



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
HEALTH SECTOR REFORM  
APPROVED ON MARCH 28, 2014  
TO  
ROMANIA

HEALTH, NUTRITION & POPULATION

EUROPE AND CENTRAL ASIA

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**ABBREVIATIONS AND ACRONYMS**

AF	Additional Financing
ICU	Intensive Care Unit
IRI	Intermediary Results Indicator
MoH	Ministry of Health
MoPF	Ministry of Finance
OL	Original Loan
PDO	Project Development Objective
PforR	Program-for-Results
PMU	Project Management Unit
USTACC	Advanced Surveillance and Treatment Unit for Critical Cardiac Patients



## BASIC DATA

### Product Information

Project ID P145174	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 28-Mar-2014	Current Closing Date 31-Dec-2024

### Organizations

Borrower ROMANIA	Responsible Agency
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### Project Development Objective (PDO)

#### Original PDO

The Project Development Objective is to improve access to, and quality and efficiency of public health services in Romania

#### Current PDO

The Project Development Objective is to contribute to improving access to, and quality of selected public health services.

### Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-92530	04-Jun-2021	11-Jun-2021	20-Dec-2021	31-Dec-2024	176.00	6.86	168.60
IBRD-83620	28-Mar-2014	17-Jun-2014	22-Jan-2015	31-Dec-2024	338.80	210.15	88.85



**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

- 1. The Romania Health Sector Reform Project was approved on March 28, 2014.** The Original Loan (OL, IBRD-83620), in the amount of EUR 250 million (US\$ 338.8 million equivalent), became effective on January 22, 2015. An additional financing (AF) was approved on June 4, 2021 to fill a financing gap due to initial cost underestimates under Component 1 related to the construction of three burn centers for severe burns and to allow for the inclusion of a new component in response to the COVID-19 pandemic (Component 4: Strengthening Public Health Emergency Response to COVID-19). The AF Loan (IBRD-92530) of EUR 150 million (US\$ 176 million equivalent) became effective on December 20, 2021. The Project Development Objective (PDO) is to contribute to improving access to, and quality of selected public health services. The current closing date of both the Original and AF Loans is December 31, 2024.
- 2. The project has been restructured six times.** The first restructuring (June 2017) changed the results framework, components and costs, disbursement estimates, and legal covenants. The second restructuring (October 2018) simplified the PDO and revised the results framework, the components and costs, and legal covenants. The third restructuring (June 2020) reallocated EUR 70 million for COVID-19 response to a new component (Component 4) and further revised the results framework, components and costs, and disbursement estimates. The fourth restructuring (November 2020) extended the closing date from December 15, 2020, to March 31, 2021, to allow for the completion of COVID-19 contracts and to overlap with the planned effectiveness date of the Romania Health Program-for-Results (PforR; P169927), which occurred on January 12, 2021. The fifth restructuring (February 2021) also changed the results framework, the components, and the costs, and extended the closing date by 45 months, from March 31, 2021, to December 31, 2024, to allow for the completion of construction of the Timisoara burn center. Under the sixth restructuring (March 2023), the results framework was revised to reflect the newly introduced phased approach in the construction of the Bucharest burn center.

### Project Status

- 3. Progress towards achieving the PDO and Implementation Progress have been rated Moderately Satisfactory (MS) since May 2020.** Progress on the PDO indicators is outlined below, three of the four PDO indicators are already achieved.
  - (a) PDO Indicator 1 - Average number of modern and safe radiotherapy technology available per one million resident population: Achieved. The end target value of 2.2 was exceeded by 57 percent in December 2023 with an actual value of 3.83.
  - (b) PDO Indicator 2 - Reduction of mortality rate in Advanced Surveillance and Treatment Unit for Critical Cardiac Patients (USTACCs): Achieved. The end target value was achieved in December 2019. The indicator has exceeded its end target value of 5.83 percent by 18 percent, with an actual value in the reduction in mortality rate of 4.94 percent. It is worth noting that mortality rates were higher in the years 2020 and 2021 due to the COVID-19 pandemic, as patients with the least severe cases of cardiac diseases were sent home to free beds in the intensive care unit (ICU) for patients with severe cases of COVID-19.
  - (c) PDO Indicator 3 – Percentage of diagnosed COVID-19 cases treated per approved protocol: Achieved. The indicator exceeded its end target by 23 percent, as it reached 98.75 percent for 2022 (compared to an end target value of 80 percent). This indicator is calculated to only apply to cases that require hospital admission.
  - (d) PDO Indicator 4 - Number of burn centers for the treatment of severe burns operational: Delayed. This indicator has not progressed for the reasons detailed under Component 1 below and is not expected to be achieved by the current closing date.



4. **Overall, project activities remain both highly relevant and a high priority for the sector and the government,** especially the construction of the three burn centers for severe burns, which have a high public importance and sensitivity. This activity is highly associated with the World Bank's support in Romania given that due to poor compliance with health and safety regulations, there is higher incidence of burn accidents in Romania as compared to other EU countries. Despite challenges related to initial delays in project effectiveness, frequent Government reshuffles until 2021, and understaffing at the Project Management Unit (PMU), project implementation has improved, particularly since 2023, as the contracts for all three burn centers have now been signed and are being implemented. Further, the implementation of key activities under the project has resulted in the improvement of the quality of selected healthcare services. For example, the project has supported the modernization of hospital departments, including ICUs and hospital emergency services, which was crucial in the Government's timely response during the COVID-19 pandemic, including treatment of severe cases of COVID-19 requiring ventilation.
5. **Component 1 (Strengthening Health Service Delivery).** Service delivery has been strengthened in key hospital services, particularly in life-saving medical services. Specifically, critical equipment was procured for existing ICUs, advanced surveillance, and treatment units for critical cardiac patients (USTACCs), burn units, radiotherapy centers, emergency medical services, and medical imaging diagnosis services.
  - (a) **Procurement of radiotherapy equipment and of civil works for the rehabilitation of bunkers have been progressing well.** All seven bunkers have been operational since September 2023. Overall, waiting time for radiotherapy treatments has decreased significantly, from more than 45 days to 16 days (intermediate results indicator (IRI): average waiting time (days) of radiotherapy treatment (LINAC) from prescription to treatment of Public Radiotherapy Centers). Likewise, all eight cervical cancer screening mobile units procured under the project have performed more services than expected, with 102,950 tests completed as of December 2023, far exceeding the target of 24,000 (IRI: number of women using mobile cancer screening units and cancer screening centers). Despite these positive results, there have been some challenges related to the procurement of equipment for regional cervical cancer screening centers and pathology and cytology laboratories, as well as for the procurement of telemedicine systems, both of which were delayed and then re-launched due to the lack of sufficient procurement capacity at the PMU, resulting in the need to prioritize PMU efforts towards the completion of the burn centers. Nevertheless, contracts for both packages are expected to be signed by April 2024 and completed by October 2024.
  - (b) **Signature of the contracts for the civil works at the three burn centers were significantly delayed due to several factors.** These include: (i) costs were grossly underestimated at project design; (ii) the COVID-19 pandemic halted the activities for two years, as the Ministry of Health (MoH) needed to divert already limited staff resources towards the Covid response; (iii) the complexity of developing technical specifications that meet international standards for burn centers, a factor exacerbated by the PMU's lack of relevant experience in this area; and (iv) the procurement procedures that entailed several revisions of the bidding documents in order to respond to numerous request for clarifications.
  - (c) **After initial delays, construction of three burn centers (Timisoara, Grigore Alexandrescu București, Targu Mures,) is ongoing.** The status of implementation for each of the three burn centers is as follows: (i) Timisoara: the EUR 58.57 million contract (under the OL) was signed on May 25, 2023. As of end February 2024, works' progress stands at 12.5 percent and are on track to be completed by October 2025; (ii) Grigore Alexandrescu București: the EUR 85 million contract (under the AF Loan) was signed on August 23, 2023. As of end February 2024, works' progress also stands at 12.5 percent. Completion of Phase 1 (demolition and site cleaning) is expected by the end of 2024, while completion of Phase 2 (construction) is expected by the end of November 2025; and (iii) Targu Mures: the EUR 67 million contract (under the



AF Loan) was signed on January 15, 2024, and works are ongoing, with an expected completion by the end of September 2025. The World Bank team continues to closely monitor the implementation of works and is proactively intervening to address possible bottlenecks, as well as to ensure timely disbursement. In addition, the Government is fully engaged and committed to completing the works as envisaged, notwithstanding the political nature of these investments. However, considering the complexity of the construction of the burn centers, delays are expected before the works are officially accepted by the MoH mainly due to the following reasons: (i) the design needs to be further revised during construction and approved by local public authorities due to a lack of background information and details on the existing hospital infrastructures that were built during the communist era (such as water and heat pipes, electrical access and supply, etc.) which needs permanent or temporary replacement/relocation; (ii) additional measures required to protect the neighbors' properties (e.g., demolition of the old wing of the hospital located in Bucharest has caused some damages to several properties adjacent to the hospital); (iii) the final technical acceptance process that follows the completion of the construction phase may become more time-consuming than expected given the need to acquire the necessary permits from the local city council before the hospital is given the authorization to deliver services. This is especially notable as the construction was carried out under significant time pressure; and (iv) preparation timeline leading to the full operationalization of the burn centers, that may require a longer than anticipated process, including reorganization of the hospital internal circuits and departments and staff reallocation and/or hiring.

6. **Component 2: Public Health Sector Governance and Stewardship Improvement.** All activities pertaining to the development of evidence-based standards and protocols (45 standards and protocols developed) in emergency care, intensive care, cardiology, and oncology have been completed. Over the last year, the MoH has shown a strong commitment to revive and implement activities to support health sector governance and stewardship reforms to build synergies with the Romania Health PforR (P169927). The technical assistance and consultancies supported by this component are contributing to the achievement of disbursement-linked indicators under the PforR, as well as completion of activities under the PforR Program Action Plan.
7. **Component 3: Project Management and Monitoring and Evaluation.** Thanks to good project management and interventions of the MoH, this component has contributed to the demonstrated achievement of key activities under Components 1 and 2 in terms of procurement and implementation. The PMU made unprecedented efforts towards the implementation of the project, with eighteen procurement contracts signed during 2023 and with another two procurement procedures ready to be finalized over the coming weeks. In addition, it should be noted that the accelerated pace of construction of the Timisoara Burn Center is likely to recover the delays registered during the procurement process with an expected completion by November 2025. The PMU has been further strengthened by bringing in external resources. Three supervision contracts were signed in 2023 to ensure the timely implementation of civil works for the three burn centers. In the context of limited budgetary resources for staffing and an ongoing institutional reorganization, the PMU succeeded in transferring an experienced staff from the Ministry of Justice who began supporting the PMU in March 2024 as a civil works technical coordinator.
8. **Component 4: Strengthening of Public Health Emergency Response to COVID-19.** With the delivery of the second batch of equipment to strengthen the ICUs (EUR 17.8 million), this component was completed in August 2023.
9. **Disbursement/Commitments.** Overall, the project stands at 45.74 percent disbursed, while commitments stand at 98.01 percent for both loans. More specifically, the OL (EUR 250 million) stands at 73.78 percent disbursed. Of the undisbursed balance (EUR 65,562,429.81), 92.62 percent is committed. Similarly, the AF Loan (EUR 150 million) stands at 4.2 percent disbursed. Of the undisbursed balance, 100 percent is committed. By the current closing date of



December 2024, OL and AF Loans are expected to be 87.83 percent and 44.29 percent disbursed, respectively. The MoH has secured EUR 90 million in budgetary credits for 2024.

9. **The Government remains committed to achieving the project objectives.** The MoH and the Ministry of Finance (MoF) continue to work together to support the achievement of the PDO. The Government is fully committed to completing the works as envisaged within the agreed timeline for completion (see paragraph 5(c)). Any works/activities related to the three burn centers that cannot be completed by the project closing date of December 31, 2024, as well as any additional costs, will be financed by other sources of financing, in accordance with the Government Decisions numbered 534/2020 and 16/2023. However, due to fiscal constraints, the Government's strong preference is that all activities be financed from the loan proceeds to the extent possible. Likewise, the Government is fully committed to exhausting all the budgets available under the OL in 2024 and to allocating the necessary budgets for any extra expenses that may arise from any potential increased costs of the activities. In addition to project financing, completion of the construction of the burn centers would require an additional EUR 20.77 million, which could be provided by the Government from the budget in accordance with the Government Decision 16/2023 (or other sources of financing may be explored, including through a potential new loan with retroactive financing).
10. **Financial Management.** There are no outstanding audit reports for the Project. The Project audit report for the year 2022 was received and found to be acceptable to the Bank. The auditors have issued an unmodified (clean) audit opinion on the Project financial statements. Interim unaudited financial reports for the Project are submitted on time and are satisfactory to the Bank.
11. **Procurement.** Procurement progress has accelerated in the past year. The MoH has strengthened the capacity of the PMU with one additional staff. Number of stale contracts have been accelerated and signed over the past 12 months. Furthermore, a number of contracts are expected to be signed in the near term, including for: (i) radiotherapy equipment (EUR 3 million, OL), with signing by end April 2024 and delivery by the end of November 2024; (ii) equipment for the telemedicine system (EUR 7.74 million, AF loan), with signing by mid-2024 and delivery by December 2024; and (iii) equipment for cervical cancer screening centers and units (EUR 13 million, AF loan), with signing by end April 2024 and delivery by October 2024.

### **Rationale for the Restructuring**

12. **The MoF requested a project restructuring on March 15, 2024, to extend the closing date of the AF loan to allow for the completion of payments for all ongoing project activities.** In addition, the restructuring will allow for the revision of the OL and AF Loan agreements to ensure full disbursement of all undisbursed and uncommitted funds under the OL to finance ongoing activities and facilitate timely closure of the OL on December 31, 2024. With the restructuring, the Project will achieve the PDO by implementing all project activities, especially the construction of the three burn centers, and to continue supporting capacity building activities that will benefit the Health PforR. Although the Government requested a 22-month extension, it is expected that all project activities can be completed by June 30, 2026, based on an assessment of current progress and timeline of contracts. Therefore, an 18-month extension is proposed for the AF loan. This will also ensure the continuity of the PMU, particularly important given the current discussion on a potential new health operation for late FY26 or early FY27.

## **II. DESCRIPTION OF PROPOSED CHANGES**

13. **Reallocation between disbursement categories.** To ensure timely closure and full disbursement of the OL, financing of project activities from the OL and AF Loan will be revised. Specifically, the OL will finance approximately EUR 62.9 million for activities that have already been launched and were to be financed by the AF Loan (under the Procurement





Regulations).<sup>1</sup> All of these activities will be completed in 2024, thus ensuring eligibility of expenditures of the OL, which will close by the current closing date of December 31, 2024. In turn, the AF Loan, which will be extended by 18 months, will finance approximately EUR 30.54 million for activities already committed or not yet launched that were to be financed by the OL,<sup>2</sup> as well as the operating costs for the PMU and the cost of project audits. To conclude, the reallocation between disbursement categories will allow the OL to close in December 31, 2024 with 97 percent of the OL disbursed and 3 percent likely to be cancelled by the end of the grace period (April 2025). The AF Loan is expected to fully disburse by the proposed closing date of June 30, 2026.

14. In order to facilitate these changes, reallocation across disbursement categories of the AF loan (but not the OL) is required. Specifically, the allocation of proceeds under Category 2 of the AF Loan has been revised to EUR 6,303,319.12, representing the amount disbursed to-date for works for the new construction of the Grigore Alexandrescu București burn center. Remaining funds under Category 2 (EUR 41,096,680.88) will be reallocated to Category 1 (Goods, Works, non-consulting services, and consulting services for the Project, including Training and audits, and Incremental Operating Costs for the Project). Similarly, the full amount (EUR 57,600,000) allocated to Category 3 of the AF Loan (Works at Targu Mures) has been fully reallocated to Category 1. These reallocations will effectively allow for all project activities procured under the Procurement or Consultant Guidelines or under the Procurement Regulations to be financed first from the OL until OL funds are no longer available for withdrawal, at which time withdrawals may be made under Category 1 of the AF Loan against the undisbursed amount of EUR 143,696,680.88.
15. **Extension of the closing date of the AF Loan.** The closing date will be extended for the AF loan from December 31, 2024, to June 30, 2026. This is the first extension of the AF closing date for a total of 18 months. This extension will provide adequate time to complete the construction of the three burn centers, allowing the additional time needed for likely delays, especially in Bucharest and Targu Mures, and achieve the PDO.
16. **Modification of procurement conditions.** Since the OL and AF Loans were subject to different Procurement Procedures,<sup>3</sup> the procurement sections of both the OL and AF Loan agreements have been revised to allow for Bank financing to cover payments made against contracts procured in accordance with the Bank's Procurement and Consultant Guidelines (applicable under the OL agreement) or the Procurement Regulations (applicable under the AF agreement). In addition, the withdrawal conditions have also been revised to ensure that the MoF may withdraw all remaining proceeds from the OL until depletion to finance all eligible expenditures incurred under the project (that it be initially planned under the AF Loan or the OL) during 2024. All remaining procurement under the project that has not yet been launched at the time of the amendments to the legal agreements will be procured in accordance with the applicable Procurement Regulations as stated in the revised procurement section of the AF Loan agreement.

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1. (i) civil works and supervision services contracts for the Bucharest Burn Center (EUR 67.8 million of which EUR 13.86 million from the OL); (ii) civil works and supervision services contracts for the Targu Mures Burn Center (EUR 79.1 million of which EUR 25.1 million from the OL); (iii) equipment for the emergency telemedicine system (EUR 7.74 million from the OL); (iv) equipment for the cervical cancer screening centers and units (EUR 13 million from the OL); (v) technical assistance under Component 2 (support governance and stewardship reforms and support the PforR) (EUR 3.2 million from the OL).
  2. (i) civil works and supervision services contracts for Timisoara Burn Center, design services for all three burn centers, and technical assistance for verification of technical project (EUR 65.6 million of which EUR 30.32 million from the AF Loan); (ii) remaining technical assistance to support the PforR (remaining EUR 0.22 million to be paid in calendar year 2025 from the AF Loan).
  3. Activities financed by the OL are subject to the Bank's Procurement and Consultant Guidelines; activities financed by the AF Loan are subject to the Procurement Regulations.



17. **Disbursement estimates and implementation schedules.** The disbursement estimates and implementation schedules, including the Procurement Plans for the OL and AF Loan, are adjusted to reflect the proposed changes and extension of the closing date of the AF Loan.

<b>III. SUMMARY OF CHANGES</b>		
	<b>Changed</b>	<b>Not Changed</b>
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursements Arrangements	✓	
Disbursement Estimates	✓	
Procurement	✓	
Implementation Schedule	✓	
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
APA Reliance		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓



#### IV. DETAILED CHANGE(S)

##### LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-83620	Effective	15-Dec-2020	31-Mar-2021, 31-Dec-2024		
IBRD-92530	Effective	31-Dec-2024		30-Jun-2026	30-Oct-2026

##### REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-83620-001   Currency: EUR					
iLap Category Sequence No: 1		Current Expenditure Category: G, W, non-CS, CS, CS for the Project, TR, AUD, IOC			
	250,000,000.00	184,437,570.19	250,000,000.00	100.00	100.00
<b>Total</b>	<b>250,000,000.00</b>	<b>184,437,570.19</b>	<b>250,000,000.00</b>		

IBRD-92530-001 | Currency: EUR

iLap Category Sequence No: 1		Current Expenditure Category: G, W, non-CS, CS, CS for the Project, TR, AUD, IOC			
	45,000,000.00	0.00	143,696,680.88	100.00	100
iLap Category Sequence No: 2		Current Expenditure Category: Works Part A(b)(ii) and B			
	47,400,000.00	6,303,319.12	6,303,319.12	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: Works Part A(b)(ii)C			
	57,600,000.00	0.00	0.00	100.00	100.00



**Total**            **150,000,000.00**                            **6,303,319.12**                            **150,000,000.00**

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates  
Yes

<b>Year</b>	<b>Current</b>	<b>Proposed</b>
2014	0.00	0.00
2015	0.00	0.00
2016	0.00	0.00
2017	4,746,937.00	4,746,937.65
2018	28,215,346.00	28,215,346.63
2019	48,959,215.00	48,959,215.71
2020	33,713,628.00	33,713,628.54
2021	45,000,000.00	53,820,776.01
2022	105,000,000.00	13,194,699.44
2023	90,000,000.00	17,231,174.07
2024	90,000,000.00	32,306,736.51
2025	69,167,502.00	144,892,446.89
2026	0.00	61,164,265.55