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AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP STRATEGY**

**FOR
ROMANIA
FOR THE PERIOD FY14-FY17**

November 3, 2016

**Romania Country Office
Central Europe and Baltic Countries
Europe and Central Asia Region**

**The International Finance Corporation
Europe and Central Asia**

The Multilateral Investment Guarantee Agency

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ABBREVIATIONS AND ACRONYMS

ANAF	National Agency for Fiscal Administration	INPCP	Integrated Nutrient Pollution Control Project
AROPE	At Risk of Poverty or Social Exclusion	JRP	Judicial Reform Project
ASA	Advisory Services and Analytics	MARD	Ministry of Agriculture and Rural Development
ASF	Financial Surveillance Authority	MEWF	Ministry of Environments Water and Forests
BoP	Balance of Payments	MoESR	Ministry of Education and Scientific Research
CESAR	Complementing EU Support for Agriculture	MDRAP	Ministry of Regional Development and Public Administration
CLLD	Community Led Local Development	MoH	Ministry of Health
CPF	Country Partnership Framework	MoPF	Ministry of Public Finance
CPI	Consumer Price Index	MoU	Memorandum of Understanding
CPS	Country Partnership Strategy	M&E	Monitoring and Evaluation
CVM	Cooperation and Verification Mechanism	MIGA	Multilateral Investment Guarantee Agency
CY	Calendar Year	NPL	Non-performing Loan
DB	Doing Business	PLR	Performance and Learning Review
DDO	Deferred Dropdown Option	PNLD	National Local Development Program
DNA	National Anticorruption Directorate	PDO	Project Development Objective
DPL	Development Policy Loan	PHRD	Japan Policy and Human Resources Development
EIB	European Investment Bank	POCA	Operational Program for Administrative Capacities
ECA	Europe and Central Asia	PPP	Public Private Partnership
EC	European Commission	OECD	Organization for Economic Cooperation and Development
EU	European Union	RAS	Reimbursable Advisory Services
FDI	Foreign Direct Investments	RAMP	Revenue Administration Modernization Project
FR	Functional Review	RCC	Romanian Competition Council
FY	Fiscal Year	RMS	Revenue Management System
GDP	Gross Domestic Product	ROP	Regional Operational Program
GEF	Global Environment Facility	ROSC	Report on the Observance of Standards and Codes
GSG	General Secretariat of the Government	SASMP	Social Assistance System Modernization Project
IBRD	International Bank for Reconstruction and Development	SCD	Systematic Country Diagnostics
IDF	Institutional Development Fund	SME	Small and Medium Enterprise
IFC	International Finance Corporation	SOE	State Owned Enterprise
IFI	International Financial Institution	TA	Technical Assistance
ISP	Institutional Strategic Plans	TF	Trust Fund
ITI	Integrated Territorial Investment	VAT	Value Added Tax
IMF	International Monetary Fund	WBG	World Bank Group

	IBRD	IFC	MIGA
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ROMANIA
**PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP
STRATEGY**

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ROMANIA

PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP STRATEGY

I. INTRODUCTION

1. **This Performance and Learning Review (PLR) assesses the performance of the Romania Country Partnership Strategy 2014-17 (CPS) since its presentation to the Board on April 28, 2014.** The CPS is based on three strategic pillars: (i) creating a 21st century government, (ii) growth and job creation and (iii) social inclusion. The PLR updates the country context, summarizes progress and proposes changes. The CPS provided a flexible framework and suggested using the PLR as an opportunity to elaborate the results framework to better reflect the scope of engagement. The PLR proposes to extend the CPS period for one year through end-FY18, which would provide sufficient time to engage with the new Government to be appointed after the parliamentary elections of December 2016, and to complete the SCD, the preparation of which has just been launched.

2. **During a period of political instability and changes of institutions in Romania, the CPS enabled the WBG to respond quickly to requests for assistance** as several governments and many ministers and government counterparts changed. While priorities evolved, economic convergence to the European Union (EU) level remained the cornerstone for reform. The WBG played a central role in supporting Romania achieve key results of the EU2020 Smart, Sustainable and Inclusive Growth agenda. Key strategic directions and reforms agenda identified at the beginning of the CPS remained relevant being anchored into the European context. Short-term priorities of the Government in certain areas deepened our engagement in addressing specific areas and these were driven by the need for Romania to accelerate the preparation and meeting EU ex-ante conditionalities that enable access to EU funds under the 2014-20 period. Focus of the Government shifted on the short run priorities, mainly towards improving public administration, education, prioritization and better management of investments, and promoting social inclusion and poverty reduction.

3. **While the CPS strategic directions remain relevant, adjustments to the results framework are proposed to better align to evolutions in the program, particularly the deepening of engagement in several key areas.** During the CPS period, the Reimbursable Advisory Services (RAS) program blossomed, becoming one of the largest Bank-wide. Such RAS, mostly paid by the Government using EU funds available under the 2007-13 programming period, were completed in 2015. A new RAS program paid using EU funds available under the 2014-20 period was launched in January 2016. These RAS, along with investment project financing and development policy operations, contributed to results across the CPS. Engagement deepened under all strategic pillars which continue to frame the CPS. While the CPS remains anchored into the country strategic framework and the broad reform agenda continues to be significant, more emphasis was put on supporting the Government with its evolving short-term priorities mentioned above. Hence, the results framework requires adjustments to mirror the depth of the program: the second pillar is reformulated to capture the Bank's program supporting smart and sustainable growth, and new objectives and indicators are introduced to better reflect the progress in the program implementation.

II. MAIN CHANGES IN COUNTRY CONTEXT

Political Context

4. **During the first half of the CPS, a new President was elected and the Government changed three times; however, main strategic directions remained.** The outcome of Presidential elections in December 2014, driven by the highest voter turnout in almost 20 years, with the participation of the Romanian diaspora in Europe, prompted a government reshuffle (64 percent of Romanians in and outside of the country turned out to vote). Klaus Iohannis, mayor of Sibiu, became the first Romanian President of German ethnicity. The latest Government change was in November 2015 when mass

protests all over the country following a fire tragedy prompted the resigning of the Government. As a result, the former EU commissioner Dacian Cioloș became Prime Minister with a one-year mandate. A technocratic government composed almost entirely of technocrats and political independents was formed. Despite several changes, the main strategic directions remained relevant. Government programs continued to focus on improving public administration, enhancing growth and improving social inclusion and poverty reduction.

5. During the remaining implementation period of the CPS, the new Government expected to be formed following the elections in December 2016 is likely to focus on the preparation of important national events. Romania will hold parliamentary elections in December 2016 to elect a parliamentary majority through 2020. The elections are significant given the adoption of important legislative changes of making it easier for new parties to run for office, in addition to reducing the number of parliamentarians (deputies and senators) from 588 to 466 members. Multiple political parties have emerged, some of them drawing opinion-makers and leaders from civil society and other sectors, whilst others promise to splinter from more traditional political parties. A new political Government is expected to be formed right after the elections. Over the next years, the country will celebrate the 10th anniversary of EU accession (2017), the centennial of the Great Union and the creation of Greater Romania (2018), and Romania's first Presidency of the EU Council (2019). The Government is expected to focus on the preparation of such events in addition to its reforms agenda.

6. The fight against corruption intensified, with the National Anticorruption Directorate (DNA) registering a record number of cases in 2015. The DNA is an independent anti-corruption entity, reorganized and reborn in 2002. It has earned credibility within Romania and beyond, bolstered by its indictment of high-profile figures, including those sitting in office, and seizure of almost half a billion euros. Three consecutive annual reports of the Cooperation and Verification Mechanism (CVM), the European Commission's (EC) corruption-monitoring scheme since 2007, positively assessed Romania's progress in reforming the judiciary and battling corruption. All the major recommendations of the CVM process have been incorporated in the 2016-20 national anti-corruption strategy.

7. The CPS framework remains largely consistent with the country's overall strategic directions, however, some short-term priorities shifted. Despite political and institutional changes, the country key strategic priorities were maintained. The CPS interventions continue to be aligned with the last three Government programs which focused on economic growth and poverty reduction, and anchored within the EU framework. The 2015 and 2016 National Reform Programs, including the Country Specific Recommendations issued by the EC as part of the monitoring mechanism under the EU Semester, reconfirmed the roadmap for achieving the Europe 2020 objectives for Smart, Sustainable and Inclusive Growth. The Romania Partnership Agreement 2014-20 with the EC, and corresponding operational programs, frame the use of European Structural and Investment Funds under the 2014-20 period¹. While the CPS pillars remain largely in line with the long-term reforms agenda, also driven by the Europe 2020 commitments of Romania, some short-term priorities were guided by Government's need to accelerate the preparation for the 2014-20 EU period and meeting related requirements, particularly towards improving public administration, education, prioritization and better management of investments, and promoting social inclusion and poverty reduction.

8. The Government increased focus on preparing for the 2014-20 programming period and meeting the related EU requirements. In the first half of the CPS, the Government put more emphasis on accelerating the absorption of EU funds availed by the EU to Romania, as a member state of the EU, under the first programming period (2007-13). This was Romania's first experience in managing EU funds since it joined the EU and it managed to increase the absorption rate from 6.3% (in December 2012) to more than 74% by (August 2016). While handling the closing of the 2007-13 EU cycle, the limited experience combined with a weak administration, led to delays in preparing for the 2014-20 period and fulfilling ex-ante conditionalities needed to access EU funds. Hence, the Government shifted

¹ Priorities include: competitiveness; people and society; infrastructure; resources; and administration and government (<http://www.fonduri-ue.ro/acord-parteneriat#varianta-in-engleză>)

attention to, and requested Bank's advisory services to support its preparation for the 2014-20 period in selected areas: (i) enhancing capacity for more efficient and effective administration, strategic planning and strategy development, (ii) better prioritization and management of investments, (iii) education, (iv) social inclusion and poverty reduction.

Economic Context

9. Romania has experienced an important rebound from the financial crisis and the economic growth is higher than expected in the CPS. Romania's economic growth exceeded expectations, accelerating to 3.8 percent in 2015, one of the highest in the European Union (EU). Growth was led by private consumption² and a rebound in investment which returned to near pre-crisis rates. Consumption recovered on the back of robust wage growth, declining unemployment, low interest rates, and low commodity prices. In 2015, investment, at 24.7 percent of GDP, was the highest in the EU, aided also by improved absorption of EU funds. The exchange rate is in line with its equilibrium level³ and inflation is low. The CPI remained in negative territory at -0.2 percent in August 2016 due to falling oil prices, strong harvests (2013 and 2014), and VAT reductions (2015, 2016)⁴. GDP growth is expected to increase to 5.1 percent in 2016 before moderating to 3.8 in 2017. Continued structural reforms are necessary to support growth over the medium term.

10. Romania's external position has improved, but vulnerabilities remain. The current account deficit rose from 0.5 percent in 2014 to 1.1 percent in 2015, as primary income and goods deficits widened. Nonetheless, this is lower than expected in the CPS, due to the increases in the secondary income and services surpluses on the back of greater flows of current transfers from EU funds. Net FDI inflows increased from 1.6 in 2014 to 1.9 in 2015. Total external debt has declined rapidly from a peak of 75.5 percent of GDP in 2012 to 63.1 percent in 2014 and 56.1 percent in 2015, better than expected in the CPS. Still, external vulnerabilities persist: external financing needs remain around 20 percent of GDP in 2015 (down from 34 percent in 2012) and the negative net international investment position is sizeable, around 51 percent of GDP in 2015.

11. The country has undergone substantial fiscal adjustment with one of the lowest public debt levels in the EU. Romania reached its structural deficit goal of 1 percent of GDP in 2014 and maintained it in 2015, as improved tax collection (by 1.4 percent of GDP in 2015, relative to 2014) compensated for spending increases on child allowances and public sector wages and a decline in the VAT rate on food and food-related items from 24 to 9 percent since June 2015. On the expenditure side total capital spending (including EU funds) increased from 5.1 percent of GDP in 2013 to 5.9 percent of GDP in 2015 in line with CPS projections. Public debt was 39.8 percent of GDP in 2015. Sovereign credit default swap spreads (five years) fell to 123 basis points by April 2016 and were stable relative to April 2015. All major rating agencies place Romania in a stable outlook investment category. The fiscal deficit is expected to widen significantly to 2.8 percent in cash terms in 2016 and 2017 due to legislated tax cuts and public sector wage increases, but in the absence of additional policy changes, the Government expects to stay below the 3 percent boundary of the EU Stability and Growth Pact.

12. A surge in labor demand and policy changes led to rapid increases in wages, but employment trails behind. Aided by the reduction in social contributions by 5 ppts in October 2014 and the increase in the minimum wage, real wages⁵ increased by 11.5 percent (year-on-year) in October 2015. Public sector wages were increased in January 2016 by 10 to 25 percent. Economic growth positively impacted employment, but improvements in labor force participation and job creation were modest, signaling continued rigidities in the labor market. The unemployment rate was 6.8 percent in 2015, similar to 2014 and is projected to fall to 6.4 percent in 2016 and 6.2 in 2017, but rise slightly in 2018 to 6.3 percent.

² VAT cut on food and food-related products from 24 to 9 percent in June 2015 contributed to consumption growth.

³ IMF (2016) *Romania – Staff Report for the 2016 Article IV Consultation*.

<http://www.imf.org/external/pubs/cat/longres.aspx?sk=43889.0>

⁴ Eurostat, preliminary figure

⁵ CPI-deflated

13. The banking sector is well capitalized, but credit remains subdued. The banking sector is well capitalized and the tier one average capital adequacy ratio was 15.1 percent at end-December 2015. Non-performing loans (NPLs) declined from a peak of 21.9 percent of total loans at end-2013 to 11.3 percent in June 2016 aided by measures such as NPL sales and write-offs. Despite the decline in NPLs, historically low interest rates, and strong liquidity, credit growth remains subdued. Credit to corporations continued to contract year-on-year, while credit to households accelerated in nominal terms. Parliament approved the law on the discharge of debt obligations ('Giving in payment' law) in April 2016, intended to help households in financial distress with their mortgages. However, this has tightened conditions for mortgage lending and is likely to have an adverse effect on credit growth as lenders require higher deposits for mortgages.

Table 1. Key Macroeconomic Indicators 1/

	<i>Actuals</i>					<i>Est.</i>		<i>Projected</i>		
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real economy										
GDP (nominal, billion RON)	533.9	565.1	595.4	637.5	667.6	712.8	764.2	813.0	865.1	917.7
Real GDP growth	-0.8	1.1	0.6	3.5	3.0	3.8	5.1	3.8	3.4	3.3
Contributions, of which:										
Consumption	-0.3	0.6	0.8	-0.2	2.3	3.9	5.7	4.0	3.7	3.6
Investment	-0.4	0.5	-1.3	0.1	0.8	1.3	1.3	0.9	0.8	0.8
Net exports	-0.1	-0.1	1.1	3.6	-0.2	-1.5	-1.9	-1.2	-1.1	-1.1
Unemployment rate (ILO definition)	6.9	7.2	6.8	7.1	6.8	6.8	6.4	6.2	6.3	6.5
GDP deflator (2010 = 100)	100.0	104.7	109.6	113.4	115.3	118.7	121.1	124.1	127.7	131.2
Fiscal accounts										
Revenues	33.0	33.1	33.0	32.0	31.7	33.1	31.5	30.9	30.7	30.6
Expenditures	39.5	37.5	35.5	34.5	33.6	34.6	34.3	33.7	33.5	33.4
General government balance (cash)	-6.5	-4.4	-2.5	-2.5	-1.9	-1.5	-2.8	-2.8	-2.8	-2.8
General government balance (ESA2010)	-6.9	-5.4	-3.7	-2.1	-0.9	-0.7	-2.8	-3.4	...	...
Structural deficit	-5.6	-3.0	-2.6	-1.1	-0.2	-0.6	-2.8	-3.4	...	...
Public and publicly guaranteed debt 2/	34.2	37.2	38.1	39.6	40.6	39.8	39.9	40.3	40.7	41.6
Selected monetary accounts										
Base money (% change) 3/	2.8	5.2	3.7	12.7	18.2	26.1	...	...	...	...
Credit to nongovernment (% change)	5.2	6.2	1.6	-3.4	-3.7	2.5	...	...	...	...
Interest (key policy rate, in percent) 2/	6.25	6.00	5.25	4.00	2.75	1.75	...	...	...	...
Balance of payments										
Current account balance	-5.1	-4.9	-4.8	-1.1	-0.5	-1.1	-2.4	-3.6	-4.1	-4.1
Exports	32.3	36.8	37.5	39.7	41.2	41.1	41.4	41.2	41.2	...
Imports	38.4	42.4	42.4	40.5	41.5	41.6	43.1	43.6	43.9	...
FDI	1.8	1.4	1.6	1.9	1.6	1.9	1.9	1.9	1.9	...
Gross Reserves (in € billions) 2/	36.0	37.3	35.4	35.4	35.5	35.5	36.9	38.6	40.8	...
in months of next year's imports	8.8	7.9	7.5	7.3	6.8	6.4	6.1	5.8	5.7	...
in percent of short-term external debt	183.9	163.4	169.3	184.5	187.7	183.6	180.9	183.8	193.6	...
External debt (% of GDP)	73.8	74.9	75.5	68.0	63.1	56.1	53.6	52.8	52.4	52.1
Terms of trade (merchandise, % change)	1.3	1.8	-3.4	0.4	0.9	1.2	0.0	-0.1	0.6	-0.3
Exchange rate (RON/€, average)	4.2	4.2	4.5	4.4	4.4	4.4	4.5	4.6	4.6	...
Memorandum items										
GDP nominal in US\$, millions	168.0	186.1	171.7	191.6	199.4	177.3	181.9	194.3	206.3	219.0
Potential GDP (2010, billion RON)	555.4	560.9	570.7	580.1	591.3	607.0	625.8	647.0	...	...
Output gap	-3.9	-3.8	-4.9	-3.1	-2.1	-1.1	0.0	0.3	...	...

Source: The Ministry of Public Finance (MoPF); the National Bank of Romania (NBR); Eurostat; IMF; Bank staff estimates. As of September 2016. 1/In percent of GDP, unless indicated otherwise; 2/ End of Period; 3/ Comprises currency in circulation plus overnight deposits.

14. **The precautionary programs with the IMF and the EU ended in September 2015.** The first and second IMF reviews were completed in 2014 and no subsequent reviews were concluded. In its Article IV consultations in May 2016, IMF noted the need to accelerate reforms, particularly in the areas of SOEs, tax administration, prioritization of public investment and quality of the business environment. Since September 2015, when the precautionary Balance of Payments EU programme expired, Romania is under the EU post-program surveillance until May 2018⁶, in addition to the regular vehicles for dialogue, including the EU Semester. Romania continues an active dialogue with the IMF through Art. IV Consultations.

15. **Poverty rates in Romania remain among the highest in the EU and progress in poverty reduction has been limited.** With 39.5 percent of the population at risk of poverty and social exclusion in 2014, poverty in Romania remains the second highest in the EU. The share of at-risk-of-poverty after social transfers recorded an even steeper increase from 22.6 percent in 2012 to 25.4 in 2014⁷. The Roma population in particular faces poverty, deprivation, and systemic challenges in accessing basic services. The employment rate of the Roma is estimated at 30 percent⁸. Moreover, the gender gap is below the EU average with 53.3 percent, the employment rate among women aged 15–64 was low in 2014, compared to 68.7 percent among men and lower than the EU28 average (59.6 percent). Women’s salaries were 89.1 percent of men’s in 2014, placing the gender pay gap below the EU average⁹. A comprehensive reform of Romania’s social assistance system, necessary to make further progress in poverty reduction, was launched in 2009 but implementation has been slow. Over the last four years the government increased social transfers, but several of these were not well targeted.¹⁰ Social assistance reforms have been re-launched by the current government and an anti-poverty package has been issued in February 2016 aimed at increasing school attendance and employment, and leveraging EU funds to reach the poor.¹¹

III. SUMMARY OF PROGRAM IMPLEMENTATION

16. **Progress has been made under all CPS pillars.** The Bank continued to be a reliable partner, a knowledge provider and honest broker to the Government to support the design and implementation of difficult public sector reforms. Notable progress was made under all pillars, particularly in reforming the public administration, revenue administration, judicial sector, financial sector and competition, education and social inclusion. Activities intensified under the first pillar in line with Government’s demand to enhance capacity to better prioritize and manage funds, formulate strategies, strategic planning, or improve governance and organizational functioning. Under the second pillar, the activities deepened in education, environment, and the International Finance Corporation (IFC) played a strong role in supporting private sector growth and enhancing competitiveness through selective financing of private sector projects. Activities focused on social inclusion of vulnerable group and social assistance modernization under pillar 3. The blend of investments and advisory services and analytics have been

⁶ http://ec.europa.eu/economy_finance/assistance_eu_ms/romania/index_en.htm

⁷ At-risk-of poverty rate, people with less than 60 percent of the median equiv. income after social transfers

⁸ In 2011, 66% of men and 53% of women of working age (15–64) in the general population were employed, while only 42% and 19% of Roma men and women respectively had jobs, including informal jobs. Moreover, employed Roma earn only a fraction of the average earnings of the general population. As a result of low employment rates and low wages, the labor income of working-age Roma men in Romania is estimated to be only 20% of that of the general population; the corresponding figure for Roma women is 12% (World Bank. 2014. *Diagnostics and policy advice for supporting Roma inclusion in Romania.*)

⁹ The gender pay gap represents the difference between average gross hourly earnings of male paid employees and female paid employees as a percentage of average gross hourly earnings of male paid employees.

¹⁰ Parliament introduced in June 2015 measures to raise the state child allowance with a cost of around 0.24 percent of GDP in 2016, but only 30 percent of the budget reaches poor children and poor families.

¹¹ The package combined existing and new measures aimed mostly to increase school attendance and employment. Romania has the highest share of young people neither in employment nor in education and training (NEETs) in the EU.

at the core of the WBG program to support the CPS objective of reducing poverty in Romania and fostering sustainable income growth for the bottom 40 percent of the population.

Pillar 1. Creating a 21st Century Government

17. During the first half of the CPS period, the Bank's program under pillar 1 deepened and outcomes are expected to be achieved. In addition to supporting revenue and expenditure administration, justice reform and health service delivery, the WBG program contributed to other objectives: strengthening debt management, improving strategic planning, prioritization, evidence-based policymaking, enhancing strategy formulation, and improving governance and organizational functioning of public institutions. The Government's need to strengthen capacity to better access and manage EU funds under the 2014-20 period led to additional demand for Bank services.

18. Bank's support to structural reforms remained central to the CPS. Three development policy operations effectively advanced the reform agenda for improved public financial management, fiscal sustainability, and governance/administration of SOEs, the health sector, social assistance, land administration, justice, energy and capital markets. Equally, investment project financing (IPF) and recipient-executed grants support the reform agenda. The IPFs have moved slower than expected due to weak capacity to execute projects and due to political instability and multiple changes in ministers. This also mitigated against the slow pace of originally envisioned operations - development policy operations (DPOs) and IPFs - originally envisioned in the CPS.

19. Bank's assistance contributed to achieving major change in public administration at the central, regional, and local levels, with the breadth and depth of RAS going far beyond initial expectations. The high demand for RAS under this pillar was driven by Government's evolving needs for assistance, as well as by the trust in the Bank for its responsiveness, flexibility, high quality of expert advice, and strong collaborative support. Government attention remained focused on improving administrative capacity for advancing preparations for the 2014-20 EU programming period, particularly in (i) strategic planning, coordination and prioritization; (ii) strategy development and implementation; (iii) operational functioning and efficiency of public institutions; and (iv) increased effectiveness of public investments.

20. A Bank-led evaluation of the RAS program in Romania provided useful lessons from Bank's contribution to enhancing capacity of selected line ministries and public agencies. It showed that RAS engagements are increasing the effectiveness of public agencies. Despite the time required for improving the performance of organizations, 23 RAS documented preliminary evidence of increased organizational capacity, including: (i) clarifying the organization's mission, roles, and staff responsibilities related to achieving a development objective; (ii) improving communication with stakeholders; (iii) increasing effectiveness as demonstrated by producing more or better outcomes; and (iv) improving adaptability and use of up-to-date information to adjust operations as needed. RAS outcomes contributed to better legislation, policies, and strategies to support Romania's development agenda. RAS helped improve the policy environment as the Bank's outputs were used to inform strategic documents, policymaking, and prioritization decisions prepared by the Government. Similar findings were reflected in the Government-led evaluation exercise assessing the RAS program in 2012-15 under the MoUs signed in 2012 between the Government and the IFIs.

21. The Government made good progress in improving revenue administration. Supported by the Revenue Administration Modernization Project (RAMP) and the DPL-DDO, the National Agency for Fiscal Administration (ANAF) reduced administrative costs as a percentage of revenues from 1.11 to 1.03 in 2015,¹² and increased revenue collected per staff member by 19% (from RON6.3 million at end-2012 to RON7.5 million in mid-2016). The average time for preparing tax returns for corporate taxpayers decreased significantly from 222 to 159 days, outperforming the average for OECD countries in 2015, due to increased use of online filing and VAT payments. The implementation of the

¹² PDO Indicator 2 for the DPL-DDO (IBRD 81760), Report No. ICR3187

reorganization and modernization program in ANAF supported by RAMP advanced slower than anticipated but the procurement of the revenue management system remains largely on track.

22. Steps were also taken towards improving the quality of public expenditures at the central level. Bank interventions through development policy operations and advisory services contributed to incremental progress in strengthening public investment management. A Public Investments Evaluation Unit was created within the Ministry of Public Finance (MoPF) and advice for enhancing its capacity was provided by the Bank. The government has taken steps to improve the prioritization of large public investment projects. Assistance to the Treasury of the MoPF contributed to enhancing its capacity and the adoption of the 2015-17 Government public debt management strategy. Such assistance is expected to continue through follow up RAS. There is commitment to gradually introduce results-informed budgeting, with the legal framework for the reform having been established. Pilots on strategic planning in ten ministries will be carried out through RAS activities.

23. The central government is being strengthened to increase efficiency and effectiveness of the public sector. The Bank contributed to improved policy prioritization and planning, better coordination across government institutions, strengthened policy implementation and monitoring. Bank's support was delivered through a comprehensive program of advisory services to enhance capacity of the center of government for service delivery and impact assessment. The Bank supported the establishment of a Delivery Unit. The Bank responded to Government's request for assistance to continue strengthening the central government through separate but linked RAS engagements: (i) enhancing capacity for strategic planning and setting up a Strategy Unit, (ii) supporting an improved linkage between strategic planning and budgeting; and (iii) improved evidence-based decision making.

24. The Government has taken steps to improve strategic planning and prioritization of investments. A regional development RAS program supported such efforts at national and local level. Local public investments in Romania suffered from a lack of strategic planning, prioritization or sustainability. Local government stakeholders report that RAS provided important capacity building for them, which was internalized in the planning process. Moreover, three investment guides developed with Bank's assistance are unique tools at European level which can be used in other EU countries to inform decision making. At local administration level, IFC supported two municipalities providing long-term financing to complement EU funding. At national level, the Bank supported the harmonization of EU and state budget funded projects. The Ministry of Regional Development and Public Administration (MRDPA) expressed interest in continuing the collaboration with the Bank.

Box 1. RAS program with the Ministry of Regional Development and Public Administration.

One RAS set out to improve strategic planning and expenditure efficiency for the largest state-budgeted program, the National Local Development Program (PNDL), by addressing, *inter alia*, its lack of prioritization and monitoring criteria. As a result of the RAS, the client institution, MRDPA adopted multi-annual implementation planning and budgeting, priority-based allocation of funds, and selection criteria specific to investments' type, as well as more effective coordination mechanisms.

Other programs also applied the three Investment Guides developed with Bank's assistance, which are unique at the European level: the Regional Operational Programme (OP) for prioritizing county roads, the National Rural Development Program for prioritizing rural investments using the Local Human Development Index, Large Infrastructure OP for water and wastewater investments, county councils for developing their multi-annual investment programs, and several metropolitan areas for identifying key infrastructure investments.

Another RAS completed in 2014 improved project selection methods in the €8.1 billion Regional OP for the 2014-20 period, including a focus on planning and redefining evaluation and selection criteria, as opposed to the "first-in-first-out" selection model previously used in €4.5 billion Regional OP under the 2007-13 period.

25. Bank's assistance informed the Government's strategy formulation in preparation for the 2014-2020 EU programming period and better utilization of national funds. Given the low absorption rate of EU funds in 2007-13 and the delayed preparation of the Government for the EU 2014-20 financing period, the Bank assisted many public institutions in enhancing capacity for strategy formulation, operationalization and monitoring and evaluation. The Bank provided support for background studies and analyses to inform policymaking, strategy development, and operationalization

of strategies in eight areas¹³. Five of the strategies developed with Bank's input¹⁴, supported the Government fulfill ex-ante conditionalities for accessing EU funds under the 2014-20 period. For the remaining CPS period, the Bank support shifts towards operationalization, monitoring and evaluation of such strategies and it remains engaged mainly in the education sector.

26. The Bank contributed to improving the governance, organizational functioning and efficiency of public institutions, including the SOEs. Improvements were achieved in the internal management system of the Ministry of Agriculture and Rural Development. The Competition Council now operates under a revised business architecture with increased operational effectiveness. The Ministry of Transport is implementing a new strategic plan in the transport sector and a corporate governance guide was adopted. Improvements in administrative capacity for better management of EU funds were noticed - a performance appraisal system was adopted under the coordination of the Ministry of European Funds to enhance the capacity and performance of institutions managing EU funds. The draft law on corporate governance of SOEs was approved by the Parliament in May 2016.

27. Good progress was made in reforming the judicial sector. The Bank's support through the Judicial Reform IPF project yielded impressive results: 16 courthouses were rehabilitated or constructed with works ongoing for two more; there is an increase in court hearings in 5 courts rehabilitated (115%) and a 128% increase of number of council rooms in 10 courts rehabilitated under this project. The Revenue Management System (RMS) implementation was only partly implemented but there is a government commitment to complete outstanding activities following the project closure currently scheduled for March 2017. The Government has requested continued Bank financing through a new Justice Project to scale up activities in the sector. The project has had a fast-track preparation schedule and is scheduled for Board approval in January 2017.

28. The CPS intended to improve health service delivery, but there has been limited progress due to delays in implementing the Health Sector Reform Project, the main vehicle for reform. Frequent changes in the leadership of the Ministry of Health was a contributing factor as strong and consistent leadership is needed to reform the system against a backdrop of the sector's complex political economy. However, under the FEG-DPL II, some progress was achieved with the Ministry's approval of a centralized procurement plan for 2016, resulting in fiscal savings for the purchase of pharmaceuticals and other essential supplies. Health remains an urgent priority as outcomes are amongst the worst in the EU while spending remains highly inefficient.

29. IFC has been particularly involved in supporting the growth of the private healthcare sector in Romania since it began operations in the 1990s. The CPS called for IFC to invest selectively, focusing on opportunities to support projects aligned to the government's health sector reform. This policy seeks to increase outpatient clinical services and expand outpatient surgery contributing to more efficient in-patient hospital services. During the CPS period, IFC made an investment in a leading Romanian healthcare provider serving approximately 2 million patients annually. IFC's investment sought to increase access to affordable and quality healthcare in Romania by expanding the healthcare provider's reach to smaller cities beyond Bucharest with an array of outpatient consultation, diagnostic testing, and day-surgery services.



Pillar 2. Growth and Job Creation

30. The CPS second pillar focused on enhancing business environment, competition policy, education, access to finance and environment and climate change. Objectives under the second pillar continued to be relevant and the depth of the program and initial scope of interventions went beyond the original results framework. The Government required assistance for enhancing the business environment, access to finance, better educated labor force and sustainable development, aiming to support convergence to the EU and prepare for better EU funds management. IBRD and IFC support,

¹³ (i) Early school leaving, (ii) tertiary education, (iii) lifelong learning, (iv) active aging, (v) reducing poverty and social inclusion, (vi) digital agenda, (vii) climate change, and sustainable development of the Danube Delta

¹⁴ Early school leaving, tertiary education, lifelong learning, active aging, reducing poverty and social inclusion

as envisaged in the CPS, was delivered through DPO, IPFs, ASA, and IFC's investment and advisory services. The Bank Group is on track to achieve outcomes by the end of the CPS period.

31. Romania improved its business environment during the CPS period. The overall Doing Business ranking was maintained constant at the 37th in 2015 and 2016, showing progress from the 73rd rank in 2014 to the current one¹⁵. Paying taxes improved significantly and the outcome indicator was achieved. Initial assistance envisaged to target construction permits was not pursued, but a study on subnational doing business will analyze the situation of construction permits. The Bank supported the Government on improving the integrated cadastre and land book system and on drafting of a new Law on Cadastre and Real Estate Registration, replacing Law 7/1996.

32. The Bank supported the improvement of the regulatory framework. A RAS helped enhance the capacity of the Romanian Competition Council. A new Competition Law was adopted. Bank's advice supported the Government in enhancing the broadband infrastructure which can lead to increased NGA broadband coverage.

33. The Government adopted an insolvency code in 2015. A longer implementation period is needed to assess progress towards the objective of making it easier for business to exit the market.

34. During the CPS period, IFC played a significant role in the resolution of Non-Performing Loans (NPLs), critical to health of financial system in Romania. As part of IFC's Distressed Assets Rescue Program, in December 2015, IFC together with leading Western European banks purchased a leading Romanian lender's NPL portfolio, committing EUR 60 million on IFC's account. This was the largest NPL transaction to close in the region since the financial crisis, with a portfolio nominal value of EUR1.2 billion. In May 2016 a second operation was carried out and IFC and a leading debt collection company in Central and Eastern Europe, invested in a portfolio of unsecured retail NPLs originated by Romanian lenders, with an outstanding total balance of approximately EUR 600 million. The large number of NPLs in Romania and the region has been a serious problem since the 2008 global financial crisis. Recent IFC's projects have sought to more efficiently resolve NPLs and increase the liquidity of the banking sector in Romania and the region.

35. In FY15 IFC supported gender finance by signing with a Romanian lender a EUR 35 million loan for women owned and managed companies, building on the gender cross cutting theme of the CPS. FY15 was also the first year IFC signed an innovative foreign currency swap agreement in Romania to help support banks long term hedging needs. A EUR 20 million subordinated bond of a leading Romania lender was converted by IFC into tier 1 equity strengthening the bank's efforts to improve its capital structure. In addition, a EUR 7 million loan was extended to a Romania leasing company to support SME's leasing finance and EUR 4 million has been earmarked specifically for climate related projects.

36. The Bank has assisted the Financial Supervisory Authority (ASF). The Parliament adopted amendments to the Capital Markets Law to modernize the regulatory landscape, enhance the governance and accountability of ASF, and allow for secondary regulatory reforms to address key constraints hampering the development of capital markets. Most recently, the Bank provided technical assistance to ASF on insurance resolution and on optimization of its organizational structure and improvement of the efficiency of the authority's core functions. The Bank continues to support ASF under the Fiscal Effectiveness and Growth DPL series. In addition, the Bank plans to provide technical assistance on capital markets regulation and supervision, supported by an EC trust fund arrangement.

37. MIGA remains open to supporting private sector development. While not actively engaged in the first part of the CPS, MIGA remains open to provisioning of political risk guarantees, as well as non-honoring credit risk guarantees for sovereign, sub-sovereign and state-owned enterprises.

38. The Bank's program in education supported the Government in strategy formulation to enable access to EU funds for the 2014-20 period and in enhancing administrative capacity in the

¹⁵ Improvement in ranking is partially due to change in methodology, in addition to important change in indicators

Ministry of Education. With the Bank's support, the Government prepared and adopted three strategies in 2015 for (i) reducing early school leaving, (ii) increasing higher education attainment and (iii) increasing participation in lifelong learning, helping Romania meet ex-ante conditionalities and facilitate the access to EUR 1.8 billion of EU funds for investments potentially ready for 4.1 million beneficiaries. Limited progress in implementing the strategies has been noted, as they were adopted only in 2015. The Ministry of Education enhanced its organizational and operating structure based on the Bank's advisory services. As the CPS envisaged, a review of the Public Employment Services was carried out as part of the RAS supporting the preparation of the social inclusion and poverty reduction strategy, and the Portraits of Labor Market Exclusion was delivered.

39. The education program remains solid going forward. In 2015, the Government requested additional Bank's assistance for (i) strategy formulation to inform decision making on investments in education infrastructure, (ii) strengthening capacity to monitor the implementation of strategies, and (iii) continued support on tertiary education reform. These new activities are complemented, as the CPS anticipated, by an investment operation, the Romania Secondary Education Project which became effective in October 2015, to help improve the transition from upper secondary to tertiary education and increase the retention in the first year of tertiary education. The outcome indicator related to higher education is on track to be met including when tracked by gender. The early school leaving and lifelong learning indicators may show a backward trend in absence of Government's attention to implementation and policy measures.

40. The WBG supported environment and climate action to promote sustainable development. The Government made progress towards meeting its obligations for implementing the EU Water Framework Directive, in particular the EU Nitrates Directive. The Integrated Nutrient Pollution Control Project for which additional financing was approved in FY15 to expand project's activities to the entire country, significantly contributed to institutional strengthening, coordination and capacity building within the Ministry of Environment, Water and Forests and concerned agencies, local governments and communes. There is improved public awareness and information towards compliance with the EU legislation in the water field. The Bank's advisory services were instrumental in promoting low-carbon green growth by providing an analytical base for climate-related decision-making, input for preparing the climate change strategy approved in October 2016 and helping identify and integrate climate actions into the 2014-2020 operational programs. IFC's sub-national investments also addressed climate change issues in municipal services, with focus on heat distribution.



Pillar 3. Social Inclusion

41. The Bank's program supported social inclusion focused on marginalized and vulnerable groups. Drawing on Bank's advice through two RAS, the Government developed and adopted the national strategies on (i) poverty reduction and social inclusion, (ii) and active aging which enabled Romania access EU funds under the 2014-20 programming period. A national Roma strategy was developed and adopted and the Bank supported the Government with a study on diagnostics and policy advice for supporting Roma integration in Romania. An IPF operation on integrated social services was envisaged and discussed with the Government, but given the complexity of the task and the difficulty with identifying a committed counterpart to coordinate and lead the efforts, and the promise of EU funds in this field, the IPF was dropped. However, the agenda was partially addressed through the advisory services agreement on developing the national strategy on social inclusion where one of the nine flagships dealt with integrated social services. IFC's project with Timisoara municipality has also tangible social benefits through higher mobility and traffic safety of the local population and increased inclusion for disadvantaged children and their families.

42. The CPS took the bold initiative to mainstream the Roma inclusion agenda across the Bank portfolio. World Bank activities were systematically screened for the particular challenges and opportunities that they might have for the Roma population (through the Roma Sensitivity Enhancer, a tool developed to mainstream the Roma inclusion agenda throughout the country portfolio). Projects and RAS were designed keeping in mind ways to identify entry points for strategic partnerships around

the inclusion of marginalized Roma. The Bank is increasingly engaging with civil society stakeholders around the Roma social inclusion agenda through topic-based roundtables, through the establishment of a Roma Sounding Board which will constitute a forum for engagement with the Bank. In addition, the Bank has started to develop a user-friendly and interactive interface, a “knowledge repository”, for Roma inclusion in Romania. A needs assessment exercise was undertaken to determine what content would be most relevant to stakeholders. Bank staff also developed and rolled out internal training on a number of issues relevant to Roma inclusion.

43. Romania made some incremental progress in reforming its social assistance system. With support through the FEG-DPL II and Social Assistance System Modernization Project (SASMP), a minimum inclusion income (VMI) scheme was approved by Government following public consultation, and submitted to the Parliament. The law was approved in 2016, and would stand out as one of the best pro-poor laws in the ECA region. SASMP would put in place the necessary elements to implement the VMI scheme, which would begin in April 2018. SASMP has also helped making Romania’s system for reducing error and fraud a regional model on how to build an effective system in a relatively short time, inspiring similar reforms in ECA (i.e. Albania, Croatia, Moldova and Ukraine) and out (i.e. Indonesia). Overall SASMP implementation, however, continues to be a challenge following very little progress in FY15-16. Level-1 restructuring in FY17 aims to facilitate implementation of remaining actions, which would reduce error and fraud, improve performance management and administrative efficiency, and equity, once the VMI implementation begins.

44. Citizen engagement in the Romania portfolio has improved since FY14 when the corporate requirements were introduced. With only a few IPFs approved, Romania met the corporate targets for 100% beneficiary feedback and 100% citizen oriented design in FY15 (Annex 7). All projects are assessed to have a citizen-oriented design, including those approved prior to FY14; and two out of the three FY14-16 projects have beneficiary feedback indicators. In the new Justice Services Improvement Project, citizen engagement is a significant area of action in each of the components focused on courts, national trade registry office and the prosecutions service. The project will measure outcomes through beneficiary feedback indicators. The Bank aims to continue enhancing the quality of the engagement of Romanian citizens in all WBG operations for the remainder of the CPS period.

Portfolio Performance and Implementation

Advisory Services and Analytics

45. Reimbursable advisory services have emerged as one of the centerpieces of the Romania’s program and complements investment and development policy lending, IFC investment and advisory services, and Bank-funded analytical work. During the CPS period, the RAS program developed exponentially given the immediate need for assistance of the Government institutions to accelerate preparation of the 2014-20 EU programming period. It has evolved into an important platform for broadening and deepening the reform dialogue, and become an essential complement to the Bank’s other tools to transfer knowledge, build capacity, and achieve results. Between FY14 and end-FY16, Romania delivered one of the largest and most diverse RAS portfolios in the Bank: 37 RASs were completed for a value of €43.3 million¹⁶. The lion’s share of the program was in regional development and public administration and governance, followed by programs in education, climate change, competitiveness, transport/ICT. A first program of RAS paid by the Government using EU funds under the 2007-13 period closed in December 2015. About two thirds of the RASs were devoted to assist in improving capacity to manage funds and preparing for the 2014-20 period. Other RASs assisted public institutions in implementing Bank recommendations from functional reviews undertaken¹⁷ to address administrative capacity weaknesses and other bottlenecks to growth.

¹⁶ 40 RAS were delivered under the 2012-15 program, three of them completed before the CPS period (FY13)

¹⁷ Functional reviews of 13 institutions were carried out, 14 of which during 2010-11 in its first RAS in Romania.

Table 2. Planned and actual activities (number of ASA, projects – project codes)

	Planned in the CPS	Added/not planned	Signed during the CPS Period	Completed to date	Ongoing
RAS	44* (36 agreements)	15	21**	50	10
Bank-financed ASA	3	28		18	13
IPF and DPO	10	1	4	2	6

*total number of project codes which corresponds to 36 agreements signed and/or prepared (at the CPS design stage)

**number of agreements signed

46. **The Government signed a new Memorandum of Understanding for advisory services in 2016.** Building on the successful experience during 2012-15, a new Memorandum of Understanding on “Partnership for the Modernization of the Public Administration and Support to Structural Reforms” between the Government and the Bank was signed on January 11, 2016. The new RAS MoU provides for advisory services up to 2023 and it represents a flexible framework for cooperation. Eight new RASs have been signed in 2016 and are under implementation. More RAS expected to be signed in FY17 would bring the RAS program to \$20 million. Another RAS paid from Norway grants has been under implementation since 2015. The list of RAS engagements is in Annex 5.

47. **The Bank-led evaluation exercise of the RAS program provided useful lessons for the PLR and showed that the Bank contributed to enhancing the capacity of public institutions.** A Bank-led evaluation, anticipated in the CPS, showed that RAS work increased the effectiveness of public agencies and contributed to better legislation, policies, and strategies that efficiently guide stakeholder actions to support Romania’s development agenda. The Bank’s outputs informed strategic documents, policymaking, and prioritization decisions of the Government. Similar findings were reflected in a Government-led evaluation assessing the RAS provided in 2012-15 by IFIs, including the Bank.

48. **The Bank continued its prudent stewardship of the RAS program and enhanced further its selectivity criteria.** Requests for RAS continue to be considered in line with the main selectivity criteria which were elaborated at the time of the CPS designing and include: Bank’s comparative advantage and capacity to deliver, client’s capacity and ownership, strategic relevance of the assignment, availability of resources and associated risks. Based on the experience of the first years of CPS implementation and the results of a unique RAS evaluation exercise, the focus was adjusted to give priority to RAS on building capacity. Capacity building requires longer-term engagements to allow the clients to absorb and internalize knowledge. Therefore, longer engagements are now being developed, as well as programmatic RAS, as feasible.

49. **Given the limited Bank budget resources, non-RAS ASAs have been selectively included in the Romania program to undertake key analytical tasks** (e.g., Programmatic Public Finance Review, anticorruption study), provide advisory services to prepare for potential future engagements (e.g., agriculture), disseminate knowledge generated from RASs, particularly using innovative tools (e.g., Resource Mapping), and support engagement in key advocacy areas (e.g., Partnership for Marginalized Roma). Trust-funded ASAs enhanced specific operational knowledge (e.g., Impact of Rural Land Registration) and helped develop potential IPF (e.g., Romania urban regeneration).

Lending Portfolio and Trust Funds

50. **During the CPS period, Romania’s portfolio performance faltered due to the slow implementation progress.** While the selective approach to lending for IPF defined in the CPS remains relevant and appropriate, the delivery of annual DPOs originally envisioned in the CPS was thwarted by the frequent changes in government and leadership of key counterpart agencies. Despite the challenges, Romania remained one of the top five borrowers in the region, with new commitments of \$1.7 billion-one DPL, two IPFs and additional financing (Annex 4). Table 3 and Annex 6 include more details regarding the portfolio trends.

51. **Low disbursements are due to the transition in portfolio structure to fewer, but larger IPFs that sharply increased the average loan size¹⁸, and the risk profile of the portfolio predominated by “transformational” or reform-oriented projects.** While a deep dive of the portfolio during FY16 concluded that unrealistic implementation planning and focus on project management was a contributing problem to lagging performance, systemic issues in Romania; such bureaucratic internal controls, are a major constraint to improving the portfolio. While such barriers to improving implementation will be further analyzed, efforts will be made to maximize opportunities for preparing smaller operations that can implement quickly to minimize risks for high undisbursed balances.

Table 3. Portfolio Trends

Data as of	FY14	FY15	FY16	FY17 *
Portfolio and Disbursements				
Active Projects #	8	7	6	6
Net Commitments Amt \$m	3,737.2	2,622.5	1,640.1	1,640.1
Total Disbursements \$m	1,843.6	1,322.9	508.4	514.3
Total Undisbursed Balance \$m	1,915.3	1,078.1	1,100.5	1,094.8
Disbursements in FY \$m	1,476.9	869.9	29.4	5.9
Portfolio Riskiness				
Actual Problem Project #	0	5	2	2
Problem Project %	0.0	71.4	33.3	33.3
Potential Problem Project #	0	0	0	0
Projects At Risk #	0	5	2	2
Projects At Risk %	0.0	71.4	33.3	33.3
Commitments At Risk \$m	0.0	1,339.1	1,049.2	1,049.2
Commitments at Risk %	0.0	51.1	64.0	64.0
Proactivity %	100.0		60.0	60

*data as of September 30, 2016

52. **Projects with a substantial policy reform agenda have been more negatively impacted than others by the frequent changes in Government, however, the Bank will not avoid pursuing high risk-high-reward operations where it has a comparative advantage.** The Bucharest Urban Development Project (FY18 project), although high risk, has a potentially transformative impact on the urban development agenda. The Bank is well placed to support implementation of such a project as it would build on the vast knowledge it has accumulated through the regional development RASs, while bringing global best practice to bear. Project design will incorporate these lessons learned while exploring financing structures (e.g., series of projects, parallel co-financing with other financiers, including private sector) to avoid further contributing to the low disbursement problem.

53. **Since FY15, additional selectivity criteria have been applied to new lending to improve portfolio performance.** Projects could make it in the pipeline when they (i) leverage existing implementation capacity, particularly strong project management units; (ii) scale up well-performing operations using additional financing or successive operations in the sector; (iii) undertake a modular or programmatic approach to project design, committing a smaller loan amount implementable within few years, to be followed by additional financing or a successor project that can be prepared during implementation of the original loan; (v) well in advance of closing an existing loan and if appropriate, design the successor operation that can provide a seamless bridge in implementing the program. Additional financing for INPCP (approved FY16) and the Justice Services Improvement Project (planned delivery FY17) have both been designed meeting several of these criteria.

54. **Trust funded-activities, although small in number and size, can be effective complements to broader programs, but given uneven implementation performance, should be selectively included**

¹⁸ In a comparison between FY01-09 vs. FY10-15, the average loan size grew more than six-fold, while the number of projects dropped from a peak of 22 in FY03 to 6 in FY16.

in the program. An IDF grant for Monitoring and Evaluation for Policymaking provided continuity in support implementation for a broader program on strengthening the center of government, complementing other RASs as well as DPLs. The GEF grant for Integrated Nutrient Pollution Control similarly has complemented an IPF. The PHRD for Disability TA, complementing the Social Assistance System Modernization Project, has lagged due to slow project implementation. These activities will be more closely reviewed at their closure to draw lessons for future trust funded activities, many of which have suffered implementation delays.

55. Regular meetings with the Government were organized to take stock of progress in implementing the program in Romania. The Ministry of Public Finance and the Bank continued the permanent dialogue to address low disbursements and problem projects. The Bank participated in joint coordination meetings organized by the Ministry of European Funds, coordinator of the technical assistance provided by IFIs to take stock of the RAS program in addition to the monthly updates exchanged between the Bank and representatives of the Government, beneficiaries of the advisory services. Annual progress reports on the implementation of the RAS program were prepared by the Bank for CY12-15 as part of the commitments under the MoU signed in 2012. The WBG remains committed to ensuring alignment at both strategic and operational level of its activities with EU programs and priorities through regular exchanges or organization of knowledge-sharing events, as well as ad-hoc cooperation in selected areas. The Bank cooperates closely with other multilateral institutions and development partners, including the IMF, EIB and EBRD. Through its program, the Bank facilitated the involvement of stakeholders, including citizens, in the consultative process.

56. At present, Romania is IFC's fourth-largest country exposure in Europe and Central Asia, accounting for 1.2 percent of its outstanding global portfolio. IFC played an active crisis response role in Romania. Since the start of operations in Romania in 1990 through FY16, IFC invested approx. US\$2.5 billion in long-term finance in 83 projects, including US\$606.6 million in mobilization. As of September 1, 2016, IFC's Committed Portfolio stood at US\$533.8 million (US\$495.3 million outstanding). From FY09 to FY16, IFC invested approx. US\$933 million of own funds and mobilized an additional US\$277 million in 30 projects in various sectors. Particular support was provided to financial, renewable energy, and health sectors. IFC supported trade finance activities of the banks through its Global Trade Finance Program, which bolster job creation, increases competitiveness and diversification of local economy. Romanian banking system enjoys ample liquidity and strong capitalization (around 19% CAR) so the bank's financing appetite is relatively strong. IFC's involvement in projects is done on a selective basis so that the private sector players are not displaced.

IV. EMERGING LESSONS

57. The program in Romania is unique in the Bank in terms of depth of engagement, relationship with the Government and Bank's ability and flexibility to respond to evolving needs and priorities. The Bank continued to be a reliable partner, a knowledge provider and honest broker to the Government to support the design and implementation of difficult public sector reforms. It remains an important player helping build the capacity and address institutional and social issues necessary to achieve EU living standards and advise the Government in prioritizing and better managing EU funds under the 2014-20 period. The Government appreciated the Bank's ability to be flexible, its knowledge of the EU context and its capacity to respond to evolving Government's demand often under time constraints, as confirmed by the country survey results. This flexibility allowed for the program to evolve to an unprecedented depth and size using a broad range of investments and advisory instruments which is unique in the Bank. Moreover, in FY14-16, the Bank completed a very intense RAS program, placing Romania on the top of the World Bank RAS portfolio.

58. Frequent changes of Ministers and senior officials sometimes limit impact and delay decision making on funding and adoption of the new policies, strategies or processes developed under RAS (i.e. such changes contributed to delaying the preparation/adoption of important laws, Cadastre law, GEO 109/2011 on SOEs, and national strategies). A strong and stable counterpart team, including from

senior management level, is required to ensure that RAS results are properly steered, absorbed and disseminated (i.e. Competition Council had a more stable governance structure and was able to implement organizational reforms to streamlined and more efficient business architecture).

59. Institutional capacity building is a complex and lengthy process requiring long-term political commitment. The Bank's knowledge program encourages the Government to focus on long-term issues, sustain reforms and mitigate the backsliding to improve the functions of state. The short-term duration of a RAS help setting the foundation for improving capacity but makes it difficult to show immediate impact. Longer-term RAS engagements which are now possible under the new MoU allow for more time to absorb knowledge, strengthen and sustain the capacity building efforts.

60. The evolution, depth and complexity of the RAS program revealed institutional and implementation challenges. RAS allowed the Bank to respond to client requests for advice that could not be funded within own Bank's budget. As demand for RAS grew in volume and complexity, this deepened the policy dialogue and engaged the Bank in many areas (i.e. public investment management, social inclusion, regional development, climate change, education, competitiveness). RAS evolved from short duration of about six months with one major output covering a single sector, to longer, more complex, cross-sectoral activities spanning over more than two years. Such complex activities required mobilization of very large teams, coordination and collaboration among experts from different sectors within the Bank and across ministries. This proved to be good, allowing to go beyond studies and reports, and permitting to include larger TA and capacity building components into the RAS. To improve further the processing and implementation, and while time-based agreements proved to work well in some cases, in others it led to challenging situations, a change was triggered in agreement templates and the output-based approach has been introduced since 2016.

61. Romania program provides useful lessons and good practice examples that could be replicated in the region and in other EU member states. Some of the strategies for which the Bank provided inputs are now used as reference of good practice examples in the EU. Regional development work is used in Poland. The Bank helped the Romanian Government prioritize investments at local level using the developed three investment guides, unique at European level, which can inform the investment decision making at county and local level in other EU member states. Moreover, bringing in good practice examples and the experience of other EU member states when carrying out activities in Romania proved useful for the Government and the Bank.

62. The deep dive exercise provided two useful lessons. On the one hand, data-driven analysis of portfolio and its historical trends is necessary but insufficient to uncover the sources of problems in projects. Focused "deep dives" into individual projects are needed as well. On the other hand, even experienced Project Management Units (PMUs) should not be assumed to have adequate capacity for project planning and management. Bank implementation support needs to place equal emphasis on ensuring adequate capacity for project planning. PMUs should require Gantt charts be produced as part of project preparation to better plan for human resource and other inputs needed to ensure smooth implementation, as well as the basis for producing procurement plans, disbursement projections, and state budget requests. Gantt charts should be maintained during implementation for project management and monitoring.

V. ADJUSTMENTS TO COUNTRY PARTNERSHIP STRATEGY

63. The CPS provided a light and flexible framework for engagement and was explicit about using the midterm progress report (current PLR) to assess progress and introduce adjustments to the Results Matrix to better reflect the scope of engagement. The PLR reports on the progress made in achieving the original objectives and the overall program implementation. Despite the changes in the country context, the engagement remained relevant and was marked by an intensified program mainly driven by the evolving demand of the Government for assistance to support its preparation for the 2014-20 programming period. Such program has been contributing to a broader set of objectives

than the CPS envisaged and this is an opportunity to restructure the Results Framework and make it more specific to reflect the engagement.

64. Based on the developments in the country context, the lessons learnt and progress in program implementation, some changes are introduced and reflected in the updated Results Matrix. The recent political and institutional changes, and evolving Government priorities particularly in the short term, justify changes proposed to the CPS results matrix. The strategic pillars remain relevant except for the second pillar which is reformulated to capture the broader areas of support, including the sustainable growth. Some initially proposed CPS objectives have been updated to better capture the evolving program. New objectives and outcome indicators are introduced to reflect better the depth of engagement in specific areas under each pillar. With the aim to simplify the Results Framework, the grouping by goals was removed. The Bank Group program was updated to capture the overall assistance. The updated Results Matrix is in Annex 1.

65. Flexibility in Bank's response and choice of instruments will still be needed. The CPS envisaged certain activities which changed given shifting developments and short-term priorities of the Government. The Bank needed to respond quickly and mobilized additional resources to respond to such exponentially increase for assistance. Going forward, building on the lessons learnt, while selectivity will be maintained, Bank's assistance will continue to be flexible and tailored to evolving Government's needs and reform agenda. Actual IBRD lending volumes in FY18 will depend on country demand, portfolio performance, as well as global economic developments, affecting IBRD's demand by other Bank borrowers.

66. The CPS is extended by one year until end-FY18 at Government's request. This was in the context of a new Government coming into office after the December 2016 parliamentary elections and the desirability of agreeing the next Country Partnership Framework with the new Government. This will allow for time needed to carry out the Systematic Country Diagnostic and launch the new CPF preparation, in FY18.



Pillar 1. Creating a 21st Century Government

67. Improving public administration remains at the core of the program. The PLR maintains its attention to the initial objectives related to improving revenue and expenditure administration and efficiency, and advancing the health reform agenda for improved health service delivery.

68. The indicators under the CPS objective on improved revenue and expenditure administration were updated and complemented with new ones to capture better the progress in program implementation. The original indicator on increasing tax revenues is not relevant anymore in the context of VAT policy change (VAT cuts in 2015, 2016). The indicator is proposed to be replaced with the procurement of the Revenue Management System which is essential for improving revenue administration and reflects Bank's support.

69. The original CPS objective related to health was renamed to better describe the interventions and expected outcomes (Improved health service delivery). The indicator on tests of cervical cancer is replaced with the introduction of centralized procurement plan to reflect better the government's agenda and short-term priorities related to centralized procurement.

70. The PLR proposes to introduce new objectives and indicators to better frame the depth of Bank's support under Pillar 1. The two original objectives under Pillar 1 were insufficient to mirror the broader, deeper and evolving program of the Bank, and additional objectives are included. Debt management has been an area of engagement and the Government expressed interest in follow up activities, and hence, a new objective has been. The activities under the first pillar expanded given the shift in short-term priorities and mainly the increased focus of the Government on accelerating its preparation for the 2014-20 programming period and meeting ex-ante conditionalities for accessing EU funds. This includes enhancing capacity of public institutions for strategic planning, prioritization, management of investments, strategy formulation and operationalization, and governance and organizational functioning. To reflect the greater emphasis on such areas, new objectives and indicators

are introduced (Annex 2): (i) improved strategic planning, prioritization and evidence-based policymaking, (ii) enhanced strategy formulation, operationalization and monitoring and evaluation, in particular for helping the Government prepare for the 2014-20 period, (iii) improved governance, organizational functioning and efficiency of public institutions and SOEs. The last objective includes also work initiated under the previous CPS, through which the Bank provided assistance to the Government in implementing selected actions for reforming public administration derived from the recommendations of the functional reviews, but which yielded results under this CPS.



Pillar 2. Growth and Job Creation

71. **Growth continued to be the focus of the Government during the first half of the CPS and it remains an important strategic pillar of engagement.** The evolution of Government priorities and demand for assistance led to the WBG program focus on enhancing business environment, access to finance, better educated labor force, and sustainable development through enhancing environment and climate action in line with the EU requirements and improving energy efficiency. Changes under Pillar 2 include the reformulation of the pillar to reflect the broader engagement, addition of objectives to capture the sustainable growth program and updating some indicators.

72. Pillar 2 has been renamed ‘Smart and Sustainable Growth’ to reflect achievements of a key RAS on climate change, the Bank’s program supporting the integrated nutrient pollution control, which is a long-term engagement to assist the Government meet the EU Nitrates Directive requirements, and support in improving energy efficiency. This is in addition to initial objectives which reflect the smart perspective (business environment, education). The job creation is supported only by a limited education program for labor market inclusion and IFC financed program. Accordingly, two new indicators on enhanced sustainable growth were introduced: (i) enhanced environment and climate action in line with EU requirements – to reflect work related to climate change, Danube Delta’s sustainable development and in support of Romania’s meeting the requirements of the EU Nitrates Directive; and (ii) improved energy efficiency – to capture Bank’s support to initiatives to liberalize nonresidential gas and electricity market, and rapid assessment tools of city energy for growth poles.

73. Creating an improved business environment and a competitive economy remains relevant. As a planned technical assistance to support construction permits did not materialize in the first half of the CPS, and although there is a subnational doing business study ongoing, the indicator on construction permits is dropped. A new indicator on the integrated cadaster framework is introduced to reflect Government’s focus on cadaster and Bank’s support in this area until the end of the CPS.

74. To reflect a broader Bank program support to enhancing business environment than captured in the initial CPS objectives, one objective is introduced: improved performance of the Romanian Competition Council for promoting and enforcing market competition – to reflect Bank’s assistance in updating the competition legal framework through a complex RAS engagement.

75. The Government continues to emphasize the importance of education and the Bank program in this area remains key. The three initial indicators related to the education objective aimed to reflect the Bank’s support in strategy formulation in early school leaving, tertiary education and lifelong learning. The delayed adoption of the related strategies made it difficult to yield results during the CPS period. However, the program in education will continue to support tertiary education through follow up RAS activities and investment operation to facilitate transition from secondary to tertiary education. As the program going forward will support the first two indicators only, and to reflect more realistic expectations in measuring progress in implementation, the indicator related to lifelong learning is proposed to be dropped. The remaining indicators will continue to be tracked by gender.

76. The objective on “Making it easier for business to exit the market” is renamed to include also the entry to market perspective and related World Bank Group support. The late adoption of the insolvency code is not expected to yield results for the remaining CPS period and given that Bank’s support is limited in the area, the second indicator (time to resolve insolvencies) is planned to be dropped. Instead,

two new indicators are added to reflect IFC’s engagement and IBRD support for revising the Capital Markets Law in line with Government’s increased focus on capital markets.



Pillar 3. Social Inclusion

77. **The Government highlighted the importance of social inclusion of vulnerable groups during the first half of the CPS.** The Bank’s support went beyond focusing on marginalized communities as the broader Bank assistance targeted vulnerable groups, including the Roma. In preparation for meeting ex-ante conditionalities required to access EU funds under the 2014-20 period, the Government put more emphasis on the social inclusion and poverty reduction agenda. The first objective under Pillar 3 has been enlarged and additional indicators were introduced in line with the work on social inclusion and poverty reduction, institutional care planning for children and mapping of urban and rural marginalized communities. The Roma children enrolled in pre-primary education related indicator will be difficult to measure given the inability to obtain data due to policy change regarding discrimination on grounds of ethnicity. The third original indicator is replaced to capture the more specific Bank support and the fact that the access to EU funds under the 2014-20 period and investments are informed by the mapping the urban and rural marginalized communities.

78. **The social protection system remained high priority on the reforms agenda.** The investment operation supporting the modernization of the social assistance system remains central to the CPS. The target of the second indicator has been updated to align with the extended CPS period.

79. **A mix of instruments will continue to support achieving country objectives.** Along with the investment financing, development policy operations, the Bank’s advisory services and analytics mainly via RAS will remain key instruments of support. The Bank will maintain its selective approach but will remain flexible and open to evolving Government priorities, as requested by authorities.

VI. RISKS TO CPS PROGRAM

80. **Overall, the risks identified in the CPS remain relevant and moderate.** The Romania program is based on a partnership of trust with the authorities and makes use of a mix of Bank instruments. The risks identified in the CPS remain moderate for the remaining period. The political and governance and institutional capacity for implementation and sustainability risks are substantial in view of political uncertainty due to upcoming elections in December 2016 which will lead to a new government. The risk of stop-and-go approach to the unfinished reform agenda and low administrative capacity and vested interests could adversely affect the sustainability of some CPS supported reforms. Implementation risks continue to be addressed through (i) increased joint supervision with the Government; (ii) the preparation of new detailed project implementation plans, jointly monitored, and (iii) new in depth financial management and procurement reviews. Building institutional capacity is supported by longer-term and programmatic RAS engagements.

81. **Romania is now better prepared to absorb shocks** than it was before the 2008 crisis and its macroeconomic position is solid compared to other EU member states and other regional peers. The Bank will continue engaging and consulting with a broad range of stakeholders as part of its program to mitigate some of these risks. Also, the program going forward builds on the experience and lessons from the first part of the CPS implementation.

Risk Categories	Rating	Risk Categories	Rating
Political and governance	S	Institutional capacity for implementation and sustainability	S
Macroeconomic	M	Technical design of project or program	M
Sector strategies and policies	M	Environment and social	M
Fiduciary	M	Stakeholders	L
Overall Risk			Moderate

ANNEXES

ANNEX 1. UPDATED CPS RESULTS MATRIX

CPS Goals, Objectives and Indicators	WBG Program
Pillar 1: Creating a 21st Century Government	
<p>CPS Objective 1.1: Revenue and expenditure administration improved</p> <p><i>Outcome Indicators¹⁹:</i></p> <ul style="list-style-type: none"> (i) Revenue Management System is procured (ii) Framework for introducing results informed budgeting, (Baseline 2013: no framework; Target 2018: framework in place) (iii) centralized procurement introduced for health medicine (2014: 0; 2017:yes) (iv) IFC investments in sub-nationals 	<p>WBG completed activities</p> <ul style="list-style-type: none"> DPO Development Policy Operation Fiscal Effectiveness and Growth DPL(s) RAS A Better Solution for Providing Clarifications, Interpretations and Rulings on Tax Issue RAS Fiscal Policy Formulation RAS Developing an Integrated Financial Management System in MARD RAS Enhancement of Risk Based Systems of the Sectoral Operational Program for Human Resources Development ASA Policy note on health <p>WBG ongoing activities</p> <ul style="list-style-type: none"> IPF RAMP project ASA Public Finance Review (programmatic) IPF Health reform project TF Strengthening Financial Accountability <p>IFC – PPPs</p>
<p>CPS Objective 1.2: Strengthened debt management</p> <p><i>Outcome Indicator:</i></p> <p>Debt management strategy adopted and updated yearly in line with best practice</p>	<p>WBG completed activities</p> <ul style="list-style-type: none"> DPO Fiscal Effectiveness and Growth DPL(s) ASA on developing government yield curve RAS Strengthening Debt Management <p>WBG ongoing activities</p> <ul style="list-style-type: none"> DPO Fiscal Effectiveness and Growth DPL(s) RAS Swap Transactions
<p>CPS Objective 1.3: Improved strategic planning, prioritization and evidence based policymaking</p> <p><i>Outcome Indicators:</i></p> <ul style="list-style-type: none"> (i) Development and use of a central dashboard in the Chancellery of the Prime Minister for monitoring high-level ISP priorities of selected ministries 	<p>WBG completed activities</p> <ul style="list-style-type: none"> TF IDF grant for M&E of Policy Making RAS Analysis of Capacity Building Activities in Public Administration RAS Strengthening RIA Framework in Romania RAS Support to Establish a Delivery Unit

¹⁹ Unless otherwise specified, indicators are expected to target 2018 for outcomes

CPS Goals, Objectives and Indicators	WBG Program
<ul style="list-style-type: none"> (ii) Simplified framework for more effective implementation of regulatory analysis (iii) 100% of public investment projects selected based on improved evaluation and selection criteria under PNDL (from 0 to 4000 projects amounting EUR90M) (iv) More effective intermunicipal investment planning and project selection criteria applied in at least three cities (v) Digital maps drive investments for increased access to broadband 	<ul style="list-style-type: none"> RAS Danube Delta Sustainable Development Strategy RAS Ploiesti Growth Pole RAS PPP in transport RAS Strengthening Strategic Planning in the Transport Sector RAS Enhance Spatial Planning RAS Update Growth Poles RAS Strategic Planning for the Agricultural Administration ASA Assistance to Alba Iulia RAS Harmonizing EU and state budget RAS Public Investment Management RAS regional development program RAS National Framework for Public Investment Projects RAS Integration of urban marginalized communities ASA Knowledge mapping WBG ongoing activities DPO Fiscal Effectiveness and Growth DPL(s) TF Strengthening Financial Accountability of the Public Sector RAS Assistance for the Strategy Unit RAS Development of the Capacity of the Central Administration for Impact Studies RAS Planning and Budgeting Capacity ASA Roads Safety ASA Public Finance Review RAS Support to Public Procurement Strategy IFC – PPPs
<p>CPS Objective 1.4: Enhanced strategy formulation, operationalization and monitoring and evaluation in preparation for the 2014-20 period and beyond</p> <p><i>Outcome Indicator:</i></p> <ul style="list-style-type: none"> (i) Five strategies adopted and contribute to Government’s meeting EU ex-ante conditionalities for accessing EU funds under the 2014-20 period (2013:0,2018:5) (ii) M&E framework updated for the strategy on digital agenda 	<ul style="list-style-type: none"> WBG completed activities RAS Romania Judicial Functional Review RAS Danube Delta Sustainable Development Strategy RAS Climate Change RAS Assistance for Strengthening the Agri-food Sector Strategy Formulation RAS Enhanced Spatial Planning RAS Strengthening Debt Management RAS Assistance to the Cadastre Agency RAS Early School Leaving Strategy

CPS Goals, Objectives and Indicators	WBG Program
	RAS Tertiary Education Strategy RAS Lifelong Learning Strategy RAS Social Inclusion and Poverty Reduction Strategy RAS Active Aging Strategy RAS Digital Agenda ASA Assistance to Alba Iulia RAS Ploiesti Growth Pole ASA Public debate on the priorities in the Romanian agri-rural space WBG ongoing activities IPF Romania Secondary Education Project RAS Education Infrastructure Strategy RAS M&E of the strategies in education WBG pipeline activities RAS Tertiary education follow up
<p>CPS Objective 1.5: Improved governance, organizational functioning and efficiency of public institutions and SOEs</p> <p><i>Outcome Indicators:</i></p> <ul style="list-style-type: none"> (i) MoPF Human Resources Management strategy adopted and in implementation (ii) Performance appraisal system adopted and applied to Government officials managing EU funds (iii) Improved delegation of authority capacity in the MoESR piloted and new Regulations for Organization and Functioning (ROFs) adopted (iv) RCC revised and adopted business architecture to increase operational effectiveness (v) Increase in court hearings in courts rehabilitated and increase in number of council rooms since 2014 (vi) Law adopted on SOEs corporate governance (to approve the Emergency Government Ordinance 109/2011) in line with OECD principles (baseline 2014: drafted; target 2017: adopted) 	WBG completed activities IPF CESAR IPF Judicial Reform Project TF Strengthening Financial Accountability RAS Establishment of a Performance Appraisal System for Government Officials Managing EU Funds RAS Implementation of an Internal Management System at the MARD and its Subordinated Structures RAS Developing an Integrated Financial Management System at the MARD RAS Strategic Planning for the Agricultural Administration RAS Improvement of HR Management for MoPF RAS Fiscal Policy Formulation RAS A Better Solution for Providing Clarifications, Interpretations and Rulings on Tax Issue RAS Administrative Capacity of the MoESR RAS Assistance to the Competition Council RAS Assistance to the Cadastre Agency RAS Strengthening Public Investment Management RAS MA-IB Collaboration RAS Strengthening Debt Management

CPS Goals, Objectives and Indicators	WBG Program
	RAS Enhance Spatial Planning ASA Assistance to the Financial Surveillance Authority RAS Strategic planning in transport RAS Preparation and implementation of PPP in the transport sector WBG ongoing activities RAS Strategy Unit ASA Assistance to ASF RAS Education Infrastructure Strategy RAS M&E of the strategies in education RAS Deinstitutionalization of Children ASA Roads safety RAS Swap Transactions RAS Support to Public Procurement Strategy WBG pipeline activities IPF Justice Integrated Services RAS Tertiary education follow up RAS Competition Council
CPS Objective 1.6: Improved health service delivery <i>Outcome Indicators:</i> (i) Reducing the ratio of public and private acute beds per 1,000 inhabitants from 5.5 to 4.8 (by 2018) (ii) Introducing a new basic package of health care services with additional roles and payment incentives for primary care professionals. (iii) centralized procurement introduced for health medicine (2014: no; 2018:yes) (iv) IFC's health sector investments	ASA Policy note on health WBG completed activities DPO DPL DDO WBG ongoing activities ASA Public Finance Review (PFR programmatic) IPF Health reform project IFC investments
Pillar 2 Smart and Sustainable Growth	
CPS Objective 2.1: Creating an improved business environment and a competitive economy. <i>Outcome Indicators:</i> (i) Improved performance in Doing Business indicators that meets the current ECA averages in paying taxes (Number of payments reduced from 36 to 29) (ii) updated framework for integrated cadaster system (2015: law of 1996 applicable; 2018: adoption of the new Cadaster law to set framework for the integrated approach)	WBG completed activities RAS Assistance to the Romanian Competition Council RAS Real Estate Basis for National and EU Policies RAS Competitiveness enhancement and smart specialization RAS Strengthening RIA Framework in Romania RAS Digital Agenda ASA Assistance to the Financial Surveillance Authority WBG ongoing activities DPO Fiscal Effectiveness and Growth DPL series

CPS Goals, Objectives and Indicators	WBG Program
	IPF RAMP project RAS Development of the Capacity of the Central Administration for Impact Studies ASA Subnational Doing Business ASA Follow up to Assistance to the Financial Surveillance Authority WBG pipeline activities RAS Assistance to the Competition Council follow up IFC sub-national financing.
CPS Objective 2.2: Improved performance of the RCC for promoting and enforcing market competition <i>Outcome indicators:</i> (i) An updated Competition Law is adopted; (ii) A new merger regulation adopted	WBG completed activities RAS Assistance to the Romanian Competition Council WBG pipeline activities RAS Assistance to the Competition Council follow up
CPS Objective 2.3: Strengthening the effectiveness of skills and education programs for labor market inclusion. <i>Outcome indicator:</i> (i) Increasing the share of 30-34 year-olds who have completed a higher education degree from the 2012 baseline of 21.8%; (ii) Reducing early school leaving (share of 18 to 24 years old who have at most lower secondary education and are no longer in education or training) from 2012 baseline of 17.4%	WBG completed activities RAS Reducing Early School Leaving RAS Tertiary Education RAS Lifelong Learning RAS Administrative Capacity of the MoESR RAS Preparation of a Draft National Strategy Regarding Elderly and Active Aging ASA Europe 2020 Romania: Evidence-based Policies for Productivity, Employment, and Skills Enhancement WBG ongoing activities IPF Romania Secondary Education Project RAS Assistance for Education Infrastructure RAS Support to the Roma Education Fund for the Implementation of the “Ready Set Go” RAS Assistance for Capacity Development for Monitoring and Evaluating the Implementation of Education Strategies
CPS Objective 2.4: Making it easier for business to entry and exit the market. <i>Outcome Indicator:</i> (i) Adopting a new insolvency code in line with the ROSC principles. (ii) Reducing the time taken to resolve insolvencies from 3.3 to 2.75 years. (iii) supporting Romanian financial institutions in the disposal of their nonperforming portfolio (at least 3000NPLs from the acquired portfolio to be resolved by 2020, from a baseline of 0 as of 2015)	WBG completed activities ASA Banking Sector – Romania Outlook ASA on insolvency and credit rights WBG ongoing activities ASA Subnational Doing Business DPO fiscal effectiveness and growth IFC investments

CPS Goals, Objectives and Indicators	WBG Program
(iv) Amendments to the capital markets law	
<p>CPS Objective 2.5: Enhanced environment and climate action in line with EU requirements <i>Outcome Indicator:</i> (i) Climate change strategy updated and adopted (ii) Danube Delta sustainable development strategy updated and adopted (iii) Favorable assessment of the EU on meeting the EU Nitrates Directive requirements across the country</p>	<p>WBG completed activities RAS Climate Change and Low Carbon Green Growth Program RAS Danube Delta Integrated Sustainable Development Strategy ASA Advice on Implementing EU Water Directive WBG ongoing activities IPF INPCP TF Afforestation of Degraded Agricultural Land Proto-Carbon</p>
<p>CPS Objective 2.6: improved energy efficiency <i>Outcome indicator:</i> (i) Tool for rapid assessment of city energy for growth poles in place (ii) Orders issued by ANRE to fully liberalize the nonresidential gas and electricity market</p>	<p>WBG completed activities RAS Regional development program WBG ongoing activities ASA Subnational Doing Business DPO fiscal effectiveness and growth</p>
Pillar 3: Social Inclusion	
<p>CPS Objective 3.1: Support an ambitious and successful government program to tackle social inclusion and poverty reduction of the population including the Roma. <i>Outcome Indicator:</i> (i) An updated national Roma strategy adopted and implemented. (ii) National strategy on social inclusion and poverty reduction is adopted and implemented (baseline: no strategy in 2014; target: adopted by 2016) (iii) Mapping of urban marginalized communities inform the preparation of priorities and Operational Programs for 2014-20 (iv) Draft operational plan for closing residential centers and proposing alternatives to institutional care for children</p>	<p>WBG completed activities DPL Fiscal Effectiveness and Growth RAS Elaboration of Integration Strategies for Poor Areas and Disadvantaged Communities RAS Study on Diagnostics and Policy Advice for Roma Integration RAS Harmonizing RAS RAS social inclusion and poverty reduction WBG ongoing activities ASA Support for Roma Partnership RAS Support to the Roma Education Fund for the Implementation of the “Ready Set Go” Project in Romania RAS Deinstitutionalization of Children IFC: PPPs; subnational financing; gender financing</p>
<p>CPS Objective 3.2: A more streamlined, better targeted and more cost-efficient social protection system. <i>Outcome Indicator:</i> (i) Government consolidates three means-tested programs and reduces disincentives for work by changing the benefit formula to avoid penalizing work by 2018. (ii) Increasing the coverage of means-tested programs to 70 percent of the poorest 20 percent of households by end FY2018.</p>	<p>WBG completed activities RAS social inclusion and poverty reduction WBG ongoing activities IPF SASM TF PhRD grant</p>

ANNEX 2. MATRIX OF CHANGES TO ORIGINAL CPS RESULTS MATRIX

CPS Objectives and Indicators	Proposed Revisions to CPS Objectives and Indicators
Pillar 1: Creating a 21st Century Government	
<p>Goal 1: Improving public administration CPS Objective 1: Revenue and expenditure administration improved. <i>Outcome Indicators:</i> (i) Increasing tax revenues by 3% of GDP within 5 years. (The 2013 baseline was 28 percent of GDP). (ii) Introducing results informed budgeting, and piloting it in two ministries.</p>	<p>Drop²⁰ No change</p> <p>Drop and replace with (i) <i>Revenue Management System is procured</i>²¹</p> <p>Reformulate: (ii) <i>Framework for introducing results informed budgeting, and piloting it in two ministries. (Baseline: no framework; Target:2018 framework in place)</i></p> <p>New indicators (iii) and (iv) added: (iii) <i>centralized procurement introduced for health medicine (baseline 2014: 0; 2017: introduced)</i> (iv) <i>IFC investments in sub-nationals</i></p>
	<p>New objectives 1.2.-1.5 added with corresponding indicators to reflect the broad scope of assistance in debt management, strategic planning, strategy formulation, governance and organizational functioning:</p> <p>Add CPS Objective 1.2: Strengthened debt management <i>Outcome Indicator: (i) Debt management strategy adopted and updated yearly</i></p>

²⁰ Grouping objectives and indicators around goals is dropped to simplify the matrix

²¹ Additions and reformulations are in italic font

CPS Objectives and Indicators	Proposed Revisions to CPS Objectives and Indicators
	<p>Add CPS Objective 1.3: <i>Improved strategic planning, prioritization and evidence based policymaking</i></p> <p><i>Outcome Indicator:</i></p> <ul style="list-style-type: none"> (i) <i>Development and use of a central dashboard in the Chancellery of the Prime Minister for monitoring high-level ISP priorities of selected ministries</i> (ii) <i>Simplified framework for more effective implementation of regulatory analysis</i> (iii) <i>100% of public investment projects selected based on improved evaluation and selection criteria under PNDL (from 0 to 4000 projects amounting EUR90M)</i> (iv) <i>More effective intermunicipal investment planning and project selection criteria applied in at least three cities</i> (v) <i>Digital maps drive investments for increased access to broadband</i>
	<p>Add CPS Objective 1.4: <i>Enhanced strategy formulation, operationalization and monitoring and evaluation in preparation for the 2014-20 period and beyond</i></p> <p><i>Outcome Indicator:</i></p> <ul style="list-style-type: none"> (i) <i>Five strategies adopted and which contribute to Government's meeting the EU ex-ante conditionalities for accessing EU funds under the 2014-20 period (baseline 2013:0; target :5)</i> (ii) <i>M&E framework updated for the national strategy on digital agenda</i> <p>Add CPS Objective 1.5: <i>Improved governance, organizational functioning and efficiency of public institutions and SOEs</i></p> <p><i>Outcome Indicator:</i></p> <ul style="list-style-type: none"> (i) <i>MoPF Human Resources Management strategy adopted and in implementation</i> (ii) <i>Performance appraisal system adopted and applied to Government officials managing EU funds</i> (iii) <i>Improved delegation of authority capacity in the MoESR piloted and new Regulations for Organization and Functioning (ROFs) adopted</i> (iv) <i>RCC revised and adopted business architecture</i> (v) <i>Increase in court hearings in courts rehabilitated and increase in number of council rooms (baseline, target)</i> (vi) <i>Law adopted on SOEs corporate governance (to approve the Emergency Government Ordinance 109/2011) in line with OECD principles (baseline 2014: drafted; target 2017: adopted)</i>
Goal 2 Improved health service delivery	Drop

CPS Objectives and Indicators	Proposed Revisions to CPS Objectives and Indicators
<p>CPS Objective 2: Rationalizing the hospital network and enhancing primary health care services</p> <p><i>Outcome indicators:</i></p> <p>(i) Reducing the ratio of public acute beds per 1,000 inhabitants from 5.5 to 4.8</p> <p>(ii) Introducing a new basic package of health care services with additional roles and payment incentives for primary care professionals.</p> <p>(iii) Percentage of eligible women aged 25-60 with at least one test of cervical cancer in the last three years. (Current baseline 10 percent)</p>	<p>Reformulate to reflect the broader scope of engagement: CPS Objective 1.6: <i>Improved health service delivery</i></p> <p>No change</p> <p>No change</p> <p>Drop and replace with two indicators: <i>(iii) centralized procurement introduced for health medicine (baseline 2014: 0; 2018: introduced)</i> <i>(iv) IFC's health sector investments</i></p>
<p>Pillar 2 Growth and Job Creation</p>	<p>Reformulate to reflect better the work program on sustainable growth in line with Government priorities and the limited program on jobs creation: Pillar 2 Smart and Sustainable Growth</p>
<p>Goal 3: Enhanced business environment</p> <p>CPS Objective 3: Creating an improved business environment and a competitive economy.</p> <p><i>Outcome Indicators:</i></p> <p>Significantly improved performance in Doing Business indicators that meets the current ECA averages in</p> <p>(i) paying taxes (Number of payments reduced from 36 to 29)</p> <p>(ii) construction permits (time reduced from 287 to 200 days)</p>	<p>Drop</p> <p>CPS Objective 3 becomes CPS Objective 2.1</p> <p>No change</p> <p>Drop and replace with <i>(ii) updated framework for integrated cadaster system (2015: law of 1996 applicable; 2018: adoption of the new Cadaster law to set framework for the integrated approach)</i></p> <p>Introduce new objective and corresponding indicator: CPS Objective 2.2: <i>Improved performance of the RCC for promoting and enforcing market competition</i></p> <p><i>Outcome indicators:</i></p> <p><i>(i) An updated Competition Law is adopted</i></p> <p><i>(ii) A new merger regulation adopted</i></p>
<p>Goal 4: Inclusive and efficient labor markets</p> <p>CPS Objective 4: Strengthening the effectiveness of skills and education programs for labor market inclusion.</p> <p><i>Outcome indicator:</i></p>	<p>Drop</p> <p>CPS Objective 4 becomes CPS Objective 2.3</p>

CPS Objectives and Indicators	Proposed Revisions to CPS Objectives and Indicators
<p>All three indicators will be tracked by gender.</p> <p>(i) Reducing early school leaving (share of 18 to 24 year olds who have at most lower secondary education and are no longer in education or training) from the 2012 baseline of 17.4 percent;</p> <p>(ii) Increasing the share of 30-34 year-olds who have completed a higher education degree from the 2012 baseline of 21.8 percent</p> <p>(iii) Increasing the share of adults (aged 25-64) participating in lifelong learning from the 2012 baseline of 1.4 percent</p>	<p>No change</p> <p>No change</p> <p>Drop²²</p>
<p>Goal 5: Improving access to finance</p> <p>CPS Objective 5: Making it easier for business to exit the market.</p> <p><i>Outcome Indicator:</i></p> <p>(i) adopting a new insolvency code in line with the ROSC principles.</p> <p>(ii) Reducing the time taken to resolve insolvencies from 3.3 to 2.75 years.</p>	<p>Reformulate to include the entry the market: CPS Objective 2.4: Making it easier for business to <i>entry and</i> exit the market</p> <p>No change</p> <p>Drop and replace (to reflect IFC program) with (ii) <i>supporting Romanian financial institutions in the disposal of their nonperforming portfolio (at least 3000NPLs from the acquired portfolio to be resolved by 2020, from a baseline of 0 as of 2015)</i></p> <p>Introduce (iii) <i>Amendment to the Capital Markets Law</i></p> <p>Introduce two new objectives</p> <p>CPS Objective 2.5: <i>Enhanced environment and climate action in line with EU requirements</i></p> <p><i>Outcome Indicator:</i></p> <p>(i) <i>Climate change strategy updated and adopted</i></p> <p>(ii) <i>Danube Delta Sustainable Development strategy updated and adopted</i></p> <p>(iii) <i>Favorable assessment of the EU on meeting the EU Nitrates Directive requirements across the country</i></p> <p>CPS Objective 2.6: <i>Improved energy efficiency</i></p> <p><i>Outcome Indicator:</i></p> <p>(i) <i>Tool for rapid assessment of city energy for growth poles in place</i></p>

²² The current Bank program does not contribute to it

CPS Objectives and Indicators	Proposed Revisions to CPS Objectives and Indicators
	<i>(ii) Orders issued by ANRE to fully liberalize the nonresidential gas and electricity market</i>
Pillar III. Social Inclusion	
Goal 6: Inclusive services for marginalized communities CPS Objective 6: Support an ambitious and successful government program to tackle social inclusion of the Roma community.	Drop Reformulate CPS Objective 3.1: Support an ambitious and successful government program to tackle social inclusion <i>and poverty reduction of the population including the Roma.</i>
<i>Outcome Indicators:</i> (i) An updated national Roma strategy adopted and implemented. (ii) An increase in the percentage of Roma children enrolled in pre-primary education (currently 30%). This indicator will also track the percentage of Roma girls in preschool (currently 34%) (iii) Successfully mobilizing EU resources and instruments (including by supporting the implementation of the Community Led Local Development (CLLD) instrument for Roma inclusion.	No change Drop ²³ Reformulate to new indicator <i>(ii) Mapping of urban and rural marginalized communities informed the preparation of priorities and OPs for 2014-20</i> Introduce two new indicators: <i>(iii) National strategy on social inclusion and poverty reduction is adopted and implemented (baseline: no strategy in 2014; target: adopted by 2016)</i> <i>(iv) Draft operational plan for closing residential centers and proposing alternatives to institutional care for children</i>
Goal 7. Improving the social protection system CPS Objective 7: A more streamlined, better targeted and more cost-efficient social protection system by 2018. <i>Outcome Indicator:</i> (i) Government consolidates three means-tested programs and reduces disincentives for work by changing the benefit formula to avoid penalizing work. (ii) Increasing the coverage of means-tested programs to 70 percent of the poorest 20 percent of households by end 2018.	Drop No change Update target to <i>90 percent of the poorest 20 percent of households by end FY2018.</i>

²³ there was no program supporting or attributable to this indicator and the impossibility to obtain data given the latest antidiscrimination policy on grounds of ethnicity

ANNEX 3. MATRIX SUMMARIZING PROGRESS TOWARD CPS OBJECTIVES

CPS Objectives and Indicators	Progress to date ²⁴	WBG Program updated ²⁵
Pillar 1: Creating a 21st Century Government		
Goal 1: Improving public administration		
<p>CPS Objective 1: Revenue and expenditure administration improved.</p> <p><i>Outcome Indicators:</i></p> <p>(i) Increasing tax revenues by 3% of GDP within 5 years. (The 2013 baseline was 28 percent of GDP).</p> <p>(ii) Introducing results informed budgeting, and piloting it in two ministries.</p>	<p>(i) Increasing tax revenues</p> <p><i>Progress:</i> 2013: 27.7%; 2014: 27.1%; 2015: 27.8%; 2016: 26%; 2017: 25.2%.</p> <p><i>Note: Indicator (i) is not relevant anymore due to changes in policy (VAT cuts in 2015, 2016 which affected it); if no change in policy, the estimated revenue would have been at 28.8% of GDP.</i></p> <p>(ii) Introducing results informed budgeting, and piloting it in two ministries</p> <p><i>Progress:</i> The framework for introducing results informed budgeting was adopted through Government decision and initial steps in implementation are initiated.</p> <p><i>Note: the introduction of results-based budgeting is a longer-term process which goes beyond the CPS period. The indicator is proposed to be renamed.</i></p>	<p>WBG completed activities</p> <p>DPO Fiscal Effectiveness and Growth DPL(s)</p> <p>RAS A Better Solution for Providing Clarifications, Interpretations and Rulings on Tax Issue</p> <p>RAS Fiscal Policy Formulation</p> <p>RAS Developing an Integrated Financial Management System in the MARD</p> <p>RAS Enhancement of Risk Based Systems of the Sectoral Operational Program for Human Resources Development</p> <p>ASA Policy note on health</p> <p>DPO DPL DDO</p> <p>ASA on developing govt yield curve</p> <p>RAS Strengthening Debt Management</p> <p>TF IDF grant for M&E of Policy Making</p> <p>RAS Analysis of Capacity Building Activities in the Public Administration</p> <p>RAS Strengthening RIA Framework in Romania</p> <p>RAS Support to Establish a Delivery Unit</p> <p>RAS Danube Delta Sustainable Development Strategy</p> <p>RAS Ploiesti Growth Pole</p> <p>RAS PPP in transport</p> <p>RAS Strengthening Strategic Planning in the Transport Sector</p> <p>RAS Enhanced Spatial Planning</p> <p>RAS Update Growth Poles</p> <p>ASA Assistance to Alba Iulia</p> <p>RAS Harmonizing</p> <p>RAS Public Investment Management</p>

²⁴ As of October 31, 2016

²⁵ The European Commission remains a strong partner throughout the implementation of the Bank's program in Romania. The Bank continues to consult and engage key IFIs on specific areas of engagement

CPS Objectives and Indicators	Progress to date ²⁴	WBG Program updated ²⁵
		<p> RAS regional development program RAS National Framework for Public Investment Projects RAS Integration of urban marginalized communities ASA Knowledge mapping RAS Romania Judicial Functional Review RAS Climate Change RAS Assistance for Strengthening the Agri-food Sector Strategy Formulation RAS Assistance to the Cadaster Agency RAS Early School Leaving Strategy RAS Tertiary Education Strategy RAS Lifelong Learning Strategy RAS Social Inclusion and Poverty Reduction Strategy RAS Active Aging Strategy RAS Digital Agenda ASA Public debate on the priorities in the Romanian agri-rural space IPF CESAR RAS Establishment of a Performance Appraisal System for Government Officials Managing EU Funds RAS Implementation of an Internal Management System at the MARD and its Subordinated Structures RAS Developing an Integrated Financial Management System at the MARD RAS Strategic Planning for the Agricultural Administration RAS Improvement of HR Management for MoPF RAS Administrative Capacity of the MoESR RAS Assistance to the Competition Council RAS MA-IB Collaboration WBG ongoing activities IPF RAMP project ASA Public Finance Review (programmatic) IPF Health reform project TF Strengthening Financial Accountability DPO Fiscal Effectiveness and Growth DPL(s) TF Strengthening Financial Accountability of the Public Sector </p>

CPS Objectives and Indicators	Progress to date ²⁴	WBG Program updated ²⁵
		RAS Assistance for the Strategy Unit RAS Development of the Capacity of the Central Administration for Impact Studies RAS Planning and Budgeting Capacity ASA Roads Safety IPF Judicial Reform Project IPF Romania Secondary Education Project RAS Education Infrastructure Strategy RAS M&E of the strategies in education RAS Strategy Unit ASA Assistance to ASF RAS Deinstitutionalization of Children RAS Assistance for the Strategy Unit RAS Development of the Capacity of the Central Administration for Impact Studies ASA PFR RAS Swap Transactions RAS Support to Public Procurement Strategy WBG pipeline activities RAS Tertiary education follow up IPF Justice Integrated Services RAS Assistance to the Competition Council follow up IFC - PPPs
Goal 2 Improved health service delivery		
CPS Objective 2: Rationalizing the hospital network and enhancing primary health care services <i>Outcome indicators:</i> (i) Reducing the ratio of public acute beds per 1,000 inhabitants from 5.5 to 4.8 (ii) Introducing a new basic package of health care services with additional roles and	Limited progress due to slow reform process (i) Ratio of public acute beds per 1,000 inhab. <i>Progress:</i> currently 5.5 (ii) New basic package of health care services	WBG completed activities ASA Policy note on health WBG ongoing activities DPO Fiscal Effectiveness and Growth DPL IPF Health reform project

CPS Objectives and Indicators	Progress to date ²⁴	WBG Program updated ²⁵
<p>payment incentives for primary care professionals.</p> <p>(iii) Percentage of eligible women aged 25-60 with at least one test of cervical cancer in the last three years. (Current baseline 10 percent)</p>	<p><i>Progress:</i> steps were taken to introduce the basic package</p> <p>(iii) percentage of eligible women <i>Progress:</i> currently 10% (due to changes in priorities, this will be replaced with a new indicator)</p>	
Pillar 2 Growth and Job Creation		
Goal 3: Enhanced business environment		
<p>CPS Objective 3: Creating an improved business environment and a competitive economy. <i>Outcome Indicators:</i> Significantly improved performance in Doing Business indicators that meets the current ECA averages in</p> <p>(i) paying taxes (Number of payments reduced from 36 to 29), and</p> <p>(ii) construction permits (time reduced from 287 days to 200 days)</p>	<p>(i) Paying taxes <i>Progress:</i> currently 14 (Doing Business 2016; achieved)</p> <p>(ii) Construction permits <i>Progress:</i> currently 257 (Doing Business 2016; on track). <i>Note: as the Bank program does not support such indicator, it is proposed to be dropped.</i></p>	<p>WBG completed activities RAS Assistance to the Romanian Competition Council RAS Real Estate Basis for National and EU Policies RAS Competitiveness enhancement and smart specialization RAS Strengthening RIA Framework in Romania RAS Digital Agenda ASA Assistance to the Financial Surveillance Authority</p> <p>WBG ongoing activities DPO Fiscal Effectiveness and Growth DPL series RAS Development of the Capacity of the Central Administration for Impact Studies ASA Subnational Doing Business ASA Follow up to Assistance to the Financial Surveillance Authority</p> <p>WBG pipeline activities RAS Assistance to the Romanian Competition Council follow up</p> <p>IFC sub-national financing</p>
Goal 4: Inclusive and efficient labor markets		
<p>CPS Objective 4: Strengthening the effectiveness of skills and education programs for labor market inclusion. <i>Outcome indicator:</i> All three indicators will be tracked by gender.</p> <p>(i) Reducing early school leaving (share of 18 to 24 year olds who have at most lower secondary education and are no longer in</p>	<p>Partially achieved</p> <p>(i) Early school leaving <i>Progress:</i> currently Total 18.1%; Men 19.5%; Women 16.7% (2014)</p>	<p>WBG completed activities RAS Reducing Early School Leaving RAS Tertiary Education RAS Lifelong Learning RAS Administrative Capacity of the MoESR RAS Preparation of a Draft National Strategy Regarding Elderly and Active Aging</p>

CPS Objectives and Indicators	Progress to date ²⁴	WBG Program updated ²⁵
<p>education or training) from the 2012 baseline of 17.4 percent;</p> <p>(ii) Increasing the share of 30-34 year-olds who have completed a higher education degree from the 2012 baseline of 21.8 percent</p> <p>(iii) Increasing the share of adults (aged 25-64) participating in lifelong learning from the 2012 baseline of 1.4 percent</p>	<p><i>Note: no progress due to delay in implementation of reform/strategy</i></p> <p>(ii) Higher education <i>Progress: currently Total 25.0%; Men 22.9%; Women 27.2% achieved</i></p> <p>(iii) Lifelong learning <i>Progress: currently 1.5% (2014) (Overall achieved)</i></p>	<p>ASA Europe 2020 Romania: Evidence-based Policies for Productivity, Employment, and Skills Enhancement</p> <p>WBG ongoing activities</p> <p>IPF Romania Secondary Education Project RAS Assistance for Education Infrastructure RAS Support to the Roma Education Fund for the Implementation of the “Ready Set Go” RAS Assistance for Capacity Development for Monitoring and Evaluating the Implementation of Education Strategies</p> <p>WBG pipeline activities</p> <p>RAS Tertiary education follow up</p>
Goal 5: Improving access to finance		
<p>CPS Objective 5: Making it easier for business to exit the market.</p> <p><i>Outcome Indicator:</i></p> <p>(i) Adopting a new insolvency code in line with the ROSC principles.</p> <p>(ii) Reducing the time taken to resolve insolvencies from 3.3 to 2.75 years</p>	<p>Partially achieved</p> <p>(i) Insolvency code <i>Progress: adopted (achieved)</i></p> <p>(ii) time to resolve insolvencies <i>Progress: currently 3.3 (in DB2015 and 2016)</i></p> <p><i>Note: there is no change to report as the insolvency code was recently adopted and more time is needed to see changes in this indicator</i></p>	<p>WBG completed activities</p> <p>ASA Banking Sector – Romania Outlook ASA on insolvency and credit rights ASA Functional review of ASF</p> <p>WBG ongoing activities</p> <p>ASA Subnational Doing Business DPO fiscal effectiveness and growth ASA Assistance to ASF</p> <p>IFC investments</p>
Pillar 3: Social Inclusion		
Goal 6: Inclusive services for marginalized communities		
<p>CPS Objective 6: Support an ambitious and successful government program to tackle social inclusion of the Roma community.</p> <p><i>Outcome Indicators:</i></p> <p>(i) An updated national Roma strategy adopted and implemented.</p>	<p>In progress</p> <p>(i) National Roma strategy <i>Progress: updated, adopted and in implementation</i></p> <p>(ii) Roma children enrolled in pre-primary education</p>	<p>WBG completed activities</p> <p>DPL Fiscal Effectiveness and Growth RAS Elaboration of Integration Strategies for Poor Areas and Disadvantaged Communities RAS Study on Diagnostics and Policy Advice for Supporting Roma Integration in Romania RAS Harmonizing RAS RAS social inclusion and poverty reduction</p> <p>WBG ongoing activities</p>

CPS Objectives and Indicators	Progress to date ²⁴	WBG Program updated ²⁵
<p>(ii) An increase in the percentage of Roma children enrolled in pre-primary education (currently 30%). This indicator will also track the percentage of Roma girls in preschool (currently 34%)</p> <p>(iii) Successfully mobilizing EU resources and instruments (including by supporting the implementation of the Community Led Local Development (CLLD) instrument for Roma inclusion</p>	<p><i>Progress:</i> unable to obtain data due to recent antidiscrimination policy; to be dropped</p> <p>(iii) Mobilizing EU resources and instruments <i>Progress:</i> In progress; it is proposed to be reformulated to a clearer and measurable indicator</p>	<p>ASA Support for Roma Partnership RAS Support to the Roma Education Fund for the Implementation of the “Ready Set Go” Project in Romania RAS Deinstitutionalization of Children IFC PPPs IFC subnational financing IFC gender financing</p>
Goal 7. Improving the social protection system		
<p>CPS Objective 7: A more streamlined, better targeted and more cost-efficient social protection system by 2018. <i>Outcome Indicator:</i> (i) Government consolidates three means-tested programs and reduces disincentives for work by changing the benefit formula to avoid penalizing work. (ii) Increasing the coverage of means-tested programs to 70 percent of the poorest 20 percent of households by end 2018.</p>	<p>In progress</p> <p>(i) Consolidation of three means-tested programs <i>Progress:</i> In progress; law adopted</p> <p>(ii) Coverage of means-tested programs <i>Progress:</i> currently over 70%; target is increased to align with the CPS extension period</p>	<p>WBG completed activities RAS social inclusion and poverty reduction WBG ongoing activities IPF SASM TF PhRD grant DPL</p>

ANNEX 4. ROMANIA IBRD INDICATIVE FINANCING PROGRAM

IBRD Indicative Lending proposed by the CPS – Current Status

Pillar	Project Title (anticipated in the CPS)	CPS Planned Amount US\$M	Actual Amount US\$M	Status
P1	Health Sector Reform (FY14)	340	340	Approved on March 28, 2014 and became effective on January 22, 2015
P1/P2	First Fiscal Effectiveness and Growth DPL1.1 (FY14)	1020		Approved on May 22, 2014, became effective on January 20, 2015 and closed on December 31, 2015
P2/P3	Romania Education Quality and Inclusion (FY15)	270	243	Approved on March 16, 2015 and became effective on October 14, 2015
P3	Social Inclusion (FY15)	135		Dropped after discussions with the GoR; integrated social services were addressed under the RAS on the development of the national strategy on social inclusion and poverty reduction which included one flagship tackling this area
P1	Second Fiscal Effectiveness and Growth DPL 1.2 (FY15)	950	565	Board date in FY17, amount: US\$565M
P2	Additional Financing INPCP (new)		54	Not initially envisaged in the CPS Approved in March 2016
P2	Energy IPF	250		Not requested and low probability under this CPS
P1	Justice IPF	200	68	Request received from the Government; expected in FY17
P2	DPL 2.1	950	TBD	Expected in FY18
P1/P2/ P3	IPF TBC	450	TBD	Bucharest Urban Development Project; amount to be confirmed with the Government; expected in FY18
P2	DPL 2.2	950		Not requested and low probability under this CPS

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

ANNEX 5. IBRD ADVISORY SERVICES AND ANALYTICS PROGRAM FY14-18

Global Practice	Project name	Status		New to CPS
Bank-financed Advisory Services and Analytics				
GHNDR	Policy Note on Health Care Provision	Completed	P147023	
GFMST	StAR - Romania Engagement	Completed	P148243	Yes
GPVDR	Europe 2020 Romania	Completed	P133519	
GFMDR	Romania - ICR ROSC	Completed	P130426	
GEEDR	Mining Sector Support	Completed	P147518	Yes
GFMDR	Banking Sector – Romania (subtask of P146915)	Completed	P154014	Yes
GFMDR	Romania - Developing Govt Yield Curve	Completed	P152800	Yes
GFM03	RO Financial Sector TA	Completed	P151965	Yes
GFA03	Priorities in the agri-rural space	Completed	P154402	Yes
GTC03	Enhanced Competitiveness through effective R&D and Innovation public interventions	Completed	P155786	Yes
GEEX2	Mining Sector Support	Completed	P147587	Yes
ECCU5	National Reform TA	Completed	P154237	Yes
GSU09	Romania Decentralization Process	Completed	P151109	Yes
GWA03	Irrigation Prioritization Framework	Dropped	P157681	
GSULN	Impact of Rural Land Registration	Completed	P150499	Yes
GSP03	Dissemination of Social Inclusion RAS Outputs	Completed	P159257	Yes
GTC03	National Reform Program	Dropped	P152746	Yes
GWA03	Implementation of EU Water Directives	Completed	P154609	Yes
GGO15	Strengthening Financial Accountability o	Dropped	P152291	
GEE03	Improving heating sector regulation	Completed	P154400	Yes
GSU09	Regional Pilot: ECA-Romania urban regen	Ongoing	P159178	Yes
GMF03	Part II of Romania Programmatic PFR (subtask of P151510)	Ongoing	P159644	Yes
GMF03	Romania - Public Expenditure Review (programmatic)	Ongoing	P151510	Yes
GTI03	Romania Transport Sector Project Prep	Ongoing	P158261	Yes
GMF03	Programmatic Public Finance Review (subtask of P151510)	Ongoing	P159659	Yes
GEEX2	Mining Sector Policy	Ongoing	P159383	Yes
GSULN	Real Estate Registration and Services	Ongoing	P158399	Yes
GSU03	Partnerships for marginalized Roma (programmatic)	Ongoing	P151295	Yes
GFA03	Strengthening Agri-Food Chain	Ongoing	P161837	Yes
ECCRO	Resources Mapping (programmatic)	Ongoing	P159033	Yes
GFM03	Capital Market Supervision Enhancement	Ongoing	P160346	Yes
GGO15	Anticorruption	Ongoing	P161251	Yes
GTC03	Romania Laser Valley	Ongoing	P162373	Yes
Reimbursable Advisory Services				
GSURR	FBS Regional Development Reimbursable Advisory Services (programmatic)	Completed	P143014	

Global Practice	Project name	Status		New to CPS
GSURR	FBS Romania Spatial and Urban Strategy (subtask of P143014)	Completed	P143087	
GSURR	FBS Romania MA-IB Collaboration (subtask of P143014)	Completed	P143088	
GSURR	FBS Romania Project Selection Models (subtask of P143014)	Completed	P143089	
GSPDR	Romania Roma diagnostics	Completed	P145035	
GSURR	Integration of urban Marginalised groups (subtask of P143014)	Completed	P143090	
GGODR	HR Strategy for MOF	Completed	P144505	
GGODR	FBS: Administrative Capacity Development and Decentralization	Completed	P133582	
FABDM	Romania Strengthening Public Debt Management	Completed	P133720	
GGODR	FBS Risk Based Systems Enhancement	Completed	P133830	
GFADR	Support to Strengthening Strategic and Operational management (Programmatic)	Completed	P133586	
GFADR	Agri-food sector strategy formulation (subtask of P133586)	Completed	P143673	
GFADR	Internal management system for MARD (subtask of P133586)	Completed	P143675	
GGODR	FBS - Romania Judicial Functional Review	Completed	P129957	
GFMDR	FBS-21-FY12 West Region Competitiveness	Completed	P131858	
GSURR	FBS Romania Growth Poles (subtask of P143014)	Completed	P132399	
GGODR	RAS Interpretations on tax issues	Completed	P144566	
GED03	Romania: RAS - TA for Preparing a SFLLL	Completed	P146632	
GTC03	RAS-MAP-Competition Council	Completed	P131824	
GTI03	FBS Romania Transport Strategic Planning	Completed	P130508	
GFADR	Strategic planning ARD administration (subtask of P133586)	Completed	P143674	
GFADR	Integrated financial management system for MARD (subtask of P133586)	Completed	P143676	
GGODR	RAS Tax Policy Formulation	Completed	P144557	
GGO15	RAS Public Investment Management	Completed	P146782	
GTI03	RAS Prioritization of MRDPA Investments (subtask of P147062)	Completed	P150145	
GTI03	RAS Improving quality of MRDPA investments (subtask of P147062)	Completed	P150146	
GGO15	RAS RO Performance Management - EU Funds	Completed	P147746	
GED03	RAS Framework for Increasing Tertiary Education	Completed	P146187	
GSU09	Ploiesti Growth Pole	Completed	P153331	Yes
GSU09	Support for the Capacity Development of ADI ITI DD	Completed	P153436	Yes
GGO15	RAS Establishment of a Delivery Unit	Completed	P147482	

Global Practice	Project name	Status		New to CPS
GSU09	RAS Danube Delta Strategy/Constanta ITI (programmatic)	Completed	P146633	
GSU09	Danube Delta Integrated Sustainable Development Strategy and Constanta ITI (subtask of P146633)	Completed	P147561	
GSU09	Romania Danube Delta Integrated Sustainable Development Strategy (subtask of P146633)	Completed	P145417	
GSU09	RAS Harmonizing State and EU Funded Projects	Completed	P147062	
GSU09	EU and State Projects Coordination (subtask of P147062)	Completed	P150144	
GSU09	Housing Strategy and Social Infrastructure (subtask of P147062)	Completed	P150147	
GSULN	RAS Real Estate System Modernization	Completed	P145716	
GTI09	Digital Romania Strategy Support	Completed	P152542	Yes
GSP03	RAS Active Ageing	Completed	P147650	
GEN03	RAS Climate Change (programmatic)	Completed	P145943	
GEN03	Sector analysis and marginal abatement cost analysis (subtask of P145943)	Completed	P146802	
GEN03	Economy wide analysis of low carbon green growth (subtask of P145943)	Completed	P146803	
GEN03	Support to government institutions for implementation, monitoring, and evaluation of climate change actions (subtask of P145943)	Completed	P146821	
GEN03	Climate change and low carbon green growth strategy and action plan (subtask of P145943)	Completed	P146697	
GTI03	FBS RO Public Private Partnership	Completed	P130510	
GSP03	RAS Social Inclusion & Poverty Reduction	Completed	P147269	
GED03	RAS - Develop Admin Capacity of MoNE	Completed	P143659	
GTC03	RAS Strengthening Regulatory Impact Assessment	Completed	P150017	
GED03	RAS - Reducing Early School Leaving	Completed	P145841	
GED03	Capacity Enhancement of REF Romania	Ongoing	P154011	Yes
GSP03	Children's Deinstitutionalization	Ongoing	P156981	Yes
GSP03	Informing Project Evaluation	Ongoing	P161287	Yes
GTC03	RIA RAS II	Ongoing	P156807	Yes
GGO15	Establishment of the Strategy Unit	Ongoing	P154787	Yes
GGO03	Support to Public Procurement Strategy	Ongoing	P158629	Yes
GED03	RAS on Education Infrastructure	Ongoing	P155507	Yes
GED03	Assist MESR for M&E education strategies	Ongoing	P157670	Yes
GMF03	Planning and budgeting capacity	Ongoing	P156889	Yes
GED03	TA to Enhance Quality Assurance in HE	In Preparation	P157508	Yes
FABBK	RAS SWAP Transactions in Romania	Ongoing	P156803	Yes
Miscellaneous Reimbursable Arrangements				
GSU03	MRA Alba Iulia Projects Assessment	Completed	P151596	Yes
GTI03	Romania-Road Safety Capacity Review	Ongoing	P157075	Yes

ANNEX 6: IBRD –PORTFOLIO TRENDS

Refreshed: 10/20/2016

Portfolio Trends

Country: Romania | RE Classification: N |

Data as of	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17 @ Sep 30
PORTFOLIO AND DISBURSEMENTS								
Active Projects #	12	12	10	8	8	7	6	6
Net Commitments Amt \$m	1,032.58	1,708.88	2,637.70	2,536.69	3,737.21	2,622.50	1,640.09	1,640.09
Total Disbursements \$m	429.96	545.02	507.47	485.89	1,843.57	1,322.92	508.38	514.27
Total Undisbursed Balance \$m	632.88	1,242.93	2,132.54	2,046.74	1,915.32	1,078.13	1,100.47	1,094.84
Disbursements in FY \$m	164.54	122.75	278.58	120.01	1,476.93	869.92	29.36	5.89
Disbursement Ratio for IPF only %	20.6	18.6	25.0	16.2	15.6	3.0	2.7	0.5
IBRD/IDA Disb Ratio	20.6	18.5	25.1	16.2	15.7	3.0	2.5	0.5
Slow Disbursements %	33.3	25.0	10.0	12.5	0.0	0.0	0.0	16.7
PORTFOLIO RISKINESS								
Actual Problem Project #	5	3	2	2	0	5	2	2
Problem Project %	41.7	25.0	20.0	25.0	0.0	71.4	33.3	33.3
Potential Problem Project #	0	0	0	0	0	0	0	0
Projects At Risk #	5	3	2	2	0	5	2	2
Projects At Risk %	41.7	25.0	20.0	25.0	0.0	71.4	33.3	33.3
Commitments At Risk \$m	330.28	303.60	119.09	132.69	.00	1,339.10	1,049.20	1,049.20
Commitments at Risk %	32.0	17.8	4.5	5.2	0.0	51.1	64.0	64.0
Proactivity %	33.3333333	100.0	100.0	50.0	100.0		60.0	60

ANNEX 7: IFC – COMMITTED AND DISBURSED OUTSTANDING INVESTMENT PORTFOLIO

International Finance Corporation

Report Run Date: 10/03/2016

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 08/31/2016

Region(s) : Europe and Central Asia

Country(s) : Romania

Commitment Fiscal Year	Institution Short Name	LN Cmt'd - IFC	LN repayment - IFC	ET Cmt'd - IFC	QL + QE Cmt'd - IFC	GT Cmt'd - IFC	RM Cmt'd - IFC	ALL Cmt'd - IFC	ALL Cmt'd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2012	Agricover Credit	3.47	7.36	0	0	0	0	3.47	0	3.47	0	0	0	0	3.47	0.00
2015/ 2016	Alpha Bank ROM	0	0	0	0	2.37	0	2.37	0	0	0	0	2.37	0	2.37	0.00
2009/ 2006/ 2003/ 2004/ 2015/ 2016	Banca Comerciala	0	249.29	0	0	2.07	0	2.07	0	0	0	0	2.07	0	2.07	0.00
2010/ 2013/ 1999/ 2006/ 2014/ 2017/ 2011/ 2015/ 2016/ 2002/ 2012	Bancpost	0	73.30	0	0	38.09	0	38.09	0	0	0	0	38.09	0	38.09	0.00
2013/ 2001/ 2014/ 2015/ 2016/ 2012	Banca Romaneasca	0	3.29	0	0	0.29	0	0.29	0	0	0	0	0.28	0	0.28	0.00
2014	Botosani	5.68	0.57	0	0	0	0	5.68	0	5.68	0	0	0	0	5.68	0.00
2011/ 2012	Cernavoda Power	30.78	12.31	0	0	0	0	30.78	11.13	30.78	0	0	0	0	30.78	11.13
2016	DARP Romania SPV	0	0	0	47.23	0	0	47.23	0	0	0	47.23	0	0	47.23	0.00
2016	DARP Ursa SPV	0	0	0	23.06	0	0	23.06	0	0	0	20.75	0	0	20.75	0.00
2013/ 2015/ 2012	Garanti Bank Ro	37.01	28.84	0	0	0	0	37.01	0	37.01	0	0	0	0	37.01	0.00
2015	GarantiLeasingRO	7.80	0	0	0	0	0	7.80	0	7.80	0	0	0	0	7.80	0.00
2012	Lidl Romania	39.79	17.01	0	0	0	0	39.79	0	39.79	0	0	0	0	39.79	0.00
2010/ 2007/ 2012	MedLife SA	3.18	10.16	3.16	0	0	0	6.35	0	3.18	3.16	0	0	0	6.35	0.00
	Nextebank	1.83	3.63	0	0	0	1.10	2.93	0	1.83	0	0	0	0	1.83	0.00
2012	Pestera Power	19.59	7.80	0	0	0	0	19.59	7.09	19.59	0	0	0	0	19.59	7.09
2014/ 2015	Raiffeisen ROM	0	0	0	22.50	0	0	22.50	0	0	0	22.50	0	0	22.50	0.00
2005/ 2010/ 2013/ 2004	Schwarz Group	13.93	28.50	0	0	0	0	13.93	5.97	13.93	0	0	0	0	13.93	5.97
2015	Smithfield Roman	61.29	0	0	0	0	0	61.29	0	31.29	0	0	0	0	31.29	0.00
2009/ 2008/ 2012	TTS Romania	0	0	13.42	1.39	0	0	14.81	0	0	13.42	1.39	0	0	14.81	0.00
2014/ 2016	TeamNet	0	0	10.70	8.22	0	0	18.92	0	0	10.55	8.22	0	0	18.77	0.00
2014	Timisoara Muni	26.60	1.37	0	0	0	0	26.60	0	26.60	0	0	0	0	26.60	0.00
2005/ 2009/ 2010/ 2013/ 2014/ 2017/ 2007/ 2011/ 2004/ 2015	Transilvaniabank	9.24	145.62	31.49	0.00	0	5.00	45.73	0	9.24	31.49	0	0	0	40.73	0.00
2013/ 2014	UniCredit Romani	63.56	0	0	0	0	0	63.56	0	63.56	0	0	0	0	63.56	0.00
Total Portfolio		323.75	589.05	58.77	102.40	42.82	6.10	533.84	24.19	293.75	58.62	100.09	42.81	0	495.27	24.19

ANNEX 8: CITIZEN ENGAGEMENT IN ROMANIA FY14-18

1. Approved in FY14, the CPS did not include any discussion on the context for citizen engagement or the country objectives during the CPS period, although the mainstreaming citizen engagement strategic framework was introduced in the same year. To address this change in corporate requirements, this annex briefly sets out the context for citizen engagement in Romania, the compliance of the portfolio to date, the achievements at the project level, and puts in place a skeletal citizen engagement country roadmap for the remainder of the CPS period.

2. The context for citizen engagement in Romania has remained relatively consistent over the last decade. As the government pursues structural reforms and modernization of institutions, political leaders have been wary of civil society and blocked advocacy efforts at time. Romania ranks 60²⁶ in the 2014 WGI Voice and Accountability indicators, on par with Bulgaria, but noticeably lower than other recent EU member states, such as e.g. Czech Republic (which ranks 78), Poland (which ranks 82) or Slovakia (which ranks 75). With the political upheaval in 2014, which was led by urban middle-class citizens, a more cautious attitude towards clampdowns has emerged, and the Government is more consciously investing in citizen information and awareness. Nevertheless, middle level management remains cautious with regard to empowering citizens to actively participate in the development, monitoring and accountability mechanisms of Government-led activities, at times, this limits Bank efforts to develop substantive citizen engagement platforms.

3. The Bank has put in place investment in this time, comprised of both DPOs and sizeable service delivery projects (in health and education) and, most recently, a pollution control project – all of which offer significant opportunity for beneficiary feedback. Along with all other countries in ECA, Romania reached 100% compliance with both citizen engagement corporate requirements for all projects going to the Board in FY16.

Romania IPF compliance with citizen engagement corporate requirement at Board approval

	% compliance Beneficiary Feedback indicator	% compliance Citizen-Oriented design
Pre-FY14 (2 projects still active)	50%	100%
FY14 (1 IPF)	0%	100%
FY15 (1 IPF)	100%	100%
FY16 (1 IPF)	100%	100%
Number of projects in portfolio (incl. pre FY14) currently compliant / or not with the CE requirements.	3 compliant/ 2 not compliant.	5 compliant

4. Regarding implementation, the portfolio is yet to report on citizen engagement in 6 indicators with only 25% of projects consistently reporting on the beneficiary feedback indicator in the ISR Results framework. Efforts to improve this reporting were put in place by country management.

5. An analysis of the quality of citizen engagement activities incorporated into Board packages in FY14-16, indicates that citizen engagement mechanisms adopted by the projects in Romania provide the opportunity for dialogue and allow citizens to give feedback on various project issues, and most X% projects have more than one channel for feedback, albeit infrequently. Beneficiary indicators are generally well aligned with the citizen engagement activities planned, and most are measured annually, generating some information that could be used by the projects to improve impact

6. While there are challenges in implementation, the Bank's activities in the justice sector provide examples of the opportunity to engage effectively with citizens in the Romanian context: One of the lessons of the Justice System Modernization project was the importance of engaging users of justice services, failure to do this meant that the project impacts with regard to improved access to the justice system were somewhat limited. The proposed Justice Service Improvement project will do this by anchoring citizen outreach and awareness activities around the court sites that will be refurbished through the project, with the objective to make justice services more accessible for citizens, particularly those from disadvantaged population groups.

²⁶ This percentile rank indicates a country's rank among all world countries. 0 = lowest rank , 100 = the highest

7. To clarify the citizen engagement country commitments in the remainder of the CPF period, a number of steps will be taken to enhance citizen engagement by establishing country specific objectives and defining the concrete actions that will be taken. The five key steps are:

- Ensuring that by FY18, all active projects start reporting on beneficiary indicators.
- Ensuring that IPFs improve quality and ensure utilization of beneficiary feedback systems. If beneficiary feedback systems are not functioning, steps will be taken to put in place alternative mechanisms
- Ensuring that DPO consultation processes are established early in the process and that feedback on results is reported in subsequent meetings.
- The process of consulting civil society on the SCD/CPF will be discussed with a wide range of non-governmental stakeholders, including the Roma Sounding Board
- A citizen engagement country roadmap will be developed during FY17 to clarify strategic goals and put in place necessary processes.