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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AND INTERNATIONAL FINANCE CORPORATION

AND MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

ROMANIA

FOR THE PERIOD FY19-FY23

May 21, 2018

Europe: Central, South & Baltics Country Management Unit
Europe and Central Asia

The International Finance Corporation
Europe and Central Asia

The Multilateral Investment Guarantee Agency

The date of the last Country Partnership Strategy (CPS) was April 28, 2014, Report No. 84830-RO and the date of the last Performance and Learning Review of the CPS was November 3, 2016, Report No.108785-RO.

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of May 10, 2018)
Currency Unit = New Romanian Lei, (RON)
RON 3.91 = US$ 1.00
US$ 1.42 = SDR 1.00

FISCAL YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ABP	Annual Borrowing Plan	ESA	European System of National and Regional Accounts
ALDE	Liberal-Democratic Alliance	ESIF	European Structural and Investment Funds
ALMP	Active Labor Market Program	ESL	Early School Leaving
AMTB	Bucharest Metropolitan Transport Authority	EU	European Union
ANCPI	National Agency of Cadastre and Property Registration	EUR	EURO
ANI	National Integrity Agency	FSB	Fiscal-Budgetary Strategy
ANRE	Romanian Energy Regulatory Authority	FDI	Foreign Direct Investment
APA	Alternate Procurement Arrangements	FEG-DPL	Fiscal Effectiveness and Growth Development Policy Loan
AROPE	At Risk of Poverty or Social Exclusion	FSAP	Financial Sector Assessment Program
ASA	Analytical Services and Advisory	FY	Fiscal Year
ASF	Financial Supervisory Authority	GDP	Gross Domestic Product
B40	Bottom 40 Percent of the income distribution	GEF	Global Environment Facility
CAT DDO	Catastrophe Deferred Drawdown Option	GNI	Gross National Income
CDSACP	County Directorates of Social Assistance and Child Protection	GoR	Government of Romania
CEM	Country Economic Memorandum	GSG	General Secretariat of the Government
CEQ	Commitment to Equity	GTMP	General Transport Master Plan
CFR SA	National Railway Company	HR	Human Resources
CLLD	Community Led Local Development	HRM	Human Resources Management
CLR	Completion and Learning Review	HSR	Human Resources Strategy
COA	Court of Accounts	IBRD	International Bank for Reconstruction and Development
COG	Center of Government	ICAM	Institutional Change Assessment Method
CPF	Country Partnership Framework	ICT	Information and Communications Technology
CPS	Country Partnership Strategy	IDA	International Development Association
CVM	Cooperation and Verification Mechanism	IDF	Institutional Development Fund
DLI	Disbursement Linked Indicators	IEG	Independent Evaluation Group
DNA	National Anti-Corruption Directorate	IFC	International Finance Corporation
DPL	Development Policy Loan	IFI	International Financial Institution
DPO	Development Policy Operation	IMF	International Monetary Fund
DRM	Disaster Risk Management	INPCP	Integrated Nutrient Pollution Control Project
DU	Delivery Unit		
EBRD	European Bank for Reconstruction and Development		
EC	European Commission		
ECA	Europe and Central Asia		
EIB	European Investment Bank		

IPF	Investment Project Financing
ISP	Institutional Strategic Plan
IT	Information Technology
IUDS	Integrated Urban Development Strategy
JRP	Judicial Reform Project
LLL	Lifelong Learning
M&E	Monitoring and Evaluation
MA-IB	Managing Authorities-Intermediate Bodies
MARD	Ministry of Agriculture and Rural Development
MDRPA	Ministry of Regional Development and Public Administration
MIGA	Multilateral Investment Guarantee Agency
MIS	Ministry of Information Society
MOESR	Ministry of Education and Scientific Research
MoH	Ministry of Health
MoJ	Ministry of Justice
MoLFSPE	Ministry of Labor, Family, Social Protection and the Elderly
MoLSJ	Ministry of Labor and Social Justice
MoNE	Ministry of National Education
MoPF	Ministry of Public Finance
MoU	Memorandum of Understanding
MRA	Miscellaneous Reimbursable Arrangements
MSME	Micro, Small and Medium Enterprises
MTI	Ministry of Transport and Infrastructure
NACS	National Agency for Civil Servants
NAFA	National Agency for Fiscal Administration
NAPCRA	National Authority for Protection of Children's Rights and Adoptions
NAPSI	National Agency for Payments and Social Inspection
NEETD	Not in Education, Employment, Training or Disabled
NGO	Non-Governmental Organization
NIS	National Institute for Statistics
NPL	Non-Performing Loan
NUTS2	Nomenclature of Territorial Units for Statistics
OECD	Organization for Economic Co-operation and Development
PFR	Program for Results
PHRD	Policy and Human Resources Development Fund
PIM	Public Investment Management
PISA	Program for International Student Assessment
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PMU	Project Management Unit
PNDL	National Local Development Program
POCU	Human Capital Operational Program
PPP	Public-Private Partnership
PPS	Power Purchasing Standards
PPSD	Project Procurement Strategy for Development
PSD	Social Democratic Party
RAMP	Revenue Administration Modernization Project
RAS	Reimbursable Advisory Services
RCC	Romanian Competition Council
RCoA	Romanian Court of Accounts
REF	Roma Education Fund
RIA	Regulatory Impact Assessment
RMS	Revenue Management System
RNCM NR SA	Romanian National Company of Motorways and National Roads
ROF	Regulations for Organization and Functioning
RON	Romanian Leu
ROP	Regional Operational Program
ROCS	Report on the Observance of Standards and Codes
ROSE	Romania Secondary Education Project
RSB	Roma Sounding Board
SA	Social Assessment
SASM	Social Assistance System Modernization Project
SCD	Systematic Country Diagnostic
SME	Small- and Medium-scale Enterprise
SOE	State-Owned Enterprise
TA	Technical Assistance
TEN-T	Trans-European Transport Network
TF	Trust Fund
TRACE	Tool for Rapid Assessment of City Energy
UNCIT RAL	United Nations System in The Field of International Trade Law
UNPD	United Nations Procurement Division
USD	US Dollar
VAT	Value Added Tax
VMI	Minimum Insertion Income Program
WBG	World Bank Group

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FY19-23 COUNTRY PARTNERSHIP FRAMEWORK FOR ROMANIA

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Executive Summary

i. **Romania has achieved impressive successes, yet it continues to face formidable challenges.** Romania's economic growth has been one of the highest in the EU since 2010, with an average growth rate of 2.8 percent during 2010-2017. However, the foundations of growth are weak: wage increases are outstripping productivity growth, investments are volatile, and there are demographic challenges, with an aging and shrinking population and around 20 percent of its labor force living and working abroad. While Romania also boasts one of the lowest levels of debt in the EU, macroeconomic policy is erratic. Despite 11 years of EU membership, infrastructure is in a poor state, constraining investment and productivity in sectors such as manufacturing, agriculture and tourism. The private sector, while dynamic, is small, with limited access to finance, particularly for Micro, Small and Medium Enterprises (MSMEs); Romania has one of the lowest levels of financial intermediation in the EU, both in banking and capital markets. Most worryingly, despite strong growth, average incomes have not converged with the EU, poverty reduction has been lackluster, and social and regional divides are stark and widening.

ii. **This growing divide is, in effect, producing two very different Romanias.** Of Romania's 42 counties, 18 are considered lagging behind other regions, with a GDP per capita lower than 75 percent of the national average. According to Eurostat, all Romanian NUTS-2 regions[1], with the sole exception of Bucharest–Ilfov, have a per capita GDP lower than 60 percent of the EU average, with the North-East at only 34 percent. Disparities in living standards between urban and rural areas are especially striking: the urban-rural income gap is the second-highest in the EU, with mean urban income almost 50 percent higher than the mean rural income. Many communities throughout the country (including a disproportionate share of the Roma) have no access to basic services such as piped water, sanitation, internet or electricity. The uneven quality of education risks perpetuating these divides and undermines Romania's future competitiveness: while the education system produces many excellent professionals succeeding at home and abroad, 40 percent of 15-year-olds are functionally illiterate and ill-prepared for future labor market demands. Social segregation has been increasing, with poorer students attending lower quality schools.

iii. **Significant risks of climate and natural disaster events threaten the country's economic resilience, and require urgent policy reform and infrastructure investment**. Romania's exposure to significant climate and natural risks, particularly to earthquakes and floods, is resulting in substantial social, physical and financial impacts across the country (70 percent of the assets of the poor are vulnerable to destruction). Estimates of the impact of climate-related hazards on critical infrastructure in Romania indicate that expected annual damage to infrastructure alone would double by 2020. Polices aimed at increasing resilience and improving access to early warning systems as well as reducing exposure and vulnerability of assets could reduce well-being losses by 16 percent and asset losses by 13 percent.

iv. **The recently completed Systematic Country Diagnostic (SCD) identifies the most critical constraints to sustainable economic growth and shared prosperity**. Incomplete institutional transition and high political and legislative volatility over the past 25 years have reduced trust in the state, effectively undermining the social contract. This has limited the Government's ability to implement important public policies to boost the economy's growth potential, build key economic infrastructure, create equal opportunities and jobs for all citizens, and improve resilience to natural disasters. Shortcomings in public service delivery, especially to the poor, are often caused by large underperforming State-Owned Enterprises (SOEs), but also by inefficient policies and low administrative capacity. Institutional weaknesses also prevent the country from taking full advantage of the financial support provided by the European Commission: in the

2007-13 programming period, Romania had one of the lowest absorption rates of EU funds, and as of January 2018 (more than halfway through the implementation of the 2014-20 programming period) only around 10 percent of its EUR31 billion allocation had been used.

v. **Private institutions also face challenges**. Financial markets are shallow and do not mobilize sufficient resources to fuel sustained growth; insurance services face regulation and capitalization issues; and the private sector relies on a small number of established firms, many of which struggle to innovate, in part due to a lack of access to financial resources. An unstable business environment, a direct consequence of institutional failures, is a significant challenge to private sector growth. Romania is ranked 45th in Doing Business 2018, yet frequent changes in the fiscal code (200 in the past 2 years alone), lack of consultation with the private sector, and the short time given to businesses to adapt lead to delays in investment decisions. Due to their size and scarce resources, MSMEs tend to be more affected by the regulatory burden. Continuation of business enabling reforms and their efficient implementation is paramount to increase private sector investments and a renewed FDI inflow, to enhance innovation and productivity, and to improve the country's competitiveness and EU convergence.

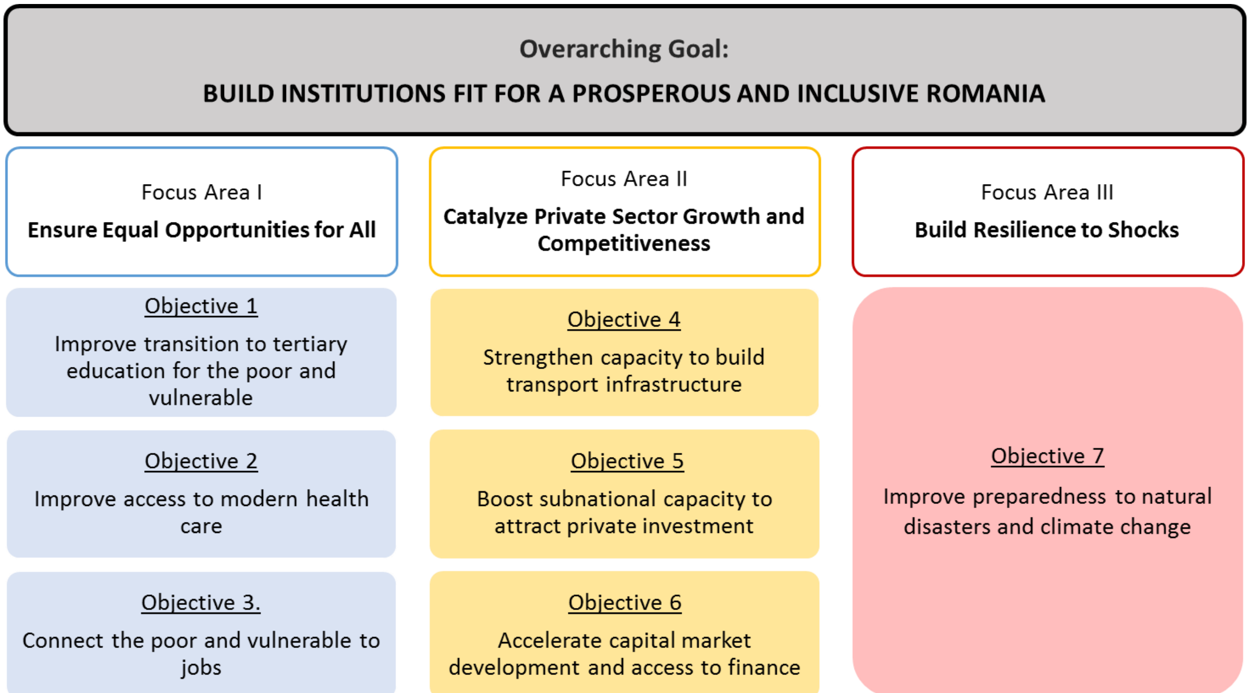
vi. **The World Bank Group (WBG) is uniquely positioned to support Romania by helping to strengthen its institutions and accelerate the country's convergence with more advanced EU states.** Strengthening institutions for improved service delivery and creating or deepening markets for the private sector are areas where the WBG has comparative advantage, playing a selective, catalytic and innovative role. Future WBG activities would have to show that they build essential institutional capacity and/or bring clear IFC additionality. WBG financing would be assessed using the following three additional 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 absorption of EU funds); and/or (iii) contributing to regional and global public goods. In other words, WBG will support investment, advisory or knowledge operations in Romania that help build institutions and markets for sustainable and broad-base growth, and share global knowledge.

vii. **The FY19-23 CPF proposes a selective program that addresses the main constraints identified in the SCD.** A One WBG approach will be employed to leverage impact in support of the overarching goal—building institutions fit for a prosperous and inclusive Romania—the first SCD priority. To achieve this goal, the WBG will deploy the full range of financing and advisory instruments, including continued development and implementation of a significant reimbursable advisory services (RAS) program. The planned WBG program will focus on all priority areas identified in the SCD, with the first, building institutions, serving as the prerequisite for advancing on the other three: (i) ensure equal opportunities for all; (ii) catalyze private sector growth and competitiveness; and (iii) build resilience to shocks (Figure 1).

viii. **The proposed CPF is more focused than previous ones, drawing on the lessons learned to fit the specific policy environment of Romania.** The Completion and Learning Review (CLR) provides guidance for how the WBG could help Romania strengthen its institutions more effectively. First, set modest objectives: past projects targeting complex and ambitious reforms did not adequately factor in issues related to political and legislative volatility and weak capacity. Second, leverage all instruments: successes were achieved using a mix of instruments—lending and advisory—for impact. Third, support the implementation of strategies for real institutional change: a greater emphasis on hands-on implementation support embedded in investment operations is an effective complement to ongoing capacity building efforts through a broad RAS program. The five-year WBG engagement will be aligned with the implementation of the current EU programming period. The Bank and IFC will pursue more focused interventions, with clear indicators to show progress and mobilize support for further reform. MIGA will look to strategically support investments which are consistent with the Maximizing Finance for

Development (MFD) approach and the priorities under this CPF. A Progress and Learning Review in the third year of CPF implementation will take stock and make course adjustments as necessary.

Figure 1. Focus Areas



I. INTRODUCTION

1. **The proposed Country Partnership Framework (CPF) for Romania covers a five-year period from July 2018 to June 2023.**[2] The CPF is aligned with the objectives of the country's development strategy and is rooted in the findings and recommendations of the World Bank Group (WBG) Systematic Country Diagnostic (SCD) for Romania, which contains an analysis of key challenges and institutional constraints for inclusive and sustainable growth. It also builds on the lessons and results of the previous World Bank Group Country Partnership Strategy (CPS) for FY14-18.

2. **The CPF is focused on building institutions fit for a prosperous and inclusive Romania, while being highly selective and introducing three additional filters for WB operations.** All IBRD operations, knowledge and financing, will have an explicit goal of strengthening Romania's institutions and/or creating deeper private markets. In addition, WBG financing would be 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 absorption of EU funds); and/or (iii) contributing to regional and global public goods.

3. **The Government has made a strong case that IBRD financial engagement remains important in Romania due to the knowledge and institution-building that is imparted through the design and implementation of lending operations.** Consequently, the proposed CPF is sharply focused on institutional strengthening through knowledge-based engagements, and seeks to maximize financing for development opportunities and develop innovative financing instruments where modest IBRD resources can be leveraged to catalyze additional private and public-sector financing, including from EU institutions.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

Country Context

4. **Romania's decade-long membership in the European Union has triggered positive socio-economic transformations.** Romania joined the European Union on January 1, 2007 and has witnessed a continuous increase of prosperity, with a per capita GDP (PPS) in 2017 standing at 61 percent of the EU-28 average compared to 30 percent in 1995. The benefits of free movement of capital and labor associated with EU membership have opened the door for fundamental societal changes and Romania's modernization anchored in Western economic markets and institutions.

5. **Romania's presidency of the Council of the European Union (January-June 2019) and the celebration of the Centennial of the Great Union (December 1, 2018) are defining opportunities in building the country's vision for a more prosperous, competitive and inclusive society.** The country will be presiding for the first time over the Council of the EU, marking an important opportunity to influence the EU agenda. Celebrations marking 100 years since the Great Union and the creation of modern Romania could rally all political actors behind a national vision to further modernize the country and bridge existing gaps with other EU member states.

6. **The latest parliamentary elections were held in December 2016.** A governing coalition composed of the Social Democratic Party (PSD) and the Liberal-Democratic Alliance (ALDE) appointed a new Cabinet led by Viorica Dăncilă on January 29, 2018. The Cabinet is a coalition government with 27 ministerial portfolios. The Government's priorities for 2017–20 include investments in infrastructure, health care, education, agriculture, job creation, and small and medium enterprise development, in addition to tax

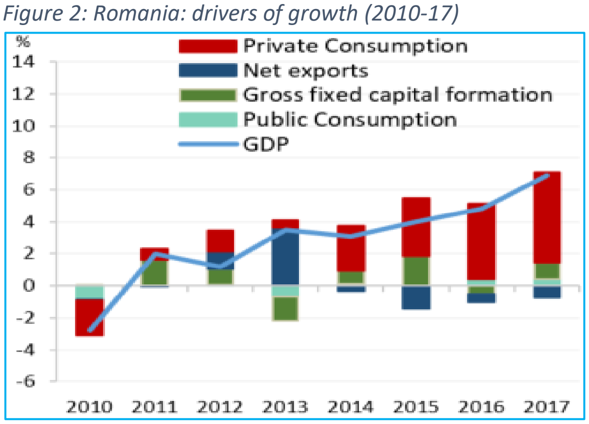
and pension reforms. Prime Minister Dăncilă, the first woman to lead the Romanian Government, is strongly committed to gender equality in the workplace, in education and in politics. One of her top priorities since taking office has been to advance legislation to combat domestic violence and to promote inclusion for people with disabilities and vulnerable groups.

Recent Economic Developments and Prospects

7. Romania bounced back quickly from the 2008 global crisis thanks to decisive government action that restored market confidence and reignited growth. The Romanian Government implemented one of the largest post-crisis fiscal consolidation efforts in the EU during 2009-15. Relying heavily on spending cuts, but also on tax increases, consolidation rapidly reduced imbalances and placed economic growth on a strong footing.

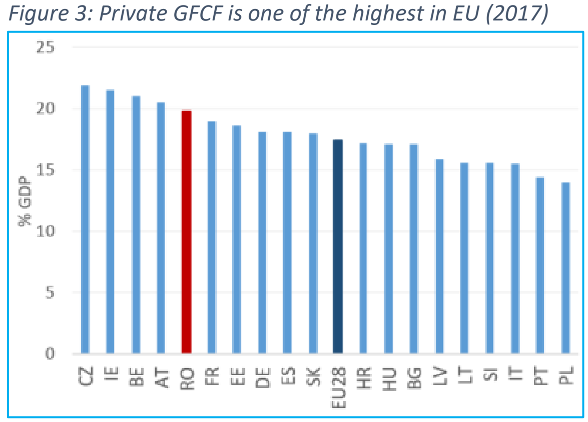
8. Romania's economic growth has been one of the highest in the EU since 2010, driven by investment by the private sector. During 2010-17 Romania's economic growth averaged 2.8 percent, spurred by investment and, at times, by exports and private consumption (Figure 2). During this interval, gross fixed capital formation (GFCF) averaged 25 percent of GDP, of which the contribution of the private sector was around 82 percent (Figure 3), complemented by grant funding from the EU for public investment.

Figure 2: Romania: drivers of growth (2010-17)



Source: Eurostat

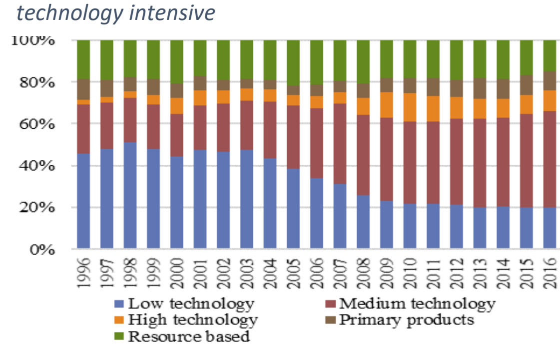
Figure 3: Private GFCF is one of the highest in EU (2017)



Source: Eurostat

9. Anchored in EU integration, private investment benefitted from foreign direct investment (FDI). The reforms associated with EU accession launched after 2000 boosted Romania's credibility with investors, who saw it as an attractive destination. In the pre-crisis period, FDI inflows averaged 5 to 6 percent of GDP per year, but declined to around 2 percent after the crisis as competition for global investment tightened. FDI went mostly into manufacturing, construction and the financial sector. FDI boosted Romania's exports to 41.4 percent of GDP in 2017, and enhanced their technological complexity. Thus, medium technology exports increased from 23 percent in 1996 to 46 percent in 2016 (Figure 4). However, high-tech exports have accounted for less than 10 percent of total exports in every year over the past two decades. After 2009, export growth relied more on the intensive margin (i.e.

Figure 4. Romania's exports have become more technology intensive

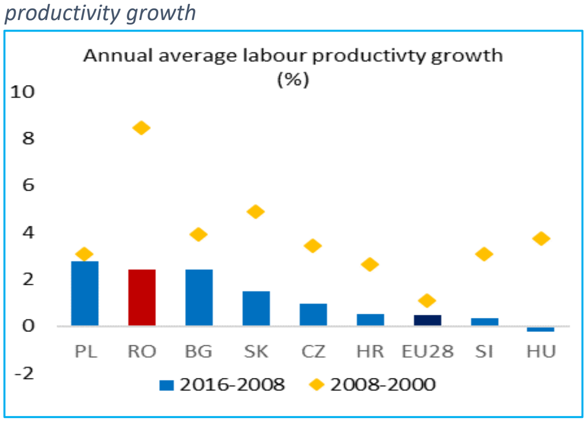


Source: UNCOMTRADE

exports of the same products to the same markets). The contribution of new export products to total export growth declined from 44.5 percent in the period 1996-2008 to 4.7 percent during 2008-16.

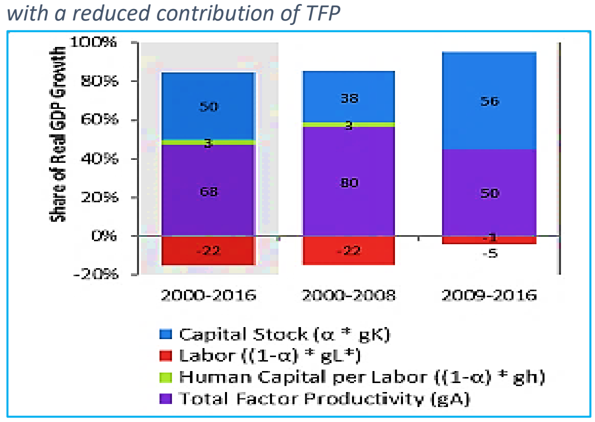
10. **Prior to the crisis, growth was led by total factor productivity (TFP); however, productivity growth slowed down in recent years.** The drivers of Romania's growth have been gradually changing since 2000. In 2000-08 the bulk of economic growth (80 percent) was associated with TFP, reflecting efficiency gains from the gradual correction of resource misallocation during transition to a market economy. Positive contributions were also made by physical capital (38 percent) and human capital (3 percent), while labor made a sizeable negative contribution (-22 percent) due to emigration and ageing. Since 2009, the sources of growth have shifted, with a reduction of the TFP contribution (to 50 percent), an increase in the contribution of physical capital (to 56 percent) and a negative contribution of labor and human capital (Figure 5). After the crisis, productivity growth slowed substantially, to an average of 2.5 percent per annum, down from around 8 percent in the pre-crisis period (Figure 6).

Figure 5. Since 2008 Romania has experienced a decline in productivity growth



Source: Eurostat

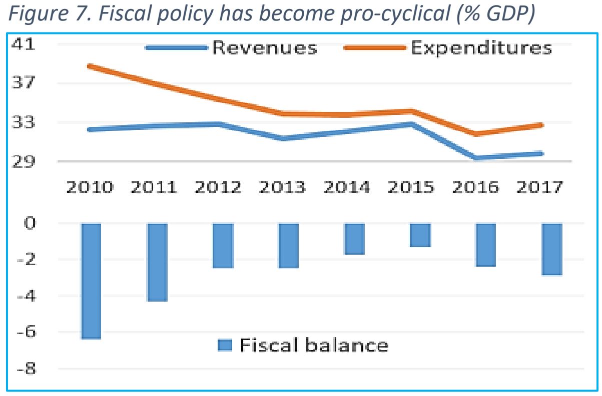
Figure 6. Since 2008 the sources of growth have shifted labor with a reduced contribution of TFP



Source: Eurostat, World Bank calculations. Based on a human capital-adjusted Solow model.

11. **Macroeconomic imbalances have begun to widen again.** Since 2016, procyclical fiscal policies increased the Government deficit to close to 3 percent of GDP (Figure 7) driven by a series of tax cuts and increases in public sector wages and pensions. Expansionary fiscal policy boosted private consumption, which has become the main driver of growth. Excess demand in turn has put pressure on the internal and external balances. Inflation is on an upward trend and has reached 5 percent in March 2018, while the current account deficit widened to 3.4 percent of GDP at end-2017. Public debt according to EU methodology remains among the lowest in the EU, at 35.0 percent of GDP[3] at the end of 2017, but it is not stabilized at current deficit levels.

Figure 7. Fiscal policy has become pro-cyclical (% GDP)



Source: MFMod

12. **The economy is projected to continue to grow above potential in 2018.** GDP will likely expand by around 5.1 percent in 2018, driven by the fiscal stimulus and aided by a resurgent EU. Continued growth in consumption is expected to widen the current account deficit to 4.3 percent in 2018. Inflation is set to peak at around 5 percent reflecting excess domestic demand and the fading out of the base effect of tax cuts. The National Bank of Romania (NBR) anticipates a gradual subsequent decline in inflation towards

3.5 percent at the end of 2018, due to a slowdown in private consumption as no further fiscal boost to households' real disposable income is envisioned.

13. Fiscal measures passed in 2017 have put pressure on the consolidated budget deficit. In the absence of corrective measures, the fiscal deficit is projected to reach 3.3 percent of GDP in 2018, which would place Romania on a trajectory to reenter the Excessive Deficit Procedure of the EU. However, the Government has stated that, like in 2017, it would be ready to take adjustment measures should the deficit near the 3 percent ceiling. Given economic growth and budget deficits below 3 percent of GDP in the medium term, public debt according to EU methodology is expected to reach around 35.5 percent of GDP by the end of 2020; still, it remains one of the lowest in the EU. Strong private consumption aided by expansionary fiscal policy and continued growth in real wages, partly supported by minimum wage increases, should boost real incomes and lead to further declines in poverty.

Table 1. Key Macroeconomic Indicators and Projections

	2015	2016	2017	2018 f	2019 f	2020 f
Real GDP growth, at constant market prices	3.9	4.8	6.9	5.1	4.5	4.1
Private Consumption	5.5	7.3	9.0	8.1	7.2	6.6
Government Consumption	-0.7	3.3	2.8	5.9	5.4	5.1
Gross Fixed Capital Investment	8.3	-3.3	4.7	6.2	5.1	4.8
Exports, Goods and Services	5.4	8.3	9.7	8.3	7.1	7.0
Imports, Goods and Services	9.2	9.8	11.3	9.7	8.4	8.1
Real GDP growth, at constant factor prices	3.6	4.6	6.9	5.1	4.5	4.1
Agriculture	-11.1	-0.8	18.3	3.0	2.1	2.0
Industry	6.1	0.4	8.0	6.1	5.2	4.6
Services	4.3	8.1	5.0	4.8	4.4	4.1
Inflation (Consumer Price Index, avg.)	-0.6	-1.5	1.3	3.7	3.2	3.0
Current Account Balance (% of GDP)	-1.2	-2.1	-3.4	-4.3	-4.7	-4.9
Financial and Capital Account (% of GDP)	1.4	2.7	3.5	4.4	4.8	5.0
Net Foreign Direct Investment (% of GDP)	2.2	2.7	2.4	3.1	3.0	3.0
Fiscal Balance (% of GDP)	-1.3	-2.4	-2.8	-3.3	-3.0	-3.0
General government debt, ESA (% of GDP)	37.7	37.4	35.0	35.4	35.8	35.5
Primary Balance (% of GDP)	-0.1	-1.1	-1.6	-2.0	-1.7	-1.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)	26.1	25.0	23.6	22.6	21.7	20.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices, MoPF. Notes: e = estimate, f = forecast. Calculations based on EU-SILC harmonization, using 2007-EU-SILC, 2012-EU-SILC, and 2015-EU-SILC.
Projection using annualized elasticity (2007-2012) with pass-through = 0.7 based on GDP per capita in constant LCU.
Actual data: 2015. Nowcast: 2016 - 2017. Forecast are from 2018 to 2020.

14. Financial intermediation across all financial segments is low and declining, hampering private sector growth. The financial sector has significant challenges for supporting the real economy, both households and enterprises. Financial sector is dominated by banks, which hold 75.3 percent of all financial sector assets. The banking sector, with assets amounting to 52.7 percent of GDP as of September 2017, is one of the shallowest in the EU and has been declining relative to the economy (72.5 percent of GDP in 2010). Low financial intermediation is reflected in the low penetration of bank deposits and loans. Financial inclusion is also low: only 61 percent of adults have an account in financial institutions, below the average for regional peers (75 percent) and upper-middle-income countries (70 percent), exacerbated by poor financial literacy. Demand for credit is limited due to the relatively small number of private sector enterprises, high share of foreign-owned firms compared to peer countries, and relatively low private investment. Access to finance is restricted for small and medium-sized enterprises, start-ups, and in rural areas. There is little alternative financing, and capital markets have yet to play a meaningful role in corporate financing (See Box 1).

Box 1. Capital Markets in Romania

The capital market in Romania is one of the shallowest in the region. Listed stock and debt securities amounted to 37.1 percent of GDP at the end of 2016, vs. 105.1 percent in Croatia, 95.3 in Hungary, 87.6 in Poland and 219.9 average in the EU. Equity market, accessible to more established companies, is lagging that of regional peers. The Bucharest Stock Exchange (BVB) had 92 listed companies as of end-2016, with total market capitalization in Romania amounting to 8.9 percent of GDP compared to 42.4 in Croatia, 18.8 in Hungary, and 28.3 Poland and 65.7 percent in the Euro area as of end 2016 (source Eurostat). The secondary market also has a very low liquidity. Private equity, including venture capital, is nascent.

The Romanian authorities undertook a broad range of reforms to develop domestic capital markets, advancing in the aim of moving Romania from Frontier to Emerging Market (EM) Status. The Romanian Financial Supervisory Authority (ASF) has been streamlining and modernizing the regulatory framework, harmonizing with EU capital market standards, and implementing risk-based supervision. It has also engaged in capacity building to improve the understanding of new market practices and participants. Progress has been supported by the Government, which used BVB to privatize SOEs. Thanks to the pension reform that helped deepen domestic institutional investor base, BVB has been placed on the FTSE Emerging Market watch list and now meets all requirements except liquidity. Once this is resolved, Romania could be included in MSCI EM indexes, which could bring up to USD 1.3 billion in additional investment (including mutual funds, exchange-traded and institutional funds). Further potential privatizations (e.g. Hidroelectrica, Bucharest Airport) would be important steps toward emerging market status, although these are not currently planned. Government bond market development efforts led to the inclusion of Romanian government bonds in the Barclays and JP Morgan indexes, and provided a significant boost for the market, increasing medium and long term foreign institutional investment.

Despite a positive momentum, key challenges remain. There are key challenges preventing capital markets from supporting private sector financing solutions and bringing in institutional investors. Concerns regarding corporate governance of SOEs risk reversing the progress made to date. The reduction in the Pillar 2 pension contribution from 5.1 to 3.75 percent of gross salary could reduce the institutional investor base and affect long term saving. There are also market level issues that need to be addressed to further increase liquidity and successfully introduce new products.

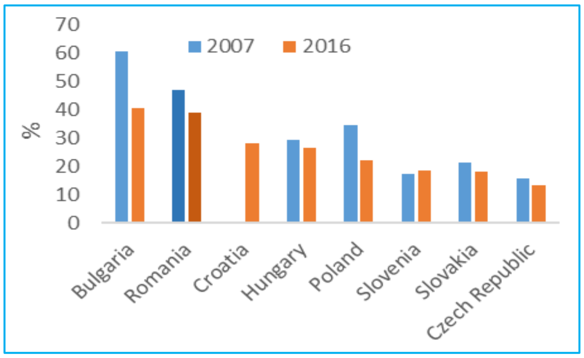
Further development of domestic capital markets could have significant benefits for Romania. Developing local capital markets can improve the availability of long-term financing for firms, municipalities, and priority sectors, spurring growth and job creation. Deeper domestic capital markets would also provide investible assets for domestic institutional investors to match their long-term liabilities. Increasing the variety of financial instruments (including covered bonds to be launched as a new asset class) will further help deepen the market.

15. Romania currently enjoys access to international capital markets at reasonable terms, but this access is vulnerable to market volatility and depends on the underlying macro-fiscal stability of the country. The country is currently rated BBB- by Standard and Poor's, which is the lowest investment grade. While the country has adequate conditions to meet its financial commitments, this capacity could be weakened with adverse economic shifts. Current yields are low. The latest international bond issuance took place in February 2018, when the government raised EUR 750 million from a 12-year bond sale with a yield of 2.585 percent and EUR 1.25 billion from a 20-year bond with a yield of 3.45 percent; both were oversubscribed, with investors seeking EU sovereign risk. However, the country suffered from a lack of access in the aftermath of the global financial crisis. Romania was downgraded BB+ in 2008 and did not access the markets at all in 2009 likely due to prohibitive rates, while in the following two-year period it only accessed the market with medium-term issuances totaling 2.5 billion EUR at higher coupons of 5.0 percent (in 2010) and 5.25 percent (in 2011).

Poverty Profile

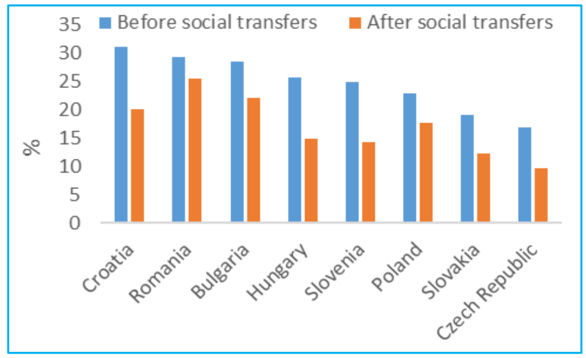
16. Poverty has gradually declined, yet remains significantly above regional peers. The EU accession was a major boon for poverty reduction, but ten years on, Romania is still by far the poorest country in the EU. The at-risk-of-poverty (AROP) rate fell steeply from 23.6 percent in 2007 to 16.5 percent in the first two years following Romania's EU accession. However, the 2008 crisis led to large-scale job losses and many of the poor fell back on agriculture as a means of last resort, resulting in a setback of almost a decade. With a slow recovery at the bottom of the income distribution, income growth of the bottom 40 percent was negative between 2009-2015. Poverty as of 2015 is still above pre-crisis levels as post-crisis recovery has not brought down inequality, which remains among the highest in the EU.

Figure 8. Poverty remains higher than peers
(At risk of poverty and social exclusion AROPE[4])



Source: Eurostat

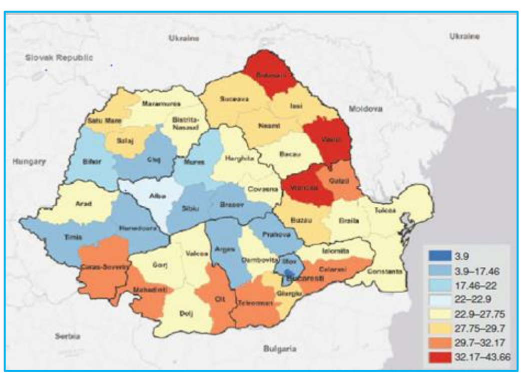
Figure 9. Social transfers are not effective at reducing poverty, 2015



Source: Eurostat

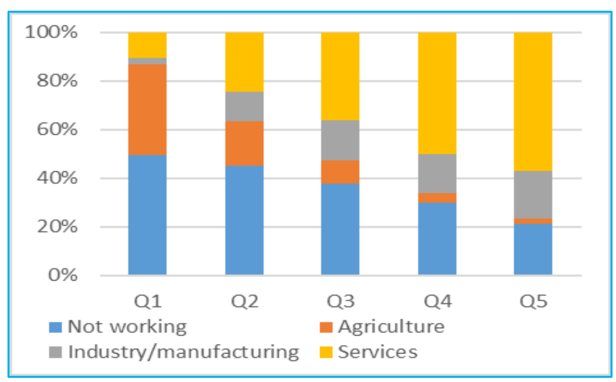
17. Romania's inclusion challenge is predominantly a rural problem, with 70 percent of the poor living in rural areas.[5] With an incomplete structural transformation, around 45 percent of the population resides in rural areas where poverty is a full 20 percentage points higher than in urban areas. Consequently, poor regions in Romania are also where most of the poor live. This strong duality is a manifestation of unequal opportunities and unequal access to markets that has no parallel in any other EU country: disparities in endowments (notably human capital) and various factors that influence the returns on endowments combine to contribute to high levels of social and regional variation (Figure 10).

Figure 10. At-risk-of-poverty rates at NUTS3 level reveal substantial regional variation



Source: World Bank (2016)

Figure 11. A large share of the poorest and most vulnerable do not work or rely on subsistence agriculture



Source: World Bank staff calculation using EU-SILC 2016

Disparities in living standards between urban and rural areas are especially striking: the urban-rural gap in mean equivalized net income is the second-highest in the EU, with mean urban income almost 50 percent higher than the mean rural income. Poverty rates vary significantly across regions, with poverty rates in some counties in the North-East being more than ten times higher than that in Bucharest. To counter the consequences of a shrinking and aging population, driven mainly by external migration of its working-age population, Romania faces an imperative to enhance the equality of opportunities, between groups and across regions, to foster broad-based improvements in living standards and create a virtuous cycle of inclusive growth and development.

18. **4.5 percent of Romania's population (over 900 thousand people) live in extreme poverty in marginalized areas (3.2 percent of urban and 6.2 percent of rural population).** Marginalized areas are, by definition, areas that combine low human capital, high unemployment, and inadequate housing conditions.[6] These areas suffer from a combination of dirty or nonexistent streets, concentration of households in extreme poverty, very low levels of education, poor health, a preponderance of single or teenage mothers, large numbers of children, poor quality and/or segregated schools, and a high rate of petty crime. Public services are lacking or are of low quality. People in marginalized communities have few opportunities to get better education or a decent job. As a rule, these areas tend to be underrepresented on local political decision-making bodies.[7]

19. **Inclusion of the Roma population remains one of Romania's biggest challenges**. Poverty and material deprivation among the Roma have declined but remain high, particularly in spatially segregated Roma neighborhoods. According to EU-MIDIS II, the share of Roma at risk of poverty[8] was 70 percent in 2016 (FRA, EU MIDIS II,[9] declining from 84 percent in 2011 (UNDP/World Bank/EC Regional Roma Survey).[10] However, the gap to the national average of 25 percent remains substantial. Income poverty among the Roma strongly correlates with residential concentration, i.e. poverty levels are more pronounced in neighborhoods where all or most residents are Roma. Strikingly, 68 percent of Roma report living in such segregated neighborhoods. Severe material deprivation is widespread, and 62 percent of surveyed Roma households find it difficult to make ends meet. About a third of Roma live in households that experience hunger (at least one person went to bed hungry at least once in the previous month).

20. **Inequality has a profound effect on children, impeding economic mobility and the country's long-run growth potential.** About 4 out of 10 Romanian children are poor, the highest number in the EU. Many children accumulate disadvantages that are the direct result of poverty and deprivation: for example, external migrants disproportionately originate from poorer regions, which leads to the breakdown of families, with close to 100,000 children left behind. Romania still has one of the largest number of children in the child protection system, though progress is being made in transferring them from institutional to community-based care. The situation of Roma children is especially dire: being Roma increases the chances of poverty more than any other factor. The integration of Roma in education is a challenge and is closely associated with social inclusion and employment. The participation of Roma in early childhood education and care decreased form 45 percent in 2011 to 38 percent in 2016. At the same time, the proportion of early school leavers among the Roma remains high at 77 percent (2016), and 64 percent of Roma aged 16 to 24 are out of employment or education. Recent research suggests that a large share of income inequality can be traced back to unequal starts, especially in countries like Romania that spend less on education as a share of GDP, particularly at the pre-primary level.

21. **Institutional and policy constraints hinder social inclusion and poverty reduction despite high economic growth.** The Government has made important progress in areas such as deinstitutionalization of children, reduction of error and fraud on social benefits and pensions, and improving administrative efficiency of the social assistance system. Nevertheless, improving equity is still work in progress; to this end, four important policies need to be implemented. First, the Minimum Insertion Income Program (VMI)[11] – already approved by the parliament – to not only ensure long-term impacts in reducing inequality and poverty, but also further improve efficiency of the social assistance system. Second, the

integration of social services and case management at the local level to support the poorest and most vulnerable families through a personalized support and better provision of social services. Third, the improvement of the system for identifying the needs of the persons with disabilities and the elderly (including through the harmonization of the medical and psychosocial eligibility criteria for disabilities) together with the development of specialized and support services that would answer to those needs. Fourth, the improvement of the efficiency of the special protection services to make sure that the children in public care remain in the system for the shortest period possible and that during their stay they receive high-quality services needed for their complete integration in society, and the development of preventive community-based services to prevent the entrance of children into the protection system in the first place.

22. Gender divides persist despite recent progress. Recently completed Romania Country Gender Assessment[12] finds that while progress has been made in endowments (health and education), challenges persist, even more so among Roma women and women living in rural areas. Labor force participation among women is low, and the gender gap in labor participation in Romania is significantly larger than in other EU countries. Other dimensions of concern are related to women's agency: high teenage pregnancy rates and gender-based violence (see Box 2). While overall gender gaps in education have largely closed in Romania, they persist among the Roma population. The gender assessment also finds that while overall there is no significant gender gap related to the rate of early leavers, gender gaps among NEETs (young

Box 2: Summary of Romania Country Gender Assessment (2018)

A Country Gender Assessment for Romania reviewed the state of equality between women and men in Romania in endowments, economic opportunities, and voice and agency. With regards to gender equality, Romania made substantial progress, including in health and education. For example, unlike many other EU countries, Romanian women participate more in traditionally male dominated fields of study. In addition, Romania has advanced in its legal and institutional framework. However, Romania still lags in other areas – much of which is driven by rural and ethnic inequalities.

Challenges persist in some dimensions of human endowments. For instance, Romania's maternal mortality rate (MMR) remains one of the highest amongst EU member states: In 2014, it was 31 deaths per 100,000 live births, which was almost four times the EU's average, and it is about 15 times higher among Roma women than among non-Roma women. While overall gender gaps in education have largely closed in Romania, gender gaps in this dimension are still persistent among the Roma population.

Women in Romania continue to face challenges with regards to economic opportunities. Only 56.2 percent of women report being economically active compared to 74.8 percent of men. Care provision seems to pose significant constraints on women's ability to participate in the labor market: almost 30 percent of working-age women (18-64) report "looking after the family/house" as one of the main reasons for not looking for a job, whereas only 10 percent of men do (LITS 2016).

Finally, high prevalence of gender-based violence and of teenage pregnancy are issue of serious concern in Romania. 30 percent of women in Romania have experienced physical and/or sexual violence since the age of 15 and only 23 percent of victims reported the most serious incident to the police. 32 percent of women have also experienced sexual harassment. Moreover, only 74 percent of the respondents in Romania (compared to 96 percent from the 28 EU member states) believe that domestic violence against women is unacceptable and should always be punishable by law. Another manifestation of the lack of agency among women is the relatively high adolescent fertility rate. At 34 births per 1,000 women (ages 15 to 19) it is notably higher than both the Europe and Central Asia (17.2) and EU (10.4) averages. Adolescent fertility and child marriage are phenomena affecting Roma girls even more: 10 percent of Roma girls have their first child when they are between the ages of 12-15 and 48 percent of them become first-time mothers when they are between the ages of 16-18. Approximately 28 percent of Roma women between the ages of 15 and 19 are married, while only two percent of the non-Roma population in Romania between these ages are married.

people aged 15 to 24 neither in employment nor in education) are large (14.1 percent for boys versus 21.8 percent for girls) and even larger among rural populations (16.8 versus 26.1 percent respectively). [13]

Institutional Assessment and Key Development Challenges Identified by the SCD

23. 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. GDP per capita rose from 30 percent of the EU average in 1995 to 61 percent in 2017. Today, over 70 percent of the country's exports go to the EU and their technological complexity is increasing. Yet, Romania remains the country with by far the largest share of poor people in the EU, with over a quarter of the population living on less than USD5.5 a day. There are widening disparities in economic opportunity and poverty across regions and between urban and rural areas. 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. Access to public services remains constrained for many citizens, particularly in rural areas, and there is a large infrastructure gap, which is a drag on international competitiveness of the more dynamic Romania and limits economic opportunities in lagging and rural areas

24. The SCD provides an in-depth assessment of the significant remaining institutional weaknesses that limit Romania's ability to make sustainable progress towards reducing poverty and shared prosperity for the benefit of all citizens. Growth is constrained by weak commitment to policy implementation and an adverse environment for investment; equal opportunities by uneven local service delivery; and resilience to natural disasters and climate change by lack of coordination between central and local authorities. If such institutional challenges remain unaddressed, it will not be possible to sustain the impressive growth performance of recent years, share prosperity among all the citizens, and improve the country's resilience to natural hazards.

25. To create a business environment conducive to sustained growth and private investment, as well as to promote inclusion and bridge social and economic divides, Romania needs to focus on overcoming its key institutional challenges:

26. At the national level, enhanced capacity for consistent and evidence-based policy making is a crucial foundation for inclusive and sustained growth.

- Ad-hoc policy changes are creating an unstable policy environment that hurts citizens, trade unions and private companies alike, while also affecting investment decisions and business planning. 82 percent of surveyed firms in Romania agree that fast-changing legislation and policies are a problem when doing business. Legislative proposals lack real impact studies and are frequently issued on the basis of trial and error. Policy volatility is seen in the frequent use of "emergency ordinances," which are implemented before receiving parliamentary approval and are often subsequently amended. Fiscal legislation is frequently amended, creating significant challenges for firms' accountants and uncertainties for potential investors, while ultimately curtailing the ability of firms to make investment decisions.
- Governance improvements have not yet been transformative, despite the EU accession process. There has been progress, such as in establishing a legislative framework for fighting corruption. The Romanian National Anti-Corruption Directorate (DNA), created in 2002, addresses medium and high-level corruption cases, and is one of the most trusted institutions in Romania. Yet frequently, de jure reforms were poorly implemented, as old institutions resisted change. According to the World Economic Forum's Global Competitiveness Report, Romania's institutional evolution has stagnated over the past decade, with gains only witnessed in terms of transparency, while Romania continues to perform poorly in terms of government favoritism, wastefulness, and diversion of public funds. Romania has not managed to

consistently reform its state to increase the capacity needed for better public service delivery and growth sustainability.

- Fragmentation of sector responsibilities leads to diffuse accountability and poor coordination. Policy planning units in line ministries, for example in health and education, are weak and do not connect strategic and budget planning to day-to-day operations. Setting and monitoring measurable results is rare, leading to perpetuation of suboptimal policies, such as poor targeting of social transfers.
- Capacity constraints in project planning and implementation lead to investment delays. For example, in 2015 public investment was 25 percent below plan, and as of March 2018, Romania used only 17 percent of the EUR 30.9 billion of the EU funds allocated for the 2014-20 programming period. Transport sector showcases the underlying capacity constraints and lack of funding prioritization; as a result, Romania's road infrastructure costs remain high compared to EU average, with persistently low quality. Similarly, capacity constraints put at risk the implementation of other EU funding, such as the EUR4.7 billion Human Capital Operational Program (POCU) for the 2014-20 programming period
- Reforming and depoliticizing public administration would create professional senior management, reduce staff turnover and speed up decision making. Commitment to competitively recruit civil servants for non-political positions to manage policy, operations and service delivery is necessary to create a functional civil service that provides implementation stability across changes in political leadership.

27. **At subnational level**, a greater capacity to foster private investment and improve the quality of public service delivery is essential for overcoming regional divides and boosting prosperity of the people.

- Many municipalities do not have the capacity to prioritize, plan or manage capital investments, which curtails their access to funding and delays improvements in key economic infrastructure. Another issue is the lack of experience in leveraging key public assets. Poor planning and often unclear property rights lead to stranded assets that could be used to unlock private sector potential.
- Romania has no urban development policy, and there are no state budget programs for urban development. There are however considerable EU funds available for this purpose, and some cities have been able to raise own revenues for capital investment. Ability to mobilize resources and attract private investment varies considerably across municipalities, but most lack focus on strengthening private sector.
- Cities often provide reliable public services, although significant gaps remain. For example, most municipalities have struggled to keep district heating systems operational or efficient. Only Bucharest, Oradea, and Constanța have managed to keep a significant share of households branched to the district heating system, while others (Cluj-Napoca, Iași, Sibiu) have witnessed significant de-branching (with people installing individual heating units), and some cities have closed their district heating systems altogether (Brașov, Brăila, Baia Mare, and Vaslui). Public service delivery is spotty in rural areas, with 1,990 of 2,189 communes having no sewage, and 672 communes having no piped water.

Reform Priorities for Inclusive Growth

28. **Sustained growth requires addressing supply side constraints and strengthening institutions**. To maintain high growth rates in the medium term and keep converging with the living standards of Europe, Romania needs to revamp the drivers of growth, with more and better labor, better capital investment and more efficient allocation of resources. Stronger public institutions and more stable and predictable policy environment are a necessary ingredient of this work.

29. **On the labor market side, boosting potential growth requires increasing labor force participation to mitigate the effects of aging and emigration, as well as improving the skills of the workforce**. Romania lags among peers in number of graduate students in science, technology, engineering and math (STEM) disciplines in the population aged 20 to 29. Unemployment remains high for the young (18.3 percent) and the unskilled, and labor shortages are increasingly affecting both skilled and unskilled occupations in the context of rapidly rising labor costs (14.8 increase in the average wage in 2017). Better labor market policies and stronger education system would help address this challenge.

30. On the capital side, there is a need to promote private investment, while more efficient public investment could be complemented by a greater use of public-private partnerships (PPPs) to address the infrastructure gap. Unpredictable policy and business environment is the top-rated constraint to long-term investment, as demonstrated for example by the European Investment Bank (EIB) Investment Survey (2016).[14] Second most important concern is the lack of adequate transport infrastructure, which is cited as a major obstacle for investment by 45 percent of Romanian firms, compared to 12.9 percent of firms in Poland. Romania lags in terms of available motorways and railways relative to its population and land area. Factor misallocation needs to be addressed, for example, by reconsidering the role of SOEs in key sectors, such as energy and transport, where they remain dominant, while the business environment should become more supportive of domestic and foreign investors, especially by ensuring predictability of the legislative framework. This would allow more productive and innovative Romanian firms to take full advantage of the EU Single Market.

31. The SCD proposes ten development priorities for Romania that will help enhance equity and shared prosperity. These fall into four broad areas, of which the first – increasing the effectiveness and efficiency of the institutions in public service delivery – is the prerequisite for advancing on the other three (Table 2).

Table 2. SCD Priorities

Priority	Expected impact
Increasing the effectiveness and efficiency of the institutions in public service delivery	
Increase transparency and access to information *to enable collective action and enhance accountability.*	Increase trust in institutions and cooperation of citizens to contribute to the financing of the provision of public goods
Develop a management framework for public investment *for budgetary and EU funds.*	Improve efficiency of public spending, provide adequate supply of infrastructures and public services across the country
Reform the civil service *aiming to depoliticize the public administration.*	Increase efficiency and productivity of the public administration
Catalysing private sector growth and competitiveness	
Enhance infrastructure and connectivity by increasing investment in large transport infrastructure and mobilizing private financing instruments.	Increase productivity, support job creation and economic growth
Create a vibrant business environment *by cutting red tape, reconsidering the role of SOEs, reducing regulation of product markets, securing land titles and property rights, developing sustainable agribusiness and relevant value chains, strengthening financial intermediation and access to finance for MSMEs and maintaining a prudent economic policy management.*	Reduce misallocation of resources and support productivity and economic growth
Reduce labor market shortages, mismatches and rigidities by increasing labor force participation especially among women and the Roma, enhancing internal mobility for better allocation of labor and improving the minimum wage setting mechanism.	Increase labor force participation, labor productivity and economic growth
Ensuring equal opportunities for all	
Promote human capital development by investing in early childhood education and closing the gap in early school leaving; promoting vocational education and training (VET), achieving higher attainment in tertiary education and fostering lifelong learning; improving health outcomes and resolving inequities in access to high-quality health care through expanding primary care;	Support inclusive growth
Achieve equitable access to high-quality public services by improving access to municipal infrastructure and delivering a robust social safety net that provides effective social assistance and integrated social services for the poor and marginalized groups yet preserves work incentives.	Support inclusion
Building resilience for sustainable growth	
Make the policy, legal and institutional environment risk-informed by enhancing readiness, reforming policies and strengthening institutions for better disaster preparedness	Reduce the physical, social and financial impact of disasters
Strengthen adaptation to climate change by enhancing and implementing cross-sectoral adaptation policies, measures and financing options	Reduce climate change vulnerabilities

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

A. Government Program and Medium-term Strategy

32. **The Government's program[15] for 2018-20 focuses on supporting economic growth and poverty reduction.** It aims at boosting Romania's medium-term competitiveness, promoting sustainable employment and strengthening social cohesion, while preserving macroeconomic stability. Sector

priorities include improving key economic infrastructure, in particular transport and digital infrastructure, as well as a better quality of health and education. To boost private sector growth, the Government launched programs supporting companies' integration in the European value chains by reducing their tax burden, facilitating access to finance, with focus on MSMEs, and simplifying regulations. Through a series of increases in the public pensions and wages promoted in 2017 the Government aims to also boost social cohesion and reduce poverty. Further measures to enhance the competitiveness of the Romanian companies and bridge the gap between the leading and lagging communities are envisaged over the coming years. The objectives of the Fiscal-Budgetary Strategy of the Government for 2018-20[16]are to promote a smart, sustainable and inclusive economic growth, promote investment and fiscal stability and predictability and sustainably boost the revenues of the vulnerable categories of population. The priorities of the proposed CPF are aligned with the Government's program.

B. Proposed WBG Country Partnership Framework

Lessons from FY14-18 CPS Completion Report

33. The WBG can continue to serve as a stable, neutral convener and knowledge broker in Romania to help identify development solutions and provide support for their implementation. The changing scope of the RAS program, which evolved substantially during the CPS period from mainly small, timebound analytical pieces to large and longer duration technical assistance and capacity building tasks, allows the Bank to respond quickly to client requests for advice and provide support that could not otherwise be funded within the Bank's own budget. Strategically leveraging this role to achieve high-priority institutional reforms should be the centerpiece of the WBG program going forward.

34. More effective engagement will require a sharper focus with more clearly articulated WBG priorities and carefully selected instruments. The CPF should target a manageable number of objectives and result indicators that can be more directly linked to WBG interventions, and take advantage of a timely Progress and Learning Review (PLR) to adjust them to evolving needs. Complementarity and coordination among knowledge and financing instruments as well as across IBRD and IFC engagements is important, with possibly also strategic participation by MIGA to support private sector development. The European Commission and key international financial institutions (IFIs) will be consulted regularly to ensure coordination and complementarity.

35. Close attention should be paid to supporting the implementation of institutional reforms under the new CPF. Formal "supply-side" achievements such as the adoption of new laws and strategies are not sufficient alone for facilitating sustainable institutional changes. Regular communication with Government counterparts, the identification and enabling of champions, hands-on technical assistance, and other implementation support will likely prove critical for achieving needed institutional reforms. Relative political stability at the local level could allow the Bank to pilot new approaches to regional development.

36. IFC has faced challenges in supporting the development of PPPs and in expanding municipal finance partnerships. An overarching issue in enabling IFC to support the development of PPPs in Romania is the absence of a functioning PPP Law, that is currently discussed in the parliament, as well as lack of the associated institutional capacity to support implementation. In municipal finance, issues such as governance, as well as availability of competitively priced finance domestically, restrict IFC's footprint.

Lessons from Public Consultations

37. WBG team conducted extensive consultations on both the SCD and CPF with major stakeholders, which yielded a consistent and widely shared set of priorities and opportunities for Romania and informed the proposed WBG program. Face-to-face SCD consultations were held in five cities (Bucharest, Iasi, Cluj-Napoca, Timisoara and Constanța) in October-November 2017 and online consultations were open to the public between October 15 and November 30. Face-to-face CPF consultations were held in February-May 2018 in Alexandria, Craiova, Iasi, Vaslui, Resita, Caransebes, Dej, Cluj-Napoca, Turda and Bucharest, as well as in Brussels with the representatives of EU Commission and different think tanks. An online survey asking participants to identify Romania's key development challenges and prioritize WBG engagement ran between April 11 and May 15. Key stakeholders included national and local public authorities, private sector actors, national and local-level civil society organizations, opinion-makers and influencers, professors, students and representatives of the international community. The top three concerns emerging from these consultations are the need for consistent and predictable public policy; urgent need to improve the state of infrastructure, especially roads; and address the shortage of skills. At the same time, participants shared an optimistic outlook for the country, with an overwhelming majority of respondents preferring to live, work or study in Romania, rather than seek opportunities abroad.

38. The World Bank Group is widely seen as an independent and reliable development partner for Romania. Stakeholders would like the WBG to focus on supporting improved Government capacity for predictable and consistent policy making, as well as help the authorities at all levels to prioritize and implement investment projects, particularly in infrastructure. Participants also urged the WBG to continue focusing on health and education as essential areas for human development. Many stakeholders supported a greater outreach to local authorities, and welcomed efforts by IBRD, IFC and MIGA to leverage private funding.

Overview of World Bank Group Partnership Framework

39. The proposed CPF is focused on the most pressing constraints identified in the SCD, in areas where the WBG has comparative advantage and there is a demand from the Government of Romania. The SCD clearly sets out weak institutions and poor governance as the most critical binding constraint to Romania's sustainable economic development and shared prosperity. Accordingly, the CPF will focus on the single overarching goal – ***building institutions fit for a prosperous and inclusive Romania***. This focus on addressing institutional constraints will help set Romania on a path for eventual IBRD Graduation.

40. The Government and WBG have agreed to deploy the full range of financing and advisory instruments, including continued development of a significant RAS program and activities funded by the EC's Structural Reform Support Service (SRSS). The planned WBG program will cover all four priority areas identified in the SCD (Table 3), yet within these it will focus on specific aspects where WBG is best positioned to add value.

41. To ensure selectivity and maximize the use of WBG resources, any future financial engagement in Romania will have to demonstrate that it builds essential institutional capacity or deepens private markets. In addition, potential financing would be assessed using the following filters: (i) developing innovative solutions that benefit the poorest and most vulnerable, including Roma; (ii) maximizing finance for development, including catalyzing private sector investment or leveraging additional resources (e.g., better absorption of EU funds); and/or (iii) contributing to regional and global public goods. In other words, the WBG will support advisory, knowledge or financial operations in Romania that help build institutions and markets for inclusive sustainable growth, and share global knowledge.

Table 3. Link between CPF Objectives and SCD Priorities

CPF Objectives	SCD Priorities
Overarching Goal: Build Institutions Fit for a Prosperous and Inclusive Romania	**Increasing the effectiveness and efficiency of the state in public service delivery** • Increase transparency and access to information • Develop a management framework for public investment • Reform the civil service
Focus Area I. Ensure Equal Opportunities for All	**Ensure Equal Opportunities for All**
Objective 1. Improve transition to tertiary education for the poor and vulnerable	• Promote human capital development • Achieve equitable access to high-quality public services
Objective 2. Improve access to modern health care	
Objective 3. Connect the poor and vulnerable to jobs	• Reduce labor market shortages, mismatches and rigidities
Focus Area II: Catalyze Private Sector Growth and Competitiveness	**Catalyze Private Sector Growth and Competitiveness**
Objective 4. Strengthen capacity to build transport infrastructure	• Enhance infrastructure and connectivity
Objective 5. Boost subnational capacity to attract private investment	• Create a vibrant business environment
Objective 6. Accelerate capital market development and access to finance	
Focus Area III. Build Resilience to Shocks	**Build Resilience for Sustainable Growth**
Objective 7. Improve preparedness to natural disasters and climate change	• Make the policy, legal and institutional environment risk-informed • Strengthen adaptation to climate change

42. **The CPF covers five years to align the WBG engagement to the Romanian EU funds cycle.** As a member-state of the European Union, Romania benefits from European Structural and Investment Funds (ESIF) provided on a seven-year funding cycle basis. Such funds can be used up to three years beyond each cycle. For the EU programming period 2014-20, Romania has been allocated EUR30.8 billion in European Structural and Investment Funds to be used until the end of 2023 for priority investments and reforms in various areas, as outlined in the Country's Partnership Agreement 2014-20. This is the largest source of non-reimbursable funds available for Romania's development and convergence to EU standards. Challenges in EU funds absorption during the 2007-13 period and delays in preparation for accessing funds under the 2014-20 EU programming period have revealed institutional bottlenecks, weak capacity in managing funds and implementing projects. The Government requested Bank support to address these challenges mainly through RAS. It reconfirmed the valuable partnership with the Bank through the MoU signed in 2016 and the high demand for RAS in the past two years. Romania has one of the largest RAS programs under implementation within the WBG. Building on the previous advisory services program that focused on strategic prioritization and planning, the focus has now shifted to implementation support and hands-on institutional capacity building, assisting the Government in the implementation of priority programs, including those financed by EU funds.

43. **The proposed CPF is more selective and focused than the previous one, drawing on the lessons learned to fit the specific policy environment of Romania.** Building better public and private institutions remains the key prerequisite for achieving sustainable and inclusive growth, and the new CPF will direct

all future WB engagements towards this overarching goal. While knowledge interventions (mostly in the form of RASs) are a mainstay of this CPF, IBRD financial engagement in selected areas remains important, as the design and implementation of lending operations has proven to contribute effectively to transfers of know-how and institution building in the Romanian context. Financial operations will be additionally filtered for inclusion, financial leveraging and global public goods. These filters will also, to the extent appropriate, be applied to RAS and analytical and advisory services (ASA), as shown in Table 4. Given persistent political volatility and evolving client demand, the WB program proposes a flexible approach to the WBG Pipeline beyond FY19, within the parameters defined by the selectivity filters.

Table 4. Examples of Application of Filters to WB Program *(proposed and current)*

Project	Institutional filter	Other filters met
CAT DDO (USD465m proposed)	Strengthen Romania's institutional and legal framework to effectively manage the physical, social and fiscal impacts of natural disasters and climate change.	**Contribute to regional and global public goods** by integrating climate change considerations into sector priorities.
Strengthening Disaster Risk Management IPF (USD58.6m proposed)	Strengthen Government's capacity in disaster risk reduction and climate change adaptation.	**Contribute to regional and global public goods** by integrating climate change considerations into sector priorities; **leverage other funding** by maximizing the use of EU funds for Energy Efficiency.
Institutional Capacity and Knowledge for Motorway Construction TA IPF (USD35m proposed)	Strengthen the capabilities of Romania's national road sector institutions for preparing major projects and structuring a programmatic investment approach to deliver the national road sector infrastructure.	**Leverage other funding** by developing a financial strategy and leverage EU, private and/or other funds for construction phase.
Justice Quarter and Esplanada District IPF (USD250m proposed)	Strengthen the capacity of the Government of Romania and the City of Bucharest to unlock stranded assets, leverage the value of land for local economic development and improved fiscal management.	**Leverage other funding** by unlocking stranded land assets and create potential public private collaboration; **contribute to regional and global public goods** by integrating energy efficiency, resilience and adaptation considerations into the project.
POCU RAS (USD10m ongoing)	Capacity building of institutions involved in the design and implementation of Human Capacity Operational Program by providing hands-on assistance in implementing and supervising POCU-funded investments, as well as supporting impact evaluations of a subset of projects.	**Leverage other funding** by improving absorption of EU funds under the Human Capacity Operational Program through support in the appraisal and evaluation of calls.
Agriculture Sector Engagement ASA (proposed)	Strengthen the capacity of the Government of Romania to improve rural livelihoods in mountainous regions by bringing global knowledge and best practice to Romanian stakeholders	**Inclusion** by focusing on the lagging regions where the majority of the poor and vulnerable live.

44. **In line with the selectivity filters applied in the WBG CPF, IFC will strategically prioritize interventions across key sectors that catalyze private investments or mobilize other funding from both domestic and international sources; contribute to regional or global public goods to increase development impact on the poor and most vulnerable.** IFC will develop new engagements to strengthen

the financial sector and develop further capital markets to diversify financing options and improve access to long term capital, particularly for MSMEs, to strengthen entrepreneurship and employment growth. In infrastructure, an area where IFC, World Bank and MIGA can operationalize MFD, IFC will aim to support privatization of select assets and aim to increase the participation of private sector through investments and facilitation of PPPs, to help with the development of new and modernization of existing infrastructure, both at the national and municipal levels, to improve connectivity and access to services. IFC's program, in infrastructure in particular, depends greatly on the dedication of the Government to the continuation of structural reforms, a functioning PPP framework being in place, improvement of the business enabling environment, strengthening of institutions and governance. Furthermore, IFC will be reacting to demand and continue to explore new investment opportunities in agribusiness, manufacturing and services and in order to increase regional development and cross-border competitiveness, by enabling innovation and technological upgrades that lead to increased productivity and standards, development and strengthening of value chains, improved access to commerce and development of trade.

45. The CPF will address the inclusion of marginalized and disadvantaged Roma by continuing to mainstream Roma sensitivity into WB portfolio. To achieve this, Bank teams will continue to apply the Roma Sensitivity Enhancer (RSE) to facilitate the provision of Roma-sensitive technical inputs to improve the impacts of Bank-supported activities on disadvantaged and marginalized Roma. It also aims to help the country management team monitor the extent to which Roma sensitivity is mainstreamed in its portfolio (see Box 3). The World Bank will also continue supporting the Roma Sounding Board (RSB), which serves as a platform for more effective communication and engagement between civil society organizations working on the Roma agenda in Romania, the World Bank, and other external stakeholders. The RSB consists of eight civil society organizations active at the national level and eight Roma-organizations active at the local or regional level, with one NGO representing each region of Romania. The World Bank will continue to engage with RSB to improve efficiency and effectiveness of Roma mainstreaming in the country portfolio.

Box 3. Roma Sensitivity Enhancer

Roma Sensitivity Enhancer (RSE), or Roma Filter, is a tool that has been applied to all operations in WB Romania program since 2015. The objective of the RSE is to help task teams of World Bank operations identify: (a) specific challenges and circumstances that could impede marginalized and disadvantaged Roma from benefiting from Bank supported activities; (b) potential negative impacts of Bank-supported activities on marginalized and disadvantaged Roma; (c) opportunities and measures to increase the Bank-supported activities' positive impacts on marginalized and disadvantaged Roma and promote their social inclusion; and (d) measures to avoid or mitigate the potential negative impacts of Bank-supported activities on marginalized and disadvantaged Roma.

The RSE takes the form of a semi-structured questionnaire, like the questions used for gender mainstreaming in World Bank activities. The questionnaire comes in two versions, one for financing operations (IPF, DPF, PforR) and another for analytical and advisory activities (RAS, TA, ESW). Both versions help task teams increase Roma sensitivity in three dimensions: (a) analysis, (b) actions, and (c) monitoring and evaluation. The RSE guides task teams to take these Roma-related aspects into consideration when they are designing and implementing project activities. It also helps teams to incorporate Roma-specific project monitoring indicators to track results related to Roma. This activity will feed into the CPF monitoring process by providing the necessary data on progress on Roma agenda at CPF level.

46. This proposed Joint WBG CPF is underpinned by the MFD approach. It has benefited from inputs from the IFC Industry Groups as part of a joint workshop on January 11, 2018 that identified specific activities for collaboration like capital markets development, preparing the Institutional Capacity and Knowledge for Motorway Construction Project or the Justice Quarter and Esplanada Urban Development Project as well as possible productive alliances in the agriculture sector. For example, the Institutional

Capacity and Knowledge for Motorway Construction Project is an IBRD loan to finance the preparation and detailed design of the motorway to improve the capacity of the road agency and develop financing models for transport infrastructure construction. Subsequent construction of the motorway (estimated USD2 billion) will be financed with EU structural funds, EIB and other resources, including a possible IBRD loan. IFC could help identify areas for private sector participation. MIGA could look to support private sector investments into appropriate areas and sectors as identified.

Focus Areas and Objectives Supported by the WBG Program

Overarching Goal: Build Institutions Fit for a Prosperous and Inclusive Romania

47. Making public institutions and public policy more resilient to political shocks, such as changes in the composition of Government, is critically important for the country's long-term economic and social success. Globally, countries that have grown rapidly and escaped the middle-income trap have had strong public institutions, national visions and goals that are embodied in national strategies and translated into budget realities. Government should provide a stable investment climate giving entrepreneurs the confidence to invest for the long term, building and growing stable businesses that create jobs and add value. Romania's current public policy environment remains far from this ideal. Reforms are hindered by a stop and go approaches to policy-making correlated with the election cycle. Too many policies are passed without a rigorous impact assessment, clear budget allocations or proper consultative processes. Uncertainties in administrative procedures – particularly on procurement and financial management – as well as institutional capacity bottlenecks (particularly ex post controls) negatively affect the performance of programs financed from both the national budget and ESIF, curtailing the absorption rate and the impact of EU-funded programs in Romania.

48. Through our RAS engagements on strengthening the center of the Government and agencies involved in the implementation of EU-funded programs, the Bank supports improved policy-making by developing the strategic management function, strengthening the culture of evidence-based policy-making and moving towards medium-term, results-based budgeting, and smarter management and implementation of EU-funded programs. While the POCU RAS aims to address a subset of these issues in the short to medium term (with a priority focus on human development), additional engagements such as the Human Resources Management RAS will, in the long run, help to improve the capacity of the civil service. The Regulatory Impact Assessment (RIA) RAS aims to increase the capacity of the Romanian administration to do impact assessments for evidence-based policy making. The planned technical assistance to the Romanian Competition Council will increase the capacity of the state aid grantors to conduct ex-post assessments of the state aid schemes and to use the lessons learnt to optimize future schemes. The planned Reform of the National Statistical System RAS will contribute to the development of an integrated, IT-based statistical system informed by the best practice processes to help mainstream evidence-based policy making. The planned Modeling the Romanian Economy RAS will help the Government evaluate the impact of policy changes and shocks on the economy.

Focus Area I: Ensure Equal Opportunities for All

49. To bring together the "two Romanias," it is important to create opportunities for those left behind. Building the human capital for the poorest and most vulnerable is essential to give everybody in Romania a chance to succeed and benefit from the country's economic growth. Although unemployment is low and many companies are looking for workers, many of the poorest and most vulnerable are discouraged or unable to take advantage of these opportunities and improve their welfare.

Objective 1: Improve transition to tertiary education for the poor and vulnerable

50. The quality of education in Romania lags EU and OECD countries, while underachievement in basic cognitive skills is due to educational factors and equity challenges. OECD Program for International Student Assessment (PISA) scores show that about 40 percent of Romanian students are functionally illiterate, in contrast with roughly 23 percent of students in the EU .[17] Romanian students are one and a half years of schooling behind the EU countries average[18]. This points at systemic education quality issues that do not foster the development of skills required for a successful transition to the labor market or to tertiary education. At the same time, significant performance differences equivalent to three years of schooling on PISA 2015 are found among students from the top and bottom socioeconomic quintiles. Also, social school segregation has been increasing over the years with poorer students attending lower quality schools. As technological change raises the demand for strong cognitive skills, underachievement in reading, math and science carries long-term risks for Romania's economic and social convergence.[19]

51. Significant disparities persist between urban and rural areas. Only 1 percent of high performing schools and about 83 percent of low performing schools are in rural areas. Persistent disparities are also evidenced by the high difference between early school leaving rates in rural (26.6 percent) and urban areas (6.2 percent in cities and 17.4 percent in towns and suburbs). In addition to socio-economic and urban-rural inequalities, constant underfinancing of the education sector will have long-term implications for the country's human capital and economic development.

52. The World Bank program will focus on supporting better education outcomes for the poorest and the most vulnerable. The ongoing Romania Secondary Education Project (ROSE) seeks to address education system issues and is particularly focused on students at risk of failing in the transition to tertiary education. The project design has been calibrated to support the needs of at-risk students, more often from rural communities, lower socioeconomic groups, and/or Roma. A series of three ongoing RAS operations seeks to increase sector capacity to monitor and evaluate the implementation of education strategies, including measures for most disadvantaged categories, enhancing quality assurance in higher education, as well as supporting informed decision making on education infrastructure. The RAS to support the implementation of the Human Capital Operational Program (POCU) is focusing on lifelong learning, education, qualification and training programs.

Objective 2: Improve access to modern health care

53. 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 amongst the poor and vulnerable and rob them of peak productivity years, as well as the opportunity to realize investments in human capital. The Bank can help Romania improve the quality of health services through support for modern equipment and regulatory processes that drive quality improvement in health facilities. High-quality treatment for patients with common diseases such as heart disease and cancer will be supported by the modernization of equipment and through increased access to outpatient services, given that optimal management of chronic diseases starts outside the hospital. The Bank's Health Sector Reform Project (EUR250 million) supports Romania's transition to a more balanced and integrated health system that will improve the quality of care delivered to all social groups. Expected benefits include better emergency care and radiation therapy for cancer.

54. Romania spends 5.6 percent of its GDP on healthcare. This has increased considerably from 4.7 percent in 2010, but is still below the average 6.0 percent for upper-middle income countries and the 8.6 percent world average. The public sector finances 80.3 percent of health spending, paying for care delivered by both public and private sector providers. The private sector finances the balance of 19.7 percent almost entirely through out-of-pocket spending, with almost no private health insurance.

Romanian healthcare remains underfunded compared to most of the European Union countries and is ranked close to the bottom of its peer group and well below Western European countries, despite high level of bed capacity. In the context of a resource-constrained public system, the demand for private healthcare is strong. The private medical services market, which emerged in the mid-1990s, has grown in size and sophistication over the past decade. The state is increasingly supportive of the private healthcare sector as it seeks to improve efficiency and outcomes of healthcare spending. IFC will remain engaged in the health sector with the goal to support projects which increase access to affordable and quality healthcare services, with a focus on supporting (i) scalable businesses that provide quality healthcare and aim to reach underserved cities and regions; (ii) "centers of excellence" in more immature businesses that have a strong demonstration effect or that set new standards or bring new technologies or services to the market. IFC can help facilitate increased private sector participation in the sector through direct investments and facilitation of PPPs where appropriate.

Objective 3: Connect the poor and vulnerable to jobs

55. Improving Romanians' access to good jobs is a key driver of continued inclusive growth. Jobs mean more than just an income. Beyond improving living standards, they also contribute to the self-esteem and dignity of the individual, and provide a positive outlook for the entire family. Jobs in Romania are available for many, and indeed unemployment has been declining as the economy grew. However, with an activity rate of 65.6 percent in 2016, significantly below the EU average, many Romanians are excluded from the labor market. Lack of job opportunities particularly affects women, young people, the Roma, and people living in the lagging rural areas. Against the backdrop of a radical demographic shift driven by the combined effect of an aging and shrinking population and emigration, which means that working-age population by 2050 will be 20 percent smaller than today, these missing cohorts are a tremendous potential driver of continued growth that Romania cannot afford to ignore. Moreover, with the highest rate of working population at risk of poverty in the EU (18.6 percent in 2015), Romania needs to facilitate investment in better jobs that can contribute to inclusive growth.

56. Romania needs to close the gap between the available jobs and the people that are – or can be – available for work. To this end, Romania needs to invest in employment support and skills improvement programs, particularly targeting those who are disproportionately affected by lack of employment opportunities: women, youth, rural population and those living in lagging and marginalized communities, particularly the Roma. Moreover, Romania needs to implement the Minimum Insertion Income Program (VMI, already approved by the parliament) that provides stronger incentives for the poor to get back to work and reduces in-work poverty. At the same time, additional investments are needed to improve outreach efforts for identifying those Romanians in poverty that are currently excluded from the labor market and are facing overlapping labor market barriers. For example, a significant share of young women in the Romanian labor market have care duties as well as low education levels and lack of job experience. Roma women are particularly affected by overlapping labor market barriers that are often triggered by social norms and family roles that tend to lead to early school leaving, further curtailing their labor market opportunities. The World Bank will help address these challenges through the ongoing POCU RAS, which focuses on improved impact of activation, employment support and skills development programs targeting vulnerable jobseekers, including the Roma and women. We will also explore opportunities for new operations, including lending, to promote the identification and mobilization of the inactive, employment support for the most vulnerable, including the Roma and women, as well as informing the Government's vision for improved quality jobs through subnational jobs diagnostics.

Focus Area II: Catalyze Private Sector Growth and Competitiveness

57. **To sustain growth and poverty reduction, Romania needs to overcome the obstacles that are hampering private investment**. Private investment is lagging despite economic growth due in part to the relatively small business density and a persistently high number of undercapitalized firms. Companies overwhelmingly cite the lack of transport infrastructure as well as unpredictable legal and regulatory environment as reasons to delay or forego further investment. Companies also complain about the lack of financial support to researchers and entrepreneurs in proving the concepts and commercial potential of their innovations, and about delays in financing innovative firms through EU or national funds. Bucharest firms are more successful than firms in other regions of Romania at accessing EU funds for research and innovation. Stranded assets and lack of prioritization at the subnational level prevent municipalities from attracting private capital, and small and medium companies – by far the largest group in the private sector – are not innovative and have trouble accessing financial services.

Objective 4: Strengthen capacity to build transport infrastructure

58. **Romania's 700 km of motorways are in poor condition and offer sparse coverage, while the rest of the main road network is also in poor condition and not adequately maintained, leaving several core domestic and international corridors ineffective**. The country ranks last in the EU on most infrastructure indicators, making it less attractive for investment. In fact, the lack of core transport infrastructure is consistently named among the binding constraints to investment and private sector development, and is a major cause of persistent regional divides in Romania. To address these challenges, the Government of Romania approved the General Transport Master Plan (GTMP), which provides the strategy for the development of Romania's transport sector for the next 20 years. The Master Plan targets EUR27 billion in road sector investment until 2030 to build 11 motorways, 19 expressways, and dozens of smaller projects, with over EUR2 billion worth of investment per year. Only a fraction of financial resources needed to implement the GTMP has been identified. To make this plan a reality, Romania would need to acquire (i) capacity to prepare and implement large capital investment projects at a scale that would help it bridge its considerable infrastructure gap vis-a-vis the rest of the EU and (ii) capacity to mobilize public and private sources to finance the development of the network.

59. **The World Bank Group will assist the Government of Romania in implementing this ambitious program by strengthening the country's capacity to prepare and implement high quality infrastructure investments, and by developing a financial strategy for the sector to maximize finance for development.** The initial USD35 million proposed IBRD project will finance the preparation of the 110 km Ploiești-Brașov Motorway, which is included in the GTMP and forms part of the comprehensive Trans-European Transport Network (TEN-T). The project would complement the existing 60 km Bucharest-Ploiești Motorway and would link Bucharest with the regional center of the Brașov area, fundamentally changing connectivity between the capital and one of Romania's most economically vibrant areas. More importantly, the project will be the vehicle for developing a functioning model of motorway construction and mobilizing financing for infrastructure, unlocking many future investments in the sector. The Bank will work closely with the IFC and major development partners, such as the EC, EIB and EBRD, to develop a viable funding proposal for the construction phase, as well as a broader strategy for sector financing.

60. **IFC will be assessing engagement opportunities in the transport sector by facilitating PPPs and supporting privatization.** Motorway PPPs have been successfully tendered and financed in many countries in Europe, including Eastern Europe. However, a pathfinding bankable project to build new or upgrade existing motorway is still to be successfully tendered in Romania. Bringing Romanian motorway infrastructure closer to the EU average will require both public investments (including EU funds) and private capital, which cannot be achieved without a functioning PPP market. Furthermore, privatizations

in air and freight transport could improve overall efficiency of the sectors that already benefit from private sector participation. Overall PPPs in the transport sector (ports, highways and airports) hold significant potential in bringing significant financial benefits and operational efficiencies. Establishing a well-structured PPP law and tendering infrastructure projects in a transparent manner could unlock private sector participation. However, strong Government leadership, institutional capacity and long-term vision are key. With an appropriate regulatory and legal framework in place, MIGA could leverage its experience with PPPs to support projects in this sector.

61. **Romania plays an important and growing role in regional energy trade and integration.** In natural gas, Romania has attracted foreign direct investments (around USD1.5 billion) for expansion of its off-shore gas production. To bring the new gas to markets and to further integrate the Romanian gas market with regional markets, Romania must both expand and strengthen the internal gas networks and develop gas corridors connecting Romania with its neighbors. The main gas corridors include BRUA (Bulgaria – Romania – Hungary – Austria), which is an EU priority project, and regional interconnections with Serbia and Moldova. The investment program in gas transportation is valued at EUR1.6 billion over 2017-26 timeframe. In electricity, a more resilient electricity grid infrastructure is needed where Romania is preparing for the interconnection with Ukraine and Moldova. Romania is leading the European Association of Power Transmission System Operators (ENTSO-E) activities in preparing the synchronization between the EU power grid and Ukraine and Moldova. This entails significant investments in Ukraine and Moldova, but it will also require completion of the electricity transmission ring connecting northern and southern parts of the Romanian grid. The WBG will support the energy trade and integration agenda through technical assistance/reimbursable advisory services and financing support on Romanian PPP Financing Program for regional energy trade and integration.

Objective 5: Boost subnational capacity to attract private investment

62. **The functional urban areas of Bucharest and the 40 county capitals are home to 58 percent of the total population and 80 percent of people with higher education, generate 90 percent of firm revenues in Romania and account for 61 percent of the overall employment.** These are the country's economic growth and development engines, and if they do not function well, neither does the economy of the country. Evidence suggests that urban areas are facing many challenges. Foreign direct investment in Romanian cities is the lowest among the new EU Member States; the areas covered with brownfields ("stranded" urban assets) are among the largest in Europe – ranging from around 30 percent of the city area in Craiova, Cluj-Napoca, Timișoara, or Bucharest, to over 40 percent in Brăila, Giurgiu, or Călărași. Even dynamic cities like Bucharest, Cluj-Napoca, Timișoara, or Constanța have severely under-invested in urban infrastructure according to budget execution numbers. Improved capacity and strategic investment at municipal level could stimulate significant private sector growth.

63. **The World Bank Group is working directly with local administrations through policy dialogue and RAS operations to provide capacity support for: 1) a better use of local resources and a clear prioritization of local interventions; 2) bringing underused assets to productive use; 3) strengthening connections with and engagement of private sector actors.** This work will be continued closely with IFC and in addition, discussions are underway on a proposed investment operation to unlock stranded land asset in the center of Bucharest by preparing a comprehensive urban development plan that would attract private sector investment, creating an "anchor investment" in the justice quarter to maximize finance for development. During the CPF consultations, mayors expressed to the WBG their aspiration to develop PPPs to address municipal infrastructure needs. However, there is no functioning PPP law, and the understanding of the role and value added of PPPs is very limited. In some cases, EU funding is the better option for municipalities to finance infrastructure projects, but IFC will continue to explore engagement opportunities in select municipalities, through municipal finance and facilitation of PPPs, once a

functioning law is in place, to modernize infrastructure including urban transport systems, water supply and sanitation, solid waste management, and district heating. IFC will also explore opportunities to support energy efficient municipal buildings, thermo-modernization, waste-to-power, and street lighting projects. In addition, IFC will try to intervene with targeted investments and advisory to help make some of the municipal and state-owned companies more efficient and commercial.

64. **The WBG will support the Government and selected municipalities in improving sustainability and efficiency of district heating (DH) systems.** DH is an important source of heating for Romanian households and businesses, covering 15 percent of the total heat demand in the country and around 1.25 million largely urban households. Romania has tried various models such as concession and management contract of private participation in DH. As a result, the DH sector is fragmented and recent attempts to harmonize DH regulation across the country and assure sustainability of DH systems have not yet proven successful. The 2016 Energy Strategy calls for a gradual increase in the number of DH connections, improvement in DH services and energy efficiency, which requires regulatory reforms and significant investment of over EUR1 billion to upgrade existing infrastructure. Government and municipalities require help in mobilizing financing for the modernization and upgrading of the DH network to increase efficiency, including potential commercialization or private participation in select SOEs. The WBG will assist Government through technical assistance, preparation facility and financing support. These activities will help prepare a District Heating Action Plan for Romania and an investment prospectus for public and private participation in DH sector over a 5–10-year timeframe.

Objective 6: Accelerate capital market development and access to finance

65. **Expanded financial intermediation is much needed to support micro, small and medium enterprises (MSMEs), which make up 99.5 percent of all private companies**. 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 firms whose access is significantly lower than that of larger companies; only 14 percent of MSMEs applying for financing receive the desired amount in full, compared to 41 percent for large companies. Factors that limit MSME access to finance include high financing costs, short tenor, high collateral requirements, and undercapitalization. Financial products such as risk capital, venture capital and mezzanine instruments are largely absent. Supporting access to finance for under-served segments of the economy is key to enabling private investment and regional growth.

66. **Romania has one of the lowest financial inclusion rates in the European Union.** Only 60 percent of the population aged 15 and over have a bank account, lower than Bulgaria (63 percent), Poland (78 percent), and Hungary (72 percent). This is much lower for the poorest 40 percent, and the Roma. This is accentuated by a relatively high mistrust in the financial sector and financial illiteracy, one of the highest among EU members. Low financial inclusion (as well as literacy) contributes to lower savings, higher risks, lower investment in education and health. In the long run, lower financial inclusion adversely affects investment and growth. Supporting financial inclusion is key to enabling households to have access to financial services and encouraging entrepreneurship.

67. **To address some of the shortcomings in the financial sector, 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 portfolios of banks so as to improve the health of the financial sector and support on-lending to MSMEs through banks and non-banking financial institutions, so as to enable further entrepreneurship and employment opportunities, particularly in rural areas and among women.** Expanded and more diversified financial intermediation is much needed to support access to credit for underserved segments. For example, IFC's work in supporting gender finance has helped a bank

become the first financial institution in Romania with a focus on on-lending to women-owned or managed MSMEs. Key findings from the 2015 Expanded Project Supervision Report (XPSR) include that the gender finance tranche of the 2011 loan was "well balanced", and the project enjoyed "active excellent collaboration between the IFC portfolio team and the Bank". The XPSR report added that IFC's support is helping the client in 2015 become "one of the top contributors to IFC's Global Banking on Women (BoW) program. Increasing the variety of financial instruments, including by increasing the role of non-banking financial institutions and the introduction of covered bonds and subordinated bonds as new asset classes, would help deepen the market. Bond finance would provide healthy competition to bank loans for the financing of firms and provide more efficient longer-term financing than banks.

68. The World Bank remains engaged in the support of the development of financial sector and capital markets by enhancing regulatory framework. This includes assisting the authorities in drafting a new law that will allow the creation of real estate, private equity and venture capital funds. In addition, some technical assistance has been provided to the capital market authorities to convert to a risk based supervisory approach and improve its supervisory process of market intermediaries and asset managers, in line with the relevant EU prudential and business conduct rules. Technical assistance will also be provided to the capital markets' authorities to improve the review of the financial information disclosed by publicly listed companies, contributing to the transparency of capital markets.

69. Improving the quality of Romania's growth model will require creating space for more private-sector led investments in key productive sectors and services. Continued economic growth, bridging the gap between the "two Romanias" and enhancing convergence with more advanced countries in the EU calls for a stronger private sector participation in key domestic industries that would improve productivity, a key theme of the SCD, as well as competitiveness and regional integration.

70. There is a significant untapped potential in Romania's agriculture sector. Agriculture still accounts for about 25 percent of employment yet contributes only 4 percent to GDP, with Romania's large agricultural area standing out in the EU for its low productivity despite having more arable land as a percentage of surface area than Germany. Romania has not yet been able to establish a viable, commercially-oriented farming sector, with very fragmented farm structures, incomplete cadaster, significant informality and tax evasion of agricultural landholdings, and weak financial intermediation and access to credit, particularly affecting MSMEs and small farmers. Recent rapid growth in the agri-finance market signals the need for new agricultural investments (e.g., in warehouse finance) and for working with non-traditional investors (e.g., non-bank financial institutions, micro financial institutions) focused in agri-financing to reach these segments. Competitiveness of grains production and export potential is an important theme, including how small farmers interact with larger farms as competitors, suppliers, or employees. The role of sustainable agribusiness is key in organizing farming activity with renewed focus on improved standards and productivity, developing and strengthening competitive value chains, and enhancing access to markets and regional integration. Steps should be taken towards increasing the value added of agricultural products – for example, by moving from export of raw materials to exports of agricultural processed goods. Depending on domestic and global market factors, specific opportunity segments, such as wine, oilseeds, pork, wheat and corn, could improve Romania's trade imbalances in agriculture. 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 transport and logistics. Encouraging more efficient land ownership structures as well as developing sources of revenue from medium- and high-skilled industries in the agricultural sector would contribute to increasing productivity and the value added by the sector as well as its contribution to GDP formation.

71. Development of manufacturing, retail and business enabling infrastructure in Romania is key in supporting the competitiveness of the economy and bridging the regional gap. A modernized retail sector entails organized retail, which benefits from scale and promotes high standards of food quality and safety, and importantly, supports the development of local and regional supply chains. Modern retail contributes to economic development through a broad range of channels including (i) creation of sustainable employment opportunities; (ii) provision of a robust market for national agricultural production; and (iii) increased food security and safety through reduction in wastage and improvement in quality, efficiency, productivity, and affordability. Furthermore, expansion of retail infrastructure is key in improving access to goods, particularly in remote parts of the country. The development of commercial and business enabling infrastructure supports business development and entrepreneurship supporting local supply chains and local corporate activity, including MSMEs, also in areas outside Bucharest. IFC will assess opportunities for engagement in retail and business infrastructure development with a view to also promote energy efficiency standards. IFC will also selectively support projects that help boost employment, innovation and technological upgrades in Romania's manufacturing and IT sectors.

72. Romania's housing finance system could contribute more to economic growth than it presently does. The demand for mortgage loans in Romania is driven by an increase in consumer confidence, low mortgage loan interest rates, and housing prices showing early signs of growth after a long period of continuous decline. Nevertheless, the country's 6.7 percent ratio of outstanding residential mortgage debt to gross domestic product (GDP) is the lowest among EU countries and trails significantly below the EU-28 average of 50 percent. Housing is a key strategic area for the World Bank Group as access to housing finance contributes to a healthy cycle of domestically driven employment, growth, and savings. The WBG will explore opportunities in Romania to support housing finance by encouraging the extension of long-term financing, introduction of new capital market instruments, and by promoting residential mortgage on-lending to end-borrowers.

Focus Area III: Build Resilience to Shocks

Objective 7: Improve preparedness to natural disasters and climate change

73. Romania is highly exposed to floods and earthquakes, with past events resulting in billions of direct damages alone. Institutional reforms and recent investments have improved emergency response capacity, but the potential impact of disasters on infrastructure and the most vulnerable populations remains extremely high. For example, the 2010 floods affected more than 12,000 people and caused at least EUR1.1 billion in damage. A repeat of the 1977 earthquake would result in EUR11 billion in damages, and EUR25 billion in economic losses, with 250,000 people left homeless for months.

74. Severe storms, drought, wildfire and extreme temperature events are becoming more frequent and intense as the climate warms. 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 on household and sovereign budgets. To achieve this, almost all Government institutions at national and sub-national levels must take responsibility for the systematic reduction of disaster risks, dedicate budgets and policies to risk management and preparedness, and establish coordination mechanisms with other institutions. Unfortunately, Romania does not have a national program to systematically reduce disaster risks in public buildings and infrastructure; while emergency and disaster response is the responsibility of the Ministry of Interior and General Inspectorate for Emergency Situations, ensuring the continuity of energy supplies rests with the Ministry of Energy.

75. With the proposed CAT-DDO and Emergency Preparedness and Risk Reduction IPF the World Bank Group will help the Government of Romania to systematically reduce existing disaster risks, avoid the creation of new risks and improve financial resilience through policy reform and prioritized investment in risk reduction. This will also provide a platform, system and robust analysis that will also support future investments by the EU and IFIs in risk reduction.

76. As an EU member state and signatory to the Paris Agreement, Romania is a party to the mitigation and adaptation commitments made in the EU's collective National Determined Contribution (NDC). Romania also adopted a National Climate Change Strategy for 2013-20 in 2013, followed by the National Climate Change and Low Carbon Green Growth Strategy for 2016-30 and the associated Action Plan on Climate Change for 2016-20 in 2015. Each of these documents establishes sectoral priorities for responding to climate change in energy, transport, agriculture and rural development, forests, biodiversity, urban development, and water and waste management. Greater preparedness, improved response capabilities and specific investment and development actions to reduce hydro-meteorological disasters are critical to the short and long-term management of climate risks.

77. The impact of climate change is already being felt in Romania with more intense floods, droughts and extreme heat events in the past decade. Moreover, analysis highlights that expected annual average damage to infrastructure alone would double by 2020 and by 2080 could be six times higher. The 2007 drought, for example, was the worst in more than 60 years and resulted in a 60 percent drop in crop yields due to insufficient irrigation. This highlights the importance of well managed and maintained dam, flood and irrigation infrastructure to adapt to climate change in Romania. There is an urgent need to reduce the impacts of climate disasters now, and prepare for future more severe climate events. However, existing disaster and climate risk information in Romania does not include future climate change scenarios which means land use and development planning and investment designs cannot consider long term adaptation. Furthermore, there is a missed 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.

78. The WBG will work with the Government of Romania to integrate climate change considerations into sector priorities, from water management (with a planned Water Security IPF) to agriculture (possible Agriculture Modernization IPF), to disaster risk management (CAT DDO and Emergency Preparedness and Risk Reduction IPF). This requires robust data and information that considers future climate uncertainty and yet also provides clear short- and long-term cost-benefit analysis to support action orientated decision making. Moreover, deepening of financial instruments, such as insurance, contingent financing, and scalable social safety nets, will support greater financial resilience at the household and sovereign levels. 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 Esplanada project and other possible municipal infrastructure investments. At the municipal level, IFC will explore opportunities to support energy efficient municipal buildings, thermo-modernization, waste-to-power, and street lighting projects.

C. Implementing the FY19-23 Country Partnership Framework

79. The World Bank Group program will be strongly focused on knowledge engagements, including RAS, and strengthening local capacity. As described in para 50, the extensive ongoing RAS program designed to bolster public sector capacity in key areas will be complemented by several planned new engagements (see Table 5). Choice of engagements will be determined by the criticality of the capacity constraint to be addressed; client demand and support by a credible champion; and ability of the WBG to add value. We will prioritize knowledge engagements that create positive spillovers beyond Romania, such as the Web-Based Guide created as part of the Public Procurement Strategy RAS, or monitoring tools developed as part of the Development of Plans for De-Institutionalization of Children RAS, which are relevant to many countries around the world.

80. IBRD financing will prioritize investments that have a catalytic role in institutional capacity change for the public sector and private markets. IBRD lending will be considered for investments that meet at least two of the CPF filters: build institutional capacity and (i) benefit the poor and vulnerable, including the Roma; (ii) maximize finance for development by catalyzing private investment or other funds (including EU) and/or (iii) contribute to regional and global public goods. The Government has requested IBRD financing for investments of high national priority. The FY18-19 lending program includes: (i) a Catastrophe Deferred Drawdown Option DPL (USD465 million) to build climate and disaster resilience for one of Europe's most earthquake- and flood-prone countries; (ii) Strengthening Disaster Risk Management IPF (USD58.6 million) to address vulnerabilities in Romania's disaster and emergency response infrastructure; and (iii) the Institutional Capacity and Knowledge for Motorway Construction Project IPF (USD35 million) that would address the current capacity gap for preparing "bankable" transport sector projects. Discussions are also underway on possible other operations that would strengthen Romania's capacity to mobilize finance for development. For example, the proposed Justice Quarter and Esplanada District Project would demonstrate the potential for public-private collaboration for urban redevelopment and regeneration. 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 5. Actual and planned activities (IBRD)

Activity Name	Type	FY Completion	Status
Establishment of a Strategy Unit	RAS	2019	Active
Assistance to the MoESR for Informed Decision-Making on Investments in Infrastructure	RAS	2019	Active
Development of Plans for De-Institutionalization of Children	RAS	2019	Active
Strengthening Planning & Budgeting Capacity and Supporting the Introduction of Performance Budgeting	RAS	2019	Active
Assistance to the MoESR for Capacity Development for M&E Implementation of Education Strategies	RAS	2019	Active
SWAP Transactions in Romania	RAS	2019	Active
Enhancing Partnerships for Social Inclusion of Marginalized and Disadvantaged Roma	ASA - non-RAS	2019	Active
Capital Market Supervision Enhancement	ASA - non-RAS	2019	Active
Agriculture Sector Engagement in Romania	ASA - non-RAS	2019	Active
Bank Resolution Crisis Simulation	ASA - non-RAS	2019	Active
Support to the Implementation of the Public Procurement Strategy	RAS	2020	Active
Developing a Unitary Human Resources Management System	RAS	2020	Active
Increase the Capacity Building for Assessing the Impact of State Aid Schemes	ASA - non-RAS	2020	Active
Accelerating DRM and Climate Resilience in Romania	ASA - non RAS	2020	Active

Activity Name	Type	FY Completion	Status
Revenue Administration Modernization Project	IPF	2021	Active
Health Sector Reform Project	IPF	2021	Active
Afforestation of Degraded Agricultural Land Proto-Carbon	TF	2021	Active
Enhance Quality Assurance in the Higher Education System in Romania	RAS	2021	Active
Constanta Urban Development	RAS	2021	Active
Supporting the Implementation of POCU 2014-20	RAS	2021	Active
Bucharest – Sector 5 Urban Development	RAS	2021	Active
Brașov Urban Development	RAS	2021	Active
Supporting Innovation in Romanian Catching-up Regions	ASA - non-RAS	2021	Active
Integrated Nutrient Pollution Control Project	IPF	2022	Active
Romania Secondary Education Project	IPF	2023	Active
Justice Services Improvement Project	IPF	2024	Active
Institutional Capacity and Knowledge for Motorway Construction Project	IPF	TBC	Pipeline
Strengthening Disaster Risk Management and Emergency Response	IPF	TBC	Pipeline
Building Disaster and Climate Resilience in Romania	DPF	TBC	Pipeline
Justice Quarter and Esplanada District Development Project	IPF	TBC	Pipeline
Development of an M&E System to Inform Policies on Social Inclusion and Poverty Reduction	RAS	TBC	Pipeline
Strengthening the Capacity of the Government to Produce and Use Reliable Statistics	RAS	TBC	Pipeline

Managing Program Implementation

81. There is room to improve implementation and impact of the WBG program. The Completion and Learning Review (CLR) provided guidance on how to strengthen institutions most effectively. First, set modest objectives: past projects targeting complex and ambitious reforms did not adequately factor in issues related to political volatility and low capacity. Second, leverage all instruments. Successes were achieved using a mix of instruments (lending and advisory) for impact. Third, support the implementation of strategies for real institutional change. A greater emphasis on hands-on implementation support embedded in investment operations is an effective complement to ongoing capacity building efforts through the RAS program.

82. The five-year WBG engagement will be aligned with the implementation of the current EU programming period. The Bank and IFC will pursue more focused interventions that seek to resolve one problem at a time, with clear indicators to show progress and mobilize support for further reform, with a Progress and Learning Review in the third year of CPF implementation to take stock and make course adjustments as necessary. The WBG program will require consistency and commitment at all levels of Government, with flexibility to respond to growing opportunities for expanding our relationships at subnational level, which is particularly important in terms of bridging regional disparities. A greater coherence among the many instruments, closer links within the WBG and consistent coordination with development partners around a small number of objectives will ensure greater impact of all WBG interventions.

83. The FY19-23 CPF is consistent with the value proposition of the WBG in Romania. This includes a sharp focus on knowledge-based engagements, delivered through one of the Bank's largest RAS programs. The CPF also reflects enhanced collaboration with IFC to link its transactional and advisory work with the Bank's policy reform competencies to support private sector engagement. As a result, the CPF program is expected to develop innovative financing instruments where modest IBRD resources can be leveraged to catalyze additional private and public financing, including from EU institutions. Finally, the CPF features a stronger global public goods delivery through engagements that maximize climate-related benefits, for example, through the ongoing Integrated Nutrient Pollution Control Project and proposed CAT-DDO and Disaster Risk Management IPF.

84. The WBG will adjust the lending portfolio by moving towards more focused projects and by making greater use of comprehensive capacity assessments, as well as stakeholder and political economy analysis during project design and appraisal. The existing operating environment does not seem to sufficiently enable the implementation of large and complex institutional reform projects. Political instability leads to shifting priorities and undermines long-term reform perspectives. Besides, fundamental weaknesses in project implementation planning cause disbursement problems. Project implementation arrangements need to be more streamlined, with responsibility for implementation resting with a single entity with proven implementation capacity wherever possible.

Citizen Engagement and Gender

85. A Citizen Engagement (CE) Country Roadmap along with a Roma Country Roadmap have been developed and build on the experience of the last CPS and are tailored to suit the upcoming focus areas. In addition to developing effective voice and accountability platforms in service delivery, the Roadmap prioritizes innovative platforms of engagement in relation to private sector development (in access to MSME financing and CE in supporting local capacity to promote private sector development), and a new platform for CE in disaster risk mitigation and climate change adaptation. These platforms will provide models for engagement that can be adapted elsewhere. A central tenet of the CE approach will be addressing the "two Romanias" – ensuring inclusion of all Romanians through mechanisms which are adapted and relevant for different groups. This approach has been prioritized during CPF consultations. Moreover, the CE Roadmap integrates the opportunities provided by the Roma Sounding Board (RSB).

86. The WBG will use its convening power at both national and subnational level to bring together key stakeholders to raise awareness and promote knowledge exchange on issues related to gender equality and citizen engagement. To ensure that activities implemented under the WBG engagement in Romania will not only benefit women and men equally, but beyond that aim to close or narrow existing gender gaps, the country team is currently preparing a Country Gender Action Plan (CGAP). The CGAP foresees concrete activities to address some of the critical gender gaps identified in the Country Gender Assessment (Box 2). For instance, related to the issue of women's low agency (reflected in high rates of teenage pregnancy, gender-based violence and acceptance of traditional gender norms), the Bank will launch a communication strategy, aiming to broadly advocate for gender equality, highlighting prominently the importance of gender equality, its benefits for the whole population, poverty reduction and economic growth. This may involve the sharing and dissemination of Bank research and evidence addressing the traditional social norms through communications (blogs and social media). With regards to women's limited access to economic opportunities, the Bank will promote women's access to jobs through the POCU project. And finally, gender issues among the Roma population will be addressed through systematic gender mainstreaming across the Romania operational pipeline, taking into consideration the gender discrepancies specific to the Roma population. For that purpose, the Roma Sounding Board will advise on gender issues and challenges within the Roma communities; facilitate consultations with stakeholders on Roma gender issues; identify channels through which best to address those challenges; directly support implementation efforts and support monitoring of progress and evaluation of results. Furthermore, the Justice Services Improvement Project will boost access to justice services for vulnerable populations (including women, disabled, and the Roma) through inter alia, improvement of court operations mainly in first instance courts,[20] training of judges and prosecutors on unconscious biases, and awareness raising campaigns among citizens on the law and the justice system specifically addressing interests and needs of those populations.

Partnerships and Donor Coordination

87. **The WBG will continue to coordinate with EU and international financial institutions on key reform areas and overall country engagement**. The WBG brings technical and analytical depth, global knowledge and experience, objectivity and credibility with partners such as the EC, EIB, EBRD, IMF and other international organizations. The overall coordination of technical assistance and financing operations of the WBG with other key partners' programs proved to be a good practice for advancing and supporting reform areas. The WBG will work in partnership with the EC in its capacity of donor (WBG managing EU trust funds), as well as advisor in key reform areas, to ensure alignment of EU views and priorities with country strategic priorities and WBG support. The WBG will continue to collaborate with key IFIs, in particular with EIB and EBRD, in the context of the memoranda of understanding signed in 2016 for the provision of advisory services paid by the Government using mainly EU funds under the 2014-20 period. This will allow to identify synergies and complementarity, and avoid potential overlaps of IFIs support in Romania. Bilateral exchanges will remain the regular tool of coordination with the EC and IFIs in areas of common interest and joint work.

IV. MANAGING RISKS

88. **Overall risk to the achievement of the CPF results is rated Substantial**. Three key potential risks may impact the achievement of CPF results (Table 6): political uncertainty, macroeconomic vulnerability, and insufficient commitment to a sustainable policy framework for continued poverty reduction and shared growth. These risks are elaborated below. Both the intentional CPF flexibility in choice of instrument and level of support, and the PLR, provide means for the WBG to adjust its program should any of these risks materialize.

Table 6. Risks to the CPF Objectives in Romania

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

89. Political and Governance risk is rated High. As described elsewhere in the document, the high degree of political volatility and frequent changes in government are key challenges to the design and implementation of the WBG program in Romania. Should this volatility continue, both the preparation of new operations and the implementation of existing portfolio will be affected. Continuous country dialogue at policy and technical levels as well as the built-in flexibility of the new CPF partly mitigate this risk. It is encouraging that the new Government of Prime Minister Dăncilă has pledged to consolidate the stability and predictability of public policy. The extensive ongoing and planned RAS program aimed at developing tools for evidence based policy making is explicitly designed to support this intention.

90. Macroeconomic risk is rated Substantial. While the current fiscal position of the Government is manageable, procyclical policies have triggered mounting pressure on the budget, which already leads to constrained allocations to WB operations. Inability to disburse existing and new loans as planned will affect the achievement of their development results and, together with limited borrowing space, could jeopardize future operations. The Bank team is working closely with the client to mitigate effects on the portfolio. Dialogue is also underway on options for structural reforms that would need to be put in place should fiscal situation deteriorate, which could underpin future development policy lending.

91. Technical design risk is rated Substantial. Among the main lessons of implementing the previous Country Partnership Strategy is that project design has been ill adapted to the policy and institutional environment in Romania, as evidenced by a high share of problem projects and large disbursement lags in current portfolio. We will manage this risk by simplifying the design of future operations, focusing on a smaller number of clearly measurable objectives, with clear implementation accountabilities. We may also try the use of results based disbursement mechanisms to improve implementation performance.

92. Institutional capacity risk is rated Substantial. As amply emphasized in the CPF, and as thoroughly documented in the Systematic Country Diagnostic, institutional capacity is the key constraint to Romania's development. The overarching goal of this CPF is to address this constraint, and entire WBG program is devoted to this objective.

93. Fiduciary risk in rated Substantial. While financial management, internal control and procurement arrangements for IBRD projects have been adequate, the 2017 Fiduciary Portfolio Review revealed several factors which hamper the effective and efficient implementation of projects, including (i) limited options for financing preparatory activities, such as advance procurement, prior to loan effectiveness; (ii) lengthy internal approval processes even for small investments; (iii) use of the state budget funds first for investment projects financed by IBRD loans, which often creates a financing gap between the amounts needed by the project and the pre-financing funds actually available; and (iv) limited capacity of some Project Implementation Units to implement complex projects. We will address this risk through continued joint portfolio management with the client as well as by providing support for the improvement of the overall procurement and financial management capacity in the country, including through the RAS program.

Annex 1 Results Monitoring Matrix

Focus Area I: Ensure equal opportunities for all		
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. 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.		
CPF Objective 1: *Improve transition to tertiary education for the poor and vulnerable*		
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 persist between urban and rural areas and across socio-economic groups. 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. Romanian students are broadly one-and-a-half years of schooling behind students in EU countries. Most WBG activities directly target poor and disadvantaged students in the Bottom 40 percent (ROSE IPF, POCU RAS, Informed decision-making RAS) or support institution building that will indirectly benefit them (M&E RAS).		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
• Average graduation rate in ROSE supported high-schools ❖ *Baseline:* to be computed for 2017 ❖ *Target:* 93% in 2023 • Average Baccalaureate passing rate in ROSE supported high schools. ❖ *Baseline: to be computed for 2017* ❖ *Target:* 59% in 2023 • Average retention rate in first year of tertiary education in ROSE supported faculties ❖ *Baseline:* to be computed for 2017 ❖ *Target:* 84.5%	• Average percentage of students of ROSE-supported high schools benefiting from remedial, tutoring or counseling activities ❖ *Baseline:* 0 ❖ *Target:* 40% by June 30, 2020 • MoNE effectively monitoring and evaluating implementation of education strategies ❖ *Baseline:* M&E system not in place (2018) ❖ *Target:* M&E system in place • Methodology for external assessment of higher education institutions updated. ❖ *Baseline:* no (2017) ❖ *Target:* yes (2020) • Strategy for modernizing education infrastructure adopted	Portfolio: • 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

	❖ *Baseline:* no (2017) ❖ *Target:* yes (2019) • Improved capacity of Intermediary Body on Human Capital Operational Program for managing programs on education and skills. ❖ *Baseline:* no (2017) ❖ *Target:* yes (2020)	• RAS for Supporting the Implementation of Romania's Human Capacity Operational Program (POCU) 2014-20
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 Bank can help Romania improve the quality of health services through support for modern equipment and regulatory processes that drive quality improvement in health facilities. High quality treatment for patients with common diseases such as heart disease and cancer will be supported by the modernization of equipment and increased access to outpatient services given that optimal management of chronic diseases starts outside hospital. 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 to support 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.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
• Expand access to safe and modern radiotherapy for cancer patients ❖ *Baseline*: 12% ❖ *Target:* 80% by 2020 • 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 • IFC: Number of patients accessing quality private healthcare services ❖ *Baseline (2016):* 2.37 million ❖ *Target (2020)* 2.5 million	• Number of public radiotherapy units equipped with linear accelerators: ❖ *Baseline:* 0 ❖ *Target:* 10 • 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 • Number of operational burn units supported through the project: ❖ *Baseline:* 0 ❖ *Target:* 4	Portfolio: • Health Sector Reform Project • ASA • 547091 MedLife (IFC) Pipeline • Potential IFC PPPs

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.

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	Supplementary Progress Indicators	WBG Program
• 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	• Share of POCU funds under contract ❖ *Baseline (2018):* 22.25% ❖ *Target (2023):* 100%	Portfolio: • RAS for Supporting the Implementation of Romania's Human Development Operational Program (POCU) 2014-20 (Investing in Inclusive Growth in Romania) • ASA on Leveraging Skills for Competitiveness in Europe

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: ***Strengthen capacity to build transport infrastructure***

Intervention Logic

Romania's lack of core transport infrastructure is consistently named as a key binding constraint to investment and private sector development, and is a major source of persistent regional divides in Romania. Fueled by EU funds, public investment in transport has been substantially higher than the EU average, despite which Romania's road quality remains poor, placing Romania at the bottom of the EU for most infrastructure indicators, including the quantity of modern motorways. Coverage of the core network remains sparse, with no contiguous corridor connecting the regions within the country, much less with the rest of the EU. Lack of public sector capacity to prepare projects has left Romania without a credible pipeline of motorway investment. The General Transport Master Plan (GTMP) targets EUR27 billion in investments by 2030, or over EUR2 billion annually, an extremely ambitious target given institutional capacity constraints.

The WBG will assist the Government of Romania in implementing this ambitious program through an IPF that will strengthen the country's capacity to prepare and implement high quality infrastructure investments, and by developing a financial strategy for the sector. Importantly, the project will be the vehicle for developing a functioning model of motorway construction and mobilizing financing for infrastructure, unlocking many future investments in the sector. The Bank will work closely with the IFC and major development partners, such as the EC, EIB and EBRD, to develop a viable funding proposal for the construction phase, as well as a broader strategy for sector financing. IFC will be assessing engagement opportunities in the transport sector through possible investments and by facilitating PPPs and supporting privatization.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
• Ploiești-Brașov Motorway ready for civil works bidding ❖ *Baseline:* No ❖ *Target:* Completed by end of project • National roads revenue and financing strategy adopted by the Government ❖ *Baseline:* No ❖ *Target:* Completed by end of project		<u>Pipeline</u> • Institutional Capacity and Knowledge for Motorway Construction Motorway TA IPF • Potential IFC investments, PPPs and privatization support

CPF Objective 5: ***Boost subnational capacity to attract private investment***

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 need to identify and provide access to investment sites, and to formulate local spatial planning regulations to remove bottlenecks to private sector growth. Though willing, local administrations in Romania often lack the capacity to unleash the potential for private investment.

A program of Bank RAS paid for directly by municipalities assists them in spatial planning, urban development strategies and asset management—all with the intention to make anchor investments to encourage and maximize private sector investment. This assistance will be complemented by IFC as it continues to explore engagement opportunities in select municipalities, through municipal finance and facilitation of PPPs, under a functioning law, to modernize infrastructure including urban transport systems, water supply and sanitation, solid waste management, and district heating. Furthermore, IFC will explore opportunities to support energy efficient municipal buildings, thermo-modernization, waste-to-power, and street lighting projects. In addition to focusing on potential PPPs in the municipal space, IFC will try to intervene with targeted investments and advisory to help make some of the municipal and state-owned companies more efficient and commercial.

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.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
• Increase firm revenues at the local level ❖ *Baseline (2016)* Constanta: EUR502 million Brașov: EUR598 million Sector 5: EUR598 million ❖ *Target (2016)* Constanta: EUR658 million Brașov: EUR784 million Sector 5: EUR687 million • 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 • 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	• 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)* 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 • 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	Portfolio: • Constanta RAS • Brașov RAS • District 5 RAS Pipeline • 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

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	Sector 5: Updated spatial plan in place, elaborated according to best practices in the field and conducive to private sector investments • 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)* 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	

CPF Objective 6: ***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 test the operational preparedness of the authorities to respond to banking distress and to strengthen access to finance by helping authorities 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. 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. 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.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
• 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 • Enhanced capacity in bank resolution ❖ *Baseline (2018): Untested bank resolution framework* ❖ *Target (2019): Crisis* simulation exercise and enhanced crisis mechanism • Number of MSMEs loans[i] supported by IFC operations (#); ❖ *Baseline (2016): 78,000* loans *facilitating US$4.42 billion;* ❖ *Target (2021:) 100,000 loans facilitating US$6.26 billion.* • Number and volume (US$) of outstanding housing finance portfolio ❖ *Baseline (2015): 23,000 loans for US$1 billion;* ❖ *Target (2020): 27,500 loans for US$1.2 billion*		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 newly EU (Transparency Directive) and IFRS rules. • Potential new IFC investments in agribusiness, services, manufacturing, IT

• IFC: Agri-finance SME loans: ❖ *Baseline (2016): 3,000 loans for US$158 million;* ❖ *Target (2021): 4,000 loans for US$250 million*		

Focus Area III: Build Resilience to Shocks

A natural or economic shock can reverse years of growth and poverty reduction. Romania faces high seismic risk and a high and growing exposure to climate change. Volatility in its policy environment is a major challenge to sustained progress, and could undermine the country's ability to respond to shocks.

CPF Objective 7: ***Improve preparedness to natural disasters and climate change***

Intervention Logic

Romania is highly exposed to floods and earthquakes, with past events resulting in billions of direct damages, and the average annual damage to infrastructure is expected to double by 2020. 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 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. Unfortunately, Romania does not have a national program to systematically reduce disaster risks in public buildings and infrastructure; moreover, as available disaster and climate risk information does not include future climate change scenarios, long-term adaptation cannot be built into land use and development planning and investment design.

With the proposed CAT DDO and Emergency Preparedness and Risk Reduction IPF, the World Bank Group will help the Government of Romania to systematically reduce existing disaster risks, avoid the creation of new risks and improve financial resilience through policy reform and prioritized investment in risk reduction. Considering lessons learned on risks of slow project implementation, the first IPF will be focused on rehabilitating the most critical infrastructure needed for emergency response within the Ministry of Interior, with expectations to add additional investments when implementation of the initial project successfully gets underway. The program of actions through the CAT-DDO and IPF will also provide a platform, system and robust analysis that will 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.

The WBG will work with the Government of Romania to integrate climate change considerations into sector priorities, from water management (with a planned Water Security IPF) to agriculture (possible Agriculture Modernization IPF) to disaster risk management (CAT DDO and Emergency Preparedness and Risk Reduction IPF). 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 Esplanada project and other possible municipal infrastructure investments.		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
• Critical disaster and emergency response buildings, personnel and equipment are fully operational in the event of disaster. ❖ *Baseline:* 0 ❖ *Target:* 35 buildings (by 2022) • Population served by resilient energy response buildings. ❖ *Baseline:* 0 ❖ *Target:* 4 million (by 2022) • 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 • 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 • Building improvements in seismic safety include energy efficiency improvements (and vice versa) ❖ *Baseline:* 0 ❖ *Target:* 35 buildings • 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	Government awareness campaign are successfully completed ❖ *Baseline*: 0 ❖ *Target:* 3 campaigns completed National Building Code for Seismic risk in existing building is issued All new permits consider new regulation in compliance with the Building Code Fiscal budgetary strategy is informed by disaster risks • New disasters and risk information analysis ❖ *Baseline:*0 ❖ *Target:* 3 new analyses	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) • ASA/RAS on scalable social safety nets

Annex 2. Selected Indicators of Bank Portfolio Performance and Management

As of 04/24/2018

Indicator	FY15	FY16	FY17	FY18
Portfolio Assessment				
Number of Projects Under Implementation [a]	7.0	6.0	7.0	5.0
Average Implementation Period (years) [b]	4.8	6.6	3.8	4.8
Percent of Problem Projects by Number [a, c]	71.4	33.3	42.9	60.0
Percent of Problem Projects by Amount [a, c]	51.1	64.0	51.5	63.9
Percent of Projects at Risk by Number [a, d]	71.4	33.3	42.9	80.0
Percent of Projects at Risk by Amount [a, d]	51.1	64.0	51.5	71.7
Disbursement Ratio (%) [e]	3.4	2.7	3.9	16.6
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	89	4
Proj Eval by OED by Amt (US$ millions)	9,473.4	1,533.3
% of OED Projects Rated U or HU by Number	20.2	25.0
% of OED Projects Rated U or HU by Amt	16.4	1.6

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
* All indicators are for projects active in the Portfolio, except for Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 3. Operations Portfolio (IBRD/IDA and Grants)

As of 03/31/2018

Closed Projects	**101**

IBRD/IDA*

Total Disbursed (Active)	109.72
of which has been repaid (1)	32.84
Total Disbursed (Closed)	7,039.28
of which has been repaid	3,915.90
Total Disbursed (Active + Closed)	7,149.00
of which has been repaid	3,948.74
Total Undisbursed (Active)	734.54
Total Undisbursed (Closed)	92.35
Total Undisbursed (Active + Closed)	826.895

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements[a]	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**Grants**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
P145174	Health Sector Reform	MU	MS	2014	338.8	0.0		0.0	310.8	184.1	74.2
P093775	INT. NUTRIENT POLLUTION CONTROL	MS	MU	2008	120.5	0.0		2.3	51.6	6.9	10.5
P160751	Justice Services Improvement Project	MS	MS	2017	67.0	0.0		0.0	67.0	2.5	0.0
P130202	RAMP	U	U	2013	91.8	0.0		0.0	69.2	61.1	17.6
P148585	Romania Secondary Education Project	S	MS	2015	243.1	0.0		0.0	236.0	47.9	26.0
Overall Result					**861.2**	**0.0**		**2.3**	**734.5**	**302.6**	**128.3**

*Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Annex 4. Statement of IFC's Held and Disbursed Portfolio

As of 03/31/2018

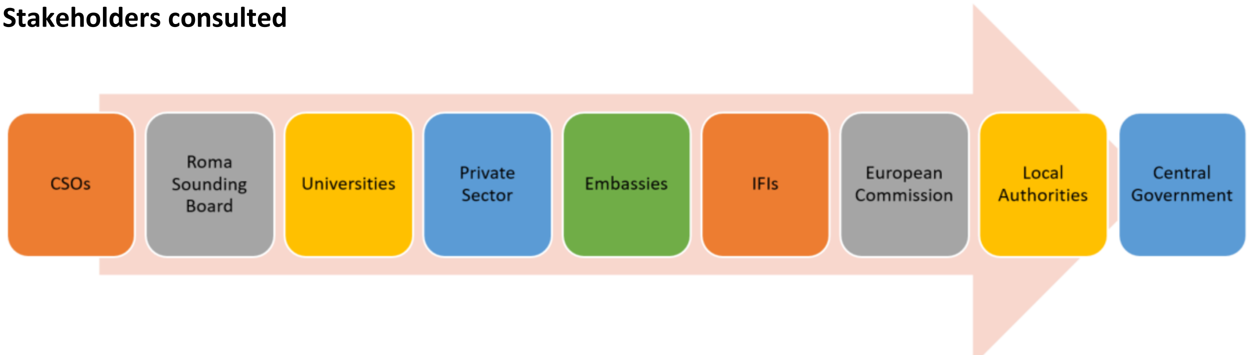
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY17	AGRICOVER CREDIT	18.53	0.00	0.00	0.00	0.00	18.53	0.00	0.00	0.00	0.00
FY17	ALPHA BANK ROM	60.82	0.00	0.00	0.00	0.00	60.82	0.00	0.00	0.00	0.00
FY17	BANCA ROMANEASCA	0.00	0.00	0.00	2.30	0.00	0.00	0.00	0.00	0.00	0.00
FY16	DARP SPV ROMANIA	0.00	0.00	45.64	0.00	0.00	0.00	0.00	45.64	0.00	0.00
FY16	DARP SPV URSA	0.00	0.00	18.61	0.00	0.00	0.00	0.00	18.36	0.00	0.00
FY14	GARANTI BANK RO	18.49	0.00	0.00	0.00	0.00	18.49	0.00	0.00	0.00	0.00
FY18	GARANTI BANK RO	30.82	0.00	0.00	0.00	0.00	30.82	0.00	0.00	0.00	0.00
FY15	GARANTILEASINGRO	4.93	0.00	0.00	0.00	0.00	4.93	0.00	0.00	0.00	0.00
FY17	GARANTILEASINGRO	6.78	0.00	0.00	0.00	0.00	6.78	0.00	0.00	0.00	0.00
FY18	GARANTILEASINGRO	8.63	0.00	0.00	0.00	0.00	8.63	0.00	0.00	0.00	0.00
FY18	GREI LTD	61.15	0.00	0.00	0.00	0.00	61.15	0.00	0.00	0.00	0.00
FY12	LIDL ROMANIA	31.70	0.00	0.00	0.00	0.00	31.70	0.00	0.00	0.00	0.00
FY07	MEDLIFE SA	0.00	1.24	0.00	0.00	0.00	0.00	1.24	0.00	0.00	0.00
FY10	MEDLIFE SA	3.23	0.00	0.00	0.00	0.00	3.23	0.00	0.00	0.00	0.00
FY17	MEDLIFE SA	11.30	0.00	0.00	0.00	0.00	11.30	0.00	0.00	0.00	0.00
FY17	NEPC	61.05	0.00	0.00	0.00	0.00	61.05	0.00	0.00	0.00	0.00
FY14	RAIFFEISEN ROM	0.00	0.00	23.83	0.00	0.00	0.00	0.00	23.83	0.00	0.00
FY15	SMITHFIELD ROMAN	57.11	0.00	0.00	0.00	0.00	27.11	0.00	0.00	0.00	0.00
FY14	TEAMNET	0.00	4.30	8.32	0.00	0.00	0.00	4.30	8.32	0.00	0.00
FY16	TEAMNET	0.00	6.42	0.00	0.00	0.00	0.00	6.25	0.00	0.00	0.00
FY14	TIMISOARA MUNI	22.98	0.00	0.00	0.00	0.00	22.98	0.00	0.00	0.00	0.00
FY05	TRANSILVANIABANK	0.00	2.44	0.00	0.00	0.00	0.00	2.44	0.00	0.00	0.00
FY09	TRANSILVANIABANK	1.16	0.00	0.00	0.00	0.00	1.16	0.00	0.00	0.00	0.00
FY11	TRANSILVANIABANK	0.00	0.18	0.00	0.00	0.00	0.00	0.18	0.00	0.00	0.00
FY13	TRANSILVANIABANK	0.00	3.99	0.00	0.00	0.00	0.00	3.99	0.00	0.00	0.00
FY15	TRANSILVANIABANK	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00
FY16	UC LEASING ROM	39.71	0.00	0.00	0.00	0.00	39.71	0.00	0.00	0.00	0.00
FY13	UNICREDIT ROMANI	68.84	0.00	0.00	0.00	0.00	68.84	0.00	0.00	0.00	0.00
Total Portfolio:		**507.23**	**18.57**	**96.40**	**7.30**	**0.00**	**477.23**	**18.40**	**96.15**	**0.00**	**0.00**

Annex 5. CPF Consultations

The Romania CPF benefited from extensive consultations undertaken jointly by IBRD and IFC teams. Consultations involved face-to-face discussions with a broad range of stakeholders including central and local government, academia, civil society organizations, the international community and private sector. Online and social media outreach and surveys aimed to capture the views of the Romanian public about the country's key development challenges and priority areas for World Bank Group areas of engagement. The focus of the consultations and targeted discussions with the EU and other major development partners, was to ensure selectivity of interventions for greater impact.

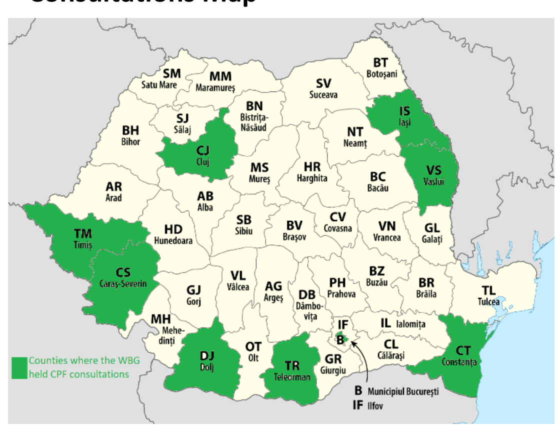
Stakeholders consulted



Consultations for the CPF took place from February-May 2018, and addressed the country's key challenges, SCD priorities and proposed areas of engagement. IBRD and IFC collaboration was strong prior and during the consultation process and ensured alignment with MFD priorities, as well as targeted outreach to private and financial market actors in Bucharest. SCD consultations (October-November 2017) and stakeholder discussions as part of the CLR were critical to strengthening the quality of outreach during the CPF process.

Face-to-face consultations covered geographically the main regions of the country and captured the full array of themes covered by the CPF, including a strong focus on understanding the challenges of poor and marginalized communities. Consultations involved 13 cities of varying sizes in 9 counties, and a diverse group of CSOs, academia, local mayors, county authorities and public service providers, community and private sector leaders. Discussions with Romania's main external partners, including the European Commission and international think-tanks, aimed to validate findings and define main areas of WBG engagement. Proposed selectivity criteria were endorsed by most stakeholders, including the European Commission. One of the main findings of this extensive consultation process was that there was a strong collective agreement concerning Romania's development challenges. Across public, private and non-governmental sectors, stakeholders highlighted three major areas of challenges facing the country. First, it was noted that the quality of education doesn't prepare graduates for the labor market and this is visible in terms of the poor quality of skills across various sectors of the economy. Second, Romania faces the debilitating challenge of inadequate transport infrastructure. Lack of adequate highways and secondary roads limits access to markets and public services, and discourages investments and greater economic activity. Third, policy

Consultations Map

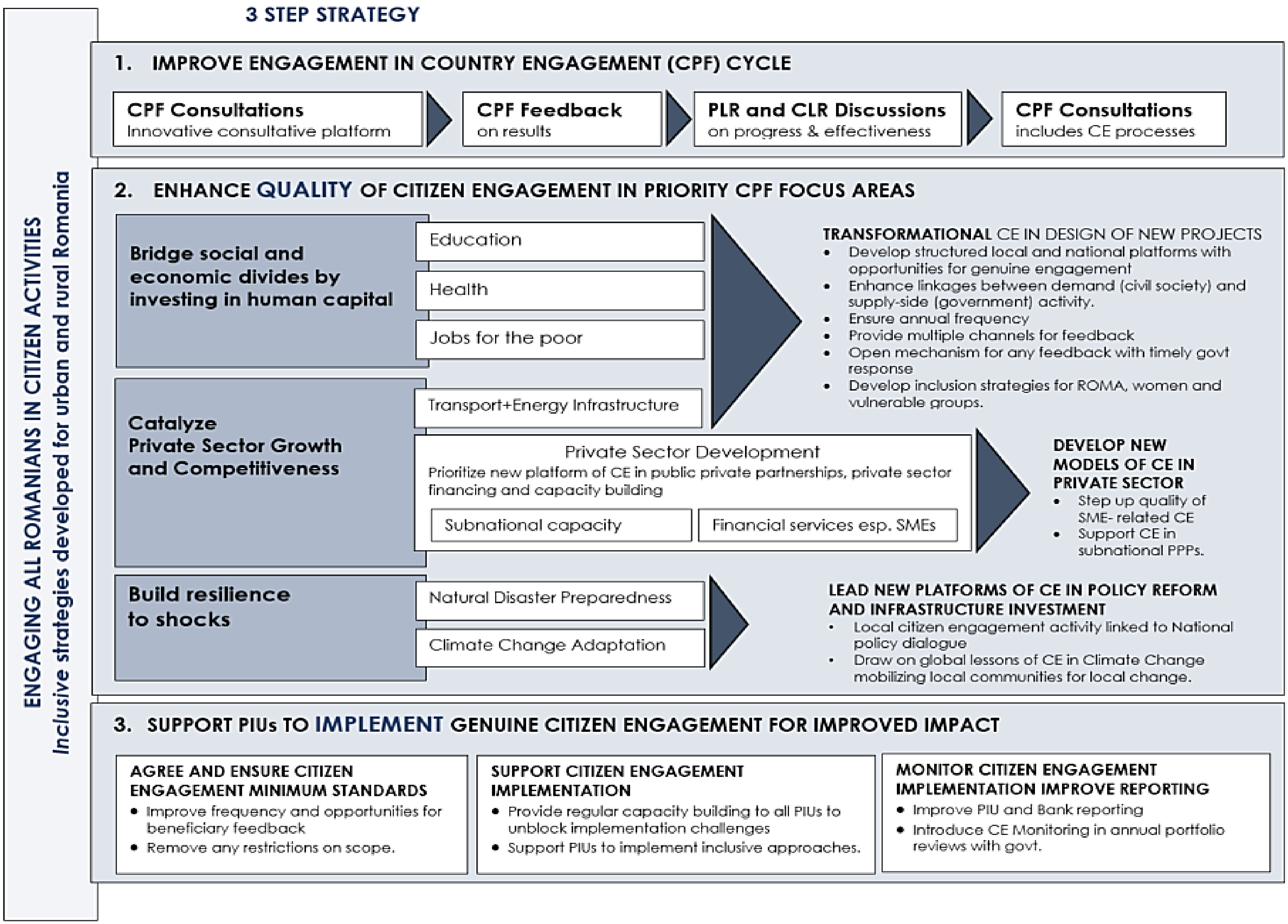


unpredictability and lack of continuity limit the appetite of companies to invest and expand, add costs and discourage long-term business planning.

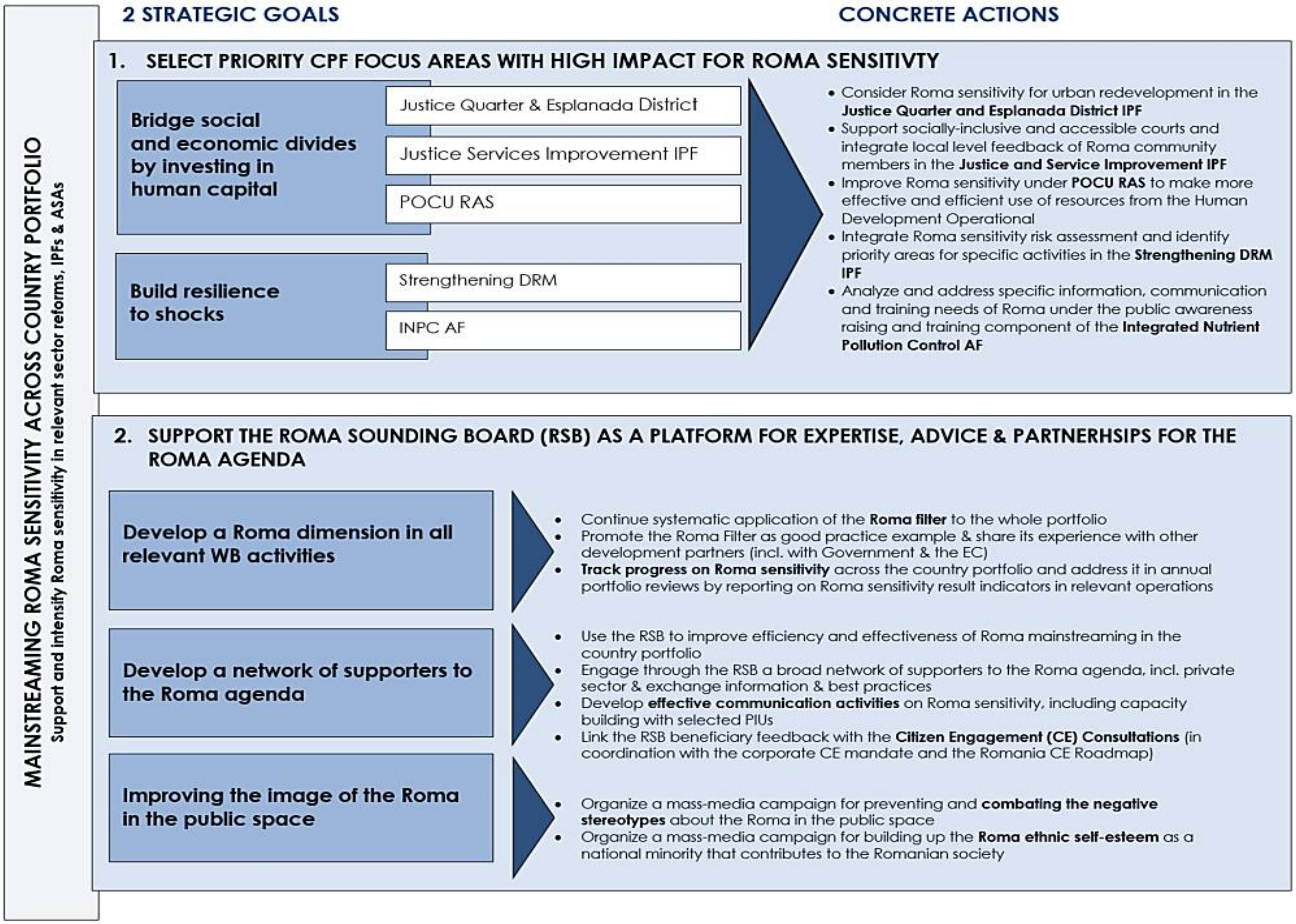
In addition to traditional face-to-face consultations, the WBG conducted online and Facebook consultations. An online survey was promoted through Facebook from April-May to gauge the public's views of key challenges hindering Romania's development and priority areas for WBG engagement in the new CPF. The survey highlighted three top challenges facing Romania – poor quality of education, health and infrastructure - and emphasized these as top areas for WBG support going forward. A social media-tailored video diary aimed to provide instant feedback and reactions to issues and challenges raised in discussions with various counterparts and encouraged extensive public responses.

International partners expressed great appreciation for the WBG involvement in the country and endorsed the Focus Areas of the proposed CPF for FY2018-2023.

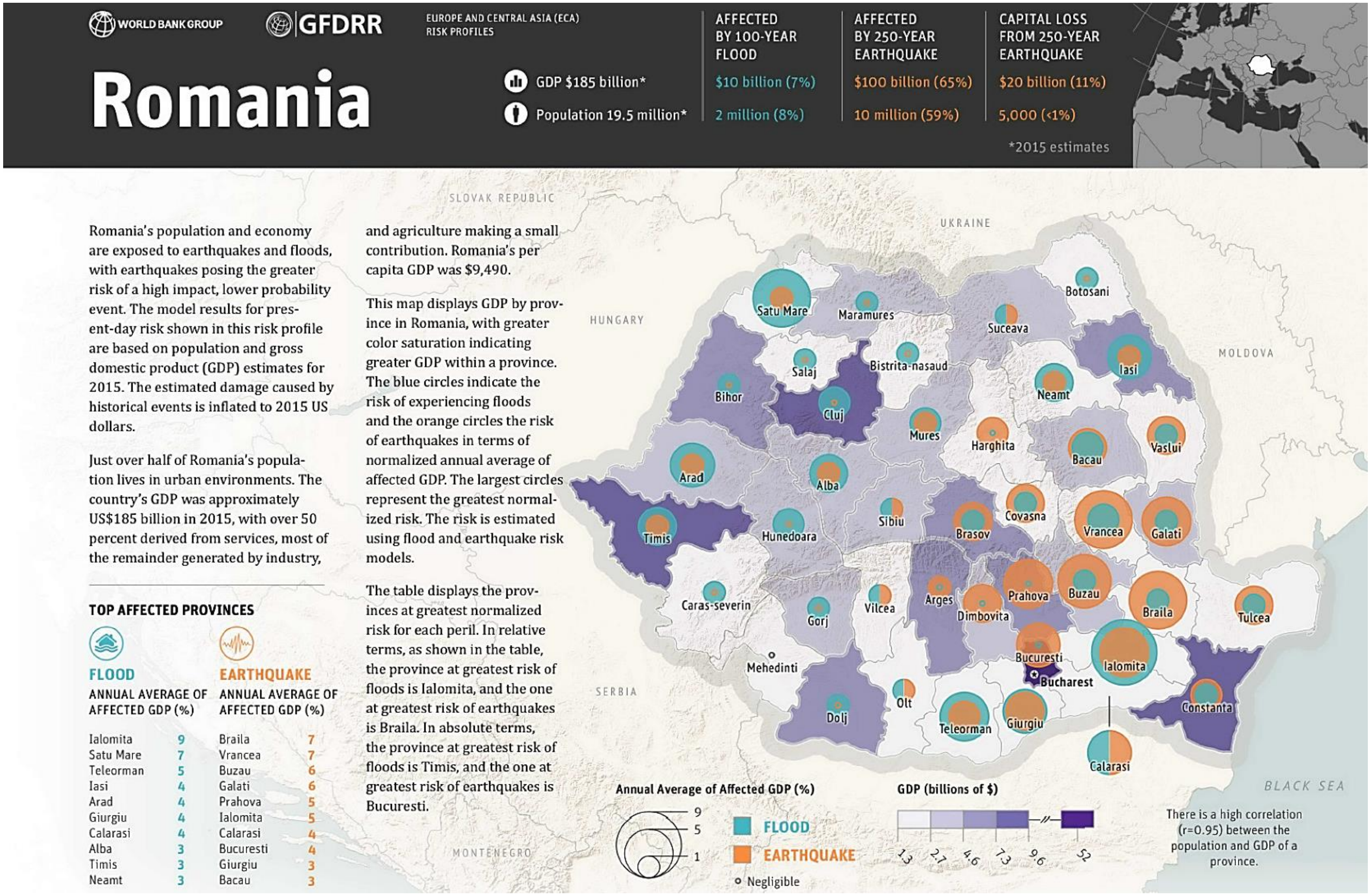
Annex 6: Romania Citizen Engagement Roadmap FY19-23



Annex 7: Roma Roadmap



Annex 8: Country Risk Profile



WORLD BANK GROUP | GFDRR

EUROPE AND CENTRAL ASIA (ECA) RISK PROFILES

Romania

GDP $185 billion*

Population 19.5 million*

	AFFECTED BY 100-YEAR FLOOD	AFFECTED BY 250-YEAR EARTHQUAKE	CAPITAL LOSS FROM 250-YEAR EARTHQUAKE
GDP	$10 billion (7%)	$100 billion (65%)	$20 billion (11%)
Population	2 million (8%)	10 million (59%)	5,000 (<1%)

*2015 estimates

Romania's population and economy are exposed to earthquakes and floods, with earthquakes posing the greater risk of a high impact, lower probability event. The model results for present-day risk shown in this risk profile are based on population and gross domestic product (GDP) estimates for 2015. The estimated damage caused by historical events is inflated to 2015 US dollars.

Just over half of Romania's population lives in urban environments. The country's GDP was approximately US$185 billion in 2015, with over 50 percent derived from services, most of the remainder generated by industry, and agriculture making a small contribution. Romania's per capita GDP was $9,490.

This map displays GDP by province in Romania, with greater color saturation indicating greater GDP within a province. The blue circles indicate the risk of experiencing floods and the orange circles the risk of earthquakes in terms of normalized annual average of affected GDP. The largest circles represent the greatest normalized risk. The risk is estimated using flood and earthquake risk models.

The table displays the provinces at greatest normalized risk for each peril. In relative terms, as shown in the table, the province at greatest risk of floods is Ialomita, and the one at greatest risk of earthquakes is Braila. In absolute terms, the province at greatest risk of floods is Timis, and the one at greatest risk of earthquakes is Bucuresti.

TOP AFFECTED PROVINCES

FLOOD ANNUAL AVERAGE OF AFFECTED GDP (%)		EARTHQUAKE ANNUAL AVERAGE OF AFFECTED GDP (%)	
Ialomita	9	Braila	7
Satu Mare	7	Vrancea	7
Teleorman	5	Buzau	6
Iasi	4	Galati	6
Arad	4	Prahova	5
Giurgiu	4	Ialomita	5
Calarasi	4	Calarasi	4
Alba	3	Bucuresti	4
Timis	3	Giurgiu	3
Neamt	3	Bacau	3

Source: The Global Facility for Disaster Reduction and Recovery (GFDRR) – Disaster Risk Profiles

Annex 9. Completion and Learning Review for the Romania Country Partnership Strategy (FY14-18)

Date of CPS (FY14-17): April 28, 2014 (Report No. 84830-RO)
Date of CPS Progress Report: November 3, 2016 (Report No. 108785-RO)
Period Covered by the Completion and Learning Review: FY14-18

I. INTRODUCTION

1. **This Completion and Learning Review (CLR) evaluates the outcomes and implementation of the World Bank Group's Country Partnership Strategy (CPS) for Romania 2014-18.** The CLR assesses the achievement of the CPS objectives, the quality of the program's design and implementation, and alignment of the CPF with the corporate goals. The results framework from the Performance and Learning Review (Attachment 1) is used as the basis for assessing the achievement of objectives. A new analytical tool, the Institutional Change Assessment Method (ICAM), allowed for a systematic review of institutional impacts of WBG interventions to inform the ratings and to derive lessons for future engagement. The ICAM rating scale and supporting evidence for each CPS objective are appended (Attachments 2 and 3).

2. **The CPS was designed to help accelerate Romania's structural reforms to support the country's convergence with the European Union (EU), but political instability undermined the achievement of key reforms.** Despite the CPS's flexible framework, Government turnover, including five changes in prime ministers and at least one new minister a year for Bank-supported projects, crippled portfolio performance and made sustained institutional change elusive. In November 2016, the Performance and Learning Review (PLR) extended the CPS period and adjusted the CPS objectives and results framework to align with shifting government priorities.

3. **Although the WBG program steeply increased in volume and depth across all instruments and contributed to achievement of important CPS objectives, IPF and DPL under-delivered while RAS grew exponentially against original expectations.** With 27 agreements worth US$71.65million signed, Romania's cumulated RAS revenues during the CPS period were the highest Bank-wide. At the same time, Government focus on absorbing EU funds and weak project preparation and management capacity, combined with an inability to sustain the ambitious pace of structural reforms planned at the beginning of the CPS period, resulted in the delivery of US$2.8 billion in new lending commitments, half of the indicative, ambitious lending plan which had been discussed with the Government at the beginning of the CPS and in a more stable political environment. IFC investments were robust, totaling US$1.2 billion, out of which about US$1.1 billion has been for own account and the balance in mobilization. Of own account commitments, US$684 million has been in long-term finance and the remainder in short-term finance.

4. **The RAS program became the cornerstone of the Bank's engagement in Romania**. During the CPS period, the Government of Romania faced a dual institutional capacity related challenge: low absorption rate of EU funds under the 2007-13 period and delayed preparations for closing the 2007-13 programming period and setting the grounds for EU funds management under the 2014-2020 period. The Government relied heavily on Bank's support in preparing key strategic documents, enhance its organizational efficiency and effectiveness for better management of EU funds, and undertake key structural reforms to support the EU convergence agenda. Bank's support contributed to Romania's fulfilment of ex-ante conditionalities that enabled access to a EUR40 billion allocation. The RAS program contributed to the fulfilment of actions related

to 11[1] out of 36 conditionalities for Romania (Attachment 9) and to informing the preparation of the Partnership Agreement and of some Operational Programmes. A new Memorandum of Understanding to reconfirm the partnership between the Government and the Bank was signed in 2016 to facilitate Government institutions' access to Bank's RAS, mostly paid using EU funds. The strengthened partnership led to an unprecedented volume of the RAS (the program peaked in FY18), positioning Romania amongst the top RAS programs Bank wide. More than 20 line ministries and agencies benefited from the Bank's advice during the CPS period.

5. **The overall Development Outcome rating is Moderately Satisfactory**. Eight of 14 objectives were achieved (4) or mostly achieved (4) (Table 1) with a MS rating for Pillar 1 and 2 and MU for Pillar 3. Table 2 summarizes the ratings by pillar. Intensive support for public administration reform under Pillar 1 facilitated access to more than EUR5 billion in EU funds under the 2014-20 programming period and helped make important gains in improved public debt management, program-based budgeting, and inter-municipal, metropolitan planning. Nonetheless, key reforms in revenue administration and health service delivery did not materialize. Pillar 2, focused on smart and sustainable growth, improved the foundations for access to finance by resolving non-performing loans and making important institutional improvements to facilitate competition. Progress was less evident regarding strengthening skills and education programs for labor market inclusion. Under Pillar 3, fundamental reforms supported by a DPL and IPF to reduce poverty and social exclusion were not implemented within the timeframe envisaged, notably the Minimum Inclusion Income Program. However, RAS support for Community-Led Local Development (CLLD) helped to mobilize over EUR200 million, and key steps were taken to increase the voice of Roma such as through the Bank's creation of the Roma Sounding Board, a platform for more effective communication and engagement between civil society organizations working on the Roma agenda in Romania, the World Bank, and other external stakeholders.

Table 1. Summary of Ratings for CPS Objectives

Pillar	Rating	No. of objectives	Achieved	Mostly Achieved	Partially Achieved	Not Achieved
Creating a 21st Century Government	MS	6	2	2	2	0
Smart and Sustainable Growth	MS	6	2	2	2	0
Social Inclusion	MU	2	1	0	0	1
OVERALL CPS	**MS**	**14**	**4 (28.5%)**	**4 (28.5%)**	**4 (28.5%)**	**2 (14.5%)**

Table 2. Romania FY14-18 CPS Pillars, Objectives Rating

Objectives	**Rating**
Pillar I: Creating a 21st Century Government (Moderately Satisfactory)	
Objective 1.1: Revenue and expenditure administration improved	Partially Achieved
Objective 1.2: Strengthened debt management	Achieved
Objective 1.3: Improved strategic planning, prioritization and evidence-based policymaking	Mostly Achieved
Objective 1.4: Enhanced strategy formulation, operationalization and monitoring and evaluation in preparation for the 2014-20 period and beyond	Achieved
Objective 1.5: Improved governance, organizational functioning and efficiency of public institutions and SOEs	Mostly Achieved
Objective 1.6: Improved health service delivery	Partially Achieved

[1] In the areas of: early school leaving, tertiary education, lifelong learning, social inclusion and poverty reduction, active aging, education infrastructure, children deinstitutionalization, public procurement, public administration, digital agenda, Roma inclusion

Pillar II: Smart and Sustainable Growth (Moderately Satisfactory)	
Objective 2.1: Creating an improved business environment and a competitive economy	Partially Achieved
Objective 2.2: Improved performance of the RCC for promoting and enhancing market competition	Achieved
Objective 2.3: Strengthening the effectiveness of skills and education programs for labor market inclusion	Partially Achieved
Objective 2.4: Make it easier for business to entry and exit the market	Mostly Achieved
Objective 2.5: Enhanced environment and climate action in line with EU requirements	Mostly Achieved
Objective 2.6: Improved energy efficiency	Achieved
Pillar III: Social Inclusion (Moderately Unsatisfactory)	
Objective 3.1: Support an ambitious and successful program to tackle social inclusion and poverty reduction of the population including the Roma	Achieved
Objective 3.2: A more streamlined, better targeted and more cost-efficient social protection system	Not Achieved

6. **Overall WBG performance is *Good.*** Shortcomings in the design included CPS objectives that did not frame clear priorities and an IPF portfolio that was overly ambitious in targeting complex institutional reforms despite persistent political changes. However, these shortcomings were compensated through adaptive implementation support. The WBG was responsive in addressing shifting government priorities. Teams used proactive tactics, working tirelessly when leadership shifted to rebuild the demand for key reforms to deliver the program. Close engagement with the Ministry of Public Finance (MoPF) and the Ministry of European Funds (MEF) included regular "deep dives" into the portfolio, annual RAS reporting to the client, and an ex-post independent evaluation of RAS results using the newly-developed ICAM. This effort to measure the institutional impact of Bank RAS was exceptional and helped to elucidate how knowledge services play an important role in strengthening institutions.

II. PROGRESS TOWARDS CPS OBJECTIVES AND COUNTRY OUTCOMES

Key Macroeconomic Developments

7. **During the CPS period, Romania experienced robust growth.** During 2014-17, Romania's economic growth averaged 4.7 percent, a gradual pick-up after the 2008-09 crisis. Growth was supported by steady increases in exports, mostly to the EU, the gradual recovery of private investment which had been severely affected by the crisis, and increased absorption of EU funds. In 2016-17 growth was consumption-based, spurred by large cuts in taxes and increases in public sector wages and pensions.

8. **The fiscal situation improved considerably between 2009 and 2015, but expansionary fiscal policies widened the deficit since 2016.** The budget deficit declined from 9.5 percent of GDP in 2009 to 0.8 percent in 2015 allowing the country to reach its medium-term objective of a 1 percent structural deficit in 2014, which it maintained in 2015. However, fiscal stimuli introduced in 2016, including large tax cuts and increases in the minimum wage, public-sector salaries and pensions, pushed the fiscal deficit towards 3 percent in 2016-17.

Pillar 1—Creating a 21st Century Government: *Moderately Satisfactory*

9. **Support for public administration reform was central to the CPS.** The WBG program included a broad mix of instruments to advance progress toward six CPS objectives linked to 22 outcome indicators. While most indicators reflected notable progress, key reforms to modernize revenue administration and improve health service delivery were only partially achieved.

CPS Objective 1.1: Revenue and expenditure administration improved—Partially Achieved

10. **The procurement of a Revenue Management System (RMS) was not completed under the Revenue Administration Modernization Project (RAMP)** due to the loss of the original reform champion early on in implementation and the inability to rebuild the commitment given seven changes in Ministers of Finance and four presidents of the National Agency for Fiscal Administration (NAFA). However, support through RAMP and the DPL-DDO enabled some efficiency gains, increasing revenue collected per staff member by 19 percent.

11. RAS support contributed to important progress toward performance-based budgeting with the adoption of a framework for program-based budgeting. The General Secretariat of Government (GSG) has adjusted its structure and functions to implement a new methodology for developing institutional strategic plans (ISPs) linked to program budgets. This progress was supported by various Bank engagements, notably the DPL-DDO, an IDF Grant, and five RASs with the GSG and the Ministry of Public Finance[2]. The mix of instruments and programmatic approach sustained the engagement over the medium term.

12. Cost savings in the health sector improved expenditure administration. The Fiscal Effectiveness and Growth Development Policy Loan (FEG-DPL) program widened the scope for using centralized procurement in health, with 40 centralized tenders for medicines, devices, and other products launched in 2015. The resulting fiscal savings per tender, averaging 25 percent per year, could be channeled to underfunded health programs. However, most purchases in public hospitals continued to be procured locally with different unit prices for the same items. The expansion of centralized procurement under the FEG-DPL2 secured savings of at least 15 percent on medicines of participating public institutions.

CPS Objective 1.2: Strengthened debt management—Achieved

13. The MOPF has strengthened public debt management. With FEG-DPL and RAS support, the MOPF approved a public debt management strategy for 2014-16 aligned to international sound practice and linked with its 2014 Annual Borrowing Plan (ABP), laying the foundations for the government securities market. Since 2014, the strategy has been updated annually and public debt is the fifth lowest in the EU[3]. External exposure also declined, with the share of external public debt in total public debt decreasing from 46.2 percent in 2014 to 40.1 end-November 2017. A RAS on the use of derivatives and swap transactions continues to support the strengthening of the country's debt management.

CPS Objective 1.3: Improved strategic planning, prioritization, and evidence-based policymaking—Mostly Achieved

14. RASs supported the introduction of a new, coordinated and transparent approach to strategic planning, early steps to align strategic objectives and reform initiatives from national to program levels, and a simplified framework for regulatory impact analysis (RIA). The GSG has now integrated the strategic planning and budgeting processes in 13 ministries, with a central dashboard populated with baseline data to monitor key indicators for tracking progress toward program objectives. Since 2014, the Bank has worked with the GSG to review the legal and institutional framework for RIA, conduct RIA in pilot ministries, and strengthen the capacity of the Romanian administration for evidence-based policy making by carrying out five impact assessment studies in selected institutions.

15. A RAS for Harmonizing State and EU-funded Projects with the Ministry of Regional Development and Public Administration helped redesign the largest state-budget funded investment program, with a portfolio of around EUR8 billion, following best practices of EU-funded operational programs. Multi-annual planning and budgeting, clear prioritization criteria and simple monitoring and evaluation indicators have now been introduced covering all public investments under the program.

16. The Bank's RAS program helped to strengthen strategic planning at the local and regional levels. The Ploiești Growth Pole RAS supported the development of an integrated urban development strategy (IUDS) with a short priority list of projects through 2023. The Ploiești IUDS, viewed as one of the best sub-national development strategies in Romania since 1989, has served as a model for strategy development in Brașov, Iași, Cluj, Constanta, and Targoviste. More effective inter-municipal investment planning and project selection criteria have been applied in at least three cities. Following support provided under the Spatial Planning RAS,

[2] Delivery Unit RAS, Planning and Budgeting RAS, Strategy Unit RAS, Regulatory Impact Assessment (RIA) RAS, and the Public Investment Management RAS

3 37.6 percent of GDP (in ESA terms) at end-2016 (according to the EU methodology)

Alba Iulia is promoting inter-municipal planning with nearby cities such as Sebeș and Vintu. Constanta is implementing metropolitan coordination with 15 surrounding localities, and Brașov is working to develop a similar system with Bank support. Three RAS with the municipalities of Constanta, Brașov and Bucharest District 5 are building upon previous work and supporting in strengthening their capacity for capital investment planning and management.

CPS Objective 1.4: Enhanced strategy formulation, operationalization and monitoring and evaluation in preparation for the 2014-2020 period and beyond—Achieved

17. The RAS program played a critical role to support strategy formulation and M&E to access EU funds under the 2014-20 period, helping Government meet ex-ante conditionalities in 11 out of 36 areas (Attachment 9) and going beyond initial expectations. Support included diagnostics and the development of strategies in six areas, with five strategies adopted to satisfy ex-ante conditions.[4] Additional Bank support also helped Government meet ex-ante conditions for the deinstitutionalization of children, updating of the M&E framework for the National Strategy on the Digital Agenda, and the operationalization and M&E of strategies in the education sector. Another important achievement is the technical assistance provided by the Bank to the development of a web-based guide for the implementation of the national public procurement strategy which contributed to the fulfillment of an ex-ante action highly monitored by the European Commission.

CPS Objective 1.5: Improved governance, organizational functioning and efficiency of public institutions and SOEs—Mostly Achieved

18. A performance appraisal system for Government officials managing EU funds is in place. A new performance appraisal system, developed with Bank's assistance through RAS, has been adopted and applied to Government officials managing EU funds since 2015. The adoption and implementation of such system was a critical condition imposed by the European Commission to the Government ahead of the start of the 2014-20 EU programming period for the personnel managing EU funds.

19. Achievements related to the HR management in the Ministry of Public Finance are now being challenged by the recent legislative changes. The MOPF adopted a Human Resources Management (HRM) strategy in 2014 following Bank's support through RAS. The strategy's implementation is challenged by the changes to the unitary pay law and changes in the national legal framework by the National Agency for Civil Servants (NACS) are required. Such challenge is expected to be addressed by a new comprehensive RAS on HRM in the civil service. A major objective of this new RAS is to move beyond a piecemeal approach and improve the coordination for implementing the national Strategy to Strengthen the Public Administration (2014-2020).

20. The RAS program facilitated systemic reforms to improve the organizational functioning and efficiency of public institutions. In the education sector, the Ministry of National Education adopted new regulations for organization and functioning with enhanced accountability in 2017 covering all units in the ministry and expert-level positions in the pre-university school system, including school inspectorates in all 42 counties. With support through the Romania Competition Council (RCC) RAS, the RCC revised and adopted a new business architecture to increase operational effectiveness.

21. RAS and an IPF in the judicial sector supported the overhaul of the legislative framework, with the Ministry of Justice updating the civil and criminal codes and related procedural codes. As noted by the 2017 Cooperation and Verification Mechanism (CVM), the adoption of these codes led to the acceleration of court proceedings, greater consistency in judicial decisions, and enhanced respect for the right to a fair trial. Civil works completed through the IPF have also improved efficiency with the rehabilitation or construction of 16 courthouses; five pilot courts rehabilitated under the project documented a 77 percent increase in the number of court hearings. The addition of nine council rooms in rehabilitated courts allowed faster proceedings,

[4] These included: early school leaving, tertiary education, lifelong learning, active aging, reducing poverty and social inclusion, and investments in education infrastructure (not yet complete).

including allowing accused persons to consult their lawyers in private and to ensure a better protection of minors' relation with courts. Continued progress is expected under the new Justice Services Improvement Project, approved in 2017.

22. Results of efforts to reform the governance of state-owned enterprises (SOEs) have been mixed, particularly in transport. As part of the DPL-supported reform agenda, the government has adopted measures to improve the ownership and oversight framework for SOEs, including a new law on the corporate governance of SOEs approved by Parliament in 2016. However, the implementation of the current SOE governance framework is delayed, with only few SOEs using approved procedures to appoint professional boards and management in line with good practice.

CPS Objective 1.6: Improved health service delivery—Partially Achieved

23. The main reforms originally envisioned in the Health Sector Reform IPF have not been implemented due to the complex political economy of the sector and frequent changes in leadership of the MOH. The ratio of public and private acute beds per 1,000 inhabitants increased since the end of 2013, partly due to decreases in the population, but mostly due to stalled reforms. No progress was made on introducing a new basic package of services for primary care professionals.

24. Centralized procurement was achieved, and IFC's commitment of US$15.9 million in Medlife SA, a leading Romanian healthcare provider, helped increase access to affordable and quality healthcare in secondary cities with outpatient consultation, diagnostic testing, and day-surgery services. This investment increased Medlife's reach from 1.9 million to 2.3 million patients served in the CPS period.

Pillar 2—Smart and Sustainable Growth: *Moderately Satisfactory*

25. The WBG Program included a mix of instruments to advance progress toward six CPS objectives linked to 15 outcome indicators for smart and sustainable growth, the foundation for Romania's Europe 2020 Strategy. Notable progress was achieved for improving access to finance for micro, small, and medium enterprises (MSMEs); strengthening the legal and regulatory framework for promoting market competition; and helping banks reduce their share of non-performing loans. However, progress in education, insolvency and climate change did not yield adequate results for the respective CPS objectives.

CPS Objective 2.1: Creating an improved business environment and a competitive economy—Partially Achieved

26. Doing Business indicators (2018) for paying taxes showed improved performance for Romania from 36 to 14 payments per year, better than the overall ECA average of 16.5, however, the direct contributions by the joint IBRD-IFC advisory services to this change remain unclear. IFC did increase access to finance for MSMEs. Through engagements with financial institutions, IFC provided financial services to 75,000 MSMEs and facilitated more than US$4bn in MSME finance as of end 2016.

27. A new financing and operational framework is being established for the Cadaster Agency to accelerate the process of land registration. Support via the DPL and the Real Estate RAS led to key milestones during the CPS period, including the approval of the operational and financial independence of the National Agency of Cadaster and Land Registration (ANCPI) in 2014 and amendments to the legal framework through Emergency Ordinance (35/2016) for a more streamlined and improved process for the systematic registration. Nonetheless, the current legal framework remains overly complex and the Government has prepared a comprehensive Law on Cadaster and Real Estate Registration to consolidate and harmonize currently disparate provisions, strengthen ANCPI's independence and governance structure, and simplify registration rules to support a national program for systematic land registration. Coverage of urban real estate registration is on track to be completed by 2023, having expanded from 39 percent at the end of 2013 to 57 percent in 2017.

CPS Objective 2.2: Improved performance of the RCC for promoting and enforcing market competition—Achieved

28. The RCC RAS helped enact a revised legal and regulatory framework covering unfair competition, state aid and competition law, with measurable benefits, and a new merger regulation, adopted in 2014, resulted in a 23 percent decrease in average wait times to complete a merger. Adoption of the Competition Law in 2015 eliminated the 40 percent threshold for the presumption of dominance, limited the parties' right to challenge access to file and confidentiality before the courts, and created the Independent Procedural Officer role separate from the enforcement team within the RCC.

CPS Objective 2.3: Strengthening the effectiveness of skills and education programs for labor market inclusion—Partially Achieved

29. Bank support in education focused mainly on developing strategies and administrative capacity for the Ministry of National Education. RAS activities enabled the adoption of national strategies for reducing early school leaving, tertiary education attainment, and lifelong learning, however, their implementation has been slow. This is especially the case of the Strategy to Reduce Early School Leaving, mainly due to delays related to the launch of calls under EU funds, making the national target of 11.3 percent reduction unachievable by 2020. Implementation of the ongoing Secondary Education IPF is nascent and did not produce results during the CPS.

30. Education indicators show mixed results. Overall, tertiary education attainment in Romania has increased, with the share of 30-34-year-olds who have completed a higher education degree increasing from the baseline of 21.8 percent (2012) to 25.6 percent (2016). However, reducing early school leaving has proven more difficult, particularly for women. The share of 18-24-year-olds who have at most lower secondary education and are no longer in any education or training program increased from the baseline of 17.4 percent (2012) to 19.1 percent (2015) before starting to move in the right direction (18.5 percent in 2016). For women, the rate increased from 2014 (16.7 percent to 2016 (18.7 percent).

CPS Objective 2.4: Making it easier for business to enter and exit the market—Mostly Achieved

31. IFC is supporting Romanian banks in their efforts to restructure their balance sheets, reduce non-performing loan (NPL) ratios and cure high volumes of NPLs built up in the aftermath of the financial crisis. As of 31 December 2017, approximately 16,500 NPLs have been resolved from IFC supported projects, helping over-indebted consumer and SME borrowers in Romania to become free of debt and re-enter the financial system. As part of IFC's Distressed Asset Recovery Program, IFC has co-invested alongside major international investors in five NPL portfolios sold by three of the leading banking groups in Romania. These acquisitions, which include a EUR1.2billion MSME NPL portfolio in 2015 and a EUR600 million consumer unsecured NPL portfolio in 2016, represent landmark transactions in the Romanian and Central and Eastern Europe region and have helped to develop the market for NPLs across Central and Southern Europe. IFC, together with its co-investment partners, has enabled over EUR2.5 billion of NPLs to be removed from bank balance sheets. This has been a significant catalyst in the reduction of the NPL ratio in the Romanian banking system from a high of 24 percent of gross loans in 2014 to close to 7 percent at the end of 2017.

32. IFC has also facilitated market entry through other investments. To help the growth of agribusiness and retail sectors, IFC invested in the only financial institution in Romania exclusively focused in agriculture financing and in a leading pork producer and processor to help expand its farm and processing facilities and implement environmental, food safety, and animal husbandry best practices. IFC's food safety advisory program to fruit and vegetable suppliers was successfully completed with all 18 Romanian fruit and vegetable farms being awarded GLOBAL G.A.P. (Good Agricultural Practice) certificates. To address bottlenecks to growth and improve access to markets, IFC invested EUR50 million in 2017 in a EUR500 million senior unsecured corporate Eurobond issue for the development of energy efficient property development and acquisitions. In 2016, an IFC investment in transport and warehousing delivered complete logistical solutions, strong contacts, customer loyalty and rigorous cost control.

33. Nonetheless, the WBG program was not able to reduce the time taken to resolve insolvencies. With support from the JRP since 2012, the insolvency framework and related mechanisms were strengthened with the first national Insolvency Code, adopted at the start of the CPS period in line with European ROSC standards. The World Bank's Doing Business data indicate some improvement in terms of recovery rates and distance from the frontier for resolving insolvency; however, indicators for time, cost and outcome have remained stagnant.

34. Critical progress has been achieved for improving the functioning of capital markets. Parliament has adopted amendments to the capital markets law (268/2015) to modernize the regulatory landscape and enhance the governance and accountability of the Financial Supervisory Authority (ASF).

CPS Objective 2.5: Enhanced environment and climate action in line with EU requirements—Mostly Achieved

35. RAS assistance provided the foundation for sustainable growth and climate change mitigation, as well as integrated development for the Danube Delta region. One RAS included inputs for the National Climate Change and Low Carbon Green Growth Strategy for 2016-2020 and the National Action Plan on Climate Change for 2016-2020. Another RAS supported the elaboration of a strategy for the integrated development of the Danube Delta region, one of the most environmentally sensitive ecosystems in Europe. There are delays in implementing the strategies due to the various stakeholders involved and which require greater coordination. An important supplemental product to this effort was the Bank's completion of the Sustainable Urban Development Guide providing the framework for how EUR1.4. billion in EU funds could be spent during 2014-2023 to drive economic growth aligned with the mandate for enhanced environment and climate action.

36. Bank support has enabled Romania to meet the EU Nitrates Directive. The Integrated Nutrient Pollution Control IPF (INPCP) has achieved important milestones for reducing the discharge of nutrients (nitrogen and phosphorous) into water bodies flowing to the Danube River and Black Sea through integrated eco-friendly agricultural, land and water management practices. The results of the assessment of Romania's last report to the EU on meeting the EU Nitrates Directive requirements are not yet available.

37. IFC's subnational investments have contributed to renewable energy and climate change mitigation in municipal services. This included the commitment of long-term financing (US$ 41.9 million) to rehabilitate heating systems and transport infrastructure in Timisoara and Botosani municipalities, and an investment in Cernavodă and Pestera which helped these companies to produce 428.4 Gwh of renewable power generation in 2015, benefiting about 103,000 customers and contributing to the avoidance of 252,656 metric tons of CO_2 emissions in 2014.

CPS Objective 2.6: Improved energy efficiency—Achieved

38. Through DPL support and TA, the Bank has helped the Energy Regulatory Authority (ANRE) to complete the liberalization of the nonresidential gas and electricity market, and full liberalization of the residential market was completed in January 2018. Wholesale electricity and gas prices for nonresidential consumers are now determined by market participants in the energy market via centralized trading platforms. Liberalization of the nonresidential gas market has led to improvements in energy efficiency and reduced the domestic consumption of gas, with the amount of natural gas traded at centralized platforms increasing from zero in 2013 to 2 billion cubic meters in 2017.

39. Improvements in energy efficiency are also expected to be achieved through the new integrated approach to urban development. The Growth Poles RAS applied the Tool for Rapid Assessment of City Energy (TRACE) in seven cities: Ploiești, Brașov, Iasi, Cluj-Napoca, Craiova, Constanta, and Timisoara.

Pillar 3—Social Inclusion: *Moderately Unsatisfactory*

40. Support on social inclusion yielded limited results. The WBG Program included a mix of instruments to advance progress toward two CPS objectives linked to six outcome indicators. While most indicators reflected notable progress to tackle social inclusion, the expected implementation of key reforms related to the social assistance system have been delayed beyond the CPS period.

CPS Objective 3.1: Support an ambitious and successful government program to tackle social inclusion and poverty reduction of the population including the Roma— Achieved

41. The National Roma Inclusion Strategy was adopted in 2015 using inputs from a RAS diagnostic study. Another RAS enhanced the administrative and technical capacity of the Roma Education Fund (REF) in Romania and four NGO partners implementing the 'Ready Set Go' project. The increased capacity of the REF, particularly related to M&E, is now being applied in other projects with substantial early childhood development components. The RAS Informing Project Evaluation provided knowledge on Roma and non-Roma marginalized communities, challenges and instruments.

42. **An ASA engagement resulted in the development of a Roma Filter for mainstreaming Roma-sensitivity across the Bank's Romania portfolio.** Application of the Filter over three fiscal years has confirmed that Roma issues are highly relevant to the Romania portfolio and have cross-GP relevance. In 2017, the Bank formed the Roma Sounding Board (RSB) to serve as a platform for more effective communication and engagement between civil society organizations working on the Roma agenda in Romania, the World Bank, and other external stakeholders. The RSB consists of eight civil society organizations active at the national level and eight Roma-organizations active at the local or regional level, with one NGO representing each region of Romania.

43. **Gender-informed activities yielded mixed results.** IFC's work in gender finance has helped a bank establish the first on-lending scheme for women-owned or managed MSMEs. Key findings from the 2015 Expanded Project Supervision Report (XPSR) noted that the gender finance tranche of the 2011 loan was "well balanced," the project enjoyed "active excellent collaboration between the IFC portfolio team and the Bank," and that IFC support helped the client in 2015 become "one of the top contributors to IFC's Global Banking on Women (BoW) program". Since 2011, IFC has granted six loans, amounting to EUR 102 million in total, to Garanti Bank and Garanti Leasing, aiming to finance local MSMEs. Moreover, out of the six, five IFC loan agreements targeted to support women entrepreneurship and leadership, and facilitate their access to finance for further business development. In this respect, Garanti Bank and Garanti Leasing received EUR 47.5 million total long-term loan tranches (approximately 76% of these granted during CLR period) allocated to women controlled entrepreneurs and both financial institutions have been offering specific gender finance products. However, the original CPS's vision of gender as a transversal issue for Bank operations did not materialize, with limited evidence of progress in operations where gender was explicitly addressed (health, social protection, justice) due to implementation delays.

44. **At the core of the Government's agenda to reduce poverty and promote social inclusion is the National Social Inclusion and Poverty Reduction Strategy, developed with the support of the Bank and adopted in 2015.** Subsequently the Government passed a comprehensive anti-poverty package of 47 measures to combat poverty that are currently under implementation. Key social inclusion measures – in line with those outlined by the National Strategy and Strategic Action Plan – have been included in various Operational Programs. The Bank's RAS program informed the preparation of the Human Capital Operational Program (POCU), which addresses challenges of human development in an integrated approach and lays out the funding for the EU programming period 2014-2023. All five ex-ante strategies – on social inclusion and poverty reduction, active aging, early school leaving, tertiary education, and on lifelong learning – along with other strategic documents informed the drafting of Romania's *Partnership Agreement with the EU 2014-2020* document, and their Action Plans provided the basis for POCU.

45. **The Bank has provided critical guidance for increasing economic, social, and territorial cohesion in Romania.** The Community Led Local Development (CLLD) instrument is a new tool for sub-regional engagement during the 2014-2020 programming period to make more efficient and targeted use of the European Structural and Investment funds by strengthening synergies between local actors and matching the needs of the local area. The RAS for the Elaboration of Integration Strategies for Poor Areas and Disadvantaged Communities produced deliverables that informed the preparation of the CLLD approach. CLLD programs leveraging these Bank deliverables have mobilized more than EUR200 million for local development under POCU and the Regional Operational Program (POR).

46. **The Bank has contributed to the deinstitutionalization of children through the development of an operational plan and methodology for closing residential centers.** A flagship initiative to strengthen social services for child protection was first proposed as part of the National Strategy for Social Inclusion and Poverty Reduction and is now supported by a follow-on RAS. The operational plan was approved by the National

Authority for the Protection of Child's Rights and Adoption in 2017, and local authorities will submit proposals to receive funding starting in January 2018. The closure of up to 50 centers is expected to be funded from 2018 to 2020 using the new methodology.

CPS Objective 3.2: A more streamlined, better targeted and more cost-efficient social protection system—Not Achieved

47. Romania has made inadequate progress in reforming its social assistance system during the CPS period. With support through the FEG-DPL2 and Social Assistance System Modernization Project (SASMP), a minimum inclusion income (VMI) scheme was approved in 2016 with the potential to serve as one of the best pro-poor laws in the ECA region. The VMI consolidates three existing social assistance programs which have high administrative costs and are not targeted well to reach the poorest quintile. However, the Government has recently postponed the implementation of the VMI program until 2019. The Bank has supported the government to better distribute resources following a pro-poor approach, including changes to the means test and eligibility thresholds for various poverty targeted benefits. The effect of parametric reforms implemented through the support of SASMP will likely be evident following the analysis of the latest household survey in April 2018.

48. Despite these setbacks, promising gains have been made for reducing error and fraud in Romania's social assistance system and improving performance management. With support from SASMP, Romania has developed a system to reduce error, fraud, and corruption which covers all cash allowances to ensure a more effective distribution of benefits. This is becoming an international best practice. In addition, the restructuring in January 2017 defined new disbursement-linked indicators to accelerate improvements in performance management for the social assistance system.

III. WBG PERFORMANCE

49. The overall assessment of WBG performance is Good. Key shortcomings in the overall program design were compensated for through adaptive implementation support and a flexible framework that could respond to shifting priorities. Some structural reforms targeted through the IPF portfolio were overly ambitious and the CPS results framework did not act as an effective tool for monitoring progress. Nonetheless, the WBG was proactive in responding to persistent political changes, establishing new selectivity criteria and filters for engagement, rapidly expanding the RAS portfolio to address short-term priorities, and collaborating with the Government to calibrate engagement as needed for better results.

Design

50. The CPS provided a flexible, coordinated framework to facilitate and support Romania's economic convergence with the EU. The CPS objectives were highly relevant for helping Romania achieve key results of the Europe 2020 agenda for smart, sustainable, and inclusive growth. Urgent short-term priorities of the Government focused on meeting the EU ex-ante conditionalities that enable access to EU funds for the 2014-2020 period, and the WBG engagement and use of instruments shifted as needed to address these demands.

51. However, the portfolio was too ambitious in undertaking large, complex IPFs designed to be the reform tool for the sector. The frequently changing political environment, turnover in leadership of key counterpart agencies, and systemic issues in the public administration presented substantial challenges. For example, the in-depth portfolio review in FY16 documented systemic issues related to Romania's existing public financial control system. The Romanian Court of Accounts (COA) has the authority to verify compliance of the project management unit with Bank procurement regulations and guidelines, as well as to pursue damages in case of non-compliance. Given the threat of strict and inflexible COA inspections, many public institutions have established complex internal approval procedures involving numerous decision points and multiple signatures even for minor transactions. Together, the changes in leadership and persistent systemic challenges help to explain why implementation progress faltered when efforts focused on addressing the key binding constraint in the sector (e.g., for revenue administration, health, social assistance, etc.).

52. **IFC's engagement was strategic to add value in the mix of WBG instruments.** Over FY14-18, IFC's delivery of investment commitments supported primary processors and retail, access to finance for women-owned/ managed MSMEs, the development of the health care sector, capital markets development/ alternative financing, distressed asset relief, sub-national investments which address climate change issues in municipal infrastructure, and energy efficiency. IFC has been a significant player in providing liquidity and risk coverage to banks in the aftermath of the crisis by supporting US$547 million over some 640 transactions in trade finance from FY14 to end-December 2017. IFC remains selective in its engagements so that private sector players are not displaced, and its clients are supporting over 25,000 jobs, of which over 60 percent are for women.

53. **The development objectives and associated CPS results framework did not adequately reflect the expected impact of the WBG program.** Priorities were difficult to decipher amidst the 14 CPS objectives and 43 indicators articulated in the results framework following the PLR. The absence of clear goals and the proliferation of CPS objectives at the PLR stage made it difficult to discern the main contributions of the WBG program in relation to both country-level goals and the WBG goals focused on ending extreme poverty and boosting shared prosperity. An adequate M&E framework that articulates overall program priorities and monitors progress remains critical for demonstrating success and adjusting program implementation as needed.

54. **Overall, the risks identified in the CPS remained relevant and moderate**. The political and governance risk was substantial and materialized. Since the elections in December 2016, three governments have been in place. The risk of stop-and-go approach to the unfinished reform agenda, low administrative capacity and vested interests adversely affected the sustainability of some CPS supported reforms. The Bank had a continued dialogue with each government to discuss the short and medium-term priorities. The Bank also worked to mitigate governance shortcomings by scheduling early briefings for incoming officials and working with permanent staff of relevant ministries as possible to provide program continuity. To mitigate the low institutional capacity, the Bank adapted its approach by shifting from short RAS engagements to programmatic and longer-term engagements with built in components on capacity building. Implementation risks materialized but the Bank continued to proactively address them through (i) increased joint supervision with the Government; (ii) the preparation of new detailed project implementation plans, jointly monitored, and (iii) in depth financial management and procurement reviews. Such implementation mitigation measures proved to be adequate and contributed to improved disbursement rate (more than 15% in FY18 compared to 3.9% by the end of FY17). The Bank continued engaging and consulting with a broad range of stakeholders as part of its program to mitigate some of the risks identified in the CPS.

55. **Some measures were included to mitigate risks that materialized during the CPS period.** The Bank's engagement was flexible so that the Bank could prioritize support for public administration reform and strengthening Romania's capacity to absorb EU funds. The ability to rapidly expand RAS delivery was a key feature of this flexibility. As the RAS program matured, the selectivity and design criteria were improved by learning from the lessons of previous RAS implementation and the comprehensive evaluation of the RAS portfolio (i.e. shift from input-based agreements to output-based agreements, addition of the Roma filter and other criteria).

56. **However, additional mitigation measures could help cover critical risks.** Frequent changes in Government and shifting priorities undermined the focus on key reforms. An in-depth look at the political economy could have helped to explain the lack of Government's will to pursue bold reforms (revenue administration, health) and underscored the need to set less ambitious objectives. In addition, institutional capacity remains a major constraint to development, a challenge that should have been factored in more during the design stage of earlier RAS program.

57. **The design of the CPS incorporated important lessons.** Following the 2009-13 CPS in Romania, the WBG program was envisioned to continue its evolution from lender to technical adviser and knowledge broker, while keeping still a good mix of instruments, an important role for addressing tensions between short-term challenges and longer-term targets. As a trusted partner of both Romania and the EU, the Bank was well

situated to support the EU agenda by helping to improve Romania's ability to use EU funds and facilitating institutional changes for achieving EU standards. In addition, a citizen engagement review of the Romania portfolio was undertaken to inform this CLR and the forthcoming CPF (Attachment 8). Since corporate requirements were introduced in FY14, all the IPF projects approved by the Board have included a citizen-oriented design, and 75 percent included a beneficiary feedback indicator in the results framework. The quality of this engagement is comparatively strong when compared with the ECA portfolio.

Implementation

58. **Ongoing systematic collaboration and consultation with development partners and other stakeholders has been an integral part of the WBG program implementation.** For the DPL series, the Bank collaborated closely with the EC, ECB and the IMF throughout design and implementation; with the European Bank for Reconstruction and Development on SOE-related issues; with the European Investment Bank (EIB) on public investment management; with the World Health Organization on centralized procurement in health; with UNICEF on the deinstitutionalization of children and Norway Grants on education. The Bank team also discussed reforms with social partners, including unions, business associations, women and Roma communities and stock market participants as well as other stakeholders, including the Parliament and political parties, when appropriate. Similarly, in the example of public procurement reform, the World Bank team for the RAS on Support to the Public Procurement Strategy has worked closely with the EIB team providing advisory support to the National Public Procurement Agency under a separate agreement to ensure consistency and complementarity.

59. **The Bank worked proactively to improve implementation during the CPS period.** The use of selectivity criteria and filters for continued engagement helped to improve overall portfolio performance. During the CPS period, the Bank team actively explored what approaches worked best, and one effective approach was to introduce benchmark mechanisms that allow parts of the loan amount to be cancelled if agreed milestones were not reached. The performance of the Judicial Reform and Health Sector Reform IPF projects improved after such milestones were introduced during restructuring. This helped to reinforce the filters used during design related to ensuring adequate implementation capacity and pursuing a more programmatic approach.

60. **IFC's aggregate commitment volume output met what was strategically envisaged.** For FY14-18, IFC committed US$1.2 billion, of which US$1.1 billion has been for own account and the balance in mobilization. Of own account commitments, US$684 million has been in long-term finance and the remainder in short-term finance. This performance surpassed the planned range of IFC's investments of between US$150 million and US$250 million annually. As of end-January 2018, IFC's committed own account portfolio ranks third in IFC's Europe & Central Asia region, while NPLs are low. The portfolio amounts to US$579 million across 32 projects. There is just one NPL in the portfolio due to financial troubles the IFC's investment client encountered caused by corruption charges filed against the client company CEO.

61. **IFC adjusted implementation plans given the absence of a functioning PPP Law and lack of adequate institutional capacity to support implementation.** IFC's District Heating PPP advisory engagement with Bucharest was dropped following the completion of the first phase because of the adverse political environment, marked by multiple changes in decision makers and strategies, and a lack of stakeholder consensus as to the structure of the proposed transaction. Municipal finance issues and the availability of competitively priced finance domestically restricted IFC's footprint in this space, exemplified by the cancellation of a 2014 loan to Bucharest for the modernization of Romana Square and the decision not to invest in the city's municipal bond issuance of 2015.

62. **The PLR conducted in 2016 was instrumental for reviewing the Bank's priorities and effectiveness within the current country context and refining expectations.** The timing of the PLR was set strategically to align with changes in government and with the EU funding cycle. Unfortunately, in a context of Government changes every six months, even though the PLR advocated for a one-year extension of the CPS, insufficient time remained to implement the adjusted program and fully achieve key CPS objectives related to major reforms.

63. To mitigate fiduciary risks, the Bank engaged in regular meetings with the government to take stock of progress in implementing the WBG program. For the growing RAS program, the Bank participated in joint coordination meetings organized by the Ministry of European Funds, exchanged monthly updates, provided annual progress reports on the implementation of the overall RAS program, and conducted an in-depth evaluation of the RAS program for the 2012-2015 period to inform future design and implementation decisions. The Bank also frequently consulted the European Commission on specific topics to ensure alignment of views on the content of our program and implementation.

64. CPS implementation relied heavily on the RAS program, which expanded dramatically during the CPS period. In response to evolving short-term needs of the Government, 27 new RAS agreements worth US$71.65million were signed. This led to Romania having the largest RAS program Bank wide in terms of cumulated revenues generated throughout the CPS implementation. The Government's partnership with the Bank in terms of provision of advisory services has been reconfirmed through the signing of a new Memorandum of Understanding in 2016, valid until the end of 2023.

65. The evolution of the RAS program proved critical for supporting effective implementation of the CPS. RAS evolved from short duration engagements of about six months focused on one major output in a single sector to longer, cross-sectoral activities spanning more than two years. Some complex activities required the mobilization of large teams, with coordination and collaboration among experts from different sectors within the Bank and across ministries. Overall, this was a positive change, allowing the engagements to go beyond the production of studies and reports to provide more comprehensive TA and capacity building. This evolution led to a rethinking of time-based agreements for RAS, and the agreement templates were revised starting in 2016 to support an output-based approach instead.

IV. ALIGNMENT WITH WBG CORPORATE GOALS

66. Achieving the twin goals of reducing poverty and boosting shared prosperity was a key driver for the design of the CPS. The CPS pillars were informed by the Romania Country Economic Memorandum (CEM) in 2013 that identified a broad set of challenges that would need to be addressed for a more sustainable pattern of growth underpinned by job creation. Building a well-functioning public administration was recognized as a central requirement to overcome inefficiencies and poor quality public investment, as well as shortcomings in the utilization of EU funds. Other priorities informed by the CEM analysis focused on improving the business environment, developing a skilled and innovative workforce, and promoting social protection and social inclusion.

67. The PLR informed modest improvements in the CPS objectives for better alignment with the WBG corporate goals. Some changes in the CPS pillars and objectives were needed to reflect the evolving program. Objectives related to public administration reform were added to articulate the changes targeted for effective public institutions and public financial management. The strategic pillars of the CPS remained relevant, but the second one was reformulated to reflect broader support for sustainable growth. Added indicators under the Pillar 3 signaled the expanded focus on the social inclusion of vulnerable groups. Nonetheless, the revised results framework—developed to some extent in response to immediate government needs—could have reflected more focused priorities for reducing extreme poverty and increasing shared prosperity.

V. KEY LESSONS

68. The WBG can continue to serve as a stable, neutral convener and knowledge broker in Romania to help identify development solutions and provide support for their implementation. Regular communication and coordination with the Government, a flexible engagement through a mix of instruments, and the opportunity presented by the PLR to respond to evolving circumstances all proved critical for effectively serving these roles. The changing scope of the RAS program, which evolved substantially during the CPS period from mainly small, timebound analytical pieces to large and longer duration technical assistance and capacity building tasks, allowed the Bank to respond quickly to client requests for advice and provide support that could not otherwise be funded within the Bank's own budget. Strategically leveraging this role to achieve high-priority institutional reforms should be the centerpiece of the WBG program going forward.

69. **The next CPF will need to be built around the growing dominance of RAS in the program**. The Bank should continue to explore how best to respond selectively to client demand for new RAS to ensure cohesiveness of the WBG program. The evaluation of the RAS program helped to elucidate lessons for effective collaboration to achieve development objectives. High-level (political) and technical level commitment by the client is necessary but not sufficient. Other key success factors include frequent communication between the Bank and client teams, a local Task Team Leader or senior specialist available on the team to facilitate collaboration, and relevant international expertise to bring in best practice examples. The use of local experts helps to ensure that any diagnosis and examples are appropriate for the current context.

70. **More effective engagement will require a sharper focus with more clearly articulated WBG priorities.** The Government's urgent focus on short-term needs limited the opportunities for defining a longer-term vision, and the broad and ambitious reform agenda made it difficult to foster and maintain adequate client ownership for each of the CPS objectives. Instead, the next CPF should target a management number of objectives and results indicators that can be more directly linked to WBG interventions. In general, progress under the CPS was achieved through the pursuit of modest objectives planned in sequence. Continuity in engagements or helping to leverage follow-on support for Government's specific priorities where the WBG offers comparative advantage has proven most effective for helping to ensure sustainable results.

71. **Careful deliberation is needed for the right selection of WBG instruments to achieve development objectives.** Complementarity and coordination across different engagements provided effective support for some reforms, such as those focused on strengthening debt management and strategic planning within the public administration. The articulation of a WBG CPF provides an important opportunity to plan a coordinated response to ensure the complementarity across IBRD and IFC engagements, with possibly also strategic participation by MIGA to support private sector development.

72. **Continual attention should be paid to implementation support under the new CPF.** Supply-side achievements such as the adoption of new laws and strategies are not sufficient alone for facilitating sustainable institutional changes. Regular communication with government counterparts, the identification and enabling of champions, hands-on technical assistance, and other implementation support will likely prove critical for achieving needed institutional reforms.

73. **The Romania program has provided good practice examples at the subnational level which have been used or replicated in other EU countries.** Relative political stability at the local level allowed the Bank to more effectively contribute to and pilot new approaches and resources for regional development. As a convener and knowledge broker, the Bank has been well positioned to facilitate a multiplier effect by helping to disseminate lessons and guidance, both within Romania and to other EU member states. The city of Constanta pursued its own funding sources to engage with the Bank on integrated urban development planning and inter-municipal coordination. Regional development approaches are being replicated in Poland. Investment guides developed with Bank assistance helped Romania to prioritize investment at the local level, and these are now available to inform investment decision-making at the local level in other EU countries.

74. **IFC has faced challenges in supporting the development of PPPs and in expanding municipal finance partnerships.** An overarching issue in enabling IFC to support the development of PPPs in Romania is the absence of a functioning PPP Law, as well as lack of the associated institutional capacity to support implementation. Furthermore, governance quality issues and frequent political turnaround also affect municipalities' commitment to a PPP agenda. IFC's District Heating PPP advisory engagement with Bucharest was dropped following the completion of the first phase, because of the adverse political environment within the administration of the municipality, marked by multiple changes in decision makers and strategies, and a lack of stakeholder consensus as to the structure of the proposed transaction. In municipal finance issues such as governance, as well as availability of competitively priced finance domestically, have proven to restrict IFC's

footprint in this space, exemplified by the cancelation of a 2014 loan to Bucharest for the modernization of Romana Square and the decision not to invest in the city's municipal bond issuance of 2015.

75. Finally, in the next CPF cycle, it will be critical to undertake the PLR in a timely manner to assess implementation with sufficient time remaining to implement the recommendations. The opportunity for midcourse corrections gains importance in the context of persistent political instability and should be supplemented with other mitigation measures as possible. Key priorities of the WBG program should be articulated by clear CPF objectives, underpinned by specific political economy analysis as needed, and revisited through the PLR to help ensure optimal WBG contributions to development outcomes in Romania. Indicators will be chosen carefully to measure the achievement of objectives, with relevant sources of information and with an evident link to WBG program.

Attachment 1. Updated CPS Results Matrix

Status of CPS Objectives and Indicators[5]	WBG Program
Pillar 1: Creating a 21st Century Government—Moderately Satisfactory	
CPS Objective 1.1: Revenue and expenditure administration improved **- Partially Achieved**	
(i) Revenue Management System is procured – not met - Procurement of the RMS will not be completed during this CPS period, as planned. The RAMP project is in problem status and under review for potential cancellation or restructuring. - It is directly supported by our IPF on Revenue Administration Modernization Project and ASA (ii) Framework for introducing results informed budgeting, (Baseline 2013: no framework; Target 2018: framework in place) – partially met (on track to be met before end FY18) - Framework for results-informed budgeting has been drafted by the end of 2017 and it is in the process of clearances and approvals within the Government; adoption is expected before end FY2018; internal organizational matters related to its implementation were adopted - Supported directly by the RAS program with MoPF, GSG and Bank-financed ASA (iii) Centralized procurement introduced for health medicine (2014: 0; 2017: yes) - met - MoH approved a centralized procurement plan for 2016, which included 31 antibiotics and 12 oncology medicines. The price for centrally procured drugs and devices decreased from average unit price of Ron 22.2 (baseline 2015) to average unit price of Ron 20.0 (2017).[6] - Supported directly by the FEG-DPL II (iv) IFC investments in sub-nationals (Yes/No) - met - Yes--IFC committed long-term financing (U$ 41.9 M) to rehabilitate heating systems and transport infrastructure in Timisoara and Botosani municipalities - Directly supported by the IFC program	**WBG completed activities** DPO Development Policy Operation Fiscal Effectiveness and Growth DPL(s) RAS Better Solution for Clarifications, Interpretations and Rulings on Tax Issue RAS Fiscal Policy Formulation RAS Developing an Integrated Financial Management System in MARD RAS Enhancement of Risk Based Systems of the POSDRU ASA Policy note on health TF Strengthening Financial Accountability ASA Public Finance Review **WBG ongoing activities** IPF RAMP project IPF Health Sector Reform project RAS Constanța Urban Development RAS Bucharest District 5 Urban Development **WBG Pipeline Activities** RAS Brașov Urban Development **IFC** – PPPs - investments at subnational level

[5] Unless otherwise specified, indicators reflect target for 2018

[6] Baseline was moved to 2015 because the National Catalogue for Medicine Prices was significantly revised in 2015. The average unit prices are calculated for the basket of medicines included in the 2016 centralized procurement plan for antibiotics and oncology drugs, excluding VAT.

Status of CPS Objectives and Indicators[5]	WBG Program
CPS Objective 1.2: Strengthened debt management – **Achieved**	
Debt management strategy adopted and updated yearly in line with best practice (Yes/No) – met - Yes--Romania's Public Debt Management Strategy for 2014-2016 was confirmed by the EU and IMF as being aligned to international sound practice as defined by the *Public Debt Management Guidelines* produced jointly by the World Bank and IMF. Strategy is updated annually since 2015, and public debt remains manageable. A fully electronic auction system for the primary government securities market also became fully functional in 2014 with an interface with the debt management system to provide real-time access to primary market data. FEG-DPL2 supported the implementation of an electronic trading and quoting platform for the secondary market to strengthen cash and liability management which was launched in January 2017. - Directly supported by the DPL and completed and ongoing RAS	**WBG completed activities** DPO Fiscal Effectiveness and Growth DPL(s) ASA on developing government yield curve RAS Strengthening Debt Management **WBG ongoing activities** RAS Swap Transactions
CPS Objective 1.3: Improved strategic planning, prioritization and evidence based policymaking - **Mostly Achieved**	
(i) *Development and use of a central dashboard in the Chancellery of the Prime Minister for monitoring high-level ISP priorities of selected ministries* – met - Central dashboard developed within the General Secretariat of the Government and functional since June 2017; it has been populated with baseline data for high-level ISP priorities in 13 ministries and is used by the GSG. The reporting on ISP implementation expected to start in mid-2018 (ii) *Simplified framework for more effective implementation of regulatory analysis* –met - Regulatory Impact Assessment framework updated. Prime Minister decision 297/2016 adopted and published in the Official Journal on updated guidance for filling in the public policy proposal following WB recommendations under the RIA RAS. (iii) *100% of public investment projects selected based on improved evaluation and selection criteria under PNDL (from 0 to 4000 projects amounting EUR90M)* - met - All projects selected under the PNDL program since 2016 are assessed using a new set of selection criteria. Ministerial Order 947/2015 updated the guidance on implementation of the PNDL and introduced the selection criteria. MDRAP website published in January 2018 the list of priority investments counting 6,814 intervention projects across Romania. This list was approved on January 17, 2018 by Minister's order. - Through the regional development RAS program, the Bank provided recommendations on prioritization of investments, introducing multiyear budgeting, budgeting by program and proposed selection criteria options; the client(MDRAP) has adopted all our recommendations	**WBG completed activities** TF IDF grant for M&E of Policy Making RAS Analysis of Capacity Building Activities in Public Administration RAS Strengthening RIA Framework in Romania RAS Support to Establish a Delivery Unit RAS Danube Delta Sustainable Development Strategy RAS Ploiești Growth Pole RAS PPP in transport RAS Strengthening Strategic Planning in the Transport Sector RAS Enhance Spatial Planning RAS Update Growth Poles RAS Strategic Planning for the Agricultural Administration ASA Assistance to Alba Iulia RAS Harmonizing EU and state budget funded projects

Status of CPS Objectives and Indicators[5]	WBG Program
except for the selection criteria which only partially followed the Bank's recommendations. (iv) *More effective intermunicipal investment planning and project selection criteria applied in at least three cities - met* - The Bank has been supporting municipalities of Alba Iulia, Constanta, Ploiești, Brașov through RAS engagements and Bank-financed technical assistance on strategic planning and prioritization of investments. The cities have access to EU funds but had limited knowledge on how to plan and prioritize. Based on World Bank's recommendations and technical assistance, Alba-Iulia is promoting now inter-municipal planning with nearby cities such as Sebeș and Vintu; Constanta is implementing metropolitan coordination with 15 surrounding localities; Brașov currently developing similar system and benefiting from WB support (v) *Digital maps drive investments for increased access to broadband – partially met* - New mapping tool was developed and used to identify tailored solutions for matching broadband supply and demand; however, no funding available to use maps and implement solutions. - The Bank supported the development of the M&E Manual for digital agenda that allowed the Government to meet the ex-ante conditionality for the use of the European Funds for 2014-2020. In addition, the Bank conducted a thorough market and competition analysis of the Romanian ICT markets, studied the country specificities and carried out a restricted but transparent consultation process with the private and public ICT stakeholders. This exercise resulted in a coverage gap analysis identifying uncovered areas, categorizing different level of public interventions needed to expand coverage (e.g. regulatory, legal, financial), and finally highlighting regulatory constraints to be removed to facilitate the deployment of broadband infrastructure.	RAS Public Investment Management RAS regional development program RAS National Framework for Public Investment Projects RAS Integration of urban marginalized communities ASA Knowledge mapping ASA/MRA Roads Safety TF Strengthening Financial Accountability of the Public Sector (Dropped) ASA Public Finance Review **WBG ongoing activities** DPO Fiscal Effectiveness and Growth DPL(s) RAS Assistance for the Strategy Unit RAS Development of the Capacity of the Central Administration for Impact Studies RAS Planning and Budgeting Capacity RAS Support to Public Procurement Strategy RAS Constanța Urban Development **IFC** – PPPs **WBG pipeline activities** RAS Brașov Urban Development IPF Ploiești-Brașov Motorway Preparation
CPS Objective 1.4: Enhanced strategy formulation, operationalization and monitoring and evaluation in preparation for the 2014-20 period and beyond **- Achieved**	
(i) Five strategies adopted and contribute to Government's meeting EU ex-ante conditionalities for accessing EU funds under the 2014-20 period (2013:0,2018:5) - met - The Bank provided input into drafting the strategies, corresponding action plans for strategies have been developed together with the client institutions and based on Bank's recommendations. The adopted strategies were: o National Strategy for reducing the early school leaving – adopted on June 19, 2015 (Government decision 439/2015)	**WBG completed activities** RAS Romania Judicial Functional Review RAS Danube Delta Sustainable Development Strategy RAS Climate Change RAS Assistance for Strengthening the Agri-food Sector Strategy Formulation

Status of CPS Objectives and Indicators[5]	WBG Program
○ National strategy for enhancing lifelong learning - adopted on June 3, 2015 (Government decision 418/2015) ○ National strategy for enhancing the tertiary education attainment - adopted on July 28, 2015 (Government decision 561/2015) ○ National strategy for promoting social inclusion and poverty reduction - adopted on May 27, 2015 (Government decision 383/2015) ○ National strategy for promoting active aging - adopted on July 15, 2015 (Government decision 566/2015 - All ex-ante conditionalities that included the five strategies have been fulfilled by the end of 2016. On November 11, 2016, the European Commission confirmed the fulfilment of conditionalities through a press release. - Another important achievement is the staged development of the web-based guide for the implementation of the national public procurement strategy which contributed to fulfilment of an important ex-ante related to public procurement - Five RAS supported directly the drafting of the above-mentioned strategies. - The RAS program contributed to the fulfilment of actions related to eleven out of 36 conditionalities for Romania, in the following areas: early school leaving, tertiary education, lifelong learning, social inclusion and poverty reduction, active aging, education infrastructure, children deinstitutionalization, public procurement, public administration, digital agenda, Roma inclusion. - Two follow up RAS are now being carried out to enhance the capacity of the relevant ministries (Ministry of Labor, Ministry of Education and related agencies) for monitoring and evaluation of these strategies which are now implemented. The implementation of the strategies is ongoing, in some cases with some delays. *(ii) M&E framework updated for the strategy on digital agenda - met* - The digital agenda RAS supported directly the preparation of the M&E framework for the national strategy for digital agenda. Bank's recommendations have been fully integrated in the M&E framework approved by the Ministry of Communication and Information Society. The European Commission assessed as fulfilled the related ex-ante conditionality upon the finalization of the M&E framework (press release of the Commission on November 11, 2016	RAS Enhanced Spatial Planning RAS Strengthening Debt Management RAS Assistance to the Cadastre Agency RAS Early School Leaving Strategy RAS Tertiary Education Strategy RAS Lifelong Learning Strategy RAS Social Inclusion and Poverty Reduction Strategy RAS Active Aging Strategy RAS Digital Agenda ASA Assistance to Alba Iulia RAS Ploiești Growth Pole ASA Public debate on the priorities in the Romanian agri-rural space RAS Informing Project Evaluation **WBG ongoing activities** IPF Romania Secondary Education Project RAS Education Infrastructure Strategy RAS M&E of the strategies in education RAS Enhance Quality Assurance in Higher Education System in Romania RAS Supporting the Implementation of Romania's Human Development Operational Programme 2014-2020 RAS Constanța Urban Development RAS Brașov Urban Development RAS Romania: Developing a Unitary Human Resources
CPS Objective 1.5: Improved governance, organizational functioning and efficiency of public institutions and SOEs - **Mostly Achieved**	
(i) MoPF Human Resources Management strategy adopted and in implementation – partially met - MoPF HRM strategy adopted through the Minister of Finance' s Order no. 564, dated July 10,	**WBG completed activities** IPF CESAR

Status of CPS Objectives and Indicators[5]	WBG Program
2014 but its implementation has now been challenged by the latest unitary pay law. Changes to the legal framework by NACS are needed - The HR strategy was a direct result of the Bank's assistance to the Ministry of Finance through RAS. The changes further needed to the legislation by the National Agency for Civil Servants is supported by the Bank through a RAS on enhancing the national HR management system *(ii) Performance appraisal system adopted and applied to Government officials managing EU funds – met* - New performance appraisal system adopted in August 2015 and implemented to date. Its sustainability has been challenged by the amendments to the new pay law effective January 1, 2018. Specific amendments to the unitary pay law have been made for staff managing EU funds such that the performance management system remains in place. - The performance system and performance indicators were developed through RAS engagement. The Bank will continue to support the HR management reform agenda under the next CPF through a RAS recently signed and which will provide recommendations on the HR system for the next two years *(iii) Improved delegation of authority capacity in the MoESR piloted and new Regulations for Organization and Functioning (ROFs) adopted - met* - Improved delegation of authority capacity in the MoNE piloted and new ROFs adopted (September 16, 2015, through a Minister's Order) for organizational units at the MoNE and all job holders in the school system at the management and expert levels. The ROFs continued to be applied since their adoption. Moreover, the next Minister integrated even more the Bank's recommendations and the updated ROFs were approved through Minister's Order no.3748 dated May 9, 2016 and used in this 2016 format. - Recommendations on improving the delegation of authority and the piloting were provided through RAS activities. The recommendations were internalized by the Ministry of Education and are still implemented *(iv) RCC revised and adopted business architecture to increase operational effectiveness - met* - Operational effectiveness improved in RCC after recommendations of the Bank were incorporated to restructure the business architecture - The time to process complaints has been reduced because of the business architecture adjustments for increased operational effectiveness adopted by the RCC management following the RAS recommendations. Such changes were the direct result of the support provided by the Bank to the Romanian Competition Council through RAS	IPF Judicial Reform Project TF Strengthening Financial Accountability RAS Establishment of a Performance Appraisal System for Government Officials Managing EU Funds RAS Implementation of an Internal Management System at the MARD and its Subordinated Structures RAS Developing an Integrated Financial Management System at the MARD RAS Strategic Planning for the Agricultural Administration RAS Improvement of HR Management for MoPF RAS Fiscal Policy Formulation RAS A Better Solution for Providing Clarifications, Interpretations and Rulings on Tax Issue RAS Administrative Capacity of the MoESR RAS Assistance to the Competition Council RAS Assistance to the Cadastre Agency RAS Strengthening Public Investment Management RAS MA-IB Collaboration RAS Strengthening Debt Management RAS Enhanced Spatial Planning ASA Assistance to the Financial Surveillance Authority RAS Strategic planning in transport RAS Preparation and implementation of PPP in the transport sector ASA Roads safety ASA Anticorruption

Status of CPS Objectives and Indicators[5]	WBG Program
- RAS recommendations under the assistance to the Romanian Competition Council led to the adoption of a new merger regulation on September 30, 2014, allowing for the more efficient use of fast-track procedures. This resulted in an average length of 1.8 months to complete a merger case in 2014, representing a 23 percent decrease in the amount of time required compared to 2013. *(v) Increase in court hearings in courts rehabilitated and increase in number of council rooms since 2014 - met* - 16 courts have been built or renovated since 2014; the total number of court hearings has been tracked in 5 of the renovated courts to show an increase of 77% over 2008 baseline. Nine additional council rooms have been added (128%) since 2010. - Support has been provided directly by the Bank through IPF (Justice Reform project, justice services improvement project) *(vi) Law adopted on SOEs corporate governance (to approve the Emergency Government Ordinance 109/2011) in line with OECD principles (baseline 2014: drafted; target 2017: adopted) – met* - Government has adopted various measures to improve the ownership and oversight framework for SOEs and clarify the roles and responsibilities of public institutions involved. This includes new law on corporate governance of SOEs approved by the Parliament in May 2016. However, implementation of the law is lagging the expected timeline. - Support in legislation preparation has been provided through RAS and DPL	**WBG ongoing activities** RAS Strategy Unit ASA Assistance to ASF RAS Education Infrastructure Strategy RAS M&E of the strategies in education RAS Deinstitutionalization of Children RAS Swap Transactions RAS Public Procurement Strategy IPF Justice Services Improvement Project RAS TA to Enhance Quality Assurance in Higher Education System in Romania RAS Constanța Urban Development ASA TA to increase the capacity building for assessing the impact of state aid schemes ASA Transport SOE Sector Note ASA Status Review of the National Program for Cadastre and Land Book ASA Public Finance Review RAS Supporting the Implementation of Romania's POCU 2014-2020 ASA Capital Markets Supervision **WBG pipeline activities** RAS Brașov Urban Development RAS Romania: Developing a Unitary HR management system IPF Justice District / Esplanada Project IPF Ploiești-Brașov Motorway Preparation
CPS Objective 1.6: Improved health service delivery - **Partially Achieved**	

Status of CPS Objectives and Indicators[5]	WBG Program
(i) Reducing the ratio of public and private acute beds per 1,000 inhabitants from 5.5 to 4.8 (by 2018) – not met - Ratio of public acute beds per 1,000 inhabitants has not been reduced to 4.5 (from baseline of 5.5 in December 2013). In 2014 the ratio increased to 5.8 and to 5.9 in 2015 and 2016, this being generated by the increase in the number of beds and the sudden decrease in population. - Progress in implementing the Health reform project was limited *(ii) Introducing a new basic package of health care services with additional roles and payment incentives for primary care professionals – not met* - No new basic package of health care services with roles and payment incentives for primary care professionals will be introduced during the CPS period. *(iii) centralized procurement introduced for health medicine (2014: no; 2018: yes) - met* - MoH approved a centralized procurement plan for 2016, which includes antibiotics and oncology medicines. Average unit price for centrally procured drugs and devices decreased from Ron 22.2 (baseline 2015) to average unit price of Ron 20.0 (2017). *(iv) IFC's health sector investments - met* - IFC committed investment of U$ 15.9 M in Medlife SA, a leading Romanian healthcare provider, to increase the supply of high quality hospital services in Romania. This investment increased the outreach provided by Medlife from 1.9 million to 2.3 million patients served in the CPS period. IFC also supported Medlife becoming the first healthcare company to be successfully listed on the Bucharest Stock Exchange in December 2016, which was also the largest IPO of a private company that had ever taken place on the stock exchange.	**WBG completed activities** DPO DPL DDO **WBG ongoing activities** IPF Health reform project ASA Supporting the role of regional hospitals in Romania **IFC** investments
Pillar 2 Smart and Sustainable Growth—Moderately Satisfactory	
CPS Objective 2.1: Creating an improved business environment and a competitive economy - **Partially Achieved**	
(i) *Improved performance in Doing Business indicators that meets the current ECA averages in paying taxes (Number of payments reduced from 36 to 29) met* - Doing Business indicators for paying taxes in Romania reduced from 36 to 14 per year and is below ECA average of 16.5. - However, the direct contribution of the WB program to this change during the CPS period is unclear. The DPL and RAS engagements introduced a new framework for regulatory impact assessment (RIA) which has been piloted but not widely implemented. - IFC's efforts to foster a competitive economy by supporting the development of the private sector in Romania included improving access to finance for underserved MSMEs. Engagements with financial institutions provided financial services to 75,000 MSMEs as of end	**WBG completed activities** RAS Assistance to the Romanian Competition Council RAS Real Estate Basis for National and EU Policies RAS Competitiveness enhancement and smart specialization RAS Strengthening RIA Framework RAS Digital Agenda

Status of CPS Objectives and Indicators[5]	WBG Program
2016. IFC's investments also include a US$55 million loan to support mortgage lending and help expand access to finance for prospective home owners, as well as the first local currency loan to a leasing company to help the sustainable development of Romania's growing leasing market. - The subnational Doing Business study completed for Romania in 2017 documented notable variations in business regulations and their implementation at the local level, highlighting the potential for Romanian cities to replicate good practices. *(ii) updated framework for integrated cadaster system (2015: law of 1996 applicable; 2018: adoption of the new Cadaster law to set framework for the integrated approach)* *partially met* - Government adopted Emergency Ordinance 35/2016 amending Law 7/1996 on cadaster and real estate registration to accelerate the implementation of the National Program for Cadaster and Land Book that should be implemented during 2015-2023. However, the current legal framework is overly complex, and the Government has prepared a comprehensive Law on Cadaster and Real Estate Registration to consolidate and harmonize currently disparate provisions, strengthen ANCPI's independence and governance structure, and simplify registration rules to support a national program for systematic land registration. This new law has not yet been approved. - A RAS supported ANCPI with inputs to the framework and recommendations on how to strengthen institutional capacity through a functional review	ASA Assistance to the Financial Surveillance Authority ASA Subnational Doing Business ASA Smallholder Inclusion in Agri-food Value Chains **WBG ongoing activities** DPO Fiscal Effectiveness and Growth series IPF RAMP project RAS Development of the Capacity of the Central Administration for Impact Studies ASA Follow up to Assistance to the Financial Surveillance Authority RAS Constanța Urban Development ASA Status Review of the National Program for Cadastre and Land Book RAS Brașov Urban Development ASA Laser Valley **WBG pipeline activities** IPF Justice District / Esplanada Project **IFC sub-national financing**.
CPS Objective 2.2: Improved performance of the RCC for promoting and enforcing market competition – **Achieved**	
(i) *An updated Competition Law is adopted* - *met* - RAS assisting the Romanian Competition Council provided recommendations that informed a new competition law which was prepared and adopted in 2015. Changes include eliminating the 40 percent threshold for the presumption of dominance; limiting the parties' right to challenge access to file and confidentiality before the Courts; and creating the Independent Procedural Officer role specialized in the disposition of access to file, confidentiality and other procedural matters separate from the enforcement team within the RCC. *(ii) A new merger regulation adopted* - *met* - RAS recommendations to the Romanian Competition Council led to the adoption of a new merger regulation on September 30, 2014, allowing for the more efficient use of fast-track procedures. This resulted in an average length of 1.8 months to complete a merger case in 2014, representing a 23 percent decrease in the amount of time required compared to 2013.	**WBG completed activities** RAS Assistance to the Romanian Competition Council

Status of CPS Objectives and Indicators[5]	WBG Program
CPS Objective 2.3: Strengthening the effectiveness of skills and education programs for labor market inclusion. - **Partially Achieved**	
(i) Increasing the share of 30-34-year-olds who have completed a higher education degree from the 2012 baseline of 21.8% - met - The share of 30-34-year-olds who have completed a higher education degree increased from the 2012 baseline from 21.8% to 25.6% (2016). - The RAS program has supported only the preparation of the strategy for increasing the tertiary education in Romania, the implementation of this strategy is ongoing. However, it is difficult to link the WB program to the evolution of the indicator and the Bank did not have any intervention that would directly affect the evolution of the share of 30-34-year-old who have completed a higher education degree. *(ii) Reducing early school leaving (share of 18 to 24 years old who have at most lower secondary education and are no longer in education or training) from 2012 baseline of 17.4%* - not met - The share of 18 to 24 years old who have at most lower secondary education and are no longer in education or training has increased from 2012 baseline of 17.4% to 18.5% (2016). - The RAS program has supported only the preparation of the strategy for reducing early school leaving in Romania; the implementation of this strategy is ongoing. However, it is difficult to link the WB program to the evolution of the indicator and the Bank did not have any intervention that would directly affect the evolution of the share of 30-34-year-old who have completed a higher education degree. These results did not depend on WB activities given that the Bank was not involved in the implementation of strategy per se.	**WBG completed activities** RAS Reducing Early School Leaving RAS Tertiary Education RAS Lifelong Learning RAS Administrative Capacity of the MoESR RAS Preparation of a Draft National Strategy Regarding Elderly and Active Aging ASA Europe 2020 Romania: Evidence-based Policies for Productivity, Employment, and Skills Enhancement RAS Support to the Roma Education Fund for the Implementation of "Ready Set Go" **WBG ongoing activities** IPF Romania Secondary Education Project RAS Assistance for Education Infrastructure RAS Assistance for Capacity Development for Monitoring and Evaluating the Implementation of Education Strategies ASA TA to Support Design of a Youth Employment Intervention for Roma Youth ASA Agriculture Sector Engagement in Romania
CPS Objective 2.4: Making it easier for business to entry and exit the market - **Mostly Achieved**	
Indicators set for this objective focus mainly on exiting the market rather than entry and only limited progress was achieved under CPS implementation for reducing the time for resolving insolvencies. *(i) Adopting a new insolvency code in line with the ROSC principles* - *met* - Based on ongoing efforts since 2012, a new law regarding insolvency proceedings (law 85/2014) was adopted near the start of the CPS period (July 2014) that follows best practice guidelines set at an international level by the UNCITRAL Legislative Guide on Insolvency Law, the Principles and Guidelines for Effective Insolvency and Creditor Rights System established by the World Bank and the "Report on the observance of standards and Codes" ("ROSC"). This reform was supported by the Judicial Reform project.	**WBG completed activities** ASA Banking Sector – Romania Outlook ASA on insolvency and credit rights ASA Subnational Doing Business ASA Capital Market Supervision Enhancement ASA Romana FSAP Update **WBG ongoing activities** DPO fiscal effectiveness and growth

Status of CPS Objectives and Indicators[5]	WBG Program
(ii) Reducing the time taken to resolve insolvencies from 3.3 to 2.75 years – *not met* - 2018 Doing Business indicator shows that the time taken to resolve insolvencies remains at 3.3. (target not met). Several factors influence the time to resolve insolvencies and limited action has been taken in this area as part of the WBG program. *(iii) Supporting Romanian financial institutions in the disposal of their non-performing portfolio (at least 3000 NPLs from the acquired portfolio to be resolved by 2020, from a baseline of 0 as of 2015)* - *met* - IFC has co-invested alongside major international investors in five NPL portfolios sold by three of the leading banking groups in Romania. These acquisitions, which include a EUR1.2bn SME NPL portfolio in 2015 and a EUR600m consumer unsecured NPL portfolio in 2016, represent landmark transactions in the Romanian and CEE region and have helped to develop the market for NPLs across Central and Southern Europe. IFC, together with its co-investment partners, has enabled over EUR2.5bn of NPLs to be removed from bank balance sheets. This has been a significant catalyst in the reduction of the NPL ratio in the Romanian banking system from a high of 24% of gross loans in 2014 to close to 7% at the end of 2017. As of 31 December 2017, approximately 16,500 NPLs have been resolved from IFC supported projects, helping over-indebted consumer and SME borrowers in Romania to become free of debt and re-enter the financial system. (iv) *Amendments to the capital markets law approved* – met - Parliament has adopted amendments to the capital markets law (Law 268/2015) to modernize the regulatory landscape and enhance the governance and accountability of the Authority for Financial Surveillance (ASF).	IFC investments
CPS Objective 2.5: Enhanced environment and climate action in line with EU requirements - **Mostly Achieved**	
(i) Climate change strategy updated and adopted – *met* - Government approved the National Climate Change and Low Carbon Green Growth Strategy for 2016-2020 and the National Action Plan on Climate Change for 2016-2020 through Government Decision 739/2016 - Direct assistance provided by the Bank through the Climate change RAS for the development of the background studies and development of the strategy and its action plan *(ii) Danube Delta sustainable development strategy updated and adopted* - *met* - Danube Delta Integrated Development Strategy was approved via Government Decision 602/2016 - Direct assistance provided by the Bank through the Climate change RAS for the development	**WBG completed activities** RAS Climate Change and Low Carbon Green Growth Program RAS Danube Delta Integrated Sustainable Development Strategy RAS Capacity Development of ADI ITI Danube Delta ASA Advice on Implementing EU Water Directive

Status of CPS Objectives and Indicators[5]	WBG Program
of the background studies and development of the strategy and its action plan - (iii) *Favorable assessment of the EU on meeting the EU Nitrates Directive requirements across the country* – *partially met* - Romania received a favorable assessment from the EC for 2008-2011 and expects a favorable assessment for 2012-2015 given continued investments with INPCP support. The next assessment will be available during the next CPF. The INPCP project target for nutrient load reduction (600 tons of nitrogen/year) is expected to be achieved at the beginning of the next CPF. - The EU Environmental Implementation Review Country Report – ROMANIA of the European Commission (February 3, 2017) appreciated Government's initiative to apply a whole territory approach instead of nitrates vulnerable zones, and that there are significant improvements: *"Since 2013, Romania has a revised action programme in place implementing the nitrates directive and applying to the whole national territory. The revised legislation has brought significant improvements as compared to the previous action programme implementing the Nitrates Directive. The Romanian authorities decided to apply whole territory approach instead of nitrate vulnerable zones designation and changed some measures of the Action Programme, with significant improvements."*	TF Afforestation of Degraded Agricultural Land Proto-Carbon **WBG ongoing activities** IPF INPCP ASA Diagnostic of Romania Water Sector ASA Accelerating DRM and climate resilience in Romania through policy reform, investment in risk reduction and civil society engagements **WBG pipeline activities** IPF Strengthening Disaster Risk Management in Romania IPF Building Disaster and Climate Resilience in Romania
CPS Objective 2.6: Improved energy efficiency – **Achieved**	
Outcome indicator: *(i) Tool for rapid assessment of city energy for growth poles in place* - *met* - TRACE studies served as basis for the development of integrated urban development tools in 7 growth poles: Ploiești, Brașov, Iasi, Cluj-Napoca, Craiova, Constanta and Timisoara. *(ii) Orders issued by ANRE to fully liberalize the nonresidential gas and electricity market* - *met* - Deregulation of the energy market was done ahead of schedule, with nonresidential gas and electricity markets already liberalized and full liberalization of household market completed in January 2018.	**WBG completed activities** RAS Regional development program ASA Subnational Doing Business **WBG ongoing activities** DPO fiscal effectiveness and growth ASA Romania: Assessment of the Challenges and Prospects of the District Heating System
Pillar 3: Social Inclusion—Moderately Unsatisfactory	
CPS Objective 3.1: Support an ambitious and successful government program to tackle social inclusion and poverty reduction of the population including the Roma - **Achieved**	
(i) An updated national Roma strategy adopted and implemented. – *met* - The National Strategy for promoting Roma inclusion was adopted on January 14, 2015 through Government Decision no. 18/2015	**WBG completed activities** DPL Fiscal Effectiveness and Growth

Status of CPS Objectives and Indicators[5]	WBG Program
- The RAS diagnostic study provided inputs for the National Roma Integration Strategy. Several programs supporting Roma communities are planned or under implementation under Priority Axes 3-6 of the Human Capital Operational Programme. Between FY15 and FY17, the Roma Filter has been systematically applied to the WBG Romania country portfolio, with focus in the third year on targeted support to two new projects identified to be high impact for increased attention to the Roma agenda, including the INPCP (additional financing) and the Justice Services Improvement Project. *(ii) National strategy on social inclusion and poverty reduction is adopted and implemented (baseline: no strategy in 2014; target: adopted by 2016) - met* - The National Strategy for Social Inclusion and Poverty Reduction was adopted in May 2015, and the Government subsequently passed a comprehensive anti-poverty package with 47 measures. Implementation is ongoing and key social inclusion measures, in line with those outlined by the strategy, have been included in operational programs. - Support for the elaboration of the strategy has been supported through a RAS and other ASA. *(iii) Mapping of urban marginalized communities inform the preparation of priorities and Operational Programs for 2014-20 - met* - Regional development RAS outputs provided a detailed implementation framework for the Community Led Local Development (CLLD) approach, which has directly contributed to the mobilization of more than EUR 200 million for local development under POCU and POR – programmes that are being implemented and guide the management of EU funds in the social and regional aspects. *(iv) Draft operational plan for closing residential centers and proposing alternatives to institutional care for children - met* - The operational plan and methodology for closing residential centers was developed through a RAS and it was approved by NAPCRA in 2017. Local authorities will submit proposals to receive funding starting in January 2018 in line with operational plan. The closure of up to 50 centers is expected to be funded from 2018 to 2020.	RAS Elaboration of Integration Strategies for Poor Areas and Disadvantaged Communities RAS Study on Diagnostics and Policy Advice for Roma Integration RAS Harmonizing RAS RAS Social Inclusion and Poverty Reduction RAS Support to the Roma Education Fund for the Implementation of the "Ready Set Go" Project in Romania **WBG ongoing activities** ASA Support for Roma Partnership RAS Deinstitutionalization of Children ASA Technical Assistance to Support Design of a Youth Employment Intervention for Roma Youth RAS Supporting the Implementation of Romania's Human Development Operational Programme (POCU) 2014-2020 **IFC:** PPPs; subnational financing; gender financing
CPS Objective 3.2: A more streamlined, better targeted and more cost-efficient social protection system - **Not Achieved**	

Status of CPS Objectives and Indicators[5]	WBG Program
(i) *Government consolidates three means-tested programs and reduces disincentives for work by changing the benefit formula to avoid penalizing work by 2018. – not met* - Implementation has been delayed and the target will not be reached in 2018. SASM activities designed to improve the targeting accuracy of the social assistance system, by changing the program mix, changing the eligibility and benefits parameters of selected programs, and harmonizing the institutional framework to have a single, consolidated program for low-income households. (ii) *Increasing the coverage of means-tested programs to 70 percent of the poorest 20 percent of households by end FY2018. – not met* - Implementation of the Minimum Insertion Income (VMI) has been delayed and is now planned for 2019.	**WBG completed activities** RAS social inclusion and poverty reduction IPF SASMP TF PHRD grant **WBG ongoing activities** ASA Romania CEQ ASA Romania Pensions **WBG pipeline activities** RAS Romania: Support to the development of an M&E System to inform policies on social inclusion and poverty reduction

Attachment 2. Institutional Change Assessment Method (ICAM)

World Bank interventions target three types of institutional challenges impeding progress toward a development goal:

- **Weak stakeholder ownership**—low priority is attached to the development goal by key stakeholders, leading to problems in the sociopolitical environment (e.g. poor commitment of leaders, low transparency, limited demand for accountability, etc.).
- **Inefficient formal incentives**—administrative rules, laws regulations, standards, and other policy instruments are not efficiently guiding stakeholder actions to achieve the development goal
- **Ineffective organizations**—organizations charged with the achievement of the development goal have weak performance.

Progress for addressing each institutional challenge is rated by selecting the highest level along the continuum below that is supported by available evidence.

1. **No outputs**: Limited or no actions were taken for addressing identified institutional challenge.

2. **Change initiated**: Activities or products were delivered to address institutional challenge but there is no evidence yet of any resulting changes.

3. **Knowledge gained**: Early results of activities or products indicate emerging changes in knowledge, skills, or relationships of relevant stakeholders.

4. **Knowledge used**: New knowledge, skills, or relationships are being applied to support institutional change.

5. Stakeholder ownership promoted: Institutional change is underway (e.g., new mechanism established to increase transparency, participation, accountability, etc.). However, the effects of the change cannot yet be measured.

6. Stakeholder ownership strengthened: Evidence confirms benefits from institutional change.

5. Formal incentives changed: New strategy, policy, rules, standards or other policy instrument(s) are under implementation. However, the effects of the change cannot yet be measured.

6. Formal incentives improved: Evidence confirms benefits from institutional change.

5. Organization changed: New processes, systems or other changes in organizational arrangements are under implementation. However, However, the effects of the change cannot yet be measured.

6. Organization improved: Evidence confirms benefits from institutional change.

Attachment 3. ICAM Evidence Tables, by CPS Objective

The tables below provide additional evidence to support the achievement ratings for each CPS objective. Because the Romania CPS 2014-2018 focused heavily on needed institutional changes, progress in addressing institutional challenges is rated using the Institutional Change Assessment Method (ICAM) described in Attachment 2. The list of targeted institutional changes included is intended to show the main progress under each CPS objective and does not provide an exhaustive list of outcomes for all WBG interventions.

In addition, the ICAM evidence tables indicate the perceived sustainability of the reported progress:

- Sustainability = HIGH if there is currently adequate commitment, capacity, and access to resources for continuing the institutional change beyond the current WBG engagement.
- Sustainability = LOW if there is not adequate commitment, capacity, and access to resources for continuing the institutional change (or if we do not know).

Pillar 1—Creating a 21st Century Government: Moderately Satisfactory

CPS Objective 1.1: Revenue and expenditure administration improved—Partially Achieved

Note: See also table for Objective 1.3. given some overlap of targeted institutional changes.

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Revenue Administration Modernization Project (RAMP)	***Ineffective organization***—High administrative costs, weak compliance among taxpayers, and opportunities for corruption underscore the need to improve the efficiency and effectiveness of revenue collection. Key milestones for the reform of NAFA include the consolidation of local offices and the increase in electronic filing.	***3- Knowledge gained.*** NAFA started implementation of its change management strategy but has made only limited progress toward organizational restructuring. The Large Taxpayers Office was upgraded and Medium Taxpayers Offices established at regional level; however, alignment with EU best practices not yet confirmed and there has been no progress on the consolidation/closure of local offices. Barriers to applying Bank guidance might include resistance by key stakeholders (e.g., tax collectors). The procurement of RMS has been substantially delayed despite updates to the procurement plan and an active bidding process. More than 50 NAFA staff are involved in the evaluation process, using criteria that are too complex and detailed. This long delay has triggered additional implementation challenges related to the lack of maintenance and licenses for NAFA's IT systems.	***Low***
	Weak stakeholder ownership—Past efforts to pursue comprehensive reform failed due to lack of political consensus, and frequent turnover	***2-Change initiated***: Coordination Council was established for making key strategic decisions and ensuring interagency coordination. Project activities included creating a consultative technical panel with taxpayer representation and periodic forums for external consultation to support increased transparency and accountability. However, no	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	among leadership threaten continuity of reform despite expressed commitment by current administration. In addition, NAFA has limited transparency and accountability to taxpayers.	evidence is available of any knowledge transfer for strengthening stakeholder ownership. NAFA management has backed away from its expressed commitment to consolidate local offices and has not dedicated adequate resources for project coordination. The Bank team has requested the close involvement of the Ministry of Public Finance and the Prime Minister's Office to provide strong political support, and the project is under review for cancellation.	
Planning and Budgeting RAS (see also changes noted for Obj. 1.3)	***Inefficient formal incentives***—The introduction of performance-based budgeting in the public sector will require changes in the legal framework to link public programs to budgets as part of an integrated strategic planning process.	***4- Knowledge used:*** The RAS has helped to inform proposed changes to the legal framework; however, the Government Decision for Establishing the Planning and Monitoring Process has not yet been adopted. The process of linking the budget to programs through the development of institutional strategic plans is proceeding with varying efficacy across 13 ministries given that it is recommended but not mandated. Adoption of the Government Decision is expected in 2018.	***Low***
	Ineffective organization —The General Secretariat of the Government (GSG) lacks the capacity to support and monitor an integrated strategic planning process across the public sector for effectively assigning budgets to programs and tracking performance.	***4-Knowledge used:*** RAS activities have supported the GSG in integrating the strategic planning and budgeting processes in 13 ministries, with a central dashboard populated with the institutional strategic plans and baseline data for tracking budget use and progress toward program objectives. Implementation and monitoring of the ISPs is expected to start in 2018.	***High***
Strategy Unit RAS	*Weak stakeholder ownership*—There is limited	***3-Knowledge gained:*** The RAS provided an inventory and analysis of strategies to start aligning development objectives and reform	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	transparency related to the budget and programs of the public sector.	initiatives at the national, sector, ministry, and program levels. A public website has been established with an estimated 84 strategies so far, but the steps for making the website for user-friendly for public access and keeping the information up-to-date are not yet clear.	
Delivery Unit RAS	*Inefficient formal incentives*—Romania's public procurement process was unclear and inefficient, with a national Public Procurement Strategy pending and overdue. The strategy was an ex-ante conditionality for accessing EU funds	***5-Formal incentives changed:*** The RAS facilitated the development of the strategy and action plan and provided technical inputs. The strategy was finalized in July 2015 in line with EU requirements to satisfy ex-ante conditionality. The RAS also helped to design the monitoring system for the new Public Procurement Agency. Evidence of improvements to the procurement system is expected to emerge as the strategy and monitoring system are implemented.	***High***
	Ineffective organization —the Tax Administration (NAFA) has inefficient systems for collecting taxes, with low compliance among taxpayers.	***5-Organization changed:*** The RAS supported NAFA in launching an online taxpayer platform, accompanied by a citizen feedback campaign. The DU also developed a risk assessment model for the VAT funds. Evidence shows mixed results so far, with improved efficiency of tax audits but limited progress in improving taxpayer compliance. NAFA is still developing systems for using performance data.	***High***
Public Investment Management RAS, FEG-DPL	***Inefficient formal incentives***—changes are needed in the current legal and regulatory framework, including the prioritization of large investment projects, changes to strengthen MoPF's quality assurance and	***5-Format incentives changed:*** Bank analytical inputs provided since 2012 helped to inform improvements for public investment management. A new legal framework was adopted for the prioritization of large investment projects with a methodology to operationalize investment priorities. The methodology was applied to all ongoing and new significant investment projects in 2016. Evidence of measurable benefits is expected to emerge over time in terms of increased absorption of EU funds, fiscal space, and economic growth.	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	independent review functions for supporting portfolio rationalization, and introducing multi-annual commitment appropriations.		
	Ineffective organization —the MoPF needs an effective and efficient PIM system with a clear link between prioritized projects and resources from EU funds and the state budget.	***4-Knowledge used***: The RAS provided input for a PIM reform strategy and action plan to address the need for a more effective Public Investment Evaluation Unit, a stronger gatekeeper role for the coordination and preparation of new public investments, adequate information systems to guide decision-making, improved capacity to plan PPP projects, and clear criteria and a methodology for rationalizing the existing public investment portfolio. Recommendations have been challenging to implement in the current context, but the budget allocated to the portfolio of significant public investment projects monitored by MOPF increased from Ron 5.7 billion (2014) to Ron 6.1 billion (2017).	***High***
Health Sector Reform Project/DPL-DDO, FEG-DPL	***Ineffective organization*** — inefficient health spending and inconsistent local procurement have limited the public funds available for providing basic health services	***6-Organization improved:*** Ongoing Bank engagement has supported the MoH in developing a centralized procurement plan, starting with the Functional Review of the MoH in 2011. Significant expansion of the centralized procurement in 2016 covered 31 antibiotics and 12 widely used oncology drugs. The unit price for centrally procured drugs and devices decreased from an average price in 2015 of RON 22.2 to RON 20.0 in 2017. However, current responsibility for centralized procurement in the MOH is no longer clear given a reorganization in late 2017.	***Low***

CPS Objective 1.2: Strengthened debt management—Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Strengthening Debt Management RAS/FEG-DPL	***Ineffective organization*** —The Middle Office of the GDTPD had limited capacity to design and implement a debt management strategy	***4-Knowledge used***: Because of RAS training, the Middle Office staff could demonstrate new knowledge and skills in aggregating portfolio data, finding information for the forward interest and exchange rates in Bloomberg, and calculating the cost-risk trade-offs. The MO staff drafted the debt management strategy. However, skills for the analysis of the market conditions for both the local and foreign currency securities need to be further developed, requiring continued participation of the Front Office in the preparation of the debt management strategy.	***High***
	Inefficient formal incentives—Romania lacked a debt management strategy formulated with clear cost-risk tradeoffs.	***6-Formal incentives improved***: RAS activities and outputs supported the development of Romania's Public Debt Management Strategy for 2013-2015 and then updated annually thereafter. Starting with the 2014-2016 version, the strategy was confirmed by the EU and IMF as being aligned to international sound practice. Debt management decisions are guided by the strategy, and in 2016, all risk indicators remained within the targets set out in the public government debt management strategy for 2016 – 2018.	***High***
FEG-DPL	***Ineffective organization*** —the MoPF and National Bank of Romania need to modernize their auction infrastructure for the secondary market to increase price disclosure and transparency.	***6-Organization Improved:*** DPL and RAS engagement has supported the MoPF in strengthening debt management. Amendments to the legal framework enabled the use of buy-backs and exchanges of Government securities. In 2016, the launch of an electronic quotation and trading platform for Romanian government securities helped to increase liquidity and transparently and competitively set the prices for Government securities on the secondary market.	***High***
ASA on Developing Government Yield Curve	*Ineffective organization* —the MoPF needs additional capacity pursue reforms related to debt management, namely to improve the market's liquidity and	***4-Knowledge used***: The ASA supported the MoPF in analyzing the domestic market for available price information, developing the methodology, and identifying reforms needed to build and maintain a credible and useful zero-coupon yield curve. The methodology is being operationalized in IT systems to generate the daily government yield curve for internal	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	transparency by consolidating the government securities yield curve.	purposes (auction decision making, etc.) but may become available to market participants.	
Swap Transaction RAS	*Inefficient formal incentives*—changes to the existing legal and operational framework are needed to allow the MoPF to use interest rate and cross currency swaps as part of the funding program.	***4-Knowledge used***: The MoPF provided comments for revising the draft guidelines for the legal framework and operational procedures based on RAS products and training. RAS activities and the institutional change process are still underway.	***High***
	Ineffective organization —MoPF staff will need capacity to implement practices for using interest rate and cross currency swaps in accordance with the new legal and operational framework	***3-Knowledge gained***: RAS training has been delivered to MoPF staff on pricing and valuation of interest rate and currency swaps, the assessment and management of various types of risks related to derivatives and other relevant topics. The RAS has experienced some delays but will also soon deliver guidance on overall staff and IT capabilities.	***High***

CPS Objective 1.3: Improved strategic planning, prioritization, and evidence based policymaking—Mostly Achieved

Note: See also table for Objective 1.1. given some overlap of targeted institutional changes.

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Planning and Budgeting RAS (IDF for M&E of Public Policies also contributed)	*Ineffective organization* —Ministries lack the capacity for effective strategic planning and prioritization for the best use of the public budget.	***3-Knowledge gained:*** A new strategic planning process was piloted at the ministry level in the health and education sectors under the IDF grant and then refined and rolled out under the RAS. 13 Ministries now have institutional strategic plans developed with RAS support and are expected to start implementation and demonstrating increased capacity in strategic planning in 2018.	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Delivery Unit RAS	*Ineffective organization* — The Center of Government (CoG) had limited authority and effectiveness for supporting results-oriented practices in the public sector and delivering government priorities	***3-Knowledge gained:*** The RAS did not establish a Delivery Unit (DU) within the CoG, capable of operating without external support. Intermediate steps toward increasing the effectiveness of the CoG for improving the delivery of public services included increased awareness and motivation of CPM staff for using innovative results-oriented methods and a set of concrete lessons (new knowledge) to guide the potential set-up of a DU in Romania in the future.	***Low***
	Ineffective organization — Line ministries lacked capacity for using results-oriented practices and basing decisions on evidence	***2-Change initiated:*** The RAS established Delivery Agreements with the implementing organizations with performance targets and regular monitoring, yet the actual use of the performance dashboard was limited. Without the management-level review of performance, institutions did not face consequences for not achieving targets. The DU exposed the institutions to results-oriented practices.	***Low***
Strategy Unit RAS	*Ineffective organization* — The center of government lacks the capacity to oversee strategic management of the public sector and coordinate this function across line ministries and other national agencies.	***2-Change initiated:*** The RAS was designed to support the establishment of a Strategy Unit within the GSG to coordinate with the public policy units of line ministries based on best practices in other European countries. Outputs have included recommendations on the key functions of the Strategy Unit and a communications plan to build support for the function.	***Low***
RIA RAS, RAS to Develop the Capacity of the Central Administration for Impact Studies, IDF for M&E of Public Policies, and FEG-DPL	*Weak stakeholder ownership*—stronger political commitment across the public administration is needed for the integration of RIA into the policy-making process for evidence-based decision making.	***2-Change initiated:*** Awareness raising activities for high level officials, peer events, and the set-up of a community of practice among public civil servants responsible for drafting policies are designed to increase the demand for evidence-based policymaking.	***Low***
	Inefficient formal incentives—Updated RIA framework is needed for	***5-Formal incentives changed:*** The GoR tested a simplified framework for regulatory impact analysis through pilot	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	consistent evidence-based decision making in the public sector	exercises supported by the RIA RAS and changed the legislation to allow for the broader use of RIA as part of the regulatory process. However, decision-making based on evidence is still not a common trend of the public administration.	
	Ineffective organization — GSG and pilot ministries needed enhanced technical capacity to systematically apply RIA methodology	***3-Knowledge gained:*** RAS activities have helped to enhance knowledge and awareness in pilot working groups and in the GSG under the first RIA RAS. The follow-up RAS is currently supporting the development of 5 impact studies in collaboration with selected institutions.	***Low***
Ploiești Growth Pole RAS	*Inefficient formal incentives*—an integrated development plan is needed to guide the efficient implementation of projects in the defined metropolitan area	***5-Formal incentives changed:*** The RAS supported the development of an integrated urban development strategy with a proposed institutional framework and a priority project list through 2023. However, barriers remain to implementation—including inadequate buy-in from local authorities, limited implementation capacity among key stakeholders, and unexpected changes to the ROP guidelines.	***High***
	Ineffective organization — local authorities lack adequate capacity for metropolitan planning	***4-Knowledge used:*** The IUDS for the Ploiești Growth Pole is viewed as one of the best sub-national development strategies in Romania since 1989. It is being used as a model for several other areas, including Brașov, Iasi, Cluj, Constanta, and Targoviste. More time is needed for evidence to emerge as to how well this resource helps to improve integrated development planning in urban areas.	***High***
RAS Harmonizing EU and State Budget	*Inefficient formal incentives*—the National Local Development Program (PNDL) did not have any formal strategic document as its foundation. It was not coordinated and harmonized	***6-Formal incentives improved:*** RAS activities and outputs provided a blueprint for integrated planning and development with a coordinated approach and the recommended coordination mechanisms are being operationalized by MRDPAEF. The PNDL now has a multi-annual implementation	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	with EU operational programs.	timeline, multi-annual budgeting, clear prioritization criteria, and M&E indicators. These changes are in line with EU best practice.	
	Ineffective organization — regional development actors (national, regional, and local) lack guidelines and tools to coordinate investments for improving operational efficiency and effectiveness through an integrated approach to development	***4-Knowledge used:*** EU-funded operational programs are using some of the prioritization criteria and investment guides to improve outcomes, and several county councils (e.g. Brașov, Cluj, Calarasi) are using the investment guides for developing multi-annual investment programs. Metropolitan areas (e.g. Ploiești, Constanta, Craiova, Iasi) are using the guides for identifying key investment needs in county roads, communal roads, water and wastewater, and social infrastructure. Evidence of improved organizational effectiveness from these changes is expected to emerge over time.	***High***
Spatial Planning and Urban Development RAS, Constanta Urban Development RAS	*Ineffective organization* — Local municipalities have inefficient planning with overlapping development plans and little project prioritization based on budget	***5-Organization changed***: RAS activities and outputs have contributed to improvements in inter-municipal coordination. For example, the city of Alba Iulia applied new knowledge to promote inter-municipal planning with nearby cities such as Sebes and Vintu and to set criteria for project selection and prioritization. Constanta is implementing metropolitan coordination with 15 surrounding localities. Changes such as these are likely to improve the operational efficiency of the local public administration.	***High***
Digital Agenda RAS	*Ineffective organization* — MIS would increase effectiveness and operational efficiency if it could identify tailored solutions for broadband supply and demand depending on the community profile	***4-Knowledge used***: MIS now has mapping tool using village typology to determine most appropriate PPP model. The accuracy and level of detail provides the GoR with extensive knowledge on the supply and demand for Broadband across the country. However, no funding is in place for implementing the mapping tool to drive investments.	***Low***

CPS Objective 1.4: Enhanced strategy formulation, operationalization and monitoring and evaluation in preparation for the 2014-2020 period and beyond—Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Early School Leaving RAS	*Inefficient formal incentives*—a strategic framework is needed for reducing early school leaving	***5-Formal incentives changed:*** RAS outputs were used as the basis for a new ESL national strategy for 2015-2020. This was formally adopted in 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. The framework is consistent with related policies and EU standards; however, the MoNE has limited capacity for implementation.	***Low***
Tertiary Education Strategy RAS, Romania Secondary Education (ROSE) project, RAS on Quality Assurance in Higher Education System in Romania	*Inefficient formal incentives* —a strategic framework is needed to improve tertiary education attainment, quality, and efficiency	***5-Formal incentives changed:*** RAS outputs were used as the basis for a new national strategy for 2015-2020. This was formally adopted in 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. The framework is consistent with related policies and EU standards, and implementation is being supported through the ROSE project and a follow up RAS	***High***
Lifelong Learning Strategy RAS	*Inefficient formal incentives* —a strategic framework is needed to support lifelong learning and clarify roles across programs	***5-Formal incentives changed:*** RAS outputs were used as the basis for a new LLL national strategy for 2015-2020. This was formally adopted in 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. The framework is consistent with related policies and EU standards; however, the MoNE has limited capacity for implementation.	***Low***
RAS for Capacity Development of M&E for Implementation of Education Strategies (RAS for Lifelong Learning, ESL, and Tertiary Education also contributed)	*Ineffective organization* — the MoNE needs capacity for the M&E of 4 education strategies: ESL, tertiary education, lifelong learning, and VET.	***3-Knowledge gained:*** RAS activities include the development of an M&E framework for the implementation of education strategies and the preparation of methodologies, indicators, and instruments. An evidenced-based tool will also be established within the MoNE to evaluate the quality of policies. Activities are underway under the current RAS with some knowledge transfer, but implementation has encountered some resistance due to a recent reorganization within the ministry.	***Low***
	Inefficient formal	***5-Formal incentives changed***: The draft strategy and action plan were the basis for the new	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
RAS Social Inclusion and Poverty Reduction Strategy	*incentives*—a framework is needed to set the strategic directions for the next 6 years to reduce poverty and social inclusion	national strategy adopted by the GoR in May 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. However, implementation is currently not on track.	
	Ineffective organization — MoLSJ has limited capacity to implement or monitor measures to reduce poverty and social exclusion	***2-Change initiated:*** Diagnostic documents detailed risks of weak administrative capacity and the four implementation plans include roadmaps for building capacity related to policy formulation, M&E, MIS use and development, modernization of the payment system, and targeting systems.	***Low***
RAS Active Aging Strategy	*Inefficient policy instruments*—a coherent strategy needed to support active and healthy aging is behind in implementation	***4-Knowledge used***: The strategic framework informed the national strategy adopted by the GoR in August 2015 to satisfy a thematic ex-ante conditionality to access European funds for the 2014-2020 programming period and to inform the preparation of operational programs.	***Low***

CPS Objective 1.5: Improved governance, organizational functioning and efficiency of public institutions and SOEs—Mostly Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
HRM Strategy RAS	*Ineffective organization* —More strategic management of human resources is needed at the MoPF and subordinated agencies.	***3-Knowledge gained:*** RAS activities included the development of an HR strategy and training on modern HR management approaches for managers. The training evaluation indicated that participants acquired new knowledge and skills and the medium-term HR strategy was approved by MoPF order 564/2014. However, implementation cannot proceed without changes in the legal framework by the National Agency for	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
		Civil Servants, expected to be addressed under the new HRM RAS.	
RAS for a Performance Appraisal System for Government Officials Managing EU Funds	*Ineffective organization* — Romania did not have a unified system across organizations for assessing the performance of officials responsible for managing EU funds.	***4-Knowledge used***: The transfer of knowledge has been confirmed as the client piloted the new performance appraisal system and then rolled it out to all targeted job functions for civil servants managing EU funds. The client participated in developing the system and took the lead in developing the implementation guidelines. However, the new performance appraisal system has been challenged by the new pay law and suspended until problems can be resolved under the new HRM strategy.	***High***
RAS to Develop the Administrative Capacity of the Ministry of National Education	*Ineffective organization* —the pre-university school system does not have clearly defined roles, functions, and responsibilities	***5-Organization changed:*** The RAS produced new Regulations for Organization and Functioning for organizational units of the MoNE and all job holders in the school system at the management and expert levels. These ROFs were formally promoted as management tools by the Minister in September 2015 and adopted in 2017. More time is needed for evidence to emerge related to increased effectiveness.	***High***
RAS Assistance to the Romanian Competition Council	*Ineffective organization* —the RCC lacks a coherent and comprehensive business architecture, leading to the misalignment of staff roles with institutional objectives, a lack of internal and external transparency, and reduced effectiveness.	***5-Organization changed:*** RAS recommendations focused on improving operational effectiveness through the development of a coherent strategy and simplified organizational processes; aligning the roles of staff with institutional objectives; separating investigative from adjudicative functions; providing clear rules for accountability; pushing responsibilities to the lowest operational level; and developing an IT strategy that is aligned with institutional priorities. The ongoing implementation of the roadmap is expected to enhance administrative capacity of the RCC and provide evidence of increased operational effectiveness and efficiency over time.	***High***
Judicial Reform Project, RAS Romania Judicial Functional Review	*Ineffective organization*— increased operational efficiency would be achieved through reducing the duration of court proceedings and	***5-Organization changed***: Improvements in efficiency in the Romanian courts focused on reductions in backlogs, reductions in case processing times, upgrades to facilities, optimization of workloads, streamlining of processes and a range of training activities that helped increase workplace productivity. Project data show improvements for 5 pilot courts	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	improving the quality of judgements.		
	Inefficient formal incentives—legislation and procedure were in urgent need of update, as the four fundamental laws had barely changed in 150 years	***6-Formal incentives improved:*** RAS guidance and IPF support helped the MOJ update the Civil and Criminal Codes and Civil and Criminal Procedure Codes, altering how citizens and businesses are regulated and how cases are processed in Romania. The 2017 CVM report notes that the adoption of the Codes has led to the acceleration of court proceedings, greater consistency in judicial decisions, and enhanced respect for the right to a fair trial.	***High***
	Weak stakeholder ownership—There is limited transparency and accountability in the judicial system	***4-Knowledge used***: Steps to improve the accountability of the judiciary included the introduction of audio recordings in all courts, accreditation tests for magistrates, and a range of transparency initiatives. Modest increases in transparency were documented in terms of the annual publication of basic data, but it is not yet clear the extent to which practices will be institutionalized for informing policymaking and providing public access to data.	***High***
Strategic Planning in Transport RAS	*Inefficient formal incentives*—the lack of a consistent strategic vision and clear priorities has led to high uncertainty in the sector, poor policy performance, inefficient resource allocation, and unsustainable fiscal costs.	***4-Knowledge used***: RAS activities provided training to 293 staff and senior management of the MTI and subordinated agencies on developing and implementing a medium-term strategic plan. The team drafted an MTI strategic plan and reviewed the existing strategic planning procedures to produce the Strategic Planning Guide. Elements of the strategic plan are starting to be reflected in operational documents, such as the administrative plans of the railway companies and the draft road and rail performance contracts. The new General Transport Master Plan has been finalized and linked to the Master Plan. However, implementation of the Strategic Plan cannot start until it has been formally adopted by Ministerial Order.	***High***
	Ineffective organization —MTI has no system to monitor the	***3-Knowledge gained***: The RAS team reviewed contractual arrangements with CFR SA (Railway Company) and RNCMNR SA (Roads Company), recommended contractual amendments, and	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	effectiveness of road construction costs to support informed decision-making and accountability for results.	drafted multi-annual performance-based contracts. Outputs also included an assessment of final road construction costs compared to estimated costs, a benchmarking of road construction costs, an analysis of the potential impact of reforms, and a monitoring methodology for MTI. The methodology has not been applied as expected but is expected to be used in the new IPF.	
	Ineffective organization —the MTI and transport delivery agencies lack adequate capacity for the coordination and strategic planning of urban transport in the Bucharest metropolitan area.	***2-Change initiated***: Outputs included reviewing the legal framework and providing recommendations for transitional arrangements for the Bucharest Metropolitan Transport Authority (AMTB), drafting the AMTB's first strategic plan, and providing training and public consultations on urban transport for MTI staff and urban transport stakeholders. Following RAS recommendations, there is now a roadmap and support at the technical level for the transfer for AMTB from MTI to the metropolitan level; however, there is not yet sufficient political support to implement recommendations.	***Low***
	Ineffective organization —weak corporate governance of transport SOEs has led to long-term mismanagement and serious indebtedness.	***2-Change initiated***: RAS provided core recommendations to reform SOEs, with a key recommendation being the appointment of professionally managed boards of directors who could manage the companies in accordance with business plans. A key output was the Romania Corporate Ownership Guide prepared for the MTI. More high-level commitment will be needed to support implementation.	***Low***
FEG-DPL	*Inefficient formal incentives*—a clear framework for the oversight of SOEs is needed to clarify roles and responsibilities of the relevant public institutions	***5-Formal incentives changed***: A new law on corporate governance of SOEs was approved by Parliament in 2016, but the implementation of the framework is not on track.	***Low***
Developing an Integrated Financial Management	*Ineffective organization* —Operational weaknesses of the	***2-Change initiated***—RAS outputs included the Solution Architecture and Migration Plan for an IFMS to improve the coordination and integration across financial management functions and	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
System in MARD	MARD include the need for prioritization of financial allocations, a more efficient use of the budget, and system to track expenditures on a regular basis.	across subordinated units and agencies at the MARD and to address the need for automation. To date, the lack of financial resources to implement the proposed system has led to there being no changes in practical terms in the activity of the intended MARD departments.	
RAS on Internal Management System at the MARD and its Subordinated Structures	*Ineffective organization* —the MARD and selected subordinated institutions need standard processes, systems, and controls to guide and monitor the performance of organizational functions for increased operational efficiency.	***3-Knowledge gained***: RAS outputs provided a comprehensive framework for an improved internal management system which the MARD leaders (at the time) committed to implement. The RAS developed an understanding of a sound framework of policies, procedures and controls that is neutral to management changes and provided a staff training plan that is compliant with international and European best practice. The lack of funds for the development and implementation of the proposed approach is a key risk to reaching the expected results.	***Low***

CPS Objective 1.6: Improved health service delivery—Partially Achieved

Note: See also CPS Objective 1.1. for indicator on centralized procurement in the health sector.

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Health Sector Reform IPF	***Ineffective organization***— Rationalized inpatient services are needed through reorganization of the hospital network. Distortions in the service delivery structure contribute to ineffective and inefficient health spending.	***2-Change initiated***: Activities to date have focused mainly on infrastructure investments, such as to improve the quality of emergency services and intensive care units. There is no evidence of key learning gains. The first phase of the hospital rationalization plan has not been implemented and targets for the rationalization process have not been achieved, such as the number of merging services and hospitals reshaping schemes.	***Low***
Health Sector Reform IPF	***Ineffective organization***—	***2-Change initiated***: Activities to increase out-of-hospital services and preventative care have	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
and IFC investments	inadequate options for ambulatory care and community-based primary health care cause an inflated and inefficient use of inpatient hospital services.	focused mainly on procurement. The share of elective surgeries performed as outpatient and ambulatory surgeries has not increased, and limited progress has been achieved for implementing regional radiotherapy units, ambulatory diagnostic and treatment centers, and regional pathology and cytology laboratories. In the private sector, IFC's investment ($16.4 million) is enabling Medlife SA, a leading Romanian healthcare provider, to increase its outreach from 1.9 to 2.3 million patients, but the longer term institutional change is not yet clear.	
DPL-DDO, FEG-DPL and Health Sector Reform **IPF**	***Inefficient formal incentives***—Improved management control mechanisms are needed for centralized procurement. Most pharmaceuticals, medical devices, and surgical supplies continue to be procured locally with different unit prices for the same items.	***6-Formal incentives improved***: Ongoing support has been provided to widen the scope for using centralized procurement. In 2015, 40 centralized tenders were launched, with the estimated savings averaging 25% per year. Significant expansion of the centralized procurement in 2016 covered 31 antibiotics and 12 widely used oncology drugs, reflecting about 15% of total spending of public institutions on medicines. The price for centrally procured drugs and devices decreased from an average price in 2015 of RON 22.2 to RON 20.0 in 2017.	***High***
Health Sector Reform IPF	***Inefficient formal incentives***—Payment incentives are needed to improve performance of the health system. These should promote prevention, reduction of risk factors and priority diseases at the primary level and cost-effective services at the secondary level.	***1-No outputs:*** The planned TA on pay mechanisms and incentives was on hold pending a MoH legislative initiative for improving payment. Consultancy services are underway for establishing a performance-based system for hospitals and primary health care but implementation has been limited.	***Low***
Health Sector Reform IPF	***Inefficient formal incentives***—Standards and	***4-Knowledge used:*** The TA for HTA has achieved progress in organizing and equipping the HTA system to be aligned with EU standards. A	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	protocols for using Health Technology Assessment (HTA) are needed for informing a variety of decisions from pricing and reimbursement to setting health service standards.	Ministerial Order to implement the recommendations is expected in 2018.	
	Weak stakeholder ownership—A broad behavior shift is needed. Preventative services and health resources are underused contributing to inefficient health spending and poor health outcomes.	***1-No outputs***: Plans to implement a communications strategy to inform the Romanian public about the new health service delivery model have been deferred, with limited/no activities systematically promoting the use of preventative healthcare or ambulatory services.	***Low***

Pillar 2—Smart and Sustainable Growth: Moderately Satisfactory

CPS Objective 2.1: Creating an improved business environment and a competitive economy—Partially Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
DPL-FEG; **RAS Real Estate Basis for National and EU Policies**; TA Real Estate Registration and Services	*Inefficient formal incentives*—a new financing and operational framework is needed to accelerate the process of land registration, improve the coverage and efficiency of the system, increase transparency in the economy, and provide equal rights to all landowners	***Knowledge used***: RAS outputs contributed to the development of a draft legislation on Integrated Cadastre and Land Book System appropriate for the Romanian context and aligned to EU good practice. Amendments to the legal framework were made in 2015 and 2016 for a more streamlined and improved process for systematic registration, but the law	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
		remains overly complex with disparate provisions. The comprehensive law drafted under the RAS and supported by the TA would harmonize provisions and support a national program, but there is no timeline set for approval given the difficult political context.	
RAS Real Estate Basis for National and EU Policies	*Limited organizational effectiveness*—ANCPI suffers from political and institutional instability and needs to reform its institutional framework to develop adequate capacity for carrying out its mandate	***Change initiated***: The RAS conducted an institutional assessment of ANCPI and developed a detailed action plan based on the review that provides guidance and performance indicators for monitoring progress of actions in 7 thematic areas. The action plan was not adopted and will need updating. Frequent management changes in ANCPI have resulted in limited buy-in for implementing the plan in the future.	***Low***
RAS Competitiveness Enhancement and Smart Specialization	*Inefficient policy instruments*— Formal mechanisms—such as a regional smart specialization strategy—are needed to address local needs and priorities at the national level, and to guide decision makers at the county level and potential investors.	***Knowledge used***: RAS activities included an in-depth competitiveness assessment of services and goods sectors in the West Region to identify policy measures and interventions to enhance the region's growth potential. The draft Smart Specialization Strategy (March 2015) considers the RAS recommendations for improving the automotive, ICT, textile, and construction industries. The	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
		strategy has not yet been approved nor implemented but it provides the framework for the West Region to use its human, natural, and financial resources to ensure a consistent and sustainable development path.	
	Limited effectiveness of organizational arrangements— The regional development agency (RDA) of West Romania lacks skills and access to diagnostic information to effectively enhance the West Region's growth potential.	***Knowledge used:*** RAS activities and outputs expanded the available knowledge of one of the fastest growing regions and can serve as a pilot for other assessments at the regional level. Analytical tools were shared with the RDA. The RDA used the RAS recommendations to design the draft Smart Specialization Strategy of March 2015 (available online) demonstrating new awareness, knowledge, and skills. It is not yet clear whether these intermediate outcomes have increased the capacity of the RDA for designing and monitoring policies to foster smart specialization over the longer term.	***High***

CPS Objective 2.2: Improved performance of the RCC for promoting and enforcing market competition—Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
RAS Assistance to the Romanian	*Inefficient formal incentives*—the Romanian Competition Law	***6-Formal incentives improved:*** RAS recommendations informed a new competition law which was prepared and adopted in 2015. Changes include eliminating the 40 percent	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Competition Council	raises the cost of doing business with unclear provisions and administrative steps, an undue burden on the private sector, and the inability of the RCC to prioritize cases	threshold for the presumption of dominance; limiting the parties' right to challenge access to file and confidentiality before the Courts; and creating the Independent Procedural Officer role specialized in the disposition of access to file, confidentiality and other procedural matters separate from the enforcement team within the RCC.	
	Inefficient formal incentives—the legal framework for unfair competition is inconsistent, does not clarify roles across agencies, and imposes high costs on businesses	***5-Formal incentives changed***: RAS advocacy events and consultations on unfair competition law provided recommendations to amend the legal and regulatory framework. Resulting modifications to Romania's Unfair Competition Law eliminate overlapping mandates among the RCC and other agencies, define unfair competition, and clarify the role of the RCC. Enforcing the law on unfair competition will require lower administrative costs given the establishment of *de minimis* and opportunity tests, in which the RCC will move to sanction actions only if they present a certain degree of social threat that affects either the public interest or market structure.	***High***
	Limited effectiveness of organizational arrangements—the RCC has limited operational efficiency to enforce unfair competition law given the lack of case prioritization and overlapping competencies with other agencies	***5-Organization changed:*** Changes in the Unfair Competition Law described above will allow the RCC to use resources more efficiently. Criteria for prioritizing unfair competition cases have been established, and the RCC will process complaints received from individuals or legal entities only to the extent that they provide evidence about the possible unfair commercial practice, the legitimate interest, and the risk of damages.	***High***
	Inefficient formal incentives—merger regulations and procedures impose unnecessary administrative burden on businesses associated with merger review and	***6-Formal incentives improved:*** Following RAS recommendations *A new merger regulation* was adopted on September 30, 2014, allowing for the more efficient use of fast-track procedures. This has resulted in an average length of 1.8 months to complete a merger case in 2014, representing a 23 percent decrease in the amount of time required compared to 2013.	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	high administrative costs for the RCC		

CPS Objective 2.3: Strengthening the effectiveness of skills and education programs for labor market inclusion—Partially Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Early School Leaving RAS	*Inefficient formal incentives*—a strategic framework is needed for reducing early school leaving	***5-Formal incentives changed:*** RAS outputs were used as the basis for a new ESL national strategy for 2015-2020. This was formally adopted in 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. The framework is consistent with related policies and EU standards; however, the MoNE has limited capacity for implementation.	***Low***
Tertiary Education Strategy RAS, Romania Secondary Education (ROSE) project, RAS on Quality Assurance in Higher Education System in Romania	*Inefficient formal incentives* —a strategic framework is needed to improve tertiary education attainment, quality, and efficiency	***5-Formal incentives changed:*** RAS outputs were used as the basis for a new national strategy for 2015-2020. This was formally adopted in 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. The framework is consistent with related policies and EU standards, and implementation is being supported through the ROSE project and a follow up RAS	***High***
Romania Secondary Education Project (ROSE)	*Ineffective organization*—Low-performing public high schools have low Baccalaureate passing rates and high drop out rates	***2-Change initiated:*** After substantial implementation delays, the first batch of identified low-performing schools have received grants. Lessons from school-based management show that accountability reforms can improve student retention and performance, but evidence of incremental progress is not yet available.	***Low***
RAS Education Infrastructure Investments	*Inefficient formal incentives*—a National Strategy for Infrastructure Investments in Education Institutions is needed to	**2-Change initiated**: RAS activities are under implementation to support the preparation of a draft strategy. Analyses have been produced, but feedback from Government has been slow given a lack of clarity about role of MoNE and	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	inform decisions on infrastructure and to increase the absorption of EU funds for the 2014-2020 programming period.	strategy given that MoNE involved in education policies but does not have say in how local authorities use resources for infrastructure development.	
	Ineffective organization—The MoNE has limited strategic and monitoring capacity to make informed decisions on investments in education infrastructure.	**4-Knowledge used**: A geospatial information system developed under this RAS has been used to support analyses for the draft strategy and has proven very useful for decision makers. In the future, the MoNE could use this system not just to understand infrastructure needs at the local level but also the implications for student performance.	***High***
ASA Europe 2020 Romania: Evidence-based Policies for Productivity, Employment, and Skills Enhancement	*Inefficient formal incentives*—Policies that affect employment, productivity, and skills enhancement lack legitimacy--they are not informed by evidence and their impacts are not well understood.	**2-Change initiated**: Diagnostic study conducted with recommendations to inform the National Reform Program for Romania. There is no specific evidence provided in the ACS that the client gained knowledge-- the report made new knowledge available and additional data collection is needed to learn what happened as a result	***Low***

CPS Objective 2.4: Making it easier for business to enter and exit the market—Mostly Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Judicial Reform IPF	***Inefficient formal incentives***—Reforms to insolvency legislation are needed to increase transparency and clarity in case processing.	**5-Formal incentives changed**: The Romanian insolvency framework and related mechanisms were strengthened through the elaboration of the first national Insolvency Code, in line with European ROSC standards. The courts and parties must now send all case documents to the National Office of the Trade Register to publish on an online bulletin available to the public. The new code clarified issues and streamlined the process for the liquidation of assets. The World Bank's Doing Business data indicate some improvement in terms of recovery rates and distance from the frontier for resolving insolvency; however, <u>indicators for time, cost and outcome have remained stagnant</u>.	*High*

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	Ineffective organization—insolvency proceedings have been inefficient due to ambiguous issues and bottlenecks related to the liquidation of assets	**5-Organization changed**: The court system has established procedures to improve the efficiency of insolvency case processing. The number of cases has decreased due to the introduction of a new minimum threshold (40,000 RON) and the process to liquidate assets has been streamlined.	*High*

CPS Objective 2.5: Enhanced environment and climate action in line with EU requirements—Partially Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
RAS Climate Change and Low Carbon Green Growth Program	*Inefficient formal incentives*— A comprehensive, operational, updated national climate change strategy is needed with an action plan to clarify roles across organizations and increase compliance with regulatory mechanisms	***5-Formal incentives changed:*** RAS activities and outputs supported the MEWF in developing a comprehensive strategy and action plan for 2016-2030 that covers both adaptation and mitigation, is based on analyses, and works across key sectors. The GoR approved and published the national strategy in late September 2016 with deadlines and budget allocations across economic sectors. However, the limited capacity of the GoR has presented a challenge for implementing proposed actions.	***Low***
	Limited organizational effectiveness— Relevant ministries and agencies involved in the climate change and green growth agendas need capacity and skills to plan, implement, monitor, and evaluate climate change actions	***3-Knowledge gained:*** The program successfully identified a set of climate actions by sector and assisted the GoR in integrating them into the 2014-2020 operational programs for EU funds, which have now been approved by the EU. However, low implementation capacity remains due to the turnover of MEWF leadership and staff, lack of the right experience and skills in line ministries, and limited coordination among relevant line ministries and other stakeholders.	***Low***
	Limited organizational effectiveness—The GoR needs an analytical base for impact assessments and climate-related decision-making	***4-Knowledge used:*** Sectoral and macroeconomic models were developed and applied in the strategy and action planning studies. The CGE model for macroeconomic assessment was transferred to the National Commission of Prognosis. RAS outputs of other sectoral models (energy, transport, urban, and	***Low***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
		water) were transferred to MEWF and to other relevant agencies through training and workshops. Additional knowledge, skills, and experience is needed among ministry and agency staff to apply sectoral analysis tools and macroeconomic models for policy analysis and decision-making processes.	
RAS Danube Delta Integrated Sustainable Development Strategy	*Inefficient formal incentives*—A comprehensive integrated strategy is needed to guide the sustainable development of the Danube Delta	***5-Formal incentives changed***: Based on the diagnostics and elaboration of the strategy delivered by the RAS, MRDPA submitted the Danube Delta Integrated Development Strategy for GoR approval. The draft underwent public consultations for local legitimacy and reflects consistency and coordination with EU and national strategies and planning documents. Approval was achieved (Government Decision 602/2016) at the end of the Strategic Environmental Assessment Procedure; however, it is not yet clear that the Danube Delta Intercommunal Development Association and MRDPA have adequate capacity for effective implementation and monitoring of the strategy.	

Pillar 3—Social Inclusion: Moderately Unsatisfactory

*CPS Objective 3.1: Support an ambitious and successful government program to tackle social inclusion and poverty reduction of the population including the Roma—**Achieved***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
RAS Study on Diagnostics and Policy Advice for Roma Integration	*Inefficient formal incentives*—Mandates, strategies, reporting requirements, and budget allocations for pertinent government bodies were not consistent, making it difficult for responsible parties to implement policies for supporting Roma integration.	***5-Formal incentives changed***: The RAS diagnostic study provided inputs for the National Roma Inclusion Strategy, which was successfully updated by the government as part of ex-ante conditionality. The RAS diagnostic study also informed the Partnership Agreement with the EC and operational programs for the 2014-2020 period.	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
	Ineffective organization — There is a lack of coordination among the institutions tasked with implementing the National Strategy, particularly among sector ministries and the National Agency for Roma.	***4-Knowledge used:*** Reports from the RAS team indicated that some stakeholders gained a clearer sense of their organization's mission and roles related to Roma integration, including representatives from National Agency for Roma; Ministry of European Funds; MoESR; Ministry of Health; MoLFSPE; and the Ministry of Regional Development.	***High***
Social Inclusion and Poverty Reduction RAS	*Inefficient formal incentives*—a framework is needed to set the strategic directions for 2014-2020 in reducing poverty and social inclusion	***5-Formal incentives changed:*** The draft strategy and action plan produced through the RAS were the basis for the new national strategy adopted by the GoR in May 2015 to satisfy ex-ante conditionalities for accessing European funds for the 2014-2020 programming period. The framework was informed by a comprehensive public consultation process and approved by the EC. However, the implementation of the strategy is not on track.	***Low***
	Ineffective organization — The Ministry of Labor, Family, Social Protection, and the Elderly (MoLFSPE) has limited capacity to implement or monitor measures to reduce poverty and social exclusion	***2-Change initiated:*** Diagnostic documents detailed risks of weak administrative capacity and provided four implementation plans including roadmaps for building capacity related to policy formulation, M&E, MIS use and development, modernization of the payment system, and targeting systems. No action has yet been taken by the MoLFSPE to implement changes.	***Low***
RAS on the Integration of Urban and Marginalized Groups	*Inefficient formal incentives*—Policies, strategies, and other formal mechanisms do not address challenges faced by urban marginalized communities	***5-Formal incentives changed:*** The Regional Operational Program includes a dedicated Community Led Local Development (CLLD) Priority Axis for the 2014-2020 programming period, and the new approach and guidelines were heavily informed by the Integrated Intervention Tool, the Atlas, and the six conceptual pilots of the RAS. Evidence of how well programs	***High***

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
		are addressing marginalization is not yet available.	
RAS for the De-institutionalization of Children	***Inefficient formal incentives***— A clearer definition of roles and responsibilities across agencies and an operational plan are needed for the de-institutionalization of children.	***5-Formal incentives changed:*** RAS outputs included reports and assessments, including an evaluation of existing resources of residential centers and an inventory of community-based services among others. These informed NAPCRA priority-setting and the drafting of an operational plan. The operational plan and methodology for closing residential centers was approved by NAPCRA in 2017 to be implemented at the county level. The closure of up to 50 centers is expected to be funded from 2018 to 2020.	***High***
	Weak stakeholder ownership— commitment to close institutions for child protection at the county level varies, and NAPCRA has limited leverage. Also, the high level and technical staff of NAPCRA and other actors with a stake in the de-institutionalization process have demonstrated some resistance to change	***4-Knowledge Used:*** Consultation workshops were held with representatives of all CDSACPs targeted by the project; representatives from NAPCRA, and the EC were also involved. The Operational Plan for the Closing of Residential Centers approved by NAPCRA includes the suggestions from these stakeholders. Evidence of stronger stakeholder ownership will emerge when proposals are submitted by the CDSACPs in line with the operational plan and implementation of the closure process starts.	***High***

CPS Objective 3.2: A more streamlined, better targeted and more cost-efficient social protection system—Not Achieved

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Social Assistance System Modernization	***Weak formal incentives***—social assistance equity has deteriorated with a	***4-Knowledge used:*** Many improvements have been achieved for existing means-tested programs between 2011 to 2016, and the Parliament adopted the VMI law to unify 3	*Low*

WBG Intervention	Institutional Challenge	ICAM Rating and Evidence →From 1 (no outputs) to 6 (institutional change confirmed)	Sustainability Rating
Project / FEG-DPL	highly fragmented system. Consolidating benefit programs is a key focus of the Government's social assistance reform.	existing means-tested programs. However, there have been significant delays in the drafting and approval of secondary legislation necessary to implement the VMI program. The GoR decided to postpone VMI implementation until at least April 2019; therefore, no budget was allocated for FY18.	
	Ineffective organization—The fragmentation and complexity of the social assistance system leads to significant levels of error and fraud limiting operational efficiency and increasing the fiscal cost of social assistance.	***5-Organization Changed***: The National Agency for Social Benefits (NASB) has implemented a comprehensive approach to reduce error and fraud including data matching, risk profiling, a uniform sanctioning policy, and investigative powers. The practices instituted in 2017 related to social inspections are recognized as international best practices, and evidence of increased compliance is expected to emerge through implementation.	***Low***
	Ineffective organization—The MoLSJ and NASB lack capacity for the implementation and performance management of the VMI.	***2-Change initiated:*** The project has helped to set up a performance management system; however, evidence of implementation is limited to date. Neither the MoLSJ nor NASB have designed and implemented comprehensive M&E systems or issued related performance reports. The government cancelled the DLI focused on having a performance monitoring system for means-tested programs in place. The adoption and development of an IT platform for implementing the VMI has been delayed but is still progressing according to a revised timetable.	***Low***
PHRD TA Grant to Improve Policy-Making and Institutional Framework for Persons with Disabilities	***Inefficient formal incentives***—The revision and harmonization of medical and psychosocial criteria for assessing disability will be critical for moving to a modern approach to support the social inclusion of persons with disabilities	***2-Change initiated:*** The National Agency for Persons with Disabilities and the Pension Administration Certification Institute have produced a draft version of harmonized criteria but these are not yet of adequate quality. Follow-on activities related to training, piloting, and dissemination were delayed pending the completion of this output.	***Low***

Attachment 4. Romania IBRD Indicative Financing Program

Pillar	Project Title (anticipated in the CPS)	CPS Planned Amount US$M	Amount US$M Approved during the CPS	Status
P1	Health Sector Reform (FY14)	340	340	Approved on March 28, 2014 and became effective on January 22, 2015
P1/P2	First Fiscal Effectiveness and Growth DPL1.1 (FY14)	1,020	1,020	Approved on May 22, 2014, became effective on January 20, 2015 and closed on December 31, 2015
P2/P3	Romania Education Quality and Inclusion (FY15)	270	243	Board Approval Date March 16, 2015 and became effective on October 14, 2015; now called Romania Secondary Education Project (ROSE)
P3	Social Inclusion (FY15)	135		Dropped after discussions with the GoR; integrated social services were addressed under the RAS on the development of the national strategy on social inclusion and poverty reduction which included one flagship tackling this area
P1	Second Fiscal Effectiveness and Growth DPL 1.2 (FY17)	950	558	Board Approval Date:15 December 2016; Effective: May 31, 2017; amount: EUR500M
P1	Justice IPF (FY17)	200	67	Justice Services Improvement Project; Board Approval Date: January 31, 2017 and became effective on August 3, 2017
P2	Additional Financing INPCP (new to CPS, FY16)		52.4	Not initially envisaged in the CPS Board Approval Date: in March 28, 2016; Effective: April 13, 2017
P2	Motorway Preparation Ploiești-Brașov (new to CPS, FY18)		35 (tbc)	Board Date expected in FY18 along with the new CPF
P2	Disaster Risk Management CAT DDO (new to CPS, FY18)		465 (tbc)	Board Date expected in FY18 along with the new CPF

P2	Disaster Risk management IPF (in the new CPF)		58.6 (tbc)	Expected in FY19
P1/P2/P3	IPF TBC	450	150 (tbc)	Justice Quarter and Esplanada District Development Project; amount to be confirmed with the Government; expected in FY19
P2	Energy IPF	250		Not requested under this CPS
P2	DPL 2.1	950		Not requested under this CPS
P2	DPL 2.2	950		Not requested under this CPS
	Total	5,515	2,280.4 (2,780 if Motorway and CATDDO incl.)	

Pillar 1 (P1): Creating a 21st Century Government; Pillar 2 (P2): Growth and Job Creation and Pillar 3 (P3): Social Inclusion

Attachment 5. IBRD Advisory Services and Analytics Program FY14-18

Global Practice	Project name	Status		New to CPS
Bank-financed Advisory Services and Analytics				
GHNDR	Policy Note on Health Care Provision	Completed	P147023	
GFMST	StAR - Romania Engagement	Completed	P148243	Yes
GPVDR	Europe 2020 Romania	Completed	P133519	
GFMDR	Romania - ICR ROSC	Completed	P130426	
GEEDR	Mining Sector Support	Completed	P147518	Yes
GFMDR	Banking Sector – Romania (subtask of P146915)	Completed	P154014	Yes
GFMDR	Romania - Developing Govt Yield Curve	Completed	P152800	Yes
GFM03	RO Financial Sector TA	Completed	P151965	Yes
GFA03	Priorities in the agri-rural space	Completed	P154402	Yes
GTC03	Enhanced Competitiveness through effective R&D and Innovation public interventions	Completed	P155786	Yes
GEEX2	Mining Sector Support	Completed	P147587	Yes
ECCU5	National Reform TA	Completed	P154237	Yes
GSU09	Romania Decentralization Process	Completed	P151109	Yes
GWA03	Irrigation Prioritization Framework	Dropped	P157681	
GSULN	Impact of Rural Land Registration	Completed	P150499	Yes
GSP03	Dissemination of Social Inclusion RAS Outputs	Completed	P159257	Yes
GTC03	National Reform Program	Dropped	P152746	Yes
GWA03	Implementation of EU Water Directives	Completed	P154609	Yes
GGO15	Strengthening Financial Accountability o	Dropped	P152291	
GEE03	Improving heating sector regulation	Completed	P154400	Yes
GSU09	Regional Pilot: ECA-Romania urban regen	Completed	P159178	Yes
GMF03	Part II of Romania Programmatic PFR (subtask of P151510)	Ongoing	P159644	Yes
GMF03	Romania - Public Expenditure Review (programmatic)	Completed	P151510	Yes
GTI03	Romania Transport Sector Project Prep	Dropped	P158261	Yes
GMF03	Programmatic Public Finance Review (subtask of P151510)	Completed	P159659	Yes
GEEX2	Mining Sector Policy	Completed	P159383	Yes
GSULN	Real Estate Registration and Services	Completed	P158399	Yes
GSU03	Partnerships for marginalized Roma (programmatic)	Ongoing	P151295	Yes
GFA03	Strengthening Agri-Food Chain	Completed	P161837	Yes

Global Practice	Project name	Status		New to CPS
ECCRO	Resources Mapping (programmatic)	Ongoing	P159033	Yes
GFM03	Capital Market Supervision Enhancement	Ongoing	P160346	Yes
GGO15	Anticorruption	Completed	P161251	Yes
GTC03	Romania Laser Valley	Ongoing	P162373	Yes
GFMFP	Romania FSAP Update	Ongoing	P164039	Yes
GPV03	Romania CEQ	Ongoing	P164227	Yes
GFA03	Agriculture Sector Engagement in Romania	Ongoing	P164541	Yes
GWA03	Romania water sector diagnostic	Ongoing	P164763	Yes
GMF03	Romania: Assessment of the Challenges and Prospects of the District Heating System	Ongoing	P165156	Yes
GTI03	Transport SOE Sector Note	Ongoing	P165278	Yes
GSP03	Romania Pensions	Ongoing	P165455	Yes
GTC03	Technical Assistance to increase the capacity building for assessing the impact of state aid schemes	Ongoing	P165505	Yes
GHN03	Supporting the role of regional hospitals in Romania	Ongoing	P165988	Yes
GSULN	Status Review of the National Program for Cadastre and Land Book	Ongoing	P166140	Yes
GSP03	Technical Assistance to Support Design of a Youth Employment Intervention for Roma Youth	Ongoing	P166186	Yes
GSU09	Accelerating DRM and climate resilience in Romania through policy reform, investment in risk reduction and civil society engagements	Ongoing	P166680	Yes
Reimbursable Advisory Services				
GSURR	FBS Regional Development Reimbursable Advisory Services (programmatic)	Completed	P143014	
GSURR	FBS Romania Spatial and Urban Strategy (subtask of P143014)	Completed	P143087	
GSURR	FBS Romania MA-IB Collaboration (subtask of P143014)	Completed	P143088	
GSURR	FBS Romania Project Selection Models (subtask of P143014)	Completed	P143089	
GSPDR	Romania Roma diagnostics	Completed	P145035	
GSURR	Integration of urban Marginalized groups (subtask of P143014)	Completed	P143090	
GGODR	HR Strategy for MOF	Completed	P144505	
GGODR	FBS: Administrative Capacity Development and Decentralization	Completed	P133582	

Global Practice	Project name	Status		New to CPS
FABDM	Romania Strengthening Public Debt Management	Completed	P133720	
GGODR	FBS Risk Based Systems Enhancement	Completed	P133830	
GFADR	Support to Strengthening Strategic and Operational management (Programmatic)	Completed	P133586	
GFADR	Agri-food sector strategy formulation (subtask of P133586)	Completed	P143673	
GFADR	Internal management system for MARD (subtask of P133586)	Completed	P143675	
GGODR	FBS - Romania Judicial Functional Review	Completed	P129957	
GFMDR	FBS-21-FY12 West Region Competitiveness	Completed	P131858	
GSURR	FBS Romania Growth Poles (subtask of P143014)	Completed	P132399	
GGODR	RAS Interpretations on tax issues	Completed	P144566	
GED03	Romania: RAS - TA for Preparing a SFLLL	Completed	P146632	
GTC03	RAS-MAP-Competition Council	Completed	P131824	
GTI03	FBS Romania Transport Strategic Planning	Completed	P130508	
GFADR	Strategic planning ARD administration (subtask of P133586)	Completed	P143674	
GFADR	Integrated financial management system for MARD (subtask of P133586)	Completed	P143676	
GGODR	RAS Tax Policy Formulation	Completed	P144557	
GGO15	RAS Public Investment Management	Completed	P146782	
GTI03	RAS Prioritization of MRDPA Investments (subtask of P147062)	Completed	P150145	
GTI03	RAS Improving quality of MRDPA investments (subtask of P147062)	Completed	P150146	
GGO15	RAS RO Performance Management - EU Funds	Completed	P147746	
GED03	RAS Framework for Increasing Tertiary Education	Completed	P146187	
GSU09	Ploiești Growth Pole	Completed	P153331	Yes
GSU09	Support for the Capacity Development of ADI ITI DD	Completed	P153436	Yes
GGO15	RAS Establishment of a Delivery Unit	Completed	P147482	
GSU09	RAS Danube Delta Strategy/Constanta ITI (programmatic)	Completed	P146633	
GSU09	Danube Delta Integrated Sustainable Development Strategy and Constanta ITI (subtask of P146633)	Completed	P147561	

Global Practice	Project name	Status		New to CPS
GSU09	Romania Danube Delta Integrated Sustainable Development Strategy (subtask of P146633)	Completed	P145417	
GSU09	RAS Harmonizing State and EU Funded Projects	Completed	P147062	
GSU09	EU and State Projects Coordination (subtask of P147062)	Completed	P150144	
GSU09	Housing Strategy and Social Infrastructure (subtask of P147062)	Completed	P150147	
GSULN	RAS Real Estate System Modernization	Completed	P145716	
GTI09	Digital Romania Strategy Support	Completed	P152542	Yes
GSP03	RAS Active Ageing	Completed	P147650	
GEN03	RAS Climate Change (programmatic)	Completed	P145943	
GEN03	Sector analysis and marginal abatement cost analysis (subtask of P145943)	Completed	P146802	
GEN03	Economy wide analysis of low carbon green growth (subtask of P145943)	Completed	P146803	
GEN03	Support to government institutions for implementation, monitoring, and evaluation of climate change actions (subtask of P145943)	Completed	P146821	
GEN03	Climate change and low carbon green growth strategy and action plan (subtask of P145943)	Completed	P146697	
GTI03	FBS RO Public Private Partnership	Completed	P130510	
GSP03	RAS Social Inclusion & Poverty Reduction	Completed	P147269	
GED03	RAS - Develop Admin Capacity of MoNE	Completed	P143659	
GTC03	RAS Strengthening Regulatory Impact Assessment	Completed	P150017	
GED03	RAS - Reducing Early School Leaving	Completed	P145841	
GED03	Capacity Enhancement of REF Romania	Completed	P154011	Yes
GSP03	Children's Deinstitutionalization	Ongoing	P156981	Yes
GSP03	Informing Project Evaluation	Completed	P161287	Yes
GTC03	Development of the Capacity of the Central Public Administration to Carry Out Impact Studies	Ongoing	P156807	Yes
GGO15	Establishment of the Strategy Unit	Ongoing	P154787	Yes
GGO03	Support to Public Procurement Strategy	Ongoing	P158629	Yes
GED03	RAS on Education Infrastructure	Ongoing	P155507	Yes
GED03	Assist MESR for M&E education strategies	Ongoing	P157670	Yes
GMF03	Planning and budgeting capacity	Ongoing	P156889	Yes
GED03	TA to Enhance Quality Assurance in HE	Ongoing	P157508	Yes

Global Practice	Project name	Status		New to CPS
FABBK	RAS SWAP Transactions in Romania	Ongoing	P156803	Yes
GSP03	Supporting the Implementation of Romania's Human Development Operational Programme (POCU) 2014-2020	Ongoing	P162775	Yes
GSU09	Constanta Urban Development RAS Program	Ongoing	P164198	Yes
GSU09	Brașov Urban Development RAS Program	Ongoing	P166263	Yes
GSU09	Assistance to District 5 of Bucharest	Ongoing	P167042	Yes
Miscellaneous Reimbursable Arrangements				
GSU03	MRA Alba Iulia Projects Assessment	Completed	P151596	Yes
GTI03	Romania-Road Safety Capacity Review	Completed	P157075	Yes

Attachment 6. IBRD—Portfolio Trends

Data as of	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY 18 @ Jan 29
PORTFOLIO AND DISBURSEMENTS									
Active Projects #	12	12	10	8	8	7	6	**7**	**5**
	1,032.58	1,708.88	2,637.70	2,536.69	3,737.21	2,622.50	1,640.09	**2037.498**	**858.92**
Total Disbursements $m	429.96	545.02	507.47	485.89	1,843.57	1,322.92	508.38	**413.66**	**96.1**
Total Undisbursed Balance $m	632.88	1,242.93	2,132.54	2,046.74	1,915.32	1,078.13	1,100.47	**1576.62**	**750.45**
Disbursements in FY $m	164.54	122.75	278.58	120.01	1,476.93	869.92	29.36	**31.97**	**15.92**
Disbursement Ratio for IPF only %	20.6	18.6	25.0	16.2	15.6	3.0	2.7	**3.0**	**2.1**
IBRD/IDA Disb Ratio	20.6	18.5	25.1	16.2	15.7	3.0	2.5	**3.0**	**2.1**
Slow Disbursements %	33.3	25.0	10.0	12.5	0.0	0.0	0.0	**0.0**	**0.0**
PORTFOLIO RISKINESS									
Actual Problem Project #	5	3	2	2	0	5	2	**3**	**3**
Problem Project %	41.7	25.0	20.0	25.0	0.0	71.4	33.3	**42.9**	**60.0**
Potential Problem Project #	0	0	0	0	0	0	0	**0**	**0**
Projects at Risk #	5	3	2	2	0	5	2	**3**	**3**
Projects at Risk %	41.7	25.0	20.0	25.0	0.0	71.4	33.3	**42.9**	**60.0**
Commitments at Risk $m	330.28	303.60	119.09	132.69	.00	1,339.10	1,049.20	**1,048.65**	**548.83**
Commitments at Risk %	32.0	17.8	4.5	5.2	0.0	51.1	64.0	**51.5**	**63.9**
Proactivity %	33.3333333	100.0	100.0	50.0	100.0		60.0	**100**	**100**

Attachment 7. IFC—Committed and Disbursed Outstanding Investment Portfolio

MIS

International Finance Corporation

Report Run Date: 02/20/2018

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 01/31/2018

Page 1

Region(s):Europe and Central Asia

Country(s) : Romania

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2017/ 2012	Agricover Credit	18.72	10.65	0	0	0	0	18.72	0	18.72	0	0	0	0	18.72	0.00
2018/ 2017/ 2015/ 2016	Alpha Bank ROM	61.43	0	0	0	3.15	0	64.58	0	61.43	0	0	3.15	0	64.58	0.00
2009/ 2006/ 2017/ 2003/ 2004/ 2015/ 2016	Banca Comerciala	0	249.29	0	0	2.78	0	2.78	0	0	0	0	2.78	0	2.78	0.00
2010/ 2013/ 2018/ 1999/ 2006/ 2014/ 2017/ 2011/ 2015/ 2016/ 2002/ 2012	Bancpost	0	73.30	0	0	0.28	0	0.28	0	0	0	0	0.28	0	0.28	0.00
2013/ 2001/ 2014/ 2015/ 2016/ 2012	Banca Romaneasca	0	3.29	0	0	0.02	2.30	2.32	0	0	0	0	0	0	0	0.00
2016	DARP SPV Romania	0	0	0	46.25	0	0	46.25	0	0	0	46.25	0	0	46.25	0.00
2016	DARP SPV Ursa	0	0	0	15.55	0	0	15.55	0	0	0	15.30	0	0	15.30	0.00
2013/ 2018/ 2015/ 2012	Garanti Bank Ro	49.82	49.11	0	0	0	0	49.82	0	49.82	0	0	0	0	49.82	0.00
2017/ 2015	GarantiLeasingRO	13.08	2.25	0	0	0	0	13.08	0	13.08	0	0	0	0	13.08	0.00
2012	Lidl Romania	33.81	26.62	0	0	0	0	33.81	0	33.81	0	0	0	0	33.81	0.00
2010/ 2017/ 2007/ 2012	MedLife SA	14.68	11.40	1.24	0	0	0	15.92	0	14.68	1.24	0	0	0	15.92	0.00
2018	NEPC	62.28	0	0	0	0	0	62.28	0	61.68	0	0	0	0	61.68	0.00
2014/ 2015	Raiffeisen ROM	0	0	0	24.07	0	0	24.07	0	0	0	24.07	0	0	24.07	0.00
2015	Smithfield Roman	57.39	5.52	0	0	0	0	57.39	0	27.39	0	0	0	0	27.39	0.00
2009/ 2008/ 2012	TTS Romania	0	0	4.61	0	0	0	4.61	0	0	4.61	0	0	0	4.61	0.00
2014/ 2016	TeamNet	0	0	10.72	8.41	0	0	19.13	0	0	10.55	8.41	0	0	18.96	0.00
2014	Timisoara Muni	23.96	5.52	0	0	0	0	23.96	0	23.96	0	0	0	0	23.96	0.00
2005/ 2009/ 2010/ 2013/ 2014/ 2017/ 2007/ 2011/ 2004/ 2015	Transilvaniabank	1.17	153.84	8.67	0	0	5.00	14.84	0	1.17	8.67	0	0	0	9.84	0.00
2018	UC Leasing ROM	40.11	0	0	0	0	0	40.11	0	40.11	0	0	0	0	40.11	0.00
2013/ 2014	UniCredit Romania	69.55	0	0	0	0	0	69.55	0	69.55	0	0	0	0	69.55	0.00
Total Portfolio		**445.98**	**590.81**	**25.24**	**94.27**	**6.23**	**7.30**	**579.02**	**0**	**415.39**	**25.08**	**94.03**	**6.20**	**0**	**540.69**	**0.00**

Attachment 8. Citizen Engagement: Progress and Achievements FY14-18

The context for citizen engagement (CE) in Romania has remained relatively consistent over the last decade, though recent developments demonstrate a rising awareness for active citizenship that can be harnessed in the development of the next CE country roadmap. Romania`s ranking on the WGI Voice and Accountability Index improved only marginally in 2016 ranked at 61 (out of 204 countries). Compared to other EU member states only a small number of active and sustainable NGOs exist, and they have not yet found a voice in policy-making or governance. However, with improving living standards, a burgeoning service sector and rising educational standards, a clientele and constituency for CSO work is growing incrementally. The unprecedented mobilization of citizens since 2015 reflects this transition of Romania's civil society. The emerging knowledge society, improved education and access to ICT is encouraging citizens to speak up, especially with regards to corruption, clientelism and political marginalization.

In this enabling environment, a citizen engagement review of the Romania portfolio was undertaken to inform this CLR and the forthcoming CPF. The 2016 PLR introduced a simple framework to implement the *Strategic Framework on Mainstreaming Citizen Engagement in WBG Operations* and the Romania portfolio has improved since FY14 when the corporate requirements were introduced. Regarding **compliance**, since FY14, all four IPF projects approved by the Board included a citizen-oriented design, and three included a beneficiary feedback indicator in the results framework.

The overall **quality** of citizen engagement in Romania portfolio, when measured using the ECA Quality Index for Citizen Engagement, Romania scored 2.4, (well above the ECA average for FY17 of 2.0). This index considers: how frequently CE mechanisms enable citizens to provide feedback; the depth of engagement intended by the project (i.e. the opportunity for interaction between government and citizens, pro-activity); the opportunity to use one of several mechanisms; and any restrictions placed on that feedback (e.g. resettlement). Most projects in the relatively small Romania portfolio offer more than one channel for feedback, there is an effort to move away from passive forms of engagement toward mechanisms that actively engage citizens, service users and beneficiaries (Justice, Environment and Agriculture, Education) through events enabling dialogue and collaboration. Frequency could be improved (Revenue Administration, Pollution Control). Beneficiary Feedback indicators are generally well aligned with the CE activities.

A review of implementation was conducted for this CLR to report on the degree to which citizen engagement is being carried out as planned. The review found that implementation has progressed relatively slowly in all respects. The level of design of guidelines and procedures to implement the planned CE, the level of budgeting and staffing, execution of systems all needs to be rapidly improved. Moreover, projects need to report on citizen engagement regularly. The DPO consultation processes with a range of civil society, and private sector stakeholders, and the SCD process both provided opportunities to hear from key stakeholders. Most notably, the CPF consultations took a comprehensive, innovative, inclusive approach. Consultations employed a mix of face to face as well as innovative virtual channels for feedback and comments. A special emphasis was placed on inclusion – getting feedback from marginalized communities in lagging regions, and on Roma-specific consultations.

To promote inclusive citizen engagement processes, the Bank helped establish and supports the Roma Sounding Board (RSB). The RSB serves as a platform for more effective communication and engagement between CSOs working on the Roma agenda in Romania, the World Bank, and other external stakeholders. Established in 2017, its primary roles are to: (i) identify areas for increased policy attention for the Roma; (ii) provide input from the perspectives of the Roma; and (iii) propose potential solutions to improve development outcomes and strengthen the socio-economic inclusion of the Roma. The initiative aims to support the full participation of the Roma in the political, social, and economic development of their communities. National and regional Roma organizations accompanied by non-Roma organizations, form this sounding board platform to provide expertise and advice for the Roma agenda in Romania.

Within the portfolio, the achievements of the CPS period include:

- Romania Integrated Nutrient Pollution Control Project – AF (P155594) In its efforts to reduce the discharge of nutrients into water bodies and comply with the provisions of the EU Nitrates Directive on a national scale, the 2016 additional financing specifically included opportunities for a broad range of citizens to provide feedback, and the strengthening of mechanisms to analyze feedback and report back to communities. Survey results are now shared with participating communities in a user-friendly format and summaries of public consultations are published. ICT-based tools and social media disseminate information; and enable questions or comments. Three results indicators monitor public participation, citizen engagement and grievance redress mechanisms.
- Justice Services Improvement Project (P160751). To help meet the PDO of improving the efficiency and accessibility of targeted justice institutions, the Project included a citizen engagement framework which focuses on feedback from users and potential users of judicial services. Surveys, court open days, community roundtables and workshops also ensure the inclusion of vulnerable groups. Surveys assess levels of user satisfaction with the courts and identify bottlenecks affecting the efficiency and accessibility of justice services; survey results are shared on a regular basis with users, communities and vulnerable groups through a website and public events.

Moving forward, the upcoming CPF will learn the lessons of this first phase, and establish several goals to support the CPF pillars in a Citizen Engagement Country Road Map. This will set standards for engagement, identify platforms for enhancing the depth of the citizen engagement activities implement and consider how innovations might help improve voice and accountability.

Attachment 9. Actions Related to Ex-ante Conditionalities and Status of Bank Support

Ex-ante conditionalities were an essential part of the preparations for the 2014-20 programming period. They represent pre-conditions that all EU Member States must fulfil and are linked to the effective and efficient use of EU funds. Should ex-ante conditionalities not be fulfilled by the time the Partnership Agreement (PA) has been submitted, EU countries will need to present the European Commission with an action plan and a timetable for implementation. Ex-ante conditionalities must be fulfilled no later than 31 December 2016 (or within two years following the adoption of the PA). The Partnership Agreement for Romania with the European Commission was adopted in August 2014. As many of the ex-ante conditionalities were not fulfilled by that time, action plans have been developed with a firm deadline of December 2016. The table below indicates the areas where the Bank supported the Government:

Action related to ex-ante conditionality	Status of Bank's support
Digital Agenda and NGN	RAS – Completed The Bank provided support for developing the M&E framework and mapping of broadband infrastructure
Active aging **Social inclusion and poverty reduction**	Two RAS – Completed Strategies developed with Bank's input and adopted by the Government New RAS to be signed to help the Government enhance capacity for monitoring and evaluation of the strategies under the coordination of the Ministry of Labor and Social Justice
Early school leaving (ESL) **Tertiary education (TE)** **Lifelong learning (LLL)**	Three RAS - Completed The national framework (incl. the strategy, M&E framework) for each area was developed with Bank's input and the three strategies were adopted by the Government New RAS signed to help the Government enhance capacity for monitoring and evaluation of the strategies in education
Education infrastructure	One RAS signed in 2016 - Ongoing Assistance for developing the national strategy for education infrastructure 2014-20 through a RAS
Public procurement	One RAS signed in 2016 - Ongoing Support to the implementation of the national public procurement strategy. The RAS included a key action (development of web-based guide) which contributed to fulfilling the ex-ante conditionality on public procurement
Roma inclusion	Completed The Bank provided a background analysis to inform the preparation of the strategy – through a short RAS engagement
Deinstitutionalization of children	One RAS signed in 2016 - Ongoing Support for deinstitutionalization of children
Public administration	Ongoing Support for the development of the HR management system at national level (RAS signed in 2018)

Endnotes

[1] There are three levels of Nomenclature of Territorial Units for Statistics (NUTS) defined. This category refers to regions belonging to the second level (NUTS 2, also known as NUTS II), which is largely used by Eurostat and other European Union bodies.

[2] WBG fiscal years (FY) 2019-23

[3] In ESA terms.

[4] AROPE - At risk of poverty or social exclusion refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity.

[5] In this chapter, poverty generally refers to the anchored AROP (at-risk-of-poverty).

[6] For the definition of the indicators used to identify the rural and urban marginalized areas see: Teșliuc, E., Grigoraș, V. And Stănculescu, M.S. (coord.) (2016) The Atlas of Rural Marginalized Areas and of Local Human Development in Romania. Bucharest: The World Bank and Swinkels, R., Stănculescu, M.S., Anton, S. Koo, B., Man, T. And Moldovan, C. (2014) The Atlas of Urban Marginalized Areas in Romania. Bucharest: The World Bank.

[7] Teșliuc, E., Grigoraș, V. And Stănculescu, M.S. (coord) (2015) Background Study for the National Strategy on Social Inclusion and Poverty Reduction 2015-2020, The World Bank.

[8] i.e. have a disposable income below 60 percent of the national equalized median income.

[9] If not indicated otherwise data presented in this section comes from the European Union Agency for Fundamental Rights, 2016 EU-MIDIS II survey, which collected information from over 25,500 respondents from different ethnic minority and immigrant backgrounds in all 28 EU Member States. The data are representative for Roma living in nine EU Member States in geographic or administrative units with density of Roma population higher than 10 percent, who self-identify as "Roma" or as members of one of the other groups covered by this umbrella term. In Romania, interviews were conducted in 1,408 Roma households covering 5,764 individuals.

[10] All numbers for 2011 are based on data from the UNDP/World Bank/EC Regional Roma Survey 2011 and/or the and FRA Pilot survey 2011; see: http://fra.europa.eu/en/publications-and-resources/data-and-maps/survey-data-explorer-results-2011-roma-survey.

[11] If implemented, the VMI Program, will reverse the recent trend of increasing poverty in Romania, which is particularly pronounced in rural areas. It will provide stronger incentives for the poor to get back to work and reduce in-work poverty (in-work poverty in Romania is higher than other EU countries). The VMI law uses a benefit formula like benefits schemes in France, Germany and UK, where the income threshold for program eligibility rises if the beneficiaries start working or work more. This way, the law will stimulate poor beneficiaries to combine social assistance incomes with earnings. Currently, only 50 percent of the poor adults who can work are working.

[12] World Bank (2018): Gender Assessment Romania

[13] (Eurostat 2016).

[14] The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey that gathers qualitative and quantitative information on investment activities by small and medium-sized businesses and larger corporates, their financing requirements and the difficulties they face. The survey covers some 12 500 firms and a wide spectrum of questions on corporate investment and investment finance. It thus provides a wealth of unique firm-level information about investment decisions and investment finance choices.

[15] http://gov.ro/fisiere/pagini_fisiere/PROGRAMUL_DE_GUVERNARE_2018-2020.pdf

[16] http://discutii.mfinante.ro/static/10/Mfp/transparenta/SFB2018_2020_29nov2017.pdf

[17] In PISA 2015, 38.5 % of Romanian 15-year-olds failed to achieve a minimum level of knowledge in science (EU-28: 20.6 %), 38.7 % in reading (EU-28: 19.7 %), and 39.9 % in mathematics (EU-28: 22.2 %).

[18] A 30-point score difference in PISA 2015 is equivalent to one year of schooling.

[19] Ridao-Cano, C. and C. Bodewig (2018), Growing United: Upgrading Europe's Convergence Machine. Washington, DC: World Bank

[20] Sites will be prioritized based on WB poverty-related indicators to ensure focus on poor and underserved populations.

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