

**Memorandum of Understanding
Between the Government of Romania and the World Bank
on Partnership and Support in the Implementation of the EU
Structural and Cohesion Funds in Romania and
Modernization of Public Administration**

I. PREAMBLE

1. WHEREAS the Government of Romania and the World Bank (hereinafter referred to as “the Parties”) recognise the long standing good collaboration between the Parties in financing investments, capacity building and other development needs of the Romania during its transition period, in the lead up to joining the European Union and during the global economic crisis;


2. WHEREAS the Parties recognise the importance of the relationship between Romania and the European Commission, particularly since the 1 January 2007 accession of Romania to the European Union;

3. WHEREAS the Parties recognise the great significance of the funding that Romania is scheduled to receive through the European Fund for Regional Development (“ERDF”), the European Social Fund (“ESF”) and the Cohesion Fund (collectively hereinafter referred to as “Structural and Cohesion Funds”), amounting to 19.7 billion Euros for the Programming period of 2007-2013, and consider that it represents an unparalleled opportunity for Romania to expedite its recovery from the crisis and invest in the much needed improvements in basic transport and environment infrastructure, upgrading of skills, modernization of its public administration and laying the foundation of future competitiveness and for smart, sustainable and inclusive growth.

4. WHEREAS the Government of Romania is determined to increase the rate and quality of absorption of the Structural and Cohesion Funds through better management, leveraging and implementation. To leverage international experience, the Government has asked the World Bank to assist in this effort through strengthening the Government’s capacity in policy and strategy formulation, sector and project planning, design and implementation;

5. WHEREAS the value of the knowledge and advice that the World Bank can provide to the Government of Romania is recognized as important and needed for Romania both to successfully implement the projects to be financed by the Structural and Cohesion Funds under the 2007-2013 Programming period, as well as to prepare Romania well for the future 2014-2020 Programming period;

6. WHEREAS the World Bank is considered to be well qualified to assist the Government of Romania in its development and financing needs. An understanding has been reached with the European Commission that it is appropriate for Romania to build on the useful experience gained



in the carrying out with the World Bank of the Functional Reviews, and to use the Structural and Cohesion Funds to finance the advice and assistance provided by the World Bank, ensuring the necessary procurement and financial management requirements are complied with;

7. NOW THEREFORE the Parties have agreed upon this Memorandum of Understanding (hereinafter referred to as this MoU) as follows:

II. TYPES OF SERVICES TO BE PROVIDED

8. To fully support the structural reform agenda of the Government of Romania and its intent to put the Structural and Cohesion Funds' resources in the current, 2007-2013, Programming period, as well as in the forthcoming 2014-2020 period, to full and effective use in meeting the development needs of Romania, it is anticipated that the World Bank support will focus on a number of specific substantive areas which will include, but not be limited to:

Area 1: Horizontal support for strengthening the administrative capacity of the public institutions with the role of Managing Authorities, intermediate bodies and public beneficiaries of the Structural and Cohesion Funds, and for streamlining the national legislative and regulatory framework with impact on the absorption of Structural and Cohesion Funds; and

Area 2: Specific needs relating to the implementation of the operational programmes financed from Structural and Cohesion Funds.

III. AREAS OF WORLD BANK KNOWLEDGE AND ADVISORY SERVICES

9. The following sectors have been identified by the Government of Romania at the time of signing this MoU as the most urgent ones requiring the World Bank technical expertise and support to enhance the absorption of the Structural and Cohesion Funds: (i) environment sector; (ii) transport (iii) policies for poor areas and less favored communities; (iv) adapting to climate change; (v) regional development; (vi) public administration reform including central government/local government relations; (vii) support to coordination of actions at the central government level and (viii) human resources development.

10. At any time prior to the termination of this MoU, the Government of Romania may approach the World Bank with a request for services in any other sector or area. Subject to appropriate expertise and availability of staff and in conformity with its mandate, the World Bank will make every effort to respond positively to the Government's request. Such additional sectors or areas will be established by common agreement between the Parties in the form of an exchange of letters between the Ministry of European Affairs, representing the Government of Romania, and the World Bank.

11. Advisory Services Agreements outlining the exact scope of services to be provided by the World Bank will be signed with the relevant Managing Authority and with the final Beneficiaries (if the case may be) of the respective projects. For the purposes of this MoU, the Beneficiaries are defined as public bodies of Romania, responsible for initiating or initiating and

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implementing operations, carrying out an individual project and receiving Funds from the Structural and Cohesion Funds. The Beneficiary, as defined in the respective Operational Programmes, will be the World Bank's counterpart in the Advisory Services Agreements. The Advisory Services Agreements shall enter into force upon signature by the Parties.

12. This MoU covers World Bank knowledge and advisory services financed through the Structural and Cohesion Funds applicable for Romania.

13. The agreed details and modalities of the requirements for sound financial management constitute the Appendix to this MoU.

IV. UNDERTAKINGS OF THE PARTIES HERETO

14. The Government of Romania, represented by the Minister of European Affairs, will take the lead in coordinating the World Bank's support. The World Bank commits to cooperate with the Government of Romania, represented by the Minister of European Affairs, in the coordination effort, provide any information necessary and to be available for periodic coordination meetings. The implementation of this MoU will be monitored through coordination meetings, to be chaired by the Minister of European Affairs every six months, unless either Party requests an *ad hoc* meeting to address a specific issue that arose in the implementation of this MoU. Also, for monitoring purposes and coordination, the World Bank shall transmit to the Ministry of European Affairs an annual executive report highlighting the actions taken, the progress achieved, and any issues for which the intervention of the Minister of European Affairs is requested.

15. The Parties hereto intend to make every effort to avoid any duplication with projects and/or initiatives financed through any source of technical assistance, be it bilateral or multilateral, including through the Joint Assistance to Support Projects in European Regions (JASPERS) facility.

16. The World Bank will be contracted by the Beneficiaries of the Structural and Cohesion Funds for the stated purposes in accordance with the relevant EU and Romanian legislation, following the principles of efficiency, effectiveness, economy and in accordance with the World Bank applicable policies. Any procurement carried out by the World Bank for the purposes of service provision would be carried out using the World Bank's own policies and procedures.

17. For each Advisory Services Agreement, the World Bank, in consistency with its policies and procedures, will provide the Beneficiary with all the necessary information and documentation to allow it to comply fully with all the sound financial management requirements under the Structural and Cohesion Funds requirements, as further specified in the Appendix and in the respective Advisory Services Agreement. Given that during the implementation of this MoU and the Advisory Services Agreement, the Parties may exchange information of a sensitive nature, the Parties agree to guarantee effective and efficient protection of the confidentiality of such information.



V. TIMEFRAME AND TERMINATION

18. The services provided to the Government of Romania by the World Bank covered by this MoU will be financed through the resources of the Structural and Cohesion Funds allocated to Romania. This MoU will thus terminate at the end of the disbursement period of the Structural and Cohesion Funds under the Programming Period 2007-2013, currently foreseen to be 31 December 2015.

19. If, at any time prior to the termination date, either Party hereto believes that the purposes of this MoU cannot be effectively or appropriately carried out, this MoU may be terminated by giving the other Party three months prior notice.

20. Any bilaterally concluded agreements and memoranda, referred to in Section III 11 above will not be affected by the termination of this MoU as specified in Sections 19 and 20.

21. The Parties acknowledge that:

- (i) This MoU does not constitute a legally binding agreement under international law and does not commit the World Bank to provide support for any specific activity or project;
- (ii) Nothing in this MoU shall be construed as creating a joint venture, an agency relationship, or a legal partnership between the Parties; and
- (iii) Nothing in this MoU is intended to be, or should be construed as a waiver of the privileges and immunities of either Party or its officers and employees, for which privileges and immunities are hereby specifically reserved.

22. This Memorandum shall enter into force on the date of the notification by the Government of Romania sent through diplomatic channels confirming the completion of the internal legal procedures necessary for its entry into force.

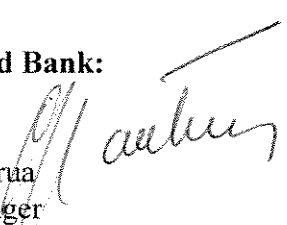
In witness whereof, the undersigned, duly authorized thereto have signed this Memorandum.

Done at Bucharest on 26 January 2012 in two original copies, in the English language.

For the Government of Romania:


Leonard Orban
Minister of European Affairs

For the World Bank:


François Rantrau
Country Manager

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE GOVERNMENT OF ROMANIA AND THE WORLD BANK**

MEETING SOUND FINANCIAL MANAGEMENT REQUIREMENTS

I. Background

1. The Memorandum of Understanding (hereinafter referred to as this MoU) to which this is an Appendix provides for the provision of services by the World Bank to the Government of Romania, with the costs of such services being covered by the European Union Structural and Cohesion Funds.
2. In this regard, it will be the responsibility of the Romanian Managing Authorities in charge of the relevant operational programmes under the Structural and Cohesion Funds to ensure legality and regularity of the use of the EU Funds and that Romania complies with all the sound financial management requirements of the Structural and Cohesion Funds' regulations and meets all the reasonable requests of the European Court of Auditors and Romanian Audit Authorities.

II. Eligible Costs to be Covered under the Advisory Services Agreements

3. It is agreed that the costs related to the carrying out of activities by the World Bank under the Advisory Services Agreements will be invoiced to the respective Beneficiary using unitary personnel rates (daily rates), in accordance with the relevant categories of experts (senior international and local experts etc.), which include the costs of travel and accommodation, as well as other related direct costs, all on the basis of cost recovery.

III. Payments process

4. For each Advisory Services Agreement, and in accordance with the provisions in said Agreement, the World Bank will provide the Beneficiary with invoices, indicating the total costs under the Advisory Services Agreements, and supporting documentation to substantiate charges in respect of the activities being financed under the respective Advisory Services Agreement, all in accordance with the World Bank's policies and applicable privacy and staff rules.
5. The payments from the Beneficiary to the World Bank will be executed upon receipt and confirmation by the Beneficiary of invoices and supporting documentation, proving amounts invoiced under the respective Advisory Services Agreement. The details of the payment process will be specified in the respective Advisory Services Agreements with the relevant Beneficiaries of the respective services. If requested, advance payments to the World Bank may be executed without providing an advance payment guarantee, according to the provisions of each Advisory Services Agreement.



6. Before the payment is made, the Beneficiary may request the World Bank reasonable clarifications on the agreed set of invoices, accounting and other supporting documents, in accordance with the process set forth in the respective Advisory Services Agreement.

7. Reports and outputs

All reports and outputs submitted by the Bank under the **Advisory Services Agreements** shall be written in English and Romanian and shall be labeled with the Romanian Government's logo, the European Union logo and the logo for Structural Instruments in Romania, as well as the sentence "Project co-financed from European Regional Development Fund through the specific operational programme, for example OPTA 2007-2013 or SOP 2007-2013".

8. Language

The language of the **Advisory Services Agreements** shall be English.

IV. Record Keeping and Financial Management Reporting

9. The World Bank will maintain records of such documentation for a period of 7 years after the end of the World Bank's fiscal year to which the record pertains in accordance with currently applicable World Bank policies on document retention. In the event such policies were changed or amended during the life of the Advisory Services Agreement, the World Bank will inform the Beneficiary of such changes and discuss ways to help the Beneficiary comply with EU policies in this area. In order to satisfy the provisions on document retention pertaining to EU funded projects, the World Bank Romania Country Office would retain copies of relevant documentation 7 years after the completion of the respective projects.

10. The World Bank will also provide its institution's annual audit, comprising a management assertion together with an attestation from its external auditors concerning the adequacy of internal controls, and an audited financial statement.

11. In conformity with the European Union Financial Regulations, the European Commission or the Romanian audit authorities may undertake reviews of progress, including on-the-spot checks of the Beneficiary related to the Projects and activities financed by EU Structural and Cohesion Funds. In the event the World Bank provided services with respect of said Projects which were financed by EU Structural and Cohesion Funds, the World Bank will be ready to provide appropriate support to the Beneficiary to satisfy such checks, in accordance with the World Bank policies.

V. Verification

12. The World Bank will provide, upon request by the Government of Romania, the European Commission or the European Court of Auditors, World Bank-certified copies of the invoices and all other relevant supporting documentation provided to the Government of Romania pursuant to the respective Advisory Services Agreement in order to allow the national authorities, the



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European Commission and the European Court of Auditors to verify the use of European Union funds by Romania, including their legality and regularity.

13. The purpose of such verification would be to allow officials of the national authorities, the European Commission and the European Court of Auditors to confirm the veracity of claims submitted by the respective institutions in Romania. It is understood that any procurement carried out by the World Bank for the purposes of services provision would be carried out using the World Bank's procurement policies and procedures, including with respect to the record keeping. It is understood that such verification will be limited to information on the use of the financing provided by the European Commission from the Structural and Cohesion Funds pursuant to a particular Advisory Services Agreement, and would not equate to an audit of the World Bank.

14. If a more extensive review is deemed necessary, an audit request could be formally submitted to the World Bank in accordance with the World Bank's procedures and policies for cooperation with Supreme Audit Institutions.

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