



1. Project Data:		Date Posted : 06/21/2004	
PROJ ID: P008776		Appraisal	Actual
Project Name : Employment & Soc Protection (essp)	Project Costs (US\$M)	95.2	59.3
Country: Romania	Loan/Credit (US\$M)	55.4	43.7
Sector(s): Board: SP - Central government administration (43%), Vocational training (32%), Other social services (14%), Compulsory pension and unemployment insurance (7%), Non-compulsory pensions insurance and contractual (4%)	Cofinancing (US\$M)	39.8	15.6
L/C Number: L3849			
	Board Approval (FY)		95
Partners involved : GTZ, Canada, US, and Government	Closing Date	09/30/2001	09/30/2003
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2. Project Objectives and Components

a. Objectives

To support the Government's efforts to alleviate unemployment and poverty, improve the efficiency and affordability of employment and social protection services, and promote labor productivity and economic competitiveness. The specific objectives were to:

- 1) strengthen the capacity of labor offices to administer increasing numbers of claims for unemployment benefits and active labor adjustment services (e.g., job placement, employment counseling, training);
- 2) develop a flexible adult training system which responds to evolving labor market demand resulting from economic restructuring; and
- 3) implement reforms in social insurance and assistance programs, targeting those population groups which are most vulnerable to falling into poverty during and after the transition to a market economy.

b. Components

There were three components:

- 1 General management and policy: (i) developing/strengthening the capacity of the Ministry of Labor and Social Protection (MOLSP) to monitor and analyze the programs introduced under the project and to evaluate and improve their cost-effectiveness; (ii) automation of the labor and social protection offices to support and improve the management of the programs introduced under the project; and (iii) further support to an existing Project Coordination Unit (PCU) established under a previous project.
- 2) Employment and training: (i) the provision of employment services to improve the organization and delivery of services in labor offices, including the development of Industrial Adjustment Services to deal with large-scale layoffs; (ii) career information and counseling services in labor offices and schools; and (iii) adult training for employed and unemployed workers to reorient their skills to the needs of a market economy.
- 3) Social protection: (i) social insurance reforms, including unification of the various pension funds and improvement in financial management, contributions records system, and benefit disbursement; and (ii) social assistance reforms, including the development of an integrated system of cash benefits to replace the existing fragmented system, the improvement of the organization and effectiveness of social service delivery, and the targeting of assistance to the most vulnerable groups.

In December 1997, the provision of Industrial Adjustment Services targeted to large-scale layoffs was made a new project component by itself to address unemployment arising from the dismissal of a large number of workers from State-owned enterprises (SOE) restructured under adjustment operations in the financial and agricultural sectors.

The restructuring involved the reallocation of US\$10.5 million to finance the cost of redeploying the labor force affected.

c. Comments on Project Cost, Financing and Dates

The Loan was closed on September 30, 2003, two years behind schedule, mainly because of implementation delays due to high rotation in staff in the Romanian administration and several changes in the legal environment. US\$11.8 million were cancelled as a result of savings due to bids, mainly on IT equipment, substantially lower than appraisal estimates.

3. Achievement of Relevant Objectives:

1) The objective of strengthening the capacity of labor offices was achieved: a National Agency for Employment (NAE) was created in 1998, comprising a network of 292 local offices providing employment services. It is financially sustainable, its staff was trained in the provision of services, and it has achieved an operating ratio of staff/client of 1/177, compared to 1/668 under the pre-project system. However, the objective of developing GOR's capacity to formulate policy and monitor and evaluate developments in the labor market was only partially achieved.

2) The objective of developing a flexible adult training system responding to the demands of a market economy was achieved with the establishment of a National Adult Training Board (NATB) and of 5 regional training centers. The scheme is under a tripartite management, with GOR, employers and trade unions represented. The 5 centers are fully functional and provide training on the basis of a demand driven approach.

3) The objective of reforming the social insurance and social assistance programs was achieved. A new Pension Law, adopted in April 2001, was an important first step towards the goal of achieving financial sustainability of the public pension system. At the same time, progress was made towards the introduction of private pension schemes. The social assistance programs were restructured with the adoption of two laws in 2001: (i) the Minimum Income Guarantee Benefit Law (MIG Law) introducing a conditional proxy-means tested cash benefit targeted to the poorest families in replacement of an income support system; and (ii) the National Social Assistance Framework Law establishing a decentralized, consolidated and efficient social assistance program with financial viability.

4. Significant Outcomes/Impacts:

1) A modern national framework for the provision of employment and social security services is in place with efficient delivery structures established at the regional and local levels with a country-wide reach.

2) Over the project, services and programs under the NAE reached some 557,735 job seekers, out of whom 491,872 found permanent employment.

3) The burden of the public pension system on public finances has been reduced.

4) The negative social impact of the large-scale restructuring of SOEs was mitigated thanks to the 1997 labor redeployment component.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The key objective of developing the tools required for MOLSP to (i) to monitor and evaluate employment and social protection programs and (ii) to adjust related policies accordingly was very partially achieved. As a result, the capacity of its staff to perform these tasks was not developed, thereby limiting MOLSP's leadership role in labor policy formulation.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	High	Substantial	See Section 5.
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1) Appraisal teams should carefully evaluate the time and conditions required for preparing, adopting, or amending legislation, especially in areas with very sensitive political and social ramifications.

2) Without clear monitoring tools to evaluate the specific results of the project -financed employment services, it is difficult to dissociate its impact in terms of increase in employment from that of other possible factors; similarly, for a change in incidence of poverty.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

Although OED rates the quality of the ICR satisfactory, the ICR has important shortcomings. It fails to provide some of the key information necessary to evaluate outcome and results in a clear and concise manner. Instead, it is replete with unnecessary information making the reading confusing and difficult. In addition, it should have been carefully edited for structure, style, data and dates.

