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The World Bank

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Report No: 74121-RO

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
ROMANIA JUDICIAL REFORM PROJECT
LOAN NO. IBRD 4811-RO
DECEMBER 15, 2005

IN THE INITIAL AMOUNT OF
EURO 110 MILLION
(US\$130 MILLION EQUIVALENT)

AND

A RESTRUCTURED AMOUNT OF
EURO 110 MILLION
(US\$ 130 MILLION EQUIVALENT)

TO ROMANIA

December 11, 2012

ABBREVIATIONS AND ACRONYMS

DIEFP	Department for Implementation of Externally Financed Projects
GoR	Government of Romania
JRP	Judicial Reform Project
MoJ	Ministry of Justice
MoPF	Ministry of Public Finance
PMU	Project Management Unit
SCM	Superior Council of Magistracy
WB	World Bank

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ROMANIA
Judicial Reform Project
RESTRUCTURING PAPER

A. SUMMARY

1. The closing date for Romania, Judicial Reform Project, Loan No. IBRD 4811-RO, P090309 will be extended from March 31, 2013 until March 31, 2015. This will be the second extension for a cumulative period of four years. This time is required to finalize implementation of key Project activities and to allow for full achievement of the Project's development objectives: to increase the efficiency of the Romanian courts; and to improve the accountability of the judiciary which should result in reduced corruption and a more transparent act of justice.

B. PROJECT STATUS

2. The Project was very slow to start. Four years into implementation, the disbursement rate was at only 6.46 %. This was largely due to delays caused by a cumbersome public investment approval process which particularly affected the implementation of component 1 (court infrastructure rehabilitation). Moreover, progress of all four components was hindered by unforeseen political and related Project management changes.

3. The first restructuring in October 2010 put an end to the Project's problem status. It introduced a strict action plan with clearly defined milestones and the right for the Bank to cancel specific portions of the loan in case the related milestones were not achieved. Following the two year extension, the implementation made considerable progress. All milestones were achieved in time. The ratings in the Implementation Status and Results (ISR) reports improved to satisfactory. Over the same period, disbursements and commitments have significantly increased. Currently, out of a total loan amount of EUR 110 million, an amount of EUR 93.12 million has been committed (84.7 % of loan proceeds). As of November 2012, 36.2 % of loan proceeds have been disbursed (about EUR 39.83 million). The Ministry of Justice expects commitments to reach EUR 95 million by December 31, 2012, with several contract signings and amendments scheduled. The Project objectives continue to be achievable.

4. Recent challenges to faster Project implementation in 2012 were due to a shortage of counterpart funding. In November 2012, some ISR ratings were therefore revised to moderately satisfactory. The challenges have now been solved through budget rectifications and reallocations. In addition, the Ministry of Public Finance and the Ministry of Justice have confirmed in writing that the funds required for the full implementation of the Project during the extension period will be provided in time.

C. PROPOSED CHANGES

5. The achievement of the milestones was a condition for the World Bank to consider an additional extension of the Project. The nine measures and actions, focusing both on policy reform and infrastructure, have been successfully implemented in 2010 and 2011. This allowed for continued progress towards the achievement of the Project's development objectives. Much of this is due to the commitment of the Ministry of Justice and the performance of the Department for Implementation of Externally Financed Projects (DIEFP), the Project Implementation Unit.

6. No changes to the Project's development objectives or its results targets are required. However, the notable efforts and achievements made in the past two years will not allow for full achievement of the Project's development objectives unless the closing date is extended to provide for sufficient time to finalize implementation of remaining key Project activities.

7. Firstly, the updated plan for the implementation of the integrated resource management system (RMS) is expected to exceed the current closing date by 18 months. The RMS is a key activity which is to have critical impact on the entire judiciary. It is expected to fundamentally reform the processes of managing the performance of the judicial system in terms of efficiency, use of resources and other key aspects. It will be implemented in core justice sector entities (Ministry of Justice, Superior Council of Magistracy, High Court of Cassation and Justice etc.). The direct impact on the way in which officials and staff carry out their day-to-day work is of such a magnitude that this process needs to be carefully managed to ensure acceptance. A change management assignment therefore needs to be carried out to provide support partly during and partly after the roll out of the RMS in each beneficiary institution. The implementation of this change management assignment alone will require 18 months, including its procurement. This makes the two year extension critical for the RMS package to be successfully implemented.

8. Secondly, the assignment on optimization of court activities, a key consultancy introducing crucial institutional reforms, is currently in the piloting stage. It is expected that this phase will take additional time in order to generate accurate information critical for the successful completion of the analysis and the formulation of recommendations to be adopted and implemented by the judiciary. This is in itself a lengthy but necessary process likely to exceed the Project closing date.

9. Thirdly, the duration of several large works contracts currently under implementation exceed the Project closing date. They represent most of the financing allocated for component 1. While the completion of these civil works is not in itself the objective of the Project, the development of sound infrastructure for the use of the Romanian judiciary is a precondition for implementation and impact of capacity building and institutional reform consultancies already procured under the Project and needed for the system to perform better. The table below shows the most important civil works and their status:

Civil Works contract	Value in EUR	Current Status
Iași Palace of Justice	9,770,159.27	25% completed
Sibiu Tribunal Headquarters	3,534,805.62	26% completed

Oradea Palace of Justice	15,222,827.40	Contract signed in October 2012
Pitesti Court of Appeal	2,927,000.00	85% completed
Tulcea Tribunal	5,401,723.42.	70% completed

10. Without the extension, the Loan would not be fully disbursed. Given the difference between amounts committed and amounts disbursed, the finalization of the civil works would solely depend on the Government's ability to provide sufficient funding from its own budget.

11. In determining the appropriate length of the extension, an action plan has been developed with the Ministry of Justice, with measures related to policy reform, court infrastructure and information and communication technology. Similarly to the first extension, it includes a timeline for each measure as well as an amount the World Bank has the option to cancel unilaterally in case a target is not met.

	Measure/Action	Timeline to be met	Amounts¹ to be cancelled if these measures/actions are not met²
A.	Measures related to policy reform		
1.	Contract completed for the assignment regarding the Optimization of court procedures. (World Bank will receive a written confirmation from DIEFP that the contract was completed)	No later than December 31, 2013	EUR 249,888.51 ³
2.	Approval by the NIM of the brochure comprising the methodology for (i) creating an e-Learning curricula based on a traditional one; (ii) creating interactive long distance courses; and (iii) tutoring and administrating the eLearning modules as trainer. (World Bank will receive a written confirmation from DIEFP that the brochure has been approved by NIM)	No later than March 31, 2013	EUR 50,772.25 ⁴
3.	Signing of the contract for NSC regarding the development of the network of trainers	No later than November 31, 2013	EUR 142,300.00

¹ Equivalent amount in RON shall be calculated based on the medium exchange rate of the Romanian National Bank applicable at the time of the implementation of the measure (i.e. date of contract signing) or applicable on the date by which the Borrower should have implemented the measure but has failed to do so.

² The cancellation applies to the amounts (either entire contract values, either estimated payments left to be performed at the timelines) corresponding to each contract separately. The eventual cancellation of "estimated payments left to be performed" will not affect the payments pertaining to the on-going contract.

³ The amount represents estimated payments left to be performed at the envisaged timeline. The eventual cancellation of "estimated payments left to be performed" will not affect the payments pertaining to the on-going contract.

⁴ The amount represents estimated payments left to be performed at the envisaged timeline. The eventual cancellation of "estimated payments left to be performed" will not affect the payments pertaining to the on-going contract.

	teaching techniques in long distance training (eLearning). (World Bank will receive a copy of the signed contact within a week after signing)		
4.	National Insolvency Code elaborated by the Consultant and approved by the Beneficiary. (World Bank will receive a written confirmation that the Insolvency Code has been elaborated and approved by the Beneficiary)	No later September 30, 2013	EUR 147,026 ⁵
B. Measures related to court infrastructure and ICT			
5.	Resource Management System (RMS) – RMS is fully functional. (World Bank will receive a written confirmation from DIEFP that the RMS successfully passed the pre-commissioning tests for the beneficiary institutions ⁶ included in the contract)	No later than March 31, 2014	EUR 1,421,429.89
6.	At least 50% (physical status) implementation of civil works for Iași Palace of Justice – based on a professional assessment by a World Bank supervision mission	No later than September 30, 2013 ⁷	EUR 4,885,079.63 ⁸
7.	Works completed (physical status) at Tulcea Tribunal and Pitești Court of Appeal. (World Bank will receive a written confirmation from the DIEFP that the respective civil works projects were completed)	No later than August 31, 2013	Tulcea – EUR 667,000 ⁹ Pitești – EUR 377,000
8.	Civil works contract signed for Cluj Tribunal. (World Bank will receive a copy of the signed contract in a week after signing)	No later than March 31, 2013	EUR 1,109,045

⁵ The amount represents estimated payments left to be performed at the envisaged timeline. The eventual cancellation of “estimated payments left to be performed” will not affect the payments pertaining to the on-going contract.

⁶ The beneficiary institutions are: Ministry of Justice and the courts, Public Ministry and the prosecutors’ offices, Superior Council of Magistracy, High Court of Cassation and Justice, National Administration of Penitentiaries and penitentiaries.

⁷ Civil works are expected to be completed no later than February 2014. Therefore, physical completion of approximately 50% of this project by September 30, 2013, should reasonably indicate that the civil work projects will be completed as committed.

⁸ The amount represents estimated payments left to be performed at the envisaged timeline. The eventual cancellation of “estimated payments left to be performed” will not affect the payments pertaining to the on-going contract.

⁹ The amount represents estimated payments left to be performed at the envisaged timeline. The eventual cancellation of “estimated payments left to be performed” will not affect the payments pertaining to the on-going contract.

9.	The Ministry of Justice will prepare and approve a set of actions to be undertaken to continue the rehabilitation of Sibiu Tribunal (World Bank will receive a copy of the set of actions)	No later than February 28, 2013	EUR 2,916,586 ¹⁰
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12. The Project activities in the amount of EUR 142 million will be financed 100 % from the loan proceeds until the loan amount of EUR 110 million will be entirely used. Subsequently, the Government contribution of EUR 32 million will be used.

¹⁰ The amount represents estimated payments left to be performed at the envisaged timeline. The eventual cancellation of “estimated payments left to be performed” will not affect the payments pertaining to the on-going contract.