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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AND INTERNATIONAL FINANCE CORPORATION

AND MULTILATERAL INVESTMENT GUARANTEE AGENCY

PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP FRAMEWORK

FOR ROMANIA FOR THE PERIOD FY19-FY23

June 23, 2021

Romania Country Office
Europe and Central Asia Region

The International Finance Corporation
Europe and Central Region

The Multilateral Investment Guarantee Agency

The date of the last Country Partnership Framework FY19-23, Report No. 126154-RO, was June 19, 2018

FISCAL YEAR
[January 1 – December 31]

CURRENCY EQUIVALENTS
Exchange rate as of June 23, 2021
Currency Unit = Romanian New Leu (RON)
US$ 1.00 = RON 4.13

ABBREVIATIONS AND ACRONYMS

ANMCS	National Authority for Management of Quality in Health
ASA	Advisory Services and Analytics
B40	Bottom 40 percent
CAT DDO	Catastrophe Risk Deferred Drawdown
CE	Country Engagement
CERC	Contingent Emergency Response Component
CGAP	Country Gender Action Plan
CPF	Country Partnership Framework
CSO	Civil Society Organization
DARP	Distressed Asset Recovery Program
DDO	Deferred Dropdown Option
DG REGIO	Directorate-General for Regional and Urban Policy
DPL	Development Policy Loan
DRM	Disaster Risk Management
EC	European Commission
ECA	Europe and Central Asia
EDGE	Excellence in Design for Greater Efficiencies
EU	European Union
EDP	Excessive Deficit Procedure
EE	Energy efficiency
EU	European Union
EGD	European Green Deal
FDI	Foreign Direct Investment
FEAD	Fund for European Aid to the Most Deprived
FY	Fiscal Year
GDP	Gross Domestic Product
GRID	Green, Resilient and Inclusive Development
GNI	Gross National Income
GTFP	Global Trade Finance Program
GSG	General Secretariat of the Government
HRM	Human Resources Management
IBRD	International Bank for Reconstruction and Development
IB	Institutions Building
IFC	International Finance Corporation
IFI	International Finance Institutions
IFRS	International Financial Reporting Standards
IPF	Investment Project Financing
MDPWA	Ministry of Development, Public Works, and Administration
M&E	Monitoring and Evaluation
MFD	Maximizing Finance for Development
MFF	Multiannual Financial Framework
MFSA	Municipal Finance Self-Assessment
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
MLSP	Ministry of Labour and Social Protection
MSMEs	Micro, Small, and Medium Enterprises
MIA	Ministry of Internal Affairs
MIGA	Multilateral Investment Guarantee Agency
MoH	Ministry of Health
MoNE	Ministry of National Education
NACS	National Anti-corruption Strategy
NBR	National Bank of Romania

GFC	Global Financial Crisis	NHIH	National Health Insurance House
NPL	Non-Performing Loans	SCD	Systematic Country Diagnostic
NRRP	National Recovery and Resilience Plan	SISSP	Safer, Inclusive and Sustainable Schools Project
OECD	Organization for Economic Co-operation and Development	SME	Small and Medium Enterprise
ONAC	National Office for Centralized Procurement	SOE	State Owned Enterprise
PHC	Primary Health Care	SPI	Statistical Performance Indicators
PIM	Romania's Public Investment Management	SPV	Special Purpose Vehicle
PISA	Programme for International Student Assessment	SRSS	Structural Reform Support Service
PLR	Performance and Learning Review	TA	Technical Assistance
POCU	Human Capital Operational Program	TF	Trust Fund
PforR	Program for Results	TTL	Task Team Leader
PP	Public Procurement	JSIP	Justice Services Improvement Project
PPA	Power Purchase Agreement	UWWTD	Urban Wastewater Treatment Directive
PPP	Public Private Partnership	VAT	Value Added Tax
RAS	Reimbursable Advisory Services	VC	Venture Capital
ROSE	Romania Secondary Education		

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ROMANIA

PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP FRAMEWORK

I. INTRODUCTION

1. **This Performance and Learning Review (PLR) assesses the implementation of the World Bank Group (WBG) FY19-23 Country Partnership Framework (CPF) for Romania (Report No. 126154-RO).** It presents changes in the country context, as well as adjustments to the program due to the COVID-19 pandemic, and highlights lessons learned. The PLR does not extend the CPF period.

2. **CPF implementation is satisfactory, with a third of the result indicators already achieved and a further 40 percent on track to be achieved.** In line with the 2018 Capital Package policy commitments for countries above the Graduation Discussion Income (GDI), the Romania CPF focuses on institutional strengthening in three areas: (i) Ensure Equal Opportunities for All, (ii) Catalyze Private Sector Growth and Competitiveness, and (iii) Build Resilience to Shocks, while also putting increased emphasis on knowledge engagement and on generating positive spillovers beyond Romania[1] . Furthermore, WBG financing is assessed using the following filters: (i) developing innovative solutions that benefit the most poor and vulnerable, including Roma; (ii) maximizing finance for development, including catalyzing private sector investment or leveraging additional resources (e.g., better use of EU funds); and/or (iii) contributing to regional and global public goods.

3. **The PLR confirms the strategic direction of the CPF but adjusts for the impact of the COVID-19 pandemic**. It does not envisage changes to the three focus areas as they remain the main priorities for the country's economic and social development. The focus areas are also well-aligned with the Bank's Green, Resilient, Inclusive Development (GRID) approach to development[2]. Several adjustments to the objectives are proposed in Section V to reflect (i) priorities of the new Government such as digitalization and green transition, and (ii) adjustment of the portfolio due to changes in the country context and the COVID-19 pandemic. The PLR proposes to drop one objective under the second focus area and to add a new objective under the third focus area. Adjustments to several indicators are also introduced to better document results achieved.

4. **The PLR documents the uneven progress on Romania's path to IBRD graduation.** Although Romania's Gross National Income (GNI) per capita is above the GDI, the country continues to face high rates of poverty (10.9 percent[3] in 2018), distinct regional disparities in income, public service delivery, and development outcomes. While income per capita rose from 26 percent of EU-28[4] average in 2000 to 64 percent in 2018, the COVID-19 pandemic reversed some of these gains and exposed long lasting social and economic vulnerabilities. Furthermore, the country's access to international financial market on reasonable terms remains relatively costly and volatile, as reflected in persistently high margins on its international borrowing. Finally, the lack of strong institutions for economic and social development continues to be the main obstacle for Romania on its path to IBRD graduation.

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[1] See Annex 11 on Examples of Knowledge Generated and Spillovers.

[2] WBG: From COVID-19 Crisis Response to Resilient Recovery – Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID), March 20, 2021.

[3] At 2011 PPP $5.50 per person per day, the international poverty line corresponding to upper-middle income countries.

[4] The EU-28 includes the following countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom.

II. MAIN CHANGES IN COUNTRY CONTEXT

Institution Building Challenges

5. **The COVID-19 pandemic has amplified some of Romania's most pressing development challenges.** Consolidating Romania's development gains and supporting the recovery will require strong institutions. The Systematic Country Diagnostic assesses Romania's most critical institutional constraints and identifies priorities where targeted support could further boost shared prosperity in a sustainable manner (Box 1). The COVID-19 crisis has brought these critical institutional challenges to the fore and exposed in particular a weak local service delivery, lack of coordination, and an inability to ensure sufficient local funding and to reduce the infrastructure gap, leading to increased inequalities. In the healthcare system, for instance, the crisis revealed the urgency of addressing persistent challenges, such as the underfunded[5] and outdated infrastructure of the public healthcare system[6], the lack of necessary equipment and insufficient supplies, understaffing (delays with test results impacted timely responses to COVID-19 positive patients), and structural issues, such as the inability to provide timely services for chronic and immunocompromised patients during the pandemic. Unmet medical needs increased during the pandemic, exposing high urban-rural gaps and low coverage for low-income groups and the elderly.

Box 1. Institution Building priorities

Romania's transformation has been a tale of "two Romanias" – one urban, dynamic, and integrated with the EU; the other rural, poor and isolated. Reforms spurred by EU accession boosted productivity and integrated Romania into the EU economic space. While Bucharest has already exceeded EU average income per capita and many secondary cities are becoming hubs of prosperity and innovation, Romania remains one of the least urbanized countries in the EU, with the second largest share of poor people. As revealed by the COVID-19 crisis, access to public services remains constrained for many citizens, particularly in rural areas.

The 2018 SCD and the FY2019-2023 CPF highlight weak institutions and governance as the main bottlenecks preventing Romania from turning the substantial economic growth achieved in the last decades into shared prosperity and point out the effectiveness and efficiency of the institutions in public service delivery as a prerequisite for advancing the development priorities of Romania.

While progress has been made during this CPF period, institutional constraints continue to affect the three CPF focus areas. Weak local service delivery and an inability to ensure sufficient local funding impede progress on closing regional gaps. Sustained growth is hampered by high volatility in policy implementation, as well as limited capacity to design and implement policies, prioritize resources, plan and execute investments. Resilience to natural disasters and climate change is constrained by lack of coordination between central and local authorities and although institutional reforms have improved emergency response capacity, the potential impact of disasters remains extremely high and urgent further reform is needed.

The SCD emphasized institution building priorities that remain relevant going forward: (i) increasing transparency and accountability, (ii) developing a management framework for public investment for both budgetary and EU funds, (iii) reducing bureaucratic requirements and shifting anti-corruption efforts towards prevention and (iv) reforming the civil service by depoliticizing public administration and creating professional senior management. As part of the PLR preparation, the Bank team assessed these priorities and identified gaps and opportunities for improvement as summarized in Annex 5. It further used these elements to develop an Institutions Building (IB) tool to help project teams support institutions more effectively.

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[5] Over the past two decades, Romania has almost systematically had the lowest current health expenditure as a percent of Gross Domestic Product (GDP), from all EU countries. In 2018, Romania had the second lowest health expenditure at 5.56 percent of GDP and compared to the EU average of 9.85 percent of GDP.

[6] In the past five years, the share of investment in total expenditure of public hospitals varied between 4 percent and 8 percent, most of which were financed from MoH, local governments and own revenues of hospitals.

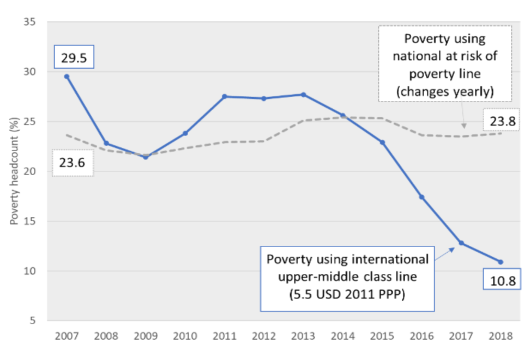
Lack of access to ICT infrastructure and digital connectivity led to substantial learning losses for students and could lead to an increase of early school leavers[7]. In addition, inadequate housing infrastructure (e.g. overcrowded dwellings) and lack of connectivity to water, made compliance with COVID-19 recommendations harder for marginalized communities. Limited transport infrastructure and distance from the workplace forced some to stop working, while underdeveloped digital services made it harder for citizens and businesses to access public services during lockdown. Even before the pandemic, Romania needed stronger institutions to maintain economic growth that would benefit all regions and parts of society, as well as build resilience to natural hazards and climate change. These priorities have become even more urgent if the country is to achieve an inclusive and sustained recovery. Annex 4 highlights the impact of the crisis in more details.

6. The COVID-19 crisis is creating opportunities to advance crucial reforms. There is renewed urgency to launch some long-overdue reforms, including universal healthcare coverage, digitalization and centralized public procurement. The Health Program for Results operation, for example, supported some of these reforms by driving the introduction of COVID-19-related services that could be delivered at all levels of care as part of the benefits package for the uninsured population. It further introduced remote consultations and prescriptions within the scope of services delivered by primary healthcare provider. It also helped advance centralized procurement for COVID-19 priority products through the National Agency for Centralized Procurement.

Progress on Poverty Reduction and Shared Prosperity

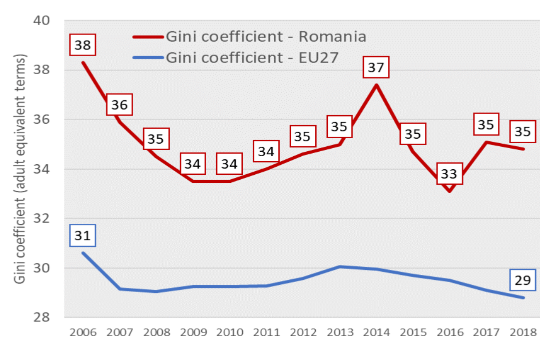
7. Before the onset of the COVID-19 pandemic, Romania experienced high economic growth rates that contributed to a notable reduction in poverty levels. Between 2013 and 2019, Romania's GDP growth rate was one of the fastest in the EU, contributing to a decline in the share of the population living in poverty and raising household incomes. Poverty[8] fell from 27.7 percent in 2013 to 10.9 percent in 2018. Median incomes increased by 70 percent in the decade up to 2018, while bottom 40 incomes increased by 65 percent over the same period. The reduction in poverty reflects improved labor market outcomes, including historically low unemployment, employment growth in sectors with low-skilled workers, and increases in real wages, though the latter was partly driven by considerable but unsustainable increases in the minimum wage.

Figure 1. Poverty headcount ratio at $5.50 a day (2011 PPP) and national line (% of pop.)



Note: World Bank Staff Estimates using EU-SILC data, 2006 to 2019. Income years are reported; therefore the 2019 EU-SILC is denoted using the 2018 income year on which it collects data.

Figure 2. Gini coefficient



Note: World Bank Staff Estimates using EU-SILC data, 2006 to 2019. Income years are reported; therefore the 2019 EU-SILC is denoted using the 2018 income year on which it collects data.

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[7] According to May 2020 World Bank Romania Estimate of COVID-19 Impact on Learning Loss. Substantial learning losses may increase the share of functionally illiterate students by up to 10 percentage points (from 41 to 51 percent) .

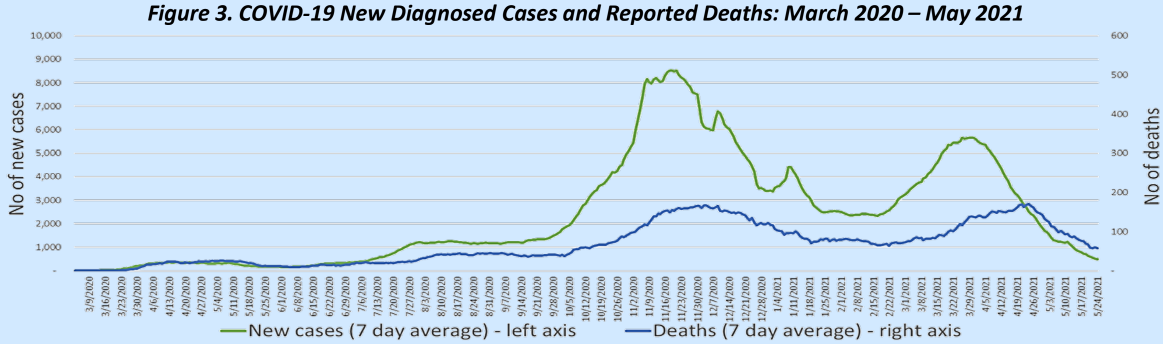
[8] At 2011 PPP $5.50 per person per day, the international poverty line corresponding to upper-middle income countries.

8. **Despite a reduction in poverty rates, prevalent social and regional gaps have been further exacerbated by the COVID-19 pandemic, contributing to a development path that reflects "a tale of two Romanias".** Although progress has been seen across both rural and urban areas and across regions, regional disparities continue to be among the highest in the EU. In 2019, poverty in the North-East region was 14 time higher than in the capital region (42 percent compared to 2.9 percent in Bucharest-Ilfov).[9] Stark regional and urban-rural divides contribute to limited economic and social mobility among marginalized populations and areas. The most vulnerable groups, including the Roma population, have

Box 2. Evolution of COVID-19 Cases in Romania

As of May 31, 2021, Romania reported over one million COVID-19 cases, with a constant decrease in active cases since the second wave in March 2021. On March 14, 2020 Romania reported over 100 confirmed cases, most of them Romanian citizens returning from highly affected areas. In March 2020 alone more than 250,000 Romanians returned from other heavily affected countries, such as Italy and Spain. In response to the increasing number of infections, a state of emergency was declared on March 16, 2020 limiting freedom of movement and closing non-essential businesses. Since May 17, 2020 the emergency regime has been replaced with a state of alert. The spread of the virus had a relatively slow evolution at the beginning with a peak on November 18, 2020 when the highest number of people tested positive – 10,269 new cases. The second wave in March 2021 reported lower daily cases than the previous wave, and slowly started to decrease as more people were vaccinated.

Figure 3. COVID-19 New Diagnosed Cases and Reported Deaths: March 2020 – May 2021



Source: Calculations Based on Strategic Communication Group of Romania

To minimize the negative health and social impact of the COVID-19 pandemic, the Government has introduced early restrictions and made use of the ongoing WB portfolio. In general, the Government's COVID response measures have been appropriate, introducing restrictions early on which contained partially the spread of the virus. Government support moved quickly to reduce the impact of work stoppages. While initial measures targeted the formally employed, additional measures aimed to reach more vulnerable groups. The Bank worked closely with the Government to provide just-in-time support through its analytical work and ongoing portfolio. To respond to the COVID-19 outbreak, the Government triggered a first tranche of the CAT DDO even before the first case of the infection, which was confirmed on February 26, 2020, and refocused the existing portfolio to implement activities supporting the COVID-19 response and preparedness to enable continued access to key public services (health, education).

Romania's rapid vaccine rollout at the beginning of 2021 presents the best chance for overcoming the pandemic. COVID-19 vaccination in Romania started on December 27, 2020, in three phases: medical personnel/ first responders, followed by population at risk, and finally access to vaccines was opened to everybody for free. As of May 31, 2021, more than 4.32 million people received at least one dose of vaccine and 3.67 million have been fully vaccinated, placing Romania (19.1 percent) just above the EU-average (18.4 percent) in terms of share of fully vaccinated people.

[9] Using national poverty concepts.

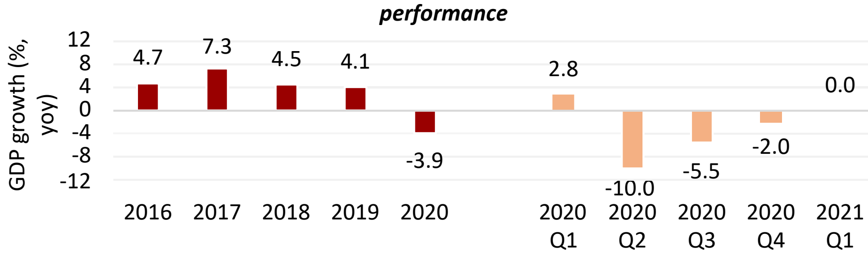
continued to suffer from poverty and social exclusion, while being less prepared for shocks and the COVID-19 pandemic. The protracted pandemic has substantially impacted household incomes with nearly one in three households reporting income drops in the first half of 2020. Poverty is expected to have risen for the first time in 7 years due to the triple-hit from the domestic labor market impacts and contraction linked to COVID-19, declining remittances and a prolonged drought in agriculture. Annex 4 provides a detailed assessment on how the COVID-19 pandemic further exacerbated inequalities between lagging rural areas and dynamic urban centers.

9. **The Government responded to the crisis by providing a targeted fiscal stimulus of around 4.5 percent of GDP in 2020**. Key measures included: (a) supplementary funds for the health care system directed to emergency medical stocks and equipment and a 30 percent salary increase to medical personnel treating COVID-19 patients; (b) partial wage coverage for parents of school age children for the period when teaching activities were suspended or limited; and (c) measures to support businesses, including partial wage coverage for self-employed and workers in danger of being laid off, partial subsidizing of wages of those returning to work (to offset payroll costs and retain employees), and deferral of utility payments for SMEs. The Government also provided guarantees under the SME INVEST program for loans and subsidized interest for working capital and investment. Supplementary measures taken by the Government include deferral of loan payments by up to nine months for overdue debtors affected by the COVID-19 crisis, discounts for paying corporate income taxes in advance, and faster VAT reimbursement. Since government support to households flowed along formal employment channels, coverage gaps were seen among vulnerable segments, including those working in the informal sector and on non-standard contracts.

Economic Developments

10. **The protracted COVID-19 pandemic crisis has negatively affected Romania's economic activity**. Romania had a short-lived stint as a high-income country in FY2021 following post-GFC growth above EU-27 average. The pandemic-triggered crisis, however, placed the country back in the upper middle-income group in FY2022. The economy has contracted by 3.9 percent in 2020, reflecting constrained domestic and external demand. The trade deficit widened, further impacting growth. The weakening of the external demand from Europe alongside pandemic-related restrictions and supply chain disruptions has caused industry to contract. The biggest contraction was seen in agriculture, linked to persistent droughts affecting crops. The pandemic brought deteriorating labor market conditions and increased unemployment, which led to lower household incomes and a rise in food insecurity among vulnerable populations.[10] The seasonally adjusted unemployment rate reached as high as 5.7 percent in February 2021 from 4.2 percent in February 2020 before the COVID-19 crisis.

Figure 4- Romania's economy contracted less than previously estimated on the back of better than expected Q4 2020 performance



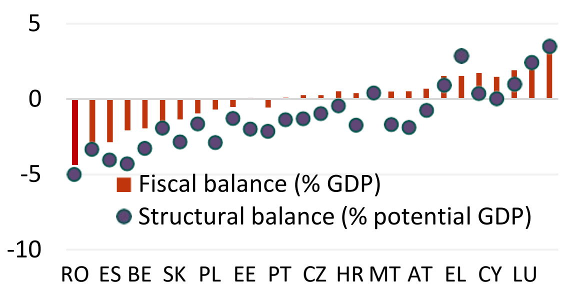
Source: Eurostat (Quarterly, seasonally and calendar adjusted data)

[10] World Bank, 2020, "Pulse Survey on the Impacts of COVID on Vulnerable Groups in Romania", Series of Rapid Assessments.

11. The fiscal deficit surged to 9.8 percent of GDP at the end of 2020 on the back of COVID-19 related expenditures, increases in public wages and pensions, and lower revenues due to the economic downturn and tax relief. Tax facilities, investments, and exceptional expenditures allocated to combat the effects of the COVID-19 pandemic totaled 4.5 percent of GDP in 2020.[11] While the COVID-19 fiscal support package contributed to a deteriorating fiscal position, half of the fiscal deficit is of a structural nature, owing to an unfinished reform agenda in key areas such as pensions, public pay and employment, revenue mobilization, expenditure efficiency.

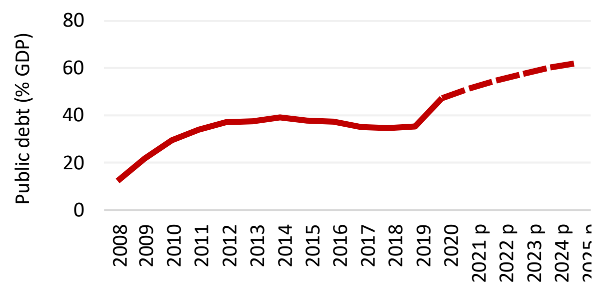
12. Public debt increased to over 47 percent of GDP[12] in 2020 and is expected to rise further over the medium term, before stabilizing at around 60 percent of GDP. This is a considerable increase from 35 percent end-2019, which was less than half of the EU27 average of 77.5 percent of GDP, and comfortably within the EU Growth and Stability Pact norms. The sharp rise in public debt led to increased financing needs at over 14 percent of GDP in 2020. Taming the rise of public debt over the medium term will be a function of the fiscal consolidation path pursued.

Figure 5. Romania had the worst fiscal position in the EU, entering COVID-19 crisis (2019)



Source: European Commission (AMECO)

Figure 6. Public debt has increased rapidly in the aftermath of the financial crisis and could rise significantly due to the COVID-19 shock



Source: Eurostat (ESA classification –on accrual basis), WB DSA projections of public debt 2021-25

13. The National Bank of Romania (NBR) adopted a package of measures aimed at mitigating the economic impact of the COVID-19 pandemic, but also to ensure and consolidate liquidity in the banking system. Measures included repo operations to provide liquidity to credit institutions, and monetary policy rate cuts amounting to 1.25 percent. The non-performing loans (NPL) ratio of Romania's banking system remains low so far, at 3.8 percent at end 2020, while banks have started raising credit loss provisions in anticipation of a deterioration once the debt moratoria fades out. The pre-pandemic non-performing loan coverage by provisions, at around 60 percent, was already well above the EU average of 45 percent. Romania remains vulnerable to capital flows withdrawal. Foreign direct investment fell by 60.4 percent mainly amid a drop in intercompany lending reflecting the adverse effects of the pandemic. Nevertheless, FDI equity inflows dropped by merely 19 percent over 2020, in contrast to the 60 percent drop witnessed in 2009, resuming their upward path since July 2020 and increasing also in the first 2 months of 2021.

14. Romania's credit rating remains broadly unchanged at the lowest investment grade. Romanian 5-year credit default swap quotes remain notably higher than regional comparators, e.g., Poland, Bulgaria. However, the quotes have fallen in the first quarter of 2021, signaling an improvement in the country's risk perception. Government bond yields remain above pre-pandemic levels for short-to-

[11] This support was one of the smallest support packages related to the pandemic in the EU.
[12] On an accrual basis.

medium term maturities and below pre-pandemic levels for long-term maturities reflecting the overall global context of low yields.

15. The economy is projected to rebound to around 6 percent growth in 2021 on the back of the recovery in domestic demand and settle around potential (4 percent) over the medium term; but maintaining fiscal sustainability will remain a priority. The fiscal deficit will remain high in 2021, at around 7 percent of GDP, and only gradually come down to below 3 percent in the medium term. The country will have to undertake a fiscal adjustment of over 7 percent of GDP in the medium term, while supporting the economic recovery and protecting the poor and vulnerable, already hit by the crisis. The suspension of planned increases in pensions and public wages alongside higher revenues reflecting the economic recovery should help push down the fiscal deficit close to 3 percent over the medium term. However, structural reforms to reduce inefficient expenditures and strengthen revenue mobilization will be paramount for the consolidation of public finances and for averting a sharp increase in public debt over the medium term. The strength of the recovery will depend on the success of the vaccine rollout and the policy response to the health crisis, as well as on developments in the EU. Private consumption is set to recover as the Government lifts the containment measures, and significant pent-up demand will boost the economic rebound. The phasing in of projects financed by EU funds will support private and public investment. Exports will benefit from the gradual recovery of global trade, further aiding growth. As growth recovers, inflationary and current account deficit pressures are expected to reemerge, requiring an appropriate policy response.

Political Developments, Reforms, and Government Agenda

16. After a period of volatility that impacted the implementation of the program, recent elections offer hope for a more stable policy environment. Since the start of the CPF period, Romania changed three governments, with some ministries seeing even more frequent changes[13]. This has directly impacted implementation of reforms supported by the Health PforR operation, for e.g., with a restructuring taking place even before effectiveness of the project. However, the new coalition Government that came to power after the December 2020 elections is committed to greater continuity in policy making and implementation, underpinned by the National Recovery and Resilience Plan (NRRP)[14] with clearly defined implementation milestones and results. The key priority of the new Government is to engender a green and inclusive economic recovery, while restoring Romania's fiscal stability.

17. Romania is expected to benefit from a large envelope of EU resources over the next decade. This includes funds under the multiannual budget for 2021–2027 (EUR49.5 billion) and the Recovery and Resilience Facility (EUR30.4 billion, of which EUR13.7 billion is in grants, with 70 percent of grants to be committed in 2021–2022). The Government intends to use these resources to finance investments in infrastructure, health care, education, support for job creation, small and medium enterprise development, digital transition and green development.

18. Romania's green and sustainable development agenda should provide enhanced climate resilience. The recent European Green Deal (EGD) provides an action plan for Member States to boost the efficient use of resources by moving to a clean, circular economy, restore biodiversity and cut pollution. Furthermore, a provisional agreement was reached at EU level (in April 2021) for the European

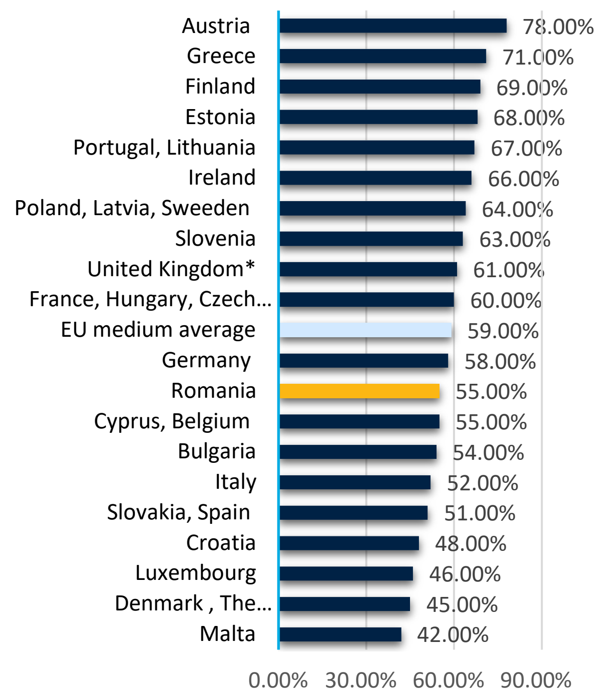
[13] Since the beginning of this CPF period, the leadership of the Ministry of Health changed 5 times.

[14] The Romanian NRRP is based on 6 main pillars; (i) The transition to a green economy; (ii) Digital transformation; (iii) Smart, sustainable and inclusive economic growth; (iv) Social and territorial cohesion; (v) Institutional health and resilience; (vi) Children, young people, education and skills.

Climate Law, which enshrines the EU's commitment to reaching climate neutrality by 2050 and the intermediate target of reducing net greenhouse gas emissions by at least 55 percent by 2030, compared to 1990 levels. The emerging opportunities comprised under the EGD could pave the way for Romania towards a greener and a more sustainable economy, ensuring a just and inclusive transition for all, while at the same time contributing to resilience against climate change-induced shocks, through improved national mitigation and adaptation measures.

19. **Lack of capacity to utilize effectively resources, including European funding remains a key challenge for Romania.** While resource utilization improved significantly with 55 percent (EUR16.69 billion) of its EUR31 billion 2014-2020 program allocation, spent as of May 31, 2021, compared to 30 percent on February 29, 2020, it is still slightly behind current EU average level (Figure 7). The high contracting rate for the programs financed under the Cohesion Policy and the Fund for European Aid to the Most Deprived (FEAD) of approximately 144 percent of total EU allocation and the measures taken to mitigate the effects of the crisis generated by the COVID-19 pandemic create the prerequisite for advancing the use of available EU funds. Beyond the COVID-19 improved utilization, however, and taking into consideration the complex process and extended duration required for investment projects completion, the government will face a dual challenge in the medium term that will require additional institutional capacity efforts to be able to close successfully the 2014-20 programming period, while at the same time launching and implementing the 2021-27 programming period and advancing reforms and commitments under the NRRP.

Figure 7. Absorption rate of European funds in the EU 2014-2020 program allocation data as of May 31, 2021



Source: The Ministry of European Projects and Investments' website, data integrated from https://cohesiondata.ec.europa.eu/overview
*Note: *United Kingdom is no longer part of EU countries since January 31, 2020*

III. SUMMARY OF PROGRAM IMPLEMENTATION

A. Program and Portfolio Performance

20. **Program implementation is on track, with all projects in satisfactory status, despite the emerging economic and social challenges created by COVID-19 pandemic**. In line with the *WBG COVID-19 Crisis Response to Resilient Recovery - Saving Lives, and Livelihoods while Supporting Green, Resilient and Inclusive Development,* the portfolio was swiftly adjusted to support the Government of Romania in handling this unprecedented crisis (Annex 6). The Bank also used advisory services and analytics (ASA), including RAS, to support the Government's response to the pandemic. In particular, the Bank provided just-in-time advice to inform Government decisions on scenarios for school reopening; collected data on how the pandemic is affecting Roma communities, households and firms; supported the Government in adapting to home-based work for public servants; assessed Romanian CSOs' responses to the pandemic

to leverage lessons learned for future disasters; and proposed policies in support of a fiscally sustainable economic recovery.

21. **Since the beginning of the CPF period, six new IBRD projects and an Additional Financing for the Health Sector Reform Project were approved, for a total of US$1.51 billion (Table 1) and three other projects are under preparation (Annex 7)**. The preparation of one project in the Transport sector was dropped. Currently, there are ten active IBRD projects totaling US$2.10 billion, of which 87.43 percent is undisbursed, mostly under projects which entered the portfolio during the current CPF period. Disbursements were impacted by limited fiscal space, long effectiveness approval time and inability to advance project preparation between signing and effectiveness**.** The FY2019-2023 CPF program incorporates lessons learned from the previous Country Partnership Strategy, focusing on strengthening institutions, simplifying project implementation arrangements, while mixing lending and advisory services for greater impact. All new operations are complemented by capacity building efforts through the RAS program. Actual lending for operations meeting the CPF objective and filters would depend on the availability of IBRD resources globally, demand from other clients, and performance of the existing portfolio.

Table 1. New projects approved during FY19-FY21			
P#	NAME	Approval Year	Amount (US$M)
P175632	Additional Financing to Romania Health Sector Reform Project	2021	176.00
P175308	Romania Safer, Inclusive and Sustainable Schools	2021	121.07
P169927	Romania Health Program for Results	2020	557.20
P168119	Improving Resilience and Emergency Response Project	2019	57.00
P168120	Strengthening Preparedness and Critical Emergency Infrastructure Project	2019	45.60
P166302	Strengthening Disaster Risk Management Project	2019	60.48
P166303	Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option	2018	493.06
Total			**1510.41**

22. **The RAS program is an integral part of the Bank's country engagement in Romania, focused on strengthening institutions, and is strictly aligned with the priorities of the CPF.** RAS has been the key instrument to respond to government needs for strengthening institutions, contributing to the natural evolution of the program in Romania and allowing the Bank to bring the requisite knowledge and expertise to strengthen institutional capacity and inform strategic planning and decision making, covering key areas of public administration[15]. The current active RAS portfolio grew significantly since the launch of the CPF to US$114.16 million, as of May 31, 2021. There have been 44 RAS agreements implemented in the current CPF period, with 32 active agreements signed after the start of the CPF. All RAS engagements strictly adhere to the selectivity criteria[16] and CPF filters and complement other technical and financial assistance aligned with the CPF priorities.

23. **The implementation of RAS activities during this current PLR period was impacted by several factors.** In some cases, it was affected by (i) the impact of the COVID-19 restrictions, which required for all activities to be carried out in a virtual format, certain events and study tours to be postponed, and

[15] The RAS program supports strengthening institutional capacity in the areas of governance, public procurement, human resources management and public administration training frameworks, performance budgeting, impact assessments, statistics, social assistance and safety nets targeting persons with disabilities and institutionalized children, education, disaster risk management (DRM), energy efficiency, urban policy, waste water and flood risk management.

[16] RAS requests are validated against elements such as: strategic relevance, added value, capacity to deliver, ownership and commitment.

resulted in extension of deadlines for selected outputs; (ii) limited data availability and additional data protection provisions at European level which required identifying alternative or supplemental data collection options, extensive meetings with stakeholders to agree on data access and management protocol; and (iii) setbacks stemming from leadership transitions or institutional challenges.

24. **The flexibility of the RAS instrument allowed for prompt technical advice to tackle needs during COVID-19 and support the Government with its planning and prioritization of investments in the medium term, including for resilience and recovery.** Examples include the broad POCU RAS which provided just-in-time advice and analysis of investment priorities and possible actions to minimize the impact of the COVID-19 pandemic on the activities of the Managing Authority and its beneficiaries. The Strategic Management RAS supported the preparation of scenarios for the impact of COVID-19 on the education sector, to help build a more resilient plan for the reopening of schools. A RAS with municipalities provided prompt support for updating the financial sustainability approach by considering the impact of the COVID-19 pandemic and related restrictions on the budget of municipalities.

25. **IFC's committed investment portfolio in Romania as of April 2021 stood at US$843.8 million in 26 projects.** IFC's portfolio in Romania is the second largest in the ECA region (after Turkey). During the period covered by this PLR, IFC's investments were selective and diversified across key sectors of the economy focusing on the strengthening and diversification of the financial sector by helping improve access to finance for MSMEs and women, capital markets development, Non-Performing Loan (NPL) resolution; the development of the health care sector; supporting sustainable energy solutions to support the climate change agenda; and the development of agribusiness, manufacturing and retail sectors. IFC invested in VC and PE funds, providing equity capital to be deployed in sectors where early stage start-ups in CEE are expected to play a strong, disruptive role in driving economic growth and development. Also, IFC contributes to accelerating the digital transformation in the banking and insurance sector and to make such transformation more inclusive. Supporting the digital transformation of the financial services industry is of high strategic importance to IFC given its potential for far-reaching social and economic impact. In the PLR period, IFC committed a total of US$602.7 million in 10 new projects including US$190.0 million in mobilization. While IFC has not experienced demand for client support under its Fast Track COVID-19 Facility in Romania, it stands ready to support financial sector and real sector clients in case a protracted recovery would affect the stability of markets and client operations.

26. **IFC's engagements supported job creation, including those for women.** IFC investments have been successful in supporting direct employment by helping generate 19,617 jobs by the end of 2019, of which over 54 percent are for women. In particular, and by the end of 2019, banks and non-banking financial institutions supported by IFC created 7,127 direct jobs, while IFC clients in agribusiness, manufacturing and services collectively generated 12,490 new jobs.

27. **MIGA aims to mobilize private investment in strategic sectors such as energy, infrastructure and finance, prioritizing projects that promote green and inclusive development.** MIGA is actively exploring guarantee opportunities in Romania, in particular, MIGA and IBRD are exploring with the Government the possibility of supporting SOEs that have been affected by COVID-19. The potential engagement in support of SOEs would be aligned with MIGA's strategic priorities under its COVID-19 Response Package on supporting eligible sovereign, sub-sovereign or SOE borrowers in attracting liquidity and working capital to mitigate the economic impact of the pandemic.

Corporate Priorities

Citizen Engagement

28. All projects under implementation are fully compliant with the citizen engagement (CE) corporate requirements for citizen-oriented design and beneficiary feedback indicators. Some positive examples of inclusive CE stand out, described in Box 3 below. Nevertheless, there are areas for improvement. A review of the CPF inclusion filter, undertaken as part of the PLR, notes that additional support is needed to enable task teams to develop Results Framework that are inclusion-sensitive and have clear, measurable, and realistic inclusion targets. Furthermore, there is a need to strengthen local-level engagement and invest in robust and inclusive CE. In particular, more needs to be done to actively engage Roma stakeholders and communities in policy development and implementation - beyond just consultations. Among the reviewed operations, targeted CE activities have been commonly limited to consultations with NGOs at the national level and the description of CE activities was generally too vague and generic at the Concept Note stage. Bank operations working only with national-level stakeholders are more likely to neglect important inclusion aspects related to their program. Comprehensive engagement of communities on the ground is key to giving more visibility to the voices of marginalized groups. Moreover, the experience from past engagements shows that meaningful CE with marginalized groups requires measures that also address demand-side participation barriers.

Box 3. Good practice examples of inclusive Citizen Engagement

Romania Health Program for Results (PforR)

- In the context of the Romania Health PforR (which aims to provide insurance to nearly 2 million uninsured and expand community health coverage to 300 disadvantaged communities), consultations were carried out with a wide range of local stakeholders. Specifically, CE included activities targeting Roma NGOs, social workers, community health nurses and health mediators in disadvantaged and underserved areas to ensure that marginalized groups are effectively involved.

RAS on Capacity Building to Accelerate the Transition from Institutional to Community-Based Care for Children Deprived of Parental Care

- The RAS successfully engaged beneficiaries and key local stakeholders. As part of the RAS, local authorities are supported to identify the needs of vulnerable children in the child protection system and their families. Both the proposed process (including the initiation phase, needs and resources assessment, elaboration phase, and M&E) and the developed tools aimed at ensuring a fair representation of the needs and voice of children at-risk and their families. For this, organizations and institutions working directly with children at-risk of separation provided detailed information about their work. Moreover, beneficiaries were asked to describe their experience about the services they received and the impact of these services on their wellbeing. The WB team developed a questionnaire, named "The children's voice" registering systematically, for the first time, their experience/perspective regarding the care they receive, the overall perception child protection services, the affection they receive from their care-takers, and the general level of happiness.

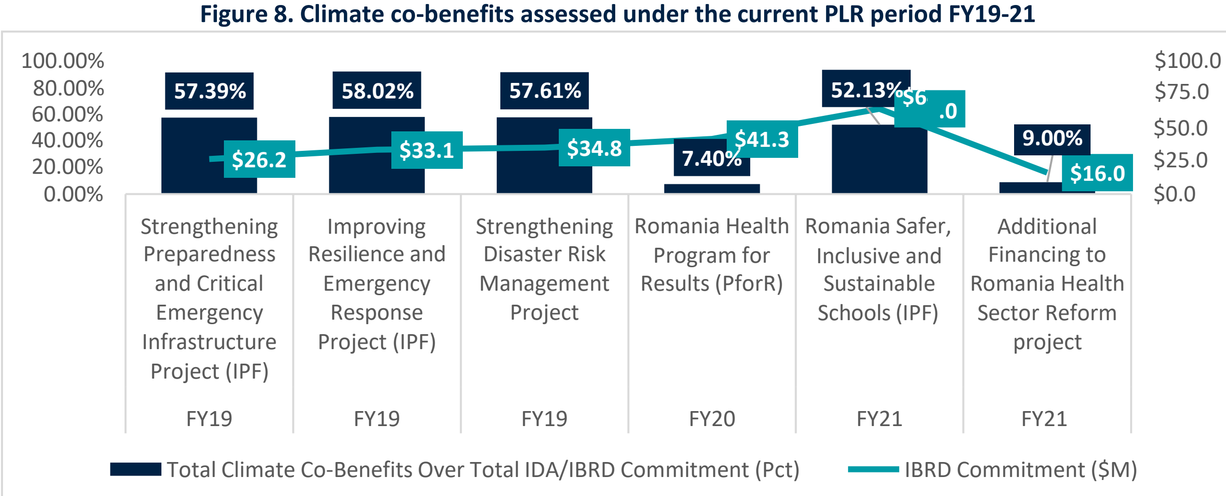
Gender

29. Following the Gender Assessment in 2018, a Country Gender Action Plan (CGAP) was developed. Consistent with WBG Gender Strategy FY16–23, with ECA Regional Gender Action Plan FY18-23, and the Romania Gender Assessment, the Romania CGAP focuses on 4 strategic objectives: (1) improving human endowments: health; education; social protection; (2) removing constraints for more and better jobs and economic opportunities; (3) removing barriers to women's ownership and control of assets; (4) enhancing women's agency and voice, and engaging men. As part of the Plan development, the current investment portfolio and pipeline have been reviewed to take stock on how gender has been mainstreamed (Annex 8) and to identify opportunities to deepen the gender agenda in the WBG portfolio, including through the RAS portfolio. One of the recommendations of the CGAP would be to strengthen the implementation of gender actions and activities by having dedicated country gender focal points to monitor actions agreed. Ongoing investment projects include interventions that address persistent gender gaps in health, education, employment, gender-based violence, and women's safety and inclusion in disaster response programs. The investment project pipeline will continue to support improvements in women's education and employment opportunities. IFC will continue to support on-lending to women-owned and/or managed MSMEs, as well as policy reforms to promote affordable childcare. IFC will also continue regularly engaging with the Bucharest Stock Exchange to promote business case for women on finance boards.

Climate Commitments

30. **The portfolio performed well in terms of climate commitments with around 40 percent IBRD Co-Benefits over total commitments in the last three fiscal years.** Under Objective 7 of the CPF, which is focused on improving preparedness to natural disasters and climate change, there are further opportunities to generate climate change adaptation and mitigation benefits, by considering disaster and climate resilience and energy efficiency measures during design and implementation of all new investments in Romania. All projects that have contributed to this area have an overall assessment of over 50 percent climate co benefits.

Figure 8. Climate co-benefits assessed under the current PLR period FY19-21



Maximizing Finance for Development (MFD)

31. **RAS engagements at the subnational level are enabling the framework for private capital mobilization.** Technical advice provided to City Halls, such as Constanta, Brasov, Ilfov or Bucharest District 5 is helping local and county administrations to leverage private sector investments with clear impact on the ground.

32. **IFC and MIGA will continue to support private sector development in Romania by applying strong selectivity and by prioritizing interventions that catalyze private (and foreign) investments or mobilize other funding.** In the financial sector, IFC aims to continue supporting the development of capital markets and improve access to finance for the private sector, particularly MSMEs, women entrepreneurs and rural businesses, through banking and non-banking financial institutions, as well as to support climate finance. In infrastructure, an area where IFC, World Bank and MIGA can operationalize further MFD, IFC will aim, upon demand, to support privatization of select assets and to increase private

sector participation through investments and facilitation of PPPs to enhance sustainability, improved connectivity and access to services at both national and municipal levels. IFC's program in infrastructure depends greatly on the dedication of the Government to continue structural reforms, business enabling environment improvements and the development of a functioning PPP market. Furthermore, IFC in close collaboration with MIGA will continue to explore new investment opportunities in agribusiness, manufacturing, and services to enhance sustainable practices, regional development and cross-border competitiveness.

33. **In addition to leveraging private sector funds, effective use of EU funds is critical for Romania's economic recovery.** The Bank uses its operations to help Romania maximize the impact from its EU resources. For example, the recently ratified Health Program for Results operation has already yielded progress in institutional strengthening, which will help improve the Government's capacity to implement EU-funded investments in the health sector. The Safer, Inclusive and Sustainable Schools Project (SISSP) will develop practical models to help build back better in the education sector using national budget and EU resources. Early dialogue and data shared with counterparts on the SISSP model has led to the introduction of seismic consolidation eligibility costs in the programming documents for the 2021-27 programming period, thus maximizing financing for public buildings reconsolidation through EU funds.

B. Evolution of partnerships

34. **The World Bank's engagement in Romania complements the work of other partners.** The European Union has put forward a significant amount of resources to support the recovery of EU member countries. Romania's ability to use these resources, linked primarily to investment, will be critical for supporting the recovery. Building on the extensive technical assistance and assessments produced under the RAS engagements, the World Bank has been providing support to the Government for the preparation of: (i) the 2021-27 EU programming period (support in specific areas qualified as enabling conditions, such as deinstitutionalization of children, public procurement, wastewater), and (ii) the NRRP, namely helping the Government articulate the reform agenda and investment plans for 2021-26, as well as providing support in setting milestones, targets and measurable results. A new Memorandum of Understanding (MoU) will be prepared to renew the partnership between Romania and the World Bank to respond to the needs of the Government under the new Multi Annual Financial Framework (MFF) and priorities under the NRRP. The current MoU signed in 2016 between the Bank and the Government provides for advisory services implemented up to 2023. The World Bank will use its engagement to support Romania in overcoming institutional and structural constraints for a sustainable and inclusive recovery, including through effective use of EU funds. The World Bank will continue to collaborate with other international financial institutions and development partners, such as the European Commission, EBRD, EIB and UN agencies, to ensure synergies and complementarity of interventions.

C. Overview of progress towards achieving CPF objectives

35. **Progress towards achievement of the CPF objectives is broadly in line with expectations**. Out of the forty CPF indicators (Objective and Supplementary Objective Indicators), thirteen have been fully achieved, sixteen are on track to be achieved by the end of the CPF period, ten experienced delays, and information on the status of one indicator is currently not available. The summary of the progress achieved under each focus area is described in the next paragraphs, and more detailed information on each indicator is presented in Annex 3.

Focus Area 1: Ensure Equal Opportunities for All

36. **The first CPF focus area was essential to support the Government efforts in tackling the COVID-19 challenges, as it covers three objectives that address challenges related to education, health and**

access to jobs for the most vulnerable, which were most hit by the pandemic. There is solid progress under education with targets related to the drop-out, graduation and Baccalaureate passing rate achieved or even exceeded. At the same time, the average retention rate in the first year of tertiary education has advanced as planned. The Health Reform project received additional financing and extension to allow for completing the construction of centers to treat serious burns, which do not exist in Romania at present. The Health PforR operation was declared effective in FY21 to help Romania achieve universal primary health coverage in a fiscally and institutionally sustainable way. This operation is complemented by two new RAS in the health sector, focused on capacity building for centralized procurement. All three education and health operations have been restructured to support Government response to the pandemic.

37. In addition, the RAS program in education, health and social protection provided the analytical underpinning to inform decision making in terms of prioritization and planning of investments and served as input to the Government's preparation of the programmatic documents for the 2021-27 EU programming cycle and the National Resilience and Recovery Plan up to 2026. Annex 6 includes more details about the response to the COVID-19 crisis.

38. IFC has been supporting the growth of the private healthcare sector in Romania. To this end, IFC continued its strong partnership with Romania's largest health care provider group and supported the expansion of the provider's reach beyond Bucharest with an array of services including outpatient consultations, diagnostic testing, and introduction of new specialized services. Furthermore, IFC is in communication with the Ministry of Health assessing the possibility to initiate an Upstream engagement to help facilitate the development of Public Private Partnerships (PPPs) in the sector.

Focus Area 2: Catalyze Private Sector Growth and Competitiveness

39. The second focus area in the CPF aims to help Romania overcome obstacles to private investment. Progress under Objective 4 on *Strengthening Capacity to Build Transport Infrastructure* has been impacted by political volatility and frequent changes in decision making, limiting the ability of the CPF to influence reforms in the sector. As a result, the main planned operation on building transport infrastructure (Brasov-Ploiesti Highway) was dropped, leading to dropping of both associated indicators. Given the critical need to advance transport infrastructure in the country, confirmed through consultations with the new Government, the Bank will remain engaged in the transport sector and continue to support it through subnational engagements. The Bank together with IFC and MIGA is also ready to support the Ministry of Transport to advance this agenda by strengthening the capacity of Transport SOEs and advising on EU Funds implementation. Furthermore, a joint IBRD - IFC Infrasap highlighting challenges and opportunities in transport infrastructure was prepared and shared with the new Government.

40. During the PLR period, IFC continued to partner with one of Romania's largest municipalities, Timisoara, on a wide range of transport infrastructure investments, and modernization and rehabilitation of public spaces. IFC continues to explore engagement opportunities in the transport sector, to help increase private sector participation by facilitating PPPs and privatization, upon demand. In the airport sector in particular, IFC is in communication with the Ministry of Transportation discussing the possibility of helping assess the feasibility of concession for a select number of airports, with the aim to advise the Government on the potential development of PPPs aiming at the modernization of airport infrastructure in the country.

41. The other two objectives are on track with progress achieved in attracting private investments under World Bank subnational engagement as well as in accelerating capital market development and access to finance. Local administrations such as Constanța City Hall, District 5 of Bucharest, Ilfov County, and Cluj County, have all, with World Bank support, taken clear and pro-active steps towards private sector mobilization. For example, WB support in increasing institutional capacity to implement policies at the local level, as well as development of specific tools and mechanisms, such as investment priority lists, have helped cities such as Constanta, Brasov or Bucharest District 5 become leaders in the country in investment attraction and in harnessing private sector growth for development. The WBG has also contributed to supporting the development of the capital markets, improving access to finance, and enhancing the regulatory and supervisory framework of the capital market regulator through ASA and TF work. It contributed directly to the stability of the financial sector by helping to test the operational preparedness of the authorities to respond to banking distress and to strengthen access to finance by helping authorities to develop a strategy for enhancing financial inclusion.

42. IFC continued to actively support the development of the financial sector. To this end, IFC has facilitated the development of local capital markets and local currency financing solutions, increasing access to long term capital. Through the introduction of covered bonds and subordinated bonds as new asset classes, IFC helped strengthen the housing finance market in particular. By investing in local currency denominated bonds IFC helped banks raise local currency funding at maturities generally not readily available in the market. In addition, IFC continued to build the infrastructure needed for addressing distressed assets in Romania by deploying its Distressed Asset Recovery Program (DARP) to purchase NPLs issued to MSMEs and retail. In support of MSME development, IFC made financial intermediation more diversified and inclusive by facilitating access to credit for underserved segments including women, start-ups and small businesses. Furthermore, IFC has been increasingly supporting non-banking financial institutions, mainly leasing companies, with an objective to expand credit flows and diversify funding sources available to private sector, MSMEs in particular. To facilitate trade, IFC's Global Trade Finance Program (GTFP) provided trade guarantees to Romanian banks, supporting Romanian firms' entrance into new markets, and facilitating trade across the EU and beyond.

43. In support of the development of the agribusiness sector, IFC continued to partner with a leading financial institution specialized in agri finance. IFC's engagement is expected to expand access to finance for underserved farmers and farmer owned SMEs and avail longer-term financing for climate-smart equipment upgrades to increase energy and water efficiency targeting farming. Additionally, IFC extended support to the country's largest pork producer to help expand production, create jobs, promote best practices in food safety, animal husbandry and environmental management, as well as, to a chain of grocery stores across Romania.

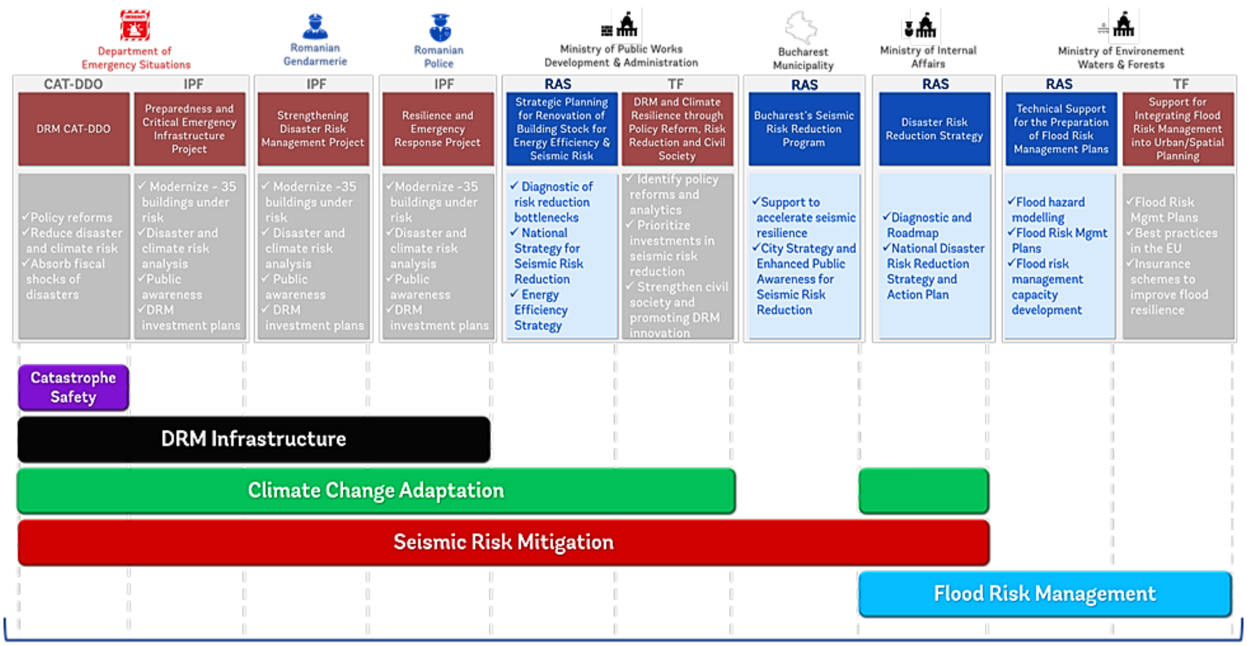
Focus Area 3: Build Resilience to shocks

44. The third focus area, which seeks to help the country build resilience to shocks, has shown impressive results in strengthening Romania's capacity to address natural disasters and climate change, while supporting a green and sustainable development. The World Bank support in risk reduction and financial resilience has sharply increased during the CPF period. The DRM and Floods activities address the dual high disaster risk that Romania is facing[17]. The program has increased the capacity of the Government through support in developing and implementing policy reforms, investment in risk reduction, increasing financial resilience and support to public awareness activities. The DRM and water RAS programs are providing analytical support to inform strategic planning and prioritization of public investments, complementing financial assistance through IPF for emergency response

[17] Romania is in the top 10 EU countries for flood and seismic risk by Average Annual Loss (AAL) as a percentage of exposure according to the recent Economic Analysis of Prevention and Preparedness in European Union Member States and Countries under EU Civil Protection Mechanism.

infrastructure essential in case of disasters, the CAT-DDO supporting policy reforms and targeted TF activities consolidating the technical assistance in this area (Figure 9). In addition , the Bank is also providing a just-in-time assistance to the Ministry of Environment, Waters and Forests to look into the parameters of the upcoming revised EU Emission Trade System (ETS) and anticipated introduction of EU Carbon Border Adjustment Mechanism (CBAM), with a view to assessing the impacts on the Romanian economy and society. This will allow Romania to be in the best possible position to contribute to the EU wide discussion, but also to understand the impacts of policy choices and identify necessary reforms and investments.

Figure 9. Integrated Disaster Risk Management Approach



45. In support of sustainability, IFC and MIGA engaged with select banks and non-bank financial institutions to facilitate access to longer-term funding to support energy efficiency solutions and the development of the renewable energy sector, supporting Romania to achieve its EU Climate and Energy targets. IFC is building sustainability into the financial system through the introduction of green bonds, which typically support renewable energy and energy efficiency, helps manage environmental risks, but also enables greater investment flows, deepened financial market development and improved quality of balance sheets of partner banks. IFC has also been successful in implementing innovative solutions in support of the development of resource efficient logistics infrastructure in Romania with green certification. With its Excellence in Design for Greater Efficiencies (EDGE) certification, IFC was able to demonstrate the viability of affordable green housing finance and prove the business case for green buildings in Romania. To this end, IFC signed a financing package to support the construction of around 1 million sqm of resource-efficient semi-industrial and logistics properties across Romania. This is IFC's first green loan for the property-sector in the Europe and Central Asia (ECA) region.

46. This focus area of the CPF has been critical in supporting the response to the COVID-19 pandemic and will continue to support the Government in building resilience to the economic and health crisis following a GRID approach. The DPL with a CAT DDO, the first one in ECA to include the threat of a health emergency, was triggered in two tranches in February and March 2020 to ensure that the Government had access to adequate funding to proactively cover mass and urgent procurement of medical equipment and preparedness actions. Other operations in the program have been restructured, responding to the impact of the COVID-19, and supporting efforts towards digital transition and increasing the financial resilience to be able to better respond to future economic and health shocks. Moreover, IFC's role in building sustainability in both the financial and real sectors, as described above, is critical in spearheading innovation in support of a priority development area of the country and sustainable economic growth. MIGA will aim to use its capital optimization product to scale up climate finance in Romania. Therefore, the PLR proposes to introduce a new Objective under this Focus area that aims to "Strengthen resilience to economic and health shocks." to capture the results under these interventions.

IV. EMERGING LESSONS

47. **The flexible design of the CPF has allowed the program to adapt to changes in country context and to the pandemic while most CPF objectives have remained on track.** The pipeline was built within the parameters defined by the selectivity filters and focuses on the overarching goal of strengthening Romania's lagging institutions. This has allowed the Bank to adjust to political volatility and respond to evolving client demands. The design of the CAT DDO, which included a health emergency trigger, was also key to help the Government prepare and respond to the COVID-19 pandemic. Existing operations allowed for prompt restructuring to support the Government in its COVID-19 response and preparedness in health and education. Furthermore, given the country's risk of exposure to natural hazards, the design of new operations or restructurings should consider the introduction of a Contingency Emergency Response Component (CERC) where possible, as in the case of the new Safer, Inclusive and Sustainable Schools Project.

48. **As noted in Joint Portfolio Reviews, increased fiscal pressure is expected to negatively impact portfolio implementation and preparation of future projects.** Close coordination with the Ministry of Finance should continue so that projects receive adequate budget space for a smooth implementation and to ensure that project implementation units are fully staffed. Similarly, coordination with the Ministry of European Investments and Projects is necessary to maximize the catalytic role of Bank operations for the effective use of European funding, thereby reducing pressure on the state budget. In this context, the PforR instrument is well suited to support the institution building agenda and for carrying out a critical implementation support function in close collaboration with other partners.

49. **Building institutions and implementing operations that address complex long-term challenges require risk taking and sustained engagement with a range of instruments.** Box 4 gives the example of the health portfolio, where perseverance and a demanding agenda are necessary to achieve results. In addition, an internal review of the RAS program in Romania in FY20 revealed that series or clusters of highly targeted RAS projects in a sector were most effective at supporting institutional transformation (see Annex 12 for the Education Case Study on the WB Advisory Support).

Box 4. Health Sector Portfolio - Persevering with a demanding agenda

Despite significant progress since joining the EU, Romania lags its neighbors on health outcomes and service utilization -Romania has the second highest avoidable mortality rate among EU countries, twice the EU 27 average over the past decade. Health sector reform and investments in better service delivery were acknowledged as a high priority by every government in the last two decades, yet implementation of these goals has been hampered by institutional fragmentation, misalignment of incentives in public financing relative to the goals of access and efficiency, and limited capacity in key agencies.

The World Bank Group has been supporting Romania's health sector since 1991 through lending and advisory operations and IFC investments. At the start of the CPF period, the main vehicle of support was the Romania Health Reform IPF approved in 2014 (US$338.8 million). The project was designed to address specific infrastructure bottlenecks (such as construction of centers for serious burns and procuring critical hospital equipment) as well as to provide a platform for a broader health policy reform, underpinned by analytical and advisory work such as the Romania Health Sector Analysis (Report on Regional Referral Network in Romania, 2018), and the Health Expenditure review (Public Finance Review: Enhancing the Efficiency and Effectiveness of Public Spending in the Health Sector, June 2018)

Despite high political priority and dedication of technical teams on both sides, the project suffered significant implementation delays. By 2020, 6 years after project approval, only 32 percent of the loan amount was disbursed (US$ 102.16/January 1, 2020). This was in large part due to frequent government changes: since its inception the Health Reform project has seen nine Ministers of Health overseeing its implementation and two interim Ministers. This volatility has also prevented the project from supporting a consistent policy reform agenda.

Regular discussions during joint portfolio reviews have resulted in a proposal for a new, results-based approach to health sector reform. It became clear that significant change in health outcomes can only be brought about by putting the patient at the center of the health system, and by ensuring better cooperation of all the agencies involved, such as the Ministry of Public Finance, Ministry of Health and National Health Insurance House. Putting health outcomes first also shifted the focus from infrastructure investment (which remains relevant nevertheless) to strengthening primary and community care, while mounting fiscal pressures meant that the necessary additional spending in this area needed to be balanced by finding spending efficiencies elsewhere in the health system. The resulting Health Program for Results operation was approved on September 17, 2019, with the first results-linked disbursement expected in FY21.

As the COVID-19 pandemic reached Romania, difficult choices had to be made with respect to the portfolio. The Health Reform IPF was in danger of cancellation due to its poor implementation record. However, the Government embraced the "use it or lose it" approach and moved swiftly to restructure the project, releasing a portion of the undisbursed balance to finance pandemic-related health spending. Despite extraordinary pressures on the health sector and continued political volatility, technical teams in the Ministry of Health made tangible progress on preparing burn centers for construction and advancing on procurement of key hospital equipment. Even more importantly, the Health Reform project regained momentum as a platform for supporting policy reform by supporting the preparation of measures envisioned under the Health PforR. As a result, the Bank has agreed to continue supporting the project with Additional Financing to complete the construction of the planned burn centers and accompany the implementation of the PforR.

Implementation of the health portfolio shows that complex challenges such as health sector reform and building institutions require perseverance and long-term engagement with a range of instruments. Despite frequent changes at the political level, the Health Reform project provided a coherent anchor for the dialogue in the sector, which has now been further strengthened by the PforR.

50. The RAS engagement was not only successful in addressing direct needs of the Romanian authorities, but also generated development solutions, knowledge and tools that are replicable worldwide. Through the RAS engagements, the client gains or helps generate new knowledge and then applies it in the local context. Immediate and positive results were evident sooner in engagements with components at subnational level. For example, investment guides produced under the RAS have informed decision making across municipalities in Romania and were used as good practice examples in India, Columbia and Indonesia. Also, monitoring and evaluation frameworks are easily replicable in other countries. The public procurement guide produced under the RAS in Romania was used as a good practice example by the European Commission across the EU, as well as in Moldova. The knowledge and experience generated under the DRM program informed the programs across EU countries, Western Balkans, Georgia, Armenia, Philippines, India, etc.

51. **The RAS instrument has been key in ensuring that the requisite knowledge of the Bank is employed to fill institutional and capacity gaps**. The Bank's RAS have supported the Government in filling key institutional gaps for a more performant and efficient public administration. For example, RAS engagements in education aimed to support the Government address its lack of strategic planning capacity, as well as poor prioritization of investments in infrastructure and feeble M&E system. Such engagements showed incremental gains along longer-term institutional change pathways, including knowledge transfer in key areas, with new skills and competencies being demonstrated by Ministry personnel and other stakeholders. More specifically, the prioritization criteria for infrastructure investments developed as part of the RAS are recognized as a valuable resource—the prioritization helped inform the prioritization of investments during the 2014-20 programming period and lays the foundation for the next EU seven-year financing cycle. The investments in infrastructure strategy prepared as a result of the RAS program included a thorough diagnostic of the existing education infrastructure, and provided recommendations, policy actions, and programs to address the most urgent needs. The strategy and the diagnostic were instrumental for informing the preparation of key strategic documents: (i) the new *National Strategic Framework for Educational Policies 2021-2027*, under development by the MoE, which incorporated the strategy in its entirety and would guide investments for the next 7 years; (ii) the current Government Program for 2020-2024, which included proposed interventions especially related to VET and school infrastructure; (iii) the proposed National Resilience and Recovery Plan – the data analysis informed and substantiated the evidence-based proposed interventions; program of investments in safer, more inclusive and resilient school backed up by Bank financing signed in April 2021.

52. **The implementation of the extensive RAS program allowed for drawing operational lessons, which could inform the preparation of future RAS in Romania and other countries around the world.** A Bank-led review (2021) of results generated under RAS engagements showed that RAS activities and outputs contribute to incremental progress along longer-term pathways for institutional change. These gains typically occur through knowledge transfer as the client gains or helps generate new knowledge and then applies it in the local context. The value of RAS in helping strengthen institutions in the central public administration has often been limited by setbacks stemming from leadership transitions, the turnover of technical personnel, inadequate funding, or institutional bottlenecks. Additional key lessons revealed by the RAS review include: (i) local experts are critical for designing development solutions for the local context (subnational level RAS); (ii) broader stakeholder engagement increases the effectiveness and sustainability of RAS outcomes (social protection RAS); (iii) different Bank instruments have served complementary roles for strengthening institutions (disaster risk management RAS); (iv) resources and tools developed through the RAS need to be practical and user friendly (monitoring and evaluation frameworks in RAS in education and social sectors); (iv) data collection needs should be identified in early stage of RAS preparation to consider adequate sources of data, and data access and management protocols could be further agreed upon broadly with the Government in the context of preparing the new MoU for the provision of advisory services; (v) synergies with other development partners should be leveraged to contribute to thorough reforms (water, health sectors); and (vi) dissemination activities increase the awareness of a broader group of stakeholders and set the foundations for knowledge spillovers within the country, EU and beyond.

53. **Applying the CPF selectivity framework and criteria to RAS engagements helps assessing and "filtering" Bank interventions that have the potential to strategically target the main bottlenecks and critical institutional constraints to generate impact.** In Romania, RAS engagements have been employed strategically and selectively by the World Bank, taking into account Government demand as well as the comparative advantage of the World Bank in specific areas, while also ensuring that engagements meet at least the mandatory CPF filter of (1) building essential institutional capacity, as well as an additional

selectivity filter between (2) providing innovative solutions that benefit the marginalized, poor and vulnerable people, (3) leveraging EU and private funding and (4) contributing to regional and global public goods. In support of this selection and refinement stage, in 2020 the Institution-Building filter tool (Annex 5) was piloted and introduced, proposing an institution-building assessment approach that seeks to improve the strategic alignment of new RAS efforts to country and Bank priorities in order to maximize allocative efficiency, enhance the institution-building content of RAS interventions to address key institutional capacity shortcomings and strengthen the management of institutional and governance related risks.

54. A review of the CPF inclusion filter has shown that the integration of the inclusion lens can sometimes be insufficient. The key finding was that, overall, engagements tend to lack concrete and targeted activities that address specific pre-identified inclusion gaps. Many operations (both lending and RAS) incorporate generic activities in Concept Notes (such as trust-building and awareness-raising activities), but these are often not specific enough to ensure that the key elements of program design are sensitive to the identified needs of marginalized groups. In part, this is related to analytical gaps with potential to better integrate the inclusion lens into the core diagnostics of lending projects. Yet, critically, the review found that one of the main weaknesses, from an inclusion angle, was the lack of comprehensive and inclusive CE that reaches marginalized groups. Additionally, Results Frameworks usually do not include sufficiently disaggregated indicators to capture outputs/outcomes for marginalized groups (particularly for citizen engagement).

55. While it is important to mainstream inclusion-sensitivity beyond the "usual suspects" (such as education, health, or social protection), there is also a need for selectivity to overcome existing operational and political economy challenges. Consequently, strengthening the application of the inclusion filter requires a two-pronged approach: (i) On the one hand, it is important to define which conditions need to be met and which extra precautions need to be taken to justify any agreed engagement. Program design should ensure there is sufficient commitment to the inclusion agenda by key government stakeholders. Additional support is needed to enable task teams to develop Results Frameworks that are inclusion-sensitive and have clear, measurable, and realistic inclusion targets. (ii) On the other hand, making real progress with the social inclusion agenda requires realistic assumptions regarding resources, capacity, and counterpart commitment. For instance, given the narrow scope of work of some operations, comprehensive and tailored CE approaches are simply not feasible in many cases (particularly in the RAS context). A selective approach that focuses the Bank's efforts on operations with high relevance and high impact opportunities may prove effective. Flagship initiatives and innovative pilots can be an effective means to build the needed traction, knowledge and partnerships to either advance or initiate a dialogue around social inclusion in a sector.

56. Private sector (domestic and foreign) engagement in transport, and infrastructure more broadly, and therefore IFC and MIGA's role, depend greatly on the dedication of the Government to continue with structural reforms, establishment and implementation of an efficient PPP framework and tackling capacity constraints associated with its implementation, strengthening of the business enabling environment. Since a functioning PPP market has yet to be developed, there was limited traction in identifying private sector participation in infrastructure, including transport and municipal infrastructure. Furthermore, EU funding is a better option for municipalities to finance infrastructure projects. More recently there has been good progress in exploring IFC's role in helping facilitate concessions in select airports in the country. Also, there are ongoing discussions with the authorities exploring the use of MIGA's Non-Honoring Product to support the country's high-level development priorities.

57. **Application of innovative private sector solutions has enabled advancements in key areas of the Government's development plans, such as supporting the country's climate change agenda.** IFC has successfully implemented a number of innovative solutions in support of green construction and finance which could be leveraged in other countries that pursue the green development agenda. Since EDGE buildings use at least 20 percent less energy and water than standard buildings, sponsors can leverage EDGE to reach net zero emissions in line with the Paris Agreement. IFC's engagement in these areas is not only raising awareness of green buildings and mortgages in the financial sector, it is improving capacity, competition and increasing access to financing for Romanian individuals and businesses who wish to increase green investments in their portfolios.

58. **Knowledge and operational engagements that create positive spillovers to the rest of the world should continue to be prioritized.** Spillovers to other regions should be considered and planned for, from initial stages of activity preparation. During the CPF period, results of RAS and other knowledge activities have been shared with countries in ECA and around the world. Annex 11 highlights ongoing spillovers and potential knowledge sharing.

V. ADJUSTMENTS TO COUNTRY PARTNERSHIP FRAMEWORK

59. **The PLR does not envisage adjustments to the strategic direction of the CPF, as the overarching goal of building institutions along with the three focus areas are reconfirmed as main priorities for the country economic recovery and social development.** Nevertheless, several adjustments will be made to the objectives to reflect priorities of the new Government, such as the green and digital transition and adjustment of the portfolio to the changed country context focused on health and economic recovery, while undertaking fiscal consolidation. Changes to indicators are made to correct baselines and targets, to better align to the restructuring of operations and to reflect new results achieved, or on track to be achieved under new operations that contribute to the defined outcomes. The Supplementary Objective Indicators are being dropped at this stage. These adjustments are also reflected in the results framework. The information below highlights changes in each focus area.

Focus Area 1: Ensure Equal Opportunities for All

60. Objective 1: Improve transition to tertiary education for the poor and vulnerable. Indicators under this objective remain relevant with most of the indicators achieved or on track to be achieved. The PLR recommends moving the target from June 30, 2020, to June 30, 2022 for the *SPI1. Average percentage of students of ROSE-supported high schools benefiting from remedial, tutoring or counseling activities.* Given the delays in implementation caused by the COVID-19 pandemic, this will allow for sufficient time to report on progress.

61. Objective 2: Improve access to modern health care. Some of the indicators under this objective had an incorrect baseline and target and some are no longer monitored as a result of the Health Sector Reform Project restructuring. The PLR proposes to delete three of these indicators and introduce three other indicators to properly reflect the adjusted operation, as well as to show how the new Health PforR operation contributes to this objective.

62. Objective 3: Connect the poor and vulnerable to jobs. Given the impact of the COVID-19 crisis on jobs and unemployment, especially for the vulnerable population, this Objective remains highly relevant. There are no changes to the indicators, both of which are progressing well.

Focus Area 2: Catalyze Private Sector Growth and Competitiveness

63. Objective 4: Strengthen capacity to build transport infrastructure. The operation planned under this objective has been dropped at the Government's request. Potential IFC investments envisaged under this objective have not materialized either. IFC is exploring engagement opportunities to support transport sector concessions, particularly in airports. MIGA and IBRD are exploring with the Government the possibility of supporting SOEs affected by the pandemic, for example, the National Railway Company. Although the new Government has expressed interest in working with the WBG on this critical objective, results will be limited until the end of FY23, but could yield in the next CPF period. In addition, the Government is also facing fiscal constraints, and may choose to make use of EU funds for transport infrastructure development. Therefore, the PLR proposes to drop this Objective for now due to limited results that could be showcased in the next two years. However, given the importance of the transport infrastructure and connectivity sector for the development of the country, the WBG will continue the dialogue and support to this area, including at the municipal level and in the context of the NRRP and the PPP agenda. Potential results to manage transport sector SOEs to mitigate COVID-19 impacts will be tracked under Focus Area 3.

64. Objective 5: Boost subnational capacity to attract private investment. Results under subnational engagement have shown that boosting local capacity will not only attract private investments but, most importantly, enable the development and competitiveness of the private sector. Therefore, to better capture results under this focus area, the PLR suggests renaming Objective 5 to "Boost subnational capacity to enable private sector development" and add two more indicators to track results that show an improvement in private sector development. The PLR proposes to delete the Objective Indicator on increasing firm revenues at the local level, due to indirect accountability. While firm revenues have been increasing, it is difficult to attribute this clearly to WBG subnational engagements. The assessment also proposes to extend the target dates to 2023 for the objective indicator.

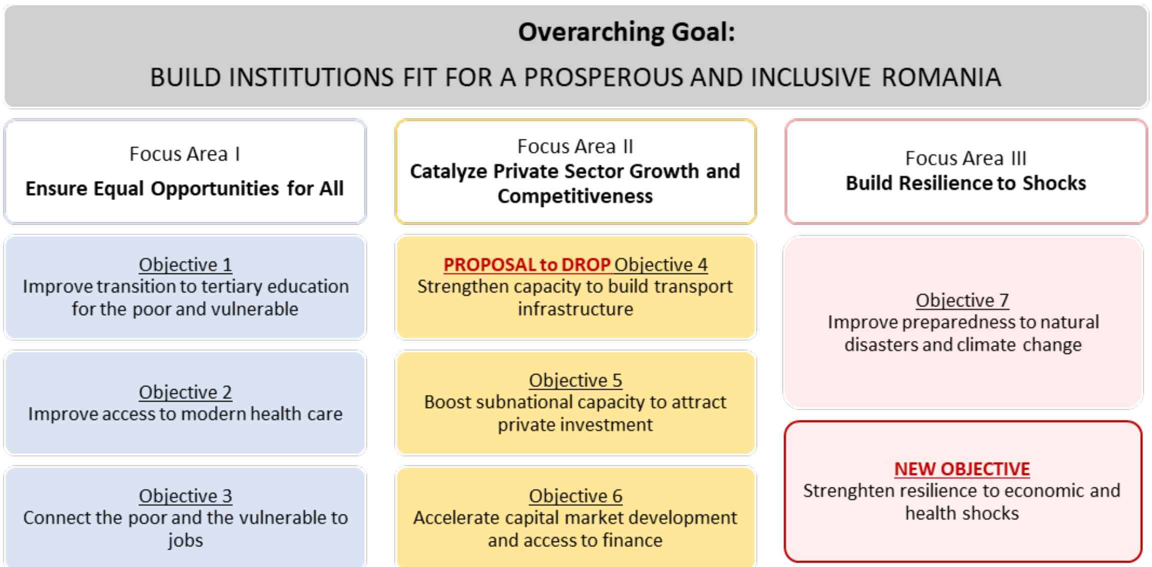
65. Objective 6: Accelerate capital market development and access to finance has registered good progress and no revisions will be needed. The objective is almost achieved, with an improved regulatory and supervision capital markets framework and enhanced capacity in Bank resolution.

Focus Area 3: Build Resilience to shocks

66. Objective 7: Improve preparedness to natural disasters and climate change is progressing well, but will need slight adjustments to indicators, in principle to lower the targets of indicators. Given the delay in effectiveness and implementation of some of the DRM IPF projects, the total number of buildings finalized by the end of 2023 will have to be reduced. Therefore, the number of people served by emergency response building will also be downsized. Three of the objective indicators will consequently have their targets revised. One new indicator will be added to monitor results of the upcoming operation on Safer, Inclusive and Sustainable Schools Project.

67. New Objective: Strengthen resilience to economic and health shocks. The PLR proposes to add a new CPF Objective to reflect support for COVID-19 recovery efforts by the Government of Romania and preparedness of institutions for future economic and health shocks, while highlighting the emerging need for a digital transition. The impact of the ongoing pandemic has revealed existing institutional challenges and has shown that an economic or health shock can reverse trends of economic growth and poverty reduction. The WBG program has adjusted and responded to challenges posed by the ongoing COVID-19 pandemic, but continued efforts are needed to support the Government in strengthening its institutions to be able to better respond to future economic and health crises.

Figure 10. Adjustments to the Results Framework Objectives



VI. RISKS TO CPF PROGRAM

68. **At the time of CPF preparation, the overall risk to achieve the CPF objectives was assessed as substantial and the PLR proposes to downgrade this rating to moderate.** Given the change in the country context, the PLR recommends downgrading the political and governance risk to substantial, downgrading both the technical design of project or program and the fiduciary risk to moderate. All the other risks remain the same, as reflected in Table 2 below.

Table 2. Adjusted risk ratings to the CPF Objectives

Risk Categories	Original Rating (H, S, M, L)	Revised Rating (H, S, M, L)
1. Political and governance	**High**	**Substantial**
2. Macroeconomic	**Substantial**	**Substantial**
3. Sector strategies and policies	**Moderate**	**Moderate**
4. Technical design of project or program	**Substantial**	**Moderate**
5. Institutional capacity for implementation and sustainability	**Substantial**	**Substantial**
6. Fiduciary	**Substantial**	**Moderate**
7. Environment and social	**Moderate**	**Moderate**
8. Stakeholders	**Moderate**	**Moderate**
Overall	**Substantial**	**Moderate**

69. **The political and governance context in Romania has been volatile with frequent changes in Government that challenged the design and implementation of the WBG program in Romania, as expected.** However, given the recent Parliamentary elections and the new Government, we expect the authorities to undergo fewer political changes and continue a program that is focused on recovery efforts through fiscal consolidation and effective use of EU funds. The World Bank will continue to support Government efforts and the political and governance risks will be mitigated through the flexible design of the program. The PLR proposes to downgrade this risk from High to Substantial.

70. **Macroeconomic Risk remains Substantial.** The COVID-19 pandemic has adversely affected Romanian economy. The fiscal stance has significantly worsened as COVID-19 related expenditures and lower revenues due to the economic downturn and tax relief led to a surge of the fiscal deficit to 9.8 percent of GDP in 2020. The fiscal deficit is expected to remain high in 2021 at around 7 percent of GDP. The impact of the stimulus pursued at the EU level will play a critical role in the recovery given limited fiscal space. These broader macroeconomic risks may impact budget availability for Bank Projects in future years. This risk is partially mitigated, as the Bank team continues to work closely with the Government to mitigate effects on the portfolio and discuss options for structural reforms that could bring down the fiscal deficit and strengthen revenue mobilization.

71. **Technical design risk is adjusted from substantial to moderate, as a result of lessons learned and applied in the first half of the CPF period.** Project design has been adapted to the institutional environment in Romania and all new projects have a simplified design and implementation accountabilities while focusing on clear objectives. Additionally, the design of the projects is becoming more flexible and allows the program to adjust to potential natural disasters by introducing CERC components in the design of projects, such in the case of the Safer, Inclusive and Sustainable Schools. Furthermore, through timely restructurings and changes in the design, the program adjusted rapidly to support the Government address immediate priorities related to COVID-19 pandemic.

72. **The fiduciary risk is proposed to be downgraded from substantial to moderate, reflecting progress in addressing fiduciary bottlenecks.** The financial and procurement arrangements for IBRD projects have been adequate since the beginning of the CPF and no major risks have been identified. Furthermore, the Government addressed some of the challenges highlighted in the CPF, such as availability of funds to finance procurement prior to loan effectiveness. More specifically, the Government is using a Project Preparation Advance to prepare the Justice Quarter Development Project. In the case of the Safe, Inclusive and Sustainable Schools Project, the Government will use the option of retroactive financing and will finance activities from the state budget prior to effectiveness date to ensure timely implementation. The fiduciary risk is constantly monitored through Joint Portfolio Reviews, which take place twice a year.

Annex 1. Updated CPF Results Matrix (basis for Completion and Learning Review self-evaluation).

<table>
<tr><th colspan="2">Focus Area I: Ensure equal opportunities for all</th></tr>
<tr><td colspan="2">To bring together the "two Romanias", it is important to create opportunities for those left behind. Building human capital for the bottom 40 percent of the income distribution (B40) is essential to give everybody in Romania a chance to succeed and benefit from the country's economic growth. Moreover, the COVID-19 pandemic affected the B40 the hardest, and poverty is expected to increase for the first time in seven years. Although unemployment is low and many companies are looking for workers, many in the B40 are discouraged or unable to take advantage of these opportunities and improve their welfare.</td></tr>
<tr><td colspan="2">CPF Objective 1: Improve transition to tertiary education for the poor and vulnerable</td></tr>
<tr><td colspan="2">Intervention Logic: Overcoming Romania's inclusion challenge critically depends on closing its human capital gap. Through support provided by IPF, RAS, and ASA, the WBG program aims to improve institutional capacity for more effective decision-making in the education sector and better use of EU funds, while directly targeting improved performance of under-performing schools and students at the secondary school and tertiary levels. While education is a fundamental building block of human capital, significant disparities between urban and rural areas and across socio-economic groups were further exacerbated by COVID-19 pandemic. The quality of education in Romania lags EU and OECD countries, while underachievement in basic skills is due to educational factors coupled with equity challenges. OECD PISA scores show that about 40 percent of Romanian 15-year-old students are functionally illiterate, in contrast to roughly 23 percent of students in the EU. Due to substantial learning losses and increase of early school leavers, the share of functionally illiterate Romanian students may increase by up to 10 percent. Most WBG activities directly target poor and disadvantaged students in the B40 (ROSE IPF, POCU RAS, Informed decision-making RAS) or support institution building that will indirectly benefit them (M&E RAS).</td></tr>
<tr><th>CPF Objective Indicators</th><th>WBG Program</th></tr>
<tr><td>Indicator 1. Average graduation rate in ROSE supported high schools.
❖ Baseline: 86.9% in 2017
❖ Target: 93% in 2023
Indicator 2. Average Baccalaureate passing rate in ROSE supported high schools.
❖ Baseline: 49.6% in 2017
❖ Target: 59% in 2023
Indicator 3. Average retention rate in first year of tertiary education in ROSE supported faculties
❖ Baseline: 79.4% in 2017
❖ Target: 82% in 2023</td><td><u>Completed:</u>
• RAS P157670 Capacity Development of the MoNE for Monitoring and Evaluating (M&E) the Implementation of Education Strategies (ex-ante conditionalities)
• RAS P155507 Assistance to the MoNE for Informed Decision-Making on Investments in Infrastructure
• TF P168491 Developing an Early Warning System for the Prevention of Early School Leaving in Romania
• ASA P172905 Resilient and Quality Learning Spaces

<u>Ongoing</u>:
• IPF P148585 Romania Secondary Education (ROSE)
• RAS P157508 Assistance to Enhance Quality Assurance in the Higher Education System in Romania
• RAS P162775 Supporting the Implementation of Romania's Human Capacity Operational Program (POCU) 2014-20</td></tr>
</table>

	• **TF P174069** Developing an integrated system of prevention, intervention, and compensation in order to increase school participation **Pipeline:** • **IPF P175308** Safer, Inclusive and Sustainable Schools Project (SISSP)

CPF Objective 2: ***Improve access to modern health care***

Intervention Logic: Most premature deaths in Romania are from chronic diseases that can be prevented or slowed down with modern healthcare. Early deaths from preventable diseases are concentrated in the B40 and rob them of peak productivity years, as well as the opportunity to realize investments in human capital. The COVID-19 pandemic revealed institutional challenges in the health sector driven by an underfunded system with old infrastructure, and understaffed, which posed major challenges in responding to the crisis. Within the Health Program, the Bank is helping Romania improve the quality of health services through support for modern equipment and regulatory processes that drive quality improvement in health facilities. Modernization of hospitals with ICU beds and modernization of the emergency system proved to be critical in response to the crisis. High quality treatment for patients with common diseases such as heart disease and cancer will be supported by the modernization of hospitals and increased access to primary health care services given that optimal management of chronic diseases starts outside hospital. Furthermore, providing health coverage to the uninsured population with the basic primary health care package can further reduce preventable diseases to the most vulnerable.

The Bank can help Romania to transition to a more balanced and integrated health system that will improve the quality of care delivered to all social groups. IFC will remain engaged in the sector with the goal of supporting investment projects that increase access to affordable quality healthcare services and can help facilitate increased private sector participation in the sector through facilitation of PPPs where appropriate. IFC's engagements are expected to relieve burden on the over-crowded public health care system and support viable private sector alternatives which are increasingly seen as necessary to address healthcare needs in the country, continue to establish benchmarks for quality healthcare in Romania, and provide employment opportunities for qualified professionals (medical and non-medical).

CPF Objective Indicators	WBG Program
Indicator 4. Average number of modern and safe radiotherapy unit available per 1 million population. ❖ *Baseline (2018): 1.40* ❖ *Target (2021): 2.30* **Indicator 5.** Number of contracts signed for construction works for burn centers for treatment of severe burns. ❖ *Baseline (2018): 0* ❖ *Target (2023): 3*	**Completed:** • **ASA P165988** Romania health sector analysis **Ongoing:** • **IPF P145174** Health Sector Reform Project • **(IFC) 547091** MedLife • **PforR P169927** Health Program for Results • **RAS P172066** Support for Scaling-up Centralized Procurement in the Romanian Emergency Health Services - ONAC Component • **RAS P172075** Support for Scaling-up Centralized Procurement in the Romanian Emergency Health Services - MIA Component

Indicator 6. Health Reform Law 95/2006 amended to provide at free to the uninsured population a minimum PHC package aligned with the basic PHC package for the insured population	• **ASA P175709** Romania: Policies in Support of a Fiscally Sustainable Recovery • **IPF P175632** Additional Financing to Romania Health Sector Reform Project
CPF Objective 3: ***Connect the poor and vulnerable to jobs***	
Intervention Logic: Romania's progress on shared prosperity is constrained by a persistent inequality of opportunity, which has strong geographic (urban vs. rural, growth pole vs. lagging region, east vs. west) and social dimensions particularly affecting women, young age cohorts and the Roma. Romania has the lowest labor force participation in the EU (66 percent) resulting from weak participation of women and the less educated. Increasing participation through better activation measures is key to improving access to productive jobs and making progress on shared prosperity. Furthermore, the COVID-19 crisis has exposed the consequences of the efficiency gaps in social protection for a vulnerable population and especially workers in the informal economy. For the most part, the additional support given to households has been channeled through employment structures – with the implication that those outside of formal structures have been less protected. As Romania enters the recovery phase, there is a strong need for labor market polices to target and reach vulnerable groups to create employment incentives, strengthen the link to job opportunities for vulnerable and difficult-to-employ individuals, and move those from social benefits to income-generating activities. Through an on-going RAS focused on building the capacity of the Managing Authority of the Human Development Operational Program (POCU) and other ASA, the WBG program will focus on helping to support the increased use of EU funding for closing the gap between the available jobs and the people that are – or can be – available for work. Besides increasing the institutional capacity of the POCU Managing Authority to manage and monitor these programs, efforts will be made to increase knowledge on effective policymaking in improving employability**.**	
CPF Objective Indicators	**WBG Program**
Indicator 7. Number of POCU beneficiaries participating in activation measures. ❖ *Baseline:*0 ❖ *Target: (2023):* 866,223 o/w women: 433,113; o/w rural: 117,000; o/w Roma: 67,944 **Indicator 8.** Share of POCU funds under contract ❖ *Baseline (2018):* 22.25% ❖ *Target (2023):* 100%	**Completed:** • **ASA P169614** Romania Employment and Jobs TA • **ASA P165578** Leveraging Skills for Competitiveness in Europe **Ongoing:** • **RAS P162775** Supporting the Implementation of Romania's Human Development Operational Program (POCU) 2014-20 (Investing in Inclusive Growth in Romania) • **ASA P175709** Romania: Policies in Support of a Fiscally Sustainable Recovery
Focus Area II: Catalyze Private Sector Growth and Competitiveness	
To sustain growth and poverty reduction, Romania needs to overcome the obstacles that are hampering private investment. Companies overwhelmingly cite the lack of transport infrastructure as a major reason to delay or forego further investment. Stranded assets and lack of	

prioritization at the subnational level prevent municipalities from attracting private capital, and MSMEs – by far the largest group in the private sector – have trouble accessing financial services.
CPF Objective 4: ***Boost subnational capacity to enable private sector development***
Intervention Logic: Local administrations can play a key role in laying the foundations for the growth of the private sector. Besides ensuring the availability of critical public infrastructure, such as roads, water and sanitation, gas and electricity, local administrations should support firms and industries to create jobs, enhance productivity and increase the incomes of citizens over time. This is done through Public-Private Dialogue (PPD), improvement of regulations and administrative processes for business and ensuring availability of human resources and skills development. Though willing, local administrations in Romania often lack the capacity to unleash the potential for private investment. The World Bank RAS program in Romania focused on urban development is directly assisting municipalities to enable private sector development, and to access EU funds to increase subnational competitiveness. This is done by addressing specific knowledge and capacity gaps of local authorities that prevent them from attracting investors and/or accessing EU funds. The World Bank will continue to provide advisory services to directly to municipalities, complemented by the urban policy work at the national level with the central Government as well as by regional policy work with DG REGIO. While there are currently no IFC investments contributing to this objective, IFC will continue to explore engagement opportunities in select municipalities, through municipal finance and facilitation of PPPs, that would become implementable with stronger political will and strengthened institutional capacity in place. More specifically, IFC will continue to explore opportunities to support energy efficient municipal buildings, thermo-modernization, waste-to-power, and street lighting projects. In addition, IFC, dependent on demand, is keen to engage with targeted investments and advisory to help make some of the municipal and state-owned companies become more efficient and commercial. MIGA in close collaboration with IFC will also explore opportunities to support foreign investment projects in the renewable energy sector through its guarantee instruments . In addition, the WBG will work to address constrained access to finance, particularly for MSMEs. Expanded financial intermediation is much needed to support access to credit for individuals and small businesses that make up the most critical segment of the economy. As Romanian companies are predominantly funded by retained earnings and/or sale of assets, bank loans remain one of the least used financial sources (by only 17 percent of enterprises). Moreover, access to finance is highly uneven at the regional level, especially for smaller enterprises, whose access is significantly lower than that of larger companies. IFC credit lines will focus on increasing lending to MSMEs, particularly outside Bucharest. MIGA will aim to support access to finance through its capital optimization product.

CPF Objective Indicators	WBG Program

Indicator 9. Private investment leveraged by selected municipalities ❖ *Baseline (2018)* Constanta: 0 Brașov: 0 Sector 5: 0 ❖ *Target (2023)* Constanta: at least one investment of at least EUR5 million leveraged Brașov: at least one investment of at least EUR5 million leveraged Sector 5: at least one investment of at least EUR5 million leveraged **Indicator 10.** Private investment in underutilized urban assets ❖ *Baseline (2018)* Bucharest – Esplanada Site: 0 Constanta: 0 Brașov: 0 Sector 5: 0 ❖ *Target (2023)* Bucharest – Esplanada Site: at least one private investment leveraged in the Esplanada Site Constanta: at least one private investment in an underutilized urban asset Brașov: at least one private investment in an underutilized urban asset Sector 5: at least one private investment in an underutilized urban asset	**Completed:** • **RAS P164198** Constanta Urban Development • **ASA P172072** City of Bucharest Assessment • **RAS P168748** Ilfov Country Regional Development **Ongoing:** • **RAS P166263** Brașov Urban Development • **RAS P167042** Bucharest - Sector 5 Urban Development • **RAS P169577** Bucharest Urban Development • **RAS P172384** Cluj-Napoca Urban Development • **RAS P170547** Cluj County Spatial Plan • **RAS P171176** Romania Urban Policy • **RAS P172820** Romania Territorial Impact Assessment • **TF P167283** Supporting Innovation in Romania Catching-up Regions • **TF P174325** Romania Entrepreneurship Strategy Support • **TF P176169** Romania Sustainable Cities Analytics and Program Design **Pipeline:** • **RAS P176373** Sustainable Heating and Energy Efficiency Support for the city of Timisoara • **IPF P157654** Justice District Urban Development • Potential IFC PPPs at the municipal level, potential targeted investment and Advisory Services
CPF Objective 5: ***Accelerate capital market development and access to finance***	
Intervention Logic: To help address some of the prevailing shortcomings in the financial sector, the WB will continue to support financial sector deepening by supporting the development of capital markets through technical assistance, funded by SRSS, and IFC interventions. Technical assistance will be provided to enhance the regulatory and supervisory framework of the capital market regulator as well as to build the supervisor's capacity, contributing to diversified financing options and improved access to long-term capital. The WBG will also contribute to the stability of the financial sector by helping to test the operational preparedness of the authorities to respond to banking distress and to strengthen access to finance by helping authorities to develop a strategy for enhancing financial inclusion. IFC will continue to support the development of capital markets to diversify financing options and improve access to long-term capital, engage in addressing distressed assets of banks to improve the health of the financial sector and support on-lending to MSMEs through banks and non-banking financial institutions, to enable further entrepreneurship and employment opportunities particularly in rural areas and among women. Furthermore, IFC will explore opportunities in Romania to support housing finance by encouraging the extension of long-term financing, still limited in the market, and by promoting residential	

mortgage on-lending to end-borrowers. IFC will continue to assess supporting projects which create jobs, increase investment in underserved regions, and contribute to the growth and competitiveness of local agribusiness firms, as well as in enabling infrastructure, such as retail and business services, transport and logistics. MIGA aims to identify opportunities to de-risk foreign investment in the financial sector through its guarantee products, while leveraging its business development activities in the region.	
CPF Objective Indicators	**WBG Program**
Indicator 13. Improved regulatory and supervision capital markets framework ❖ *Baseline (2017):* No regulation for alternative investment funds ❖ *Target (2018):* Regulation on alternative investment funds ❖ *Baseline (2017):* Compliance-based supervision for market intermediaries ❖ *Target (2018):* Methodology, manual, and enhanced capacity for risk-based supervision of market intermediaries ❖ Baseline *(2018):* Gaps in enforcement of disclosure of financial information of issuers ❖ *Target (2019):* Enhanced enforcement of disclosure of financial information in line with EU best practices **Indicator 14.** Enhanced capacity in bank resolution ❖ *Baseline (2018):* Untested bank resolution framework ❖ *Target (2019):* Crisis simulation exercise and enhanced crisis mechanism **Indicator 15.** Number of MSMEs loans[18] supported by IFC operations (#); ❖ *Baseline (2016):* 78,000 loans facilitating US$4.42 billion; ❖ *Target (2021:)* 100,000 loans facilitating US$6.26 billion. **Indicator 16.** Number and volume (US$) of outstanding housing finance portfolio ❖ *Baseline (2015):* 23,000 loans for US$1 billion; ❖ *Target (2020):* 27,500 loans for US$1.2 billion **Indicator 17**. IFC: Agri-finance SME loans: ❖ Baseline (2016): 3,000 loans for US$158 million; ❖ Target (2021): 4,000 loans for US$250 million	**<u>Completed:</u>** • **TF P160346** Capital Market Supervision Enhancement • **TF P167567** Bank Resolution Crisis Exercise • **ASA P169273** Financial Inclusion in Romania • **IFC 33733**-DCM UniCredit Ro • **IFC 34577**-GarantiLeasingRo **<u>Ongoing</u>:** • **TF P165505** Increase capacity for assessing the effects of state aid on market outcomes • **TF P167283** Supporting Innovation in Romanian catching-up regions • **TF P174325** Romania Entrepreneurship Strategy Support • **RAS P173505** Romania Common Agriculture Policy (CAP) Programming Support • **RAS P176076** Romania Traceability in the agri-food sector **<u>(IFC):</u>** • 36783-UCLC • 38414-Alpha Bank RO • 39108-BCR Leasing • 39197-WCSS Agricover • 39287-GarantiLeaseRO2 • 40713-Garanti Facility • 40788-GLR Facility 3 • 40824-DCM Alpha Rom • 41084-BT B3T2 Bond • 41560-Agricover SME • 41641-BT Mic Loan I • 41800-Garanti RO SEF

[18] MSME loans are defined as loans with an outstanding balance below US$2 million (based on Romania's country status).

	• 42345-UCLC SEF • 42369-DCM BT Lsng Bond • 43227-DCM RBRO B3T2/SL **Pipeline:** • **IPF P171039** Institutional Strengthening and Financial Safety Net Resilience

Focus Area III: Build Resilience to Shocks

Natural, economic and/or health shocks can reverse years of growth and poverty reduction. As recently highlighted by the COVID-19 pandemic these shocks affect the B40 the hardest. Furthermore, Romania faces high seismic risk and a high and growing exposure to climate change. Volatility in its policy environment, as well as institutional constrains pose a major challenge to sustained progress and could undermine the country's ability to respond to shocks.

CPF Objective 6: ***Improve Preparedness to natural disasters and climate change***

Intervention Logic: Romania is highly exposed to both floods and earthquakes, with past events resulting in USD billions of direct damages. These disasters disproportionately affect the poor, with the socio-economic resilience of the poor one-third of the national average. Institutional reforms and recent investments have improved emergency response capacity, but the potential impact of disasters on infrastructure and the most vulnerable populations in Romania remains extremely high. Moreover, the severity, intensity and frequency of storms, floods, droughts, wildfire and extreme temperature events are increasing as the climate warms. There is an urgent need to reduce the impact of climate disasters now and prepare for more severe climate events in the future. Fortunately, a disaster is not the inevitable consequence of a natural hazard and measures can be taken to protect vulnerable populations, strengthen buildings and infrastructure and to reduce the financial shock to household and sovereign budgets. To achieve this, almost all institutions at the national and sub-national levels must take responsibility for the systematic reduction in disaster risks, dedicate budgets and policies to risk management and preparedness, and establish coordination mechanisms with other institutions.

Through the CAT DDO, the series of IPF projects on emergency preparedness and risk reduction, along with the technical assistance work on strengthening capacities of national agencies for flood risk management and for the implementation of the EU Floods Directive, the World Bank is currently supporting the Government to systematically reduce disaster risks in public buildings and infrastructure, avoid the creation of new risks and improve financial resilience through policy reform and prioritized investments in risk reduction. Through analytical work, the WB is also looking to support improving the design of the social protection programs and their delivery systems, as well as any legislative or policy changes that are required to allow social protection programs to quickly scale in response to shocks. The program of actions through the CAT-DDO and IPF is also providing a platform, system and robust analysis that can support potential investments in risk reduction by other key partners, such as the EU and IFIs. There is also an opportunity to generate significant climate change adaptation and mitigation benefits by considering disaster and climate resilience and energy efficiency measures during the design and implementation of all new investments in Romania.

Romania's ambition to pursuit a more green, sustainable development agenda, towards a decarbonization pathway, under the recent European Green Deal and future European Climate Law, would further enhance and contribute to enhancing climate resilience.

The WBG can also support Romania to ensure that future investment of Government and EU funds yields the maximum climate change and disaster resilience co-benefits, for example, by integrating energy efficiency, resilience and adaptation considerations into the planned Safer, Inclusive and Sustainable Schools Project and Justice District Urban Development Project as well as other possible municipal infrastructure investments. In support of sustainability, IFC aims to engage with select banks and non-bank financial institutions to facilitate access to longer-term funding to support energy efficiency solutions and the development of the renewable energy sector. Furthermore, IFC in the real sector aims to support the development of resource-efficient logistics infrastructure in Romania with green certification. MIGA, in line with its Business FY21-23 Strategy and Business Outlook, will aim to strengthen its support for climate finance in the country.

CPF Objective Indicators	WBG Program
Indicator 18. Critical disaster and emergency response buildings, personnel and equipment are fully operational in the event of disaster. ❖ *Baseline (2018):* 0 ❖ *Target (2023):* 4 buildings **Indicator 19.** Population served by resilient energy response buildings. ❖ *Baseline (2018):* 0 ❖ *Target (2023):* 0.5 million **Indicator 20**. Information on disaster and climate risks is available at national and sub-national level to avoid the creation of new risks and reduce existing risks. ❖ *Baseline (2018):* 0 ❖ *Target (2023):* 3 new reports completed **Indicator 21**. National programs and policy reforms aimed at reducing disaster risk and improving the physical, social and financial resilience are in place ❖ *Baseline (2018):* 0 ❖ *Target (2023):* 5 **Indicator 22.** Building improvements in seismic safety include energy efficiency improvements (and vice versa) ❖ *Baseline (2018):* 0 ❖ *Target (2023):* 35 buildings **Indicator 23.** Integration of disaster and climate resilience and mitigation measures in all WB projects and increase of these measures in Government and EU investments. ❖ *Baseline (2018):* 0 ❖ *Target (2020):* All Bank projects are disaster and climate informed **Indicator 24.** New Flood Risk Management Plans considering the impacts of climate change and introducing integrated flood risk management for building flood resilience developed for all River Basin Administration and along the Danube River.	**Completed:** • **TF P166680** Accelerating DRM and Climate Resilience • **ASA P173840** Roma inclusion in flood risk management plans in Romania. • **TF P166380** Strategies and Options to Reduce Housing Sector Risks in ECA countries • **ASA P170717** Understanding the Disaster-Poverty nexus in the ECA region • **ASA P172905** Resilient and Quality Learning Spaces - diagnostic and recommendations for School Infrastructure in Romania **Ongoing:** • **IPF P166302** Strengthening Disaster Risk Management Project • **CAT DDO P166303** Building Disaster and Climate Resilience Program • **IPF P168119** Improving Resilience and Emergency Response Project • **IPF P168120** Strengthening Preparedness and Critical Emergency Infrastructure Project • **RAS P167925** Technical Support to Romania in analyzing and addressing the challenges in meeting the UWWTD requirements • **RAS P169420** Consolidation of the Strategic Planning Capacity of MDPWA for Renovation of the National Building Stock for EE and Seismic Risk • **RAS P169577** Bucharest Urban Development • **RAS P170989** Technical Support for the Preparation of Flood Risk Management Plans for Romania • **RAS P172203** Disaster Risk Reduction Strategy for Romania

❖ Baseline (2018): 0 ❖ Target (2023): 12 new reports completed	• **TF P172326** Technical Support for Integrating Flood Risk Management into Urban and Spatial Planning • **TF P175926** Towards Adaptive Social Protection in the ECA Region **<u>Pipeline:</u>** • **IPF P157654** Justice District Urban Development • **IPF P175308** Safer, Inclusive and Sustainable Schools Project **RAS P176373** Sustainable Heating and Energy Efficiency Support for the city of Timisoara

CPF Objective 7: ***Strengthen resilience to economic and health shocks***

Intervention Logic: The ongoing COVID-19 pandemic has revealed existing institutional challenges and has shown that an economic or a health shock can slow the country's path to graduation, reversing recent economic growth and poverty reduction. In response, the WBG program has adjusted and responded to challenges posed by the pandemic, but continued efforts are needed to support the Government in strengthening its institutions to be able to better respond to future economic and health crises. Equipment procured under the Health Sector Reform IPF as well as the access to financing under the CAT DDO which included a health emergency trigger, allowed Romania to enter the health crisis better prepared and to further acquire equipment and materials at the start of the pandemic. Furthermore, the World Bank has conducted just in time assessments to support the government in collecting data of the impact of the COVID-19 crisis on households, firms and vulnerable communities.

The pandemic has also revealed a high digital gap and an eminent need for digital transition of the public sector**.** In response, the Romania Secondary Education Project (ROSE) was restructured to facilitate distance learning and the Justices Services Improvement Project, is helping the Government address COVID-19 impacts on justice services and deliver critical e-justice services. Given the importance of digital transition for the post-pandemic recovery, the WBG stands ready to support this important agenda.

The WBG aims to support the Government in its recovery efforts by providing recommendations for a fiscally-sustainable economic recovery, improvement of SOEs performance, mitigation of the social impact of the pandemic, in a fiscally sustainable manner and support government efforts in reforming and assuring a fiscally sustainable pensions system.

In the Transport sector, the World Bank Group could strengthen the capacity of the Government to manage transport sector SOEs in order to mitigate COVID-19 impacts. The SOEs in the transport sector, generate the greatest losses and need for subsidy funding. Moreover, the revenue loss during the COVID-19 crisis will require additional budget support to cover the fixed costs of the SOEs even when accounting for reduced operating expense. If no measures are taken, the financial distress will create additional costs and further deepen fiscal and social pressure. The IBRD team has developed an engagement with MIGA to jointly support a combined financing initiative aimed at stabilizing SOEs, alleviating constraints/stress created by COVID-19, and transforming cost structures to reduce future operating subsidy requirements. The National Railway Passenger Company (C.F.R. Călători); or the Bucharest metro company (METROREX) could benefit from such a program.

The World Bank Group will continue to work with national agencies and local administrations on several advisory services and technical assistance activities to support the recovery efforts of the country in a fiscally sustainable manner and to strengthen Romanian institutions to better respond to future economic and health shocks.

CPF Objective Indicators	WBG Program
Indicator 25. Children benefiting from Digital Devices procured through ROSE project, to ensure access to online learning during emergency situations ❖ Baseline (2020): 0 ❖ Target (2023): 59 000 students **Indicator 26.** Percentage of courts equipped to deliver critical e-justice services (as defined by the MOJ) including the support for e-filing for litigants, lawyers and any other professionals ❖ Baseline (2020): 12.50% ❖ Target (2023): 60% **Indicator 27.** Amendments of the Deposit Guarantee legal framework to make financial safety net more robust	**Completed** • **TF P167567** Bank Resolution Crisis Exercise • **ASA P169347** Infrastructure Sector Assessment Program (P169347) • **ASA P173899** Romania CSOs Rapid Assessment in the context of COVID-19 • **ASA P173985** Romania: collecting just in time feedback on COVID 19 pandemic in vulnerable communities **Ongoing** • **IPF P148585** Romania Secondary Education (ROSE) • **IPF P145174** Health Sector Reform Project • **IPF P160751** Justice Services Improvement Project • **CAT DDO P166303** Building Disaster and Climate Resilience Program • **PforR P169927** Health Program for Results • **ASA P173169** Positioning the Railways for Future Competitiveness • **ASA P175709** Policies in support of a fiscally sustainable recovery **TF 176169** Romania Sustainable Cities Analytics and Program Design • **RAS P168518** Support for Speeding up the Transition of People with Disabilities from Residential Institutions to Community-based Services • **RAS P168605** Strengthening Planning and Budgeting Capacity II • **RASP168612** Consolidating the Coordination Mechanism to Implement the UN Convention on The Rights of Persons with Disabilities • **RAS P171157** Modernizing the Disability Assessment System in Romania • **RAS P172066** Support for Scaling-up Centralized Procurement in the Romanian Emergency Health Services - ONAC Component • **RAS P172075** Support for Scaling-up Centralized Procurement in the Romanian Emergency Health Services - MIA Component • **RAS P174142** Strengthening the administrative capacity of the Civil Service Agency **RAS P171255** Strengthening the capacity of the General Secretariat of the Government (GSG) to accelerate public investments in Romania **Pipeline:**

	• **IPF P171039** Institutional Strengthening and Financial Safety Net Resilience • **IPF P175632** Additional Financing to Romania Health Sector Reform Project • Potential financial inclusion project focusing on rural areas and digital financial services,

Annex 2. Matrix of changes to original CPF Results Matrix

All Supplemental Progress Indicators are being dropped at the PLR stage. These were used to assess progress at this stage.

Focus Area 1: Ensure Equal Opportunities for All	
Actual	**Action**
Objective 1: Improve transition to tertiary education for the poor and vulnerable	None
Indicator 1. Average graduation rate in ROSE supported high schools	None
Indicator 2. Average Baccalaureate passing rate in ROSE supported high schools.	None
Indicator 3. Average retention rate in first year of tertiary education in ROSE supported faculties	**Revise target** *Target was revised through a project restructuring from 84 to 82%*
Objective 2: Improve access to modern health care	None
Indicator 4. Expand access to safe and modern radiotherapy for cancer patients	**Delete indicator and replace:** *Reason: The baseline and target between Indicator 4 and Indicator 5 were mixed. Proposal is to replace it with the following indicator that is part of the Health Sector Reform Project Results Framework:* **New Indicator:** Average number of modern and safe radiotherapy units available per 1 million population. ❖ *Baseline (2018): 1.40* ❖ *Target (2021): 2.30*
Indicator 5. Increase percentage of public hospitals that have been accredited by National Authority for Management of Quality in Health (ANMCS)	**Delete indicator** *Reason: The RO Health IPF Project was restructured several times to adapt to changes in Government's priorities and the COVID epidemic. This indicator is not part of the current RF of the RO Health IPF.*
Indicator 6 IFC: Number of patients accessing quality private healthcare services	**Delete indicator:** Reason: the project is approaching its completion and all loans have been repaid, no reporting was made available.
	Add new Indicator *Reason: Reflect and monitor how the new Health PforR operation can contribute to this objective.* **New Indicator** Health Reform Law 95/2006 amended to provide free to the uninsured population a minimum PHC package aligned with the basic PHC package for the insured population
Objective 3: Connect the poor and vulnerable to jobs	None
Indicator 7. Number of POCU beneficiaries participating in activation measures.	None
Focus Area 2: Catalyze Private Sector Growth and Competitiveness	
Objective 4: Strengthen capacity to build transport infrastructure	**Drop Objective** *Reason: Main operation was dropped and there will be limited results to track and showcase until FY2023.*
Indicator 8. Ploiești-Brașov Motorway ready for civil works bidding	**Delete** *Reason: Ploiesti-Brasov Motorway project was dropped.*

Objective 5: Boost subnational capacity to attract private investment	**Revise Objective** *Reason: The objective will be slightly revised to better capture results under this objective. The revised objective will read as follows:* **Objective 5.** Boost subnational capacity to enable private sector development
Indicator 9. Increase firm revenues at the local level	**Delete indicator:** *Reason: While firm revenues have increased at the local level, it is difficult to demonstrate direct accountability to our projects.*
Indicator 10. Private investment leveraged by selected municipalities	**Change target from 2020 to 2023** *Reason: target partially achieved. Extending the target date will allow us to capture all results until the end of the CPF period.*
Indicator 11. Private investment in underutilized urban assets	**Change target from 2020 to 2023** *Reason: target partially achieved. Extending the target date will allow us to capture all results until the end of the CPF period.*
Objective 6: Accelerate capital market development and access to finance	None
Indicator 12. Improved regulatory and supervision capital markets framework	None
Indicator 13. Enhanced capacity in bank resolution	None
Indicator 14. Number of MSMEs loans supported by IFC operations	None
Indicator 15. Number and volume (US$) of outstanding housing finance portfolio	None
Indicator 16. IFC: Agri-finance SME loans:	None
Focus Area 3: Build Resilience to shocks	
Objective 7: Improve preparedness to natural disasters and climate change	None
Indicator 17. Critical disaster and emergency response buildings, personnel and equipment are fully operational in the event of disaster.	**Revise target:** Reduce target from 35 to 4 buildings and increase target time from 2022 to 2023 *Reason: The target is not achievable until end 2022. Delay in effectiveness and implementation of the DRM series of projects will not allow for full results to be captured under the current CPF period.*
Indicator 18. Population served by resilient energy response buildings.	**Revise target:** Reduce target from 4 million to 500k and increase target time from 2022 to 2023 *Reason: The target is not achievable until end 2022. Delay in effectiveness and implementation of the DRM series of projects will not allow for full results to be captured under the current CPF period.*
Indicator 19. Information on disaster and climate risks is available at national and sub-national level to avoid the creation of new risks and reduce existing risks.	None
Indicator 20. National programs and policy reforms aimed at reducing disaster risk and improving the physical, social and financial resilience are in place	None
Indicator 21. Building improvements in seismic safety include energy efficiency improvements (and vice versa)	**Revise target:** Reduce target from 35 to 4 buildings and increase target time from 2022 to 2023

	Reason: The target is not achievable until end 2022. Delay in effectiveness and implementation of the DRM series of projects will not allow for full results to be captured under the current CPF period.
Indicator 22. Integration of disaster and climate resilience and mitigation measures in all WB projects and increase of these measures in Government and EU investments.	None
	Add new Objective Indicator *Reason: Monitor and reflect results under the Floods program that directly contribute to this objective.* **New Objective Indicator.** New Flood Risk Management Plans considering the impacts of climate change and introducing integrated flood risk management for building flood resilience developed for all River Basin Administration and along the Danube River. ❖ Baseline (2018): 0 ❖ Target (2023): 12 new reports completed
	Add New Objective: **Strengthen resilience to economic and health shocks.** *Reason: The World Bank program was timely adjusted to respond to the COVID – 19 crisis and will further support the recovery efforts as well as strengthening of institutions to be better prepared and responsive to economic and health shocks. The objective is added to capture and reflect this emerging objective as part of the WBG program engagement in Romania. Adding this new objective is also a result of consultations with several stakeholders.*
	Add new Objective indicators *Reason: PLR proposes to add two new Objective indicators and two new Supplementary Progress Indicators to monitor and reflect results under the new proposed Objective* ***New Objective Indicator.*** Children benefiting from Digital Devices procured through ROSE project, to ensure access to online learning during emergency situations ❖ Baseline (2020): 0 ❖ Target (2023): 59 000 students ***New Objective Indicator.*** Percentage of courts equipped to deliver critical e-justice services (as defined by the MOJ) including the support for e-filing for litigants, lawyers and any other professionals ❖ Baseline (2020): 12.50% ❖ Target (2023): 60% ***New Objective Indicator.*** Amendments of the Deposit Guarantee legal framework to make financial safety net more robust

Annex 3. Matrix summarizing progress toward CPF Objectives.

<table>
<tr><th colspan="3">Focus Area 1: Ensure Equal Opportunities for All</th></tr>
<tr><td colspan="3">Objective 1: Improve transition to tertiary education for the poor and vulnerable</td></tr>
<tr><th>CPF Indicator</th><th>Status at PLR</th><th>WBG Program at CPF</th></tr>
<tr><td>Indicator 1. Average graduation rate in ROSE supported high schools
❖ Baseline: 86.9% in 2017
❖ Target: 93% in 2023</td><td>Target exceeded
Target Status (2020): 95.57%</td><td rowspan="7"><u>Portfolio</u>:
• Romania Secondary Education (ROSE) IPF
• RAS for Capacity Development of the MoNE for Monitoring and Evaluating (M&E) the Implementation of Education Strategies (ex-ante conditionalities) and for Improving Education Policies
• RAS for Assistance to Enhance Quality Assurance in the Higher Education System in Romania
• RAS for Assistance to the MoNE for Informed Decision-Making on Investments in Infrastructure
• RAS for Supporting the Implementation of Romania’s Human Capacity Operational Program (POCU) 2014-20</td></tr>
<tr><td>Indicator 2. Average Baccalaureate passing rate in ROSE supported high schools.
❖ Baseline: 49.6% in 2017
❖ Target: 59% in 2023</td><td>Target exceeded
Target Status (2020): 62.93%</td></tr>
<tr><td>Indicator 3. Average retention rate in first year of tertiary education in ROSE supported faculties
❖ Baseline: 79.4% in 2017
❖ Target: 84.5% in 2023</td><td>Target on track
Target status (2020): 81.69%</td></tr>
<tr><td>SPI1. Average percentage of students of ROSE -supported high schools benefiting from remedial, tutoring or counseling activities
❖ Baseline: 0
❖ Target: 40% by June 30, 2020</td><td>Target partially Achieved
Target status (2020): 20%. PLR proposes extension of target date to June 30, 2023</td></tr>
<tr><td>SPI2. MoNE effectively monitoring and evaluating implementation of education strategies
❖ Baseline: M&E system not in place (2018)
❖ Target: M&E system in place</td><td>Target Achieved
Target status (2021): M&E system is in place</td></tr>
<tr><td>SPI3. Methodology for external assessment of higher education institutions updated.
❖ Baseline: no (2017)
❖ Target: yes (2020)</td><td>Target Achieved
Target status (2021): Methodology for external assessment of higher education institutions was updated</td></tr>
<tr><td>SPI4. Strategy for modernizing education infrastructure adopted
❖ Baseline: no (2017)
❖ Target: yes (2019)</td><td>Target not Achieved
Target status (2021): The strategy for modernizing education infrastructure was developed but was not adopted yet adopted by the Government</td></tr>
</table>

SPI5. Improved capacity of Intermediary Body on Human Capital Operational Program for managing programs on education and skills. ❖ *Baseline:* no (2017) ❖ *Target:* yes (2020)	**Target Achieved** **Target status (2021):** WB team has designed an integrated training program for the management and staff of IBs and feedback received stated that operational personnel has significantly improved its technical skills in various key technical areas, such as project supervision or financial verification and management staff has been equipped with modern management and communication instruments.	
Objective 2: Improve access to modern health care		
CPF Indicator	**Status at PLR**	**WBG Program at CPF**
Indicator 4. Expand access to safe and modern radiotherapy for cancer patients ❖ *Baseline*: 12% ❖ *Target:* 80% by 2020	**Target off track*** **Target Status:** *Target could not be tracked as baseline and target between indicator 4 and 5 were mixed and this indicator is no longer tracked under the Health IPF project due to restructuring. Indicator proposed to be deleted and replaced.	Portfolio: • Health Sector Reform Project • ASA • 547091 MedLife (IFC) Pipeline Potential IFC PPPs
Indicator 5. Increase percentage of public hospitals that have been accredited by National Authority for Management of Quality in Health (ANMCS) ❖ Baseline: 1 linear accelerators per million inhabitants ❖ Target: 2.2. linear accelerators per million inhabitants	**Target off track*** **Target Status:** *Target could not be tracked as baseline and target between indicator 5 and 4 were mixed. Furthermore, the RO Health IPF Project was restructured several times to adapt to changes in Government's priorities and the COVID epidemic. This indicator is not aligned with the current RF of the RO Health IPF. Indicator proposed to be deleted	
Indicator 6 IFC: Number of patients accessing quality private healthcare services ❖ *Baseline (2016):* 2.37 million – ❖ *Target (2020)* 2.5 million	**Target partially Achieved** **Target Status (2017):** 2.49 million. Information not available after 2017. All loans have been repaid and there was no recent reporting under the project. Indicator proposed to be deleted.	
SPI6. Number of public radiotherapy units equipped with linear accelerators ❖ *Baseline:* 0 ❖ *Target:* 10	**Target partially Achieved** **Target Status (2020)** :7	
SPI7. Number of public hospitals with emergency departments provided with major emergency equipment (e.g., monitor, ventilator and defibrillator) through the project ❖ *Baseline:* 0 ❖ *Target:* 78	**Target Achieved** **Target Status (2020):** 78	

SPI8. Number of operational burn units supported through the project ❖ *Baseline:* 0 ❖ *Target:* 4	**Target off track** **Target Status (2020):** 4 as 4 existing (small) burn units have been supported by the IPF so far through the provision of medical equipment and training. However, support to the construction, equipment and training of staff of modern centers has not yet been implemented. The indicator is proposed for revision to reflect construction works.	
Objective 3: Connect the poor and vulnerable to jobs		
CPF Indicator	**Status at PLR**	**WBG Program at CPF**
Indicator 7. Number of POCU beneficiaries participating in activation measures. ❖ *Baseline:*0 ❖ *Target: (2023):* 866,223 o/w women: 433,113; o/w rural: 117,000; o/w Roma: 67,944	**Target on track** **Target status (2020):** · total: 48,612 · of which women: 26,299 · of which rural: 29,075 · of which Roma: 3,985	Portfolio: 1. RAS for Supporting the Implementation of Romania's Human Development Operational Program (POCU) 2014-20 (Investing in Inclusive Growth in Romania) 2. ASA on Leveraging Skills for Competitiveness in Europe
SPI 9. Share of POCU funds under contract ❖ *Baseline (2018):* 22.25% ❖ *Target (2023):* 100%	**Target on track** **Target status (2020):** 87%	
Focus Area 2: Catalyze Private Sector Growth and Competitiveness		
Objective 4: Strengthen capacity to build transport infrastructure		
Indicator 8. Ploiești-Brașov Motorway ready for civil works bidding ❖ *Baseline:* No ❖ *Target:* Completed by end of project	**Target off track** **Target status (2020):** Project Ploiești-Brașov Motorway was dropped, so indicator cannot be reached.	Pipeline 3. Institutional Capacity and Knowledge for Motorway Construction Motorway TA IPF 4. Potential IFC investments, PPPs and privatization support
SPI10. National roads revenue and financing strategy adopted by the Government ❖ *Baseline:* No ❖ *Target:* Completed by end of project	**Target off track** **Target status (2020):** Project Ploiești-Brașov Motorway was dropped, so indicator cannot be reached.	
Objective 5: Boost subnational capacity to attract private investment		
Indicator 9. Increase firm revenues at the local level ❖ *Baseline (2016)* Constanta: EUR502 million Brașov: EUR598 million Sector 5: EUR598 million ❖ *Target (2016)* Constanta: EUR658 million	**Target off track** **Target status (2020):** Proposal to delete as it is difficult to show direct accountability between the World Bank program and firm revenues increase	Portfolio: • Constanta RAS • Brașov RAS • District 5 RAS Pipeline

Brașov: EUR784 million Sector 5: EUR687 million		• Justice Quarter and Esplanada IPF • Potential IFC PPPs at the municipal level, potential targeted investment and Advisory Services • Trust Fund Supporting Innovation in Romania Catching-up Regions
Indicator 10. Private investment leveraged by selected municipalities ❖ *Baseline (2018)* Constanta: 0 Brașov: 0 Sector 5: 0 ❖ *Target (2020)* Constanta: at least one investment of at least EUR5 million leveraged Brașov: at least one investment of at least EUR5 million leveraged Sector 5: at least one investment of at least EUR5 million leveraged	**Target partially Achieved** **Target Status (2020): Constanta:** Overall, the City Hall has received requests for building permits for private investments totaling more than 700 million Euro – currently the largest private investment portfolio in Romania, outside Bucharest. **Brasov** has done several private investments since the partnership with the World Bank has started, but no direct link can be traced between these investments and the World Bank work. **Sector 5** has prepared with Bank assistance an urban regeneration strategy for the 110 ha Antiaeriana site. Several private investors expressed interest in investing there (on a significant scale), but investment plans have been put on hold because the Government passed the site back to the Ministry of Defense.	
Indicator 11. Private investment in underutilized urban assets ❖ *Baseline (2018)* Bucharest – Esplanada Site: 0 Constanta: 0 Brașov: 0 Sector 5: 0 ❖ *Target (2020)* Bucharest – Esplanada Site: at least one private investment leveraged in the Esplanada Site Constanta: at least one private investment in an underutilized urban asset Brașov: at least one private investment in an underutilized urban asset Sector 5: at least one private investment in an underutilized urban asset	**Target partially Achieved** **Target Status (2020): Constanta** managed to attract an investment of 200 mil. Euro for the development of an industrial and logistics platform on a 100-hectare site, next to the Constanța Port. **Brasov** has prepared the technical documentation and has secured EU funding for the redevelopment of the Rulmentul Site, following one of the recommendations/scenarios proposed by the World Bank. **Sector 5** has an urban regeneration strategy for the Antiaeriana Site, but further works have been put on hold, for now, because the site was returned to the Ministry of Defense.	
SPI11. Increase local capacity to prioritize public investments ❖ *Baseline (2018)* Constanta: No list of priority projects Brașov: No list of priority projects Sector 5: No list of priority projects ❖ *Target (2020)*	**Target Achieved** **Target Status (2020):** All municipalities have a list of priority projects	

Constanta: List of priority projects for a total amount of around EUR347 million Brașov: List of priority projects for a total amount of around EUR351 million Sector 5: List of priority projects for a total amount of around EUR277 million		
SPI12. Increase local capacity to do spatial planning ❖ *Baseline (2018)* Bucharest – Esplanada Site: No zonal urban plan in place Constanta: No updated spatial plan in place Brașov: No updated spatial plan in place Sector 5: No updated spatial plan in place ❖ *Target (2020)* Bucharest – Esplanada Site: Zonal Urban Plan in place for the Esplanada Site Constanta: Updated spatial plan in place, elaborated according to best practices in the field and conducive to private sector investments Brașov: Updated spatial plan in place, elaborated according to best practices in the field and conducive to private sector investments Sector 5: Updated spatial plan in place, elaborated according to best practices in the field and conducive to private sector investments	**Target partially Achieved** **Target Status (2020):** Sector 5 has an updated spatial plan in place. Constanta and Brasov have successfully tendered the update of their spatial plans, along with the preparation of metropolitan masterplans. The PLR will propose extending the target date.	
SPI13. Increase local capacity to manage under-utilized assets ❖ *Baseline (2018)* Bucharest – Esplanada Site: No strategy for the development of the Esplanada Site Constanta: No strategy for the management of under-utilized assets Brașov: No strategy for the management of under-utilized assets Sector 5: No strategy for the management of under-utilized assets ❖ *Target (2020)*	**Target partially Achieved** **Target Status (2020):** Constanta, Brasov and Sector 5 have strategies in place for the management of under-utilized assets. Bucharest Strategy is under preparation and will be finalized in 2021. The PLR will propose extending the target date.	

<table>
<tr><td>Bucharest – Esplanada Site: Strategy for the development of the Esplanada Site
Constanta: Strategy in place for the management of under-utilized assets
Brașov: Strategy in place for the management of under-utilized assets
Sector 5: Strategy in place for the management of under-utilized assets</td><td></td><td></td></tr>
<tr><td colspan="3">Objective 6: Accelerate capital market development and access to finance</td></tr>
<tr><td>Indicator 12. Improved regulatory and supervision capital markets framework
❖ Baseline (2017): No regulation for alternative investment funds
❖ Target (2018): Regulation on alternative investment funds
❖ Baseline (2017): Compliance-based supervision for market intermediaries
❖ Target (2018): Methodology, manual, and enhanced capacity for risk-based supervision of market intermediaries
❖ Baseline (2018): Gaps in enforcement of disclosure of financial information of issuers
❖ Target (2019): Enhanced enforcement of disclosure of financial information in line with EU best practices</td><td>Target Achieved
Target Status (2020): Regulation on alternative investment funds - Law 243 passed in 2019
• Methodology, manual and enhanced capacity for risk-based supervision of market intermediaries - Methodology is encompassed in Output 5, and manual/handbook forms Output 3
• Enhanced enforcement of disclosure of financial information in line with EU best practice - The impact of the SRSS activity was effective supervision and enforcement of the financial information disclosed
by corporate issuers as set under the Transparency Directive, which will contribute to improved regulatory
and supervisory capital markets framework.</td><td rowspan="3">Portfolio (IFC):
• 518265 Transilvania Bank
• 676905 Garanti Bank Ro
• 689286 Agricover Credit
• 778891 GarantiLeasingRO
• 764462 UniCredit Romania
• 807070 UC Leasing ROM
• 599367 ECA SME Bnkg (Alpha Bank SME advisory)
• TA to ASF to ensure regulation of capital markets is aligned with EU best practices; and to enhance capital markets supervision
Pipeline:
• TA to strengthen the capacity of banking supervisory and resolution authorities to respond to banking distress.
• TA on financial inclusion and literacy with focus on underserved regions/segments
• TA to ASF to enhance the review of the financial information disclosed by publicly listed companies, in accordance with</td></tr>
<tr><td>Indicator 13. Enhanced capacity in bank resolution
❖ Baseline (2018): Untested bank resolution framework
❖ Target (2019): Crisis simulation exercise and enhanced crisis mechanism</td><td>Target Achieved
Target Status (2020): Crisis simulation exercise and enhanced crisis mechanism - the simulation exercise was carried out as part of Output 1 of the SRSS activity, during 14-15 Nov. 2019</td></tr>
<tr><td>Indicator 14. Number of MSMEs loans supported by IFC operations
❖ Baseline (2016): 78,000 loans facilitating US$4.42 billion.
❖ Target (2021:) 100,000 loans facilitating US$6.26 billion.</td><td>Target partially Achieved
Target Status (2020): IFC MSME loans: 121,656 loans for US$ 5,35bln</td></tr>
</table>

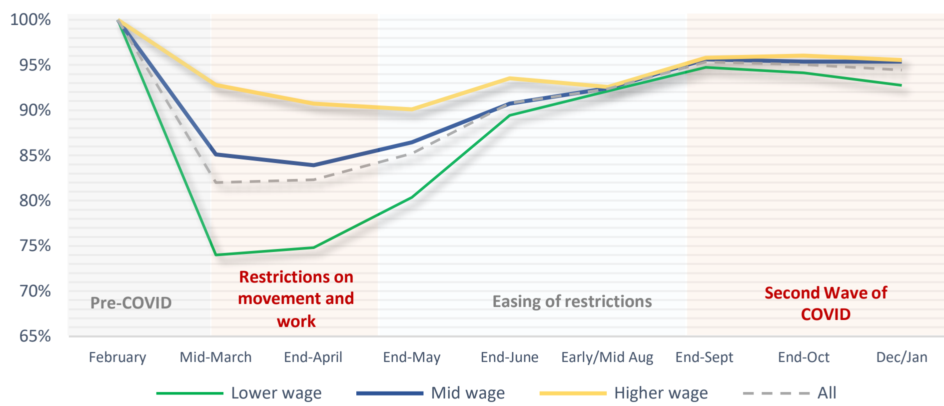
Indicator 15. Number and volume (US$) of outstanding housing finance portfolio ❖ *Baseline (2015): 23,000 loans for US$1 billion.* ❖ *Target (2020): 27,500 loans for US$1.2 billion.*	Target Achieved **Target Status (2020): IFC housing loans: 52,836 loans for US$ 2,0bln**	newly EU (Transparency Directive) and IFRS rules. • Potential new IFC investments in agribusiness, services, manufacturing, IT
Indicator 16. IFC: Agri-finance SME loans: ❖ *Baseline (2016): 3,000 loans for US$158 million.* ❖ *Target (2021): 4,000 loans for US$250 million.*	Target Achieved **Target Status (2019):** IFC Agri-finance SME loans: 5,162 loans for US$ 346 million (2019)	
Focus Area 3: Build Resilience to shocks		
Objective 7: Improve preparedness to natural disasters and climate change		
Indicator 17. Critical disaster and emergency response buildings, personnel and equipment are fully operational in the event of disaster. ❖ *Baseline:* 0 ❖ *Target:* 35 buildings (by 2022)	Target off track **Target status (2020):** Target to be revised and reduced from 35 to 4 building and timeline of the target to be changed to 2023, due to delays in effectiveness and implementation.	Portfolio: • Accelerating DRM and Climate Resilience TF • Strategies and Options to Reduce Housing Sector Risks in ECA countries TF Pipeline: • Disaster Risk Management Project IPF • Building Disaster and Climate Resilience Program CAT DDO • Reducing Risk on Ambulance and Police stations IPF • Municipal investments (Esplanada, etc.) • Water RAS • RAS on EU Flood Directive (to ensure inclusion of climate change and a prioritized and costed investment program for risk reduction)
Indicator 18. Population served by resilient energy response buildings. ❖ *Baseline:* 0 ❖ *Target:* 4 million (by 2022)	Target off track **Target status (2020):** Target to be revised and reduced from 4 million to 500k and timeline of the target to be changed to 2023, due to delays in effectiveness and implementation	
Indicator 19. Information on disaster and climate risks is available at national and sub-national level to avoid the creation of new risks and reduce existing risks. ❖ *Baseline:* 0 ❖ *Target:* 3 new reports completed	Target on track **Target Status (2020):** 2 reports completed	
Indicator 20. National programs and policy reforms aimed at reducing disaster risk and improving the physical, social and financial resilience are in place ❖ *Baseline:* 0 ❖ *Target:* 5	Target on track **Target Status (2020):** 3	
Indicator 21. Building improvements in seismic safety include energy efficiency improvements (and vice versa) ❖ *Baseline:* 0 ❖ *Target:* 35 buildings	Target off track **Target status (2020):** Target to be revised and reduced from 35 to 4 building and timeline of the target to be changed to 2023, due to delays in effectiveness and implementation.	

Indicator 22. Integration of disaster and climate resilience and mitigation measures in all WB projects and increase of these measures in Government and EU investments. ❖ *Baseline:* 0 ❖ *Target:* All Bank projects are disaster and climate informed	**Target Achieved** **Target Status (2020):** All projects approved since beginning of the CPF are integrating disaster and climate resilience and mitigation measures	• ASA/RAS on scalable social safety nets
SPI14. Government awareness campaign are successfully completed ❖ *Baseline*: 0 ❖ *Target:* 3 campaigns completed	**Target exceeded** **Target Status (2020):** More than 3 campaigns were conducted	
SPI15. National Building Code for Seismic risk in existing building is issued	**Target achieved** **Target Status (2020):** National Building Code for Seismic risk in existing building is issued	
SPI16. All new permits consider new regulation in compliance with the Building Code	**Target on track** **Target Status (2020):** The new building code was issued. Information on number of permits issued needs to be gathered	
SPI17. Fiscal budgetary strategy is informed by disaster risks	**Target on track** **Target Status (2020):** Macro fiscal tool was developed to inform fiscal budgetary strategies by disaster risks. It is expected to be used in the next year but has not been used yet.	
SPI18. New disasters and risk information analysis ❖ *Baseline:*0 ❖ *Target:* 3 new analyses	**Target on track** **Target Status (2020):** 2	

Annex 4. COVID-19 Impact on Romania

1. **The protracted COVID-19 pandemic has substantially impacted household incomes.** Poverty is expected to have risen for the first time in 7 years and inequality is expected to have widened. Poor households have seen a triple-hit from declining remittances, a prolonged drought and the domestic contraction linked to COVID-19. The initial wave of the pandemic had stark impacts on household incomes: rapid assessments show nearly one in three households reported a decline in incomes between February and May 2020, resulting in a short-term nearly 50 percent rise in the population at risk of poverty. The second and third waves of the pandemic had a milder economic impact than the first wave, as people and firms adapted their structures to the pandemic, but the persistence of the crisis is expected to put continued financial strain on poor working households and poverty rates are expected to remain elevated through at least 2021.

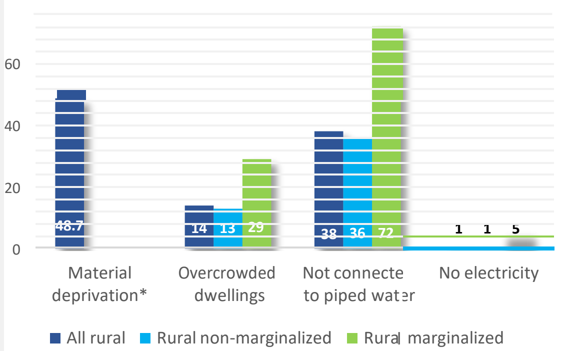
Figure 11 – Proportion of individuals working in February 2020 who were able to continue working (%)



Sources: World Bank Pulse Survey; March from Wave 1, April – August from Wave 2 and September to Dec/Jan from wave 4. In wave 1, households in March were asked if they continued their work from February while in wave 2 and 4 respondents were asked if they worked for at least one hour at the end of February, April, May, June, September, October and in the last 7 days. Lower wage workers are those in the bottom 30% of the wage distribution, mid-wage, are those in the middle 40% of the wage distribution while higher wage workers are those in the top 30% of the wage distribution

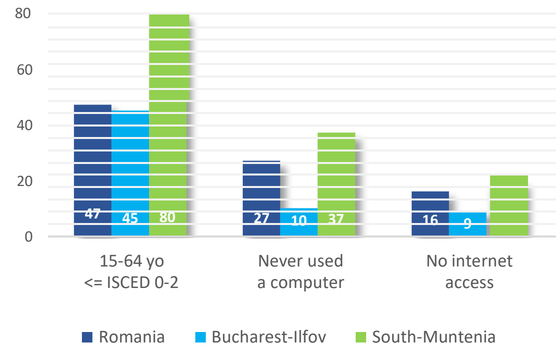
2. **The pandemic has further exacerbated inequalities between lagging rural areas and dynamic urban centers, and deepened the challenges encountered by vulnerable populations**. Pre-existing gaps in housing conditions have made compliance with COVID-19 requirements harder for marginalized people and groups: lack of easy access to water has made it difficult for some communities to comply with hygiene recommendations, while overcrowded dwellings have made it difficult to follow distancing and isolation recommendations (Figure 12). Among poorer groups, limited access to a proper internet connection and to computers have made it harder to work, study, and interact with authorities from home (Figure 13), while distance from the workplace and limited availability of transportation options forced some to stop working. Government social assistance programs have only partially offset the losses suffered by population, while local initiatives have disfavored poorer communes which have been less likely to tap into local budgets to buy supplies and organize social assistance, again leaving the most vulnerable further behind.

Figure 12. Population facing dire living conditions



*Sources: Atlas of Marginalized Communities (World Bank, 2016). Data from 2011 Population Census,. *: Eurostat, 2019, ilc_mdsd09.*

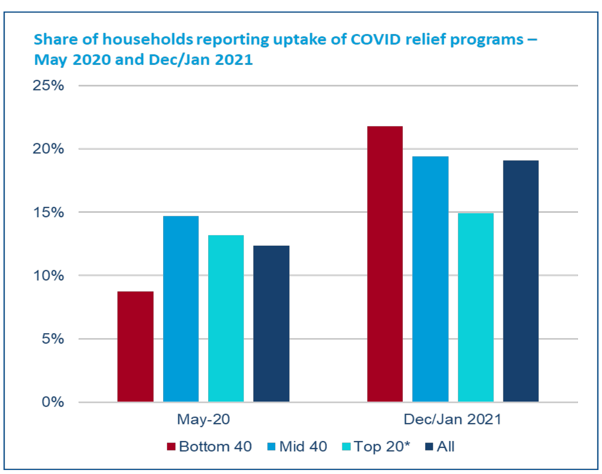
Figure 13. Access to internet and digital means



*Note: Atlas of Marginalized Communities (World Bank, 2016). Data from 2011 Population Census . *: Eurostat, isoc_r_cux_i (2017) and isoc_r_iacc_h (2019).*

3. **While government support moved quickly to reduce the impacts of work stoppages, initial measures targeted the formally employed while additional measures aimed to reach more vulnerable pockets.** Low-wage earners were more likely to stop working (26% drop for those receiving lowest wages compared to 8-9% drop for higher wage workers during the first pandemic wave), with similar patterns for vulnerable populations including those with more informal work arrangements, Roma and women. The biggest income losses were seen by workers with non-standard contracts and the self-employed, and those in heavily impacted sectors including tourism and hospitality. In addition, a drastic reduction of remittances from abroad and a prolonged drought affecting the agricultural sector further put financial pressure on vulnerable households. Government support programs, such as technical unemployment and Kurzarbeit[19], moved quickly through formal employment channels to mitigate the job and household income impacts of the crisis. By December, additional measures targeting day and seasonal laborers focused on reaching more vulnerable groups. Since the support has been channeled through formal employment structures, coverage gaps have emerged however for those in the informal sector that have not been stymied through absorptive social assistance.

Figure 14 - Share of households reporting uptake of programs – May and Dec/Jan 2021



Government support moved quickly to reduce impacts of COVID-19. Initial measures targeted formally employed, additional approaches aimed for more vulnerable pockets.

- ✓ Temporary unemployment benefit for employees in sectors that had to reduce or temporarily stop their activity (up to 75%of monthly gross salary)
- ✓ Indemnity for self-employed whose activity is reduced due to COVID-19 (41.5% of monthly gross salary)
- ✓ Seasonal workers whose activity is reduced due to COVID-19 (up to 3 months at 35% of daily income)
- ✓ Daily workers whose activity is reduced due to COVID-19 (up to 3 months at 35% of daily income)
- ✓ Paid sick leave to salaried parents if children's schools closed
- ✓ 26% of households with working members in February received support in February, compared to 6% without working members

[19] On August 10, 2020, through the Emergency Ordinance 132/2020, the Government approved the application of the German Kurzarbeit model in Romania, which involves the subsidy by the state of reduced working time.

4. **Health disruptions, while mostly temporary, further highlighted a preexisting urban-rural divide and have had a disproportionate negative effect on poorer households.** The COVID-19 pandemic has affected the provision of health services, especially in the most vulnerable communities due to poorer underlying health status, more limited access to care, and less opportunity to practice social distancing - 1 in 3 poor households (bottom 20%) had difficulties accessing the adequate amount of sanitary and hygiene products during the State of Emergency. Furthermore, vulnerable populations have been particularly affected by delays in consultations, treatments, and monitoring, 1 in 3 poor households (bottom 20%) missing a health appointment between March and July 2020. Despite the large challenges it faced, the Government quickly implemented a series of actions to strengthen the health care system's ability to cope with COVID (Box 5).

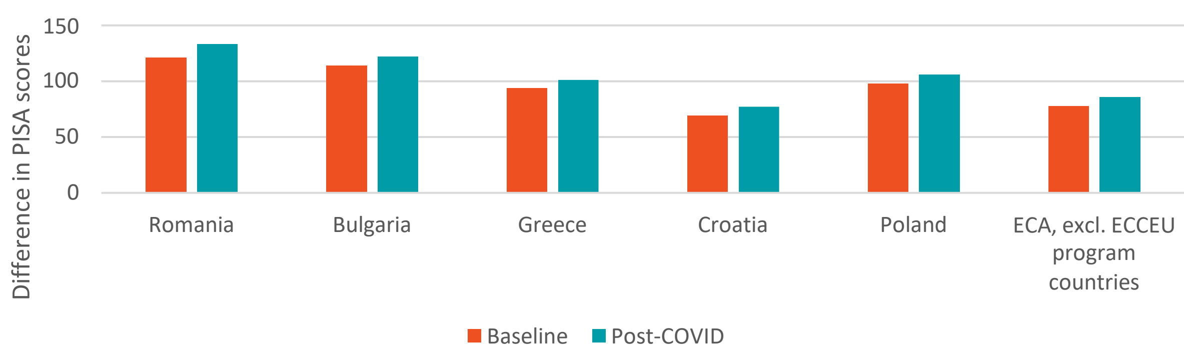
Box 5. Initial reforms to support health sector response (until April 2020).

- Designation of hospitals as COVID-19 isolation centers; On February 22, 2020, 5 hospitals were designated as COVID-19 isolations centers. This number has been gradually increased since then. Since April 3, 2020, 45 hospitals have been labelled "COVID-19" centers.
- Temporary recruitment of additional health care workers.
- Flexible procurement procedures at the hospital level.
- Flexible transfer of funds from the Ministry of Health (MoH) to the National Health Insurance House (NHIH), and among the different budget lines in both the MoH and the NHIH.
- Removal of budget caps for hospitals.
- Strengthening of the capacity of hospitals, including through the restructuring of the World Bank supported Health Sector Reform Project (P145174).
- Establishment of emergency hospital stocks for priority COVID-19 products; and
- Strengthening of the PHC system to respond effectively to the demand for health care services during the outbreak.

On February 22, 2020, 5 hospitals were designated as COVID-19 isolations centers. This number has been gradually increased since then. Since April 3, 2020, 45 hospitals have been labelled "COVID-19" centers

5. **In terms of education, rural areas and disadvantaged communities faced reinforced challenges in providing children with quality education and in keeping pupils engaged in school.** Since equitable access to quality education has been one of Romania's major challenge even before the pandemic, with a strong urban-rural divide and socioeconomic disparities (in terms of childcare, early school leaving, underachievement, and early school leaving), the pandemic has only increased inequalities, children from disadvantaged backgrounds being twice more likely to report studying much less hours than before. A huge divide has been also seen in terms of access to IT equipment, with lower access to technology and

Figure 15. Point difference in PISA scores between richest and poorest quartile of student, before and after COVID



more limited digital skills in marginalized settlements, rural areas, and among the less educated / poorer households, as well as children in rural areas having less access to adequate facilities for distance learning (e.g. 1/2 urban dwellers have a computer to access internet, as compared to 1/4 in rural areas). Before COVID-19, a rich student (age 15) in Romania was approximately 3 academic years ahead of a poor student. As a result of the different abilities of schools to handle distance learning, in just one school year, the World Bank estimates that that gap has widened further to 3 1/3 year.

Figure 16 – Access to digital devices by income group and in urban and rural areas in June 2020

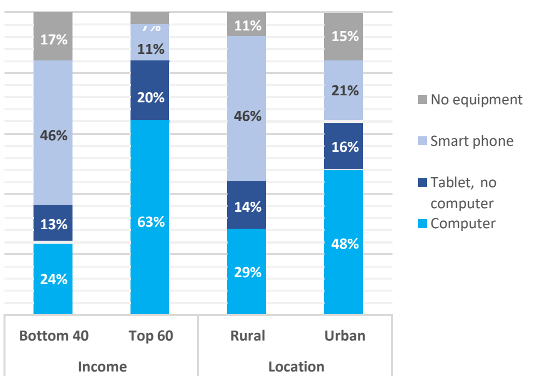
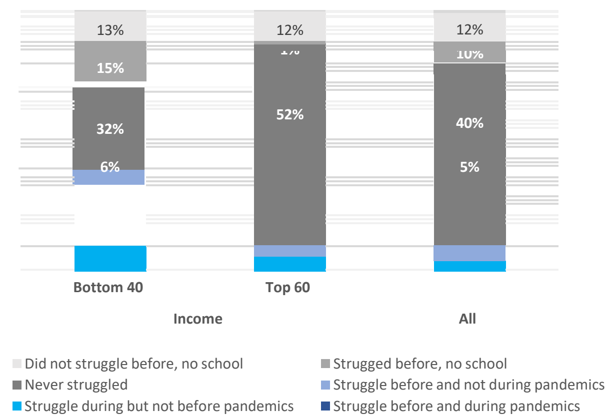


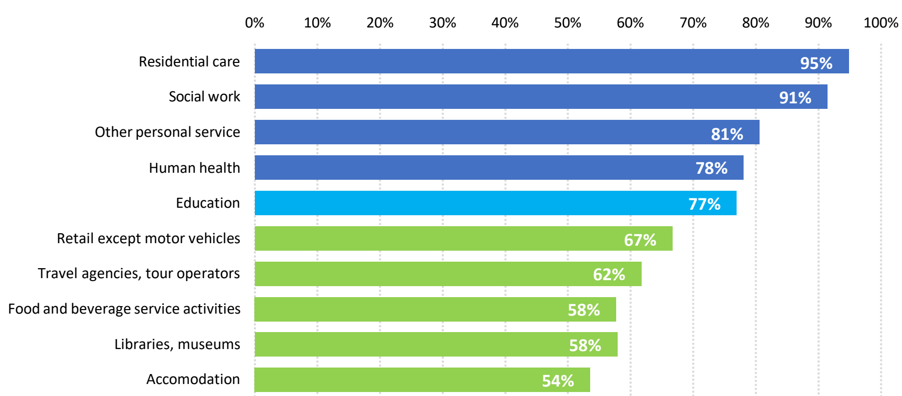
Figure 17 – Difficulty in continuing education during the pandemic, by income group



Sources: World Bank Pulse Survey, 2020

6. **Women have been disproportionately affected by the pandemic, being engaged in jobs that were hit hardest by the pandemic while also shouldering the increase in caring activities and household chores.** Women dominate in frontline sectors that must remain operative during emergencies, such as health, caregiving, cleaning, and essential retail, where they were especially exposed to the virus during the course of the pandemic. They are also major providers of education, when the sector was turned upside down with the overnight switch to distance learning. In addition, female labor participation is strong as well in several sectors that were mandated to close early during the lockdown, such as retail, travel, food and beverage, libraries or accommodation. These are among the last ones to reopen, thus putting women at higher risk of dismissal or experience of income loss (Figure 22).

Figure 18– Share of women (%) per sector of occupation



Source: Eurostat LFS 2019 (lfsa_egan22d); World Bank computations.
Note: Women ages 15 to 64.

Annex 5. Analysis of Institutional Building Priorities and IB Tool

Summary from Forward-Looking Assessment and Recommendations for Institution building Interventions in Romania [20]

This analysis looked at ways in which the Bank has targeted institution building and good governance in Romania in the last 5 years and more precisely it looked at where the institution building support was located, what kind of institution building impact was sought and how this impact is concentrated across the public sector management cycle. In addition, it also classifies what the actual delivered interventions were and whether their impact was tracked and assessed through their lifecycle. A sample of 60 representative tasks across GPs were considered for this analysis.

Figure 19. CPF objectives Addressed by the Post-2018 Interventions (41 interventions in total)

Obj. #	Objective	# of times addressed post-2018[1]	Presence
	Build institutions fit for a prosperous and inclusive Romania	10	High
1	Improve transition to tertiary education for the poor and vulnerable	2	Low
2	Improve access to modern healthcare	4	Low
3	Connect the poor and vulnerable to jobs	4	Low
4	Strengthen capacity to build transport infrastructure	6	Medium
5	Boost subnational capacity to attract private investment	13	High
6	Accelerate capital market development and access to finance	6	Medium
7	Improve preparedness to natural disasters and climate change	8	High
	N/A (no objective met)	4	Low

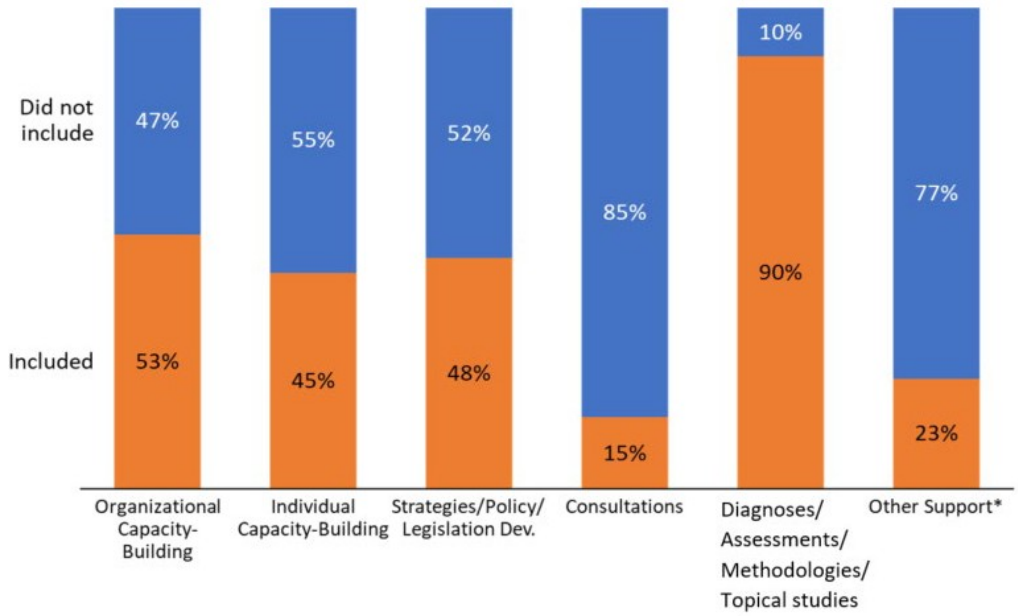
High Medium Low

There is great variation in how the CPF objectives were targeted by the post-2018 interventions, ranging from the highest concentration of interventions addressing objective no. 5 to 4 interventions not addressing any CPF objective. The second largest portfolio focus was on the CPF's overarching objective of "building institutions fit for a prosperous and inclusive Romania", mostly driven by a large number of governance interventions. This was directly targeted 10 times.

The analysis tried to identify the type of institution building outputs that Bank interventions have delivered since 2015. This support has ranged from capacity-building at both organizational and individual levels to strategy and legislation development, as well as reports/assessment/methodologies delivery and consultations with experts (see Figure 20).

[20] The main objective of the report was to propose a model for assessing and "filtering" future Bank interventions that have the potential of strategically targeting the main bottlenecks and critical institutional constraints and generating the expected impact in the longer term. In developing this knowledge product, the team carried out an in-depth analysis of various documents and existing literature as well as relied on international experience on the topic.

Figure 20: Output types across the sample



**The project practically supported the client in activating existing or proposed strategies, policies or other recommendations (e.g. key indicators for implementation, TORs, design competitions, practical urban solutions, simulation exercises)*

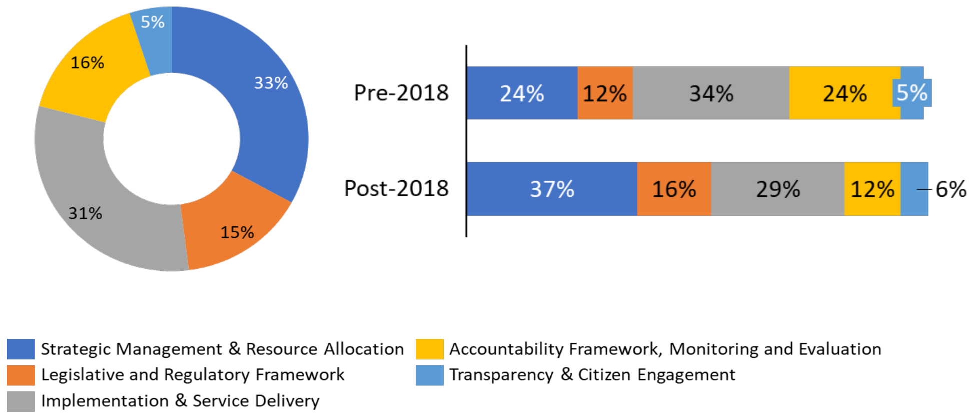
Potential capacity building objectives were only partially supported. Despite their explicit intent to increase the clients' capacity stipulated in the interventions' development objectives, only half the sample included a hands-on capacity-building output – be it at organizational (53%) or individual level (45%). Additional findings include:

- 90% of interventions have supported clients by conducting an analysis of the status quo, thus providing diagnoses, methodologies, assessments, reports, and other topical studies.
- 48% of interventions proposed action-orientated strategies and frameworks (sectoral, organization, topical) and/or made proposals for changes in legislation and policy.
- 15% of interventions supported clients in drawing upon and disseminating experts' and other client stakeholders' input through consultations.
- 23% of interventions offered the client ad-hoc assistance with practical tasks, such as creating TORs, launching design competitions, conducting simulation exercises, etc.

Identifying where the interventions are concentrated along the PSM cycle (See figure 22) has revealed gaps in specific priority areas which should be addressed by future World Bank interventions. Notably, focus on accountability frameworks (where the overall 16% is mostly driven by M&E interventions), adequate legislative and regulatory frameworks, and most importantly, transparency and citizen engagement, particularly in light of the Romanian citizens' low levels of trust in government and the public sector, are areas that might require more attention. Additional findings:

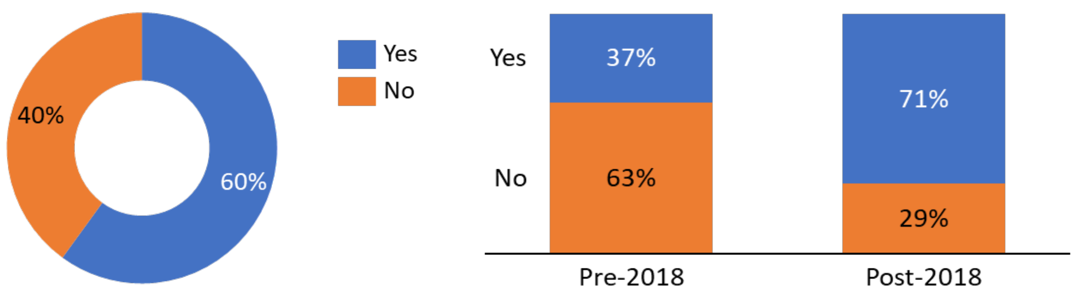
- Strategic management and resource allocation as well as implementation and service delivery have been prioritized by the intervention sample in the last 5 years.
- There is an increase in focus on all priority areas post-2018 with the exception of implementation and service delivery and accountability interventions which have been prioritized pre-2018 and have decreased in the post-2018 time period.

Figure 11: Concentration of the interventions by elements of the PSM cycle



While there is a strong increase in the number of interventions tracking results/outcome indicators in the post-2018 period, there is still room for improvement in this aspect. The practice of including indicators and establishing M&E procedures is still limited, with one third of the recently closed and ongoing interventions lacking such arrangements. To increase the impact on institution building through all ASA interventions a basic requirement should focus on the inclusion of this important feature.

Figure 22: Percentage of interventions tracking results/outcomes
Aggregate and by implementing period



The analysis further identified critical gaps of the four institution-building priorities found critical by the SCD, for which suggested interventions are proposed below:

Priority area 1 – Increasing transparency and accountability

Gaps identified:

- **Policy implementation and service delivery** - The overall strategic and regulatory framework is rather well-designed; however, implementation does not seem to be organized properly to ensure evidence-based, transparent, and participatory decision-making processes.
- **Reinforcing aspects related to M&E as well as to transparency and citizen engagement could also be a good complement to encourage further policy implementation in this area**. Both international and Romanian experiences showed that ensuring existing regulations being followed in practice and increasing the ability of relevant actors and stakeholders to engage and

participate in government decision-making processes proved to be effective not only to increase chances for policies to be implemented, but also to increase trust in government institutions.

Suggested interventions:

- Empower GSG to ensure it is able to play the gate-keeping function ensuring transparency and appropriate consultation of the items submitted for Government's approval.
- Support the use of an integrated on-line consultation platform for all draft legislation being prepared.
- Mandatory e-signature by the line ministries of all initiated draft proposals (to ensure traceability and allow for proposals/ comments/ endorsers to be seen by GSG).
- Build external oversight through supporting relevant watchdog functions from interested civil society actors.
- Functional review of all or selected portfolios with the aim to clarify the mandate of subordinated agencies. Attention could also be given to the status of the staff of these bodies (as some are civil servants and others are not). The latter is aligned with NACS's intention of increasing the number of employees that are subject to specific civil service legislation.

Priority area 2 – Public Investment Management

Gaps identified:

- Lack of guidance and technical capacity to formally appraise projects using appropriate tools (such as Cost-Benefit Analysis and Cost-Effectiveness Analysis);
- Limitations in the independent review of appraisal documents (IMC focuses mostly on administrative/legal compliance and Ministry of Finance lacks veto powers to stop proposals on the grounds of demonstrated concerns about project affordability, sustainability, efficiency, or effectiveness);
- Weaknesses in assessing and screening project proposals for strategic relevance at an early stage;
- Weaknesses in prioritizing budget funding, and in securing adequate financing for ongoing projects;
- Limitations in professional project management and project monitoring;
- Limited information management tools;
- Inadequate PIM-management and oversight function in the Ministry of Finance;
- Insufficient consideration of recurrent cost implications of capital investments, resulting in inadequate budget allocations for operation and maintenance of new facilities.

Suggested interventions:

- Support for improving projects' quality. Quality of projects documentation is a precondition for their successful implementation. Time (and adequate resources) needs to be allocated for sound preparation of the projects.
- Capacity development for managing project implementation. Develop and implement capacity building/ training programs focused on project implementation planning and management skills, budget preparation, disbursement and procurement requirements, as well as generally accepted contract management procedures for those involved in PIM at line ministry level.
- Limit unhealthy competition between EU and externally funded projects and those financed through the national budget. Support Government towards moving to an integrated (same) approach for project appraisal, budgeting, implementation and control irrespectively of the source of funding.
- Support adequate coordination of the PIM system. Engage in dialogue with the GoR and decide on the coordination system for PIM that is to be used in the medium term, clarifying the role and

responsibilities of the main actors (the units within Ministry of Finance, the GSG, the Ministry of Investments and European Projects, the Ministry of Development, Works and Public Administration).

Priority area 3 – Reducing bureaucratic requirements and shifting anticorruption efforts towards prevention

Gaps identified:

- Strengthening of the legislative and regulatory frameworks as well as their implementation are the key stages of the PSM cycles where most gaps have been noted in this area;
- Inter-institutional coordination within the government and limited citizen and businesses engagement need to be strengthened.

Suggested interventions:

- Implement an e-government strategy;
- Perform an assessment of the main public services accessed by citizens and ensure simplification and business re-engineering to improve the service delivery chain (with special focus on on-line interaction);
- Support general use of e-signature within the public sector and limitation of paper-based communication;
- Support digitization and interoperability for the main databases supporting various services for businesses and citizens so that concerned public institutions could directly access information from other public institutions (without requiring it from the client);
- Support simplification of institutional-level procedures for most common horizontal processes (e.g., HRM/personnel records, legislative drafting, procurement, or more concrete procedures for delegation of authority, approval of business trips and representing the institution, etc.);
- Support introduction of a shared services provision approach for particular portfolios/ sectors with a view to increasing efficiency, reducing redundancies and diminishing costs;
- Support anticorruption efforts through development of prevention mechanism, use of risk assessment, and performance auditing.

Priority area 4 – Reforming the civil service by depoliticizing public administration and creating professional senior management

Gaps identified:

- Politicization of civil service, especially for senior management positions. The high rates of temporary appointments (reaching as much as 75% of all high-level civil servants) hinders the ability to ensure the institutional memory from one government to another.
- Fragmentation of HRM practices and procedures across the public sector. There are different categories of employees in the public sector, with only about 10% being civil servants.
- Lack of performance orientation for the public sector employees. There is a traditional preference for a procedural approach (where procedural compliance is what matters) with limited attention being paid to the results that the civil servants contribute to.
- Recruitment into the public sector is widely perceived as unfair, affected by political patronage and clientelism.
- Weaknesses in the strategic management and resource allocation mechanisms together with poor implementation are the main stages of the policy cycle where improvement is urgently needed.

- The legislative and regulatory framework is rather complex and has been developed throughout the years. Nevertheless, scattered regulations and procedures are being developed and applied differently in various sectors undermining a coherent overarching HRM policy.

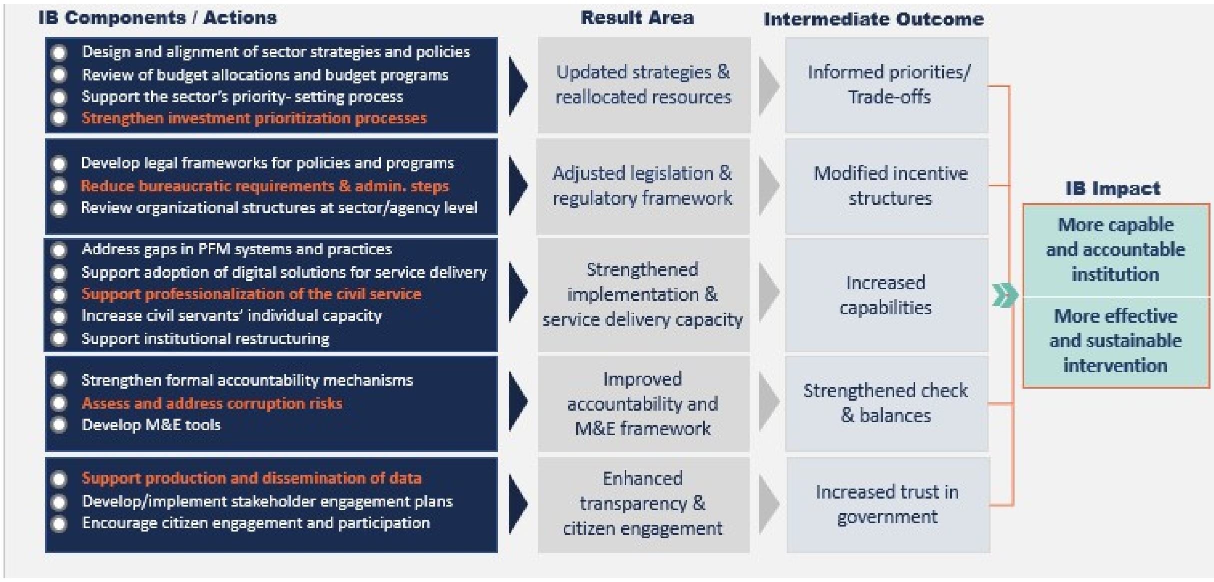
Suggested interventions:

- Tackling the politicization of senior management by supporting an overarching process for recruitment of General Secretaries in line ministries, using the recently developed Competency Framework. This would be recommendable if the current career-based civil service system is maintained.
- Supporting the National Agency for Civil Servants to expand the coverage for public sector positions and apply an integrated approach for managing them. This could be coupled with any reforms stemming from the proposed functional reviews of subordinated agencies across the government.
- Assessing how the special performance appraisal system designed (with Bank assistance) for officials managing EU funds has been implemented and supporting its replication across all organizations.
- Pilot delegation of authority in willing agencies. This could be linked with reforming the budget preparation and execution process, should that get traction in the upcoming period (i.e., program budget managers nominated from the senior civil servants responsible for the respective policy area).
- Roll out and support competency-based workforce planning in public organizations.
- Perform a horizontal review of the human resources management function and setting detailed standards and procedures that are to be followed by all central public institutions.

In order to strategically target the main bottlenecks and critical institutional constraints and generate the expected impact in the longer term, the governance practice designed an institution building tool for assessing and "filtering" Bank interventions. It proposes an institution building assessment approach (the IB-Filter) that task teams and the country management team can use for considering concrete engagements with the Romanian Government - especially but not limited to Reimbursable Advisory Services engagements – as well as for designing IB-focused interventions once decided upon. The IB-Filter pursues three core objectives:

- Improve the strategic alignment of new ASA efforts to country and Bank priorities to maximize allocative efficiency.
- Enhance the IB content in ASA interventions to address key country institutional capacity shortcomings.
- Strengthen the management of institutional and governance related risks.

Figure 23 – Institution-building filter Theory of Change



Source: World Bank Advisory Services and Analytics on Forward-Looking Assessment and Recommendations for Institution building Interventions in Romania

Figure 24 – Stages for the application of the IB-Filter tool

	1 STAGE 1: PRIORITY IDENTIFICATION	2 STAGE 2: IB SCOPE REQUIREMENTS	3 STAGE 3: INSTITUTIONAL RISK MANAGEMENT
WHO	• **Apply**: TTL & Project Team • **Review & Approve**: CMU	• **Apply**: TTL & Project Team • **Review & Approve**: CMU	• **Apply**: TTL & Project Team • **Review & Approve**: CMU
WHAT	• Answer the "opportunity" and "criticality" questions in excel worksheet • Provide a rationale for the final result and send to CMU for approval • If the decision is to move forward, attach the stage 1 answers and overall result to the concept note	• Indicate the IB Components / Actions and subsequent result chain to be incorporated in the intervention design in the Excel worksheet • Ensure the IB theory of change (IB actions, activities, result indicators, result area, intermediate outcome and IB impact) is reflected in the concept note	• Indicate the institutional risks identified based on the stage 1 opportunity questions and beyond • Evaluate the risks using the formula provided • Propose mitigation actions and apply a tolerance threshold • Incorporate analysis and results in the risks section of the concept note
WHEN	• At the Activity Initiation Note (AIN) stage and confirmed during Concept Review	• During the intervention's design (i.e. when preparing the concept note), as well as throughout the rest of the lifecycle	• During the intervention's design (i.e. when preparing the concept note), as well as throughout the rest of the lifecycle
EXPECTED OUTCOME	• Stage 1 matrix results with justifications provided for affirmative answers • Management decision whether to proceed with the design of the intervention	• *Explicit* inclusion of selected elements of the IB theory of change within the intervention's design • Management approval of IB design	• *Explicit* inclusion of institutional risks & mitigation plan in the risk section of the CN • Continuous risk identification and mitigation • Management approval of risk tolerance

Source: World Bank Advisory Services and Analytics on Forward-Looking Assessment and Recommendations for Institution building Interventions in Romania

Annex 6. WBG Program response to COVID -19 crisis.

Program Response to COVID -19 crisis			
Pillar 1 - Saving lives			
P166303	Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option – **fully disbursed**	**EUR400 million**	Provided financing for a range of interventions to strengthen health services and to safeguard lives and livelihoods. In particular, early access to funding allowed Romania to move quickly and acquire equipment and materials at the start of the pandemic.
P145174	Health Sector Reform IPF – **Restructured**	**USD338.80 million**	Equipment procured under the Health Sector Reform IPF allowed Romania to enter the health crisis better prepared. In particular, the project provided medical equipment for hospital emergency departments, intensive care units (ICUs), advanced surveillance and treatment units for critical cardiac patients and burn patients; COVID-19 laboratory equipment and supplies; medical imaging equipment; radiotherapy equipment; and mobile units for cancer screening. As the pandemic progressed, the project was restructured to dedicate a portion of undisbursed funds (EUR70 million) to emergency needs.
Pillar 2 - Protecting poor and vulnerable			
P148585	Romania Secondary Education **Restructured**	**USD243.10 million**	Provided EUR40 million in urgent assistance to underperforming high schools and vulnerable students to access equipment necessary for online learning and for technical assistance to teachers to facilitate distance learning.
Pillar 3 - Saving livelihoods, preserving jobs			
The World Bank has provided **just-in-time advice and policy recommendations** to support household resilience through a series of household and firm surveys and periodic rapid assessments of COVID-19 effects on household living conditions, employment of household members, education of children, and behaviour of household members. The data collected also provide a snapshot of firm revenue and employment impacts. Also, the Bank provided advice and recommendations to beneficiaries of POCU financing for adapted responsiveness and continued operations during COVID-19 restrictions.			
Pillar 4 - Strengthening policies and institutions for resilient recovery			
P160751	Justice Services Improvement Project **(JSIP)**	**USD66.99 million**	Helps the Government address COVID-19 impacts on justice services, such as the expected increase in court cases as citizens and businesses seek redress for unfulfilled contracts and other obligations. It is also helping in adaptation of justice services to lockdown measures and social distancing requirements. The project will enable justice sector actors to respond to these challenges through digital platforms (such as electronic filing, virtual audiences, etc.) and through development of digital skills to ensure uptake of e-justice services.
P169927	Romania Health Program for Results **(Health P4R)**	**USD557.20 million**	The Health Program for Results operation has been restructured to strengthen the ability of primary health care services to respond to the COVID-19 outbreak, and to accelerate centralized procurement for emergency products.

Annex 7. IBRD Indicative lending[21]

Projects under preparation FY21-FY22					
P#	**Project Name**	**Indicative Amount (USD $mil)**	**Financing Instr.**	**Board Approval**	**Development Objective**
P157654	Justice District Development Program	150	IPF	FY22	Improve the institutional capacity for justice service delivery in Bucharest and catalyze neighborhood revitalization through the development of a Justice District, consolidating eight (8) judicial functions into one location
P171039	Institutional Strengthening and Financial Safety Net Resilience	452	IPF	FY22	Strengthen the institutional capacity and financing mechanism of the deposit guarantee fund to meet its potential deposit insurance and bank resolution obligations.
P169364	Water Security and Climate Adaptation for Development Program*	70	IPF	FY22	Improve water security and resilience in program areas and to strengthen national capacity for water resource management.

[21] Actual lending for operations meeting the CPF objective and filters would depend on the availability of IBRD resources globally, demand from other clients, and performance of the existing portfolio.

Annex 8. Gender activities and indicators in the current WB portfolio: Romania CPF 19-23

WBG Gender Strategy Pillar	Project Name and Number	GP	Gender Gap (s)	Actions (s) Addressing Gap (s)	Output/Outcome Indicators
Human Endowments: Education	Romania Secondary Education Project: P148585	Education	Higher dropout rates from high school for males compared to females, esp. in Roma population	High school grants linked to school improvement plans, and teacher training on inclusive education.	Gender disaggregated: (a) average dropout rate in the final grade in project-supported high schools; (b) average graduation rate in project-supported high schools (c) average Baccalaureate passing rate in project-supported high schools; (d) average retention rate in the first year of tertiary education in project-supported faculties.
Human Endowments: Access to Primary Health Care	Romania Health Program for Results: P169927	Health, Nutrition And Population	Women's limited access to primary health care compared to men	Interventions contributing towards addressing financial, physical, and social challenges to improve access to PHC services	Gender disaggregated DLIs: -Number of the uninsured registered with family physicians and entitled to receive the basic package of PHC services; -Percentage of adults (40 years old and above) receiving annual medical check-ups from family physicians. -Percentage of women living in communities covered by community health care receiving at least one annual visit from a community health care provider
Women's Voice and Agency	Justice Services Improvement Project: P160751	Governance	Women's lower use of the judicial system; Domestic violence	Gender equality trainings and capacity-development of justice system service providers with a particular focus on the victims of violence; Outreach and information activities to strengthening women's voice and agency.	Gender disaggregated: - Women's participate in court open days and workshops at select court sites; -User perception of accessibility at select sites.

WBG Gender Strategy Pillar	Project Name and Number	GP	Gender Gap (s)	Actions (s) Addressing Gap (s)	Output/Outcome Indicators
Women's Voice and Agency	Strengthening Disaster Risk Management Project: P166302		Women's low participation in preparedness and disaster response program; lack of paces that cater women's needs and safety aspects	Promoting gender dimensions such as gender disaggregated impact assessments, consultations and appropriate designing of new buildings and facilities to cater women's requirements and safety aspects	Reports on completed buildings including data on the number of new facilities for women (such as bathrooms) and the number of female rescue personnel, administration staff, volunteers and so forth. Baseline data was collected during project preparation
Women's Voice and Agency	Improving Resilience and Emergency Response Project The proposed Project: P168119	SUR & Resilience	Lack of gender-sensitive design in Romanian police buildings	Training and sensitization regarding GBV issues. GBV risks and mitigation mechanisms	Number of female Police personnel with access to resilient emergency response buildings;
Women's Voice and Agency	Strengthening Preparedness and Critical Emergency Infrastructure Project: P168120	SUR & Resilience	Lack of gender-sensitive design in Romanian Gendarmerie	Include gender-sensitive design measures in civil works	Percentage of reconstructed or retrofitted emergency response buildings which have added or enhanced gender-responsive design features

Annex 9. IFC's Committed and Outstanding Portfolio as of April end 2021, ($US million)

Industry	Project Short Name	Committed IFC	Committed IFC Part	Outstanding Balance - IFC	Outstanding Balance - Part	Committed - IFC + Part	Outstanding Balance - IFC + Part
FM Industry Group	32914-GTFP TRANSILVANI	1,340,621		1,340,621		1,340,621	1,340,621
	34657-GTFP ALPHA BANK	3,110,600		3,110,600		3,110,600	3,110,600
	35030-DARP NPL Ursa	2,416		2,416		2,416	2,416
	36783-UCLC	15,324,825		15,324,825		15,324,825	15,324,825
	37071-DARP NPL Tokyo	12		12		12	12
	38414-Alpha Bank RO	7,517,256		7,517,256		7,517,256	7,517,256
	39287-GarantiLeaseRO2	1,898,286		1,898,286		1,898,286	1,898,286
	40713-Garanti Facility	20,133,333		20,133,333		20,133,333	20,133,333
	40788-GLR Facility 3	5,637,333		5,637,333		5,637,333	5,637,333
	40824-DCM Alpha Rom	60,400,000		60,400,000		60,400,000	60,400,000
	41084-BT B3T2 Bond	144,960,000		144,960,000		144,960,000	144,960,000
	41560-Agricover SME	6,742,923		6,742,923		6,742,923	6,742,923
	41641-BT Mic Loan I	10,445,401		5,222,700		10,445,401	5,222,700
	41800-Garanti RO SEF	56,773,557		56,773,557		56,773,557	56,773,557
	42345-UCLC SEF	33,220,000		33,220,000		33,220,000	33,220,000
	42369-DCM BT Lsng Bond	22,348,000		22,348,000		22,348,000	22,348,000
	43227-DCM RBRO B3T2/SL	58,847,328		58,847,328		58,847,328	58,847,328
Infra Industry Group	32630-TeamNet Romania	14,834,501		14,834,501		14,834,501	14,834,501
	37422-TeamNet RI	1,505,209		1,505,209		1,505,209	1,505,209
	38387-TeamNet RI II	5,046,051		5,046,051		5,046,051	5,046,051
MAS Industry Group	25069-MedLife	1,240,124		1,240,124		1,240,124	1,240,124
	31466-Lidl Romania	9,060,036		9,060,036		9,060,036	9,060,036
	38149-NEPI Bond	59,826,804		59,826,804		59,826,804	59,826,804
	41142-GREI Bond	59,931,900		59,931,900		59,931,900	59,931,900
	42730-WDP Romania	110,000,000	71,272,000	110,000,000	71,272,000	181,272,000	181,272,000
	45237-Iulius Phase 1	33,824,000	28,581,280			62,405,280	-
	Total	**743,970,516**	**99,853,280**	**704,923,816**	**71,272,000**	**843,823,796**	**776,195,816**

Annex 10. IFC's new commitments in FY19-21 as of April end 2021, ($US million).

FY	Industry	Project Short Name	IFC OA	Core Mob.	Total (IFC + Core Mob.)
2019	FM Industry Group	39108-BCR Leasing	24,083,328		24,083,328
2019	FM Industry Group	40824-DCM Alpha Rom	56,060,000		56,060,000
2019	FM Industry Group	41560-Agricover SME	9,708,031		9,708,031
2019	FM Industry Group	41800-Garanti RO SEF	62,543,250		62,543,250
2020	FM Industry Group	41641-BT Mic Loan I	9,795,017		9,795,017
2020	FM Industry Group	42369-DCM BT Lsng Bond	20,342,600	23,900,000	44,242,600
2020	FM Industry Group	43227-DCM RBRO B3T2/SL	55,183,197		55,183,197
2020	MAS Industry Group	42730-WDP Romania	110,000,000	114,602,050	224,602,050
2021	FM Industry Group	42345-UCLC SEF	32,100,750		32,100,750
2021	MAS Industry Group	45237-Iulius Phase 1	32,853,800	51,463,131	84,316,931
	Total		**412,669,973**	**189,965,181**	**602,635,154**

Annex 11. Examples of Knowledge Generated and Spillovers

GLOBAL PRACTICE: EQUITABLE GROWTH, FINANCE AND INSTITUTIONS	
GOVERNANCE	
KNOWLEDGE GENERATED	**SPILLOVERS**
Public Sector Pay Policy Through the Human Resources Management (HRM) RAS *(P165191),* the Bank supported the General Secretariat of the Government (GSG) and the Ministry of Labor and Social Protection (MLSP) in developing a methodological framework for monitoring public sector pay policy, in 2019, including (i) recommendations on how to structure institutional roles and processes (ii) a full set of indicators to be monitored and (iii) a detailed baseline analysis on 2018 pay data that allowed MLSP to make adjustments to the monitoring process. Two annual reports (2018 and 2019) on public sector pay policy have been drafted by MLSP based on the methodology and the 2020 analysis is forthcoming. The Romanian Government fulfilled their commitment to reform public sector pay policy adopting a Framework Pay Law in 2017. The foreseen phased implementation process is to last 5 years until 2023. This phased implementation needs to be carefully monitored to allow targeted adjustments to be introduced, especially because pay inequities were substantial and pay sustainability is a major challenge (given the current deficit). The first three years of implementation of the pay law already produced results including a more competitive pay in sectors which were falling behind (such as health and education), as well as addressing pay gaps between various occupational groups/similar functions.	✓ **Serbia -** The Governance practice organized an exchange on public sector pay policy with authorities in Serbia. The exchange took place on December 3rd, 2020, through a virtual meeting. The exchange was between technical staff from the institutions responsible of the regulation, planning and monitoring public sector pay policy in both countries: The Ministry of Labor and Social Protection in Romania and the Ministry of Public Administration and Local Self-Government in Serbia. Discussions centered on lessons learned by the Romanians, including identifying factors that contributed to improving pay equity and pay competitiveness in the Romanian public sector; key elements to support containing the wage bill (within reasonable thresholds and in line with medium-term budgetary targets); practical aspects in the reform process that enabled the introduction of reforms, including consultations with all relevant stakeholders and engagement measures undertaken. Serbia seeks to establish a new pay and grading structure for public sector employees. Serbia could further benefit from lessons learned in the reform implementation in Romania, with the possibility of gaining a deeper practical understanding of the entire reform process (planned v. implementation), starting with the conduction of a massive job evaluation exercise (in 2010) followed by the pay reforms (up to 2017). The exchange was highly appreciated by the authorities and a request was made for a follow-up with a face-to-face exchange once the Covid-19 situation permits.
Public Procurement capacity development of contracting authorities and the Oversight Body One of the key results of the first RAS on supporting the implementation of the Public Procurement Strategy (*P158629*) has been the Web-based Guide (www.achizitiipublice.gov.ro), which was also one of the conditions set by the European Commission as part of the ex-ante conditionality on public procurement. This is a tool managed by the Public Procurement Agency, to support the procurement activity of Romanian contracting authorities and contribute to the improvement of the public procurement processes. This initiative contributes to the improvement of the public procurement system in Romania through provision of online guidance and instruments (the Guide) and support for their practical application by creating best practice examples and identifying champions that can become promoters of this new operational approach.	✓ **Moldova -** The result of the RAS was presented to the Moldavian procurement authorities (upon their request) so that they could assess the usefulness of the tool within their legislative environment.

<table>
<tr><td>Professionalization of Public Procurement (PP) staff
Two competency frameworks were developed – for the public procurement counsellor (at contracting authority level) and public procurement system counsellor (at PP agency level) – in line with the European competency framework for public procurement professionals developed by the European Commission, which recently became publicly available (ProcurCompEu). These establish the complete set of technical skills and professional knowledge required for procurement professionals along with management skills and personal attributes that relate specifically to the management of the public procurement function at the system level. A training curriculum was also developed based on the competency framework.
Romania is one of the case studies presented under the ProcurCompEU on the ground section. This confirms the alignment of the developed competency frameworks with ProcurCompEU. The Bank assisted ANAP during the review process under the ProcurCompEU initiative.</td><td>✓ Across the European Union (EU) - As outlined by the European Commission, this initiative supports the professionalization of public procurement and provides a common reference for public procurement professionals.</td></tr>
<tr><td colspan="2">GLOBAL PRACTICE: HUMAN DEVELOPMENT</td></tr>
<tr><td colspan="2">EDUCATION</td></tr>
<tr><td>KNOWLEDGE GENERATED</td><td>SPILLOVERS</td></tr>
<tr><td>Romania Secondary Education Project
The ROSE project pays off for the grant scheme model transferred to other projects financed by the Bank (i.e. Primary Education Improvement Project- North Macedonia) and the outstanding recognition at the European level on the grant schemes delivered by Higher Education Institutions (HEIs)</td><td>✓ Across the European Union (EU) - The Bologna Follow-Up Group has prepared a report with best-practice examples on innovative and inclusive learning and teaching approaches[22]. ROSE higher education component includes grant schemes that funding HEIs for setting up Learning centers, deliver tutoring, coaching, and career guidance for students-at-risk and summer bridge programs. This project is one of the very few that is perceived as an equity project in higher education that supports academically or socially vulnerable students' activities, tackling the pandemic. The grant scheme is replicated with EU funds under the current Operational Programme 2014-2020 and under the following one for "Education and Employment".</td></tr>
<tr><td colspan="2">GLOBAL PRACTICE: SUSTAINABLE DEVELOPMENT</td></tr>
<tr><td colspan="2">URBAN, DISASTER RISK, RESILIENCE and LAND</td></tr>
<tr><td>KNOWLEDGE GENERATED</td><td>SPILLOVERS</td></tr>
<tr><td>Risk reduction of public critical infrastructure (fire stations, police, gendarmerie, and most recently on schools)
What stands out is the focus to provide integrated investments, connecting safety and resilience with energy efficiency, etc. and to underpin this with a solid prioritization approach and capacity building to facilitate scale up.</td><td>✓ Bulgaria, Croatia, Greece, Georgia, Armenia and others (Balkans) - Knowledge and experience is already shared with counterparts in the region as this topic is of high relevance for other countries which have a large stock of infrastructure which is vulnerable to seismic/disaster risks, failing to meet modern building codes and standards. This work has also been critical to inform an EU-wide ASA on the Economics of Prevention and Preparedness in EU member countries and</td></tr>
</table>

[22] http://www.ehea.info/Upload/AG2_Learning_and_Teaching_Final_Report.pdf.

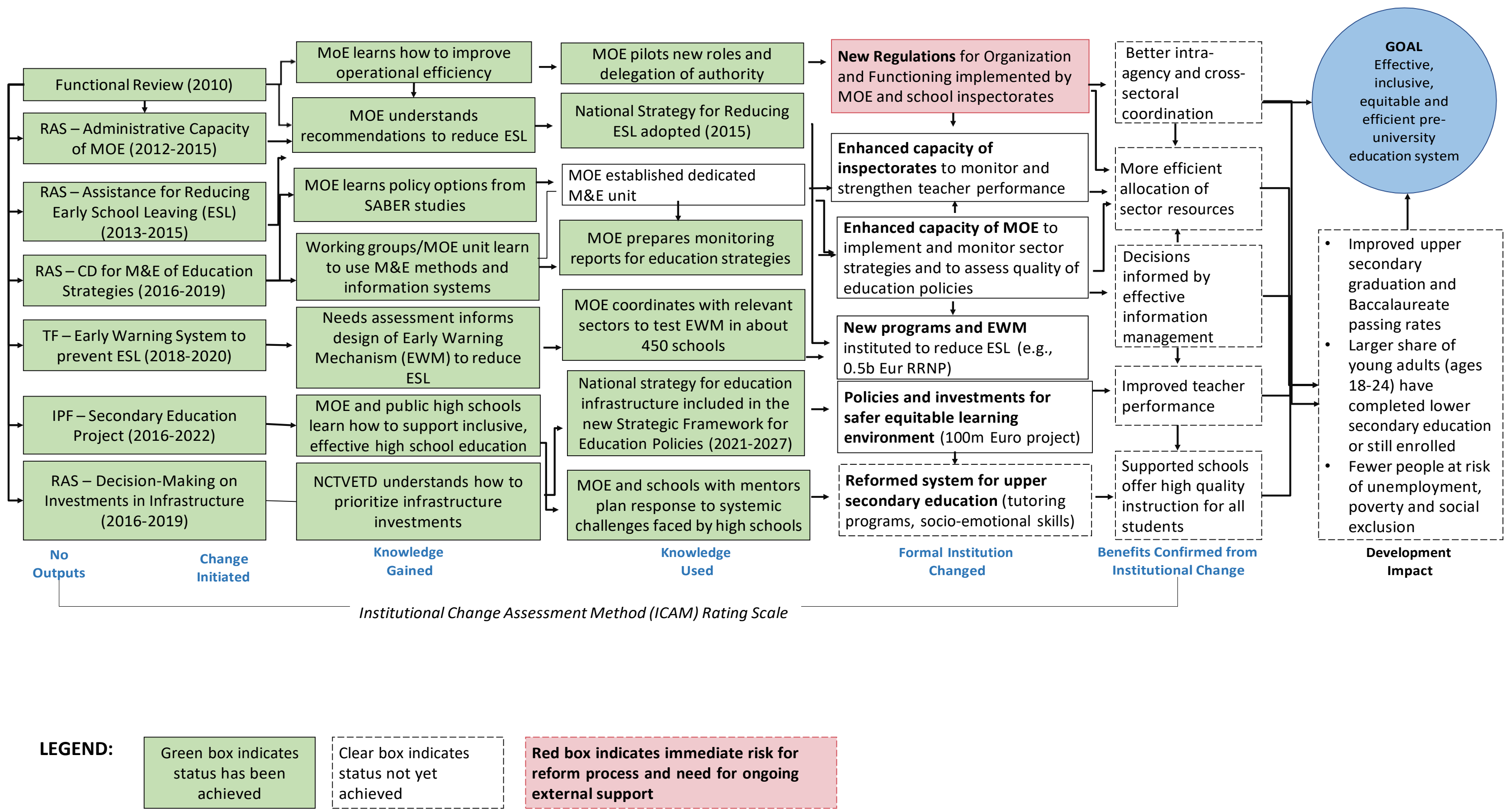
	accession/pre-accession countries which will be delivered to the commission in April 2021.
Linking seismic retrofitting with Energy Efficiency (EE) investments The WB provides technical assistance through RAS program to the Ministry of Development, Public Works and Administration (MDPWA) and Bucharest City Hall. This is an important topic for many countries with sizeable programs for EE renovation of buildings or with large stocks of buildings under seismic risk, most of which currently neglect the opportunity of combining with seismic/other disaster-resilience investments.	✓ **Across the European Union (EU) -** Informing new work by the EU Joint Research Center on the integration of these two objectives into building renovation across the EU – a new two-year research project. ✓ **Turkey –** new Project "Seismic Resilience and Energy Efficiency in Public Buildings" (P175894) ✓ **Western Balkans (Bosnia and Herzegovina, Kosovo, Montenegro and North Macedonia)** - development of an operational framework to integrate seismic risk considerations into the decision-making of energy efficiency investments (joint ASA between Energy and PURL has just been completed). Discussions are ongoing in different countries on how to integrate these findings into ongoing and future EE operations, with subsequent ASAs likely as well as integration of findings into ongoing and future operations. ✓ **Philippines -** Seismic Risk Reduction and Resilience Project (*P171419*), expected board date of March 2021. Energy efficiency can be included as one of the functional improvements alongside seismic resistance, with the final decision on the integration of energy efficiency improvement to be taken at asset level and based on economic analysis. ✓ **India -** Comprehensive National Earthquake Risk Mitigation Project (*P174830*), expected board date of October 2021 so only PCN held so far. PCN notes the benefits of increasing energy efficiency in the buildings, and which will be explored in preparation.
Policy reforms and financial resilience Romania has made progress in reform agenda on Disaster Risk Management (DRM), including an area where many countries haven't taken steps namely securing of contingency funds to be able to respond to emergencies quickly.	✓ **Bulgaria and Croatia -** This experience is highly valuable for countries like Bulgaria and Croatia.
Engagement with the EU Commission The EU Commission is looking at the issue of seismic resistance in the building stock of many European countries (Romania, Bulgaria, Greece, Croatia etc.), the Banks deep experience developed through the RAS with MPWDA on the challenges of implementing a seismic risk reduction program are seen as very relevant.	✓ **Across the European Union (EU) -** The Bank's experience on assessing the macro-fiscal and poverty impacts of disasters (both piloted in Romania) are now being scaled across all EU countries, along with a forward/retrospective assessment of the economics of prevention and preparedness in EU countries (under an ASA financed by the commission).

Urban Partnership Program Municipal Finance Self-Assessment (MFSA) for fast analysis and prioritization The Municipal Financial Self-Assessment (MFSA) tool, used by the World Bank over the years and implemented in over 70 localities, serves to highlight opportunities in better managing revenues and expenditures in the local budget. It is not just an instrument to gather and present data, but a way to push for strengthening the capacity of the local administration to understand and possibly rethink how it allocates the budget every year, the risks it faces, and the solutions it has to ensure that the community continues to have sufficient resources to operate and grow. In addition, the MFSA provides a unique source of legitimacy for local authorities, as they prepare to attract investors and financing. It signals to an international audience that decision-makers take the effective management of the local budget very seriously, and have at their fingertips, at all points, a dashboard with all the vital signs of the community's financial health, including essential indicators and potential warning lights.	The MFSA has been utilized as rapid assessment of COVID-19 impact on local government finances in a number of regions and countries: ✓ **Balkans** – Croatia, Kosovo, North Macedonia, Albania, Bosnia and Montenegro ✓ **Europe** – Cyprus ✓ **Asia** – Indonesia ✓ **South America** - Bolivia The application of the MFSA as a rapid assessment tool will be featured in an upcoming publication on the impact of COVID-19 on local municipalities, due in June 2021.
WATER	
KNOWLEDGE GENERATED	**SPILLOVERS**
INPCP The Integrated Nutrient Pollution Control Project (INPCP) supports the country's efforts to reduce the discharge of nutrients (nitrogen and phosphorus) into water bodies and helps Romania comply with the provisions of the EU Nitrates Directive on a national scale.	**Participation and presentation of the INPCP Project activities as examples of good practices, as well as presentation of achievements and scale-up experience at numerous meetings and conferences:** ✓ Within the Global Partnership for Nutrient Management (GPNM), a multi-stakeholder partnership mechanism under the United Nations Commission on Sustainable Development, participating in numerous meetings and specific steering committees; ✓ At Danube river basin level, within the International Commission for Protection of Danube River (ICPDR); ✓ At the International Nitrogen Management System (INMS) level, a science community to support international policy development to improve global nitrogen management funded by United Nations Environment Programme (UNEP); ✓ At the Global Environment Facility (GEF) and the GEF International Waters (IW) Focal Area level, taking part in various international conferences and to every GEF Biennial International Waters Conferences, since 2007; ✓ Alongside similar projects for reducing agricultural pollution, financed by different IFIs: World Bank and GEF (Georgia, Moldova, Serbia, Croatia, Turkey, Lithuania, Poland, Bulgaria), Asian Development Bank (China, Philippines), etc.

Annex 12. Case Study on the World Bank's Support in the Education Sector

1. **A review of the World Bank's engagement in the education sector over the past years provided a qualitative understanding how sustained assistance through a mix of instruments contributed to incremental progress for strengthening institutions.** The case study relied on the Institutional Change Assessment Method (ICAM), which uses a 6-point scale to rate progress toward institutional changes and provides a framework for structuring interviews with stakeholders to collect relevant reflections and evidence related to effectiveness, accountability, and sustainability.

Figure 26. World Bank Support for Strengthening the Pre-University Education System in Romania, 2010-2020



2. RAS engagements facilitated the transfer of knowledge. Evidence shows knowledge has been gained or used in the education sector in important new ways for piloting new administrative roles, refining and adopting a new strategy, and implementing new monitoring and evaluation (M&E) practices. In addition, key staff in the Ministry of Education (MoE) gained technical capacity for the M&E of the implementation of national strategies in the sector. The new knowledge, skills and practices developed by the MoE team were demonstrated by their ability to produce annual monitoring reports for four complex national education strategies, conduct their first field monitoring exercise in 2018, and complete an evaluation of the Second Chance Program in 2019. While the MoE has actively demonstrated increased M&E capacity, this progress toward needed improvements has also been non-linear and disrupted at times by political turnover.

3. The enhanced M&E capacity with improved data access has shed light on progress and challenges. A critical need facing all levels of the education system is the modernization of education infrastructure. Government turnover has also impeded progress in this area. Under the RAS on Informed Decision-Making on Investments in Infrastructure, the World Bank helped to develop criteria for prioritizing investments and produced diagnostics and recommendations to inform a national strategy. Despite the presence of a well-received draft strategy by key stakeholders, the need to collect signatures from all relevant bodies proved challenging with so many leadership transitions. For example, this process included getting the buy-in of the Ministry of Regional Development and Public Administration which held responsibility for local school infrastructure decisions. There were six Ministers of education during the RAS implementation period and each change required restarting of the approval process. With the ongoing rounds of approvals delaying the strategy's adoption, the findings informing the strategy have now become outdated, and the reform process seems unlikely to proceed without additional external guidance and support.

4. The prioritization criteria for infrastructure investments developed as part of the RAS are recognized as a valuable resource, particularly given Romania's access to EU funding aside from state and local budgets, and they informed the prioritization of investments during the 2014-20 programming period. The strategy included a thorough diagnostic of the existing education infrastructure enabled by the access to data that MoE shared and provided recommendations, policy actions, and programs to address the most urgent needs. The strategy and the diagnostic were instrumental for informing the preparation of key strategic documents:

i) the new ***National Strategic Framework for Educational Policies 2021-2027***, under development by the MoE, which incorporated the strategy in its entirety.
ii) the current Government Programme for 2020-2024- which included proposed interventions especially related to VET and school infrastructure.
iii) the proposed National Resilient and Recovery Plan – the data analysis informed and substantiated the evidence-based interventions proposed.
iv) the Safer, Inclusive, and Sustainable Project prepared and signed by the Bank and Romanian Government in April 2021.

5. RAS engagements contribute to incremental gains along longer-term institutional change pathways. In the education sector, the combination of RAS outputs over the past decade has led to knowledge transfer in key areas, with new skills and competencies being demonstrated by Ministry personnel and other stakeholders. These gains have been achieved in a difficult environment, and continued progress toward needed institutional reforms is at risk due to substantial political volatility and turnover. The EU has influenced national policy, driving the development of sector strategies, which depend on EU funds for implementation. This support has pulled in needed expertise and funding, but the external pressure might also contribute to fragmented leadership at the national level and inadequate commitment to achieving the development objectives.

7. **Moreover, the updating of national frameworks and methodologies and the development of guidelines and procedures aligned with European standards should improve learning outcomes, resilience, inclusion, and sustainability of the Romanian education ecosystem after the pandemic crisis**. Creating ownership for results, public consultations, and a permanent strive for adopting European-aligned modern and transparent tools will strengthen Romania's culture for building better. Furthermore, the procedures and frameworks developed within

different WB technical assistance projects will serve as instruments for professionals involved in public policymaking and allow quality implementation in the following years.

8. **Despite ongoing turnover at the political level, the continuity of technical-level personnel across RAS agreements on both the World Bank and the client sides allowed for crosscutting reflections on what factors help to facilitate knowledge transfer and increase sustainability.** Interviews explored not only which approaches were effective in the past but also which design features in a RAS going forward seem critical for continued progress towards strengthening institutions. This exploration surfaced the following general themes:

- ***Complementarity of engagements***. The implementation of multiple RAS plays a strategic role for transferring knowledge in what one stakeholder characterized as a "very politicized environment" with shifting agendas and priorities. Also, if RAS are complemented by other interventions the sustainability of results could be further continued.
- ***The use of coaching and mentoring***. Effective RAS require a mix of international experts to bring in best practices from other countries and local experts to understand the local context and support seamless adaptive collaboration for delivering RAS outputs. Over time, the design of RAS activities has evolved to include embedding experts for working hands-on with MoE personnel to master and apply new technical skills. The increased focus for the client on 'learning by doing' was viewed as an effective and innovative approach to maximize knowledge transfer.
- ***Finding opportunities for more engagement at the subnational level.*** The education sector has a highly centralized structure subject to frequent turnover and changing priorities. More traction could be gained for institutional reforms by engaging the whole system and fostering the more active involvement of local authorities. Reflections from the client explored the potential value of including inspectorates and schools more directly in RAS implementation to develop and model new approaches while also helping to build bottom-up support for needed reforms.
- ***The need for more focus on inter-institutional coordination.*** Implementation of each of the sectoral strategies requires the planning and coordination of activities across various institutions. While the consultations and strategic frameworks provided through RAS activities helped to propose administrative roles and responsibilities, the lack of consistent cooperation and communication among the relevant entities poses challenges, which are made even more formidable by the frequent turnover of leadership. This issue is receiving increasing attention in the efforts to improve monitoring and evaluation processes, and it should also factor into design considerations for any future RAS in the sector.
- ***Data management and use***. The focus on developing this capacity has been critical for achieving any small wins for advancing institutional reforms.
- ***Need for a coherent approach*****.** Individual RAS agreements can effectively transfer knowledge, but these small wins must be understood within a larger theory of change to plan and support sustainable progress. A major challenge has been fragmented ownership, due in some part to both the political turbulence and the external pressure from the EU. Strategic levers might be identified by exploring opportunities for engagement at the subnational level, roles for strengthening inter-institutional coordination, and the next steps for strengthening data management to inform decision-making.

Annex 13. Summary of External Online Consultations

Private Sector – Civil Society – International Partners – Academia – General Public

March 8 – April 15, 2021

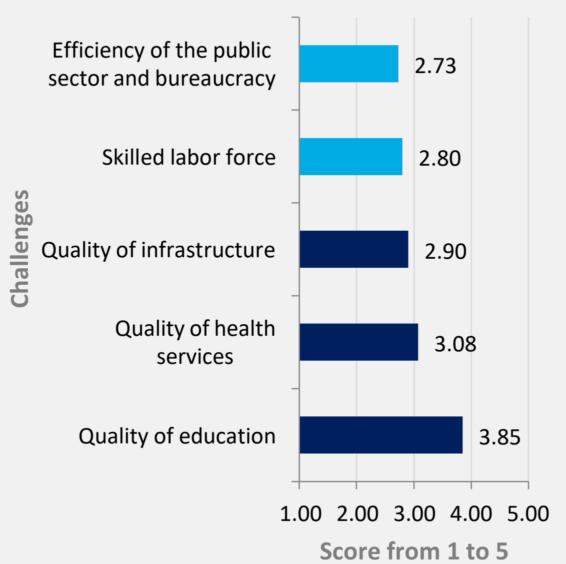
1. A series of online external consultations were conducted between March 8 – May 8, 2021 for the Romania Performance and Learning Review (PLR). A dedicated webpage titled *"Romanian Perspectives"*[23] was launched on March 8 to mark the official start of the consultation process. The webpage has the role of a one-stop-shop for sharing key information on the consultations and the World Bank Group portfolio in Romania, including highlights of main results through animated videos targeting specific topics such as World Bank results achieved during the first three years of CPF, overview of the IFC program in Romania and institutional strategic priorities.

2. Two short questionnaires have been disseminated[24] in the local language (Romanian) and English to collect views on (i) Romania's most stringent challenges and main development priorities that the World Bank Group should focus on by the end of 2023 marking the end of the CPF; and (ii) challenges and opportunities to strengthen the local private sector, also in the context of the COVID-19 pandemic.

Results

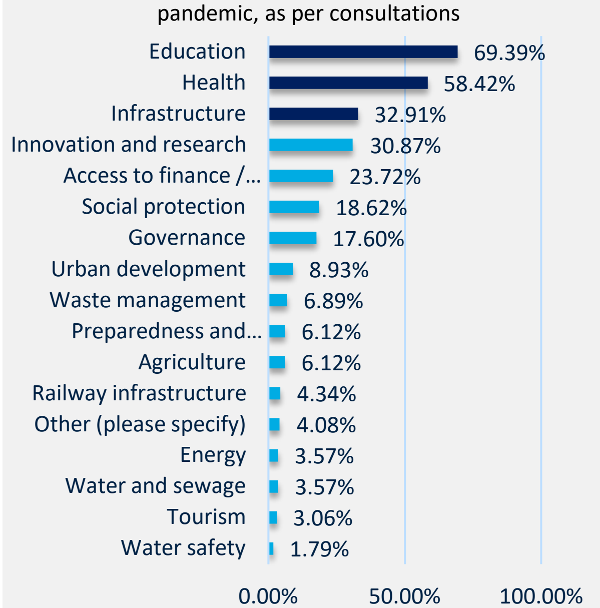
3. With approximately 800 answers submitted, consultations have shown that the main three challenges for achieving dynamic and sustainable development in Romania (Figure 27) remain the same as those identified in the 2018 consultations in preparation for the CPF and are the same areas suggested for collaboration between the WBG and government of Romania (Figure 28). These refer to the quality of (i) education, (ii) health services, and (iii) infrastructure.

Figure 27. Main challenges for achieving dynamic and sustainable development in Romania, as per consultations
(1 = most important; 5 = least important)



Source: WB PLR consultations surveys

Figure 28. First three priority areas of collaboration between the World Bank Group and the Government of Romania to overcome the crisis generated by the COVID-19 pandemic, as per consultations



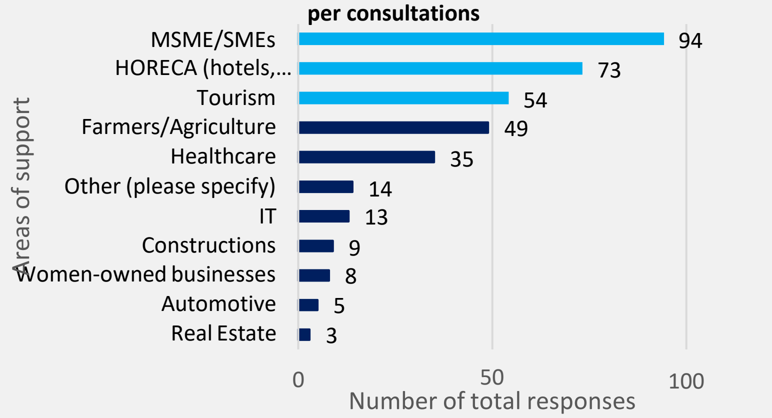
Source: WB PLR consultations surveys

[23] https://www.worldbank.org/en/country/romania/brief/romanian-perspectives
[24] As of April 7, 2021

5. Other responses indicated, in addition to the ones suggested through the multiple-choice question, referred to areas of collaboration on: rural development, including support to small and medium-sized enterprises; long term strategies to diminish the huge gap between urban and rural areas; strategies to adapt to the eventuality of a new long-term pandemic; digitalization; irrigation systems; ecology and environmental conservation; strategic planning and multiannual budgeting; culture; social housing; youth; participatory governance and citizen engagement; development of industrial sectors that employ a high number of people; access to socio-medical services for the elderly coupled with the development of services for elder people suffering from mental health problems; strengthening the connection between competencies and the labor market; creation and financing of debt advisors' centers for individuals; introducing clear criteria of performance, professionalization, legislative risk in all state sectors.

6. In addition to the top three areas of the private sector that need the most support by 2023 (Figure 29) other responses were indicated, through the multiple-choice question such as: advertising production and commercial ads; research-development and innovation; food industry; furniture production; aeronautical industry and trade activities carried out in airport premises; creative industries; gyms and recreation spaces; passenger transport; culture and events; services; metallurgical industry; education.

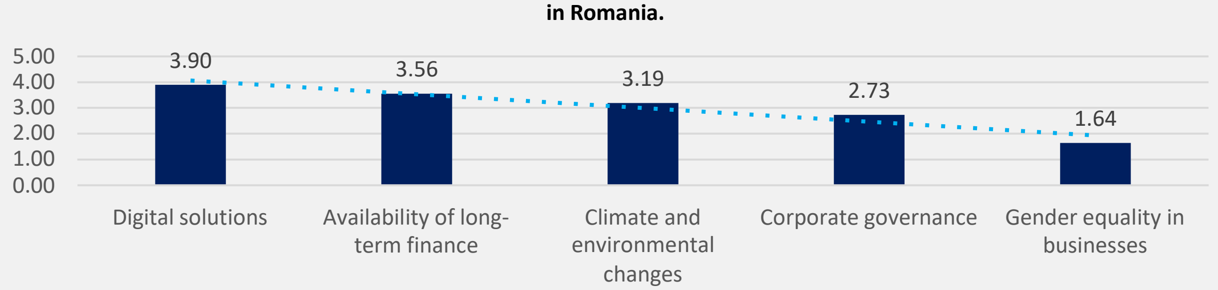
Figure 29. Key three areas of needed private sector support by 2023, considering the impact of COVID- 19 in Romania, as per consultations



Source: WB PLR consultations surveys

7. Digital solutions are considered the emerging theme that can have the most impact in improving the strength of the private sector in Romania. Availability of long-term finance came second, while climate and environmental changes were ranked third, followed by corporate governance and gender equality in businesses.

Figure 30. Emerging themes that could have the most impact in strengthening the private sector in Romania.



Source: WB PLR consultations surveys