor, I will first review priorities in the 3 recipient countries.

- **Serbia**

Serbia's immediate foreign as well as domestic policy objectives converge around the overarching goal of EU accession. Already Romania has contributed politically as well as diplomatically to this goal.

The country's economic dynamism notwithstanding (6.5% growth before the crisis) as well as the accelerated pace of reforms (named "fastest reformer" from among 155 countries by the World Bank in 2006), Serbia still suffers a precarious economic situation. A huge current account deficit (17% of GDP in 2008) and high unemployment (21%) mean an economy that has not yet found its cruising speed--consumption (from imports) outweighs production (and exports). Therefore the country's key economic objective would be to increase employment and boost exports, rather than focus on poverty reduction (which already fell by half between 2002 to 6.6% in 2007).

In this sense, Romania's response would focus on an economic stimulus package such as the one that boosted Romania's economy starting in 2005 (fiscal policy, flat tax, FDI measures, export promotion, etc.).

Politically, the key deficits of an unconsolidated democracy are present in Serbia as well, with a tenuous coalition, splintered civil society, relatively weak opposition and insufficient governmental accountability.

In addition to the regular requirements for EU accession, Serbia is also asked to cooperate with the ICTY (International Criminal Tribunal for the Former Yugoslavia) in order bring to justice the perpetrators of atrocities committed during the various ex-Yugoslav wars. While the government has made an effort to supply the proper documentation, it continues to demur in arresting the chief suspects, as Brussels has asked.

In this context, donors are asked to focus on:

- Rapid harmonization of legislation with the EU *acquis*;
- Economic competitiveness (export promotion and FDI)
- Alignment of National Security for NATO integration;
- Fight against corruption;
- Cross sectoral priorities: unemployment, infrastructure, environment, rural development.

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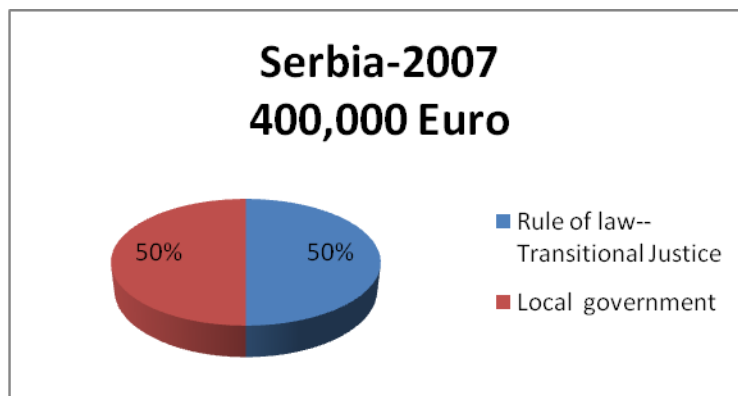
<sup>32</sup> Source: <http://marketing-non-marchand.ch>

According to UNDP Consultant Bogdan Lazarescu's Report,<sup>33</sup> (See separate files for complete Report), Serbia has a well-thought-out mechanism to coordinate the country's international support.

The priorities mentioned above seem to be well covered by donors—main domains remaining insufficiently covered are: Medical Education, Infectious disease control, Health Education, Education in Water Supply and Sanitation, Social Mitigation of HIV/AIDS, Telecommunications, Information and Communication Technology, Energy Education and Forestry. (See Annex IV for complete list—separate file).

In 2007-2008, Romania's assistance to Serbia amounted to approx. 400,000.- Euros. Given that Serbia is the EU's largest ODA recipient, Romania's contribution (about 0,01% of the total) risk passing unnoticed unless very sharply focused. So far, Romania's funds were split evenly among two projects:

1. One promoting the Rule of Law, whose objective was to familiarize Serbian citizens with the work of the ICTY and the ICJ;
2. Another project to Strengthen Social Capital in Rural Areas. The purpose of the project was to promote the LEADER approach for community development in the Autonomous province of Vojvodina.



Although the information is too scant to judge the merits of each project, using the criteria designed to develop a Romanian "signature", would they pass the test of helping hone Romania's competitive advantage?

While both projects respond to Serbia's stated priorities, only one makes sense from a competitive point of view, simply because Romania is not known for its dealings with ICTY. The promotion of LEADERS, on the other hand, would be consonant with Romania's positioning as a country with credible expertise in Agriculture. But the funder (i.e. the MFA) would have to investigate the particular track-record of LEADERS in Romania in order to assess whether it is to be promoted as a "Best Practice" or "Lesson Learned" and promote it appropriately.

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<sup>33</sup> Each priority country (Serbia, Moldova and Georgia) was assigned a consultant who evaluated the donor community and the recipient country's needs. See separate Reports.

The consultant report has a long and very elaborate compendium of suggested areas of intervention for Romania in Serbia (Serbia report, separate file—on demand).

Among those:

- Agriculture<sup>34</sup>—Implementation of the Phytosanitary strategy
- Public Administration Reform
- Trade facilitation and SME support (adoption of EU regulation)
- Border management
- Regional Cross Border cooperation
- Civil society
- Environment
- Labor and employment.

Clearly these domains respond to the country's needs, and also some of them fit neatly the proposed focus of Romania's "signature" as I will show below. A Romanian **strategy of assistance to Serbia** needs to take into account the following elements:

- As the main EU recipient of Assistance, Serbia is used to large amounts of funding;
- Romania will remain a small donor in comparison with other states;
- The only domains where it can make a focused contribution independently are those selected in the "signature" which I will discuss below (Child Protection; HIV/AIDS, ICT)
- Of the domains prioritized by Serbia (Rapid harmonization of legislation with the EU *acquis*; Economic competitiveness; Alignment of National Security for NATO integration; Fight against corruption; Cross sectoral priorities: unemployment, infrastructure, environment, rural development) Romania has credible expertise in many domains but 3 stand out:
  - Rapid harmonization of legislation with the EU *acquis*;
  - Alignment of National Security for NATO integration;
  - Agricultural Reform
- However, all three are domains with many donors, pledging vast amounts. Thus Romania cannot fund meaningful projects on its own.
- The best strategy therefore would be to seek international partners and/or traditional donors to fund Romania's expertise in its 3 key areas of competence.

- **Moldova**

Moldova is the most logical, natural and, at the same time (paradoxically), the most difficult country for Romania to offer assistance to. The very similarities and common history are a source of misunderstanding and tensions. In this context, aid risks being wrongly perceived as a "Trojan Horse", meant to dissimulate occult political or economic interests.

On the other hand, the cultural affinities and common language make Romania a most desirable partner for multilateral institutions as well as for traditional and new donors whose priority countries include Moldova.

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<sup>34</sup> In the Consultant's list the Phytosanitary strategy falls under "Health".

Moldova's long term objective has been economic prosperity; another primary objective *used to be* European Integration. But after the last elections and given the current power-vacuum, it is unclear what the priorities are, other than social, political and economic *stability*.

International assistance is crucial for Moldova—at some point it represented more than a quarter of the country's GDP, on average it reaches about 10% annually and in 2005 it was an all-time-low of 6.6%<sup>35</sup>--still important by comparative standards.

After 2007, funding from the European Union was delivered through the European Neighborhood and Partnership Instrument (ENPI), created especially for the countries covered by the European neighborhood Policies, (ENP). In 2007, the 40 million Euros allocated by ENPI to Moldova will increasingly grow to 50 million annually until 2010. The program's priorities are:

- Good governance and democratization (25-35%)
- Administrative reform and institutional capacity building (15-20%)
- Poverty reduction and economic growth (40-60%).

ENP follows the established priorities of the EU-Moldova Action Plan which includes the following umbrella provisions:

- Political reform and dialogue (civil liberties, good governance, support to civil society and an independent media)
- Cooperation on resolving the Transnistrian conflict
- Economic and social reform (poverty alleviation, social inclusion, social service reform, public finance reform, bureaucratic simplification)
- Market reforms, economic development and trade (customs legislation, Phyto-sanitary standards, commercial law, fiscal reform, intellectual property rights, procurement legislation).

Other donors in Moldova have so far concentrated on the following domains:

- Good governance and administrative capacity building;
- Democratic participation;
- Social services;
- Regional development;
- Poverty alleviation;
- Fighting against corruption;
- Economic growth;
- Public infrastructure.

According to UNDP Consultant Cristian Ghinea's Report<sup>36</sup>, the following domains lack funders:

- Public service capacity building
- Parliamentary and political development
- Police Reform
- The rights of the disabled
- Social economy
- Energy efficiency
- Sanitation

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<sup>35</sup> See UNDP Consultant Cristian Ghinea's Report, (separate file, available on request).

<sup>36</sup> Separate file, available on request.

- IT legislation
- Early recovery

Romania could assist with IT legislation and Early Recovery programs (if this latter were to be funded by the MFA—or be selected among priority domains. Though it is unclear if the timing of such post-conflict recovery assistance is not off, given the frozen nature of the conflict.)

Of interest is the strategy of new member states that have Moldova as a priority country:

- The Czech Republic considers Moldova among 8 priority countries. Its assistance focuses on:
  - Environment, especially waste management
  - Administration reform (human resources)
  - Education (scholarships, preparation for the Bologna system)

The Czech Republic has preferred multilateral funding (1,5 million USD in 2008, and 1,8 million USD in 2009) for its assistance.
- Latvia has initially allocated only 83,000 Euros (in 2005), later up to 283,000 Euros (in 2007) for twinning and cooperation projects focused on:
  - Administrative capacity building of border police,
  - Prison reform
  - Border and customs reform
  - Capacity building of local administration
  - Civil society development
  - Environment protection
  - Agricultural reform

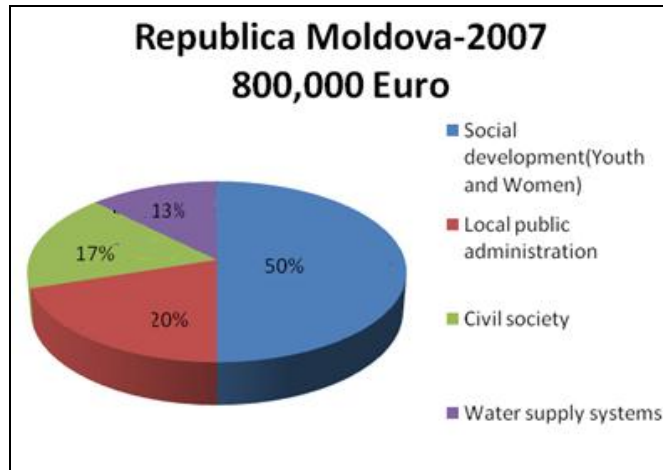
The Latvian agenda is very ambitious, yet the funding seems relatively small when considering that by 2007 the 223,000 Euros covered 15 projects.
- Poland's strategy purses:
  - Administrative reform (especially with regards to migration, trafficking and access to European funding)
  - Agricultural modernization (especially diversification)
  - Support to civil society (especially to independent media)

However Poland seems to have failed to deliver on its grand ambitions and has mainly funded small projects, such as training, study tours, etc.

It is worth noting the funding discrepancy between the 3 New Member States that have chosen Moldova as a recipient: from a few thousands of dollars (Poland) to a little over 200,000 USD (Latvia) to 1,8 million USD (Czech Republic). In this context, Romania is less present than the Czech Republic, but more visible than the other two NMS.

In 2007, the Romanian MFA has allocated 1,183,200 USD (800,000 Euros) distributed among projects as indicated in the chart below. The money has been channeled through UNDP Moldova (as co-financing) for the following projects:

- Social development/social assistance (better opportunities for youth and women 592,000 USD)
- Public administration support (236,800 USD)
- Support for Civil Society Organizations (297,200 USD)
- Drinking water supply systems in rural areas (148,000 USD)



The MFA is not Romania's sole funder in Moldova; two other state institutions contributed money to the Republic of Moldova:

- The Department for Relations with Romanians Abroad (DRRP), which is traditionally directly subordinated to the Government, (now a part of the MFA). DRRP shepherds a variety of projects primarily on cultural/identity themes and in 2006 had a budget of approx. 1,3 million Euros (5,5 million RON)
- The Romanian Cultural Institute (ICR), which funds primarily cultural magazines

Although neither the DRRP nor the ICR money counts towards Romania's ODA, some of the projects (especially those in support for the Chisinau Independent Media Association) might be considered under development assistance.

In spite of this, so far Romania has remained a "minor player" in Moldova. The "big leagues" include the EU, USAID, the World Bank, the UN Agencies, Sweden and Great Britain<sup>37</sup>. Given the EU Presidency in the second half of 2009, Sweden's long time interest in Moldova bodes well for Romania. In order to avoid suspicions, Romania would do well to promote its expertise to its SIDA partners, and match SIDA's and the Swedish Presidency's priorities to Romania's competencies. Especially for politically sensitive issues such as democratization, elections, civil society development and independent media, partnerships with strong traditional donors is Romania's best bet. Even for the other, more technical domains (EU legislative harmonization, rule of law, public sector reform as well as the less controversial "signature domains" such as Child protection, HIV-AIDS or others such as Phytosanitary and Bio-Agriculture) a strategy of partnerships seems preferable given political sensitivities and current tensions between Bucharest and Chisinau.

In the near term, Romania will have to make a strategic choice about continued support for the Republic of Moldova: to wait out for the turmoil to pass, or to plough ahead partnering with multilateral or traditional donors. According to UNDP's consultant, some of the most likely domains of involvement would be Phyto-sanitary standards, municipal development (including

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<sup>37</sup> *Ibid.*

municipal financing<sup>38</sup>), and support to independent media (also a political sensitive area, unless Romania supports “technical aspect” such as helping newspapers be independently audited in order to develop rate cards and ensure predictable advertising revenues). Civil society support can also be better continued if Romanian funding is done in partnership with multilateral or traditional donors. Likewise, Romania might provide Information and Communication Technology for Development (including legislation—easy to transfer given the common language—as well as educational programs and rural internet access). However, even here, a partnership strategy will avoid potential political complications.

- **Georgia**

Georgia’s current priorities for 2008-2012 are poverty reduction, national security, and territorial and population reintegration (Abkhazia and South Ossetia).

With the prospect of NATO membership within 5 years, Georgia will need to successfully undertake all military (and civilian) transition processes and be ready to become a provider of security for the Alliance<sup>39</sup>. FDI, tax and fiscal policies will help economic growth, as will, the infrastructure for transportation, agriculture and the public sector reform.

According to UNDP Consultant Report, Marian Nica, between 1999 and 2009 Georgia has been pledged over 8,6 billion USD<sup>40</sup>. In spite of the impressive amounts, the pattern of assistance has been very uneven. Especially after the Rose Revolution, donors mistakenly assumed that democratic consolidation was underway, and thus reduced funding by 30%. (From Romania’s experience in 1996, we know that even when democratic forces win elections, the process of consolidation is far from complete).

USAID has been one of the main funders (over 1 billion USD up to now), focused on democratic consolidation, regional stability, economic growth, and health services, as well as an emphasis on value change and personal responsibility. In democratic governance, USAID funded electoral assistance, transparency, accountability and human resource management in public administration, as well as civil society support, technical assistance (to 65 municipalities), judicial ethics, and anti-trafficking programs. In addition, USAID has funded economic growth, reform of the tax collection system, agricultural exports, and job creation. In the domain of energy and environment, waste management, electricity distribution and energy efficiency have been pursued. Finally, many health and social development programs have been funded, such as HIV-AIDS prevention, TB monitoring, education, and childcare.

All these are domains where Romania has positive transition experiences to provide notably in HIV/AIDS and child protection.

On its part, the EU is a relationship with Georgia is regulated by the Cooperation and Partnership Agreement. Georgia is covered by ENP and the cooperation with the EU covers several instruments: humanitarian assistance, macro-stabilization, ENPI, development and cooperation

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<sup>38</sup> A domain not without political implications, as large cities get access to central government support only based on political allegiance criteria. For details see Cristian Ghinea Report, *op. cit.*

<sup>39</sup> For further details, see UNDP Consultant Report, Marian Nica (see separate file, on demand.)

<sup>40</sup> 4,6 billion USD represent pledges following the August 2008 conflict.



stability. The total assistance provided by the EU amounted to half a billion Euros. Other key donors have been Germany, the UK, Holland and Sweden.

Among new member states, key donors are:

- Estonia (figure unknown)
- Lithuania (307,000 Euros in 2007)
- Latvia (242,000 Euros in 2007)
- Poland (2 million Euros in 2006-2007 for twining in local government, agro-tourism, and municipal management)

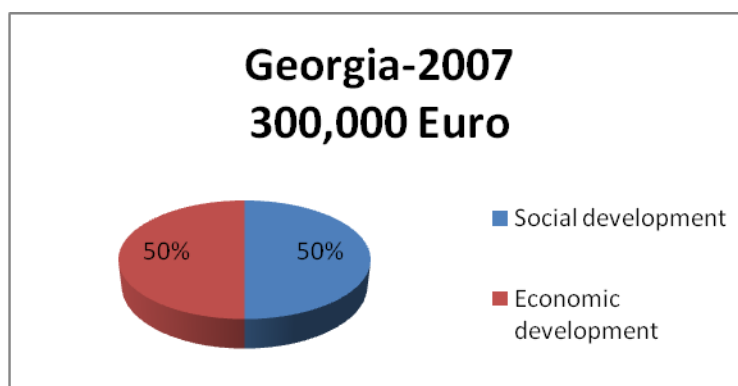
Donors have developed an institutional mechanism to coordinate their activities under the auspices of the Resident Coordinator of UNDP.

According to UNDP Consultant Marian Nica, several domains are insufficiently covered by donors, such as:

- Early childhood education
- Medical education and training
- Support to national NGOs (although civil society has generally received funding)
- Culture & Recreation
- Social mitigation of HIV/AIDS
- Small and medium-size enterprise development
- Disaster prevention and preparedness (see Annex VI—separate file—for further details)

Romanian assistance included projects of a total of 444,000 USD evenly divided in two main domains:

- Economic development in the Adjara Autonomous Republic (poverty reduction by promoting sustainable development through a business information center, a business incubator, and vocational training)
- Regional development in the Kakheti Region (sustainable human development and poverty reduction through new employment opportunities in a region stricken by the wine embargo imposed by the Russian Federation).



Given the magnitude of international assistance to Serbia, it is obvious that Romania is among the very small players. Nonetheless Georgia represents a key partner for Romania's development cooperation, especially with regards to Romania's focus on the **Black Sea Region**. Of note is the

potential assistance that Romania might provide for NATO preparations (military and institutional reform). Another fruitful prospect for cooperation is economic development, especially given the potential complementarities of the two economies (for the moment only three Romanian – Georgian cooperation are registered with a limited total capital of 10,300 USD). In addition, development of civil society seems an area where Romania's lessons learned could be beneficial to Georgia's organizations. The absence of political tensions between Georgia and Romania makes it quite easy and beneficial to exchange experience directly, or do joint programs with other donors for greater impact. Furthermore, institutional reform is another domain where Romania could offer considerable technical assistance, especially regarding migration, customs, trans-border cooperation, child protection and rights, agriculture and the environment. Finally, several economic cooperation priorities could be served by projects in the energy field, gas and oil, metallurgy, textiles and leather goods, wood processing, agriculture, and construction material. All these domains however require more investments than Romania's small ODA budget is capable of offering. Therefore, here too the strategy ought to be one of partnership in which the Romanian part does for instance, the feasibility studies on behalf of a main donor, such as USAID, or the EU. The only domains where Romania might provide assistance at reasonable costs are the three "signature" domains that I will discuss below (child protection/de-institutionalization, HIV/AIDS, ICT).

### **Romania's assistance to the three priority countries: a conclusion**

Certain commonalities exist among Romania's the three priority countries: each has been helped politically and diplomatically by Romania in its relations with the EU; all three are *post-conflict* countries, and all three have aspirations related to Euro-Atlantic integration. However, here the similarities stop. While Serbia is well on its way to EU accession, for Moldova and Georgia, elections or the Russian conflict seem, respectively, to temporarily block EU aspirations. Also, the three countries have different geo-strategic importance. And, finally, the three countries are at different level of democratic consolidation. In all three countries, Romania's limited budgets could only range it in the small player category, given the magnitude of the aid budgets allocated by other donors. The only domains that are common to all three countries where Romania might fund programs independently are the three domains under consideration for "signature" status. For anything else, Romania is better of working in partnership with larger donors in order to be effective.

A former Minister of Foreign Affairs expressed reserve about the idea of concentrating Romania's ODA in these 3 countries, saying that "Already we have substantially contributed to these countries both politically and diplomatically, in their relation with the EU. Maybe we shouldn't put all of Romania's eggs in the same basket". Can Romania afford to not be present as a donor in its own neighborhood? For instance, it seems a pity for Romania to forego its immense advantage in relation to Moldova: not only the transition experience, but the all important language skills make Romania an ideal partner for donors interested in assisting Moldova's development. And this, when it comes to Moldova, is an unparalleled competitive advantage!

## Chapter 4: Romania—from Recipient to Donor of assistance

It is difficult to estimate the total amount of money received by Romania in 17 years of transition. The contribution of the EU alone, in order to prepare Romania for full-fledged membership, has been estimated to be in excess of 6,5 billion Euros<sup>41</sup>.

Add to this a substantial half-a-billion to 750 million dollar package allegedly delivered by USAID<sup>42</sup>, an annual 12-15 million Euros received from the Netherlands, as well as substantial contribution from UK, Sweden, Canada, etc., and the assistance from bilateral sources alone is likely to have exceeded 10 billion Euros.

Moreover, multilateral institutions such as the World Bank have also contributed grants in addition to loans. And last, but not least (in terms of impact) a few private donors have been particularly active on the Romania market. For example the Soros Foundation for an Open Society started by spending 1 million dollars in 1990, an annual 5 million by 1993, and 10 million a year in 1997 and onwards diminishing its contribution only after the year 2000. What this amount of money (from public and private sources) made possible is both a thorough reform of the state, as well as the development of capacities in the private sector (be them in the nongovernmental arena or private enterprise).

The Romanian public seems aware of the contribution that international donors have made to Romania's transformation.

In a recent opinion poll<sup>43</sup> as many as 95% of responders agreed that developed countries ought to assist developing ones. Also aware that EU integration could not have happened without foreign assistance, 56% of those questioned believe Romania has a moral obligation to assist developing countries in its turn. Interestingly, when asked which regions Romania ought to direct its foreign assistance to, respondents say: the countries of the Former Soviet Union (40%), Africa (30%), Western Balkans (27%), and even Latin America (14%). In addition, asked what domains Romanian's assistance should cover, respondents say: poverty reduction (38%), economic growth (28%), infrastructure (school, hospitals, roads) (15%), education and health (4), and migration (2%) and institutional – administrative reform (2%). In short, the Romanian public seems well aware that poverty reduction is beholden to international assistance and hopes Romanian aid will contribute to a better life.

Interestingly, the poll should be repeated to confirm its binding. Also, it would be interesting to question the public's reaction towards the actual budget allocation. The Romanian public got it right about the priority countries for development cooperation. When looking at the distribution of Romania's ODA Contribution by category, it appears that the lion's share of Romania's 18 million Euros ODA package go towards the country's contribution to the EU budget for development and humanitarian aid (67,58%), followed by scholarships (20,63%), MFA's financial contribution to various funds and international organizations (2,94%), debt relief (2,62%), humanitarian aid to

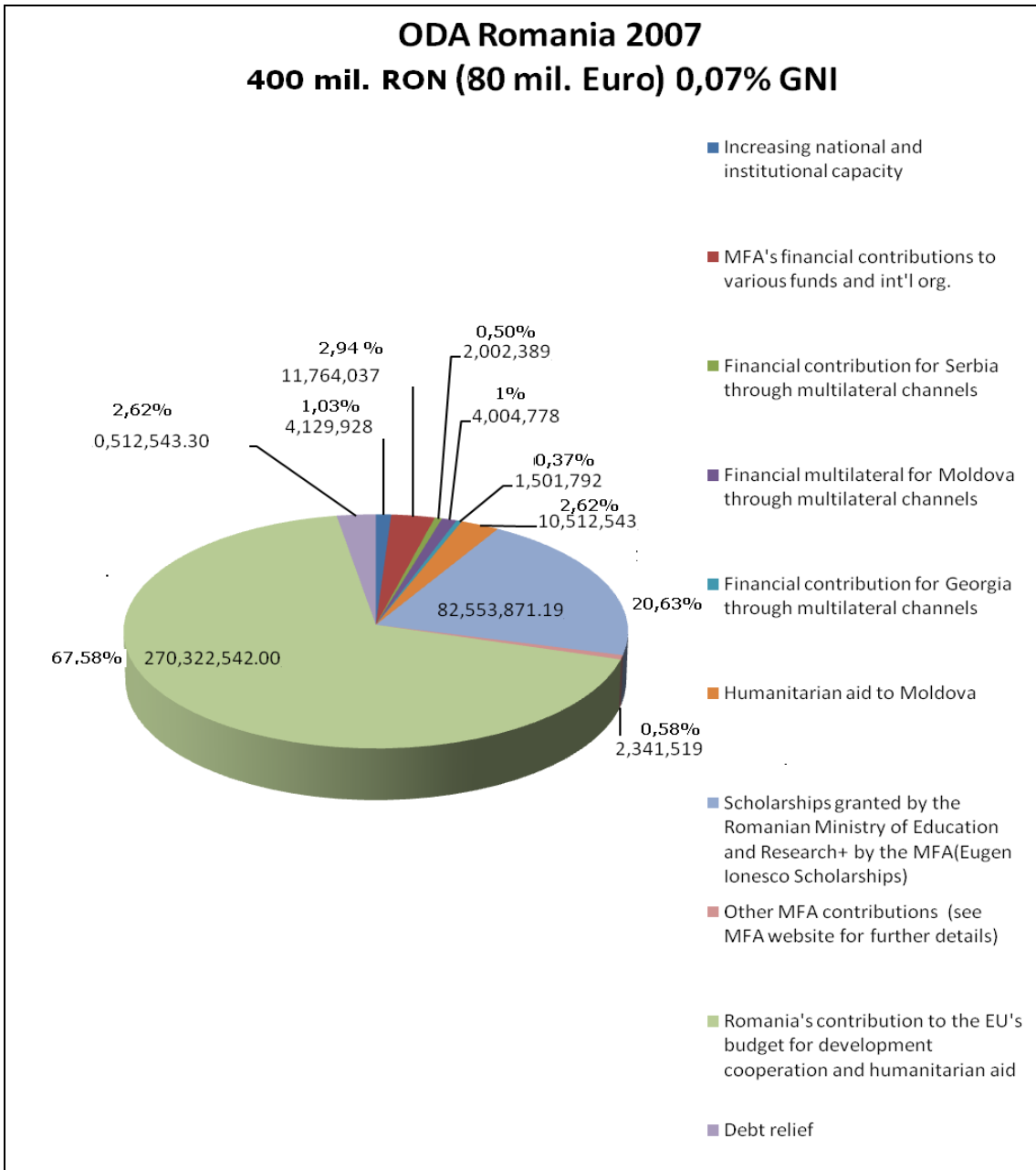
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<sup>41</sup> Sorin Ionita, UNDP Consultant, see separate Report—on demand.

<sup>42</sup> The figure needs to be double checked

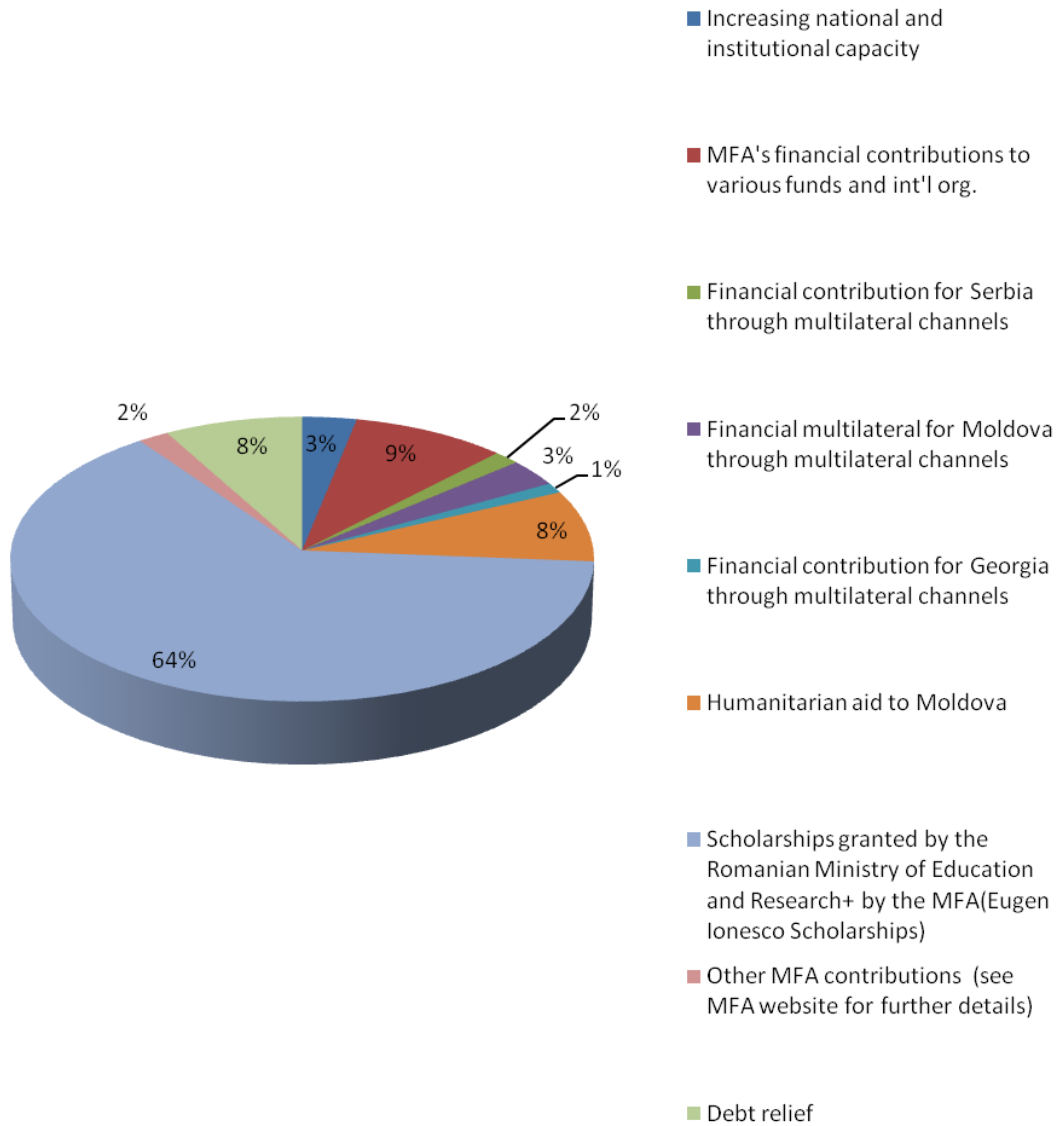
<sup>43</sup> CSOP, February 2009, Research undertaken on behalf of UNDP

Moldova (2,62%), enhancing the MFA's institutional capacities (1,03%), followed by tiny amounts of bilateral aid for Moldova (1%), Serbia (0,5%), and Georgia (0,37%)



If one deducts Romania's contribution to the EU, the distribution of the remaining funds looks as follows: the largest amount goes to Scholarships (64%--granted especially to the Republic of Moldova), followed by Debt Relief (8%), MFA's contributions to various international Organizations (9%) and Humanitarian Assistance to Moldova (8%). The bilateral contributions to program countries are proportionally small: 3% to Moldova, 2% to Serbia and 1% to Georgia.

## ODA distribution after deducting the Romanian contribution to the EU Budget



A closer look at the financial allocation shows that the bulk of Romania's ODA goes in two large ticket-items that engulf almost the entire contribution. One, in particular, can be indirectly recuperated, at least in part. Of all of the 80 million Euros counted towards ODA, more than 2/3 is represented by Romania's contribution to the EU budget for development cooperation and humanitarian aid.

This means that a wise Romanian strategy to use its transition successes and competencies, would consider the 54 million Euros that Romania disburses annually to the EU as a target to be reached in resource mobilization through Twining and other joint program partnerships with other more senior donors and international organizations.

In other words, the MFA's strategy would be to leverage ODA funding in order to mobilize external resources worth as close to the 54 million Euros that it contributes to the EU.

Thus a proposal: in the absence of decent bilateral/multilateral ODA budgets a good target for the MFA to pursue is to empower Romania's varied institutions to recuperate as much of the 54 million Euros in partnership programs.

Before detailing how such a strategy might function (see below "strategy for OPM—Other People's Money") I will review the proposed domains of ODA programming suggested by UNDP consultant for Romania, Sorin Ionita.

### **Lessons learned from being a recipient**

I will review below some of the observations included in the UNDP consultancy report in Romania.<sup>44</sup>

- In Sorin Ionita's reading of Romania's transition experience, the key lesson to be derived from our position as an aid recipient has to do with the crucial importance of involving local authorities in programs that deal with local beneficiaries even when these latter have little to do with the state (such as CSOs). This is especially the case when projects have territorial dimensions attached, in which situation even "benign neglect" on the part of the authorities turns out to be detrimental. This is a particularly useful lesson when programming Romania's assistance; for instance, it is a lesson that has implications for the organization of Romania's Embassies in ODA target countries, as well as for the relations between MFA and multilateral institutions, or private partners (CSOs, or private sector). It seems imperative to have good local contacts that mobilize allegiance and ownership of the program in order for it to be successful.
- The second lesson has to do with one of the Lisbon Agendas key tenets about investment in human resources. According to Ionita there are two problems with investing in human resources:
  - (a) The impact of aid has little visibility, but more importantly
  - (b) It is the incentive system and structural reasons that hinder development much more than lack of information or understanding on the part of officials or citizens, who are usually the target of human resources of development programs.

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<sup>44</sup> Sorin Ionita, UNDP report on Romania, see separate file—on demand.

- The third lesson learned from Romania’s experience as a recipient is the need for long term commitments on the part of donors (regardless of the nature of project, whether in the public or private sector). Especially in projects meant to boost economic growth, Ionita argues that things get a long time to get going, information percolates slowly to the targeted beneficiaries (a useful lesson to be kept in mind when promoting micro-credit schemes). It is therefore important that projects be given enough time to bear fruit. This is important to take on board for Romania as a donor, since it now depends on yearly budgets and it needs to convince the Ministry of Finance of the need to budget multi-annually.
- Funding and grants for SMEs need to address market failures and pursue public interest, rather than create an uneven playing field.
- Another lesson is to add among the usual project management competencies (especially for public administration), those skills deemed “soft”, such as allocating time and resources for feasibility studies, legal issues, expropriations, etc. Ionita rightly argues that public officials have weak risk management skills (which makes them prone to delays and budget overdrafts).
- Another lesson is that the more complex projects are the least likely to get funded, because funders usually prefer one-off projects to complex schemes that require the coordination of multiple stakeholders.
- Also, according to Ionita, a lesson learned during Romania’s 17 years of transition is that public–private partnerships (PPP) are not the panacea they are deemed to be, and especially do not represent a clever way around procurement issues, as most public managers seem to have mistakenly concluded.
- To sum up, recipients occasionally complain of assistance fatigue because the most productive energies, especially in public administration, are absorbed into managing assistance programs.

### **Recommendations for Romania’s ODA focus:**

Before reviewing my own recommendation for Romania’s “signature” domains, I will present below the three suggestions made by UNDP consultant Sorin Ionita.

#### 1. The Consorzio Progetto Lazio Romania<sup>45</sup>

The Consorzio is a Public Private Partnership in which Italian local authorities and businesses have set-up a structure in order to overcome, in target countries, local administrative and bureaucratic barriers and facilitate Italian businesses and local authorities’ cooperation with counterparts in recipient countries. The partnership is co-financed by the Italian Ministry of Foreign Affairs and the participating parts (local authorities, businesses, independent experts). The Consorzio offers trainings, online courses, personal coaching, etc. for public authorities in target countries, but also for private entrepreneurs in the domains in which the Consorzio seeks to do business (local infra-structure, environment, constructions, European quality standards, alternative energy, etc.). Also, in partnership with the Italian State, the Consorzio funds Italian entrepreneurs with small “mobility grants” (up to 10,000 Euros) in order to facilitate their access to the markets in East and Central Europe. Finally, and most importantly, the Consorzio supports

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<sup>45</sup> See Ionita report, pg. 17

financially and with expertise the counterpart local authorities who are developing projects in the Consorzio's domains of interest (co-financing feasibility and pre-feasibility studies, approvals, etc.). The Consorzio has set-up offices in Romania, Bulgaria, Slovenia and Ukraine. The model could be replicated by Romanian consorzia in Romania's target countries.

## 2. The Romanian Fund for Social Development

The Fund is a structure to develop ownership and participation in the use and management of funding by community members (especially the poor and the vulnerable). The Fund was created in 1997 in partnership with the World Bank, when the government identified the need to complement the social system in order to address poverty in rural areas. The FRDS does two things at once:

- (a) it administers a grants program (of three kinds: small infrastructure, social projects or income generation projects), and, at the same time,
- (b) it helps create social capital in poor and isolated communities by intervening with facilitators who assist the community in the difficult process of participatory decision-making, project-writing and implementation.

The World Bank initially funded the FRDS with 20 million USD and other donors have supplemented funds up to 25 million USD to which the Romanian Government added its own contribution. There is also a micro-credit facility associated with the Fund. The model could be replicated by Romania elsewhere in the region, in partnership with key funders. Due to the magnitude of the funding needed I will only introduce the opportunity of replicating this Fund as part of Romania's ODA at the end of the list of feasible domains of intervention. However, this is not to say that the methodology and expertise of the Fund should not be replicated, given sufficient financing.

## 3. OPCOM: I will describe the OPCOM facility in the next section.

In addition, UNDP's consultant makes a worthy proposal about ways of distributing funding to civil society organizations. His recommendation is that the MFA sub-contracts the management of the selection and grants allocation to a sub-contractor, whether an international organization (UNDP) or a private foundation (Black Sea Trust).



## Chapter 5: Selecting domains for Romania's ODA "signature"

Romania's objectives as an ODA donor are to:

- Help alleviate poverty
- Assist the democratic and market transition in target countries
- Contribute to the delivery of global public goods
- Increase Romania's visibility in the international arena (political and diplomatic benefits)
- Promote Romania's expertise (political and commercial benefits)
- Contribute positively to Romania's overall image.

To reach these objectives, I will present below the most likely domains to meet the criteria established in Chapter 2, that are "candidates" to Romania's "signature."

As a reminder, the criteria considered are:

1. Response to local **need** (in recipient countries)
2. **Performance** in Romania
3. International **credibility**
4. Available **competency** in Romania
5. **Best practice/lesson learned**
6. (Donor) **policy** considerations
7. (Donor) knowledge is relatively rare (**uniqueness**)
8. **Emblematic** appeal
9. Limited political **risk**.

The array of donor specialties (selected domains) presented below will respond to most of these criteria. Hence how to choose one's domain of specialization, given that the existing expertise within the Romanian state far exceeds the MFA's capacity to fund? One way is to divide the list of criteria in two. It is assumed that all domains selected will meet criteria 1 through 5 (response to local need, performance in Romania, international credibility, available competency in Romania, best practice/lesson learned). Hence the actual choice will be made primarily on the basis of criteria 5 through 9.

The signature will thus seek domains that minimize political risk, that have emblematic appeal and that are relatively unique or at least where Romania's experience brings a distinctive flavor and know-how.

The uniqueness of Romania's specialized areas of assistance will be determined by contrast to other donors. The domains of specialization of most of the world's aid donors are presented in Annex II (separate file).<sup>46</sup>

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<sup>46</sup> The Table in Annex II has been drawn from consulting the various websites of donor countries, hence the information specialty claim that each donor makes. However, as mentioned previously, it is very likely that countries fund a wider array of projects than the specialty indicated.

A cursory look at the Table shows that most countries have six or more domains of specialty, some even reaching as many as 16 such as in the case of Japan. The U.S. has 14, Sweden claims 13, Denmark 12, Greece, Lithuania and Norway 11 each.

I will suggest that Romania sticks to at most three domains of specialization for its signature, primarily because funds are so scarce, but also because it needs focus in order to establish a coherent image. Several countries have limited their domains to fewer than ten. Slovenia has chosen two (health and education), Poland, three (food security, education and focus on humanitarian affairs), likewise Italy and Luxemburg have three domains of specialty each whereas Finland, France, Spain and others have four or more, but not above six.

As mentioned above, to be powerful, a signature must be focused, simple, coherent and credible. Romania will always have time to expand its areas of competence as time goes on, its image as a donor gets established as funding increases.

Also in the table in Annex II we see that some domains have fewer “champions”, for instance: the rights of the disabled, strategic planning, policy research and evaluation, fisheries, tourism, culture, reconstruction and disaster management, etc. Again, this table is based only on the domains that donors claim is their primary focus (on their website), it is of course entirely likely that they actually cover a much wider array of specialties.

Since uniqueness was among the criteria used to design Romania’s specialty, I have eliminated from the proposed areas of focus domains for which many countries offer assistance such as the environment (22 countries), government human resource reform (16), economic growth (15), conflict management and peace building (14), gender equality (12).

A special note about education and health, which, obviously, are very popular domains with all funders (18 countries expressly state their special aid focus in education, and 12 countries count health as an area of specialization). However, the particular brand of education and health assistance that I will recommend for Romania has to do with a specific niche: ICT in education and emergency health assistance, such as SMURD. Another domain that partially relates to health that I will recommend as a part of Romania’s signature is HIV/AIDS prevention – however there are many more aspects of HIV/AIDS, such as protection of human rights, legislative reform and others, which spill beyond the boundaries of the health domain.

The key topics which I will suggest that Romania specializes in are the following:

- Child protection/de-institutionalization,
- HIV/AIDS,
- ICT.

There are many other topics of great “signature potential” such as: phyto-sanitary regulations, agro-tourism, and there is considerable expertise in other areas, such as energy/electricity (OPCOM), arts & culture (especially film production), SMURD (emergency medical assistance), legislative reform (probation system), micro-credits, RASDAQ (the stock market), migration and trafficking, cyber-crime, the protection of intellectual property rights, etc. (For a detailed list, see table in Annex I, on page 53 at the end of this Report), But, as I will describe below, among all the topics in which Romania has notable expertise, I have chosen these particular three domains primarily for the following reasons:

- (a) They are domains where Romania has made considerable progress, going from a situation that was catastrophic, to one that is respectable and even ahead of other countries. Hence they are domains in which Romania progressed furthest.
- (b) Because of the catastrophic situation inherited from communist times, Romania had, early in the transition, a particularly negative image.

### **Romania's "signature" as a donor:**

The objective of Romania's signature is to create a coherent message about Romania's contribution to the development agenda. However, with only 2 million Euros, Romania's claims are by necessity limited.

Two of the domains chosen (child protection/de-institutionalization, HIV/AIDS), respond as well as several others to the key criteria of performance and credibility, moreover, they are needed in the field, and, like for many other domains, the Romanian state has ample expertise to provide.

But these two areas have an added, important, characteristic that no other potential domain of assistance shares: they have been the subject of **considerable negative publicity** at the beginnings of the Romanian transition, and, in some international quarters, the effects of that stigma have endured to this day. Therefore, putting the spotlight on these domains means recognizing Romania's achievements in both child protection and HIV/AIDS; it is a choice that will kill two birds with one stone:

- It will give assistance to where it is needed (and all former communist countries have had similar legacies regarding institutionalized children and HIV/AIDS)
- In so doing, it will help restore Romania's image by showing (credibly) how far the country has come during the transition.

Thus, of all the domains that have equal claim for Romania's signature status, these particular two are essential to undo two decades of highly negative media attention. (One should only remember the gory pictures in the international media to understand why it is a good idea to promote the progress made in these two domains and actually share with others the key lessons learned).

For ICT, the reason for conferring it "signature status" has to do not with overcoming negative publicity, but with promoting a domain of genuine excellence (and, in so doing, helping others accede to similar levels). In addition, remembering the distinction made earlier between *technical* and *political* domains, the reason for promoting ICT is that it is a *bona-fide* "technical" domain, that can be stretched with minimal political risk into the sensitive areas of freedom of expression, media independence, etc. For instance, helping establish a Cable Association among all the local "mom & pop" Cable operators will help create a *de facto* network on which considerably more advertising can be sold, thus strengthening the network's power to buy or create programming. This, in the end, leads to a virtuous circle, and builds the cable industry (and indirectly a free media) from the bottom up, as was the case in Romania. There is also a self-interested part in promoting ICT that comes from the very needs of this industry in Romania at the present time: an almost mature industry that needs to outsource for better competitiveness. Hence, educating youth in target countries means building a potentially skilled workforce in low-wage areas.

I will detail below the three proposed "signature" domains and highlight some of the other contenders.

## **Child de-institutionalization/child protection**

### The domain:

Romania managed to shift the child protection system from reliance on a centralized institutional approach to child protection, responsibilities and accountabilities based on children's rights and children's best interest. Child de-institutionalization (abolition of orphanages) was the object of the first policy of de-centralization among Romanian institutions. Before Romania could start negotiations for EU accession, the domain had been flagged as needing reform.

### What is there to share with recipients?

Legislation and practice: increase quality of care, decrease number of children in residential institutions, increase availability of alternative family-based solutions, etc. Romania has managed to close down 300 orphanages and create instead 1200 foster homes and 600 alternative services to cater to 20,000 children needing assistance. Reform has taken the domain of child assistance from the Ministry of Labor and Social Affairs and brought it down to the county level (being the first Romanian institution to successfully achieve de-centralization). The next level of reform will be to bring specific service areas such as social assistance, special nursery services, baby sitting, Parents' Ed, etc., from the county down to the municipal level. (Emblematic figure: Baroness Emma Nicholson, EMP, co-chair with the Prime Minister of Romania of the High Level Group for Romania's Children and the co-chair with the Prime Minister of Moldova of the High Level Group for Moldovan Children.)

### Lessons learned:

Investing in improving orphanages (providing sanitation, more intimate settings for smaller numbers of children, etc.) was a waste of time and money. The solution was not to improve comfort and hygiene, and keep children in isolation, but rather to bring them into the mainstream of life and create foster parenting solutions within the community.

### Best practices:

The Children's Council, which offered innovative solutions to a wide array of issues affecting children's lives (many proposals have been implemented). Another best practice is the constant consultation and cooperation between the National Authority for the Protection of Children's Rights (ANPDC) and Civil Society Organizations (CSOs).

### Target countries:

All former communist countries, since they all suffered from the same centralized child policy and isolation of orphanages. (Not even Poland or older NMS have reached comparable success with de-institutionalization of children). Hence, Romania has a competitive advantage vis-à-vis other new member states, derived precisely from it having had a bigger problem in the first place. Reform may be especially needed in Moldova, the Caucasus (Chechnya), Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan), and, to a lesser extent, Kosovo, FYR of Macedonia and Turkey.

Contact point:

ANPDC, Doctor Manuela Danescu, Director, Policy and Strategy.  
Manuela.danescu@anpdc.ro  
+40740113354

**HIV/AIDS**

The domain:

Even though in the early 90s Romania was stigmatized in the international media because of the many orphaned children infected with the HIV/AIDS virus, due to targeted programs and participatory strategies (many of them facilitated by the UN), Romania remained in the low prevalence, non-concentrated type of epidemic. Since medical advances and access to treatment developed faster than the institutional capacity to strategize, program and plan in this domain, Romania has taken the lead in developing an HIV/AIDS European Academy, a training and advocacy platform (actual as well as virtual) to help policy-making and capacity-building in this domain.

What is there to share with recipients?

The design and implementation of successful national strategies, legislative reform, protection of rights, harmonization with the overall regional and global trends in HIV/AIDS interventions, social services, the creation of coherent funding mechanisms from national and international sources, effectiveness in program implementation, advocacy, training of trainers, etc.

Lessons learned/Best practice:

The programs achieved: low prevalence of HIV/AIDS; significant increases in life expectancy and quality of life; transformation of AIDS from terminal to chronic disease status; rights protection, availability of social support and reduction of discrimination. Romania is the first country in Central and Eastern Europe to have achieved the program for universal access to HIV/AIDS treatment and care. Also, Romania's is the first program in Europe to include significant price reductions and discounts for drugs, negotiated directly with manufactures<sup>47</sup>.

Target countries:

All: regional as well as global. Focus on Eastern Europe, Central Asia and in general former Soviet Union countries.

Contact point:

UNAIDS, Eduard Petrescu, Executive Director.  
petrescue@unaids.org  
+40722398100

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<sup>47</sup> UN in Romania Good Practices Compendium—UNDP, *manuscript*. (Year ?)

## ICT

### The domain:

Romania has been a pioneer in ICT education (already in communist times), as well as the creation of an enabling legal environment for the development of the sector. Romanian software engineering is renowned and products are best-sellers (BitDefender is a worldwide top selling anti-virus).

### What is there to share with recipients?

ICT in Education (the development of specialized educational software). Education in cryptography and internet security. Legislative reform, particularly the emphasis on “trust/confidence building” legislation. Also notable was the synergy between practitioners (private sector software developers, legislators and the government--the power of “clusters”).

### Lessons learned:

Developing engineering skills without managerial abilities is not viable. Once partisan politics get in the way, legislative changes get delayed, and opportunities for business development are missed.

### Best practice:

Fiscal package, especially reduction to zero-taxation for companies earning revenues of minimum 10,000 Euros a year per employee. Legislative philosophy: measures meant not to constrain but to empower. Apparently, Romania is among the first countries to have introduced the electronic signature and the ability to notarize documents online.

### Target countries:

All, with a special emphasis on countries likely to produce generations of software developers ready to work for Romanian firms (hence, need to start at the educational level).

### Contact point:

Romanian Parliament, Varujan Pambuccian, Deputy, National Minorities Representative, Head of the ITC Committee in the Chamber  
varujan@cct.ro  
+40724247718

### **Why limit Romania’s “signature” to these three domains?**

As mentioned, the lineup proposed (Children, HIV-AIDS and ICT) have the following characteristics:

- All three are domains that have had excellent performance in Romania so far, hence they are all entirely *credible* as domains of assistance to others;

- There is an inner logic to these 3 domains being linked together, forming a coherent, symbolic “narrative”:
  - De-institutionalization→HIV-AIDS prevention or protection of rights→Education in ICT and employment.
  - In narrative form, the story would be:
    - *In Romania, we care about (orphaned) kids. When the Orphanages opened, in the 90’s, we were as horrified as everyone else...It took us time to get the system right and move to foster care. We want to help shorten the time this process takes elsewhere in the region.*
    - *We also needed to make sure we protect children and youth from the HIV virus, protect their rights if infected, etc... With our AIDS Academy we can provide training to other countries to do so.*
    - *Kids need help to be educated to lead productive lives and ICT has always been a domain of excellence in Romania even in Communist times... We thus want to share our best practices with others.*
- The 3 chosen domains can be pursued both at the *regional* as well as at the *global* levels.
- The first 2 domains (**Children de-Institutionalization** and **HIV-AIDS**) respond to a particularly dark moment in Romania’s recent history—the discovery of Orphanages in 1990 and their horrendous conditions. The two issues are linked—the discovery of sub-human conditions in orphanages included shocking reports about the high incidence of HIV/AIDS.

Therefore:

- Using ODA funds to address these two issues elsewhere in the region—or the world—sends the most powerful message about how far Romania has come in these two critical areas. It gives an enormous boost to Romania’s self-confidence and image abroad.
- The subliminal message is empowering: *If Romania succeeded, so can everyone else!*
- Hence using these two domains as a part of Romania’s “signature” constitutes the most powerful image-builder for Romania, because the good publicity generated is *evidence-based* and hence highly *credible*.
- In **ITC** the issue is slightly different. ODA is not a means to repair a badly tarnished image. Rather, in promoting ICT as part of its “ODA” signature, Romania’s subliminal message is:
  - “Look how good we are in ITC—get our education, buy our products and work for us!”
  - A key added benefit is that with ITC as an entryway, Romania can thread lightly, if it so chooses, on a whole host of sensitive issues, such as **Freedom of Expression** and **Media Independence**, which the MFA may prefer not to address head-on in partner countries.

#### **Additional ODA “signature” contenders:**

The following six domains are also legitimate contenders to signature status given that they score high on all criteria. However, I am reticent in advising that they be included, because the first

three (Child protection/de-institutionalization, HIV/AIDS and ICT) have powerful image-restoring qualities, touching on two of the darkest moments in recent Romanian history. The third (ICT) is a powerful image-builder for a modern Romania. In addition, there is a powerful “narrative” linking these three domains that gives the signature coherence and strength.

The additional domains are:

### **Phyto-sanitary regulation**

#### The domain:

Regulations and practices meant to prevent the spread of pests on plants and plant products.

#### What is there to share with recipients?

Laboratory research, testing procedures, control of producers and commercial agents for pesticides and other residues, implementation of European legislation, control and customs regulations.

#### Lessons learned/Best practice:

Because agriculture was a sensitive key domain in EU accession negotiations, Romania had to quickly adopt and adapt relevant European legislation. The procedures developed are specific for the climate and the diseases of temperate countries in which Romania specializes. The flexible territorial organization of the Agency that deals with phyto-sanitary issues is recognized internationally. (Other best practices in agriculture are the management of the sylvic domain). Phyto-sanitary regulations have been the first to be required by the European Union, hence Romania has developed particular and long-standing expertise in this area and has been a part of a successful Twinning agreement under the auspices of DIFID in Moldova.

#### Target countries:

The entire region (countries with temperate climates).

#### Contact point:

Ministry of Agriculture, Forestry and Rural Development: Roxana Zarma, General Director.  
European Affairs  
roxana.zarma@madr.ro  
+0040 21 307 2433

### **Agro-Tourism**

#### The domain:

Rural dwellings, farms, outfitted for touristic purposes.



### What is there to share with recipients?

The creation of a successful network of guest dwellings throughout the country, the establishment of quality and comfort standards, training in hospitality and services, etc. Agro-tourism is a particularly successful way to boost rural earnings in countries with high percentage of people involved in agriculture and limited tourism infra-structure (high-ways, rapid trains, hotels, etc.).

### Lessons learned/Best practice:

ANTREC is one of the most successful agro-tourism networks in Eastern-Central Europe. Although a private initiative, the ANTREC network could easily fit a Public-Private Partnership model with the state authorities, e.g. Ministry of Tourism.

### Target countries:

All countries in the region with a large percentage of people living in rural areas.

### Contact point:

ANTREC: Marilena Stoian, Executive Director  
maria.stoian@gmail.com  
+40723350892

## **Energy/electricity (OPCOM)**

### The domain:

The National Authority for Energy Regulation (ANRE), has created a structure that administers and distributes whole-sale electrical power and services (OPCOM). The technical platform allows the brokerage of electricity in the *day ahead* transaction system.

### What is there to share with recipients?

OPCOM is a commercial structure that provides power transaction systems that recently won the international tender to ensure services for the electricity market in Hungary, thus creating an important regional electricity node in the power market.

### Lessons learned/Best practice:

OPCOM's winning bid responds to the EU objective of creating a single-power market, and the Romanian-Hungarian integration of the electricity distribution is a first such initiative in the Balkans. Thus, the mechanism created by OPCOM for Hungary can be replicated in other countries. A competing project was launched by Slovenia, whose ambition is to build a similar platform for the power and gas markets in the Balkans. However, Slovenia is a much smaller market compared to the critical mass of the Hungarian-Romanian program.

### Target countries:

Serbia, Bulgaria, Montenegro, Albania, etc.

Contact point:

Ministry of the Economy, Alexandru Sandulescu, Director, Ministry of Economy  
asandulescu@minind.ro  
+40 21 202 5242 (Adriana Sarzea)

**Arts & Culture**

The domain:

Investment in cultural development is a domain that only Norway and The Netherlands have specifically mentioned as a priority area. Undoubtedly, many more countries fund such programs. But it is worth establishing a more pregnant Romanian presence in this area when funding will increase.

What is there to share with recipients?

Romania's reputation in the film industry helps it garner international recognition for Romanian culture. Legitimate claim in promoting both film education (UNATC) and film production. The ability of Romanian producers to put social and political themes on the public agenda (the 1989 Revolution, the short-comings of the medical system, emigration, abortion, etc.).

Lessons learned/Best practice:

Especially valuable is the de-centralized mechanism that freed public funding of art projects from direct suspicions of political clientelism, a model to be exported elsewhere, in the former communist world. Given a relatively small market for domestic film production, the distribution mechanism through unusual outlets (the Peasant Museum) and foreign specialized channels (Arte TV) are innovative best practices.

Target countries:

All East and Central European countries.

Contact point:

Vladimir Simon, Director CCPCE, The Consultancy Centre for Cultural European Programs  
simon@eurocult.ro  
+40722335848

**SMURD**

The domain:

Medical emergency assistance organized for maximum speed of intervention and expediency to complement the regular ambulance services.

What is there to promote?

The SMURD emergency service uses the fire-fighters services as well as medical and para-medical staff from the regular hospital system, thus, adding little cost to existing health budgets.

Lessons learned/Best practice:

The SMURD reformed a soviet organizational model for ambulance services, increasing their efficiency and speed. SMURD is the back-bone of the emergency and natural disaster recovery system at the national level. The Romanian system is among the first in Europe, more advanced than that of the older European member states (Italy, even France) in terms of legislation and organizational structure.

Target countries:

Three priority countries, Caucuses and Central Asia.

Contact point:

Ministry of Health, Dr. Raed Arafat, Under-Secretary of State  
arafatr@smurd.ro  
+40722259144

**Legal reform (probation system)**

Domain:

Legal reform, translation of the EU *acquis*. In addition, the probation domain has been undertaking a particularly successful transformation and is a best practice for the former communist world.

What is there to share with recipients?

All of the *acquis* qualifies as potentially transferable to other countries, likewise transferable are the negotiation skills themselves.

Lessons learned/Best practice:

Re-vamping the probation system of parole reformed in cooperation with UK experts in Twining program. Judicial system reformed (administrative legislation), incorporation of communitarian law.

Target countries:

All EU candidate countries (Western Balkans, Turkey).

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**Micro-credits**

Domain:

Micro-credit has proven a popular means to stimulate the creation of local goods and services. Romania has adopted such schemes through the SOROS Foundation, the Romanian-American Enterprise Fund (RAEF), and, most recently, through commercial outlets such as BCR in cooperation with the Erste Bank and the Erste Foundation.

What is there to share with recipients?

The know-how in the establishment and funding of such systems, however, in the absence of sufficient ODA budgets, the funds themselves will need to come from a third-party donor.

Lessons learned/Best practice:

One of the lessons learned was the importance of a clear, coherent and supportive legal framework: in less than 2 years the Romanian micro-credits sector passed from not being regulated at all, to the other extreme of overregulation. Another lesson is to realize how important is the continuous lobby to make stakeholders aware of the sector's main characteristic: efficient financial services with positive social and development impact<sup>48</sup>. Also an important Best Practice is the Romanian Fund for Social Development (FRDS) but the problem is satisfying the large capitalization needed to make it effective.

Target countries:

All (especially Moldova in possible Private-Public Partnership).

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<sup>48</sup>[http://www.europarl.europa.eu/meetdocs/2004\\_2009/documents/dv/200/200702/20070227\\_doiciu\\_keypoints\\_II\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/200/200702/20070227_doiciu_keypoints_II_en.pdf)

## Chapter 6: Implementation and Further Considerations

In this chapter I suggest that delivering Romania's ODA should follow a three-step strategy (for the short, medium and long term).

### Short term strategy:

1. Increase Study visits to promote experience and expertise with potential recipients (study visits are a cost-effective means of promoting Romania's capacities and expertise).
2. Target OPM's (Other People's Money) in order to get funding (cost sharing) for Romania's programs and experts from other sources (e.g. Twinning arrangements with EU funds)
3. Propose ODA programs in partnership with institutions/Ministries that can access EU funds (e.g. especially the Trans-border programmes managed by the Ministry of Regional Development)

### A special word about working with "OPM" (Other People's Money)

In the absence of sufficient domestic funding, a short/medium term solution to get the most out of Romania's transition experience and expertise (and gain international political capital) is to look for funding partners. It may seem outside of the realm of the ODA mandate *stricto-sensu* to actually promote Romania's line-Ministerial expertise to other donors as the additional funding for such programs would not get counted towards Romania's ODA. Nonetheless there are important gains to be made both internally (mobilizing internal capacities) as well as externally (international recognition of experience/expertise).

Simply put, "promoting" here means essentially offering Romanian know-how for hire. For that, the MFA, UNDP (and possibly FOND) need first to undertake a thorough mapping exercise to identify likely "buyers".

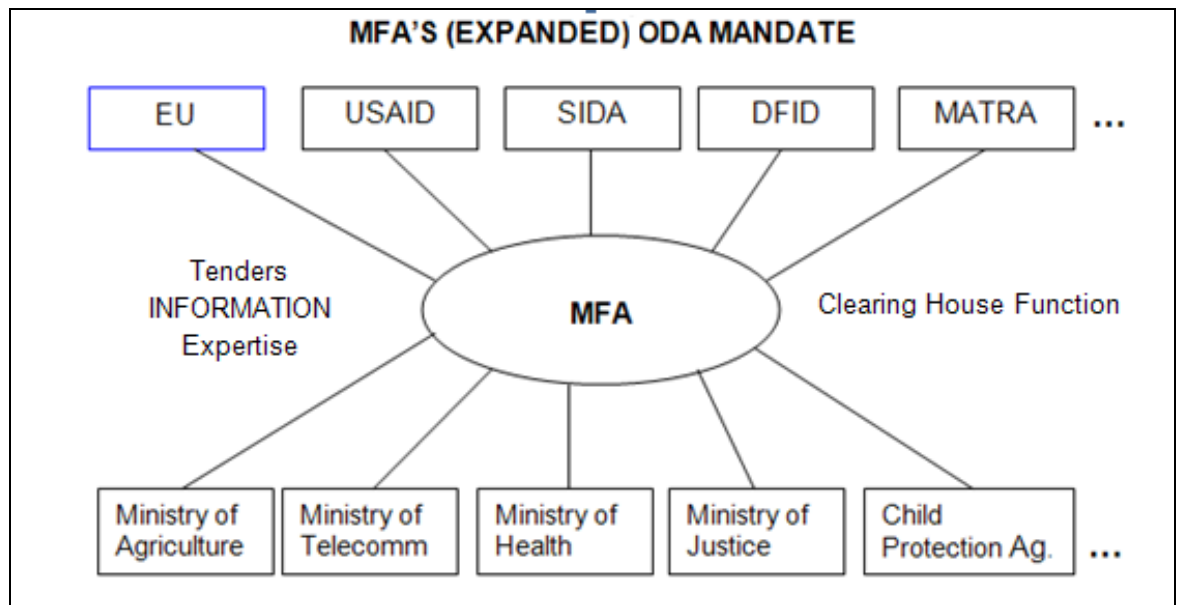
Traditional donors might actually welcome the joint delivery of developmental programmes together with Romania if the argument and the benefits are clearly spelled out—it is a potential win-win solution because:

- To traditional donors it provides program implementation opportunities likely to be more cost-effective than the use of national experts/consultants (from the donor country). Hence the importance for Romania to develop a reputation for cost-effectiveness and efficiency in the delivery of aid (see Competitive Advantage criteria);
- It helps traditional donors demonstrate that their aid is not tied;
- It helps traditional donors display their own capacity-building abilities within the partnership (to the Romanian "junior" partner);
- On the other hand, such partnerships help Romanian institutions use their experience and know-how, rather than leave them idle in the absence of sufficient domestic ODA funding;
- It strengthens the skill-set of Romanian experts and NGOs and builds Romania's reputation in the process;
- Finally, such partnership is beneficial for recipients because they get the benefits of working with a country that has a fresh transition experience yet it protects against the potential risks of working with inexperienced, new donors (wobbly procedures, inadequate funding, etc.)

In order to strike such beneficial partnerships, the Romanian MFA (with the help of UNDP?) will need to undertake a mapping exercise involving 2 aspects:

- A. Identifying the areas of interest and available funding of traditional donors—i.e. create “Donor Fact Sheets” that detail their traditional domains of assistance, cross-cutting issues, resources, etc—see Annex III for an example;
- B. Clearly identify the available expertise and experience within Romanian institutions (both individual and institutional, public or not-for-profit/private). Part of this aspect is already underway in the “Roster of Experts” to be built under the SNIECODA project. However, to be effective, in addition to identifying names and CV’s, the mapping exercise should include Fiches about specific domains of expertise and short summaries of projects already undertaken.

In addition to being a virtual Clearinghouse, the MFA (or future ODA Agency) would require active and creative “matchmaking” skills and an effective “sales” job to mix Romania’s availabilities with the traditional donors’ areas of interest and funding, and last, but not the least, the MFA will especially need to tailor the whole package to the recipient country’s needs and priorities.



The practical modality in which the Donor Fact Sheet and Fiches of Expertise can be used is in the President’s or the various Ministers’ visits abroad, or when foreign dignitaries are welcomed in Romania.

This requires excellent planning aiming state institutions, to know ahead of schedule when visits are planned, to coordinate with speech-writing staff and to include the appropriate material in the Talking Points, etc.

Medium term strategy:

4. Set up the legal basis for innovative financing mechanisms. Those involving a consumer tax, such as on airplane tickets, have the added benefit of garnering vocal support by

- putting the aid issue on the public agenda. Since, generally, those who must pay the tax (travelers) they are also more likely to be more educated and better off than the average, and hence are likely to support its use in development assistance as well;
5. Lobby Parliamentarians and the Ministry of Finance to increase the budget (and get multi-annual budgets committed).
  6. Build synergies among Ministries and stakeholders—facilitate multi-stakeholder meetings by domain or by country (move from a broad coalition to multiple narrowly focused clusters of interested partners by area of specialty to create synergies (e.g. in ITC, put around the table the Ministry of Education expert staff, academics, software developers, exporters and NGOs in order to see where the need and the opportunities lie in the developing world. In the words of a Ministry of Education official: “Education opens doors but we need private sector or NGO partners to clench the deal.”). Proceed likewise with all the other domains.

Long term strategy:

7. Pursue intense civil society, political and academic lobby for Romania to meet its EU aid targets.

#### **Issues for further consideration:**

##### Geographic expansion of priority focus:

1. Several prominent interviewees, among whom the President’s Foreign Policy Advisor as well as his National Security Advisor, have recommended that Romania include **Ukraine** among its priority recipient countries.

While the size of the country and its needs, juxtaposed to Romania’s ODA budget and international stance makes the likely impact of Romania’s ODA on Ukraine difficult to envision, the possible diplomatic gains might override other considerations and make “punching above its weight” desirable for Romania.

Weighing in this favor may also be the existence of EU funds slated for trans-border cooperation and a trilateral institutional structure (Romania-Ukraine-Moldova) which also comes with a funding mechanism. These financial considerations, in support of diplomatic ones, might provide reasons for taking this recommendation on board. Thus the MFA will have a very concrete case in which to apply the strategy of institutional and financial synergy suggested above (i.e. synergy between existing projects, institutions and funding mechanisms).

2. In the same vein, the President of one of the Parliament’s Chambers is said to also favor the geographic expansion of the ODA program’s focus towards the **Middle East** and **Central Asia**.

The interest for the Middle East would reap belated rewards of Romania’s assistance towards the region (including the Maghreb) during communist times and might provide an area of comparative advantage where there is little competition from other NMS. Hence Romania might have a double advantage: be relatively alone in providing transition

- experience in the region and (b) benefit from warm welcome in the region owing to a longstanding tradition of cooperation, a credibility and welcome that Romania can now transfer to Brussels (and gain prestige within the EU for doing so).
3. Last, but not least: Croatia, Macedonia, Bosnia, Montenegro, Albania and Turkey are also areas where Romania's expertise in EU accession could be of use.
  4. The particular issue of the countries under consideration for ODA delivery reveals the stringent need for more thorough inter-institutional consultation and the acute importance of **horizontal cooperation** within the Romanian state, especially among the institutions responsible for **shaping foreign policy** and its implementation (including incorporating the key focus of Romania's Defense and Trade strategies).

Expand MFA mandate:

5. Romania cannot remain a credible donor for long with only 2 million in bilateral programming. The short and medium term solution until the state's coffers replenish, is to **"sell" Romania's experience and expertise on someone else's dime**—twinning programs, junior partnerships with traditional donors, leveraging ODA money in order to program Structural Funds, etc.

In order to strike the kind of partnerships that can make productive use of Romania's Transition experience, the MFA needs to explore the possibility of expanding its mandate (and staff) to:

- Systematically promote Romanian experience, lessons learned, and expertise abroad, in Brussels and in main European capitals (as well as in Washington) — (> outbound information);
- Regularly disseminate information about calls for proposals or available funding opportunities to eligible line Ministries (>inbound information).

In short, the MFA ought to consider an "entrepreneurial" mandate that allows the ODA Division within the Ministry to actively "sell" and promote Romanian experience and expertise to foreign partners.

Cooperate with the Project Implementation Units (PIU) in line Ministries:

6. Almost each Ministry has created a Project Implementation Unit responsible for the management and implementation of EU funds (Phare, ISPA, SAPARD, etc.).

With such programmes closing in the next two years (including the transitional period) many competent experts in Ministries risk remaining unemployed, unless these units:

- Have the ability to find new funding/projects, such as from EU Structural and Cohesion funds. (But with Managing Authorities present in only 7 Ministries, not all Ministries will be able to manage funding. However all will be able to program the funds)
- Find opportunities to apply for Twinning projects and others, where they can partner with traditional donors.



This latter point needs the explicit cooperation of the MFA (see above), in order to promote Romania's competence with traditional donors or the Commission (as well as with potential recipients).

#### Harvest, package and disseminate knowledge via State Officials

Create proper tools to promote experience and expertise:

7. Detail available experience and expertise in various Ministries through "Project Fiches" and an "Expertise databank" separate from and complementary to the Experts Roster. To be used for State Visits by Romanian Officials abroad or foreign Dignitaries coming to Romania (coordinate with speech-writers, protocol staff to introduce information in talking points and speeches).

#### Create "clusters" of institutions and stakeholders by specialty/area of interest:

8. The Foreign Affairs Ministry's inter-ministerial committee is a very valuable tool for strategic direction providing. However, as Romania seeks to specialize in "signature" domains, the clustering of partner institutions and stakeholders needs to be much more strategic and focused.

Beyond this large, broad circle that meets at the level of Secretaries of State in various Ministries, and the "lower rank" circle of interlocutors with whom UNDP and MAE have worked in preparation for Romania's signature (Director General and Director's level for ODA and/or European Affairs or International Affairs) , the MFA may consider splitting this group by domain and specialty and meeting with ministerial people as well as CSOs and Private Sector stakeholders in specialized domains.

Thus in ITC, for instance, the MFA would cluster the specialists from the Ministry of Education, the educational software and other IT firms interested in foreign contracts (e.g. SIVCO, who already won the local Education Ministry bids in Cyprus, Russia, Central Asia and the Middle East), as well as civil society organizations working in education (e.g. Education 2000+ that has implemented many World Bank projects in the Western Balkans and Central Asia).

The MFA could do likewise for all domains of interest (Children, HIV and Health, Agriculture, etc.). By clustering expertise by domain and area of interest (e.g. including by geographic area), the MFA would help create "communities of practice" that could get a dynamism of their own in getting and sharing knowledge about calls for proposals, tenders, contracts and other opportunities in their respective domains, thus radiating Romanian expertise and visibility in faraway places.

#### Design visibility criteria:

9. Even without a separate ODA Agency, the MFA needs to create visibility criteria for its funding so that recipients associate Romanian assistance with "the People of

Romania”—thus sending a positive message back home and strengthening Romanian citizens’ support of ODA.

This is especially important given concerns that requests for budget supplementary budgets will be met with political reticence.

Increase available funding:

10. Increase available funds through **Innovative Financing Mechanisms**. Set up the legal basis for innovative financing mechanisms (which have the added benefit that they garner support and even if controversy ensues, at least it helps put the aid issue on the public agenda. Generally, those likely to pay the tax (travelers) are also likely to be more educated and better off than the average and hence are likely to support it as well;

Harness Romania’s varied international assets:

11. From way before the democratic transition, Romania inherited several assets in the developing world, such as a good reputation and network of key people who have studied in Romanian Universities.

A list of their numbers and location has already been requested from the department for Romanians Abroad and the Ministry of education. These contacts can be good points of entry for “selling Romania’s expertise”<sup>49</sup>

Consider Staffing, Personnel and Knowledge Management issues:

12. The promotion of Romanian expertise, being embodied in actual individuals rather than harvested and available independently of their personal involvement needs to be available for ODA projects without disrupting the proper functioning of the state and Ministerial apparatus. It is therefore important to find proper mechanisms to harvest expertise and make it available at institutional levels.
13. Study the possibility of hiring native speakers to deal with ODA in key Embassies;
14. If not already in place, study the possibility to create clear “secondment” rules for MFA and line Ministry staff to various Twinning and ODA projects in field.
15. Centralize “Mission Reports” (and make them mandatory) for all participants to trainings, conference, etc. Upload all materials on the (future) ODA website, alongside Power-point presentation, contact lists, etc., so that knowledge doesn’t flee once people leave their jobs, and others (especially from Line Ministries or Civil Society) have access to the materials.

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<sup>49</sup> A recent example comes from the Ministry of Education who just recently hosted the Romanian-educated Minister of finance of Syria, who wanted to meet his old professors and colleagues. A comprehensive presentation of Romania’s expertise in development assistance might have been instrumental in helping the Syrian Minister see what funding his government might mobilize in order to acquire Romanian institutional know-how and projects.

Consider investing in Study Visits:

16. Perhaps the most effective ways to share Romania's experience and promote available expertise (at the ministerial and Civil Society level) is to invest—in cooperation with the line Ministries and Parliament--in a program of sustained short and long term Study Visits for foreign officials or CSO representatives to Romania.

Create opportunities for individuals, not just organizations, to get involved in development:

17. Individual involvement in development issues (for instance via international volunteer services such as UNV) is not only beneficial for developing countries and for the volunteers themselves. It is also beneficial as an awareness-raising mechanism as it directly reaches the volunteer's circle of family and friends, contributing to creating a culture of concern and care for people in developing countries.

The establishment of a **UN Volunteer Service** in Romania was already jump-started by:

- Flagging the issue with the Minister of Youth and Sports who expressed interest in pursuing an international volunteer programme (initial discussion, letter of interest, awaiting substantive meeting);
- The creation of an incipient coalition of NGOs involved in volunteering, eager to expand their services abroad and to raise the profile of volunteering by the creation of a broad-based umbrella effort (initial discussions with 7 organizations.) (Contact list on demand);
- Initial contacts with UNV headquarters in Bonn and exchange of information about the necessary steps;
- Initial contacts w/UNHCR representative who is responsible for UNV in Romania.
- Some of the next steps in this project are to:
  - Finalize discussions w/UNV Bonn and determining specific modalities of creating an international outbound service based in Romania, rather than a domestic (national) one which hosts international UNVs;
  - Broaden the coalition of NGOs and start working closely with Pro-Vobis and others which have already garnered considerable experience in international volunteering;
  - Follow up with the Ministry of Youth and Sports to assess willingness to actually take ownership of the issue;
  - Raise seed money to launch the project;
  - Organize activities: roster of volunteers, project database, project-management and other trainings, awareness campaigns, etc.

18. Make development hip and trendy by mobilizing youth—Create a TEDx (“Ideas worth spreading”) conference for Trend Setters on the topic of Development Assistance. Travel with the speakers in various cities around Romania.

Consider project implementation through civil society:

19. One lesson learned from 20 years of transition is that funds reach their objectives best when funders disengage from direct involvement in allocating the money and deciding on

the winners. Suffice to set clear selection criteria and simple, transparent procedures and (usually) the natural selection work in favor of the best projects.

Creating a Civil Society ODA Fund, such as the one proposed by the UNDP Consultant for Romania, Sorin Ionita, and opening it to civil society organizations, preferably in partnership (Romania and the recipient country) would be most conducive to strengthening the capacity of both foreign as well as of Romanian NGOs and, alongside multilateral contributions, would be the best way to allocate small ODA budgets.

Further consider the benefits of multilateral channels:

20. Assuredly there are Pro's and Con's to using Multilateral Channels in aid delivery.

The point, for a small donor with limited capacity, is to:

- not get bogged down in program implementation;
- manage from afar
- use agencies headquartered in one's back yard for easy follow up and monitoring
- meanwhile use the time to learn more about available pockets of expertise
- learn how to best package and disseminate the country's experience
- work closely with political structures (Prime Minister, Minister of Finance, Parliament, President, other Government members) and with civil society to increase funding. (Demonstrate why it is in Romania's best interest to do so).

Multilateral channels are essential in helping build capacity in ODA delivery, especially for small donors with limited capacities. Multilateral organizations have long standing governmental and civil society partnerships in recipient countries, have expertise in program implementation, have monitoring and evaluation procedures, and, above all, their involvement helps shelter donors from political pressures.

Consider ODA as an investment, not a cost!

21. When faced with demands for additional funds, many politicians look at the allocation as a cost, rather than an opportunity. The MFA, together with its UN, Civil Society, Academia and Private Sector partners, should endeavor to show that ODA expenditures are an investment in good will, political and diplomatic capital, as well as opportunities for economic and commercial gain, topped with an indirect strengthening of Romania's own capacities not only to deliver assistance but to learn and consolidate its abilities while guiding others through the same path it has once taken.

# ANNEX I

## CRITERIA FOR COMPETITIVE ADVANTAGE

### Possible Domains to form Romania’s “Signature” as a Donor

| Criterion<br>Domain               | Performance/<br>credibility as donor | Relevance/need | Available<br>competence | Feasibility | Best Practice | Lesson Learned | Policy reason to<br>promote | Knowledge is<br>unique/salient | Domain is<br>emblematic | Political sensitivity limi<br>risk | TOTAL |
|-----------------------------------|--------------------------------------|----------------|-------------------------|-------------|---------------|----------------|-----------------------------|--------------------------------|-------------------------|------------------------------------|-------|
| <b>Permanent Consideration</b>    |                                      |                |                         |             |               |                |                             |                                |                         |                                    |       |
| Study Visits <sup>50</sup>        | X                                    | X              | X                       | X           | X             | X              | X                           | X                              | X                       | X                                  | 10    |
| <b>Prop. “Signature” Domains</b>  |                                      |                |                         |             |               |                |                             |                                |                         |                                    |       |
| Child Protection                  | X                                    | X              | X                       | X           | X             | X              | X                           | X                              | X                       | X                                  | 10    |
| HIV/AIDS                          | X                                    | X              | X                       | X           | X             | X              | X                           | X                              | X                       | X                                  | 10    |
| ICT                               | X                                    | X              | X                       | X           | X             |                | X                           | X                              | X                       | X                                  | 9     |
| <b>Secondary Funding Targets</b>  |                                      |                |                         |             |               |                |                             |                                |                         |                                    |       |
| Phyto-Sanitary                    | X                                    | X              | X                       | X           | X             |                | X                           | X                              | X                       | X                                  | 9     |
| Agro-tourism                      | X                                    | X              | X                       | X           | X             |                | X                           | X                              | X                       | X                                  | 9     |
| OPCOM                             | X                                    | X              | X                       | X           | X             |                | X                           | X                              | X                       | X                                  | 9     |
| Arts and Culture                  | X                                    |                | X                       | X           | X             | X              | X                           | X                              | X                       | X                                  | 9     |
| SMURD                             | X                                    | X              | X                       | X           | X             |                |                             | X                              | X                       | X                                  | 8     |
| Legal reform (Probation)          | X                                    | X              | X                       | X           | X             |                |                             | X                              |                         | X                                  | 6     |
| Micro-credits                     | X                                    | X              | X                       |             | X             |                | X                           |                                |                         | X                                  | 6     |
| <b>For Possible Consideration</b> |                                      |                |                         |             |               |                |                             |                                |                         |                                    |       |
| Bio Agriculture                   |                                      | X              | X                       | X           | X             |                | X                           |                                |                         | X                                  | 6     |
| NATO Reform                       | X                                    | X              | X                       | X           | X             |                | X                           |                                |                         |                                    | 6     |
| RASDAQ—Stock market               | X                                    | X              | X                       |             | X             | X              |                             |                                | X                       |                                    | 6     |
| Migration + Trafficking           | X                                    | X              | X                       | X           | X             |                |                             |                                |                         | X                                  | 6     |
| Cybercrime                        | X                                    |                | X                       | X           | X             |                | X                           |                                |                         |                                    | 5     |
| Intellect. Property protect       | X                                    | X              | X                       | X           |               |                | X                           |                                |                         |                                    | 5     |
| Local Admin Consortium            |                                      | X              |                         |             |               |                | X                           |                                |                         | X                                  | 3     |
| Romanian Investment Fund (FRDS)   |                                      | X              |                         |             |               |                | X                           |                                |                         |                                    | 2     |

<sup>50</sup> Study Visits are especially interesting for representatives of countries in which the Romanian state hasn’t yet established its aid priorities, such as countries “in attention”, Central Asia, the Middle East, etc., (other than priority countries). These visits offer potential recipients the opportunity to familiarize themselves with the types of expertise available from Romanian institutions.