IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-45090)

ON A

LOAN

IN THE AMOUNT OF US$ 44.5 MILLION

TO

ROMANIA

FOR A

MINE CLOSURE AND SOCIAL MITIGATION PROJECT

June 29, 2007
CURRENCY EQUIVALENTS

(Exchange Rate Effective - October 31, 2006)

Currency Unit = Romanian New Leu (Plural Lei)
RON 1.00 = US$ 0.42
US$ 1.00 = RON 2.36

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
</tr>
<tr>
<td>CGMC</td>
<td>Central Group for Mine Closures</td>
</tr>
<tr>
<td>INS</td>
<td>National Institute for Statistics</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>GOR</td>
<td>Government of Romania</td>
</tr>
<tr>
<td>MCSMP</td>
<td>Mines Closure and Social Mitigation Project</td>
</tr>
<tr>
<td>MEC</td>
<td>Ministry of Economics and Trade</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information System</td>
</tr>
<tr>
<td>MLSS</td>
<td>Ministry of Labor and Social Solidarity</td>
</tr>
<tr>
<td>MOWFEP</td>
<td>Ministry of Water, Forests and Environmental Protection</td>
</tr>
<tr>
<td>MOIC</td>
<td>Ministry of Industry and Commerce</td>
</tr>
<tr>
<td>NAD; AZM</td>
<td>National Agency for Development and Implementation of the Programs for Reconstruction of the Mining Regions</td>
</tr>
<tr>
<td>NAMR</td>
<td>National Agency for Mineral Resources</td>
</tr>
<tr>
<td>NIS</td>
<td>National Institute for Statistics</td>
</tr>
<tr>
<td>PIU</td>
<td>Project Implementation Unit</td>
</tr>
<tr>
<td>QPR</td>
<td>Quarterly Progress Report of NAD</td>
</tr>
<tr>
<td>TMCP</td>
<td>Technical Mine Closure Plan</td>
</tr>
<tr>
<td>REPA</td>
<td>Romanian Environment Protection Agency</td>
</tr>
<tr>
<td>RSDF</td>
<td>Romania Social Development Fund</td>
</tr>
<tr>
<td>SDS</td>
<td>Social Development Strategy</td>
</tr>
<tr>
<td>PIP</td>
<td>Public Information Point</td>
</tr>
<tr>
<td>SEA</td>
<td>Sector Environmental Assessment</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium-Sized Enterprises</td>
</tr>
</tbody>
</table>

Vice President: Shigeo Katsu
Country Director: Anand Seth
Sector Manager: Maninder Gill
Task Team Leader: Mark Woodward
ROMANIA
MINE CLOSURE AND SOCIAL MITIGATION PROJECT

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MAP
# A. Basic Information

<table>
<thead>
<tr>
<th>Country:</th>
<th>Romania</th>
<th>Project Name:</th>
<th>Mine Closure &amp; Social Mitigation Project</th>
</tr>
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<tbody>
<tr>
<td>Project ID:</td>
<td>P056337</td>
<td>L/C/TF Number(s):</td>
<td>IBRD-45090</td>
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<tr>
<td>ICR Date:</td>
<td>06/29/2007</td>
<td>ICR Type:</td>
<td>Core ICR</td>
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<tr>
<td>Lending Instrument:</td>
<td>SIL</td>
<td>Borrower:</td>
<td>ROMANIA</td>
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<tr>
<td>Original Total Commitment:</td>
<td>USD 44.5M</td>
<td>Disbursed Amount:</td>
<td>USD 44.5M</td>
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**Environmental Category:** B

**Implementing Agencies:**
- Ministry of Economy and Commerce

**Cofinanciers and Other External Partners:**

# B. Key Dates

<table>
<thead>
<tr>
<th>Process</th>
<th>Date</th>
<th>Process</th>
<th>Original Date</th>
<th>Revised / Actual Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal:</td>
<td>03/01/1999</td>
<td>Restructuring(s):</td>
<td></td>
<td>10/24/2003</td>
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<tr>
<td></td>
<td></td>
<td>Closing:</td>
<td>06/30/2005</td>
<td>10/31/2006</td>
</tr>
</tbody>
</table>

# C. Ratings Summary

**C.1 Performance Rating by ICR**

- **Outcomes:** Highly Satisfactory
- **Risk to Development Outcome:** Moderate
- **Bank Performance:** Satisfactory
- **Borrower Performance:** Satisfactory

**C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ratings</th>
<th>Borrower</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality at Entry:</td>
<td>Satisfactory</td>
<td>Government:</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Quality of Supervision:</td>
<td>Satisfactory</td>
<td>Implementing Agency/Agencies:</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall Bank Performance:</td>
<td>Satisfactory</td>
<td>Overall Borrower Performance:</td>
<td>Satisfactory</td>
</tr>
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</table>

**C.3 Quality at Entry and Implementation Performance Indicators**

<table>
<thead>
<tr>
<th>Implementation Performance</th>
<th>Indicators</th>
<th>QAG Assessments (if any)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Problem Project at any time (Yes/No):</td>
<td>No</td>
<td>Quality at Entry (QEA):</td>
<td>None</td>
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</table>
Problem Project at any time (Yes/No): No  
Quality of Supervision (QSA): None  
DO rating before Closing/Inactive status: Highly Satisfactory

D. Sector and Theme Codes

<table>
<thead>
<tr>
<th>Sector Code (as % of total Bank financing)</th>
<th>Original</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>Central government administration</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Micro- and SME finance</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Mining and other extractive</td>
<td>61</td>
<td>41</td>
</tr>
<tr>
<td>Other social services</td>
<td>16</td>
<td>26</td>
</tr>
</tbody>
</table>

| Theme Code (Primary/Secondary)          |            |        |
|-----------------------------------------|            |        |
| Environmental policies and institutions | Secondary  | Secondary |
| Improving labor markets                 | Primary    | Primary |
| Public expenditure, financial management and procurement | Primary | Primary |
| Regulation and competition policy       | Secondary  | Secondary |
| Social risk mitigation                  | Primary    | Primary |

E. Bank Staff

<table>
<thead>
<tr>
<th>Positions</th>
<th>At ICR</th>
<th>At Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President:</td>
<td>Shigeo Katsu</td>
<td>Johannes F. Linn</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Anand K. Seth</td>
<td>Andrew N. Vorkink</td>
</tr>
<tr>
<td>Sector Manager:</td>
<td>Maninder S. Gill</td>
<td>Hinderikus Busz</td>
</tr>
<tr>
<td>Project Team Leader:</td>
<td>Mark C. Woodward</td>
<td>John E. Strongman</td>
</tr>
<tr>
<td>ICR Team Leader:</td>
<td>Mark C. Woodward</td>
<td></td>
</tr>
<tr>
<td>ICR Primary Author:</td>
<td>Bekim Imeri</td>
<td></td>
</tr>
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</table>

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)
The development objective of the project is to support the Governments efforts to reduce the burden on the national budget by permanently closing uneconomic mines in a socially and environmentally sustainable manner and to provide support to the modernization of the sector's administrative framework. This objective would be achieved through support for the following three components:(i) closure of 29 uneconomic mines and the environmental remediation of mine sites; (ii) financing of social mitigation initiatives to
help diversify the local economy in support of the Governments restructuring program for the mining sector; and (iii) technical and institutional assistance for modernizing the administration of mineral rights

The project aims at: (i) developing effective procedures for a technically and environmentally sound approach to the formal closure of uneconomic mines, (ii) identification of measures that would be most effective in mitigating the social hardships resulting from the restructuring of the sector, and assistance in creating diversified employment opportunities for redundant labor, and (iii) strengthening the agencies involved in restructuring the sector and introducing a modern mining licensing system.

Revised Project Development Objectives (as approved by original approving authority)

(a) PDO Indicator(s)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline Value</th>
<th>Original Target Values (from approval documents)</th>
<th>Formally Revised Target Values</th>
<th>Actual Value Achieved at Completion or Target Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 1</strong>: Number of mines closed and environmentally remediated</td>
<td>0</td>
<td>29</td>
<td>31</td>
<td>05/01/1999, 06/30/2005, 10/31/2006</td>
</tr>
<tr>
<td><strong>Indicator 3</strong>: Number of jobs created/sustained by the project</td>
<td>0</td>
<td>20,000</td>
<td>21,600</td>
<td>05/01/1999, 06/30/2005, 06/30/2006</td>
</tr>
<tr>
<td><strong>Indicator 4</strong>: Amount of budget subsidies for voluntary redundancies, social mitigation, mine closures and environmental remediation</td>
<td>0</td>
<td>US$50 million, US$83 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


### Indicator 5:

Progress in the implementation of a modern mining licensing system (a) Legal Study, (b) Mining Cadastre and Minerals Title Registry

<table>
<thead>
<tr>
<th>Value (quantitative or Qualitative)</th>
<th>Date achieved</th>
<th>Comments (incl. % achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>05/01/1999</td>
<td>09/30/2003</td>
</tr>
</tbody>
</table>

#### (b) Intermediate Outcome Indicator(s)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline Value</th>
<th>Original Target Values (from approval documents)</th>
<th>Formally Revised Target Values</th>
<th>Actual Value Achieved at Completion or Target Years</th>
</tr>
</thead>
</table>

### Indicator 1:

Establishment of a national agency for the closure of uneconomic mines with legal, financial and managerial autonomy

<table>
<thead>
<tr>
<th>Value (quantitative or Qualitative)</th>
<th>Date achieved</th>
<th>Comments (incl. % achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>05/31/2003</td>
<td></td>
</tr>
</tbody>
</table>

### Indicator 2:

Preparation of a time bound program for the closure of uneconomic mines and phasing out of subsidies

<table>
<thead>
<tr>
<th>Value (quantitative or Qualitative)</th>
<th>Date achieved</th>
<th>Comments (incl. % achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>05/31/2003</td>
<td></td>
</tr>
</tbody>
</table>

### Indicator 3:

Number of borrowers obtaining micro-enterprise loans

<table>
<thead>
<tr>
<th>Value (quantitative or Qualitative)</th>
<th>Date achieved</th>
<th>Comments (incl. % achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>05/01/1999</td>
<td>06/30/2005</td>
</tr>
</tbody>
</table>

3,910 of which 715 small businesses, 3,195 family enterprises
| Indicator 4: Number of businesses established through the Enterprise Support Program and Workspace Centers |
|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| **Value** (quantitative or Qualitative) | New businesses: ESP 1,078, WSC 100 | New businesses: ESP 1,078, WSC 100 |
| **Date achieved** | 06/30/2005 | 03/31/2006 |
| **Comments** (incl. % achievement) | | |

| Indicator 5: Number of beneficiaries from training and employment incentive schemes |
|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| **Value** (quantitative or Qualitative) | 0 | 5000 | 7412 |
| **Date achieved** | 05/01/1999 | 06/30/2005 | 03/31/2006 |
| **Comments** (incl. % achievement) | | |

| Indicator 6: Completion of the Sectoral Environmental Assessment and implementation of its recommendations (a) SEA, (b) Environmental regulations/procedures for the mining sector |
|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| **Value** (quantitative or Qualitative) | Basic study completed. Addendum signed 07/29/02 to extend study | Environmental management plan for Lupeni min and mill completed; monitoring and cleanup program for mill recommended |
| **Date achieved** | 07/29/2002 | |
| **Comments** (incl. % achievement) | | |

| Indicator 7: Number and value of sub-projects implemented under SDSMC. |
|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| **Value** (quantitative or Qualitative) | 0 | 100 projects, value $5,000,000 | 112 projects, US$ 2,117,626 |
| **Date achieved** | 06/30/2004 | 06/30/2006 | 03/31/2006 |
| **Comments** (incl. % achievement) | | | |
G. Ratings of Project Performance in ISRs

<table>
<thead>
<tr>
<th>No.</th>
<th>Date ISR Archived</th>
<th>DO</th>
<th>IP</th>
<th>Actual Disbursements (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12/29/1999</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>06/30/2000</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>0.41</td>
</tr>
<tr>
<td>3</td>
<td>12/27/2000</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>0.78</td>
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<tr>
<td>4</td>
<td>06/26/2001</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>1.68</td>
</tr>
<tr>
<td>5</td>
<td>12/21/2001</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>3.18</td>
</tr>
<tr>
<td>6</td>
<td>03/19/2002</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>3.57</td>
</tr>
<tr>
<td>7</td>
<td>06/27/2002</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>4.20</td>
</tr>
<tr>
<td>8</td>
<td>12/03/2002</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>5.67</td>
</tr>
<tr>
<td>9</td>
<td>06/17/2003</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>9.28</td>
</tr>
<tr>
<td>10</td>
<td>12/19/2003</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>14.62</td>
</tr>
<tr>
<td>11</td>
<td>06/24/2004</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>19.07</td>
</tr>
<tr>
<td>12</td>
<td>12/21/2004</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>24.72</td>
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<tr>
<td>13</td>
<td>06/07/2005</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>27.71</td>
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<tr>
<td>14</td>
<td>11/10/2005</td>
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<td>Satisfactory</td>
<td>32.84</td>
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<tr>
<td>15</td>
<td>07/27/2006</td>
<td>Highly Satisfactory</td>
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<td>40.90</td>
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<tr>
<td>16</td>
<td>10/30/2006</td>
<td>Highly Satisfactory</td>
<td>Satisfactory</td>
<td>42.90</td>
</tr>
</tbody>
</table>

H. Restructuring (if any)

<table>
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<tr>
<th>Restructuring Date(s)</th>
<th>Board Approved PDO Change</th>
<th>ISR Ratings at Restructuring DO</th>
<th>ISR Ratings at Restructuring IP</th>
<th>Amount Disbursed at Restructuring in USD millions</th>
<th>Reason for Restructuring &amp; Key Changes Made</th>
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</thead>
<tbody>
<tr>
<td>10/24/2003</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>12.96</td>
<td></td>
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</table>
I. Disbursement Profile
Introduction

The former communist regime in Romania sought to achieve economic self-sufficiency. One consequence of this policy was that mines were opened all around the country without consideration of their viability. By the latter part of the 1990s, when the Mine Closure and Social Mitigation Project (MCSMP) was prepared, many of these mines had become a significant drain on resources but stopping production was expected to produce significant adverse environmental and social consequences. The MCSMP was therefore designed to support the Government’s efforts to reduce the burden on the national budget by permanently closing uneconomic mines in a socially and environmentally sustainable manner. This was to be accomplished through a set of activities designed to provide environmental remediation at mine sites, mitigate the social impact of stopping production, and build related capacity within the National Agency for Mineral Resources.

Despite the slow startup recorded in the project’s disbursement profile, the project has been very successful in achieving its objectives. With one exception all key performance indicator targets have been surpassed. In addition a Poverty and Social Impact Assessment (PSIA) carried out in 2005 validates this conclusion. Furthermore, considerable savings were achieved on technical mine closure activities. This meant not just that two more mines than originally envisaged could be closed, but also that more social mitigation activities could be carried out. Not only were additional funds added to the social mitigation component, but also an additional sub-component was added. The project was extended by 15 months so that these new activities could be completed. In addition, over the course of implementation the approach was improved to put greater focus on former mining communities. This is the case both with respect to mine closure, where the implementing agency learned that community collaboration improves impact, and social mitigation, where it was found that often the more significant social impact is not on the ex-miners, who benefit from severance packages, but on others in their communities. As a result both the activities of the project and their impact ended up being broader than originally envisaged.

1. Project Context, Development Objectives and Design
   (this section is descriptive, taken from other documents, e.g., PAD/ISR, not evaluative)

1.1. Context at Appraisal
   (brief summary of country and sector background, rationale for Bank assistance)

Country and Sector Background: Harnessing energy and mineral resources had been the cornerstone of Romania’s economic development strategy since the 1950s. Not only was economic self-sufficiency a key national priority under the previous regimes, the country

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1 It should be noted that technical mine closure, or simply mine closure, does not refer to stopping production at a mine. Rather it refers to the decommissioning and reclamation of a mine site after production has ceased. In other words, it seeks to return a mine site to a condition in which it can have other uses with environmental impacts eliminated or mitigated.
also had vast reserves of mineral resources. This resulted in a much larger mining sector than was economically justified under market conditions and extensive budgetary support was required. In 1989, when output reached its peak, there were 278 mines in operation.

About 90% of all mining activities in Romania were carried out by six state-owned National Mining Companies whose status was converted from state-owned enterprises to national joint stock companies during 1998/99. There was also a state-owned salt mining company and a state-owned mineral water company. In addition, there were nine technical and research Mining Institutes (MRTIs) that provided mine design and engineering services and eleven joint stock exploration companies. However, all MRTIs were converted into joint stock companies in 1998 and two of them had been privatized. As of 1996, government subsidies to the sector were about 385 million USD. In order to stop vast loss of funds, the Government decided to: (i) stop all of the activities done in dangerous working conditions or where reserves were close to being exhausted; (ii) reduce the labor force in the sector; and (iii) increase investments in mines considered to be economically viable.

This resulted in massive layoffs of workers and precipitated a sharp decline in general economic activity in the mining regions, adding to the unemployment in these regions in the midst of a sharp overall economic decline and instability. In response to this situation, in 1998, the Government adopted a comprehensive strategy to:

- put the mining industry on a sound commercial footing;
- phase out the Government's direct involvement and seek private sector investment;
- ensure that mining activities were carried out in an environmentally sustainable manner; and
- provide comprehensive support to: (a) mitigate the social hardships caused by the closure of uneconomic mines; and (b) revitalize the economies of the mining regions.

**Romania’s CAS goals for 1999-2001**: The Bank's country assistance strategy for Romania had four major objectives: (a) to promote structural reforms and private sector development; (b) to alleviate poverty and develop human capital; (c) to promote reform of the public sector; and (d) to protect the environment. The proposed project was to contribute to these objectives as follows:

- Promoting Structural Reforms and Private Sector Development. The project was to provide support for (a) the development of a modern mining licensing system to help facilitate private investment into the mining sector; (b) the institutional strengthening of the agencies involved in the closure of mines, the environmental remediation of mine sites, and the management of licensing system; and (c) preparation and implementation of studies regarding legal reforms, subsidies, additional mine closures, SOE reform and environmental improvements.

- Alleviating Poverty and Development of Human Capital. The project was to: (a) provide technical assistance to National Agency for Development and Implementation of the Programs for Reconstruction of the Mining Regions (NAD), which is the agency established to coordinate efforts to revitalize affected
mining regions and organize social mitigation for mining communities; and (b) help finance NAD's support to specialized agencies and service providers to help them create jobs and assist ex-miners and other unemployed in the mining regions in finding alternate sources of income.

- Promoting Public Sector Reform. The project was to support establishment of a Department of Mines to administer the mining sector within NAMR, which has become responsible for administering the mining sector in addition to the petroleum sector.

- Protecting the Environment. The project was to support: (a) the preparation of a comprehensive Sector Environmental Assessment, which would create baseline data for the mining regions, identify the main environmental issues arising from mining activities, and define priority areas for future environmental remediation efforts; and (b) financing of the environmental remediation of the specific mine sites whose closure was to be supported under this project.

**Bank Rationale for assistance:** While the government had a policy framework for mining reform, it had no clear action plan for implementation of the restructuring framework. World Bank assistance provided much needed technical guidance and operational support in this context especially given that Romania was a transition country with little experience in implementing large scale restructuring reforms. In comparison with similar processes of mine closures in Western European countries, in Romania the changes in the mining industry led to major social problems that exacerbated the problems associated with the transition to a market economy. As a result, there was a need for a more comprehensive approach to assist the government efforts to restructure the sector in a manner that not only addressed long-term issues but also produced some visible results in the short term especially in alleviating the adverse social effects from the reforms.

**1.2. Original Project Development Objectives (PDO) and Key Indicators (as approved)**

The development objective of the project is to support the Government’s efforts to reduce the burden on the national budget by **permanently closing uneconomic mines in a socially and environmentally sustainable manner** and to provide support to the **modernization of the sector’s administrative framework.** This objective would be achieved through support for the following three components: (i) closure of 29 uneconomic mines and the environmental remediation of mine sites; (ii) financing of social mitigation initiatives to help diversify the local economy in support of the Governments restructuring program for the mining sector; and (iii) technical and institutional assistance for modernizing the administration of mineral rights. The project aims at: (i) developing effective procedures for a technically and environmentally sound approach to the formal closure of uneconomic mines, (ii) identification of measures that would be most effective in mitigating the social hardships resulting from the restructuring of the sector, and assistance in creating diversified employment opportunities for redundant labor, and (iii) strengthening the agencies involved in restructuring the sector and introducing a modern mining licensing system.
1.3. Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification
The PDO and Key Indicators were not revised.

1.4. Main Beneficiaries
(original and revised, briefly describe the "primary target group" identified in the PAD and as captured in the PDO, as well as any other individuals and organizations expected to benefit from the project)

Primary beneficiaries within mining regions consist of current and ex-workers in the mining sector. While miners and ex-miners are the primary target group, the entire population living in the targeted mining communities benefit in the long run by the improved environment, economic conditions, and the social and environmental mitigation measures.

The restructuring in the sector has also affected non-mining workers since demand for secondary industries and services has decreased. In addition, the mining regions suffered severe declines in the quality and quantity of social services. Although such elements of social care as education and health are nominally free of charge, the deteriorating state of these services and under-funding has led to deterioration of the living conditions of the population. Thus, in general the mining communities should be considered as beneficiaries as well.

Other key stakeholders: Within the mining regions, NAD has catalyzed the formation of Local Consultative Committees (LCC) consisting of local government functionaries, and representatives of public agencies, local entrepreneurs, mine management, labor unions, and NGOs. The LCC is a useful interlocutor between the Government and mining communities. Other key national stakeholders have also benefited as part of the institutional strengthening component which endeavors to provide support to the modernization of the sector's administrative framework.

1.5. Original Components (as approved)
The activities to be funded under the project were: (i) closure of 29 uneconomic mines and the environmental remediation of mine sites; (ii) financing of social mitigation initiatives to help diversify the local economy in support of the Government’s restructuring program for the mining sector; and (iii) technical and institutional assistance for modernizing the administration of mineral rights.

Component 1: Technical mine closure activities and environmental remediation of mine sites.

This component was designed to help the Central Group for Mine Closures (CGMC) to effectively close and do environmental remediation of the 29 mines that have ceased operations. Because Romania did not have regulations to clarify procedures for the physical closure of mines, CGMC used technical assistance in preparation of the specifications for the closure and environmental remediation. The consultants had to
assist CGMC in selecting the contractors and later in auditing the work of the contractors. The consultants and the auditors involved CGCM in all steps for all 29 mines.

**Component 2:** Social mitigation activities for the mining regions that suffered from the restructuring of the sector.

The second component under this loan was designed to (1) enhance Government’s efforts to lessen hardships resulting from the cessation of production in mines and (2) to test the effectiveness of a social mitigation strategy in Romania. The component includes:

- **Enhancing the Effectiveness of NAD.** NAD being a newly formed agency with the mandate to deal with the consequences of the mine closure needs to build its capacity. This subcomponent was not budgeted under the loan but the program was financed through DFID.

- **Micro-Credit Fund for the Mining regions.** The fund was to respond to the need for micro-credit to encourage micro-enterprises in the environment where credit is constrained by hard to meet collateral requirements. The funds were implemented by NGO micro-finance institutions.

- **Establishing Workspace centers and Enterprise Support Program.** Start-up businesses were to be supported through business incubation centers. These centers will be established in 14 mining regions as initial target. The buildings at closing mines will be transferred to local government and will be dedicated to this purpose. Consultancy services will be provided by one or more NGOs specialized in enterprise development.

- **Employment and Training Incentives.** One of the major constraints identified for re-training under the World Bank Labor Redeployment Project was that the training offered did not guarantee jobs or was not always relevant to the kinds of jobs available. Building on the existing mechanism, the project was to underwrite the cost of on-the-job training by providing entrepreneurs willing to hire unemployed people an employment and training incentive of US$500 per person recruited for one year. The entrepreneur was to be responsible for providing on-the-job training.

- **Social Dialogue and Public Information Centers Program.** NGOs were to be contracted to assist NAD in community outreach and social dialogue. This was to include support for the public provision of pre- and post-redundancy services and career counseling to unemployed workers in the mining regions. The NGOs were to assist NAD and CGMC regarding stakeholder consultations for the 29 mines to be closed. With the help of the consultant, the project was to design a public information strategy to facilitate communication with primary beneficiaries and other stakeholders in the mining regions. The consultant was also to produce materials for NAD, in accordance with that strategy.

- **Management Information System and Social Impact Monitoring System.** The subcomponent was to establish a Management Information System to track social outcomes of the redundancy process and carry out annual monitoring and social impact assessments through an independent consulting firm. The function of the firm was to support NAD in its monitoring activities.
- **Vehicles.** The subcomponent was to purchase four-wheel vehicles and a mini bus to support NAD’s field activities.

**Component 3: Institutional strengthening**

The objective of this component was to strengthen NAMR so that it could effectively carry out its responsibilities for the administration and regulation of the 1998 Mining Law. The following sub-components had been approved for the institutional strengthening component.

- **Mining Cadastre Control and Mining Title Registry.** This subcomponent was to finance establishment of computerized mining cadastral control system. It was to include procurement of computer hardware and software compatible with the system already existing in NAMR in order to develop the geological and mineral resources database. Training and consulting was to be provided to NAMR to receive applications and register all licenses, permits and other transactions in the official cadastral file.

- **Exploration and Exploitation concession inspection.** The Mining Law mandates NAMR to inspect mineral license and permit areas in order to ensure proper conduct of the operators, from exploration through exploitation to official closure, in accordance with the law and its norms and regulations. To facilitate this, NAMR mining inspectors were to be given training (including study tours) focused on exploration concession and mine-site assessments. The purchase of on-site monitoring and communications equipment was also included in this sub-component.

- **Study of Mining Law associated Laws and Regulations and Institutional, Arrangements including collection of mineral fees, taxes and royalties.** The subcomponent was to provide legal analysis, consulting and training to NAMR staff regarding the legal procedures and linkages with other legislation and regulations of the various provisions of the Mining Law, concession contracts, competitive bids, environmental guaranties, joint ventures, license transfers and other transactions. The study includes an assessment of institutional arrangements for the sector including the provision of data and maps to potential investors. It also includes a survey of how private sector investors perceive the mining legal and institutional frameworks. Financial consulting and in-house training will focus on the ability of NAMR professionals to assess, approve and collect royalty submissions, fees, guarantees and other financial transactions.

- **Mining Sector Environmental Management.** Through this component consulting and training was to be provided to NAMR environmental management specialists and REPA mining sector personnel. The main elements of this sub-component were to: (i) design appropriate environmental rehabilitation regulations and manuals for the mining sector; and (ii) improve the professional capability of NAMR inspectors and environmental specialists, and REPA to assess and monitor the submissions from applicants and license holders, as required by the Mining Law.
- *Mining Sector Investment Study.* This subcomponent was to provide assistance for a mining sector investment study. The study aimed to promote private investment through advertisement in international mining related journals and on the Internet.

- *Mining Sector Environmental Assessment.* This sub-component was to carry out a comprehensive assessment of the environmental issues in the mining sector (SEA). The assessment would establish priorities and provide appropriate monitoring procedures and cost estimates for environmental remediation. The NAMR was to hire consultants for the preparation of this assessment and closely involve MOWFEP and MOIC in all phases.

**Component design related to Development Objectives**

The design of components is in line with the Project Development Objectives and the components directly address Romania's efforts to restructure the mine sector. The components are designed to focus on three main issues - modernization of the legislation and improving capacity of the regulatory bodies, environmental issues, and addressing the social hardships that resulted from layoffs. In addition the project is in line with Romania’s commitments towards decreasing subsidies in the sector as part of reform efforts. It is important to underline that the design of the project supports institutions that will ensure sustainability of reforms.

**Incorporated Lessons**

Lessons learned from implementation of the two ongoing Romania energy sector projects as well as the labor redeployment program were incorporated into project design. The Labor Redeployment Program component of the Employment and Social Protection Project highlighted the fact that nationwide programs are by nature dispersed and cannot deliver the concentrated attention and effort necessary to make social mitigation in a specific high priority sector a success. Lessons from micro credit programs in other ECA countries also point to the advantages in using a specialized agency. Hence, dedicated institutions such as NAD were established for the project.

The project also benefited from Bank experience in other countries. The Bank is helping finance similar mining restructuring programs in Ukraine, Poland, and Russia. While the approach taken under each of these operations differed, they all had the following objectives: (a) to assist the Government, where required, in the closure of uneconomic mines in an environmentally sound manner that protects above all the health and safety of the people that remained in the affected mining areas; (b) where closures occurred, to cushion the social hardships, the decline of living standards and the deterioration of social assets, such as hospitals and schools; and (c) to encourage the creation of a fiscal, legal and administrative structure that would attract private investment.

Other key lessons incorporated into the project were:

- The MCSMP project is structured in a way so as to enable easy transfer of know-how by embedding PIUs staffed with experienced consultants within the agencies involved in the implementation of the reforms, i.e., NAD, CGCM and the NAMR.
- Recognition of the importance of local organization capacity led to the creation of regional units of the NAD.
- Reliance on specialized agencies for coordinating micro-credit programs.
- A comprehensive approach to the mine restructuring program.
- The mine cadastre subcomponent builds on the existing petroleum-oriented computer capabilities and database development in NAMR.

1.6. Revised Components

While the project objectives were not changed, some components were revised as a result of the learning that took place during implementation. As described below, the additional sub-components were financially supported by the savings that occurred in the Mine Closure component.

Mine Closure Component Adjustments
The estimated budget for the closure component was 27 million USD whereas closure cost for the initial 29 mines was set at 12 million USD. Part of the savings - 4.5 million USD - was used to finance the closure of two more mines - Dalja and Somova. The implementation of the closures was slightly different from the other mines because the PIU-CGMC and the design institutes produced closure plans and contract documents for these two additional mines without consultant involvement. As a result the project duration increased from 3 years to 5 years.

Social Mitigation Component Adjustments
The most significant change in the social mitigation component was the inclusion of an additional subcomponent - the Social Development Scheme – which extended the activities of the Romanian Social Development Fund (RSDF) to the mining regions. This was an efficient way to add community-driven local development projects, (small infrastructure, community based social services, and income generating activities) to the project as RSDF had already acquired considerable experience (notably under the IBRD-funded Social Development Fund APL) in implementing such activities. The scheme started in 2004 and continued until the end of the project. USD 5.55 million was allocated to this sub-component and activities were only implemented in the targeted mining regions.

The Micro-Credit Program was also revised – an additional USD 1.5 million was allocated to enable the expansion of the program within the targeted regions. The scheme was designed to respond to the need for micro-credit in an environment where accessing capital typically involved strict collateral requirements. The program used two contractors – CHF and CDE – in order to cover all five mining regions. CHF operated in two regions and focused on lending to enterprises; CDE operated in the other three regions and employed a group based lending approach with a focus on individual entrepreneurs. The program design was subsequently altered to allow the two micro-credit agencies to operate in each other’s areas since both agencies had different client groups - CHF targeted businesses and CDE focused on communities. So the end result of the adjustment was to expand the target area of the two approaches.
The eligibility criteria for the Employment and Training Incentives Scheme was revised to include not just former miners with marketable skills but also relatives and other unemployed people in the region as this was seen to be an effective way to contribute the overall socio-economic development of the region. An additional sum of USD 1.85 million was reallocated for this scheme even though there were no changes in the implementation arrangements.

There was a minor adjustment in the Public Information and the Social Dialogue sub-component. Initially, one agency was contracted to carry out the required activities in all five regions, however, due to poor performance of the contractor, NAD terminated that contract and assigned the public information tasks, by means of contract amendments, to the consultants already contracted for Workspace Centers’ Management and Enterprise Support, with prior approval by the Bank.

**Institutional Strengthening Component**

This component did not change significantly. Additional IT equipment was purchased and installed in the regions in order to provide better access to the central database and GIS. An environmental management plan was piloted in Jiu Valley following the recommendations of the sector environmental assessment. The pilot included purchasing of goods and training for a mobile laboratory for environmental monitoring, water pollution and subsidence monitoring.

**1.7. Other significant changes**

*(in design, scope and scale, implementation arrangements and schedule, and funding allocations)*

In October 2003, a significant financial reallocation took place in the project - US$11.7 million savings from the mine closure component were reallocated, mostly towards social mitigation activities. The savings occurred as a result of using competitive international bidding procedures for mine closure packages. Overall, almost US$20 million were reallocated to the social mitigation component from both contingencies and savings under the other components.

**2. Key Factors Affecting Implementation and Outcomes**

**2.1. Project Preparation, Design and Quality at Entry**

*(including whether lessons of earlier operations were taken into account, risks and their mitigations identified, and adequacy of participatory processes, as applicable)*

The project was identified in March 1998. At that time the Government was preparing a program for the technical closure of 174 uneconomic mines and, to this end set up a Central Group for Mine Closures (CGMC) within MOIC to take over and close the mines. The project filled a critical need in establishing and testing effective mechanisms for mine closure and the mitigation of social and environmental impacts. The project was intended as a pilot that would pave the way for future closures. As such (and as noted in
section 1.5), the project drew extensively on experience in mining sector restructuring in Ukraine, Poland, and Russia as well as with the energy sector and labor redeployment in Romania.

By today’s standards the Project Development Objective was a bit vague in stating that the project would “provide support for the Government’s efforts to reduce the burden of mining on the national budget”. However this vagueness is mitigated by the further precision, “by closing uneconomic mining capacity in an economically, socially and environmentally sustainable way” which is monitorable and easily attributable to the project. Since the project objectives were interlinked with Government’s strategy for mine restructuring, the project design paid particular emphasis to the learning process to identify and address key issues in mining strategy development and thereby better inform broader scale interventions.

The Project Appraisal Document (PAD) provided an overall risk rating of “substantial”, based on an assessment of 11 different risks focused primarily on issues of commitment, capacity, and institutional environment. In the Romanian environment at that time these risks were appropriate. Mitigation measures were spelled out in some detail and subsequently acted upon. One may note that, as anticipated in the risk analysis, it did take time to build adequate institutional capacity, something that is reflected in disbursements that were initially slower than anticipated. Both because of the anticipated risks and because the project was conceived as a first step in a much broader program of restructuring the mining sector, the project emphasized building the capacities of the institutions implementing the components. Since these institutions were (and are) part of government structures this capacity is expected to outlive the project.

From the start participatory processes were built into project activities. Indeed the PAD could be considered best practice in including a matrix that indicates the participation of key stakeholders in project preparation along the three dimensions of participation: information sharing, consultation, and collaboration. Project preparation included a Social Assessment of Mining Sector Restructuring, which is summarized in the PAD.

In light of the above quality at entry may be considered satisfactory.

2.2. Implementation

(including any project changes/restructuring, mid-term review, Project at Risk status, and actions taken, as applicable)

While the first and the third components were implemented as per the original design, there were significant changes in the implementation of the social mitigation component, and the Bank team flagged the risk that this component might not fulfill the intended objectives during the midterm review.

One of the primary factors affecting the implementation of the social mitigation component was the weak capacity of NAD. NAD was established in 1997 as a legal public institution subordinated directly to the Government. It was established in response...
to the crisis facing the mining industry and was meant to be an agency that would facilitate negotiations between mining unions and the Government and most of the employees in the agency come from the mining sector. NAD, therefore, had limited capacity to review implementation of the national strategy for energy and its effects on the mining sector; to review and implement the regional development plans for the mining areas; to review of the mines closure programs and implement the program for the reconstruction of the (affected) mining regions; and the management of programs and internal and external funds for the reconstruction of the mining areas.

NAD also underwent frequent re-organizations. From its establishment until 2004, NAD had undergone 6 internal reorganizations. In 2000, NAD’s status was changed and it became a public institution subordinated to the Ministry of Industry and Resources which was subsequently replaced by the Ministry of Economy and Commerce. Given the weak capacity and evolving organizational status of the implementing agency responsible for the social mitigation component, the project not only needed to test measures to achieve results but also simultaneously build capacity of NAD. Testing the measures required an organization with experienced staff and well-functioning systems for management and monitoring and evaluation. The project addressed all these issues by establishing a PIU staffed with experienced consultants within NAD in order to ensure effective project delivery and transfer know how from experienced PIU professionals to NAD.

In order to assess the impacts of the social mitigation component, the project commissioned annual external impact evaluation studies. As a result of the findings from the evaluations, the component was revised and strengthened to include a social development sub-component (as discussed in section 1.6 above).

2.3. Monitoring and Evaluation (M&E) Design, Implementation and Utilization

All three implementing agencies produced annual reports highlighting their progress in terms of outputs and outcomes.

Since the social mitigation component was the most complex aspect of the project there was a strong emphasis on developing a robust M&E system that would provide information on the effectiveness of the different measures which could then be incorporated within the large scale mine sector restructuring program. The NAD-PIU assigned specialized staff to develop the system as well as to build capacities to monitor and evaluate different measures undertaken by the agency. The project invested in a management information system, which is part of the M&E system. All the regional offices of NAD had IT equipment that enabled connections to the central database. Data for each indicator was collected at the local level from the regional offices and then submitted to the central level. Since 2001, NAD-PIU has produced quarterly reports which not only reported on the indicators defined by the measures but also on indicators related to the social-economic situation in the mining region.
2.4. Safeguard and Fiduciary Compliance  
 (*focusing on issues and their resolution, as applicable*)

The project triggered the environmental safeguard policy. The project was expected to have positive environmental impact by building environmental management capacity and undertaking physical improvements and environmental remediation of the mining sites. In parallel, a mining Sector Environmental Assessment (SEA) was undertaken, with assistance from consultants. The study: (i) reviewed the status of the existing environmental legal, regulatory and institutional frameworks and recommended actions for improvement; (ii) undertook an analysis of the impacts of sector activities on the environment and the communities; (iii) estimated the costs of environmental rehabilitation of areas in which the mines would be closed; and (iv) established appropriate environmental policies and monitoring procedures. The Project was classified as category B because the work was to be performed by experienced international contractors selected through international competitive bids.

All activities within the mine closure component involved necessary due diligence in relation to environmental issues.

The Activities were implemented in four phases and DIFD sponsored technical assistance for all the four phases.

**Phase 1** Reviewing of the Technical Mine Closure Plans (TMCP) for each mine.

**Phase 2** Assisting in the introduction of World Bank contracting procedures by direct support for preparation of the contract documentation and assistance to the PMU and PIU-CGMC with the contract tendering procedure.

**Phase 3** Conducting audits of each of the four mine groups during closure contract implementation.

**Phase 4** Conducting a final audit on completion of the works.

In the Phase I, after the desk review, the DFID funded consultant was required to do a field assessment of each of the 29 proposed mines to be closed. The site assessments focused on technical and environmental issues and the TMCP. After the site assessments, the consultant commissioned the design institutes to carry out a more comprehensive technical and environmental risk assessment. In addition, the stakeholder consultation process was reviewed with all parties, including the Ministry, statutory bodies and local communities.

In the Phase III, quarterly audits were carried out during the closure works for all groups. The mine sites were audited to ensure that the technical and environmental issues were being addressed adequately and meeting all required contractual obligations. The sites were audited by the DFID technical advisor, consultants, representatives of the design institutes, the contractor and the engineer. The audits not only looked at the technical,
environmental and contractual aspects of the closure but also at the interaction between the contractor and the local population. Reports were produced after each audit to enable the PIU to follow up on specific issues identified during the audit. The audits served as a tool for knowledge sharing as well as for monitoring and evaluation and resulted in the timely identification of potential issues.

2.5. Post-completion Operation/Next Phase

The MCSMP took several steps to ensure that operations and maintenance would be satisfactory and institutional capacity would be sustained. The project addressed larger institutional issues as well as issues of day to day management with respect to the post completion phase.

At the institutional level, the main concern was to develop institutional capacity to sustain activities beyond the project duration. While the CGMC successfully carried out the closure of 31 mines, the project also produced a manual for mine closure procedures based on the international best practice. The manual was produced by the PIU in collaboration with DFID sponsored consultants. The mine closure manual was produced and issued by Ministerial order (2001) and this formed the legal basis for the closure of all public mines in Romania. Additional annexes were produced later which included updated information that applied to private mines as well. Since January 2002, the manual has been applied to closure designs and civil works for 20 mine sites under the CGMC mine closure administration. An important part of the closure procedures are social mitigation and consultation requirements and these have been incorporated in the legislative framework for mine closures giving NAD greater authority to fulfill its mandate.

Under the social mitigation component, activities aim to augment the Government’s efforts to bring economic relief to mining areas that have been affected by the cessation of production in mines and to test the effectiveness of a comprehensive social mitigation strategy in Romania. At this point, it is not realistic to expect that NAD will be able to carry out the social mitigation activities without help of experienced consultants. For this reason the second mine closure project has been designed to further support the social mitigation activities (now more broadly conceived as socio-economic regeneration) providing additional technical assistance and continuing to contract out some activities to other agencies.

The follow-on, US$120 million Mine Closure, Environmental and Socio-Economic Regeneration Project (P087807, which went to the Board on December 16, 2004) is a key part of “post-completion operation”. This project expands on the first project through three components:

- mine closure and environmental rehabilitation, supporting the technical closure of 20 additional sites;
- socio-economic regeneration, which continues the social mitigation activities launched under the first project but with greater attention to community (as opposed to individual) needs, including measures to build the planning capacity of municipalities and to link with the funding that is becoming available from the European Union through accession; and

- institutional support, which finances project management.

Sustaining Reforms

The third project component, institutional strengthening included a number of activities intended to support the process of reform of the mining sector. These activities fed into two significant vehicles for reform that have now been implemented. The first was the Mining Industry Strategy for 2004-2010. The second was a set of legislation that provides a solid basis both for implementing sectoral reform and for all mine closure activities (both within and outside the project). The project thus leaves behind a solid legacy of practices and standards that help the country converge with the ecological requirements of the European Union in the mining sector.

3. Assessment of Outcomes

3.1. Relevance of Objectives, Design and Implementation

(to current country and global priorities, and Bank assistance strategy)

As part of Romania’s accession to the European Union (EU), the Government committed to reduce the high level of subsidies to mining, which amounted to over USD150 million in 2003. In April 2004 the Government approved the 2004-2010 Mining Sector Strategy aimed to reform the sector and respond to EU accession rules that required the Government to eliminate subsidies for all mines other than coal by 2007 and for coal mines by 2010. This requires additional downsizing of the mining sector from 57,738 in January 2004 to 26,650 workers in 2007, and imposing hard budget constraints on mining companies. Environmentally sound mine closures and socio-economic regeneration to reduce the unemployment rate in the mining regions are a prerequisite for achieving these program objectives. Therefore, by addressing the environmental and social implications of taking uneconomic mines out of production the project supported the Government’s EU accession related activities.

A new Country Partnership Strategy (CPS) was adopted in May 2006, shortly before the project closed. The CPS is centered on supporting the Government’s EU accession and integration agenda. In this context it makes reference to the need to properly manage environmental standards to meet EU requirements as well as for targeted poverty reduction measures to ensure that the benefits of growth reach the entire population. Thus, in addressing these goals, the project remained as relevant to the Bank assistance strategy at closure as it did during preparation.
3.2. Achievement of Project Development Objectives
(including brief discussion of causal linkages between outputs and outcomes, with details on outputs in Annex 2)

The main development objective of the project is considered to be achieved as (with one exception related to subsidies, discussed below) all the key performance indicators of the project have been surpassed (see data sheet).

Although the project did nothing directly to decrease subsidies, the level of subsidies for the operation of mines has decreased from USD 144 million to USD 100 million over the course of the project. The amount of other budget subsidies for voluntary redundancies, social mitigation, mine closures and environmental remediation was however increased to USD 50 million (this is the exception with respect to achieving the project’s KPI targets mentioned above). Nonetheless, these numbers can be interpreted as a reduced burden to the national budget because the operational subsidies are recurrent whereas the subsidies for redundancies and the environment and social measures are one-time expenditures that contribute to the permanent closure of the mines in a socially sustainable way and the phase-out of operational subsidies.

The mine closure component led to the closure of the 31 mines which resulted in the permanent cessation of all operational subsidies related to the mines that had stopped operations but had not yet been technically closed. The component also resulted in environmental remediation for the mines.

The social mitigation component created and sustained\(^2\) about 25,000 jobs. This is equivalent to about 30% of the total number of miners laid-off by the 1998 decision, but it should be noted that not all jobs went to ex-miners.

The objectives of the social mitigation measures were: (1) to augment the Government's efforts to bring economic relief to mining regions that have been affected most seriously by the cessation of production of mines; and (2) to test the effectiveness of a comprehensive social mitigation strategy in Romania. In 2005, a social impact report captured trends that suggested a revival of social capital and social cohesion in communities in the mining areas, albeit at a very low level. The financial status of the laid off workers had also improved since 2001, both in absolute and relative terms. While they still had the lowest earnings, the income gap between them and the other inhabitants of the mining areas has been significantly reduced. In 2001, a redundant person’s income was about 16% of the average monthly income in the mining areas and his household income was 27% of the average. In 2005, a redundant individual earned 50% of the average monthly income and his/her household income was 64% of the average.

All measures contributed to the achievement of the intended objectives - providing access to capital through the micro-credit schemes; business consultancy and know how through the Enterprise Support Services scheme; labor market training through Employment and

\(^2\) Generally when the project staff refer to sustaining a job this means that the job was not created under the project but that without the support provided by the project it would have been lost.
Training incentives Scheme, and services provided to business entities through Business Incubators provided value added services that promoted income generation. Of course these results should not be attributed exclusively to the project. By this period Romania had entered a period of significantly stronger economic growth and revival of employment that contributed to the improvement of conditions in the mining communities. Nonetheless, the relative isolation of many of these communities coupled with their former monoindustrial nature suggests that without the project it would have been more difficult for economic revival to reach these areas.

In the Institutional Strengthening Component, the most significant achievements were: adoption of the new mining law, establishment of modern IT based mining cadastre and title registry, and sectoral environment assessment followed by its implementation. In addition NAMR received training in private sector investments; training and equipment for the exploration and exploitation concession inspection. These are attributes of modern mining licensing system and support the shift of the state’s role away from management and towards regulation of the sector.

The one area where the results of institutional strengthening have been somewhat less than expected is (as alluded to in section 2.2 above) with NAD, which at project end still remained significantly weaker than anticipated. Nonetheless, NAD has achieved all the outputs established for it at the beginning of the project. And it can be argued that what is particularly important for this organization is to be able to monitor and evaluate implementation of various measures in the mining regions, which is something that NAD continues to do effectively.

3.3. Efficiency
(Net Present Value/Economic Rate of Return, cost effectiveness, e.g., unit rate norms, least cost, and comparisons; and Financial Rate of Return)

The economic analysis shows that employment downsizing of the loss-making mining industry combined with re-employment of workers in productive private sector activities makes a significant contribution to the mining regions and the country's overall economy. The contribution is due to the overall productivity increase caused by the sector's workers taking up jobs outside the industry as well as by avoiding economic loses in nonviable mines when employees in such mines are laid off. The economic rate of return is estimated to be 50 percent.

3.4. Justification of Overall Outcome Rating
(combining relevance, achievement of PDOs, and efficiency)

Rating: Highly Satisfactory

Given that the design of the project was closely aligned with the Romanian Government’s mine restructuring strategy and the project development objectives were achieved, the outcome rating is highly satisfactory. The results from the economic analysis also demonstrate the overall project efficiency and cost-effectiveness.
3.5. Overarching Themes, Other Outcomes and Impacts
(if any, where not previously covered or to amplify discussion above)

(a) Poverty Impacts, Gender Aspects, and Social Development

Poverty Impacts
The socio-economic problems in the mining areas resulted not only from the restructuring in the mining industry but also from the macro-economic changes in Romania as a consequence of transition.

Since the main rationale for the social mitigation activities was to diversify the economic opportunities in the affected mining regions; the MCSMP interventions did have an impact on poverty alleviation through employment creation and income generation. Evidence from the social impact assessment suggests that there was less extreme poverty involving physical want and hunger. However, although the poverty situation was improving in the mining regions, standards of living had not been restored to the pre-1997 levels.

Gender Aspects
Women have been proportionately more affected through downsizing in terms of direct job loss than men. When mining sector restructuring commenced in 1997, women were 16 percent of the workforce; by 2004, their proportion had declined to 7 percent. Furthermore, mining sector restructuring has affected the welfare of women in multiple ways—through employment, increased burden of domestic responsibility, intra-household tensions, and the impact of migration induced by mine closure. The Poverty and Social Impact Assessment (PSIA – cf. section 3.6 below) carried out in the context of the project in 2005 concluded that gender-blind programs, such as those under the project, do not reach women equitably and that despite the disproportionate adverse impact of restructuring, the programs under the project had not reached out to women effectively. This led to increased emphasis on the part of NAD field staff to reach out to women. More significantly it led to building greater emphasis on reaching women and addressing their particular needs under the follow-on project.

Social Development

As confirmed by the Social Impact Monitoring (SIM) report done in 2005, one of the key manifestations of the project’s social development impact was improved social capital in the mining regions. Social capital is an indication of the social cohesion of the community, and has been shown to have positive outcomes for health, political participation, educational achievement and crime. Following the initial shock of the mine restructuring process, there was a sharp decline in social capital between 2001 and 2004. However, from 2004 onwards, there has been a revival of social cohesion and trust across the mining communities, something that has been facilitated by the project’s social mitigation activities.
(b) Institutional Change/Strengthening
(paricularly with reference to impacts on longer-term capacity and institutional development)

The restructuring of the mining sector in Romania meant a radical change in the role of state institutions from being production and output oriented to functioning more as regulatory bodies. Given that the agencies involved lacked the necessary experience, the project was designed to assist in strengthening the capacity of the CGMC, NAD and NAMR in the closure of mines, social mitigation and the promotion of mining concessions to private investors. The project successfully established CGMC and built up its capacity to carry out closures based on international best practice. The capacity of NAMR was also enhanced enabling it in its efforts to attract private investments in the mining sector. NAD’s role in the project was to coordinate and implement the social mitigation program. During project implementation NAD directly implemented some project sub-component and outsourced others. There has been an evident evolution of NAD over the course of the project. Partly this is a result of the learning experience that NAD got through annual impact assessments, which is demonstrated by the fact that after the first assessment NAD started independently producing quarterly M&E reports. And while NAD remains significantly weaker than expected, by the end of the project it was able to meet all of its planned outputs.

3.6. Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops
(optional for Core ICR, required for ILL, details in annexes)

Rather than carrying out a beneficiary survey, in 2005 a Poverty and Social Impact Analysis of Mining Sector Reform in Romania was undertaken. This PSIA was conceived as an analytical input to inform policy advice and the design of the follow-on lending operation to help the Government implement its Mining Strategy. The PSIA consisted of a series of tasks, including an ex-post quantitative analysis of household survey data to assess the welfare impact of the ongoing mining project.

The welfare impact analysis of the MCSM confirms that the project has been well targeted geographically. Employment probability improved from 38 to 47 percent in program localities, and there is a visible decline in the pessimism prevalent within mining localities. Among the key findings of the PSIA are the following:

- Compared to the initial target of 10,000 jobs the project was able to create over 13,000 and sustain another 6,448.
- In terms of outcomes, mining localities are not better off than non-mining localities but given that they had been much more severely affected by sector restructuring, which is not surprising, but it is also noticeable that improvements in mining localities are evident.
- Women have been disproportionately affected by mining sector reforms but have not benefited from compensatory programs to the extent that they should.
4. Assessment of Risk to Development Outcome

Rating: Moderate
The risk, at this time, that development outcomes with respect to mine closure will not be maintained is low. Key success factors include:

- The project has strong ownership from the Government of Romania. The Government approved the mining strategy in 2004, for which implementation costs are about 1.2 billion USD, and this is equivalent to 5 annual losses from the sector (subsidies and liabilities). The strategy is designed to eliminate losses and prepare viable mining projects for private investment. The Government has also scaled up the pilot phase of MCSMP (45.5 Million USD) to larger scale program supported by the World Bank. The project worth in total is 149 Mil USD out of which 120 is IBRD loan and the rest is counterpart and donor funding.
- Romania will benefit from substantial inflow of resources through structural funds following its accession to the EU in January 2007.
- As a result of capacity built during the pilot phase, implementing institutions (CGCM, NAMR) are better prepared to manage and sustain the reforms.

With respect to social mitigation the risk is moderate. This is due to the relative weakness of NAD described above.

5. Assessment of Bank and Borrower Performance
(relation to design, implementation and outcome issues)

5.1. Bank Performance
(a) Bank Performance in Ensuring Quality at Entry
(i.e., performance through lending phase)

Rating: Satisfactory
The Bank’s performance during identification, preparation and appraisal was satisfactory. During identification it undertook an extensive review of activities related to restructuring of the mining sector that were being supported by other donor agencies. The Bank also ensured that the project design was fully aligned with the Government efforts to restructure the sector. The project team assessed the capacity of the various agencies and was able to develop institutional arrangements with three core agencies - CGMC, NAMR and NAD.

In addition, the Bank positioned itself pro-actively early in the process and was a key participant in the dialogue on “Methodological Norms for applying the Mining Law”. A social assessment was also initiated and used as input to the design of the social mitigation measures.

(b) Quality of Supervision
(including of fiduciary and safeguards policies)
Rating: Satisfactory
The Bank’s performance during the implementation of the project was satisfactory. The Bank team undertook regular supervision missions to review project progress and discuss
key issues with the borrower. In addition, special emphasis was given to monitoring the social mitigation component, especially during the first two years of the project. There were no outstanding fiduciary and safeguards issues and all project implementation problems were resolved effectively. Relevant project documentation (Aide-Memoires, ISRs, etc.) provided comprehensive updates and were prepared and submitted in a timely manner.

In January 2006 the World Bank’s Inspection Panel received a complaint alleging that the Bank had violated its procedures thereby causing harm to inhabitants adjacent to one of the mine closure sites. The Bank responded proactively, working with the Project Management Unit to address the concerns of the complainants. The Management Response prepared by the Task Team argued that there was no merit to the allegations of procedural violations. At the same time it included an action plan to address legitimate stakeholder concerns regarding the closure activities (concerns which were not a result of any procedural violations). As a result of the Management Response, the Inspection Panel came to the positive conclusion of recommending to refrain from issuing a recommendation for a period of six months during which the action plan would be implemented. Thereafter, the Panel recommended that the Request for Inspection be closed. The World Bank’s Board of Executive Directors agreed to both recommendations.

(c) Justification of Rating for Overall Bank Performance
Rating: Satisfactory
Given that both quality at entry and supervision are considered satisfactory, overall Bank performance is also considered satisfactory.

5.2. Borrower Performance
(a) Government Performance
Rating: Satisfactory
The Government of Romania was very committed to the project and was actively engaged in the design and preparation process.

Ownership and commitment were demonstrated by the rapid establishment of the agency responsible for mine closures despite the fact that there was some resistance toward this. The counterpart team devised a creative solution by setting up the CGMC within the Ministry of Industry and Commerce.

In 2002, NAD was put under the umbrella of MOIC which resulted in a more dynamic team and strengthened cooperation between the PMU and the NAD-PIU. However, budget constraints severely limited staff mobility which adversely affected project implementation.

The midterm review recognized the pivotal role NAMR and CGCM played in ensuring the smooth implementation of the first and third component. However, the second component on social mitigation did not progress as envisaged due to the lack of cooperation between the agencies (NAD, PMU and NAD-PIU) and limited capacity of
NAD. This was mostly attributed to lack of leadership experience within NAD and not enough empowerment to NAD to carry on its mandate.

The satisfactory resolution of the Inspection Panel case discussed in section 5.1 (b) above would not have been possible without the proactive intervention of the Project Management Unit. The PMU worked closely with the Bank’s Task Team to provide all the necessary information for the Management Response. More importantly, the Project Director held a series of meetings with the complainants and other stakeholders to jointly define appropriate responses to stakeholder concerns. As a result the complainants asked the Inspection Panel to drop the case, complementing the PMU and Bank’s responsiveness to their concerns.

(b) Implementing Agency or Agencies Performance
Rating: Satisfactory

<table>
<thead>
<tr>
<th>Implementing Agency</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CGMC</td>
<td>Highly Satisfactory</td>
</tr>
<tr>
<td>2. NAD</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td>3. NAMR</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

(c) Justification of Rating for Overall Borrower Performance
Rating: Satisfactory
The Government demonstrated ownership and commitment to achieving the development objectives at all stages of the project and complied with its fiduciary responsibilities. Based on the above, overall borrower performance is rated as satisfactory.

6. Lessons Learned
(both project-specific and of wide general application)

Some wide general application lessons to be learned by this project are

A. The target group should be broadened in order to encompass those affected by the spill over effects of the restructuring. The planned job creation target of 10,000 jobs has been exceeded. However, based on the PSIA the welfare impacts of mine restructuring differ across different stakeholders. Laid-off miners are not the only people affected by mine restructuring. Although households headed by laid-off miners experience the largest immediate decline in household welfare, those employed from other sectors in mining localities also face significant decline in household welfare. In addition, those from secondary industries do not receive the generous severance benefits that mine workers do and were not considered the primary target of social mitigation programs, in effect, leaving them even worse off. Based on this analysis, broadening of the target group was introduced midway during project implementation.

B. Active labor market measures are more effective when complemented by investments in regional development. These measures have greater impact when accompanied by more holistic support for local social and economic development.
Regional development requires complementary efforts from local government, local communities, and sectoral agencies. Without efforts to improve the business environment, strengthen links between mining communities and local government agencies, and rehabilitate local infrastructure and social services, the socioeconomic regeneration that the Government desires will not materialize. Because of considerable variation among mining towns; in order to respond to local needs, these programs have to adopt a learning process approach to permit tailoring to the local context. This requires investment in capacity building for local communities and local governments.

C. Holistic regional development requires mobilization of diverse institutional settings. Partnerships with other agencies that can provide services and resources to the mining regions support the achievement of results more effectively and efficiently. The role of agencies such as NAD should focus on its core mandate of mobilizing partner organizations for activities where they have a comparative advantage, such as the Social Development Scheme for Mining Regions implemented by the Romanian Social Development Fund, the micro-credit program administered by NGOs, and pre-layoff and retraining services provided by the National Employment Agency.

D. Mobilizing and involving local government authorities and communities in the mine closure process achieves better results. Active stakeholder participation reduces conflicts which can hinder the closure process and results in better use of rehabilitated sites to address community priorities.

E. Establishing clear guidelines and a framework for mine closure supports consistency and quality of mine closure. As part of the mine closure operations the project helped developing Mine Closure Guidelines which were frequently updated as new lessons were learned. Having guidelines facilitated the closure of additional mines not included under the project.

F. Strengthening the capacity of institutions to environmentally monitor the operational plans should be part of the activities. Operating mines that are properly monitored allow better closure plans to be drafted.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners
   (a) Borrower/implementing agencies
   None

   (b) Cofinanciers
   None

   (c) Other partners and stakeholders
       (e.g. NGOs/private sector/civil society)
       None
## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in USD Million equivalent)

<table>
<thead>
<tr>
<th>Components</th>
<th>Appraisal Estimate (USD millions)</th>
<th>Actual/Latest Estimate (USD millions)</th>
<th>Percentage of Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINE CLOSURE</td>
<td>31.69</td>
<td>18.15</td>
<td>57.26%</td>
</tr>
<tr>
<td>SOCIAL MITIGATION</td>
<td>18.75</td>
<td>38.08</td>
<td>203.09%</td>
</tr>
<tr>
<td>INSTITUTIONAL STRENGTHENING</td>
<td>2.8</td>
<td>4.56</td>
<td>162.89%</td>
</tr>
<tr>
<td>SECTOR STUDIES</td>
<td>0.49</td>
<td>0.45</td>
<td>91.22%</td>
</tr>
<tr>
<td>OTHERS</td>
<td>2.19</td>
<td>0.45</td>
<td>20.37%</td>
</tr>
<tr>
<td><strong>Total Baseline Cost</strong></td>
<td><strong>55.92</strong></td>
<td><strong>61.68</strong></td>
<td><strong>110.31%</strong></td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>5.62</td>
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</tr>
<tr>
<td>Price Contingencies</td>
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<td>0</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>61.54</strong></td>
<td><strong>61.68</strong></td>
<td><strong>100.23%</strong></td>
</tr>
<tr>
<td>Project Preparation Fund</td>
<td>0.50</td>
<td>0.08</td>
<td>15.40%</td>
</tr>
<tr>
<td>Front-end fee IBRD</td>
<td>0.45</td>
<td>0.45</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Total Financing Required</strong></td>
<td><strong>44.50</strong></td>
<td><strong>44.50</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

### (b) Financing

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Type of Cofinancing</th>
<th>Appraisal Estimate (USD millions)</th>
<th>Actual/Latest Estimate (USD millions)</th>
<th>Percentage of Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td></td>
<td>12.8</td>
<td>11.765</td>
<td>91.91%</td>
</tr>
<tr>
<td>UK: British Department for International Development (DFID)</td>
<td></td>
<td>4.2</td>
<td>5.414</td>
<td>128.90%</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td></td>
<td>44.5</td>
<td>44.499</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Annex 2. Outputs by Component

The three components of the MCSMP produced the following outputs which contributed to fulfillment of the Project Development Objectives.

Mine Closure Component

Permanent closure and environmental remediation of 31 mines
The main output of this component was the permanent closure of 31 (29+2) mines and environmental remediation of each site. The mines chosen for the project had ceased operation many years before but had not gone through a proper closure procedure. There were delays at all stages of the closure process and as a result the mines were not fully closed by 2003 as originally planned – the mine closure process was completed in June 2006. The use of the international competitive bidding for closure of mines resulted in cost savings that were used to finance the closure of two additional mines. The two additional mines were closed without the help of international consultants. There was a post monitoring period of two years for each mine site.

Capacity Building: CGCM to manage overall process, Design Institutes or prepare more acceptable Technical Mine Closure Plans, Other Contractors to monitor the mine closure process
Another output produced by this component was capacity building in the country for mine closure procedures. The PIU-CGMC has been strengthened to a competent team with hands on managerial experience of working on the requirements of the design process of closures as well as a detailed knowledge of employing and administering FIDIC type contracts. The technical capabilities of the Design Institutes were strengthened by the process of identifying and improving where the closure designs were inadequate. The capacity of the Design Institutes and the Monitoring Companies were equally important in the process. While international consultant collaborated with the design institutes to apply industry best practice, they are now able to achieve an acceptable level of closure design as independent agencies. The capacity building process also resulted in the strengthened technical capability of the companies that monitor or supervise the closure contracts.

The original intention was to have a manual that would act as guide book for mine closures based on best industry standards. The guide was to be unofficial and easily amended or enlarged. The Manual was produced by the CGMC-PIU in collaboration with DFID consultants supporting the Mine Closure Procedures. The Mine Closure procedure Manual was produced and issued by Ministerial order (2001) and this has formed the legal basis on which all public mine closures have taken place. The Manual was updated with additional annexes on closure of private mines and annexes for consultation.
**Social Mitigation Component**

*Micro-Credit Scheme*

The Micro-Credit Fund was designed to respond to a need for micro-credit and to encourage micro-enterprises in an environment which was severely constrained by unrealistic collateral requirements. The rationale behind was that the availability of the credit would result in the formation and survival of more micro-enterprises. The scheme provided small loans of up to 10,000 USD. The scheme was implemented by two specialized microfinance agencies. A total of 4,467 loans in the total amount of US$13,127,840 had been made by November 2006. The average size of loans to individual businesses was US$6,833 and the average size of loans though the group based lending scheme was US$1,923. The total number of beneficiaries was 4,467 (924 to businesses and 3543 to individuals). The scheme had a repayment rate of 99% and was able to create 602 jobs and sustain 10,997 jobs.

*Enterprise Support and Workspace Centers Management*

The program was designed to provide consultancy for start up businesses through at 14 workspace centers. Provision of enterprise support services started earlier, while management of the centers was contingent on completion of buildings rehabilitation. The enterprise support services were provided till December 31, 2004, while workspace centers management services were provided till December 31, 2005. The management of the centers was handed over to NAD Regional Offices at completion. 4 contracts for management of 10 workspace centers were initiated under the new loan. By November 2006, the 10 centers that were established by MCSMP supported 86 business and sustained employment for 502 persons.

The enterprise support part of this program included training sessions, counseling, consultancy advice and guidance. The outputs of the program exceeded the benchmarks that were established. Results achieved were as follows:
- 11,054 consultations provided (benchmark was 4500);
- 1,078 new businesses initiated (benchmark was 604);
- 6,185 new jobs created by beneficiaries of enterprise support assistance (benchmark was 3838);
- 80 reference points established (benchmark was 80)

*Social Development Scheme for Mining Communities (SDSMC)*

The program was not originally a part of MCSMP - it was included within the social development window of the social mitigation component in 2003. The Romania Social Development Fund implemented the program using a community-driven development approach. By June 2006, RSDF was able to complete: 71 projects for small infrastructure in the amount of US$ 5.182.075; 10 subprojects for income generating activities in the amount of US$ 397.939; and 12 projects for social services in the amount of US$ 384.600. As the component was not originally foreseen there was no benchmark in the PAD but it was estimated to finance 100 local subprojects. As the average value of the subprojects was higher than estimated, the entire US$ 5 million was contracted within
the 93 grant agreements for the above mentioned 3 categories of subprojects proposed by RSDF.

Employment and Training Incentives Scheme (ETIS)
The scheme was designed to underwrite the cost of on-the-job training by providing entrepreneurs who were willing to hire laid-offs from mining sector an employment and training incentive of $500 (originally) per person recruited for one year. The entrepreneur was responsible for providing on-the-job training. The rationale for this program was that it would encourage employers both to hire redundant miners and to train them in real jobs. Monitoring data indicated low availability of former miners to take up employment under the scheme for wages much lower than they used to get from the mining sector. After one year of implementation the scheme was amended to enable recruitment of former miners’ family members as well and to increase the incentives amount to $720. In 2003 the scheme was further amended as to allow recruitment of any unemployed living in the scheme’s operation area, and to increase the incentive amount to $960. As of December, 2006 the number of beneficiaries from the training and employment incentives scheme was 13,547 (of which 6,135 under the follow-on project). Payments made under the scheme amounted to $5,448,539 (of which $1,137,567 under the follow-on project).

Social Impact Monitoring and Evaluation
Under the Social Impact Monitoring sub-component of MCSMP, technical assistance was provided to NAD by consultants to conduct routine monitoring, prepare quarterly progress reports, and carry out annual independent impact evaluations in mining regions. Quarterly progress reports continued to be regularly produced by NAD which were then published on NAD website and sent to the Bank.

Public Information Campaign and Social Dialogue
Under the Public Information and Social Dialogue sub-component of MCSMP, technical assistance has been contracted to assist NAD in establishing and operating a network of public information points (PIP) in the mining regions. The initially contracted Consultant failed to perform adequately, so NAD terminated the contract and assigned the public information task to the consultants contracted for enterprise support services. These consultants identified partner organizations and developed partnership networks, under which more than 100 PIPs have been established in mining regions. They have also designed and produced public information materials (such as booklets, leaflets, posters, journalistic material etc.) aimed at supporting NAD in carrying out an effective public information strategy within mining communities affected by restructuring. NAD has proceeded with preparation of their own public information strategy, which includes the further development of PIP networks established by the consultants.

Management Information System
Technical assistance for implementation was assigned by Minister’s Order to the Institute of Management and Informatics (IMI) at MEC. The execution of the contract for supply and installation of information system was completed and the operational acceptance certificate was issued to the Supplier by the end of 2003. By the end of the project not all
regional offices were able to provide monitoring data in electronic form because NAD was not able to provide all with cable internet connections.

Institutional Strengthening Component

Mining Cadastre Control and Mineral Titles Registry
Through this component the project developed the geological and mineral resources database. On-the-job training, consulting and training was provided to NAMR to receive applications and register all licenses, permits and other titles transactions and notifications in the official cadastral file. The result of this sub-component is development of a computerized Mining Cadastre and Mining Titles Registry System, including a national geologic database from existing records and digital information on mineral resources. The system is designed to develop and promote solid minerals concessions under a mining concession system. The database is an Oracle based database which includes the Mining Book; the Cadastre and Title Registry subcomponents, the NAMR’s Index; and the Mining Information System which includes the data from new licenses. The equipment is installed both in NAMR headquarters as well as field offices. In addition a GIS enabled web site was developed and connected to the NAMR database which provides up to date and extensive information to potential investors and an easy to use application which allows the license holders, subcontractors or data custodians to input all the data information required.

Mining Law, Institutions and Fees, Taxes and Royalties
The project played a significant role in revising the mining law. The new mining law was adopted by the Parliament of Romania on March, 2003. The project provided (a comprehensive review of mining and associated legislation and regulation and institutional arrangements in order to improve the financial provisions and the ability to assess and better collect the taxes and royalties.

Sector Environmental Assessment Study
This study on the environmental effects of past, present and projected future mining activities was done in participatory manner by including all relevant Government authorities.

This study became the basis for the environmental remediation programs associated with mine closures. It was led by a steering committee which included specialists from NAMR, Ministry of Waters Forests and Environmental Protection and Ministry of Industry and Commerce. The SEA study was finalized in October, 2001. Environmental impacts and issues associated with privately owned, as well as with non-operational (i.e., already closed or abandoned) mines and a pilot action plan for an underground coal mine were also added to the study.

The Pilot Environmental Action Plan for Lupeni mine was a recommendation of the Sector Environmental Assessment and it resulted in improvements in environmental management in the Jiu Valley. Specific activities related to this pilot were: waste dump stabilization and management, soil and ground water management. In order to fulfill the
management of the monitoring activities mobile laboratory for environmental monitoring, water pollution control and subsidence monitoring were purchased.

*Mining Sector Environmental Management*

The objective of this program was to enhance the capabilities of the Romanian authorities in the field of mining sector environmental management. Under this sub-component, the project organized training programs on environmental issues specific to the mining sector, study tours to familiarize with specific European Union environmental and mining legislation and specialized environmental training programs overseas. The main deliverable of the sub-component was the Environmental Management Manual and related codes of practices to be used by the mining operators and regulators.

*Exploration and Exploitation Concession Inspection*

All 20 local inspectorates of NAMR were fully equipped with new hardware infrastructure (local network, computers, printers, copiers), from the “Mining Cadastre and Titles Registry” program. This was supplemented by the “Exploration and Exploitation Concession Inspection” program. This allowed NAMR’s local inspectorates to have access to the database thus enhancing the capacity of the local field offices.

*Private Sector Investment*

The sub-component provided training to NAMR staff in technical and financial evaluation of offers as well as in communication, presentation and negotiation.

*Subsidy Study*

The project delivered a subsidy study in 2003 based on which the government prepared a plan for closure of the remaining uneconomic mines whose operations were still being subsidized by the state.
Annex 3. Economic and Financial Analysis  
*(including assumptions in the analysis)*

The Project Appraisal Document (PAD) presented a cost-benefit analysis summary, focusing on the social costs and benefits of the project. The analysis here takes essentially the same approach, but looks at *incremental* costs and benefits (i.e., it compares the with and without project scenarios – see table below). To carry out such an analysis it is necessary to make a number of assumptions (which are summarized below and/or in the following table). In order to make such assumptions this analysis relies on a paper prepared in the context of the Poverty and Social Impact Assessment (PSIA) of the mining sector (see Annex 5) in 2005, entitled “Cost-Effectiveness and Cost-Benefit of Three Major Romanian Employment Generation Programs”.

The principal costs are severance payments and the expenditures under the project. The analysis is based on the assumption that there would have been 25 percent fewer layoffs without the project.

The principal quantifiable benefits from restructuring of the mining sector and specific project activities are avoided economic losses per unit of labor in nonviable mines and the incomes from jobs created under the social mitigation activities. The estimate of avoided economic losses is derived from the number of layoffs in the mining industry times the unit economic losses generated by employees in nonviable mines closed under the project estimated in the report cited above. This unit economic loss corresponds to the estimated negative value added generated by economically nonviable mines which were receiving state subsidies.

Jobs created under the project come from four of the social mitigation sub-components - micro-credits, workspace centers and enterprise support, employment and training incentives, and income generating activities under the social development scheme - and have been regularly reported by project management. In principle, as these jobs were all created as a direct result of project activities, none of them would have existed in the without project scenario. Of course other jobs were created in the mining regions as a function of the improved economic environment in the country; they are not included in either the with or the without project scenarios. However, given economic growth, it is possible that some of the jobs created under the project would have been created even without the project. Therefore the analysis makes the conservative assumption that 40 percent of these jobs would have been created in any case and then performs sensitivity analysis using different percentages. The report estimates the average wage in such jobs and that 30 percent of them are not maintained for more than a year. Here we make the assumption that jobs that are maintained will only continue for an average of four years. This analysis does not attempt to quantify the benefits from what project staff refer to as “sustained” jobs, i.e., jobs that would have been lost without the project, since, given economic growth, many of these jobs might well have been “sustained” without the project and this offers a more conservative approach.

A number of more difficult to quantify benefits are not included in the analysis. They include: increased tax revenues from employment, savings on social payments, and the
multiplier effect on service providers in the former mining communities. Indeed the PSIA found that stopping production has a greater impact on service providers than on the former miners. The latter benefit from substantial severance packages and unemployment benefits, whereas the former lose sales. But the indirect benefits to service providers from the creation of new jobs are difficult to quantify. Also not quantified are other social benefits from the project, such as the benefits from infrastructure created and the learning and innovation resulting from the community-based, demand-driven approach under the social development scheme sub-component.

It could be argued that the most significant benefit of the project is the political benefit of social mitigation. Miners have been a powerful political force in Romanian politics and social mitigation makes it easier to justify laying off redundant workers. For this reason, and because the PAD justified the project partly in terms of making it politically possible to stop production at uneconomic mines, the economic analysis assumes that fewer miners would have been laid off without the project. Nonetheless, it may be credibly argued that the redundancies would have been declared in any case since ending subsidies to the sector became a condition for EU accession (after the project became effective).

For the purposes of this analysis we have taken all mining sector redundancies during the project years, not just those that occurred at mines closed under the project. The analysis therefore reflects the impact of the project on the entire sector.

The environmental and social benefits of technical mine closure are substantial but more difficult to quantify. The most significant benefits are hazard risk reduction, restoration of sites to productive and/or social use (e.g., agriculture, industrial production, and in one notable case a mental health hospital), and non-use values associated with the conservation of the environment. While these benefits have not been quantified, nonetheless the costs of mine closure are included in the analysis below. It should be noted that considerable cost savings were achieved under the mine closure component (only 57 percent of the estimated funds were disbursed while an additional two mines were closed) through competitive procurement practices. This suggests that the mine closure activities have been highly cost effective.

Under these assumptions the analysis shows a substantial IRR of 50 percent. The sensitivity analysis shows that the IRR remains substantial even if one assumes that a much higher number of jobs would have been created without the project. However, given what has not been quantified, these figures should be treated as only indicative. Clearly the non-quantified benefits are substantial and strengthen the argument that the project was economically justified.
## Cost-Benefit Analysis Summary

### Years

<table>
<thead>
<tr>
<th>Benefits</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoided Economic Losses</td>
<td>2,710,136</td>
<td>4,984,265</td>
<td>11,851,711</td>
<td>31,817,927</td>
<td>56,537,816</td>
<td>56,537,816</td>
<td>56,537,816</td>
<td>56,537,816</td>
<td>56,537,816</td>
<td>56,537,816</td>
<td></td>
</tr>
<tr>
<td>Incomes from Jobs Created</td>
<td>1,113,218</td>
<td>2,455,271</td>
<td>3,824,714</td>
<td>3,318,569</td>
<td>3,301,910</td>
<td>2,522,657</td>
<td>1,349,444</td>
<td>38,871</td>
<td>0</td>
<td>0</td>
<td></td>
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<tr>
<td><strong>Without Project Benefits</strong></td>
<td>2,710,136</td>
<td>4,984,265</td>
<td>12,964,929</td>
<td>35,642,641</td>
<td>46,032,702</td>
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<td>9,556,904</td>
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### NPV

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<td>Cumulative Jobs</td>
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<td>6,544</td>
<td>10,194</td>
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<td>1,760,981</td>
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<td>Discount rate</td>
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### Sensitivity Analysis

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<td>80%</td>
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**Created Without the Project**

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<tr>
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<td>80%</td>
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Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

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<td><strong>Supervision/ICR</strong></td>
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<tr>
<td>Carmen Elena Arhip</td>
<td>Operations Officer</td>
<td>ECSIE-HIS</td>
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<tr>
<td>Bogdan Constantin</td>
<td>Sr Financial Management Specialist</td>
<td>ECSPS</td>
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<tr>
<td>Constantinescu</td>
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<tr>
<td>Anis A. Dani</td>
<td>Adviser, Social Policy</td>
<td>SDV</td>
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<tr>
<td>Bekim Imeri</td>
<td>Social Scientist</td>
<td>ECSSD</td>
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<tr>
<td>Ana Otilia Nutu</td>
<td>E T Consultant</td>
<td>ECSSD</td>
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<td>Benedicta T. Oliveros-</td>
<td>Procurement Analyst</td>
<td>ECSPS</td>
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<tr>
<td>Miranda</td>
<td></td>
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<tr>
<td>Jan Pakulski</td>
<td>Sr. Social Development &amp; Civil</td>
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<tr>
<td>Wolfhart Pohl</td>
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<td>Lucian Bucur Pop</td>
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<tr>
<td>Christopher Gilbert</td>
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<td>COCPO</td>
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<td>Sheldon</td>
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<tr>
<td>Maythinee Sriboonruang</td>
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<tr>
<td>Hiwote Tadesse</td>
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<td>Doina Visa</td>
<td>Operations Officer</td>
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<td>Michael Wireman</td>
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<td>Mark C. Woodward</td>
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(b) Staff Time and Cost

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**Supervision/ICR**

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Annex 5. Beneficiary Survey Results

The Bank undertook a Poverty and Social Impact Analysis during the preparation of the Mine Closure, Environmental and Socio-Economic Regeneration loan. The PSIA was designed through a consultative process with MEC and other stakeholders including stakeholder workshops organized in October 2004 and May 2005. The objective of the PSIA was to examine three sets of distributional impacts:

- Between mining and no-mining households and communities;
- Across the gender divide; and
- Among the employees of different mining companies to explore the role of political economy.

The tasks undertaken included (i) an ex-post quantitative analysis of household survey data to assess the welfare impact of the ongoing mining project; (ii) secondary analysis of sector-wide and economy-wide data and qualitative research on the gender impacts of mining sector restructuring; (iii) a comparative study of three pairs of mining and non-mining towns to assess the impact of sector restructuring on local communities and local government agencies ability to maintain local infrastructure and social services; (iv) comparative analysis of the budget of mining companies; and (v) a cost-effectiveness study to compare the efficiency of active labor market interventions.

With regard to the impact of the sector restructuring the findings are that:

- Laid-off miners experienced the largest welfare decline, the estimated probability of a drop in living standards being 73 percent for former miners, compared to 58 percent for other unemployed persons and an average of 40 percent for all households.
- Despite a decline in living standards, laid-off miners are probably not the worst off since they had higher income levels to begin with and also received special severance payments of 12-20 months wages denied to other sectors.
- While laid-off miners benefit from social protection and various budget subsidies, those employed outside the mining sector are unlikely to receive any compensation despite the fact that their living standards are significantly affected by mine closure.
- Severance pay entitlements are restricted to public sector employees but other program benefits can be extended to all affected persons, including those affected by second-order impacts within the mining regions.

The impact analysis proves that the project has been well targeted geographically. The probability of reemployment improved from 38 to 47 percent in program localities, and there was a visible decline in the pessimism prevalent within mining localities. Compared to an initial target of 10,000 jobs under the MCSMP, AZM has created over 13,000 jobs, with another 6,448 jobs created or sustained by the micro-credit program. In terms of outcomes, mining localities are not better off than non-mining localities but given that they had been much more severely affected by sector restructuring, this is not surprising,
and improvements in mining localities are evident. It also found that public awareness about NAD’s programs needed to improve.

**With regard to gender analysis** women have been disproportionately affected by the mining sector reforms but have not benefited from compensatory programs to the extent they should.

**The PSIA concludes that development interventions need to tailor programs to local opportunities.** The comparison of mining and non-mining towns provides clear evidence that mining towns are generally in much worse state than non-mining towns. However, there is considerable diversity in economic performance and resilience of the towns affected by restructuring. The non-payment of taxes or tax arrears is typical of mining companies and has a marked impact on the ability of local authorities to maintain local infrastructure and finance social services. Furthermore, financial needs to rehabilitate local infrastructure are typically larger than the resources that would be available to local authorities even if the mining companies paid all local taxes. Local authorities are also concerned about the deteriorating condition of local infrastructure, which makes mining localities even less attractive to potential investors. Mitigating the adverse impacts of mining sector restructuring needs to complement active labor market measures with investments in local infrastructure to create the enabling conditions for enterprise development. Accelerating socio-economic regeneration requires investment in community capacity building. The demonstrated value of such investments by NAD in pilot areas needs to be scaled up rapidly.
Annex 6. Stakeholder Workshop Report and Results
(if any)
No workshop was organized on completion.
Annex 7. Borrower's ICR

Mine Closure Component

1. Assessment of project’s objective, design and implementation

The development objective of the Mine Closure and Social Mitigation Project has been to support the Government's efforts to reduce the burden on the national budget by permanently closing uneconomic mines in a socially and environmentally sustainable manner and to provide support to the modernization of the sector's administrative framework. The following three components have been set up in order to pursue these objectives:

- The Mine Closure component – physical closure of 29 uneconomic mines and the environmental remediation of mine sites;
- The Social Mitigation component – financing of social mitigation initiatives to help diversify the local economy in support of the Government's restructuring program for the mining sector; and
- The Institutional Strengthening component – technical and institutional assistance for modernizing the administration of mineral rights.

1.1 Key Performance Indicators

The key performance indicators for the Project have been the following:

- Number of mines closed and environmentally remediated;
- Amount of budget subsidies for production, capital investment and exploration;
- Amount of budget subsidies for redundancies, social mitigation, mine closures and environmental improvements;
- Number of beneficiaries from employment and training incentives scheme;
- Number of small businesses able to access credit through the project;
- Number of Businesses established in workspace centers,
- Number of people from mining communities who are economically rehabilitated, either through new jobs created in mining areas or through successful relocation;
- Completion of studies and implementation of findings;
- Progress in the implementation of a modern mining licensing system; and
- Amount of exploration and investment by private investors in the mining sector.

1.2 Project design and implementation

The project has been implemented by three agencies:

(i) the Central Group for Mine Closures (CGMC) within the Ministry of Economy and Commerce (MEC);
(ii) the National Agency for Mineral Resources (NAMR); and

(iii) the National Agency for the Development and Implementation of Programs for the Reconstruction of the Mining Regions (NAD).

Each agency established a Project Implementation Unit (PIU). A Project Management Unit (PMU) provided overall coordination of the three PIUs. Each PIU was adequately staffed and headed by a Director responsible for the overall coordination and management of its component of the project who reported to the Head of the PMU.

Each PIU has been responsible for:

(i) its own procurement, including preparation of bid documents and entering into contracts for civil works, goods, and consultant services; and

(ii) progress monitoring, evaluation and reporting. In addition, the NAD PIU has been responsible for partnership building with NGOs and the international donor community and local community outreach and for a micro-credit program and an employment and training incentives scheme.

Due to the limited experience of available staff in dealing with these responsibilities, the CGMC and NAD PIUs had expatriate consultants to assist them in managing, monitoring and evaluating the progress of the components. These consultants were employed and financed by DFID through a grant.

To ensure proper project implementation and coordination between these three separate implementing agencies, the Project Management Unit (PMU), which includes the Project's Financial Management Systems (FMS) Group, oversaw the progress of project implementation and handled all financial aspects of the project, including accounting, financial management, auditing and reporting.

2. An evaluation of the Borrower’s own performance during evolution and implementation of the project, with particular attention of lessons learned

2.1 The Strategy of the Mining Industry

The Government of Romania expressed its commitment to restructure the mining sector by phasing out State involvement in mineral exploration. The Mine Closure and Social Mitigation Project provided technical assistance for this important task by selecting an experienced consultant to develop the Study for subsidies and business plans in the mining sector.

The objectives of the Study were: the development of a 10-year actions plan for phasing out subsidies in the mining sector; re-allocation of subsidies to the closure and environmental rehabilitation of non-viable mines and investment in mines with viability potential; development of 10-year business plans for national mining companies/societies; proposals to attract investments to the mining sector.

Based on this Study, the Government developed the Mining Industry Strategy for 2004-2010 that was approved by GD no. 615/2004. To facilitate the implementation of this Strategy a rigorous monitoring of subsidy utilization for different purposes has been performed by the Government and results have been shared with the Bank on a regular
basis by including the subsidy monitoring in the follow-up Mine Closure, Environmental and Socio-Economic Regeneration Project (MCESERP).

2.2 Legislation

In order to ensure the adequate legislative framework required for the proper implementation of the project, the following regulations have been developed and promoted:

- 16 Government Decisions
- 4 Government Ordinances
- 47 Orders of the Minister of Economy and Commerce and NAD President
- 3 Laws

However, the lack of required laws and regulations and especially the long periods of time required for approvals and promotion of the new legislation incurred significant delays in the project implementation.

Following the successful implementation of best industry practices and FIDIC Conditions of Contract in the closure works under the Project, a team led by PIU and PMU specialists prepared a comprehensive set of standard documents (conditions of contract, technical specifications, method of measurement and bill of quantities) to be used under all mine closure contracts in Romania. The documents were approved through a Ministerial Order thus making them compulsory for all future closure contracts. These new procedures in line with international practice were disseminated to all main actors (contractors, engineers, designers, authorities) through a series of training sessions and workshops organized under the auspices of the Ministry.

2.3 Transfer of knowledge

One of the main achievements of the Project under the guidance of the DFID-appointed Consultants was the transfer of knowledge to the CGMC staff, designers, contractors and engineers. Based on the new knowledge it was possible for the Ministry specialists to develop a Mine Closure Manual that introduced the best international practices in the field of mine closure and environmental remediation that became mandatory for all mine closures in Romania.

One important lesson learned is that the proper understanding of international practices for mine closure and environmental remediation works by designers, contractors and engineers is crucial for the successful outcome of mine closures.

As showed by the experience gained during the implementation of the Project, it is important to continue the transfer of knowledge especially to designers, contractors and engineers.

2.4 Community consultation

According to international best practice, consultation of stakeholders in the communities with mine closure works is one of the key steps in the proper design and implementation of the closure and environmental remediation works. Before the start of the Project, the
authorities used to give little regard to the actual needs and concerns of the local communities.

One of the main outcomes of the Project has been to introduce active community consultation measures in the design and implementation of the mine closure works in a systematic manner. As a result, the main stakeholders have been involved in the process and the closure works have been performed in a manner acceptable to the respective communities. Some points of concern for the locals have been mitigated by including their proposals in the design of the works.

It is expected that the community consultation process would gain in significance and relevance in future mine closure works funded by either the State budget or the World Bank. In order to achieve this objective, the employment of a community consultation facilitator is expected under the new Mine Closure, Environmental and Socio-Economic Regeneration Project (MCESERP).

3. Evaluation of the performance of the World Bank and other partners (DFID) including effectiveness of the relationship with attention to lessons learned

The World Bank

The Project benefited from the close supervision of the Bank which proved to be very effective in providing support for:

- the promotion of legislation needed for the project implementation
- the development of the Strategy for the Mining Sector
- the approval of the annual budget from counterpart funds
- the development of terms of reference, environmental management plans and bidding documents
- the dissemination of information related to the project through participation of Bank’s representatives at various workshops for assignments under the project

DFID

Given the lack of local experience with the technical closure of mines and the related environmental remediation of abandoned mine areas, the Project relied on the use of DFID co-financed international consultants with extensive experience in these disciplines. The consultants prepared the technical specifications of bidding documents, audited the closure and remediation works and certified that the works were executed using the best international practices.

The outcome of the Mine Closure component has been:

- the successful closure of all 29 mines initially included in the project plus 2 additional mines that were funded from the savings made in the Project;
- the successful transfer of knowledge to the CGMC staff, designers, contractors and engineers that made possible for the Ministry specialists to develop the Mine Closure Manual.
Lessons learned:

• efficient transfer of knowledge from consultants strongly experienced in international practices for mine closure and environmental remediation works is very important for the successful outcome of mine closures;

• the involvement of international consultants helps building credibility.

**Social Mitigation Component**

I. Assessment of the project’s objective, design, and implementation

a. Project’s objectives

According to the World Bank project appraisal document³ (PAD), the overall economic purpose of the social mitigation component of MCSM was to help former miners and others people living in the mining areas to find alternative employment and to help to diversify and revitalize economic activity in the mining areas. The two objectives given for the social mitigation component of the overall project were “(1) to augment the Government’s efforts to bring economic relief to mining areas that have been affected most seriously by the cessation of production of mines and (2) to test the effectiveness of a comprehensive social mitigation strategy in Romania” (p32).

The **Social Mitigation Component** was aimed at supporting the Government's efforts to revitalize depressed mining areas through investments for support of small enterprises, re-training and job creation through a more diversified local economy. To this purpose, special emphasis was put on strengthening the National Agency for Programs Development and Implementation for the Reconstruction of the Mining Regions (currently National Agency for Development of the Mining Regions - AZM), building its capacity as a coordinating and facilitating agency dedicated to social mitigation and revitalization of the mining regions.

Since the first phase the mining sector reform had generated massive collective layoffs, particularly in the Jiu Valley and Gorj County, where the largest numbers of miners were employed, the social mitigation component was mainly focused on assisting these redundant former miners, as well as those who were likely to become redundant as a result of further rounds of mine closures, and other residents in the mining areas whose livelihoods are affected by the mine closures to overcome difficulties and to cope with the changing socio-economic environment. However, compared to the physical closure of mines, it was assumed that social mitigation programs would require a longer gestation period and longer duration for successful implementation.

In the context of the assessed size of the problem, the formal responses financed directly under the MCSMP were not designed to be sufficient to address those needs, but were instead designed to test a number of instruments that might, if considered successful, subsequently be repeated on a larger scale. Therefore, while undertaking an evaluation of project implementation it is important to bear in mind that it was conceived only as a first step in the Bank’s support of the restructuring of the Romanian mining sector.

With due consideration of the above, one could assert that the project objectives, as far as the social mitigation component is concerned, have been realistic and appropriate.

b. Project’s design

By its very design, the social mitigation component was conceived to provide some urgently needed initial steps in capacity building for AZM and identification of measures that would be most effective in mitigating the social hardships resulting from the restructuring of the sector, and assistance in creating diversified employment opportunities for redundant labor, that could be deepened and broadened in a subsequent operation. Additionally, one should note that the social mitigation component was designed to finance complementary activities not covered by the Labor Redeployment Program (LRP) administered by MOLSSF.

The project established mechanisms for employment promotion to assist those who lost their livelihood as a result of mining sector restructuring. These included: (a) micro-credit schemes for the mining regions to be administered by NGOs as intermediary micro-finance institutions; (b) the establishment of workspace centers as business incubators in buildings at the mines to be closed in the 14 mining regions, where AZM has its offices; (c) an enterprise support program; (d) employment and training incentives scheme; and (e) public information and social dialogue.

By their very nature, these programs needed to be flexible and iterative and required intensive supervision. To this purpose, AZM had to establish and maintain a special MIS for the social mitigation component, with a comprehensive database of unemployed redundant mining sector workers and identity cards to track their participation in rehabilitation activities, while routine monitoring of project outputs had to be conducted by AZM personnel. Under the project, an independent research consulting firm has been contracted to conduct annual impact evaluations and prepare annual independent social impact monitoring reports.

The social mitigation component has also included procurement of equipment and vehicles for strengthening AZM implementation capacity.

A Project Implementation Unit (PIU) responsible for the implementation of social mitigation component was established within AZM. The PIU was headed by a Director who was responsible for the overall coordination and management of its project component and who reported to the Head of the PMU. The PIU was assumed to have
qualified and experienced staff, while the Government provided assurances that it will provide budgetary financing satisfactory to the Bank. The PIU had to provide quarterly progress reports to the Project Management Unit and was responsible for: (i) its own procurement, including preparation of bid documents and entering into contracts for civil works, goods, and consultant services; and (ii) progress monitoring, evaluation and reporting.

In addition, the PIU at AZM was responsible for partnership building with NGOs and the international donor community and local community outreach. However, the experience of project implementation has proved that these responsibilities were not properly assigned to the PIU, as far as it was incorporated within AZM, whose management had actually the prerogative of representation, while at local level this prerogative was delegated to AZM regional offices.

Due to the limited experience of existing staff in these responsibilities, the project provided for expatriate consultants to assist the PIU at AZM in managing, monitoring and evaluating the progress of the component.

Substantial technical assistance, co-financed by the British DFID, was envisaged to develop AZM’s capacity to implement the Social Mitigation component of the project, consisting of consultancy services to develop AZM’s management and administrative capacity and to train the staff of AZM to implement the social mitigation program.

At the time of project preparation AZM has a staff of 72 (22 in Bucharest, 50 in its 14 regional offices), which was expected to grow to 117 when full-scale implementation will have commenced.

The overall design of the project as described above would have ensured suitable implementation of the social mitigation component, provided that suitable allocation of resources in terms of staff, equipment, premises and operating costs would have been timely ensured, and that an institutional environment (including bylaws) enabling the PIU to actually exert its responsibilities as foreseen in the project design would have been in place.

The PIU experience with project implementation suggests that the project design as described in PAD and enforced by the Loan Agreement would have rather been suitable for implementation by a non-governmental organization than by a governmental agency.

c. Project’s implementation

The implementation of social mitigation sub-components had a slow start up. Staffing of the PIU was completed during the summer 1999 and major efforts were done by these staff, with support by the Bank and by a DFID financed consultant, to develop the bidding documents for procurement of consultants services and equipment that would allow proper implementation of sub-components. Thus, for most sub-components bidding documents had been prepared and sent to the Bank for clearance by the end of 1999
(Management Information System, Social Impact Monitoring, Micro-credit Scheme, Enterprise Support and Workspace Centers Management, Public Information and Social Dialogue, ETIS – initially designed for implementation by NGOs, Office Equipment for NAD-PIU, and Vehicles). In most cases TORs had been approved by the Bank and Requests for Expressions of Interest published in Development Business by end 1999.

Delays in actually contracting the services and effective implementation of programs occurred starting with the year 2000, being mainly determined by revisions of TORs/TS, discussions on short lists, re-advertising REOI/ITQ, selection of locations for WSCs, ensuring legislative framework, underperformance of consultants, budget shortfalls, lack of suitable logistics and suitable staff strength by AZM.

Thus, the Social Impact Monitoring Consultant noticed that in 2002 the only components of the AZM Social Mitigation Program which had achieved any outputs were ETIS and the Enterprise Support program (and the latter had then only just started). Likewise, in their Aide Memoire relating to the Mid Term Review in October 2001, the Bank’s Mission noticed that “After a slow start up, progress on the social mitigation component is improving but there are major concerns that the development outcomes are not likely to be fully achieved unless AZM’s management is strengthened and changes are made to the legal framework…”.

Only by the end of 2003 one could say that most of the Social Mitigation Programs were in operation or in the last stages of preparation

The Social Mitigation sub-components which should have a direct economic and social impact were the following:

- The Employment and Training Incentives Scheme
- The Micro-Credit Scheme
- The Enterprise Support and Workspace Centers Management program
- The Public Information and Social Dialogue program
- The Social Development Scheme for Mining Communities (SDSMC)

In addition to the above programs financed directly from the project, we should subsume to this category the Social Development Scheme financed by DFID and implemented by AZM.

It is therefore their implementation which is being analyzed here in the first instance in order to evaluate the overall effectiveness of the Social Mitigation Component. In order to establish in total what might have been expected from them, against which actual progress might be compared, they are each analyzed below. In each case assumptions about the purpose, rationale, targets and progress to date are presented as far as they can be determined from the information acquired through the social impact monitoring program.
The Employment and Training Incentives Scheme (ETIS)

The Employment and Training Incentives Scheme was designed to underwrite the cost of on-the-job training by providing entrepreneurs who were willing to hire laid-offs from mining sector and ancillary sectors with an employment and training incentive of $500 (originally) per person recruited for one year. The entrepreneur was to be responsible for providing the on-the-job training. The rationale for this program was that it would encourage employers both to hire redundant miners and to train them in real jobs which should give them a much better chance of securing permanent employment, either with the participating employer or with another requiring the same skills. However, based on the feedback provided by monitoring data, which indicated a quite low availability of former miners to take up employment under the Scheme for wages much lower than they used to get from the mining sector, after one year of implementation the Scheme was amended as to enable recruitment of former miners’ family members as well and to increase the incentives amount to $720. Likewise, in 2003 the Scheme was further amended as to allow recruitment of any unemployed living in the Scheme’s operation area, and to increase the incentives amount to $960, which was further increased to $1,200 in 2006.

The operating manual that AZM was to formulate by the end of December 1999 was to include guidelines and procedures for the Training and Employment Incentive Scheme. AZM was then to implement the scheme in accordance with those guidelines and procedures. The manual was actually finalized in 2000 and enacted by Government Decision, being subsequently amended in 2002, 2003, 2004, and 2006. Implementation started in November 2000, but contracts signing started in early 2001.

The initial financing under the project was sufficient for 3,000 jobs and an additional AZM investment was enough to cover 2,000 more. Adding back the 10% contingency allowed for in these figures produced an initial overall target therefore of 5,500 jobs to be promoted through this measure. However, as above said, after a while the amount offered per job had to be increased $720 and later to $1,200 (because of an increase in the national minimum wage) which meant that the funds initially available would not cover all the jobs originally anticipated.

The number of beneficiaries from the training and employment incentives scheme was specified as an output indicator. The value of this indicator as of December 31, 2006 was 13,547 (of which 6,135 under SER), which exceeds the initial target. Payments actually made under the Scheme by that date amounted at $5,448,539 (of which $1,137,567 under SER).

The outcome anticipated from the training and employment places was that the beneficiaries of that training and employment should find permanent employment. Since a final evaluation of ETIS under MCSMP has not been undertaken so far and the annual evaluation reports that were expected from the program team have not been produced, one cannot assess this outcome. However, the mid term evaluation of ETIS carried out by the SIM Consultant in 2003 revealed that “Most (94%) of the employers surveyed said...”
that they did intend to retain at least some of their new employees after the end of the supported year (those surveyed indicated that overall they intended to retain 66% of those left in employment at the time of the survey, which represents 50% of those originally hired). However it is not clear how many people are, in practice, retained or how many do find other permanent employment.”

The Micro-Credit Scheme

The Micro-Credit Fund was proposed to respond to a need for micro-credit to encourage micro-enterprises in an environment which was severely constrained by unrealistic collateral requirements. The rationale behind it was presumed to have been that the availability of the credit would result in the formation and survival of more micro-enterprises which would in turn have an impact on economic development in the area, provide income for their owners, and employment for other people.

It was acknowledged in the project appraisal that an assumption critical to the success of this scheme was that there were improvements in the institutional and regulatory environment to improve access to credit for small enterprises. In order to deliver this scheme this it was originally agreed that the Government would, by the end of 1999, formulate criteria for the selection of credit providers and that AZM would submit, by the same date, an operating manual to include guidelines and procedures, and would then implement the scheme in accordance with those guidelines and procedures. AZM was then to implement the scheme in accordance with those guidelines and procedures.

The guidelines and procedures for operating the micro-credit scheme have been actually approved by the Government in December 2000, while the implementation started by the end of 2002 with contracting the credit agencies.

Although contracts were being implemented and the chosen contractors had established operational offices in all the 5 mining zones by the end of 2002, the first half of 2003 was in effect the inception period for the scheme and it only come into full operation towards the end of that year.

In terms of outputs, it was originally expected that the Micro-credit Fund would provide loans to 2,000 borrowers in two cycles during the project period, which was planned to end in December 2004. The number of people obtaining these loans was therefore specified as an output indicator and the timescale for this was taken to be the end of December 2004.

Despite its late start, by the end of November 2006, a total of 4,467 loans (924 to businesses and 3543 to individuals), in total amount of US$13,127,840 had been lent, which exceeded the target. The average size of loans to individual businesses was US$6,833 and the average size of loans though the group based lending scheme was US$1,923. By the end of March 2006, all the five contracts had completed the first phase (25 months), during which the credit agencies could receive financial support from AZM for running the Scheme (Areas 1, 2, 3, and 4 in January 2005, while Area 5 in April 2005).
As regards outcomes, from the above purpose and rationale it can be deduced that the anticipated result of these loans would be that there would be more successful small business starts and that the impact of this would then be more employment and other economic benefits. As well as making some finance available, the objective of the scheme was also seen as being to raise credit awareness and demand and to lever in other sources of money. The intention was that it should be commercial not social and the scheme was to be self-supporting after two years.

An evaluation of the Micro-credit Scheme has not been undertaken so far, so that one cannot assess the extent to which the anticipated outcomes have actually been in place. However, as revealed by the quarterly monitoring reports, it seems that the Scheme has reached only to a little extent laid offs and their families, as well as other categories of unemployed, which suggests that the Micro-credit Scheme is rather a good instrument to support economic regeneration of mining communities than a mean for individual rehabilitation of redundant miners. Worthy to mention in this context is that only about 600 new jobs have been created by beneficiaries of the Scheme, while almost 11,000 jobs have been sustained, mostly in the form of supporting income generating activities at households’ level. It is to be expected therefore that the Scheme would better reveal its potential in support of mining communities under the follow-up SER project.

The Scheme has already become self-supporting, having achieved almost 100% repayment rate so far and having lent much more money than received from the project.

The Enterprise Support and Workspace Centers Management program

The Enterprise Support and Workspace Centers Management program was planned to provide additional support for start-up businesses through the provision of premises and the pooling of management services at business centers. Like the Micro-Credit Scheme, the rationale behind it was presumed to be that the availability of the workspace and the provision of enterprise support services would result in the formation and survival of more small businesses which would in turn have an impact on economic development in the area, provide income for their owners, and employment for other people.

The enterprise support provided was likely to include training sessions, counseling, consultancy advice and guidance. All of the types of business support listed above would be implemented through a mix of information provision, one-to-one advice, training and consultancy. It was expected that an integrated service would be offered, based on the principle of single and easily accessible points of contact which would also be expected to link to and make use of other types of support available within the areas, including the workspace centers when they became operational, and the Credit Agency administering the micro credit scheme. Each centre was anticipated to provide space for around 30 businesses.

The targeted values for the enterprise support output indicators (not stated in the PAD, but included in the contracts with ESWCM Consultants) were: 4,500 consultations provided; 604 new businesses initiated by beneficiaries of consultations/support
measures; 3,838 new jobs created by companies that have received services; and 80 reference points established within mining regions. The values actually achieved by the end of the program (December 2004) were as follows: 11,054 consultations provided; 1,078 new businesses initiated; 6,185 new jobs created by beneficiaries of enterprise support assistance; and 80 reference points established. Except for the last one (in which case it was actually a matter of costs included in contracts), achievements under all indicators have exceeded the targets.

As regards outcomes, similarly to the Micro-credit Scheme, the anticipated results of these services would be that there would be more successful small business starts and that the impact of this would then be more employment and other economic benefits. Since no program evaluation has been undertaken for this program either, assessment of outcomes cannot be done based on the existing monitoring data. However, from our monitoring reports and from the final annual independent social impact monitoring report presented by the SIM Consultant it came out that the five years picture of entrepreneurship in the mining areas does appear to suggest that there was a slight but sustained growth in business starts. It would therefore seem that, in this field, something was having an effect. While this growth is unlikely to be all due directly to social mitigation programs, these programs and other economic programs may, just by their existence, have contributed to the emergence of a culture which is to some extent at least more positive about enterprise. Indeed it could be argued that, if the employment needs of the mining areas are eventually addressed to a satisfactorily degree, it will be due to a combination of factors from which it will not be possible to disentangle individual efforts.

In the case of workspace centers, following numerous field trips and long discussions, decision was taken and endorsed by the Bank that only ten buildings would be included in the program instead of 14, as initially envisaged. It was initially estimated that the design would be completed by September 2002, repairs and furniture would be completed in stages during 2003 and the Centers would be fully functional by December 2003. This has not actually happened.

While designs had been completed for all the buildings by the end of 2003, the works have actually required much more time than initially expected. AZM has analyzed, through the Technical Economic Council, and AZM General Director approved requests for contract modification, submitted for each building, between August 2003 to September 2004, containing supplementary works, new solutions (roofs, heating plants, heating system, windows, structure, etc.) cut offs.

The Engineers reviewed the circumstances invoked by the Contractors and determined contract variations and extensions of time. Engineer’s requests have been approved by the Employer. Additionally, a civil works expert audited all the works executed to the WSCs and certified all variations. Based on the technical audit, amendments for variations and for time extension have been approved and signed. All contracts had been completed by the end of December 2005 and are now under the defect liability period.
By the end of 2004 only eight of the ten centers had been fully refurbished and the other two were partly refurbished. Out of the eight centers, however, only seven were functional. One of the remaining three became functional during 2005 and the other two in 2006.

Since December 31, 2005, when contracts for workspace centers management by consultants ceased, all buildings had been transferred to the AZM regional/local offices from the areas where they are located and are now in the process of being transferred to the newly selected WSCM consultants according as the contracts with these consultants become effective.

However, some additional works have been identified by AZM personnel and based on the engineer’s and consultant’s inputs are under the drafting process as follows. These regard: accesses for persons with disabilities; additional parking areas; fencing of sites; rain water management; fire fighting additional means; waste management facilities; additional lighting for curtilage; other small works.

The outputs targeted for this program were the establishment of centers, including workspace, and the provision of services in each of the 14 mining areas. The single output indicator referred to in PAD was the number of businesses established in the workspace centers, but AZM has also monitored the number of employees hired by the incubated businesses for activities carried out therein. As of December 31, 2006, 97 businesses had been established in the workspace centers, with 517 employees working therein.

Expected outcomes were improvement of business start up opportunities in the mining areas close to workspace centers and additional employment opportunities for local labor force in those areas. In consideration of the late start of business incubation by WSCs, it is too early for attempting an assessment of these outcomes.

**The Public Information and Social Dialogue program**

Under the Public Information and Social Dialogue sub-component, one or more NGOs were to be contracted to assist AZM in community outreach and social dialogue. This was to include support for the public provision of pre- and post-redundancy services and career counseling for workers in the mining areas. The NGOs would assist AZM and CGMC regarding stakeholder consultations for the mines to be closed. The project would also finance a public information consultant to design a public information strategy to facilitate communication with primary beneficiaries and other stakeholders in the mining areas. The consultant would also produce materials (such as booklets, pamphlets, posters, journalistic material etc) for AZM, in accordance with that strategy. The materials would be disseminated by AZM and made available at the Public Information Centers at AZM’s regional offices.

The expected outputs for the public information program were the development of a public information and communication strategy for AZM, establishing public information centers at AZM Headquarters and its regional offices, and production and dissemination
of information materials, while for the social dialogue program the expected outputs were functional partnerships with relevant agencies carrying out social mitigation policies in mining regions as well as with other stakeholders, at both central and regional levels.

The outcomes should then be increased awareness among mining communities regarding the necessity and perspectives of the mining restructuring process, improved feeling of ownership among these communities with regard to project’s intervention measures and improved capacity to cope with socio-economic transformations incurred by the economic restructuring in general and by the mining sector reform in particular, as well as better participation of stakeholders in the design and implementation of the intervention measures.

Unfortunately, these programs did not work properly. On the one hand, significant delays occurred in contracting and implementing the technical assistance for AZM. These related to long discussion on the TOR for selection of Consultant (initially with the Bank, but thereafter with the DFID selected Consultant who had a pretty different approach than the PAD on this sub-component), to discussions with the Bank on the composition of short list, which required re-advertising the REOI, to controversies between PMU/PIU/AZM and the Bank on opening a single offer, on technical evaluation matters and so forth. On the other hand, once technical assistance had been contracted, which also included setting up of public information centers and production of information materials, a series of missed deadlines in performing the services by the consultant have occurred, which finally led to termination of the contract, but after several attempts to amend the initial contract. Following contract termination, successful negotiations with the Enterprise Support Consultants took place during the first quarter of 2004 for taking over some public information tasks for a ten months period, with the result that public information activities started in summer 2004. More than 100 public information points (PIPs) were set up all over AZM operating area, including at its regional offices, and lots of information materials have been produced and disseminated among both entrepreneurs and people adversely affected by mining sector restructuring. Unfortunately, a small number of PIPs have survived after ceasing of Consultants’ support, while AZM had neither necessary capacity, nor necessary resources to support such a network and to produce the required range of information materials. This program is being continued under the MCESERP with support by consultants financed under the project.

Under the above circumstances, the evaluation of the SIM Consultants in their final report was as follows: “It does seem that in 2004 progress was at last made in implementing this program, although it is now a little late to provide pre- and post-redundancy services and career counseling for those workers made redundant in earlier years. While the anticipated outputs from the program are not to be directly job-related, they might have had a beneficial impact on other social mitigation components by helping to enhance their effectiveness. However no direct job-creation effects were expected and none have so far been forthcoming.”
Social Development Scheme for Mining Communities (SDSMC)

SDSMC was not initially included in the project design. It has been included following discussions with the Bank’s missions during the year 2003, as a social development window for the social mitigation component, to be implemented by the Romanian Social Development Fund (RSDF). The objectives, intended beneficiaries, eligibility criteria, and type of sub-projects to be financed by the proposed RSDF sub-component to benefit the settlements adversely affected by mining sector restructuring have been agreed upon by NAD, RSDF and the Bank’s mission from July 2003. These agreements were reflected in the Operational Manual submitted to the Bank for final approval. Starting with July 9, 2004, when the addendum to the Subsidiary Agreement was concluded between the Ministry of Public Finance, NAD and the Ministry of Economy and Commerce, RSDF became the implementing agency, using the community-driven development approach, for the SDSMC within part B „Social Impact Mitigation” of the „Mine Closing and Social Impact Mitigation” Project. The same principles and main procedures used under the second phase of the Social Development Fund Project were also used for SDSMC.

It was expected that SDSMC will be able to commit the entire $5 million by June 2005. A project extension was required in this respect, which was agreed by the Bank. A total of 229 proposals were received 79% for small infrastructure, 8.8% for income generating activities and 12.2% for community based social services subprojects and 93 subprojects were financed. Other small infrastructure applications (23), though in compliance with Fund’s requirements, were postponed because of the insufficiency of the available funds.

By the end of June 2006, the situation of RSDF administered sub-projects was as follows: 71 grant agreements signed for small infrastructure subprojects, in amount of US$ 5.182.075; 10 grant agreements signed for income generating activities subprojects, in amount of US$ 397.939; and 12 grant agreements signed for social services subprojects, in total amount of US$ 384.600. The total funds contracted by RSDF under sub-projects by June 31, 2006 amounted at US$ 5.964.614, out of which US$ 5.000.000 from the Loan and US$ 964.614 from the Government contribution. The overall amount contracted and spent by RSDF under the project by June 31, 2006 was US$ 6.713.072, out of which US$ 5.549.999 from the Loan and US$ 1.163.073 from the Government contribution.

The SDSMC is continued under the MCESERP in 99 mining localities, as approved by Project Coordinator, based on a revised operational manual. The implementation of the scheme has started by contracting the 23 postponed subprojects evaluated under MCSM Project with the continuation under the MCESER Project.

Social Development Scheme financed by DFID (SDS)

The Social Development Scheme (SDS) was an instrument designed to respond to medium and short term community needs leading to addressing actual social problems, as
well as preparing the communities for the development of long terms measures. The projects’ size (required funding) should be up to 5000 GBP (average: 3000 GBP).

Its main objectives were to: a) support social development and build social capital in the communities most affected by mining industry restructuring; and b) contributing to poverty alleviation in the mining regions, thus meeting the objectives of the Romanian Anti-Poverty Strategy.

The rational of financing this program in addition to the already designed social mitigation sub-components was that, in the context of mining industry restructuring, the communities having mines on their territory or having provided labor force for this sector faced social problems arising from the dependency on the infrastructure and incomes generated by the former mining mono-industrial economic environment, such as the lack or massive reduction of community income, of transportation infrastructure, of health care services, of training and education services, of common infrastructure, of social services for children, youth and the elderly, of cultural and traditional actions, as well as of environmental protection.

Priority was given to projects whose beneficiaries, in total or in part, belonged to the following groups: redundant miners & their families, unemployed, poor families or those in difficulty, children, particularly homeless, orphans, children from poor families, young people.

The program was implemented in two phases: I - January 2002 - March 2003, with total funding of 150 000 GBP (53 projects financed in the operation areas of 8 AZM regional offices)

**Periods of implementation:**

**I PHASE:**
Duration: January 2002 - March 2003  
Total fund: 150 000 GBP  
Operational area: 8 NAD’s Regional Offices  
SDS was implemented for a period of 6 months in for pilot areas covering area of 4 NAD offices: Targu Jiu, Petrosani, Deva, Alba (January – June 2002) and after the satisfactory evaluation over June-July, was implemented in other 2 mining regions: Voivozi and Rodna (Oct.-Dec.2002). 50 000 GBP was allocated during January – March 2004 for the financing of a special programme intended for social mitigation of 3 mining areas seriously affected by mines closures: Balan, Baia Borsa and Brad.  
Financial management of SDS was supported by IMC Consulting Ltd.

**II PHASE:**
Duration: November 2003 – July 2004  
Total fund: 200 000 GBP (63 project financed)  
Operational area: all NAD’s Regional Offices (the most affected communities)  
Financial management was supported by DFID Office within British Embassy
**Experience to date:**
Over the period January 2002 – July 2004, 207 project applications were submitted to the Regional Offices. Of these, 140 were approved by the Local Evaluation Committees (LAC’s) and submitted for final approval to the NAD and DFID (IMC Consulting Ltd.). Of these 140, 116 received final approval and were financed.

As already mentioned in the section regarding project’s design, by their very nature, these programs needed to be flexible and iterative and required intensive supervision. These were to be done through social impact monitoring and management information system sub-components, the second one including a comprehensive database of unemployed redundant mining sector workers and identity cards to track their participation in rehabilitation activities. Under the social impact monitoring sub-component, an independent research consulting firm has been contracted to conduct annual impact evaluations and prepare annual independent social impact monitoring reports.

Although inter-related, these two sub-components have had quite specific histories of implementation, and therefore should be dealt with separately for the purpose of this report.

**Social Impact Monitoring**

Unsurprisingly, this was not the dearest sub-component to AZM management, nor was it to AZM staff responsible for data collection and reporting. Therefore, while contracting of the independent research consulting firm went smoothly (being actually the first contract for consulting services signed by AZM under the project), routine monitoring by AZM of programs’ implementation and of socio-economic indicators for a relevant sample of mining localities, to be reported on in the quarterly progress reports (QPR), raised problems from the beginning. On the one hand, it was claimed that collection of so many indicators proposed by the Consultant in the template of the QPR exceeded the potential of AZM responsible staff in terms of human resources and time budget, and that availability of data with local authorities was in many cases questionable. This was sorted out during the Mid Term Review, when indicators that had been not collected by most of the regional offices were dropped out. On the other hand, it was about a misleading philosophy on monitoring the programs’ implementation, both at the level of AZM management and among AZM personnel, according to which routine monitoring of programs’ outputs was not integral part of program’s implementation, being instead the responsibility of AZM monitoring and evaluation unit or even of the monitoring and evaluation officer at AZM-PIU. It should be pointed out in this regard that AZM monitoring and evaluation unit have never been suitably staffed, in spite of repeated intervention by the Bank’s supervision missions, for most of the project’s life being staffed with only one junior sociologist. There also has been a case when the general director of AZM considered that the PIU should not interfere in monitoring issues relating to programs under direct implementation by AZM, such as ETIS and ID Cards, imposing a kind of embargo for data transfer to the PIU.
However, despite all difficulties emerging from the philosophy above referred to and constraints relating to AZM staff strength, quarterly progress reports have been produced regularly, yet missing data sometimes for certain localities or mining regions.

The SIM Consultant’s annual independent reports have been regularly produced and submitted to AZM. These reports included comments and recommendations for the attention of AZM management but one cannot assert that much attention was paid to those recommendations. They were translated into Romanian and posted on AZM web site in both Romanian and English languages. Programs’ independent evaluations were not included in the social mitigation component’s procurement plan and, except for the case of ETIS mid term evaluation carried out by the SIM Consultant, such evaluations were not commissioned, although proposals in this regard did exist.

**Management Information System (MIS) and ID Cards**

Technical Specifications and even bidding documents for AZM management information system had been prepared with Bank’s assistance before the start of project implementation, so that it would have been possible to have it in place at the very beginning of project’s implementation. According to its initial design, it should have included both necessary equipment and software and technical assistance for AZM for implementing and running the program. Unfortunately, the contents and even the philosophy of this program was several times reconsidered, so that finally the MIS package consisted of procurement of equipment and software (including some training), while technical assistance for implementation was assigned by Minister’s Order to the Institute of Management and Informatics (IMI) at MEC. A separate package was extracted from project’s allocation for MIS to be used for procurement of the equipment necessary for production of ID Cards.

The execution of the contract for supply and installation of information system was completed and the operational acceptance certificate was issued to the Supplier by the end of 2003.

Data entry forms for all sub-components were developed by IMI and made available on the server administered by IMI, while the Supplier developed an application for downloading and saving locally the data entered onto the central database by AZM regional staff.

Electronic data input onto the central database by both AZM personnel at regional offices and contracted consultants had started, and IMI developed an application for tracking the process of data input onto the different sections of the central database. However, AZM was unable to ensure cable connections to Internet for the regional offices using dial-up connections because of both technical and financial constraints. This made it impossible entering by all regional offices and processing on the central server of the information needed for the quarterly progress reports. Although under consideration, the solution for off-line filling in of the data entry forms has been not implemented by the end of the reporting period. Besides, proper functioning of the MIS for the purpose of monitoring
the social mitigation component of the project required employment of an IT specialist by AZM, which was not properly achieved (upon the Bank’s diligences in this regard, such a position had been created within PIU but shortly canceled by the Government afterwards while reducing the PIU staff strength from seven to five positions).

The ID Cards program did not function properly either. On the one hand, because of the time lag between massive layoff and the start of this program (2001), a quite complex equipment would have been needed to fill in the registration forms and to issue the ID Cards at the residence place of former miners along with liaising with local employment agencies that might have had information on their current status, which was not accepted by the Bank. Additionally, the technical solution opted for by AZM management to use scanners instead of digital cameras for copying and transferring the beneficiaries’ photos on the ID Cards proved to be unfeasible, since besides being time consuming would have required computer skills that AZM staff did not have. On the other hand, collecting the data for filling in the registration forms and entering these data electronically onto the database for almost 70,000 people proved to exceed the potential of AZM staff.

II. Evaluation of the Borrower’s own performance during the evolution and implementation of the project

AZM was established in 1997 as a “public institution, with legal status, subordinated to directly to Government” (Emergency Ordinance 64/1997) in response to the crisis facing the mining industry. This was changed in 2000 when it became a public institution subordinated to the Ministry of Industry and Resources (Emergency Ordinance 68/2000). It is now subordinated to the Ministry of Economy and Commerce, which has replaced the Ministry of Industry and Resources.

The mandate given to the NAD by was broad and included inter alia: to review of the implementation of the national strategy for energy and its effects on the mining sector; to review and implement the regional development plans for the mining areas; to review of the mines closure programs and implement the program for the reconstruction of the (affected) mining regions; and the management of programs and internal and external funds for the reconstruction of the mining areas.

Government Decision 69/1998 extended the mandate further giving the NAD the responsibility for: the elaboration of proposals regarding Governmental strategies and policies and local programs for the restructuring of the mining areas; the attraction of internal and external funds for the financing of reconstruction programs in the mining areas; and, the management internal and external funds destined for the financing if reconstruction programs in the mining areas.

To evaluate the performance of the implementing entity for the social mitigation component of the MCSMP, we recall on findings and conclusions of successive supervision missions of the Bank, which have been actually assumed by both Ministry of Economy and Commerce and AZM, and on the independent institutional assessment carried out in 2004 by an international expert.
Since its Mid Term Review, in October 2001, the Bank had expressed “major concerns that the development outcomes are not likely to be fully achieved unless AZM’s management is strengthened and changes are made to the legal framework for (a) micro credits (specifically Government Decision 1365/2000 and Ordinance 40/2000); and (b) the Employment Training and Incentive Scheme (ETIS) (Government Decision 1005/2000 and Ordinance 11/2000)”

During its July 2003 supervision mission, the Bank expressed again “concern about the continued erosion of AZM’s implementation capacity and raised questions about its ability to fulfill the responsibilities envisaged for it under the new Mining Sector Strategy”. Moreover, during the mission, a governmental decision (Nr. 738, dated July 3, 2003) had been published further reducing public staff. This included a reduction in the staff strength of the PIU at AZM from 7 to 5, while the GCMC PIU has been listed as having 7 positions, compared to existing 6 staff, while the PMU has 6 positions. The mission stressed that this will undermine implementation of the social mitigation component of the project which was just reaching its peak. MEC was advised to take this up urgently to resolve this matter. This was reiterated by the Bank’s mission from March-April 2004: “Since the social mitigation component had increased to 60% of the loan size, and the number of contracts to be supervised was much larger than could be reasonably handled by the staff of the PIU, the last mission had recommended restoring the PIU’s staff strength to seven. The Mission is greatly concerned about the risk to contract supervision by insufficient capacity.” However, the staff strengths of the PIU at AZM has never been restored.

Likewise, the Bank’s mission from February 4-11, 2004 noticed that “Inadequate Management and Coordination has re-emerged as a problem at AZM, while staffing issues at the AZM PIU have not been resolved: First, AZM continues to suffer from internal management problems, especially tensions between management and regional office staff. Secondly, AZM has been unable to ensure effective collaboration with other organizations – including Ministry of Labor, Social Solidarity and Family (MLSSF), the National Agency for Employment and Training (NAET), the Agency for SMEs, and Ministry of Interior and Public Administration. … The mission recommends organizational restructuring of NAD, including modification of the governance structure of NAD, as necessary to avoid placing the entire program at risk.”

An institutional assessment study was commissioned by AZM in 2004, in agreement with the Bank, to inform its possible restructuring and strengthening, focusing on the role, functioning, structure and governance of AZM. The study examined also alternative organizational structures and governance arrangements to increase its effectiveness and sustainability.

First of all, the Consultant noticed that AZM had undergone (by the time of assessment) 6 internal reorganizations in its 7 year life and that a highly significant factor applying to all forms adopted was the neglect (in organizational terms) of strategy development and
planning activities. Furthermore, the structures put in place lacked coherence in terms of the AZM’s mandate and have been unnecessarily complex.

The study also highlighted that “Systems within the AZM, do not allow for staff to be rewarded and promoted for good performance relating to the realization of parts of the AZM’s mandate. The systems, in place, reward inertia and encourage risk aversion on the part of NAD staff. In such an environment, staff will naturally prioritize internal, routine work over more demanding activity which will involve them in working on new, innovative initiatives or with other stakeholders. Key areas of the AZM’s mandate suffer as a consequence of this risk-averse culture, these include policy initiation and advocacy, strategy and program development, and work involving collaboration with other socio-economic stakeholders.”

Another key area of concern regarding the capacity of AZM to successfully implement its mandate referred to staff recruitment and training. The Consultant concluded that “The staff of AZM has been drawn excessively from the mining sector and consequently there are insufficient numbers having relevant experience in program and project management and in local/community development. Furthermore, there has been very little training provided in areas which are most relevant to the existing mandate of AZM e.g. strategy development, project and program management, local economic development, facilitation of community development, partnership working and networking. The DFID support to the AZM in the form of the training project implemented by IMC Consulting Ltd. did not address the needs of NAD staff, and in particular, the Regional/Local Office staff gained little from this. The training, which AZM is able to provide from its own budget, will not solve this problem since it addresses few of the needs arising from the AZM’s mandate.”

Based on the conclusions of the institutional assessment and considering four possible institutional models to be followed by AZM (a public institution having its own legal status, subordinated to the Government; an autonomous public institution; an institution of public interest having its own legal status; and a private institution having its own legal status, recognized as having public utility), the Consultant recommended reorganization of AZM as an autonomous public institution. He argued that the creation of a governing structure for the new institution would give the GoR the opportunity to ensure that the new institution will have the: transparency, legitimacy, and widespread participation form stakeholders within the sector at central and local levels. However, he warned that “it would be desirable to negotiate a transfer from the State Budget, in the form of a lump sum, taking the organization out of the annual bidding contest which surrounds the budgetary decision making process, and necessary to attract an increased amount to facilitate an increase in the overall level of salaries”.

This solution has not been implemented so far, the AZM being instead reorganized again in 2005, with the status of governmental agency under the supervision of the Ministry of Economy and Commerce, and with regional structure better adapted to the regional development plan.
III. Evaluation of the performance of the Bank and other partners (such as the DFID), including the effectiveness of their relationships

The World Bank’s project team was certainly close to the project implementation unit over the whole duration of the project and provided substantial support and advice from the very beginning. This included expertise advice for preparation of TORs/TS and bidding documents for sub-components that constituted pre-conditions for the approval of the Loan by the Bank’s Board and/or for Loan’s effectiveness. However, one should admit that it was not a quite easy task for the Bank’s team to harmonize the technical approach of the PIU with the often political approach of AZM management.

Besides numerous supervision missions undertaken by the Bank’s project team on site, permanent communication via e-mail and direct support from the Bank’s Office in Bucharest have been prerequisites of the strict observance by an emerging team of Bank’s procedures in the implementation of the project, yet not sufficient for a successful implementation, as emphasized above. However, maintenance of prior-review procedure’s incidence for most of procurement steps over the whole duration of the project did not prove to be the right solution, at least after the PIU staff had acquired necessary expertise, resulting in lost of effort and unnecessary time lags between procurement steps. Additionally, as far as the decision on short lists’ composition is concerned, experience has shown that knowledge of local context may be a better ground than knowledge of the international consultancy market.

As regards DFID financed technical assistance, the experience of project implementation suggests that it has not ensured best value for money. One could assert that the start of this assistance after most of social mitigation sub-components had been designed and TORs/biding documents had been prepared and even cleared by the Bank was the main cause of subsequent delays occurred in project’s implementation as a result of additional discussions, and of ineffectiveness of the assistance provided. This would not have happened however if the DFID selected Consultants had an understanding of the project consistent with the PAD. Additionally, if an input of circa $5 million from DFID would have been considered from the beginning for financing of technical assistance for the social mitigation component, at least sub-components such as public information and social dialogue, social impact monitoring, and management information system (as regards technical assistance), which altogether incurred to AZM expenses under the project of less than $1 million, would not needed to be budgeted from the Loan.
Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

In 2004 the Evaluation Department of the Department for International Development (DFID) commissioned an Evaluation of DFID Country Programs, which included an evaluation of DFID’s support to mining sector reform (cf. http://www.dfid.gov.uk/aboutdfid/performance/files/ev655.pdf). Following is the assessment of project implementation in relation to its impact that concludes this evaluation.

Timeliness

The social mitigation component would have been most necessary after the large redundancies of 1997. Coming three years late, much of the earlier dire social consequences have withered away naturally. A smoother implementation would have helped the project having results earlier but this lateness was basically a problem of the World Bank loan agreement, for which DFID bears no responsibility.

Duplication of other initiatives

Given the unique position of DFID as a close partner of the World Bank but also running a bilateral programme of an EU Member State, it was in an excellent position to help integrate the World Bank and EU programmes. Instead, we could find only one reference to a meeting of the project where representatives of the European Commission Delegation also attended. Many of the interventions implemented by AZM were similar to Phare programmes (SMEs, Ricop, Human Resources). The EU-funded Mining Affected Regions Reconstruction (MARR) programme (dedicated to mining regions) is mentioned in the project memorandum. Actually there has been no apparent effort at coordination and there has been some duplication of activities. There has also been a level of duplication even with World Bank-sponsored programmes implemented by the Unemployment Agency (ANOFM) – e.g. the unemployment agency offers micro-credits at more favorable rates than AZM and also provides business counseling for start-ups.

Apart from cannibalizing their business, these duplications have another disadvantage. Much of the energy put into the project (i.e. consultants’ time) has gone into preparing rule books for the different interventions. By synergy with other programmes, much of this effort could have been saved, and re-directed. For example, when WB will allocate the extra funding for SDS-type projects, the SDS procedure designed by IMC will be replaced with the one of RDSF (Romanian Fund for Social Development), which is compatible with WB rules. In addition, according to the consultant, the EU is not interested in working with AZM, as it does not fit its regional development system. Of course, facilitating the integration of the projects of two large donors (with resources hugely superior to DFID’s), both coming with highly formalized procedures, is no easy task.

Project design and management
DFID had only a limited success at influencing the WB project (as its strategy paper would demand). By contrary, it was the World Bank which has prevailed on all differences of opinion save one – the only major contribution of the consultant / DFID to the design of the project is SDS. This situation has not always been in favor of the project – e.g. the consultant was probably right in opposing the workspace intervention in the form it was requested by the WB. Moreover, the outlook of the World Bank was very much focused on objectively identifiable outcomes. DFID and the consultants were more interested in developing the capacity of the Romanian stakeholders, even if the results were more difficult to gauge. Over the medium term, it is quite possible the British approach would have been more beneficial.

There are a number of reasons which explain this inability of DFID to exert its influence, even when this would have benefited the project. Firstly, DFID had to get involved in a project after it had already been designed. The failure in communication between DFID and WB, which resulted in ToRs not sufficiently adhering to the WB memorandum, have made things even worse. Finally, there is also a management factor here. The WB staff dealing with the project was highly stable and competent. DFID had a high turnover of UK based staff, who, in addition, were not all qualified in the area of the project. The environmental expert on mine closure was hired only after the project had commenced, and the adviser on social development was replaced in the middle of the project and came with a radically new approach. That is why we had a very clear picture of what and how the World Bank wanted to achieve through this project, while DFID vacillated from increasing the capacity of AZM to abandoning it and looking for other partners. A solution to increase the capacity of DFID to leave its mark on projects would be to have UK-based specialists in certain areas (e.g. mining, social mitigation etc.), responsible for the similar projects in a number of countries17. The day-to-day running of a certain project could, however, be devolved to the local staff who have a better understanding of the country where it operates and is closer to events. Finally, this set-up should be in place from the very beginning and actively engage with the Romanian and WB partners in the design of the project.

Apparently this was the set up of the project. However, by consulting the correspondence of the project we have found only limited and disconnected interventions of these advisers. In addition, the frequent change of correspondent has bewildered the Romanian partners and the consultant, who were left with the impression of instability in DFID staff.
Annex 9. List of Supporting Documents

1. Project Concept Note, April, 1998
2. Project Appraisal Document, Mine Closure and Social Mitigation Project August, 1999
3. Wardel Armstrong Report – Assistance to the Central Group for Mine Closure March, 2005
4. Institution Assessment and Organizational Development, Interim Report of NAD, July 2004
5. NAD, NAMR and CGCM annual reports (2000-2005)
6. NAD Quarterly Reports
8. Poverty and Social Impact Analysis of Mining Sector Reforms in Romania, June 2005
9. Aide Memoires, Back-to-Office Reports, and Project Status Reports/Implementation Status Reports
11. Cost-Effectiveness and Cost-Benefit of Three Major Romanian Employment Generation Programs, 2005