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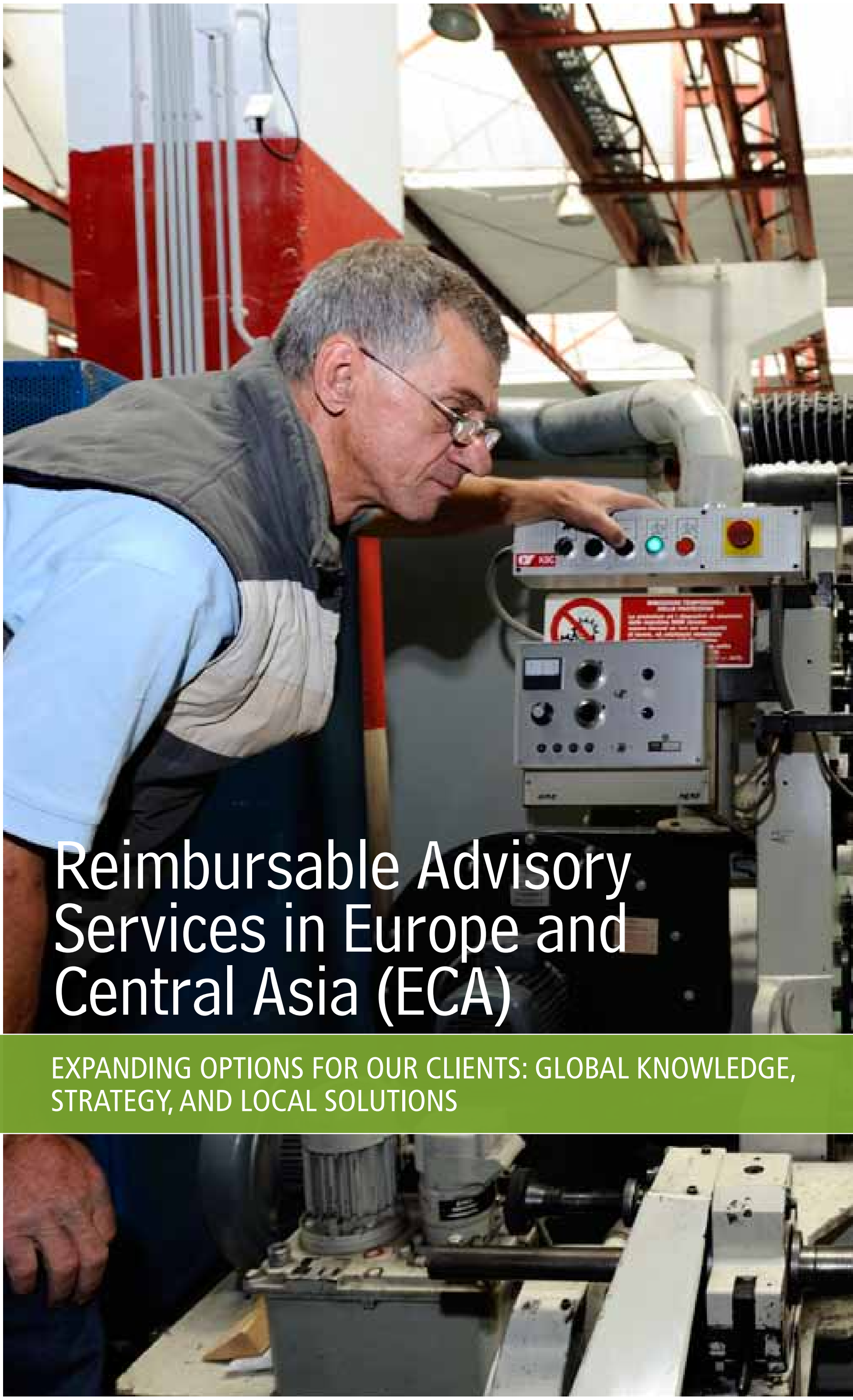


Reimbursable Advisory Services in Europe and Central Asia (ECA)

EXPANDING OPTIONS FOR OUR CLIENTS: GLOBAL KNOWLEDGE, STRATEGY, AND LOCAL SOLUTIONS

REIMBURSABLE ADVISORY SERVICES (RAS): WHAT ARE THEY?

RAS are programs offered by the World Bank to its clients in middle and high-income countries. Unlike lending products, RAS is an instrument developed to deliver specific assistance to eligible clients requiring services that cannot be fully funded from the Bank's country program.

Under RAS programs, the World Bank works with countries at their request, providing technical advice, analytical services, and implementation support. The Bank is then reimbursed for the costs of delivering these advisory services.

Reimbursable Advisory Services are flexible and easily adapted to meet country needs, and can take many forms, including the following:

- Policy advice
- Analytical and diagnostic work
- Donor aid coordination
- Impact evaluation
- Program implementation support
- Delivery of training
- Knowledge sharing and peer learning

WHY NOW?

In Europe and Central Asia, middle and high-income countries are changing. The global economic crisis of 2008–09 exposed the vulnerability of ECA countries. Although progress has been made in addressing these vulnerabilities, deep structural challenges continue to threaten the long-term sustainability of growth, poverty reduction, and people's well-being. In response, the World Bank is focusing its strategy in the region on competitiveness and shared prosperity to improve the lives of citizens in ECA countries through policies and investments that generate jobs and support environmental, social, and fiscal sustainability. Now more than ever, ECA countries are interested in developing their capacity to identify and implement policies that produce results to increase shared prosperity and reduce poverty.

Through the targeted response of RAS, the World Bank can bring its expertise to meet this demand. By offering access to analytical and advisory skills, as well as flexible options for financing, technical cooperation, and knowledge services, RAS programs in ECA can provide valuable help with the design, planning, and implementation of complex structural reforms.

As an important element of our engagement with middle and high-income countries, this program of services reflects the World Bank's commitment to provide all clients with a broad and flexible menu of assistance options.

WHAT IS THE RAS PORTFOLIO IN ECA?

Demand for RAS programs from ECA countries has grown significantly across different sectors and types of clients, including subnational authorities.

The advisory service areas are diverse and include financial reporting, public sector functional reviews, innovation policies, Roma inclusion, investment climate reform, the business environment at the subnational level, pre-school and vocational education services, modernization of training academies, health care organization and financing, urban transport strategies, and the design of infrastructure investments, as well as program implementation support more broadly.

Since 2005, ECA has been engaged in over 145 RAS programs, with more than half of these launched in the past two years. Between July 1, 2013 and June 30, 2014 alone, ECA signed over 30 agreements with a variety of clients in the region.

Countries that have signed RAS agreements with the World Bank include:

- Albania
- Bosnia and Herzegovina
- Bulgaria
- Cyprus
- Czech Republic
- Estonia
- Georgia
- Greece
- Hungary
- Italy
- Kazakhstan
- Latvia
- Poland
- Romania
- Russian Federation
- Slovak Republic
- Slovenia
- Turkmenistan

WHO IS ELIGIBLE?

While the World Bank's RAS clients are primarily middle and high-income countries, such engagement can be offered to the following types of clients:

- Governments and government institutions from among the Bank's member countries, including those that have graduated as borrowers from the Bank;
- Subnational governments;
- Nongovernmental organizations (NGOs) and other not-for-profit private sector associations (such as chambers of commerce);
- Multilateral institutions, including development banks, regional organizations, and state-owned enterprises;
- Commercial entities (though only within the context of training programs).

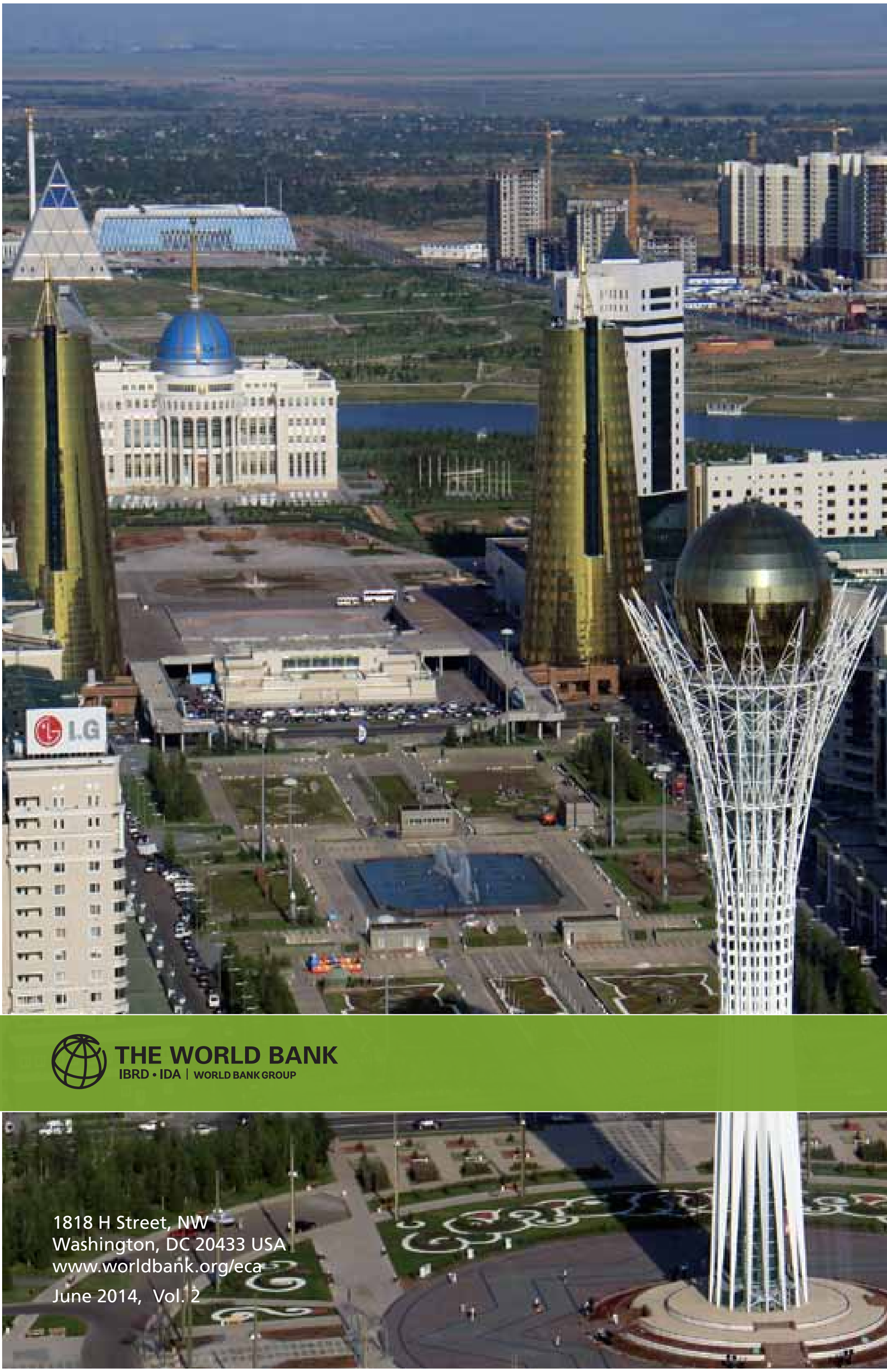
WHAT ARE THE UNIQUE QUALITIES AND BENEFITS?

RAS is a distinct financial instrument with specific qualities, uses, and benefits. Typically RAS arrangements are generated from client requests and are provided in addition to the World Bank's regular work program. RAS engagements are regulated by separate legal agreements between the Bank and the recipient(s) of the services, and as the service provider, the Bank reports directly to the client.

Quality. Since the World Bank's establishment, quality in its advisory and analytical services has been the first priority. All Bank policies and quality assurance practices apply to RAS, including the Bank's operational policies and safeguards.

Local Insight, Global Knowledge. Global best practices, cutting-edge knowledge products, and leading experts are what clients demand—and what the World Bank offers. The Bank, however, is uniquely positioned as a credit cooperative in which shareholders both own, and are clients of, the institution. More than providing services, the Bank partners with clients in an expanded relationship beyond the standard contractual agreements that can be offered by the private sector. Because of this distinction, the Bank does not bid on advisory services but rather engages with client countries as a development partner.

Cost of RAS Engagements. For all clients, the costs of a RAS program are determined by using uniform pricing norms based on the estimated costs of delivering the specific RAS program.



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- Russian Federation

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June 2014

Bulgaria

Water

Development and Implementation of a Water Supply and Sanitation Strategy

Synopsis

The reports, analysis, and stakeholder consultations the World Bank completed under this program have informed Bulgaria's new Water Supply and Sanitation (WSS) Strategy 2014–2023 and a detailed plan for how to meet the country's European Union (EU) Accession Treaty obligations with regard to water supply and wastewater services.

Challenge

Investments in water supply and sanitation are below the levels needed to sustain good tap water quality and uninterrupted service in the long term. Bulgaria collects and treats a lower share of its wastewater than most EU member states and is obligated by treaty to extend its wastewater collection and treatment. Contrary to some assertions, EU funds will be able to finance only 30–40 percent of the total needed WSS capital investments in order to achieve compliance with the EU *acquis* and secure sustainable water supply services. The sector therefore needs a substantial increase in funding, as well as more efficient operations and management structures. The regulatory framework needs to be revised to optimize compliance costs and to enable the State Energy and Water Regulatory Commission (SEWRC) to set realistic service level requirements. Furthermore, the SEWRC needs strengthening to enhance its regulation of WSS companies and services.

Solution

The World Bank assisted the Government of Bulgaria in developing a vision for the sector, namely to have a financially, technically, and environmentally sustainable WSS sector that provides value for money and services that are affordable to customers. Bank analysis showed that environmental compliance can be achieved in a cost-effective manner. Steps to rationalize ownership and service obligations, including changes to the Water Act, are suggested. Measures such as benchmarking and enhanced professional oversight by owners will improve the competence and corporate governance of WSS companies and also improve stability. The consolidation of smaller, municipal-owned companies into regional ones is proposed to achieve economies of scale. Prioritized investment and suitable operation and maintenance plans are also needed to ensure and sustain compliance. The improved capacity and autonomy of the SEWRC will help improve the sustainability of WSS services in Bulgaria.

Results

Building capacity in WSS companies

The Bank helped the Government to promote a broad consensus among all stakeholders by establishing an advisory group for strategy formulation that included representatives from ministries, the WSS sector, municipalities, unions, and nongovernmental organizations (NGOs). When a draft strategy was formulated, the Bank and the Government expanded the consensus by consulting with over 400 local stakeholders at five regional roundtables.

Developing a draft WSS Strategy
As an input to preparing a WSS Strategy, the Bank produced the following analyses of the WSS sector:

- Report on regulatory issues, January 2013
- Public Expenditure Review, March 2013
- Strategic Financing Plan, March 2013
- Draft Strategy and Action Plan; final draft submitted in September 2013

Obtaining Government approval of the WSS Strategy
The process helped the Government to develop its WSS Strategy, which was adopted by the Council of Ministers on April 4, 2014. It is noteworthy that even though there was a change in government during the process (in June 2013), the work continued largely unaffected, a testament to the positive impact of the early and wide consultative process.

Partners

1. Government and Government Organizations
Ministry of Regional Development, Ministry of Environment and Water, Ministry of Health, Ministry of Labor and Social Policy, Ministry of Economy and Energy, Ministry of Finance, and State Energy and Water Regulatory Commission

2. Associations
Bulgarian Water Association, National Association of Municipalities in the Republic of Bulgaria, Association of Water Supply and Sanitation Companies, national trade unions

3. International Partners
European Commission, European Investment Bank, Joint Assistance to Support Projects in European Regions (JASPERS)

Moving Forward
Upon request, the World Bank will support key elements of the approved WSS Strategy implementation. Specifically, the World Bank will help the Government optimize the costs of compliance and provide capacity support to the SEWRC. A follow-up advisory services agreement has thus been signed with the Government that will become effective upon parliamentary ratification.

Beneficiaries
The Ministry of Regional Development, State Energy and Water Regulatory Commission, Ministry of Environment and Water, and more than 50 WSS companies and their customers are the main beneficiaries of this Reimbursable Advisory Service.

June 2014

Bulgaria

Innovation, Technology, and Entrepreneurship Practice

Boosting Bulgaria's Economic Performance through Competitiveness and Innovation

Synopsis

The Innovation Reimbursable Advisory Services (RAS) program (August 2012–December 2013) provided recommendations on research and innovation policy to support Bulgaria's Strategy for Smart Specialization (RIS3). This strategy and the associated European Union (EU) funds will help strengthen the governance of the national innovation system, promote research-industry collaboration, scale up financing instruments, and upgrade the innovation infrastructure.

Challenge

Bulgaria's competitiveness challenge is to become a knowledge economy and catch up with EU peers and fast-growing emerging countries by turning scientific research and innovation into strong drivers of economic growth. The innovation system has been operating well below its potential, whether measured by its inputs (research and development [R&D] spending), outputs (number of patents, licenses, publications), or contribution to economic growth (value of high-tech exports). A contributing factor is the almost nonexistent linkages between research and the needs of the productive sector. These dynamics, coupled with challenging demographics, are among the main reasons for Bulgaria's comparatively poor record of productivity growth and weak demand for skilled labor. Although Bulgarian firms are upgrading their product lines, only a minority invest in long-term innovation (private R&D was 0.3 percent of GDP in 2012, compared to 1.23 percent for EU firms).

Solution

The RAS program aims to improve Bulgaria's private sector competitiveness, stimulate production and export of higher value-added goods and services, and increase the economy's knowledge intensity in line with Europe 2020 targets and national goals. Building on extensive consultations with representatives of the Bulgarian innovation ecosystem, the World Bank team provided recommendations that were actionable and focused on overcoming current shortcomings in order to dramatically scale up the impact of research and innovation. The RAS suggested specific policies, governance models, and innovation instruments that have been tried and tested in other environments in order to encourage Bulgarian firms to develop new products and processes, invest in innovation and efficient production procedures, and increase the share of high value-added products and services in total exports.

Results

This RAS informed the Government's draft RIS3. Recommended instruments to upgrade the innovation infrastructure include: a consortium of technology transfer offices to foster collaboration between business schools, industry, and research institutions; "proof of concept" laboratories focusing on selected priority sectors across Bulgaria's regions; a network of innovation-based accelerators and incubators; and the launch of the Plovdiv Agro-Food Tech Park by building on existing agri-business cluster initiatives to promote business-centric R&D activities in collaboration with universities.

Intermediate results include five completed reports that: (i) provide detailed analysis and recommendations for the development of Bulgaria's Smart Specialization Strategy; (ii) outline the reforms needed to strengthen existing institutions in research and innovation; (iii) suggest how innovation instruments can be more effectively funded under the Operational Program "Innovation and Competitiveness" 2014–20; (iv) develop a pre-feasibility study for innovation infrastructure projects; and (v) set out a long-term action plan to strengthen innovation commercialization services.

Partners

The Innovation RAS collaborated with technical experts in Bulgaria's Ministry of Economy and Energy to bring best practice experience on promoting innovation from Israel, Finland, Chile, and other countries.

The Bank team was supported by the Government of Bulgaria, led by the Ministry of Economy and Energy, and also the President's Administration, the Ministry of Education and Science, the Ministry of Transport, Information Technology and Communications, and other agencies actively engaged in developing the RIS3 and supporting research and innovation; the European Commission (EC) team in the Directorate General Regional Policy unit covering Bulgaria; and the European Investment Fund. Stakeholder consultations included workshops, bilateral meetings, and focus groups with policy makers and representatives from academia, the private sector, and civil society who are active in many high-potential sectors, such as information and communications technology, machine building and electronics, pharmaceuticals, food processing, and the creative and cultural industries.

Moving Forward

The Government introduced several of the Bank's recommendations into the draft RIS3, currently under review by the EC, signaling a commitment to integrate some of the priorities into the growth agenda. There are significant EU funds available under Bulgaria's Operational Program "Innovation and Competitiveness" 2014–20, with a budget of roughly €1.2 billion, making it likely that the recommended programs can be piloted and/or scaled up. To implement the strategy, there is a need to strengthen implementation capacity and eliminate red tape, which previously has led to persistent delays in the absorption of EU funds for research and innovation.

Beneficiaries

The Innovation Program has brought together an unprecedented number of representatives from various parts of the Bulgarian innovation ecosystem, some of which had never previously collaborated. The beneficiaries of the program include representatives from the private sector, entrepreneurs, incubators and accelerators, techno parks, venture funds, university students and professors, and scientists and researchers from public research institutions and research laboratories.

June 2014

Financial Reporting Technical Assistance Program

Synopsis

Since mid-2010, the Financial Reporting Technical Assistance Program (FRTAP) has supported the Czech Republic in developing a sustainable regulatory and institutional framework that strengthens the application of the European Union (EU) *acquis communautaire* in corporate financial reporting. As the Czech Republic responds to the 2008 financial crisis, the program organizes activities to support the business environment and provide more transparency and management accountability.

Challenge

Many countries, including the Czech Republic, were hit hard by the 2008 global economic and financial crisis, increasing the need for a steady and high-quality implementation of financial regulation and oversight to bring back investor confidence. Early during the crisis, the G20 highlighted the importance of an effective system of financial reporting as a key element of the information infrastructure needed to support investment and lending activities. The correct implementation of the EU *acquis communautaire* is part of the reform initiatives implemented to reassure investors about the quality of the financial reporting of public interest entities and also privately held small and medium-sized enterprises.

Solution

This program helps governments and institutions responsible for corporate financial reporting to develop sustainable regulatory and institutional frameworks consistent with *acquis* requirements, and builds capacity for high-quality financial reporting. The support to the Czech Republic is focused on:

- Further developing **audit oversight and quality assurance systems** through technical assistance and regional knowledge-sharing activities;
- Enhancing audit profession capacity by **training external auditors with clarified International Standards on Auditing (ISA)**;
- Enhancing the supervision capacity of the Czech National Bank (CNB) by **facilitating information exchanges with the Swiss Financial Market Authority and other European financial regulators**;
- **Training tax inspectors** in International Financial Reporting Standards (IFRS) to increase their understanding of the relationship between accounting and financial reporting;
- Updating the **Report of the Observance of Standards and Codes on Accounting and Auditing (ROSC A&A)** to assess the financial reporting framework and actual practices in the Czech Republic.

Results

FRTAP activities from 2010 to 2013 contributed to the Czech Republic's adoption of modern financial reporting practices, helping provide long-term capital for employment-generating activities and promoting foreign investment. This was achieved through:

- Knowledge-exchange events delivered in 2012 and 2013 with other audit regulators who perform quality assurance activities in the EU and Switzerland for an enhanced understanding of the role and activities of audit oversight and quality assurance systems in neighboring countries;
- The design and implementation of quality assurance and oversight tools and activities, including training materials and a guide for small and medium audit practices;
- Implementation of an online registration and communications system for auditors and members of the Audit Public Oversight Council (APOC);
- Professional-level training (38 sessions) on clarified ISA;
- Knowledge-exchange visits for staff from the CNB insurance supervision department with the Swiss Financial Market Authority and a major reinsurance company on measuring insurance risks and internal models;
- 47 sessions of training on IFRS for over 100 tax inspectors;
- Regional IFRS training for regulators;
- Publication of an updated ROSC A&A (2013).

Partners

This program is funded by a CHF 2 million grant from the Swiss contribution to the enlarged EU.

The Centre for Financial Reporting Reform (CFRR) provides reimbursable technical assistance under FRTAP to the Government of the Czech Republic. Key program partners include: the Ministry of Finance, which acts as the project intermediary body (including tax administration, standard setters); the CNB; APOC; the Chamber of Auditors (KACR); and the business and financial communities.

CFRR works with many external partners in implementing its programs, including the European Commission, international standard setters, EU and member state financial regulators, and EU financial reporting advisory groups.

Moving Forward

FRTAP continues until June 2015 with the objective of building on the results of the first phase and further enhancing the capacity of regulators to enforce standards, focusing on:

- Organizing regional workshops and other activities related to **the audit public oversight and quality assurance systems**;
- Designing a **quality assurance framework** and training the quality assurance team;
- Updating CNB staff on **IFRS and monitoring and enforcement** issues;
- Facilitating the participation of the Finance Ministry staff who draft accounting and auditing laws in regional **exchanges on EU *acquis* implementation** challenges;
- **Disseminating the 2013 ROSC** in Prague, and other evaluation activities.

Beneficiaries

Program beneficiaries include the Ministry of Finance (including tax administration, standard setters); the CNB (including the insurance supervision department); APOC; KACR; and the business and financial communities.

June 2014

Kazakhstan

Environment

A Greener Development Path: Cleaner industry and improved air quality monitoring for a healthier society and better environmental protection

Synopsis

Drawing on international best practice in environmental management, this work has provided the Ministry of Environment and Water Resources (MEWR) with key roadmaps for air quality monitoring modernization, as well as associated legislative and policy mechanisms to facilitate greener industrial production. Recommendations and roadmaps are being used to shape the ministry's development plans and the objectives of Kazakhstan's Green Economy Concept and Action Plan.

Challenge

Kazakhstan's environmental state is at a critical crossroads, as the pressure of economic growth without adequate environmental controls and the legacy of unchecked industrial production are beginning to take a toll on public health. Industry in Kazakhstan contributes to over 30 percent of the country's GDP, of which mining, which includes oil and gas production, is a significant share (18 percent in 2012). Evidence suggests that exposure to air pollution in Kazakhstan is having serious health and environmental consequences, particularly in urban and highly industrialized areas. According to a recent joint study of the World Bank and the MEWR, the economic and health costs of air pollution to society are upwards of US$1.3 billion per year, most of which are private costs to individuals and therefore do not appear in national accounts.

Solution

Under the Joint Economic Research Program (JERP) between the World Bank and the Government of Kazakhstan, the World Bank has provided recommendations to help modernize the air quality management system, along with the corresponding regulatory reforms necessary to increase industry compliance. Kazakhstan is among the first countries in Eastern Europe and Central Asia to take a comprehensive approach to transitioning to a green economy. The new Concept of Transition to a Green Economy strives to align environmental standards in Kazakhstan to those of the European Union (EU). The suggested improvements aim to increase industrial modernization to boost the country's competitiveness, using modern green technologies. Study tours for ministry staff, organized jointly with the Finnish Meteorological Institute (FMI) to industrial sites in Finland, allowed for hands-on experience exchange and training. The World Bank and FMI are currently working to incorporate the recommendations into the Kazakhstan Hydrometeorological Service's modernization plans.

Results

The joint work of the MEWR and the World Bank contributed to the following results:

- A series of studies identifying gaps in the current air quality monitoring program, analyzing environmental permitting processes, monitoring and reporting on industrial emissions, and providing good practice recommendations for developing an industrial emissions registration system.
- The piloting of an MEWR emissions registration system. Corresponding analysis pointed to several directions for improvement, particularly by enhancing transparency and public access to information.
- Modernization of 60 percent of the equipment and chemical laboratories at 114 points across the country to allow real-time air pollution monitoring covering 43 percent of the republic (data provided by the Hydromet Department for Environmental Monitoring). The analysis recommended monitoring efforts in specific urban and industrialized areas and complementary "softer" investments in human capacity to maintain the modernized air quality network.
- A reduction in industry's environmental impact through investments in air abatement technology and equipment.

Partners

Periodic meetings of the MEWR, the Environmental Information and Analytical Center, and the Hydromet Department for Environmental Monitoring helped coordinate the analytical work. External collaboration with the FMI resulted in a series of study tours to Finland for hands-on training. The Norwegian firm Norsk Energi made legislative and policy comparisons with inputs from the Norwegian Climate and Pollution Agency and the Kazakhstan Climate Change Center. Recommendations from the joint analyses are part of a larger effort led by the European Bank for Reconstruction and Development (EBRD) on legislative reform to support the Green Economy in Kazakhstan.

Moving Forward

The Bank is working with the MEWR to develop an Industrial Hazardous Waste Management Strategy and Policy Note, to be ready by end-2014, that will support MEWR's efforts in requiring industry to reduce its waste by developing waste management plans for the next three, five, and 10 years.

In parallel, the World Bank is using its recommendations and experience from the JERP studies to partner with other donors to support Kazakhstan's Green Economy Concept and Action Plan. For example, in collaboration with EBRD, amendments to the Environmental Code are being proposed as part of the Green Economy Law.

June 2014

Kazakhstan

Joint Economic Research Program

Kazakhstan

Helping Kazakhstan Meet its Development Goals

Synopsis

Ten years after its launch in 2003, the Joint Economic Research Program (JERP) has proved to be an innovative solution, with a client-driven knowledge agenda and Bank-selected work, bringing in international experience while developing wider lessons relating to the public good. In some of the sectors, Kazakhstan has become a leader in the region and a source of good practices for other countries.

Challenge

Over the past decade, Kazakhstan has aimed at rapid transformation through economic and social modernization. The World Bank Group supported this process primarily by transferring cutting-edge knowledge, and the JERP became a key instrument in responding to the country's core priorities in the development agenda. Today, this unique program of analytical work and technical assistance is structured around the Country Partnership Strategy pillars focusing on development gaps in growth, governance and public service delivery, and sustainable development.

Solution

The JERP is a distinctive program targeted at building up the capacity to adapt the transfer of knowledge. It gives answers to the "what and why" by providing policy analysis, strategic planning expertise, and good practice options, and to the "how" by providing capacity-building assistance on a cost-sharing arrangement, with the Government's share accounting for the majority of funding.

A highlight of the JERP—the brainstorming session, co-chaired by the Prime Minister of Kazakhstan—brings together the highest level of government officials, World Bank management, and experienced practitioners for in-depth discussions on key development issues.

Results

Under the JERP, the World Bank provides policy analysis, strategic planning expertise, practice options, and capacity-building assistance in wide-ranging areas of the Government's reform program, such as macroeconomic and public financial management, social sector development, financial sector supervision, private sector development, and environmental protection.

Among the key results are:

- Advisory support on public resource management led to improvements in budget and financial management systems, resulting in a new budget code, a new multiyear budget preparation system, an effective treasury system, and other efficiency-improving measures.
- A review of Kazakhstan's tax policy and administration framework led to the development of a new tax code based on JERP recommendations.

- Advisory services helped the Government avoid fiscally risky general bailout strategies in the wake of the financial sector crisis, and balance macroeconomic and monetary stability with sustainable growth objectives and prudent management of oil revenues. Design of a countercyclical fiscal policy helped assess and improve the cyclicality of the Government's economic policies.
- Advisory assistance helped establish a Committee for Financial Monitoring under the Ministry of Finance to lead efforts in anti-money laundering and combating terrorism financing.
- Assistance with civil service reform, enhancement of the public sector audit system, and implementation of the Extractive Industries Transparency Initiative contributed to increased transparency and accountability in public sector operations through the introduction of new legislation, regulations, and institutional arrangements.
- Assistance with business environment reforms facilitated a steady improvement in business entry and exit conditions, the payment of taxes, and the protection of investments rights, improving Kazakhstan's overall *Doing Business* rating to 50th in 2014 from 74th in 2010; and the simplification of the licensing and permits regime through the development of a risk-based methodology.

Partners
The areas of focus and scope of the economic research program are determined by the Government in consultation with the World Bank. The program is designed to ensure strong government ownership while maximizing a Bank contribution to the country's development that goes beyond funding.

Moving Forward
In order to boost its effectiveness as a knowledge service instrument, the JERP was transformed into a programmatic structure in mid-2011, with activities developed as multiyear and interconnected engagements. The new structure proved to be more effective in increasing and tracking the impact of the JERP by improving the strategic focus of the program, and providing much larger room for fully exploiting analytical insight, capacity support, and synergies between sector works.

Beneficiaries
Kazakhstan has been a pioneer in tapping into the Bank's global knowledge under the JERP, which now serves as an example to other advanced middle-income countries that are increasingly demanding similar Bank assistance.

"In the 10 years since its launch, the JERP has grown several-fold and proven to be an innovative instrument for bringing the World Bank's expertise to the benefit of the government's policy decision making and enhancing the institutional capacity of public agencies."

— Yerbol Orynbayev, Deputy Prime Minister of the Republic of Kazakhstan

June 2014

Strengthening Public Debt Management and Attracting New Investors

Synopsis

The Government of Kazakhstan, supported by the World Bank's technical advisory services, has developed and adopted a medium-term debt management strategy for 2013–15, and for the first time made it available to the general public and potential investors.

Challenge

The market for government securities in Kazakhstan is characterized by very little secondary market activity, blunting its attractiveness to other issuers and its efficiency as a debt market overall. Contributing to this is the low level of government debt, which, at 10 percent of GDP, is likely too low to support active and consistent trading, and also the high number of individual securities outstanding—184 individual government securities as of end-2012. Finally, very high demand for government debt from the pension fund sector distorts the prices of government securities and complicates the development of benchmark bonds, i.e., bonds that function as a reference point when pricing other bonds and financial products.

Solution

In 2010, at the request of the Government of Kazakhstan, a World Bank team undertook a comprehensive assessment of government debt management operations using the Debt Management Performance Assessment (DeMPA) tool. Following this work, under the Joint Economic Research Program, the Bank helped the Government develop a formal medium-term debt management strategy, focusing on ways to stimulate greater activity in the market for government securities. During the past two years, the Bank has organized several workshops on public debt management strategy development and implementation, conducted research on the existing framework for monitoring the aggregate debt of the public sector, and jointly with the authorities created an Action Plan for the development of a more active market for government securities in Kazakhstan. The preliminary findings indicate that the current primary market practices could be improved and the high number of lines of different government securities reduced to create a favorable environment for greater activity in the secondary market.

Results

During 2010–13, key results included the following:

- The World Bank organized four workshops focused on strengthening the capacity of the Ministry of Finance and the National Bank of Kazakhstan in developing a joint medium-term public debt management strategy document and improving issuance practices at the market for government securities.
- The World Bank conducted a study on the existing framework for monitoring the aggregate debt of the public sector, including the debt of the state-owned enterprise sector, and provided the authorities with a policy note on Moving Towards a Framework for Managing Risks Associated with Public Debt, including the Debt of State-Owned Enterprises.
- Jointly with the authorities, the Bank created an Action Plan for the development of a more active market for government securities in Kazakhstan.
- Based on the Reimbursable Advisory Service (RAS) work, the public debt management strategy for 2013–15 was developed by the State Borrowing Department of Kazakhstan's Ministry of Finance in 2012 and was published on external websites of the Ministry of Finance and the National Bank in early 2013.

Partners

Joint missions of the World Bank and the Ministry of Finance helped the public debt management office to coordinate its work with the National Bank of Kazakhstan and to learn about the range of issues faced by market participants.

Moving Forward

The publication of the debt management strategy for 2013–15 was a significant achievement, paving the way to more structured policies and practices for the development of the domestic debt market in Kazakhstan. Building on the previous years' activities, the follow-on technical support now focuses on strengthening the capacity of the Ministry of Finance in implementing the medium-term public debt management strategy and an Action Plan on market development and investor base diversification.

Beneficiaries

"Our debt management strategy provides a basis for the implementation of measures to improve the debt market in Kazakhstan and for getting wider support from public and private stakeholders to undertake these reforms."

— Kuat Akizhanov, Director, State Borrowing Department, Ministry of Finance

The strategy envisages actions to build a reliable yield curve and reduce public debt fragmentation, which will enhance the potential liquidity of government bonds and increase demand from prospective investors.

June 2014

Kazakhstan

Competitive Industries Practice

Driving Enterprise Development

Synopsis

Under the Joint Economic Research Program (JERP), the World Bank helped strengthen the institutional capacity of Kazakhstan's export and foreign direct investment (FDI) promotion agency, Kaznex Invest, to support local exporters and attract potential foreign investors. The capacity-building program targeted Kaznex Invest's core competencies in promoting exports and attracting FDI, which are of strategic relevance to the country's economic diversification and competitiveness agenda.

Challenge

FDI promotes the restructuring of industry at the regional and global levels and thus ensures the integration of a national economy into the world economy more effectively than trade alone. FDI also stimulates economic growth and development, providing economies in transition not only with financing for development, but also new technologies, better management techniques, and improved access to international markets.

The Government of Kazakhstan has created a number of institutions and initiatives to attract investments and provide direct support to enterprises through programs and instruments aimed at enhancing entrepreneurship in the non-resource economy. However, the still evolving institutional capacity of implementing agencies and private enterprises has been identified as an obstacle to the efficient implementation of support programs.

Solution

The World Bank and Kaznex Invest jointly designed and implemented a pilot project, the "Strategic Marketing Matchmaking Program" (SMMP) (2012–13). The objective was to support matchmaking activities to connect Kazakh "champion companies" in priority sectors directly with potential buyers in target markets. Beyond establishing business-to-business links for the participating companies, the program created an export slipstream for other Kazakh companies from the same sector. The World Bank team helped coordinate the implementation of the SMMP by providing know-how and guidance to Kaznex management and staff, as well as to other public and private sector stakeholders through a number of workshops and trainings.

Results

This project to promote exports and FDI achieved the following key results:

- The World Bank supported Kaznex Invest in developing a sector-based focus to attract investors and promote exports. As a result of capacity-building training activities, the agency is now able to promote exporters in key competitive sectors.
- Bank assistance enabled a smooth and structured transition in the institution's internal organization through the recruitment of new staff and the establishment of a sector unit, which helped strengthen and better equip the agency with enhanced human resources and an institutional strategy to facilitate sector-specific investment opportunities. As a result, core competencies of the agency, in particular in marketing and communications, were significantly improved to implement similar programs in the future and to support entrepreneurs with adequate tools to establish sustainable, long-term partnerships in foreign markets.
- By mid-2013, 30 Kazakh champion companies had been introduced to potential foreign buyers, and many are currently negotiating partnerships. By the end of 2013, most companies had closed deals, enhancing output for participating companies and enabling the entry of other companies in the same sectors into the export market.

Partners

This work was conducted in close collaboration with the Ministry of Industry and New Technologies, in partnership with the "Kazakhstan Industry Development Institute" joint-stock company (JSC) and in cooperation with Kaznex Invest.

Moving Forward

N/A since this technical assistance was rendered at the request of the Government and was fully implemented.

Beneficiaries

Although sound investment promotion will benefit the entire economy, the main impact of this work is on business enterprises.

"The experience gained under the SMMP helped Kaznex better understand the needs of exporters and more effectively provide them with the support they needed to establish partnerships with potential foreign partners. Once the second phase is completed, we expect to have positive outcomes for participating companies and better prospects for Kazakh companies in general, as we are building the image of the country as a reliable supplier of quality products."

— Jalil Bulatov, Managing Director, Export Department, Kaznex

June 2014

Kazakhstan

Education

Reforming Education through Policy and Institutional Capacity Enhancements

Synopsis

Building on successful collaboration over the past decade, the Government of Kazakhstan in 2011 requested the World Bank's advisory and technical assistance to improve the secondary education student assessment system. In response, the Bank shifted toward a more strategic approach and aligned its support with Kazakhstan's development strategy priorities, resulting in a three-year programmatic engagement under the Joint Economic Research Program (JERP) in 2011–14 to enhance the Government's capacity for evidence-based decision making and raise the quality of education.

Challenge

The education system in Kazakhstan is on a sustained reform path with emerging successes and remaining challenges in a fast growing upper-middle-income economy. Recent achievements include a rapid expansion of access to preschool education, near universal secondary education completion, and improved technical, vocational, and higher education. Parallel efforts are now focused on ensuring that graduates are sufficiently competent in and adaptable to the cognitive, technical, and non-cognitive skills that are necessary to joining an evolving labor market. Expenditure efficiency within a resource-constrained environment through the improved quality of education is another challenge the Government hopes to address. The State Program on Education Development for 2011–2020 calls for an improvement in the quality of education under the new socioeconomic realities.

Solution

The assistance provided by the World Bank under the JERP was a combination of timely research and advisory support to the Government during the education reform process. The objective was achieved through the application of three major policy tools for system-wide diagnosis, analysis, and policy formulation: (i) analysis of Kazakhstan's results in 2009 and 2012 on the Program for International Student Assessment (PISA) and policy recommendations for improvement; (ii) an international policy benchmarking exercise in three critical areas of education quality: student assessments, school autonomy and accountability, and teacher policies; and (iii) capacity-building seminars on international and national assessments and best school inspection practices.

Results

This work led to the following results:

- Based on the policy analysis, recommendations, and a series of capacity-building seminars, new reform processes have been initiated with the objective of:

    (i) improving student assessment systems (External Assessment of Learning Achievements and Unified National Test [UNT]) and teacher practices;

    (ii) developing an Integrated Student Assessment System for preschool and secondary education to establish a strong foundation for a classroom and national summative assessment that objectively and clearly measures learning outcomes and provides feedback to teachers, schools, parents, and policy makers on adjustments for improvement.

- A series of capacity-building activities on school inspection resulted in the creation of a multiyear capacity-development plan, in consultation with key counterparts and stakeholders, in order to establish an objective and independent inspectorate that can evaluate and assure the quality of education in schools, teacher practices, and school autonomy and accountability.
- After analyzing the national assessment, an external audit of the UNT was initiated to better inform policy decisions associated with the Government's plans to separate the UNT into two testing instruments by 2015: (i) a school leaving exam and (ii) a university entrance exam.

Partners

This work was conducted in close collaboration with the Ministry of Education and Science's Quality Control Committee, as well as the National Center of Education Statistics and Assessment, the National Testing Center, and the Information Analytical Center under the Ministry of Education and Science.

Moving Forward

The Government of Kazakhstan has requested continued assistance to translate the policy actions and recommendations that emerged from the first phase. The specific tasks requested for this second phase of assistance include: (i) developing an integrated student assessment system with qualitative preschool and secondary school indicators of learning outcomes; (ii) improving the legal framework and quality assurance inspection practices; and (iii) developing an evaluation system for teachers and principals.

Beneficiaries

"The World Bank's advisory and technical assistance has greatly supported the institutional development of a comprehensive assessment system and capacity in collecting and analyzing education data. We believe further collaboration will contribute to raising the quality of secondary education in Kazakhstan,"

— Takir Balykbayev, Vice-Minister of Education and Science of the Republic of Kazakhstan.

June 2014

Kazakhstan

Investment Climate Practice

Kazakhstan

Facilitating Regulatory Reforms for a Better Investment Climate

Synopsis

Building on a successful collaboration to improve the business environment, the Government of Kazakhstan in 2011 requested World Bank support on reforming the national permits system. A new system was conceptualized based on international practice, leading to Government approval in June 2013 of the Concept of State Regulation of Entrepreneurial Activity 2020.

Challenge

Kazakhstan has been very active in improving its business environment as tracked through the *Doing Business* report, improving its ranking from 63 in 2010 to 50 in 2014. The country has demonstrated strong ownership of the reform agenda and continues working actively on new reforms to further improve the investment climate. Efforts have been made to reduce administrative burdens by attempting to cut the number of required business permits in combination with temporal bans on business inspections, increase the transparency of planned inspections, and introduce risk-based inspections, efforts that were only partially successful. The existence of multiple layers of regulatory legislation gives wide room for the duplication of different permitting instruments, making them hard to track down. Unplanned and inconsistent business inspections and obscure permit procedures remain issues that need addressing.

Solution

Although structuring the work as longer-term programmatic technical assistance under the Joint Economic Research Program (JERP), the World Bank team has put a lot of emphasis on providing quick response advisory support to the challenges facing the Government during the reform process. The majority of the formal outputs were developed in close collaboration with the respective authorities, which, on the one hand, helped produce highly relevant policy recommendations and, on the other, translated into substantial capacity building through ongoing advisory and technical support. The result was a new regulatory system that was conceptualized in parallel with an inventory of existing permitting instruments, laying solid grounds for the rapid introduction of a new system.

Results

- Over 750 permit documents have been reviewed, based on a new risk and activity type categorization in 2012–13. According to the Standard Cost Model–based analysis, the application of new principles will potentially result in a 43 percent decrease in the compliance burden for businesses.
- The Concept of State Regulation of Entrepreneurial Activity 2020 was developed and approved in June 2013 as a result of analytical work and extensive hands-on assistance and guidance provided to the Ministry of Economic Development and Trade. The Concept sets firm foundations for building a modern regulatory system in Kazakhstan to offer a clear and transparent legislative and administrative framework for businesses and regulators. The envisaged system provides a clear separation between the regulated and nonregulated areas of business activities, as well as a concrete methodology for the development of appropriate permit instruments, depending on the associated risks and the public interest.
- The World Bank team also peer-reviewed the draft Law on Permits and Notifications in December 2013, which will be submitted to the Parliament for approval in April 2014.

Partners

This work with the Ministry of Economic Development and Trade evolved from the *Doing Business* reform advisory assistance from the International Finance Corporation (IFC) as part of broader work on business environment improvements. Periodic meetings with the Ministry of Economic Development and Trade, the Ministry of Regional Development, and the National Analytical Center on regulatory impact assessments helped better coordinate the analytical work.

Moving Forward

Further technical assistance will focus on a suitable institutional solution to lead the reforms, as well as recommendations on the practical implementation of the elements of the Regulatory Impact Assessment into the new system, which will be established by the new legislation on permits and notifications.

Beneficiaries

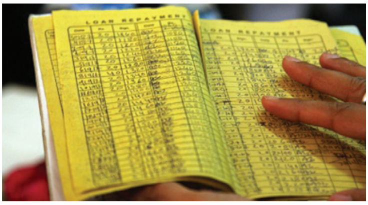
"The need for a comprehensive law on licensing procedures for business was raised about seven years ago, but at that time we were not ready for its development. We did not know how many and what kind of permits existed in the country. Over the past five years, jointly with the business community and the World Bank, we have spent a lot of time completing an inventory of permits. The draft Law on Permits and Notifications requires respective regulators to substantiate the introduction or existence of each permit by evaluating the regulatory impact and cost implications for affected businesses and regulators themselves. For entrepreneurs, this law will ensure that the availability of information on existing permits and related procedures and requirements is unified."

— Yerlan Buzurbaev, Deputy Director, Enterprise Development,
Ministry of Regional Development

June 2014

Kazakhstan

Financial Systems Practice



Modernizing Kazakhstan's Insolvency Legislation

Synopsis
As a result of the World Bank's technical assistance, there is currently better protection for creditors and for debtors' assets in Kazakhstan. In addition, access to insolvency proceedings—rehabilitation or liquidation—has been accelerated, which in turn, results in substantial job savings and more debt repayments.

Challenge
Before the reform process began, Kazakhstan's Law on Bankruptcy was characterized by strict piecemeal liquidation—assets were frequently undervalued and sold individually. Procedures for rehabilitating distressed enterprises were rarely used. There were only 14 rehabilitation cases in 2009 (representing 0.6 percent of bankruptcies) and 43 bankrupt companies (representing 2 percent of bankruptcies). Small and medium-sized enterprises (SMEs) have been particularly vulnerable in such circumstances. In practice, the insolvency system was insufficiently protective of companies undergoing financial difficulty, despite the fact that if rehabilitated, these companies could have contributed to preserving employment and boosting economic growth in the longer term. At the same time, most creditors did not regard insolvency proceedings as an effective method of debt collection, as returns for creditors who did use the system were very low.

Solution
As insolvency legislation in Kazakhstan did not keep pace with the evolution of international best practices and the country's desired development objectives, significant amendments were needed to ensure its effectiveness and consistency with international standards. The World Bank's technical assistance focused on: (i) conducting a comprehensive assessment of the effectiveness of the country's legal framework for dealing with corporate insolvency; (ii) drafting a Concept Note for an Effective Insolvency System Framework in Kazakhstan based on comparative experience and international best practices; (iii) helping the Kazakh authorities to implement an ambitious and comprehensive plan for reforming insolvency legislation; and (iv) preparing a template of the concept as a framework for the new law on personal bankruptcy.

Results
The Joint Economic Research Program (JERP) "Improving the Insolvency Framework in Kazakhstan" has helped to support improvements in several key outcomes:

- An ICR ROSC (Insolvency and Creditor/Debtor Rights Report on the Observance of Standards and Codes) has been developed for Kazakhstan.

- The new Law on Rehabilitation and Insolvency, developed with the active support of the World Bank and approved in March 2014, will expand on the improvements by introducing changes in the procedural structure of the insolvency system to offer more protection to creditors and to debtors' assets and accelerate access to insolvency proceedings (rehabilitation or liquidation). It will also stimulate the expansion of access to credit at affordable rates (for SMEs in particular) and boost foreign and local investment.
- As of January 2013, the newly introduced provisions aimed at facilitating business rehabilitation have already resulted in the rehabilitation of 131 enterprises, the preservation of more than 11,000 jobs, and the repayment of debts in the amount of KZT 1.2 billion.

Partners

Ministry of Finance of the Republic of Kazakhstan

Moving Forward

Since completing the corporate insolvency phase (albeit with continuing responses to requests for advice), the Bank's assistance is now focused on personal insolvency. The World Bank team, together with the Ministry of Finance, is actively involved in the process of developing a legal framework for personal insolvency that will help individuals who are genuinely struggling to repay their debts, for example, due to job loss as a result of an economic crisis. The future implementation of such a framework is also expected to help reduce the number of nonperforming loans on the banks' balance sheets.

Beneficiaries

Although the sound insolvency system will benefit the economy as a whole, the work will mainly have an impact on SMEs and ordinary people.

"The results of our cooperation help the country move toward developing an efficient, transparent, and predictable insolvency system, as well as promoting the financial rehabilitation of businesses in the country."

— Ruslan Dalenov, Vice Minister of Finance of the Republic of Kazakhstan

June 2014

Latvia

Social Protection

Using Big Data for Anti-Poverty Programs to Protect Latvia's Poor

Synopsis

As Latvia was recovering from the 2009 global financial and economic crisis, the World Bank partnered with the Government over 2012–13 to investigate tax, benefit, and training policies to combat long-term unemployment and draw people into the workforce. The study used detailed administrative data to provide policy advice on reform of the tax and benefit system and the development of labor market programs. The study's recommendations were utilized by the Government to inform future policy reforms.

Challenge

Latvia was hard hit by the global financial crisis, as combined GDP declined by nearly 25 percent and unemployment tripled from 6 to 20 percent between 2007 and 2009. As the economy gradually recovered, unemployment remained elevated at 15 percent by end-2011. The lower skilled suffered disproportionately from the deterioration in the labor market. Of particular concern were the socially vulnerable, long-term unemployed, and those who are not active in the labor market. Getting more people back to work was critical to reversing the deepening of poverty and social polarization that has occurred since 2007. Nearly two-thirds of Latvia's poor lived in households with low work intensity.

The Government required answers to questions about addressing benefit dependency, changing the tax and benefit system to offer adequate protection and promote employment, steering job placement and formal training programs toward getting people back to work, and using its administrative data to inform evidence-based policy making in all of these areas.

Solution

Latvia's Ministry of Welfare engaged the World Bank to evaluate the country's employment and social protection situation coming out of the crisis, noting especially the unemployed and inactive. A series of background notes were produced using detailed administrative household survey and spending data in collaboration with Government technical experts.

The study demonstrated how to use big data to inform a difficult policy debate on welfare dependency, tax benefit policy for lower-income groups, and employment programs. To investigate these issues, a large panel database was created linking data on individuals in the social security, social assistance, employment services, population registry, and health insurance databases. The data for 91 monthly waves from January 2006 to July 2012 covered 43 percent of the total population and allowed the Bank to investigate—with a strong evidence base—benefits dependency issues and the impact of employment programs.

By involving a large number of stakeholders in the study from inception to completion and making all the analysis available online and at public conferences, the project was seen as objective and without a political agenda.

Results

The main findings of the study (completed in May 2013) are:

- While the recovery has begun in Latvia, labor market demand has yet to rebound; unemployment is still high and labor market participation is lower than before the crisis.
- Those with unstable or no work are from various groups; the 50+ population, youths with low education, and mothers with household responsibilities constitute a large share.
- There is no evidence of large-scale dependence on benefits. Benefit programs are not generous, have low coverage, and generally act as a stop-gap for many and not a permanent income source. The tax and benefit system could be modified to be more generous for low-income households. In particular, a more gradual phase-out of benefits is recommended.
- Spending on means-tested benefit programs is low.
- Labor market programs appear to improve employment rates, though variations in outcomes exist between types of programs.

The study provided strong evidence of a lack of benefit dependency in Latvia, which was widely reported in the media and used by the Government to argue for the need for anti-poverty programs—a new development.

Partners

The study involved the social protection, fiscal policy, education and training, and health sectors. Although the study was requested by the Ministry of Welfare and the State Employment Agency, the World Bank worked closely with a steering committee made up of technical staff from the Ministries of Finance, Health, Economy, and Education, and the Central Statistical Bureau.

The European Commission (EC) and International Monetary Fund (IMF) were key external partners. The IMF was involved in the dialogue with the Government and provided a fiscal economist for the team. The EC provided funding for the study and is using the analysis as background for dialogue and planning for the next European Social Fund programming round (2014–19).

Moving Forward

The World Bank is currently concluding a new RAS agreement with Latvia for a follow-on study of promoting active aging. Latvia's population is aging quickly and the study found significant early labor market exit or low-quality employment among the older population. The World Bank will work with the Government on policy options for taxes and benefits, health policy, training and employment programs, and labor market legislation to keep older people working in rewarding jobs.

Other European Union countries and the EC have expressed interest in replicating the Latvia study. Sharing the methodology and approach began with the other Baltic countries—Estonia and Lithuania—during country visits in March 2014.

June 2014

Increasing the International Competitiveness of Latvian Ports through Management and Governance Reforms

Synopsis

Drawing on the results of a review of current management and governance systems in Latvian ports and a comparison with international best practices, the Reimbursable Advisory Services (RAS) (December 2012–January 2014) suggested a set of reforms to strengthen the ports' effectiveness in the highly competitive Baltic regional market and to reinforce sector transparency and accountability.

Challenge

The ports sector, which handles over 60 million tons of cargo per year, accounts for about 5–7 percent of Latvia's GDP. The two largest ports—Riga and Ventspils—are among the major employers in the country. Riga Port, which handles bulk and containerized cargoes, accounts for 10 percent of the city workforce; Ventspils Port, which handles bulk cargoes and roll-on/roll-off traffic, accounts for 20 percent. Regional traffic has almost tripled since 2000, but competition has intensified, with Russia making substantial investments in the development of its own ports in the Baltic region. The market share of Latvian ports dropped from 37 to 21 percent between 2000 and 2012. Latvian ports depend heavily on transit cargo (close to 90 percent), handle predominantly low-value goods, and have limited prospects for developing high value-added traffic due to the small domestic market. Concerns have emerged about the competitiveness of Latvian ports in the face of increasing competition from Russian ports.

Solution

The objective of this RAS was to help Latvia's Ministry of Transport identify and address the key issues and constraints that ports face in maintaining and increasing their effectiveness in a highly competitive environment. Based on extensive consultations with various sector stakeholders and an analysis of Latvia's current port management and governance systems compared to best international practices, the Bank team assessed the sector performance, challenges, and needed reforms. Proposed governance reforms would not only ensure greater accountability to the public but also provide a predictable, more attractive environment for international investors and, as a result, would increase the competitiveness of Latvian ports.

Results

Some of the main achievements of the Latvia Ports RAS, delivered in November 2013, are:

- The Ministry of Transport and the majority of key stakeholders have recognized that ports do not exist in a vacuum but are an important part of the larger logistics chains, and that improving connectivity by land is critical to increasing the ports' competitiveness.

- The Final Report and Dissemination Workshop were a major contribution to the Government's debate on the ports' role in the country's economy and their financial independence and sustainability.
- The Ministry of Transport has acknowledged the need to introduce a monitoring system for ports and port operators to strengthen accountability in their management of public assets, and has accepted the key performance indicators (KPIs) that the RAS proposed.
- The RAS recommendations have made a substantial contribution to the ongoing debate in the Parliament on governance reforms in the ports sector, which have not yet been implemented. One of the suggested reforms—to limit political appointments and increase the consideration of professional criteria for board member selection in Latvian ports—has been taken up by the Ministry of Economy and the Parliament and promoted for implementation in state-owned enterprises across all sectors.

Partners

Over the course of this RAS, the Bank team held consultations with Latvian ports stakeholders. The European Commission has expressed a strong interest in seeing Latvian ports increase governance effectiveness and transparency. The International Monetary Fund (IMF), in its 2014 Article IV Statement, also demonstrated its support for the Bank's suggested reforms as a means of attracting foreign direct investment and facilitating export growth. The IMF has urged the Government of Latvia to implement as soon as possible "specific suggestions [made in the RAS] to enhance connectivity to land transport, while improving governance and accountability."

Moving Forward

During the Dissemination Workshop with key sector stakeholders held in November 2013, the Minister of Transport demonstrated strong support for the reforms suggested in the RAS. He indicated that two working groups would be created in 2014; the first would facilitate implementation of recommendations regarding introduction of KPIs, intermodal linkages, and transparency, and the other would focus on suggested reforms that require further discussion with sector stakeholders prior to moving toward implementation (formal governance and organization). Follow-up Bank advice may be sought in this context.

Beneficiaries

The Ministry of Transport, the main beneficiary, expressed satisfaction with the Bank's unbiased evaluation of the status of Latvia's ports sector and recognized the need for implementation of the recommended reforms to increase transparency in the ports, introduce performance measurement practices, better coordinate all investment plans, and improve overall connectivity by land in order to support the general competitiveness of the logistics sector.

Representatives of the private sector, the Latvian consulting, industry, and some of the ports board members also expressed support for implementing governance and performance measurement reforms at Latvian ports to strengthen their accountability and financial sustainability, as proposed by the RAS.

June 2014

Poland

Innovation, Technology, and Entrepreneurship Practice

Smart Growth Strategy

Synopsis

The Smart Growth Operational Program (SG OP) Review (April 2013–June 2014) provided support for the design of the €10 billion program and financial instruments that Polish authorities will deploy in the forthcoming European Union (EU) programming period. Its most notable achievement was convincing Polish policy makers to transition to a firm-centric innovation system, giving nearly €4 billion directly to entrepreneurs and private firms for research and development (R&D) and innovation (versus public research institutes typical for transition economies).

Challenge

Poland has been an outstanding economic performer within the EU. Since 1989, the country's GDP has grown more than any other European economy. After two decades of robust growth, however, the economy now faces prospects of a slowdown, and innovation is likely to be an important catalyst for restoring pre-crisis growth rates.

In recent years, Polish firms have performed strongly thanks in part to investments in new machinery and technology absorption enabled by EU Structural Funds from the 2007–13 programming period. Yet despite government efforts, the Polish innovation support system has missed an opportunity to channel this agenda through private firms and encourage the essential risk taking necessary for entrepreneurs to engage and invest in R&D on a market-driven basis. Instruments have not been tailored to technology or market risks, while researchers pursuing innovative projects have remained detached from the private sector, limiting the chances of commercializing the research that was financed.

Solution

To boost national innovation, the Bank suggested that private firms be positioned in the driver's seat and that technology risk become part of the public agencies' mandate. Under this Reimbursable Advisory Service (RAS) engagement, the Bank team deployed a network of top-notch international advisors on aspects such as consortia, venture capital, revolving instruments, matching grants, or monitoring and evaluation (M&E) practices from Israel, Finland, and Chile. At the time, Polish authorities were working on the SG OP design, identifying the full set of priority financial programs and instruments to be implemented under the next EU programming period. The international advisors provided critical feedback on program design and implementation.

The Bank team convened multiple SG OP roundtables and bilateral meetings with senior representatives from relevant national ministries and implementing agencies, providing a unique opportunity to bring principal stakeholders together, share experiences, and discuss good practices with senior innovation advisors. Polish authorities regarded the technical discussions and dialogue as extremely beneficial to advancing the design of the SG OP.

Results

The final draft of the SG OP incorporated most of the RAS' proposed guiding principles and suggested modifications. This RAS thus provided critical feedback on proposed programs and financial instruments accounting for €10 billion of EU structural and national funds for the 2014–20 programming period, helping to unleash Poland's innovative potential and position it for future global success.

The most notable achievements are:

- Placing firms at the center of the innovation system, with nearly €4 billion going directly to firms for R&D and innovation through flagship programs such as matching grants
- Intensifying capacity building for ministries and firms and encouraging policy dialogue and stakeholder consultation
- Pursuing innovation in parallel with technology absorption through programs such as guarantee funds or technology loans
- Committing to the development of a results-based framework and impact assessment for program M&E

Moreover, the SG OP Review has contributed to the development of one strategic RAS in Poland at the agency level: the National Centre for Research and Development (NCBiR) mid-term evaluation and capacity building. In addition, it has helped position innovation for the first time as one of the pillars of a Development Policy Loan (DPL).

Partners

The Office of the Chief Scientist (OCS) of the Ministry of Industry, Trade and Labor of Israel and the Israeli Industry Center for R&D (MATIMOP) collaborated and hosted a Polish delegation to Israel. The feedback received from the distinguished delegation was overwhelmingly positive, pointing to the high level of speakers that the Bank team and OCS facilitated.

Furthermore, the Bank engaged one Finnish expert from the Finnish Funding Agency for Innovation, Tekes, to contribute to the technical discussions on M&E and smart specialization.

Moving Forward

The impending challenge ahead for Polish authorities is to streamline the implementation details for the SG OP and continue supporting the development of a national innovation ecosystem wherein public agencies actively facilitate and flexibly support innovative activities. Aspects such as piloting new approaches, learning from monitoring and impact evaluation, building capacity at the agency and entrepreneurial levels, and promoting the professionalization of incubators and accelerators are among the key challenges ahead.

Beneficiaries

The primary audience of the RAS is the Ministry of Infrastructure and Development, which has been responsible for preparing document programming for the SG OP. Secondary audiences are the Ministry of Economy, the Ministry of Science and Higher Education, and their related implementation agencies. Ultimately, the beneficiaries of this RAS will be private firms, research institutions, innovators, and researchers.

The final SG OP was substantially influenced by the Bank's recommendations. The Bank team received two thank-you letters from the Ministry of Regional Development acknowledging the important feedback and tremendous value found in the dialogue established with senior experts and their counterparts in national implementing bodies.

June 2014

Poland

Financial Management

Poland

Financial Reporting Technical Assistance Program

Synopsis

Since its start in 2010, the Financial Reporting Technical Assistance Program (FRTAP) has been helping Poland develop a sustainable regulatory and institutional framework to effectively apply the European Union (EU) *acquis communautaire* in corporate financial reporting. As Poland seeks to diversify its economy and sustain high growth levels, it continues to adapt its business environment to provide more transparency and management accountability, facilitating long-term saving and contributing to financial stability.

Challenge

Following the 2008 global financial and economic crisis, the G20 group of nations underscored the importance of both international standards and the robustness of the audit report by insisting on the need to harmonize the major economies' financial reporting systems in order to help prevent a crisis of similar proportions. An effective system of financial reporting is also a key element of the information infrastructure and transparency needed to support investment and lending activities. This provides an essential foundation for private sector development and thus plays an important role in improving competitiveness and supporting sustained economic growth. Corporate financial reporting is also a central part of the EU *acquis communautaire* for a well-functioning common internal market.

Solution

This program continues to provide technical assistance to policy makers and regulators and capacity-development support to financial reporting and audit practitioners in Poland. The support is focused on (a) legal reforms, (b) institutional development, and (c) the dissemination of good practices, including the following priority areas:

- Improving the capacity of accountants on the International Financial Reporting Standards (IFRS) and auditors on the International Standards on Auditing (ISA) through training courses, technical advice to the National Chamber of Statutory Auditors (KIBR) and the Polish Accountants Association (SKWP) on their continuing education systems, and policy advice to the Ministry of Finance.
- Providing technical assistance to the Audit Oversight Commission (KNA) and KIBR in developing effective systems for public oversight and quality assurance of audits, through tailored advice, international workshops, and study trips to other EU member states.
- Improving the capacity of policy makers and financial regulators to use financial information, and raising stakeholders' awareness of (i) the importance of modern corporate financial reporting and (ii) their role in enhancing economic development.

Results

Since 2010, FRTAP has contributed to enhancing modern financial reporting in Poland to help it attract foreign investment and provide the long-term capital necessary to create employment-generating activities. Key results include:

Delivered professional-level training on ISA for all 3,500 practicing auditors, 12-day training on IFRS for over 350 accountants, six-day advanced IFRS training for over 200 accountants, 12 IFRS workshops for regulators, and accounting training for 150 staff from public administration.

- Held international conferences on IFRS in Warsaw in 2011, 2012, and 2013, attracting over 400 participants and leading to increased awareness among stakeholders of the importance of adhering to standards.
- Held Audit Committee Conference in 2013 in cooperation with KNA and the Warsaw Stock Exchange (WSE) to promote corporate governance and a public oversight system.
- Held an IFRS educational event to train the trainer for SKWP and university lecturers, European Financial Advisory Group (EFRAG) event in cooperation with the Finance Ministry, and Audit Quality conference with KIBR in 2013.
- Helped launch IT-based Auditors and Audit Firm Register in 2014 in KIBR to strengthen the quality review and oversight system.

Partners

This program is funded by a CHF 10 million grant from Switzerland. Key development partners include the Swiss Secretariat for Economic Affairs (SECO) and the Swiss Contribution Office in Warsaw, which are providing funding to FRTAP in Poland and other EU countries to reduce economic and social disparities within the enlarged EU. The Centre for Financial Reporting Reform (CFRR) has agreed to provide reimbursable technical assistance under FRTAP to the Polish Government represented by the Ministry of Finance.

Moving Forward

As FRTAP continues until 2015, CFRR will go on providing technical assistance to enhance financial reporting and auditing capacity in Poland through the following activities:

- Accounting and Auditing report on the Observance of Standards and Codes (ROSC)
- The first study on Poland's accounting and audit market
- Glossary of English-Polish accounting and financial terms
- Practical training in audit using IT software, train the trainer activities for universities
- Practical training in non-audit services to broaden opportunities for auditors
- Analysis of domestic and international regulations in selected areas to support the Finance Ministry in adopting recently changed EU Accounting and Audit Directives

Beneficiaries

Program beneficiaries include individual accountants, auditors, officials, regulators, and academics from institutions such as the KNF, KNA, Polish Accounting Standards Committee (KSR), KIBR, and SKWP. Working with and through these institutions, the program reaches a wide range of stakeholders who are involved in the preparation, audit, and use of financial information, including auditors and audit firms, small and medium-sized companies, large corporations, financial institutions, retail institutions and investors, and the WSE. It should be underlined that Polish beneficiaries provided significant in-kind contributions (training facilities, logistical and organizational support, professional staff) to support the implementation of FRTAP activities, and will be responsible for carrying forward, on a sustainable basis, many of the program initiatives.

June 2014

Roma Inclusion: Tools and Methods for Collecting and Evaluating Data as a Basis for Evidence-Based Policy Making

Synopsis

This Reimbursable Advisory Service (RAS) contributed to more evidence-based policy making and program design on Roma inclusion in Eastern Europe through an extensive regional Roma household survey; subsequent detailed policy diagnostics, especially on early childhood education and financial inclusion; and broad policy outreach. RAS outcomes were used by the European Commission (EC) to inform Country Specific Recommendations and by national governments to inform Roma integration strategies and Roma inclusion policies and programs.

Challenge

There are approximately 6–12 million Roma in Europe, equivalent to the population of a country the size of Bulgaria or Portugal. Two-thirds of Roma live in Central and Eastern Europe. They have been settled, predominantly rural populations for several centuries, and the majority live in poverty. The Roma population is young, growing, and excluded from the labor market in countries that are otherwise aging rapidly, making Roma inclusion a macroeconomic necessity. Already as many as one in five new labor market entrants in Bulgaria and Romania are Roma, and the figure is one in six in Hungary and Slovakia.

Solution

The following instruments were used under the RAS to inform evidence-based policy making on Roma inclusion in Eastern Europe:

1. Roma inclusion project monitoring and evaluation (M&E)

    - Project M&E support: joint Bank/United Nations Development Programme (UNDP) support to the Roma Education Fund's early childhood development (ECD) program *A Good Start* and the Hungarian social microfinance facility *Kiútprogram* in (a) developing project monitoring tools and (b) building nongovernmental organization (NGO) M&E capacity.

    - Case study evaluations: detailed case study evaluations of *A Good Start* (with the Slovak Governance Institute) and the *Kiútprogram*.

2. Roma inclusion household M&E in five countries

    - Regional Roma Survey (2011): extensive household survey in the Czech Republic, Slovakia, Hungary, Romania, and Bulgaria, covering employment, education, housing, health, financial inclusion, and poverty. Jointly designed with UNDP.

3. In-depth assessments, country policy and program reviews

    - Building on the Regional Roma Survey, in 2012 the World Bank produced in-depth reports on:

i. Early Childhood Education and Care: *"Toward an Equal Start: Closing the Early Learning Gap for Roma Children in Eastern Europe"*

iI. Financial Inclusion: "*Reducing Vulnerability and Promoting the Self Employment of Roma in Eastern Europe through Financial Inclusion"*

Results

- **Building local-level capacity:** the local-level M&E capacity building by the World Bank with UNDP and the project partners strengthened the capacities of local NGOs in four countries and contributed to participatory development.
- **Strengthening the evidence base of Roma inclusion in Europe:** the findings have been directly included in the national Roma inclusion strategies of Slovakia and Bulgaria, and the EC has been broadly drawing on key messages from the Bank's reports, most recently in its Country Specific Recommendations and Progress Report and Recommendations.
- **Contributing to evidence-based policy making at the country level:** the World Bank's analytical and policy advice reports on Roma inclusion in Slovakia and Romania are basing a considerable portion of their recommendations on findings from the regional survey, along with ongoing and planned ECD program evaluations in Bulgaria, Romania, and Slovakia

Partners

This activity was implemented as part of the two-year pilot project "*Pan-European Coordination of Roma Integration Methods – Roma Inclusion*" (2009/C 171/08) of the European Parliament, launched by the EC in June 2010. It involved close collaboration with UNDP on developing project monitoring tools and strengthening the capacity of local NGOs during the implementation of *A Good Start* and the *Kiútprogram*, and on jointly designing the Regional Roma Survey (implemented by UNDP). Project-level work was implemented in partnership with the Polgar Foundation for Opportunities and the Roma Education Fund. The assessment of *A Good Start* was developed in collaboration with the Slovak Governance Institute.

Moving Forward

The team continues to contribute to European dialogue on Roma inclusion by disseminating the messages of the regional and country reports at events organized by the EC, the Decade of Roma Inclusion, foundations, and think tanks. Furthermore, the team is leveraging findings from the Regional Roma Survey in regional or country knowledge products, for example, a series of country notes on Roma inclusion in Eastern Europe and a regional report on equality of opportunity for Roma. Finally, the team is developing a dialogue with the EC on adapting the regional diagnostic approach in the Western Balkans.

Beneficiaries

The reports were launched by high-level EC officials, including the Commissioner for Employment and Social Affairs, and findings were discussed and disseminated at conferences and workshops with government officials and civil society organizations across Europe, the European Parliament, and the EC.

"Global evidence shows that early childhood education and care is essential to children's development. The new regional Roma survey data show that Roma children do not have an equal chance. With the exception of Hungary, the vast majority are not in preschool. It is time to close this gap."

— Lívia Járóka, Member of the European Parliament, at a joint conference of the EC, Roma Education Fund, World Bank, Open Society Foundations, and United Nations Children's Fund (UNICEF) on June 4, 2012

Strengthening Public Debt and Cash Management

Synopsis

The Reimbursable Advisory Services (RAS) (October 2012–May 2014) supported the expansion of Romania's funding in local currency to boost stable economic growth and poverty alleviation. This engagement helped the Government (i) publish its first government debt management strategy in line with international practice in March 2013; and (ii) build capacity to develop the domestic market, including state-of-the-art cash and liability management techniques.

Challenge

After the global financial and economic crisis of 2008, capital inflows came to a sudden halt in Romania, prompted by the global deleveraging process and a decline in exports following the recession in the advanced economies. While the funding gap widened, access to international capital markets closed and local currency financing was limited to short-term tenors. To fill the funding gap and restore market access, Romania has been under successive International Monetary Fund (IMF) programs since then. Building resilience against future external shocks requires a strong local currency market for government securities that should be framed within a clear medium-term strategy for managing government debt. To implement this strategy and the market development plans, it was necessary to build capacity within the Ministry of Public Finance to undertake liability management operations as well as solid cash management.

Solution

The "Assistance to the Ministry of Public Finance for Strengthening Debt Management" RAS was designed to develop Romania's domestic market to substantially reduce its vulnerability to external shocks and support more stable economic growth. The core of the technical assistance was directed at granting a more prominent role to local currency securities in government financing. For the first time, the Bank was able to integrate the use of tools dedicated to the design of medium-term strategies into more detailed implementation tools that could simulate active cash management, the execution of liability management operations, and the overall issuance program. The RAS promoted catalytic measures to support Romania's adherence to best practices in the European Union (EU), including publishing a medium-term strategy for managing government debt and providing policies and procedures for conducting active cash management and liability management operations.

Results

Tangible results in market development are expected in the medium and long term. This RAS provided the foundation for building a deeper and more liquid local currency bond market supported by techniques—such as buybacks and exchanges and market-making policies—that are widely used in developed debt markets. The improvement of cash and debt management practices promoted by the RAS will reduce fiscal risk through better management of the risks stemming from the government debt and cash portfolios and also lower the funding costs.

This RAS has already produced or will produce the following outcomes:

- A medium-term debt management strategy in line with international sound practice produced for the first time in March 2013 and revised in March 2014.
- Enhanced transparency and predictability in the issuance of local currency securities as reflected in the compliance with the auction calendars and the buildup of benchmark bonds in 2014.
- A steady increase in the participation of foreign investors in the domestic market since Romania's introduction onto two major emerging market bond indices, a strong sign of growing credibility in the market of government securities.
- A reduction in the debt service payment processing time by at least 30 percent by 2015.

Partners

This activity was coordinated with the EU and the IMF, which found the work on the debt management strategy satisfactory and in compliance with the requirements of the program. The EU relied on the Bank's efforts in its own agreement with Romania when it imposed certain conditions that were derived from the Bank's technical assistance program. The EU also viewed positively the strategy produced for 2013–15 and the draft for 2014–16. The main counterpart in the Romanian Government was the Treasury and Public Debt Directorate in the Ministry of Public Finance.

Moving Forward

- RAS results allow Romania to further develop its domestic markets. In this context, Romania co-hosted in March 2014 the World Bank Government Bond Market Conference, attended by 20 emerging market economies, to discuss future reforms with investors and peer countries.
- The authorities have already discussed with National Bank of Romania (NBR) and FTI Star the implementation of system interfaces to help streamline the debt-servicing process. A first implementation phase should be completed by end-2014.
- The Treasury is to select an Electronic Trading Platform to be fully functional by spring 2015 for executing liability and cash management operations and for secondary market transactions involving government securities.

Beneficiaries

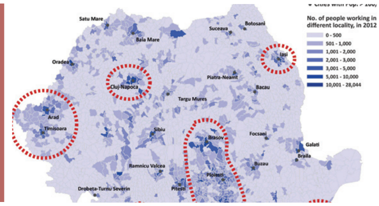
"Supporting financial sector development is a high priority on our agenda. Supporting local markets to improve financial stability and capital flows is linked to macro stability and is aligned with the G20 agenda. Romania needs additional capital in order to sustain high growth rates and to continue the convergence with the EU."

— Liviu Voinea, Romanian Minister Delegate for Budget

June 2014

Romania

Social Development



Tackling Romania's Regional Development Challenges through an Improved Growth Poles Policy

Synopsis

The *Growth Poles* Reimbursable Advisory Services (RAS) (November 2012–December 2013) supported the US$11 billion European Union (EU)-funded Regional Operational Programme (ROP) 2014–20, aimed at helping Romania's eight regions develop in a sustainable and inclusive way. It specifically focused on ways to improve the Growth Poles Policy of the Managing Authority for the ROP (MA-ROP) for the 2014–20 programming period. There is one designated growth pole in each of the seven regions outside the Bucharest-Ilfov region.

Challenge

As in other countries, much of the economic growth in Romania is driven by large cities. Romania's growth poles are some of its most dynamic urban centers outside the capital of Bucharest, which act as economic growth engines in their respective regions, generating between 20 and 35 percent of regional firm revenues. However, although the growth poles function as regional economic powerhouses, the benefits they have generated do not always spill over to the rest of the region, and the growth poles themselves do not properly take advantage of the resources available outside their administrative boundaries (e.g., a larger labor pool). Moreover, the lack of properly integrated urban planning has led to a series of negative externalities in the larger metropolitan areas (e.g., congestion, haphazard urban expansion, inefficient public services infrastructure provision). This RAS examined the ways some of these challenges could be addressed.

Solution

This RAS assessed Romania's Growth Poles Policy for the 2007–13 programming period, outlined its successes and remaining challenges, and provided recommendations on improving the policy in the 2014–20 programming period. The aim was to have the benefits accrued by each growth pole spread also to its surrounding region.

Several World Bank tools were deployed, one of which was TRACE (the Tool for Rapid Assessment of City Energy), which helped produce a quick overview of the energy profile of the seven growth poles and recommend strategic energy-efficiency measures based on the completed assessment. This was considered a critical output for the growth poles, particularly because a significant share of EU funding accessed through the ROP 2014–20 is allocated for energy-efficiency interventions.

The growth poles policy analysis is unique within the Bank and provides insights into how institutional set-ups could be encouraged to promote similar policies in other client countries.

Results

This activity and its three subcomponents directly contribute to the Romanian Government's enhanced capacity to effectively and efficiently absorb billions in EU funding by focusing interventions where they are most critical to the country's development. The direct outputs of this activity (from November 2012 to December 2013) are nine reports that covered a host of issues pertaining to Romania's growth poles:

- The effective use of €630 million to drive the sustainable and inclusive development of the seven growth poles and their respective regions;
- Recommendations for Romania's policy on sustainable and inclusive development, both at the national level (included in the ROP 2014–20 programmatic document) and the local level (included in local development strategies and integrated development plans);
- The strengthened capacity of local administrations to define and understand urban problems beyond their own administrative boundaries and to better define and tackle energy-efficiency issues;
- The expansion of MA-ROP knowledge in the area of urban development, generating innovative approaches and solutions (e.g., improved ways of defining functional urban zones, key performance indicators, and benchmarking tools for energy-efficiency performance) for improving the Growth Poles Policy and for evaluating and enhancing the Growth Poles' Integrated Development Plans.

Partners

The team has forged a number of key partnerships at the country level, working very closely with the main client of the work: the Romanian Ministry of Regional Development and Public Administration (MRDPA). The European Commission was a strategic partner throughout this effort, providing feedback on the team's deliverables and using these assessments and recommendations in their ongoing dialogue with the Romanian Government. In addition, the team organized consultations and workshops with several stakeholders on the ground during the drafting and refinement of the recommendations.

Moving Forward

This RAS is part of a Regional Development RAS Program comprising five individual, complementary assignments. The successful completion of this program has led to negotiations for a follow-up RAS and to a stronger dialogue on topics that are of importance to the MRDPA (e.g., the decentralization and regionalization processes). Stronger ties have also been developed with the European Commission, which frequently draws on the World Bank's technical advice for a host of development issues. Insights and best practices from this work can apply not only to Romania but also to other EU and pre-accession countries seeking to develop their capacity to absorb Structural Funds in the effort to achieve truly sustainable and inclusive growth.

Beneficiaries

The ultimate beneficiaries of this work are the over 2 million people living in Romania's seven growth poles and the 17 million people living in the seven regions outside the Bucharest-Ilfov area. The direct client of this RAS is the Romanian MRDPA. Other beneficiaries of this effort include: stakeholders at the growth pole level (e.g., local authorities, nongovernmental organizations, private sector companies); other ministries at the central level (e.g., the Ministry of Economy); EU experts; and other EU member states, which could replicate some of the recommendations put forth.

June 2014

Improving Romania's Public Investments in Roads, the Environment, and Renewable Energy

Synopsis

The *Public Investment Framework* Reimbursable Advisory Service (RAS) (August 2012–May 2013) extensively reviewed current legislation and examined the effect of regulatory procedures and administrative practices on the Government of Romania's implementation of roads, environment, and renewable energy projects. Based on the analysis findings, the Bank provided recommendations for improving the quality and timeliness of public investments focused on three key areas: greater selectivity in the overall investment portfolio, more rigorous preparation of individual projects, and stronger project management capacity.

Challenge

For the programming cycle 2007–13, Romania was scheduled to receive substantial funding (€19.2 billion) from European Union (EU) Structural and Cohesion Funds. These funds represented critical resources for the country, for both short-term recovery from the economic crisis and long-term alignment with EU income levels.

The development challenge was that Romania's absorption of EU Structural Funds was the lowest among the EU10 countries (only 4.8 percent). If not used within the required period, the funds are automatically de-committed. Delays were evident across the project cycle, and the low contracting ratio suggested problems in the project preparation, appraisal, and approval stages. Once approved and contracted, disbursement performance still lagged behind the EU10 average. The Ministry of European Affairs sought the World Bank's assistance in designing actionable proposals for improving procedures that affect public investment management.

Solution

Public investment is a critical component of Romania's economic convergence strategy with the EU. Through this RAS agreement, the Bank team examined the management of: (i) the overall public investment program; and (ii) individual projects by the line ministries.

The Bank evaluated the national legislation and regulatory procedures affecting public investment projects and analyzed the roles and behaviors of key stakeholders in the public investment process, drawing on an assessment of key groups of stakeholders:

(i) *Project proponents*, who prepare and implement the projects, usually on behalf of the Romanian state or county government;

(ii) *Regulatory authorities*, which give approvals or permits for public investment projects;

(iii) *The private sector*, involving contractors or economic operators who execute one or more stages of the project on behalf of the beneficiary.

To take into account differences in project requirements, stakeholders were asked specifically about projects in roads, the environment, and the renewable energy sector—i.e., sectors that would benefit from specific EU funding.

Results

As the main product of the RAS, the Bank prepared a detailed report in three volumes that presented a comprehensive analysis of the problems affecting the planning and implementation of different types of public investment projects. The Bank examined the impact of the regulatory framework for public investment from two perspectives: (1) management of the overall public investment program as derived from public finance legislation, and (2) management of individual projects by the primary spending authorities or line ministries. The institutions and regulations that are involved—and sometimes intervene—at each step of the typical project cycle were also analyzed.

The Ministry of European Affairs used the Bank's work to develop a series of action plans, to be agreed with the European Commission, on how the Romanian Government could address the specific regulatory and implementation challenges presented in the Bank's report.

Partners

The Ministry of Public Finance was the main client of the work. The European Commission provided technical inputs and guidance during the preparation and implementation of the project.

Moving Forward

The Ministry of Public Finance initiated a request for capacity building to strengthen its role in the assessment, budgeting, and monitoring of public investments. The Government has also requested assistance in establishing a delivery unit in the Prime Minister's Office, which would assure follow-up on central government priorities.

Beneficiaries

Key beneficiaries of the work were the Ministry of European Affairs, the Ministry of Transport, the Ministry of the Environment, the subnational governments of Romania charged with implementing water and environmental projects, the National Authority for Energy Sector Regulation, the Ministry of Public Finance, the Ministry of Culture, and the Ministry for Regional Development and Tourism.

June 2014

Competitiveness Enhancement and Smart Specialization Policies for Romania's West Region

Synopsis

Under this Reimbursable Advisory Service (RAS) completed in July 2013, the Bank carried out an in-depth competitiveness assessment of services and goods producers in the West region of Romania for the regional development agency (RDA). It also supported the client in identifying policy measures to help nurture local growth potential. The World Bank's reports and analysis will be used as inputs in establishing regional development priorities for the 2014–20 European Union (EU) programming period.

Challenge

Development in the West region has resulted in significant economic and social disparities between the region's four counties. Timis county dominates (GDP per capita was 154 percent in 2010), Caras Severin and Hunedoara counties lag behind (85 and 83 percent of the national average, respectively), and Arad county's GDP has declined to close to the national average. The counties' economic sectors and products are dominated by a few large firms, most of which are foreign owned. The region's top 10 sectors, including manufacturing, wholesale and retail, transport, mining, and construction, accounted for almost 54 percent of turnover and 55 percent of employment in 2010. Economy-wide challenges include: the lack of industry-relevant vocational, entrepreneurial, or business training; road and rail infrastructure deficiencies; and restricted access to finance. Moreover, much of the research undertaken at local research institutions does not seem marketable and does not meet the requirements of the private sector.

Solution

This activity sought to address these competitiveness challenges through: (i) an assessment of the main drivers of the region's economy in terms of trade and firm-level competitiveness, territorial development, and logistics; and (ii) specific cases of sector-smart specialization, using interviews with public and private stakeholders. The final report, delivered in June 2013 to RDA West, summarized the Bank's findings and provided examples of policy instruments that could help increase the region's economic development through enhancements in research, innovation, and private sector competitiveness. Moreover, the design of these instruments was envisioned to fit the general framework of investment priorities that could be financed from structural funding (including the European Regional Development Fund and the European Social Fund) during the period 2014–20. This RAS was the first large-scale analytical undertaking focused on competitiveness and smart specialization at the regional level carried out in the Europe and Central Asia region.

Results

The RAS recommendations aim to tackle the main bottlenecks that prevent the West region from capitalizing on its growth potential. Reforms are key in four economy-wide areas, including education and training, local transport infrastructure, access to finance, and the institutional framework for innovation. Second, each industry cluster faces specific constraints to smart specialization. For automotive and textiles, the challenge is to diversify toward higher value-added activities and move up the international value chains. For the agro-food sector, challenges include improving marketing and establishing linkages with large distribution chains. In information and communications technology (ICT), the main priority is to expand the current set of activities and overall productive capacity. The construction sector needs to better use locally available materials and increase its use of energy-efficient resources and technologies. For tourism, political ownership and institutional coordination can help capitalize and protect natural and cultural endowments.

These results are to be used by the client as inputs in establishing regional development priorities over the 2014–20 programming period. They can also help RDA West to identify and substantiate requests from regional authorities for funding, and offer guidance on key business, research, and educational initiatives by stakeholders and entrepreneurs in the region.

Partners

The Bank cooperated closely with the main beneficiary, RDA West. The Bank also benefited from guidance from the European Commission (particularly the Commission's Directorate General for Regional and Urban Policy) regarding the final results, which were shared and discussed with a large panel of local stakeholders.

Moving Forward

RAS findings and recommendations will be used by RDA West to set the regional development priorities for 2014–20, which will be supported through EU Structural Funds and other sources of financing. This RAS analytical model has also been used in Croatia to provide an assessment of the economic structure at the national, regional, and firm levels, and to outline recommendations for competitiveness enhancement strategies. The results will be used by the Government of Croatia as inputs for developing the country's Smart Specialization Strategy, an ex-ante conditionality for access to Structural Funds over the 2014–20 programming period.

Beneficiaries

The Regional Development Agency for the West Region

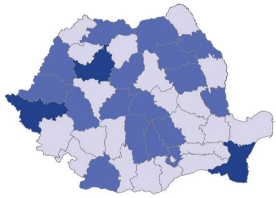
"The results of the World Bank analysis will result in new proposals for projects and measures for better planning and investment."

— Sorin Maxim, director, RDA West

June 2014

Romania

Social Development



Toward More Efficient Regional Development

Synopsis

The *Project Selection Models* Reimbursable Advisory Service (RAS) (November 2012–December 2013) proposed procedures and criteria for the evaluation and selection of investments for financing under Romania's European Union (EU)-funded Regional Operational Programme (ROP). The ROP will provide US$11 billion in financing over the next seven years. The work will help deliver better value for money and enhanced development impact.

Challenge

Romania has prioritized the absorption of EU funds since its 2007 accession, in response to a relatively poor performance in this regard—as of February 2014, the country's average absorption rate for the 2007–13 cycle was only 34 percent. Going forward, in line with the European Commission's requirements, the Romanian Government and the managing authority of the ROP want to focus on improving both the absorption and the impact of EU Structural Funds.

The design of an effective framework is critical for the evaluation and selection of ROP projects and was the main focus of the World Bank's technical assistance under this RAS. An improved way of evaluating and selecting projects could potentially transform the way in which the Government channels funding to different priority areas and projects.

Solution

The RAS team structured the assessment of the ROP's selection model around the World Bank's public investment management (PIM) framework. The report provided a diagnostic of the status quo and reviewed best practices in other EU member states, evaluating their applicability to the Romanian context. Further, the team proposed three main scenarios for how projects under the ROP could be evaluated and selected for financing during the 2014–20 programming period. All three scenarios proposed in the RAS report maintained the strengths of the existing ROP 2007–13 evaluation and selection system, adding new elements to address the remaining weaknesses. The proposed scenarios for the ROP's project selection model were evaluated on four dimensions: absorption of funds (rate of spending the allocated budget); impact (quality of financed investments); legitimacy (credibility of the selection system among applicants and beneficiaries); and capacity (feasibility of the implementation framework given current capacity constraints).

Results

This RAS activity strengthened the Romanian Government's capacity to improve models for selecting the highest value-for-money investment projects, achieving an optimal balance between absorption and impact. This work offers direct support to Romanian authorities in their endeavor to maximize the impact of finite investment resources, in a context of competing needs and priorities. Specifically, the report (the main deliverable produced under the RAS) offers recommendations for how to best channel to priority interventions the US$11 billion available through 2020 under the ROP, including detailed selection grids for a variety of interventions, from urban transport to road infrastructure, schools, hospitals, energy efficiency, small and medium-sized enterprises (SMEs), and tourism.

The report includes recommendations for Romania's policy on how to design and evaluate project proposals submitted for financing, introducing the principle that evaluation procedures should align closely with a project's value and complexity. Local authorities' knowledge of optimal project selection has expanded to include international and EU-level best practices, and also includes city and county-level data on available resources for financing, maintaining, and operating additional investments. The report also puts forth innovative proposals on how to set up and run a proper monitoring and evaluation system, with continuous feedback loops for fine-tuning project selection.

Partners

The team forged a number of key partnerships throughout the process, engaging the main client of the work, the Romanian Ministry of Regional Development and Public Administration (MRDPA). In addition, the team organized consultations and workshops with over 300 stakeholders on the ground testing preferences regarding different project selection models with the ROP's Managing Authority and Intermediate Bodies (IBs), as well as current and future applicants and beneficiaries. The European Commission was a strategic partner for the team, providing consistent feedback on deliverables and using these assessments and recommendations in their ongoing dialogue with the Romanian Government.

Moving Forward

This RAS is part of a Regional Development RAS Program comprising five individual, complementary assignments. The successful completion of this program has led to negotiations for a follow-up RAS with MRDPA, which seeks to harmonize the rules and procedures for selecting projects across two sources of funding, specifically, EU Structural Funds and national budget funds. The European Commission and other EU member states can also benefit from the report's findings, adapting best practices and recommendations to a particular local context. In a field that often lacks sufficient and conclusive research, the report provides a framework for how to assess and improve the selection of EU-funded interventions.

Beneficiaries

The ultimate beneficiaries of this work are the more than 20 million Romanians across the country. The main client of this RAS is the MRDPA, along with the eight Regional Development Agencies (as the ROP's IBs), which will jointly implement the project selection models for the ROP 2014–20. Additional beneficiaries of this effort include: local authorities, nongovernmental organizations (NGOs), and firms that will be applying for financing under the ROP; other ministries that implement EU-funded programs (e.g., Ministry of European Funds), which could adapt some of the proposed criteria and models to their own needs; EU-level experts; and other EU member states.

June 2014

Romania

Social Protection

Diagnostics and Policy Advice for Supporting Roma Inclusion

Synopsis

Roma inclusion is smart economics for Romania. With an aging and shrinking general population and a young and growing Roma minority, Romania cannot afford to leave Roma children and their families behind. This Reimbursable Advisory Service (RAS) report (June 2013–February 2014) discusses how Romania can achieve the socioeconomic inclusion of its Roma population through supporting the next generation while improving the living conditions of the current one.

Challenge

Roma families constitute a large, young, and extremely poor minority group in Romania. A Roma child faces a higher chance than non-Roma peers of suffering from early malnutrition or diseases that jeopardize healthy development in the crucial first years of life. She can typically expect to miss critical preschool education and to drop out of school as early as age 16. Her chances of completing secondary school and finding a job are poor. Low skills, weak earning potential, limited access to basic services, and poor living conditions are the multiple dimensions that underlie the challenge of achieving equality of opportunity for the Roma. These exclusions are mutually reinforcing and perpetuated across generations. Realizing that investments in Roma inclusion are essential to achieving its Europe 2020 social inclusion goals, the Government of Romania requested inputs from the World Bank on policies and programs to close the gap between the Roma and non-Roma.

Solution

Closing the gaps in skills development, earning opportunities, and basic services and living conditions requires an integrated approach with targeted interventions in these critical dimensions. Extensive interviews undertaken under the RAS with Roma communities, policy makers, nongovernmental organizations (NGOs), and other stakeholders revealed three cross-cutting issues that might hamper Roma inclusion: discrimination, low capacity of service providers, and an inadequate institutional framework. Based on these findings, the RAS study has recommendations on an integrated package of targeted interventions and investments that would be needed to make progress on Roma inclusion. These interventions should focus on improving opportunities for the next generation of Roma and their families by developing skills and human capital (including health and education), job opportunities, and basic living conditions. The RAS study also suggests policy measures to strengthen accountability and ensure effective delivery of these interventions.

Results

The RAS final report will inform the new National Roma Integration Strategy, a process currently led by the National Agency for Roma, and the Government's plans for the European Union (EU) 2014–20 programming period. The report contained:

- An analysis of Romania's demographic and labor market challenges
- The identification of the Roma's most important socioeconomic achievement gaps and obstacles to their inclusion, with an evaluation of the relevant institutional framework
- Policy recommendations based on the observed gaps in outcomes and policies, informed by evidence on what works from international experience

The study relies primarily on data from the Regional Roma Survey (RRS) carried out in 2011 by the United Nations Development Programme, the World Bank, and the European Commission. The survey is the most comprehensive effort to date to capture the situation of Roma in Romania and compare it to that of non-Roma. The household survey data support exhaustive diagnostics that draw comparisons between Roma households, their non-Roma neighbors, and the Romanian population as a whole.

The Bank held consultation events to discuss the study in September 2013, November 2013, and February 2014, involving government agencies and civil society stakeholders. The final report was presented to the authorities, nongovernmental stakeholders, and European Commission staff in April 2014.

Partners

The study was prepared by a team that involved Roma experts. It draws on qualitative information collected through field visits to several Romanian municipalities, and through focus groups and interviews with key stakeholders, including civil society actors, representatives of Roma communities, academics, and government officials. Additionally, the study benefited from consultations with 15 Romanian NGOs, members of academia, and government agencies involved in Roma inclusion (Ministry of Labor, Social Protection, Family and the Elderly; Ministry of European Funds; National Roma Agency; Ministry of National Education) in the course of four consultation events conducted in 2013 and 2014.

Moving Forward

The study findings, analysis, and recommendations will inform the Romanian Government's plans for the EU 2014–20 programming period, the new National Roma Inclusion Strategy, sector-specific strategies, new legislation, and budget allocations in order to help Romania achieve its goals under Europe 2020, the EU's strategy for smart, inclusive, and sustainable growth. Furthermore, the Bank plans follow-on knowledge products and financing projects to advance Roma inclusion under the new Country Partnership Strategy with Romania.

Beneficiaries

The ultimate beneficiaries of this work are the Romanian Roma, the largest marginalized community in the country. The direct client of this RAS is the Romanian Ministry of Labor. Other beneficiaries include: the National Agency for Roma; the Ministry of European Funds, which leads the preparation of the EU Partnership Agreement and the operational programs to be funded by the EU Structural and Investment Funds during the 2014–20 programming cycle; stakeholders at the local level (e.g., local and county authorities, beneficiaries of EU funds, NGOs); other ministries at the central level; the European Commission; and other EU member states with Roma populations that could replicate and adopt some of the recommendations put forth.

June 2014

Romania

Education

Strategy Development for Reducing Early School Leaving

Synopsis

The analysis and findings of this Reimbursable Advisory Service (RAS) (June 2013–June 2015) will inform the Government's Strategic Framework to Reduce Early School Leaving. The RAS will also develop a monitoring system to help Romania raise its school retention rates and meet related European Union (EU) Structural Funds conditionalities. The current early school leaving (ESL) rate is 17.4 percent, and the target is 11.3 percent by 2020. The development of the Strategic Framework includes an extensive consultative process; once completed, it will be broadly disseminated to strengthen the Government's capacity to monitor ESL-related programs and policies.

Challenge

Falling demographics and outmigration have significantly reduced the working-age population in Romania, underscoring the need to provide high-quality, relevant education and training to children and youth today to ensure a capable, educated, and trainable labor force for the future. Thus, having over 17 percent of children drop out before completing compulsory education (grade 10) has grave economic and equity implications, especially since these children are more likely to be poor, rural, and/or Roma. The draft Strategy proposes three major pillars: (i) getting all children and youth in quality preschool and lower secondary programs (universal enrollment); (ii) getting all children to complete grade 10 (universal completion of compulsory education); and (iii) bringing dropouts back to education and training (building bridges between the two). The challenges include scarce financial and human resources, inadequate capacity for implementation, *ad hoc* data systems, and incomplete monitoring and evaluation mechanisms.

Solution

The objective is to assist the Government in preparing a draft Strategic Framework to Reduce ESL and in developing a system to monitor ESL at all levels of the education system. The Bank has helped identify priority programs that would: promote access to quality early childhood education and care services; offer remedial learning opportunities for students in primary and lower secondary education; remove obstacles and offer incentives for students to complete compulsory education (grade 10); improve the quality and attractiveness of initial vocational education and training; and provide opportunities for second-chance education. Proposed measures emphasize vulnerable groups of children and youth and include two cross-cutting programs: improvements in ESL for Roma children and youth, and capacity building in the Ministry of National Education at the central and regional levels.

Results

This RAS will contribute to the Romanian Government's enhanced capacity to identify priority actions to reduce ESL. Ultimately, the Ministry of National Education will submit the Government's Strategic Framework and priority programs to the EU no later than 2016. Implementation of these programs, with adequate resources, will result in an ESL target of 11.3 percent by 2020. Important RAS interim results include:

- A preliminary draft of the Strategy for Reducing ESL was prepared in October 2013 and benefited from prior consultations with key stakeholders on strategy organization.
- A workshop was carried out in December 2013 with 100 stakeholders to discuss the preliminary draft Strategy, and results were incorporated into a revised version.
- A draft of the Strategy also incorporated the results of an online survey of over 400 stakeholders and face-to-face consultations in selected regional and local schools.
- A final draft of the Strategy for Reducing ESL was delivered to the client at the end of March 2014.

Partners

The main client is the Ministry of National Education of Romania, which signed the RAS with the Bank in June 2013. An important stakeholder is the European Commission, to which the Government of Romania will submit its final Strategy for Reducing ESL based on the draft Strategic Framework developed under this RAS. The development of the draft Strategic Framework included an extensive consultative process, including an online survey for the general public and regional consultations outside Bucharest. Participating stakeholders included: teachers, school directors, and inspectors; researchers and policy makers at the national and regional levels; students and parents; employers, human resource and training managers, and their professional associations; school counselors and mediators, particularly in communities with a large share of Roma; members of County School Inspectorates from the regions with high rates of ESL; representatives of local authorities from education, social assistance, and statistics departments; nongovernmental organization (NGO) representatives, etc.

Moving Forward

Once the Government finalizes its Strategy, the Bank team will support the Ministry of National Education's capacity to monitor and evaluate its implementation until June 2015.

Beneficiaries

As many as 925,000 students in primary and 800,000 students in lower secondary schools could benefit from an increased quality of education, and 117,000 teachers could be retrained. An additional 72,500 new entrants could enroll in vocational training, and at least 19,000 students aged 11–17 years would be enrolled yearly in second-chance programs.

June 2014

Romania

Social Development

Competitive Cities: Reshaping the Economic Geography

Synopsis

The *Romania Spatial and Urban Strategy* Reimbursable Advisory Service (RAS) and the *Elaboration of Integration Strategies for Poor Areas and Disadvantaged Communities* RAS were directed at Romania's key regional development challenges. Aiming to increase the absorption of European Union (EU) Structural Funds, the *Competitive Cities* report provided an overarching development framework, and the *Integration of Marginalized Communities* report offered the EU-funded Regional Operational Programme (ROP) solutions for addressing challenges faced by the poor.

Challenge

Romania's economic, social, and environmental progress has been significant over the past decade, with GDP per capita growing from 26 to 47 percent of the EU average between 2000 and 2010. Much of this growth has been driven by several dynamic urban areas. However, Romanian cities continue to face a number of critical challenges: they have significant pockets of poverty, with poor and marginalized groups working below productive potential; they are poorly connected to large markets in Western Europe; they are inadequately connected to suburban and peri-urban communities; and they suffer with respect to basic service provision and overall quality of life.

EU Structural Funds can provide vital investment financing for addressing the aforementioned challenges, but capacity building is necessary to improve the country's ability to leverage this key source of funding.

Solution

Since September 2012, the Romania Regional Development RAS has focused on improving the effectiveness of the EU-funded ROP, within the World Bank's broader effort to support Romania's absorption of EU funds.

Several World Bank tools have been deployed as part of this work. First, the *Competitive Cities* study is an application of the *World Development Report 2009: Reshaping Economic Geography*, which provided a framework for how institutions, infrastructure, and policy interventions can shape development. Second, the *Integration Strategies for Marginalized Communities* report produced a diagnosis of urban marginalization, including its spatial distribution, and spelled out how the EU's new Community-Led Local Development approach can tackle issues faced by urban marginalized groups in Romania.

Client ownership—a key concern in an RAS engagement—was ensured through a variety of tools: consultation workshops, interviews with over 300 stakeholders on the ground, summary briefs for policy makers, videos, and other targeted communication materials.

Results

These two activities directly contribute to the Romanian Government's enhanced capacity to absorb billions in EU funding and get the most value for money by focusing interventions on the most critical areas:

- Connective infrastructure between and around dynamic cities, enabling them to increase their urban mass and continue to fuel sustainable economic growth;
- Improved services in lagging areas to cover people's basic needs;
- Targeted measures for marginalized communities to ensure that they share the benefits of prosperity and become truly integrated;
- Better quality of life in cities to boost their capacity to compete for talent and maintain a diverse, competitive labor pool.

The reports' insights and recommendations directly shape how Romania will deploy US$55 billion in EU Structural Funds as a key source of investment funding for the next seven years. In fact, the EU-Romania Partnership Agreement relies heavily on the proposals in the *Competitive Cities* report for designing interventions at the national, regional, and local levels, and several other strategic documents draw from this work: the Territorial Development Strategy, Regional Development Plans, Growth Poles Integrated Development Plans, and subnational (city- and county-level) development strategies.

The results have also been disseminated directly to over 600 national and local stakeholders through workshops, publications, and local consultations, and summaries and video clips have reached a larger audience.

Partners

The team has forged a number of key partnerships at the country level, working very closely with the main client, the Romanian Ministry of Regional Development and Public Administration (MRDPA). The European Commission (EC) was a strategic partner throughout, providing feedback on the team's deliverables and using these assessments and recommendations in the ongoing dialogue with the Romanian Government. The team also organized consultations and workshops with over 600 stakeholders on the ground (local and regional authorities, local communities, non-profit organizations, private firms, etc.) during the drafting and refinement of the recommendations, and reached out again to these partners as part of the knowledge-dissemination effort.

Moving Forward

The successful completion of the collaboration with the MRDPA has led to discussions about a follow-up RAS program and to a stronger dialogue on topics that are of importance to the ministry (e.g., the decentralization and regionalization processes). Stronger ties have also been developed with the EC, which frequently draws on the World Bank's technical advice on a host of development issues. Insights and best practices from this work apply not only to Romania but also to other EU and pre-accession countries seeking to develop their capacity to absorb Structural Funds in the effort to achieve sustainable and inclusive growth.

Beneficiaries

The ultimate beneficiaries of this work are the people of Romania, with a specific focus on marginalized communities (including the estimated 2–3 million Roma in the country). The direct client of this RAS is the Romanian MRDPA. Other beneficiaries include: stakeholders at the local level in Romania (e.g., local and county authorities, beneficiaries of EU funds, private companies, nongovernmental organizations [NGOs]); other ministries at the central level; EU experts; and other EU member states, which could replicate and adopt some of the recommendations put forth.

June 2014

Romania

Environment

Towards Low Carbon Green Growth

Synopsis

This ongoing *Climate Change* Reimbursable Advisory Services (RAS) program has focused on multi- and cross-sector analyses, inter-ministerial coordination, team building, and stakeholder consultation. The Bank has completed 11 reports and nine consultation and dissemination events so far. The Ministry of Environment and Climate Change (MECC) and other line ministries have increased their commitment to integrating climate actions into their development programs. The Bank has provided inputs to key strategic documents such as the Partnership Agreement and various operational programs that define the use of EU funds for the 2014–2020 programming period.

Challenge

Extreme weather events in recent years have caused significant economic losses in Romania. As a European Union (EU) member state, Romania is obligated to implement climate change measures. The country has made a commitment to greenhouse gas (GHG) emission reduction, but thus far, climate actions have not been adequately reflected in sectoral development strategies and programs for transport, energy, agriculture, and other sectors. In order to better integrate climate change measures into strategic planning and investment plans, Romania needs to strengthen inter-ministerial coordination, build analytic and implementation capacities, raise public awareness, and involve the public in a broader consultation and communication process. An immediate task for the Government in 2014 is to develop and complete sectoral operational programs for the 2014–20 EU funding cycle that incorporate measures to tackle climate change challenges.

Solution

The objective of this Climate Change program is to improve strategic planning, institutional organization, analytic work, and implementation of climate change mitigation and adaptation measures through a national action plan. The program aims to (i) develop and operationalize a comprehensive climate change strategy and action plan, (ii) develop a strong in-country knowledge base and analytic capacity, (iii) integrate climate actions—both mitigation and adaptation measures—into sectoral programs, and (iv) build the institutional capacity to implement, monitor, and support climate change related measures.

Results

By end-2013, a multisector team of international and local experts formed under the program carried out the first rapid sectoral assessments in six key sectors: energy, transport, urban, water, agriculture, and forestry. These assessments identified and recommended a wide range of climate actions, some of which were integrated into government operational programs (e.g., large infrastructure, regional). The Bank team organized a series of consultation workshops and brainstorming activities with key officials and experts of line ministries, research institutes, and nongovernmental organizations (NGOs) from July 2013 to March 2014. The program facilitated information sharing and discussions on climate change issues through the launch of program webpages and the establishment of an open e-discussion group with over 200 professionals in February 2013. Completed reports have been made publicly available through these new means.

Since its inception in July 2013, the program has triggered consultations and discussions on climate actions that have led to visible improvements in multisector coordination centered around the MECC and line ministries related to climate change. There is an increasing interest in addressing climate change and a willingness among line ministries to take into account mitigation and adaptation measures. Climate concerns and considerations were included in the Government's draft Partnership Agreement and operational programs.

Partners

- Romanian government institutions: the MECC (project management, coordination, and main recipient), various line ministries such as transport, regional development, and agricultural and rural development (participation in strategic and program development)
- Research institutes, such as the National Commission of Prognosis and the National Institute of Statistics
- NGOs and other associations such as TERRA Mileniul III (development of professional network) and the Romanian Association of Foresters (advice and consultation)
- Other international financial institutions (IFIs), such as the European Investment Bank and the European Commission (advice, consultation, and review)

Moving Forward

The program is under implementation until August 2015. It will continue to focus on developing the Government action plan, a knowledge base, and local analytic and implementation capacity. The a Government of Romania may need follow up support to implement the action plan, improve EU funds absorption, and prioritize the financing of climate change–related investment activities. Beyond Romania, the methodologies and approaches used in this program could be useful references for other new EU member states to help them comply with EU rules and requirements on climate change.

Beneficiaries

"Through the program effort, there has been an obvious increase in the willingness and involvement of line ministries in climate-related work. When we launched the program in July 2013, one of our main concerns was regarding the capability to identify and invite staff in line ministries who know and were willing to participate in the program consultation activities. The thing has significantly improved, thanks to a substantive team spirit and mutual support developed during months of hard work. In this way, we valued the dedication and solid analytical contribution of the multisector Bank team. Therefore, we now have a group of government staff from line ministries joining the project on a regular basis; we set up a professional network in the country on climate change issues."

— Narcis Jeler, head of the PIU, Ministry of Environment and Climate Change

June 2014

Romania

Education

Romania

A Strategic Framework for Lifelong Learning

Synopsis

This ongoing Reimbursable Advisory Services (RAS) engagement (September 2013–October 2014) supports the Government of Romania's preparation of a strategic framework for lifelong learning. Ultimately, the goal is to increase the participation rate of adults (aged 25–64) in lifelong learning programs to 10 percent by 2020, compared to a rate of only 1.8 percent in 2013. This RAS will also develop a monitoring system to help Romania meet this target. The development of the Strategic Framework includes an extensive consultative process; once completed, it will be broadly disseminated.

Challenge

An aging population and a decline in the working-age population represent a significant dual challenge to sustaining long-term economic growth in Romania. Between 1990 and 2011, Romania's population decreased from 23.2 million to around 21.3 million. By 2050, it is expected that the working-age population will have shrunk by over 30 percent relative to 2010, three times faster than the average for Western Europe, with further negative implications for long-term economic growth potential and the sustainability of public finances. Expanded lifelong learning to promote employment and higher productivity is one of the key mitigating measures for this dual challenge, but it currently remains underdeveloped.

Solution

This RAS suggests that the Government can employ three types of intervention tools—*coordination, financing, and regulation*—to help overcome the weaknesses identified in Romania's lifelong learning system, create effective partnerships between all relevant stakeholders, and foster a change in attitude toward learning. The system shortcomings can be caused by three types of common constraints: (i) imperfect *information* among actors; (ii) weak *incentives* to participate in education and training activities; and (iii) inadequate *capacity* of involved actors. The Government can help address market failures, specifically by (i) improving the availability and quality of relevant information; (ii) creating conducive incentives for more investment in training; and (iii) helping to remove capacity constraints. This will enable firms, workers, and education and training providers to make better decisions and invest in more and improved lifelong learning.

Results

The intermediate outcomes of this RAS are: (i) improved conditions in which to prepare policies for lifelong learning; and (ii) strengthened capacity to monitor lifelong learning programs and policies that will lead to improved performance.

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Specific RAS outputs include:

- The first draft of a lifelong learning strategy, which was delivered on December 16, 2013
- The second draft of the strategy, which was delivered on March 31, 2014
- Outputs under preparation include:
    - A final draft of the lifelong learning strategy delivered on May 31, 2014
    - A report on the public consultation process of the draft strategy delivered on May 31, 2014
    - A lifelong learning monitoring information system, which is due by September 30, 2014

Ultimately, the Government's strategic framework for lifelong learning will include a comprehensive set of measures to help Romania increase participation in lifelong learning and improve the education and vocational training systems' relevance for the labor market.

Partners

The main client is the Ministry of National Education of Romania, which signed the RAS with the Bank in September 2013. An important stakeholder is the European Commission, to which the Government will submit its final Lifelong Learning Strategy. The development of the draft Strategic Framework included an extensive consultative process. Participating stakeholders included: researchers and policy makers at the national and regional levels, employers, human resources and training managers and their professional associations, etc. The World Bank also supports preparation of two other related strategic frameworks for education in Romania through parallel RAS on: (i) reducing early school leaving, and (ii) increasing tertiary education attainment, quality, and efficiency.

Moving Forward

Romania needs to adopt a strategy for lifelong learning as an ex ante conditionality for accessing European Union (EU) Structural Funds for lifelong learning measures. EU Structural Funds will then support strategy implementation between 2014 and 2020.

Beneficiaries

The beneficiaries of this RAS are the Ministry of National Education and The beneficiaries of this RAS are the Ministry of National Education and the Ministry of Labor, Family, Social Protection and Elderly, as well as education and training providers in Romania, which have bee" the Ministry of Labor, Family, Social Protection and Elderly, as well as education and training providers in Romania, which have been preparing and implementing lifelong learning programs over the past several decades but with no strategic framework to inform policy. Ultimately, Romania's adult population is the primary beneficiary.

Romania

Investment Climate Practice

Improving the Legal and Regulatory Competition Policy Framework

Synopsis

This Reimbursable Advisory Service (RAS) (2012–14) aims to enhance the Romanian Competition Council's (RCC) capacity to promote competitive markets. Under this RAS activity, the Bank reviewed and advised on numerous laws and guidelines for effective implementation of competition and state aid legal frameworks. The RCC issued 10 recommendations to discourage anticompetitive regulations and improved its internal decision-making and IT processes, and staff capacity was enhanced, leading to shorter and more efficient investigations.

Challenge

Romania lagged behind other European Union (EU) economies in the application of a competition policy. Although the RCC had taken many significant steps since its establishment in 2004, compared to its regional counterparts, it still exhibited relatively low cartel enforcement; low anticompetitive case conclusion rates; a workload focused primarily on merger review procedures to the neglect of advanced economic analysis; and inadequate internal targets to track the performance of enforcement activity and advocacy work.

The World Bank's 2010 Functional Review identified problems in the RCC's strategic direction, prioritization of efforts, performance benchmarks, and public accountability, as well as in its ability to overcome countervailing pressures to successfully complete high-impact cases. In 2011, the Government of Romania requested the World Bank's assistance to improve its capacity to implement a competition policy and better integrate competition principles into other sectoral and economic development policies in order to promote competitive markets.

Solution

The World Bank's approach under this RAS was an innovative delivery model that involved integrated expertise for: (i) a review of the legal and regulatory framework for competition that required expert knowledge of the EU's legal and institutional framework and case law; (ii) advocacy support to streamline competition policy principles into other government policies and strengthen intergovernmental relations, especially with electricity providers, telecom regulators, and the public prosecutor's office; (iii) state-of-the art capacity building to strengthen the legal and economics knowledge of RCC staff and interactively design and implement a training program aligned with RCC goals; and (iv) the optimization of internal procedures to allow for improvements in institutional functioning using the Enterprise Architecture methodology, which provided an in-depth institutional assessment of the RCC's target business and IT architecture.

Results

The ultimate expected RAS result is the RCC's enhanced ability to promote competitive markets in Romania, for example:

- An expected consistent increase in cases finalized and concluded, with a predominant focus on hardcore cartel cases

- A continuation of the recent trend showing an increasing number of finalized investigations; in 2013, the RCC finalized more investigations compared to 2011 and 2012, demonstrating a growth rate of 9 and 12 percent, respectively

The following results have been achieved to date:

- Revisions to three core laws (Competition, Unfair Competition, and State Aid), improving the formal external regulatory environment
- Ten collaboration protocols with sector regulators drafted and expected to be signed by RAS end; advocacy events held to improve intergovernmental relationships on the competition agenda, streamline competition principles into other policies, and disseminate principles within other communities
- To date, 22 pieces of secondary legislation and guidelines revised and drafted for competition legal framework implementation, increasing legal certainty and transparency for businesses while reducing market burdens
- IT target architecture and solution migration plan's first stage drafted for merger and antitrust case management, financial management and human resources; comprehensive strategy for optimized business process adopted by RCC board based on above components
- Capacity building of 100 staff to upgrade technical competencies in antitrust economics, cartel investigation and detection techniques, and antitrust law implementation

Partners

There is a strong partnership between the main RAS client—the RCC—and the Global Sage Group (GSG), the other key beneficiary, in RAS implementation. The European Commission and the Organisation for Economic Co-operation and Development (OECD) are regularly informed on the project's progress. Several competition authorities (Authority for Consumers and Markets [ACM] Netherlands, the U.S. Department of Justice, and the Israel Competition Agency), academics, and private law practices have been involved in sharing best practices and providing RCC capacity building. This work also contributed to cross-fertilization in implementing advisory services in countries with similar issues, including Peru, Honduras, El Salvador, Zambia, Kenya, and Tunisia.

Moving Forward

The project is expected to continue to a second phase, with Bank hands-on expertise to further develop the target business architecture of the remaining RCC priority business capabilities: unfair competition; regulatory impact assessment; market inquiry; and state aid/ex ante assessment. Another prospective area would be to deepen the RCC's strategy formulation in promoting competition across the economy and in key strategic sectors (i.e., electricity), advocacy, and human resources capacities, while continuing reform efforts in institutional capacity building and further aligning the legal and regulatory framework with EU standards and ongoing modernization efforts.

Beneficiaries

The RCC and its staff are the direct beneficiaries. In addition, more than 10 Romanian sectoral regulators and ministries will indirectly benefit from this assistance. The RAS helped enhance the performance of competition inspectors by motivating them to acquire new skills and knowledge, especially in areas where they have technical gaps. Through the RAS training, competition inspectors not only learned the latest technologies in forensics or the latest economic analysis models, but also studied real life situations in cartel, state aid, and merger cases.

June 2014

Enhancing Strategic Planning and Governance in Romania's Transport Sector

Synopsis

This Reimbursable Advisory Services (RAS) activity (March 2012–December 2014) increased the capacity of the Romanian Ministry of Transport in strategic planning, transport sector governance, and the assessment of road and railway infrastructure funding, financing mechanisms, and cost-recovery options consistent with European Union (EU) regulations. It also assessed the effectiveness of road construction costs to maximize public expenditures and fostered improved urban transport coordination and planning in the Bucharest metropolitan area.

Challenge

A Functional Review undertaken in 2010 highlighted the importance of the transport industry to Romania's economic and social life. During the early transition years, Romania implemented radical structural reforms in the transport sector, but over the past decade, there has been concern that these changes have not brought about tangible improvements in transport policy administration or more efficient and effective delivery institutions in the railway and road sectors. Weak institutional capacity and unfinished reforms have led to poor investment prioritization, high and unsustainable fiscal costs, significant underutilization of EU grant funds, and substandard transport infrastructure and services, negatively impacting Romania's competitiveness in the European market. The Functional Review identified three main challenges: a weak and fragmented public administration of the transport sector as a whole; inadequate corporate governance of state-owned road and railway companies; and ineffective prioritization of interventions by concerned actors.

Solution

In 2012, the Ministry of Transport requested analytical and advisory support from the World Bank in strengthening the ministry's strategic planning capacity and addressing the challenges highlighted above. Under this RAS, the Bank has provided highly relevant input to the ministry to address its policy and development challenges, in particular to prepare for the next EU financing period. In order to address the root causes of weak institutional capacity in the transport sector, the Bank team has followed an innovative approach that combined technical reports with the elements of an ongoing organizational learning and change management process. The goal is to promote a change in the attitude and perspective of public officials by exposing them to modern management tools and approaches. This RAS thus included interactive workshops such as platforms for brainstorming, discussion, and learning; facilitation and coaching methods; and the organization of trainings on leadership, change management, and delegated processes.

Results

The Ministry of Transport and the Bank signed the RAS in March 2012 for a period of two years, which has now been extended to December 2014. The following are the key results achieved to date:

- **Strengthened Strategic Planning.** About 290 technical staff and senior management representatives developed a medium-term strategic plan for the Ministry of Transport, applying their newly acquired skills.
- **Improved Corporate Governance.** The RAS supported the Ministry of Transport's enhanced oversight of state-owned enterprises through: (i) preparing a Corporate Governance Ownership Guide (the first in Romania); (ii) implementing a transparent and merit-based management selection process to retain competent managers and management teams; and (iii) training roughly 40 board directors in corporate governance principles.
- **Developed Road and Railway Contracts.** Multi-annual performance-based contracts for the road and railway companies were drafted consistent with the strategic plan and EU regulations.
- **Promoted Cost Recovery.** Road and railway infrastructure provision-costing models were developed to analyze transport costs and revenues.
- **Fostered Improved Urban Transport.** The Bucharest Metropolitan Transport Authority's (BMTA) first strategic plan was prepared, together with the institutional changes necessary to make the agency operational. Capacity-building activities and public consultations on urban transport matters were organized for over 60 participants, including ministry staff and urban transport stakeholders from the Bucharest area.

Partners

There is strong collaboration on the Romanian transport sector between key development partners. The Ministry of Transport, the Bank, and other international financial institutions (such as the European Bank for Reconstruction and Development, European Investment Bank, and Joint Assistance to Support Projects in the European Regions) organized regular meetings to ensure coordination of their respective interventions and analytical work. This RAS also provided an analytical base for the International Monetary Fund programs in Romania, where transport sector reform is one of the key areas of focus. Coordinated support is expected to speed up the implementation of reforms and promote improved transparency.

Moving Forward

The RAS has boosted the Ministry of Transport's capacity to carry out its mandate. The larger goal of enhancing transport sector performance by improving public administration will depend on the Government of Romania's sustained efforts to implement the recommendations provided. The strategic planning process should be a continued effort. Transport policies and plans and their implementation should be routinely monitored and reviewed, and projects should be prioritized in line with available resources. A follow-up RAS focused on improving the management of the railway sector is under an advanced stage of preparation.

Beneficiaries

"The change management approach through interactive workshops organized by the Bank's specialists is rethinking the strategic planning and other important processes in Romanian public administration. Being able to accept and implement change management in civil servants' daily work, meaning changing old mentalities, would make the public sector similar to the corporate area, resulting in competition, high professionalism, and certainly, great outputs for the final beneficiary—the citizen."

— Mădălina-Mirabela Iancu, Public Manager, Ministry of Transport

June 2014

Romania

Social Development

Toward More Sustainable Growth: Promoting a More Effective Absorption of EU Funds

Synopsis

This Reimbursable Advisory Services (RAS) activity (November 2012–December 2013) produced an in-depth assessment of the European Union (EU)-funded Regional Operational Programme (ROP) in Romania, with a total value of over US$5.1 billion in investments for the 2007–13 programming period. The RAS recommendations will enhance Romania's capacity to absorb almost US$11 billion in funding available through the ROP 2014–20, providing critical support for the country's sustainable and inclusive growth.

Challenge

For the 2007–13 EU programming period, Romania was allocated close to US$26.5 billion in Structural Funds to speed up the country's development. Romania was unable to capitalize on this opportunity, however, and since 2007, has been among the worst performers in terms of EU funds absorption (at 33.6 percent in February 2014). Two main challenges account for this outcome: first, potential beneficiaries (public, nonprofit, and private) lack sufficient capacity to design and implement projects in an effective and timely manner; and second, the management system for selecting, monitoring, and evaluating projects is overly bureaucratic and inefficient.

For the ROP, the first critical area of improvement is the relationship between the Managing Authority (MA) and the Intermediate Bodies (IBs) responsible for the program's management. Second, ROP applicants and beneficiaries require proactive support from the MA and the IBs throughout the project cycle, from concept generation to project implementation and ex-post monitoring and evaluation.

Solution

Under the RAS, the World Bank analyzed the relationship between the ROP's MA and IBs along three dimensions: overall institutional structure and governance arrangements; the program's strategic direction; and ROP implementation. This analysis was based on the methodology employed for the Bank's functional review of various ministries within the Romanian Government.

To assess support mechanisms for ROP applicants and beneficiaries, the team reviewed the entire project cycle, from design through to application, implementation, and post-implementation. The client was provided with an in-depth diagnosis of current challenges and a full action plan based on best practices and solutions specific to Romania's context.

The team consulted with over 300 stakeholders throughout the country, including public authorities, nongovernmental organizations (NGOs), companies, financial institutions, auditors, and EU funds consultants. An innovative online survey was deployed to substantiate ideas and proposed solutions, gathering nearly 500 responses.

Building Capacity for International Development Aid in Education

Synopsis

The joint Russia-World Bank Russian Education Aid for Development (READ) Program, implemented since 2008, includes the READ Trust Fund for eight countries and the READ Reimbursable Advisory Service (RAS) for Russian capacity building. The READ RAS helps build Russia's capacity to deliver development aid in education, creating strong institutions, providing education training activities and development aid programs, and delivering over 30 microprojects.

Challenge

The education sector is one of the key priorities of Russia's development aid efforts, a confirmation of the country's commitment to the Millennium Development Goals (MDGs). Although Russian authorities put a strong emphasis on international development aid, the local capacity to measure educational quality and build policies based on those measurements needed to be improved. Russia established the Center of International Cooperation for Education Development (CICED), which became the focal organization for the delivery of the READ RAS program. The main challenge for Russia has been to consolidate a variety of diverse activities in education quality improvement, such as the delivery of extensive training programs and capacity building, strategic planning, and the continued knowledge sharing and promotion of Russia's expertise globally. In order to progress on these efforts, it was necessary to build the capacity of CICED and an associated network of experts and institutions.

Solution

The READ RAS program 2008–14 focuses on education quality through: (i) the building of technical, institutional, and organizational capacity in Russia for development aid in education, (ii) training and knowledge-sharing activities for Russian experts, and (iii) "learning by doing" activities for Russian experts of developing countries to build their knowledge of ways to measure and improve learning outcomes and their awareness of the constraints that developing countries face. The program was designed to boost Russia's domestic capacity gained through its participation in international and national initiatives on measuring learning outcomes. CICED serves as a coordinating agency for the Russian network of educational development aid experts. The Bank's technical assistance fostered CICED's institutional strengthening, which facilitated international knowledge transfer and links between Russian and international experts. The RAS also supported graduate-level programs within Russian universities and the Russian Training Center to provide short-term training activities for Russian and international students.

Results

As a result of this extensive program from 2008 to 2012 (Phases 1 and 2):

- The CICED has become an internationally recognized agency with strong connections to development partners in Russia and abroad (the Learning Metrics Task Force, the German Society for International Cooperation [GIZ], the Global Partnership for Education [GPE], etc.).
- Two master's degree programs were established and delivered to 80 students.
- Seven courses designed by the Russian Training Center were delivered to 139 Russian and Commonwealth of Independent States (CIS) experts.
- Two national instruments to measure learning outcomes are being developed: (i) an information and communications technology (ICT) literacy test was tried out in Thailand and Armenia and applied in the Tatarstan region of Russia; and (ii) the Student Achievement Monitoring instrument (SAM) is being implemented.

As a result of the capacity building under this RAS, CICED has recently won a competition in the GPE's Global and Regional Activities (GRA) program and was awarded a grant of US$1.8 million to deliver an international study on students' reasoning skills.

Partners

There is a strong partnership with the Ministry of Finance of the Russian Federation and the Center for International Cooperation in Education Development.

Moving Forward

As the program is being finalized in 2014, both the Ministry of Finance and the Bank are prepared for continued collaboration within the READ II program, which would include new and broader activities to enhance the technical capacity of Russia in the delivery of international educational development aid.

Beneficiaries

The Russian expert community in education from across the country, students of master's programs and short training courses, and experts from CIS countries are among the beneficiaries of this RAS.

June 2014

Restructuring the Russian Academy of National Economy and Public Administration

Synopsis

This collaboration between the World Bank and the Russian Academy of National Economy and Public Administration (RANEPA) has resulted in: 1) improved quality assurance procedures in governance and management and the provision of student programs; 2) the development of an internationally oriented master's program in Global Public Policy; and 3) the expansion of programmatic engagements with academic partners in Western Europe and the United States, including partnerships and projects with over 90 universities globally.

Challenge

The key challenges that this Reimbursable Advisory Service (RAS) address include: 1) modernization of RANEPA's current governance structure, including administrative and curriculum management; 2) provision of a clear delineation of responsibilities between faculties, offices, and other entities to remove duplication or absence of efforts in school, department, and program management; and 3) establishment of a coherent framework of policies and procedures to govern educational and managerial activities across all 67 branch campuses to underpin a future institutional strategic plan. The Bank team also determined at the RAS start in 2011 that the institution's management information system (MIS) was fragmented, causing difficulties in collecting even basic data, such as the total number of students. An additional challenge was ensuring that data collection and related systems for evidence-based decision making were improved and modernized; with proper data collection, program monitoring and evaluation can now be connected directly to any changes in institutional policies, directions, and strategies.

Solution

The RAS has created opportunities to convene the best global expertise available to address the challenges of implementing a modern approach to managing a globally engaged and recognized university. Advisors and institutional board members for both the university and new master's program were recruited from among top-notch academic, public, and private sector leaders, such as a former dean from Columbia University's School of International and Public Affairs (Dr. Robin Lewis), the founder of Cambridge University's business school (Sir Paul Judge), and the president of the University of Maastricht (Dr. Jo Ritzen). The Bank also coordinated efforts to provide technical and strategic support for global partnerships—most evident, perhaps, in the client's strong satisfaction with the Bank's support for the RANEPA-led Gaidar Forum, a major annual international scientific conference in economics and public policy in Russia, for which the Bank provides convening assistance by promoting the participation of global public policy leaders.

Results

Inputs, Capacity Building, and Review of RANEPA Strategy

- Diagnostic report with international benchmarking and recommendations
- Regional Strategy Development and Branch Campus Strategic Planning Workshop
- Review of RANEPA strategy paper with comments and recommendations

Program Auditing

- Summary report of the findings and recommendations of the audit (including visit of expert groups, review of curriculum and pedagogy, interviews, etc.)

Establishment of an International Advisory Board (IAB)

- Regulatory framework and Terms of Reference for the IAB
- List of potential membership candidates for RANEPA consideration
- Support for ongoing IAB meetings

Modernization of Public Policy, Public and Business Administration Education Programs

- International workshops on curriculum and review of the new curricula in selected areas
- Joint program development workshops
- Development of new master's programs in Global Public Policy and Executive Management in Public Policy in curriculum/course design, faculty profiles, and international faculty and student recruitment

Quality Assurance

- International workshop on quality assurance; existing quality assurance framework reviewed and improved
- Self-assessment guidelines for regional branch campuses and pilot
- Classification methodology and criteria for center of excellence in business education
- RANEPA Quality Assurance Workshop
- National Forum for Quality Assurance

International Positioning and Branding

- Recommendations for increasing joint research partnerships
- RANEPA representation at international events
- Recommendations on policies, programs, and pilots for attracting diaspora and foreign faculty and increasing the number of foreign students and research fellows
- Completion of internationalization strategy/plan for RANEPA's longer-term effort in international engagements and positioning
- World Bank President Jim Yong Kim's public lecture at RANEPA (February 14, 2013)

Partners

There are no institutional partners in terms of sharing the costs of this RAS engagement. The programmatic partners, however, are all around the world, with agreements between RANEPA and over 90 academic programs at universities in Europe, North America, and Asia.

Moving Forward

There is potential for a follow-up RAS with RANEPA to further implement the key findings of the strategic internationalization assessment (which will be undertaken in 2014–15). Such engagements would include identifying and targeting potential academic partners, expanding options for foreign exchange of staff and students, and promoting broader participation in international research engagements. Given the customized nature of this RAS assignment, any follow-up engagements would be similarly client driven and defined collaboratively.

Beneficiaries

RANEPA's academic staff, institutional leadership, and current and future students are the key beneficiaries of this engagement.

Russian Federation

Innovation, Technology, and Entrepreneurship

Nurturing Business Innovation through the Venture Acceleration Network (VAN) Program

Synopsis
The Venture Acceleration Network (VAN) program (June 2012–June 2013) was designed to help propel business ideas in Russia into the marketplace by generating ideas and supporting the creation of connections between firms. The VAN program is a first in Russia and was initiated by the Russian Venture Company (RVC), a federal innovation agency in Russia and the World Bank's main partner for this activity.

Challenge
Russia has a large pool of high-skilled labor, a substantial base of universities and research institutions, and a government committed to innovation, but high-impact, knowledge-driven entrepreneurship is largely missing from the bigger picture. The motivation for this activity was to support the growth of innovative early-stage companies in Russia by strengthening entrepreneurial ecosystems, particularly in regions outside of Moscow and St. Petersburg.

Solution
This Reimbursable Advisory Service (RAS) designed and tested a VAN program for the Russian Federation. It consists of experienced, skilled, and well-connected individuals who provide hands-on support to entrepreneurs and help them grow their businesses. They achieve this by: educating entrepreneurs through on-the-job training and advice on a broad range of practical issues related to business growth, including strategic planning, marketing, and fundraising; connecting entrepreneurs to markets, capital, customers, partners, experts, information, and role models through introductions and by brokering and creating bonds of trust and credibility; validating business ideas through strategic advice and direction; and creating a supportive environment for business development experiments. Validation provides the critical value-added of venture acceleration networks, as it builds on the two other pillars, educating and connecting, to help ideas fail early, often, and inexpensively.

Results
A VAN was designed and piloted in the city of Tomsk under the RAS over a one-year period to increase the level of entrepreneurial expertise in Russia. The pilot involved developing the capabilities of two entrepreneurs, who received mentoring, coaching, and networking services. The entrepreneurs developed new skills and were able to pitch their companies and their products to business partners and investors.

The proposed nationwide VAN offers support on a wide range of business and technology issues, similar to what was done during the pilot. The scope of the services of a national VAN that goes beyond what was done under the Tomsk pilot would depend on the needs of the ventures and can range from a light-touch mentoring approach to a highly engaged enterprise development plan.

Partners

The RVC and the Tomsk Polytechnic University were the main partners. Other stakeholders included small innovative companies, prospective and established entrepreneurs, universities, business and technology experts, venture capital and angel investors, and public innovation support programs.

Moving Forward

The proposed VAN offers support on a wide range of business and technology issues. The scope of the services provided depends on the needs of the ventures. From 2014 to 2016, the Bank will work with regional actors such as incubators and regional governments to help them develop and implement VANs across Russia. This can be done through the Bank's existing and new RAS engagements with the country's regions.

Beneficiaries

The proposed VAN is targeted at entrepreneurs who are willing to grow and learn from their more experienced peers. The VAN can help entrepreneurs who are just beginning to develop their ideas, as well as those who already generate revenue. The VAN targets teams with high-potential intellectual property assets.

Enhancing the Quality and Delivery of Education in Tatarstan

Synopsis

On the initiative of Tatarstan president Rustam Minnikhanov and drawing on Bank expertise and support, during 2010–13, Tatarstan enhanced education service delivery by applying modern information and communications technology (ICT) and pedagogical techniques in more than 1,500 schools, enabling data from school performance assessments and trainings to be used to improve performance. As a result, 46 percent of schools improved their use of ICT to achieve better educational outputs under this Reimbursable Advisory Service (RAS) arrangement.

Challenge

Basic ICT hardware and Internet access were provided to all the schools in Tatarstan by the national and subnational governments in 2007–10. By 2010, the Republic of Tatarstan had established more contemporary ICT infrastructure than other regions of the Russian Federation; the share of schools with a local computer network was 55 percent (7th place among 85 Russian regions), and the number of computers connected to the Internet per 100 students was 1.16 (11th place). However, according to data from the Ministry of Education, ICT use was limited to computer science classes in most schools and rarely used for better teaching, research, or collaborative and interactive learning. Moreover, the republic had no monitoring and evaluation (M&E) system with appropriate measurement tools to assess the use of ICT in education and to evaluate its impact on teaching and learning practices and educational results.

Solution

Lessons from the Bank's ICT-in-education projects and policy papers provided the analytical and operational foundations for the RAS, which focused on using ICT for better teaching and learning. The RAS assisted Tatarstan in making full use of the computer equipment and Internet connections available to schools through:

- Helping schools assess the current level of ICT use in teaching and learning
- Developing ICT-in-education improvement plans based on this assessment
- Training teachers to use ICT to support student-centered teaching, research, and learning, cross-curriculum education, and other pedagogical innovations
- Assessing information and communications literacy among 15-year-old students as an indicator of learning outcomes achieved.

In addition to the Bank's support, a series of comprehensive initiatives by the Ministry of Education and Intel Corporation on introducing ICT in schools was delivered as part of a local e-education program.

Results

During the period from 2010 to 2013, the RAS achieved the following:

- A methodology was developed for assessing school ICT levels and designing school improvement plans. Over 1,500 schools participated in this assessment annually.
- About 60 district-level tutors were trained in developing similar kinds of plans for future assessments.
- A competitive small grants program to support the schools' improvement plans was developed as a motivation mechanism to utilize the existing ICT in primary and secondary education.
- A core group of 150 tutors in the area of using ICT resources to improve teaching and learning was trained.
- According to the assessment, 46 percent of schools improved their level of using ICT for achieving better educational outputs between 2010 and 2013.
- As a measure of learning outcomes, the share of 9th-grade students performing at a below average information and communications literacy level decreased from 30 to 18 percent.

Partners

There was a strong partnership among key ICT-in-education development units from the Bank, UNESCO, and Microsoft Foundation. The combined efforts of these partners led to the pilot introduction in Tatarstan of a UNESCO teacher quality framework with strong ICT components (the first region in Russia to pilot the framework).

Moving Forward

During 2010–14, the lessons learned from the project and the assessment tools (e.g., the tool to assess students' information and communications literacy) were further used and replicated in other Russian regions (e.g., Sakha-Yakutia and Yaroslav) and internationally (e.g., Kazakhstan, Belarus, and Thailand).

Beneficiaries

Many teachers benefited from the project by learning how to help their students achieve better educational results.

Russian Federation

Investment Climate Practice

Scaling Up Investment Promotion Activities

Synopsis
This Reimbursable Advisory Service (RAS) (November 2013–June 2014) has increased Sverdlovsk regional policy makers' awareness of the costs and benefits of coordinated investment promotion. The RAS helped to present workshops on global best practices in investment promotion, build the capacity of the Middle Urals Development Corporation (MUDC) staff, and consolidate regional investment promotion activities under the MUDC.

Challenge
Sverdlovsk appears to be attracting significantly less foreign direct investment (FDI) relative to the region's economic importance as a major industrial center within Russia. One key contributory factor has been a sometimes uncoordinated approach to regional investment promotion, although global research shows that focused investment promotion can increase FDI. For example, a 2011 University of Oxford study suggested that every US$1 spent on investment promotion increases FDI by US$189, and every US$78 spent on investment promotion creates one job in the economy. However, global and regional European markets for FDI are extremely competitive and the Sverdlovsk region will not easily attract more FDI without a more concentrated effort to reach out to potential investors. Investment promotion in the region is currently ineffectively organized and needs a more coordinated approach between relevant ministries and agencies. The main gaps stem from the lack of institutional coordination, an investment climate reform mechanism, and implementation capacity.

Solution
Under the RAS, the Bank has recommended a number of practical steps for the regional government to enhance its approach to investment promotion, including (1) focusing the region's proactive investment promotion efforts on a small number of competitive sectors for FDI, (2) appointing a lead investment promotion agency to coordinate the promotional efforts across government, (3) providing sufficient government budget to undertake investment promotion efforts measured against clear goals and targets, and (4) creating appropriate cross-governmental coordination mechanisms overseen at the highest levels of government.

Since the Bank's draft report was submitted in February 2014, the Sverdlovsk Government has established an investment coordinating committee under the Ministry of Economy to discuss investment policy and coordination—one of the key issues presented by the Bank team during the project's first mission in December 2013. Other Bank recommendations are currently under consideration.

Results
Thus far, the RAS project has achieved the following results:

- Increasing the awareness of policy makers in the Sverdlovsk region of the effectiveness, costs, and benefits of coordinated investment promotion.
- Presenting workshops on global best practices in investment promotion to senior staff from 10 relevant ministries and agencies.

- Strengthening the capacity of MUDC staff who are engaged in investment promotion activities, as well as staff of other potential partners in the investment promotion area, including several regional ministries and the staff of the Titanium Valley Special Economic Zone (two training workshops were held and attended by more than 25 employees from relevant agencies).

- Facilitating a decision at the regional level to consolidate regional investment promotion activities and appoint one single agency as the regional lead entity (more detailed recommendations are under consideration by the Sverdlovsk regional government).

Partners

The MUDC, a Sverdlovsk regional development institution, is a partner and a recipient of the services provided, as well as a representative of other organizations dealing with investment promotion in the Sverdlovsk region.

Moving Forward

The Bank is available to provide further support to the Sverdlovsk regional government in implementing improved plans for investment promotion. If the Sverdlovsk region accepts the report's recommendations, much work will be needed to create a more effective regional investment promotion effort.

In the next stage, the Bank could assist in developing: (i) the necessary policy and institutional arrangements for the MUDC to become the region's lead promotion agency; (ii) a region-wide investment promotion strategy and best practice institutional structure (including management and staff job descriptions); and (iii) management and staff training on international best standards, including training on best practice tools for sector-targeted investment promotion.

Beneficiaries

The immediate beneficiaries will be policy makers and investment promoters in the Government of Sverdlovsk. Ultimately, investors will benefit from a more coordinated approach to investor facilitation and services.

Russian Federation

Social Protection

Empowering Communities and Building Trust through the Local Initiatives Support Program

Synopsis
Since 2009, the World Bank has assisted five regional governments—Stavropol and Khabarovsk Krais, and Kirov, Tver, and Nizhegorodskaya Oblasts—to implement the Local Initiatives Support Program (LISP) in the poorest rural communities. The program aims to enhance trust between the population and local authorities by involving citizens in the decision-making process. Currently, up to 18 percent of the relevant populations are directly involved in LISP activities.

Challenge
Despite recent economic growth in Russia, poverty, unemployment, and low-quality social infrastructure continue to be major challenges in rural areas, which contain over a quarter of the population and 42 percent of the poor. Only 32 percent of rural residents have access to centralized water supply systems and barely 5 percent to sewerage, and over 28 percent have no access to hard-surfaced roads.

The predominant approach to public resource management has been inefficient in addressing local issues. Most funds are collected at the higher levels and then channeled down to finance expensive infrastructure projects in the main cities. Big budget allocations fail to improve living conditions in small rural settlements and also discourage trust between the population and local authorities.

Regional officials acknowledge the issue but do not have the experience and capacity to establish a mechanism to identify and address community needs.

Solution
During 2007–13, several Russian regions requested World Bank assistance in introducing LISP, based on international best practices, to support local development by utilizing community resources and encouraging citizen involvement in resolving social and economic issues. LISP provides subsidies to settlements to finance subprojects, jointly prepared by citizens and municipal authorities, to develop local social and communal infrastructure. The subsidies are competitively granted based on the level of local population involvement and expected impact on beneficiaries.

By end-2013, the Bank team had delivered 12 programs in five regions by assisting the regional governments in program design, engaging the population in program activities, and supporting capacity building for municipal authorities and community leaders.

Results
By end-2013, the program had been implemented in over 500 rural communities with the following results:

Capacity building

- Over 50 training courses on community engagement, oversight, and monitoring of service delivery (1,500 local stakeholders)

- Facilitation of community hearings (in 1,000 villages)
- Ten interregional conferences on LISP's progress and lessons learned
- Management information system (MIS) to access and monitor subprojects

Outcomes

- Over 100,000 people participated in LISP community hearings in 2013
- Over 1,000 municipalities successfully identified LISP subprojects involving the local population. Municipalities, sponsors, and communities contributed between 16 and 43 percent of the projects' budgets. The population contributed about 10 percent of the project cost
- Over 3,000 members of community initiative groups participated in preparing subproject proposals
- Over 1,250 subprojects were successfully delivered

The results of the impact assessments conducted in Kirov Oblast in 2010 and 2013 demonstrated improved population satisfaction in the quality of local social services; increased confidence in all levels of government; and improved transparency of spending of local funds. Ninety percent of the population believes that the problems solved under LISP were "important" or "very important."

The participating regions have moved from pilot LISP activities to full-fledged program implementation. Kirov LISP financing was increased by 15 times (between 2010 and 2013), Tver by 2.5 times (2013 and 2014), and Stavropol by 2 times (2009 and 2013).

Partners

To strengthen local capacity, LISP is implemented by a variety of regional agencies, from the ministries of social protection (Kirov Oblast) to the ministries of economic development (Khabarovsk Krai), the ministries of finance (Tver Oblast and Stavropol Krai), and the ministries of territorial development (Nizhegorodskaya Oblast).

In 2009–10, the Bank collaborated with the United Kingdom's Department for International Development (DFID) on the implementation of the pilot programs in Stavropol Krai and Kirov Oblast. DFID, through a World Bank–supported Trust Fund amounting to approximately US$930,000, financed the baseline survey, capacity-building efforts, and training.

Moving Forward

Successful implementation in the pilot regions has resulted in a huge and growing demand for LISP and corresponding Bank services in Russia's other regions, and has also generated an interest in LISP at the federal level. LISP was included in various federal strategic policy documents, including the "Strategy for the Socio-Economic Development of the North Caucasus Federal Okrug until 2025" and the Federal Targeted Program "On the Sustainable Development of Rural Territories until 2020."

Beneficiaries

"It has changed lives. Children are more active, they're not hanging about, they are here to play, and parents know where their kids are."

— Svetlana Buldakova, teacher, elementary school in Korshik, Orichevskyi rayon, Kirov Oblast, talking about a playground in Korshik

"The results of the program give residents optimism, strength, and confidence in the future. It gives local authorities a positive impulse and the belief that it is worth working. After so many difficult years, there is hope for the best. Is it not happiness?"

— Natalia Tkachenko, head of the Serafimovskoe rural area administration, Arzgirskyi rayon, Stavropol Krai

Russian Federation

Energy and Mining

Reducing Petroleum Gas Flaring: Developing Solutions for the Government of Khanty-Mansiysk Autonomous Okrug-Ugra (KMAO)

Synopsis

Oil companies operating in the Khanty-Mansiysk Autonomous Okrug-Ugra (KMAO) are planning to invest US$1.4 billion in associated petroleum gas (APG) utilization activities in order to reach the desired 95 percent utilization level by 2015. The KMAO Government's activities were based on outcomes of the World Bank-led Global Gas Flaring Reduction (GGFR) team, which evaluated current APG flaring and explored ways to solve the problem.

Challenge

The KMAO region accounts for 5.5 percent of total gas production in Russia and 1.1 percent of global gas production. In 2011, oil companies operating in the region produced 36.6 billion cubic meters (bcm) of APG, representing more than 50 percent of Russia's total APG production. More than 86 percent of the gas was efficiently used, but the remaining 5.4 bcm was flared. Flaring and the inefficient use of APG remain important issues confronting the KMAO Government. Federal regulations stipulate that APG utilization should reach 95 percent by 2012. This was not achieved for many reasons, including the lack of infrastructure and viable markets for the gas flared at remote oil fields. In order to overcome these barriers, government officials and oil companies developed comprehensive solutions based on existing international best practices.

Solution

Under this Reimbursable Advisory Service (RAS) (December 2012–December 2013), the World Bank helped to assess the actual scale of gas flaring by comparing different types of data collection and its analysis. Satellite data on flared APG sources were examined by the Bank team in close collaboration with the KMAO Government and then compared with official field data provided by the oil companies operating in the region. The difference between the two data sets was identified, and GGFR performed on-site measurements and reviewed the existing measurement procedures and reporting systems. It was determined that more than half of the flared APG sources are small-scale flares disseminated throughout the vast KMAO region. GGFR's recommendation was to develop APG utilization clusters to collect volumes of flared gas, making this gas utilization project economically viable. Four clusters were identified and proposed to the KMAO Government for development.

Results

As a result of the KMAO Government's continuous efforts and collaboration with the World Bank to solve the flaring problem and proactively cooperate with oil companies, several APG utilization projects were implemented within the framework of the Government's regional program. The volume of efficiently utilized gas increased by 7.9 percent, reaching 86.4 percent. The RAS proved critical to the development of recommendations to identify economically viable solutions for gas flaring at remote oil fields. It provided the KMAO Government with the following information to enhance its own staff capacity:

- Satellite data on APG flaring sources in the region
- A list of discrepancies between the satellite and official field data
- On-site measurements of flared APG volumes
- Recommendations on improving the measurement procedures and reporting systems of existing APG volumes
- A GGFR economic modeling technique to identify a list of proposed APG utilization clusters

The KMAO Government is planning to develop the first two identified APG utilization clusters in 2014.

Partners

This RAS project was requested and implemented in cooperation with the KMAO Department of Mineral Resources.

Moving Forward

One of the main outcomes of this RAS project was the identification of a number of potential APG utilization areas in the region. Based on the results of the completed RAS, the KMAO Government expressed interest in continuing to work with GGFR and the World Bank. It signed a Memorandum of Understanding with the Bank and agreed to develop a gas processing cluster initiative, with an emphasis on integrating public and private oil company efforts for the effective use of APG. The KMAO Government signed the second RAS agreement in June 2014.

Beneficiaries

The people of KMAO benefit from this public-private partnership, which supported the regional government's efforts to work with oil companies to avoid wasting natural gas and to reduce carbon emissions. This RAS project also created a more attractive business environment for private companies that could see the benefits of partnering with the KMAO Government to utilize the APG.

"We are creating a conducive business environment for this sector, encouraging investment, and making it clear that projects like this one benefit not only the people who live in this region, but also the government and private sector."

— Natalia Komarova, Governor of the KMAO

Russian Federation

Transport

Improving Urban Transportation Systems in Russian Cities

Synopsis

The Reimbursable Advisory Service (RAS) (July 2011–November 2012) provided recommendations on: (i) a federal legal and regulatory framework; (ii) urban transport advisory functions to facilitate the sharing of good practices; and (iii) a strategy to improve and sustain the quality of public transportation through financial support. The Ministry of Transport adopted the recommended policy framework and is currently preparing a law on urban transport and traffic management based on the proposed RAS framework.

Challenge

The environmental, social, and financial sustainability of urban mobility in Russian cities is being challenged. Land-use and transportation planning are not integrated, and the financial resources allocated for urban transport are inadequate and unpredictable, making it difficult for cities to plan their transport investment strategically.

Russia's relatively good public transport systems have not been properly maintained or modernized, and are thus losing their competitiveness against private mobility. The public sector does not have sufficient resources to provide the heavily subsidized services that it used to, and where there are supply gaps, private sector operators fill them but plan their actions without coordinating with the public services, undermining system efficiency.

While the responsibilities of planning and organizing urban transport lie with the local authorities, the federal government plays an important role in supporting the regions and cities through its national policies, enabling the cities to respond better to these challenges.

Solution

Although urban transport is a local affair for which municipalities are responsible, the federal government plays an important role in enabling and maintaining its subnational entities through institutional, technical, and financial support. Under the RAS, the key elements of a successful national framework were developed:

- A legal, regulatory, and institutional framework at the federal level that affects the performance and condition of urban transportation in Russian cities;
- An urban transport advisory function at the federal level that emulates good practices through technical assistance and pilot projects;

- A strategy to improve and sustain the quality of public transportation through federal-level interventions, including an institutional and regulatory framework, financial support, and technical assistance.

In developing these key elements, the RAS focused on balancing country specificity (legal constraints, institutional set-up, and cultural factors) and international best practices.

Results

The final report of the RAS was disseminated on June 22, 2012, and the client has endorsed the report's recommendations in their entirety. With support from the Bank team, the client is currently working toward the full adoption of the recommendations, including:

- Implementation of legal and regulatory changes in traffic management, parking regulations, and public transport service procurement;
- Creation of a nationally led capacity-building program in urban transport;
- Establishment of a federal targeted program to provide financial support for the sustainable development of urban transport systems in Russian cities;
- The enactment of a new comprehensive law on traffic management, and the creation of a federal knowledge center for urban transport;
- Transmission of relevant international good practices through the South-South Knowledge Exchange in urban transport policy in collaboration with Brazilian counterparts (August 2013).

Partners

Federal Ministry of Transport, Scientific and Research Institute of Motor Transport (NIIAT), Capital Legal Services, L.L.C., Directorate of the Moscow Transport Hub, inter-regional nongovernmental organization, Coordinating Committee on Traffic Management.

Russian municipalities: Lipetsk, Balashikha, Saint-Petersburg, Nizhniy Novgorod, Novosibirsk, Stavropol, Tambov, Tomsk, Tyumen, Velikiy Novgorod, Aktyubinsk, Astrakhan, Cheboksary, Kamyshin, Kamyzyak Kemerovo, Krasnodar, Rostov on-Don, Ulan-Ude, Ussuriysk, Vladivostok, Volgograd, Volzhskiy, Yekaterinburg, and Znamensk.

Moving Forward

The Bank, upon a request from the Ministry of Transport, is helping prepare an International Bank for Reconstruction and Development (IBRD) and Global Environment Facility (GEF)-cofinanced project for the National Urban Transport Improvement Project in the Russian Federation, through which several recommended priority actions will be supported. The proposed project aims to improve the urban mobility, accessibility, safety, and environmental sustainability of transport systems in selected Russian cities and to reduce greenhouse gas emissions in the transport sector of the Russian Federation.

Beneficiaries

The direct beneficiary is the Federal Ministry of Transport, which was able to develop national policies and targeted legal/regulatory reforms in the area of urban transportation. The indirect beneficiaries are regional and municipal authorities who will benefit from the improved regulatory framework at the federal level. The ultimate beneficiaries are the citizens of Russian cities, who will benefit from more sustainable urban mobility and improved accessibility.

June 2014

Russian Federation

Investment Climate Practice

Supporting Government Reforms to Improve the Investment Climate

Synopsis

The Reimbursable Advisory Service (RAS) objective (December 2012–June 2014) was to support ongoing Government reforms in select investment climate areas to improve business environment conditions. Russia improved its *Doing Business* ranking from 112th to 92nd and was recognized globally as the third-fastest reformer in 2014. This achievement was made possible by tangible improvements in five areas: starting a business, registering property, getting construction permits, getting electricity, and trading across borders.

Challenge

The Russian Government has put great emphasis on the need to ensure steady improvements in the investment climate at both the federal and regional levels as a way to stimulate new investment and other economic activities in the post-crisis recovery period and accelerate private sector–led growth. One of the primary areas of focus in achieving this target was to simplify and streamline business regulations. This was articulated in a decree of May 7, 2012, in which Russian President Vladimir Putin affirmed the goal of improving the investment climate in order to bring Russia into the top 20 countries in the World Bank's *Doing Business* ranking and create 25 million high-productivity jobs by 2020.

Solution

The RAS was designed to provide support for the Russian Government's ongoing reforms and to generate recommendations on legislative and procedural changes in select investment climate areas. These areas include key issues evaluated by the *Doing Business* report, such as construction permits, the payment of taxes, the registration of property, electricity connections, etc., and also other factors that affect the investment climate, including corporate governance, competition, and investment promotion, all with a view to improving the conditions for firms and investors.

Results

The RAS activities focused on the Government's reform agenda and helped to improve Russia's ranking in the 2014 *Doing Business* report by 20 places:

- The Bank organized series of workshops to discuss ongoing reforms in such areas as electricity connections, construction permits, insolvency/creditor rights, and property registration.

- The Bank organized, jointly with the Ministry of Economic Development (MoED), two conferences on how to build a favorable investment climate to facilitate peer-to-peer learning and the development of reform road maps.

Russian Government reforms during the past three years toward streamlining and simplifying business procedures and improving the country's capacity to monitor and benchmark business regulations resulted in Russia being named the third global improver in business regulations in *Doing Business 2014*.

- The Bank team provided recommendations on 11 road maps, which were prepared by the Government together with the Agency for Strategic Initiatives (ASI), to improve the investment climate, enlisting the help of the Russian business community. As of May 2014, the 11 approved roadmaps were in the areas of: getting electricity, registering property, starting a business, simplifying construction permits, competition and antimonopoly regulation, diversified export support, access to orders of infrastructure monopolies and state-owned corporations, customs administration enhancements, tax administration, regulatory environment optimization, and improvement of market value determination and appraisal activities.

Partners

The MoED is leading the investment climate reform agenda, which has become a top priority for the entire Government. The MoED is aided in its efforts by ASI, which has been tasked with developing roadmaps in 20 areas of investment climate reform.

Moving Forward

In recognition of the Russian Government's visible commitment to reform in the areas of investment climate and innovation, World Bank President Dr. Jim Yong Kim proposed the establishment of an Investment Climate and Innovation Knowledge Delivery Hub in a meeting with then-Minister of Economic Development Andrei Belousov in February 2013 in Moscow.

The Bank is currently providing further technical advisory services to the MoED to boost the quality of the business environment at the federal and regional levels in order to support ongoing reforms in select areas. The existing project will be completed by June 2014.

Beneficiaries

In the past year, Russia has made getting electricity simpler and less costly. It set standard connection tariffs and eliminated numerous procedures, reducing the time needed to secure a new connection by more than 40 percent and the cost by nearly 80 percent. As a result, Russia made the biggest improvement globally in the ease of getting electricity ranking in 2012/13 among the 189 economies measured by the *Doing Business* study. These streamlined processes, along with others captured in various *Doing Business* indicators, have resulted in increased transparency and a better environment for small businesses in Russia.

Russian Federation

Education

Russian Federation

Reforming Preschool Education in Yakutia for Better Development Outcomes

Synopsis

Drawing on World Bank technical assistance and expertise in 2010–11, the Yakutia (Sakha) region has improved its early childhood development (ECD) policy framework by implementing a region-wide concept. Additionally, a quality assurance system was implemented in 32 pilot kindergartens as part of a wider program of reform of the ECD system.

Challenge

The Yakutia region faces several challenges. Although it is the largest subnational entity in the world (with a territory comparable to India), it has a small population of roughly 1 million people who are scattered across the region from the Arctic Ocean to the Mongolian border. The population is also very young, producing a demand for preschools that far exceeds supply, with about 12,000 children on the wait-list in the city of Yakutsk alone. Many preschools and kindergartens are in poor physical condition, often without running water and proper sanitation. Equally important, preschool managers need training, teachers need to learn more modern and child-centered teaching techniques, and the quality assurance system needs to be updated and improved.

Solution

During the period 2010–11, Bank experts worked jointly with regional officials, managers, teachers, and parents to develop (i) proposals to enhance early childhood education and increase access to services; and (ii) a quality assurance system based on self-evaluations and external inspections. The program was successfully piloted and used for further dissemination in the region. The Bank team also delivered seminars and workshops to pilot kindergarten teachers, quality inspectors, and municipal managers to try out practical approaches to quality assurance, get feedback on teacher ideas, and initiate a dialogue on ECD quality. This led to the development and piloting of the ECD quality assessment tool (QUAT) and an official instrument of self-evaluation. ECD system development has also now been linked to increasing equity and fighting poverty through the streamlining of educational resources to the neediest children, including specific activities to support families with children aged 0–3 and alternative forms of ECD provision.

Results

As a result of the activity, several outcomes have been reached:

- The work led to the creation and government adoption of a new ECD strategy (adopted in May 2011).

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- With the successful piloting of the quality assurance system, 32 preschool teachers were trained in child-centered practices, managers and inspectors from 27 municipalities were trained and engaged in new quality assurance practices, and 10 preschools were organized and arranged to be more conducive to exploration and learning.

- The Reimbursable Advisory Service (RAS) arrangement also served as a precursor to a subsequent investment project (which is currently in the negotiations stage) with the objective of improving the region's education infrastructure and mitigating capacity challenges.

Partners
The regional government of the Yakutia region has been the primary partner in this process.

Moving Forward
Upon completion of this technical assistance in 2011, the Government of Yakutia, with support from Russia's national government, decided to implement an innovative project targeting investments in ECD, partially financed by the Bank. This will include investments in teacher training, new materials, and renovated or new buildings, as well as the roll-out of the quality assurance system to new schools. It will help introduce innovation in ECD and education by including new energy-efficient school construction, more child-centered and innovative spaces for children, community-driven construction in remote rural areas, and architectural competitions for the most innovative kindergarten and primary school designs. It will also include more involvement from parents, the community, and the public sector.

Beneficiaries
The RAS helped counterparts in the Ministry of Education and the Government of the Republic of Sakha (Yakutia) to develop a unified approach to understanding the quality of ECD and education in order to ensure consistency across all elements of the education system. The ultimate beneficiaries of the RAS are families in Yakutia whose children of preschool age will benefit from improved ECD conditions, regardless of family or socioeconomic status.

Improving the Business Environment in Russia's Regions

Synopsis

The second round of subnational *Doing Business* assessments (April 2011–June 2012) of 30 Russian cities provided a more nuanced picture of the business environment across Russia's regions in four areas of business regulation: starting a business, dealing with construction permits, getting electricity, and registering property. The study revealed significant differences in performance in these four areas, particularly in the implementation and enforcement of federal legislation, calling for enhanced focus on implementation monitoring.

Challenge

The Russian Federation is a vast country of great capacity but with significant economic differences between regions, many of which are caused by varying natural and other resource endowments. For example, in Omsk Oblast (region), just over two-thirds of goods and services are produced by the oil and coal industries, while Novosibirsk has a legacy of scientific research. Kaluga Oblast has attracted significant foreign direct investment in recent years, particularly from foreign car manufacturers. In 2011, the Russian Government committed to making Russia one of the most inviting places to do business, and a national initiative was created to spearhead improvements in the investment climate for all businesses—domestic and foreign. To achieve this goal, it was important to assess the quality of the current business environment in Russia's regions and identify options for reform in the areas of starting a business, dealing with construction permits, getting electricity, and registering property.

The subnational *Doing Business* methodology examines and measures business regulations and their enforcement across regions within a country, thereby indicating where reforms can be made. Under the Reimbursable Advisory Service (RAS), the global *Doing Business* approach was applied to the subnational context, a methodology that was piloted in Mexico and Brazil and has been effective in demonstrating to local governments that if they implement certain simple reforms they can improve their competitiveness. Subnational *Doing Business* addresses key issues at all stages of investment climate reform, and as a diagnostic instrument, it identifies bottlenecks in regional business environments. Given its media appeal, and because it compares regions with one another, it becomes a tool for policy makers to get reform implementation under way. It is also an evaluation tool that helps measure progress over time.

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Results

The second round of the "Subnational *Doing Business* in Russia" study was built on the results and experience of the first round, which was presented in 2009. The first round ranked 10 Russian regions by their largest business cities on four *Doing Business* indicators. The second round covered 30 cities and compared them across the following indicators: starting a business, dealing with construction permits, getting electricity, and registering property. The indicators were used to identify which reforms have worked, along with where and why. For each of these indicators, the study identified existing good practices across Russia, compared each city's performance to that of global leaders, and recommended reforms. Data showed that among the 30 Russian cities surveyed in *Doing Business in Russia 2012*, it is easiest to do business in Ulyanovsk, Saransk, and Vladikavkaz. The work under the RAS highlighted the importance of focusing on the specific regulatory barriers identified through business surveys and assessments. Local authorities were able to learn about good practices and see how their regions stood in comparison to others. Some regions subsequently took appropriate actions to increase their competitiveness and simplify regulatory procedures.

Partners

The project was conducted at the request and with the financial participation of the following entities: the Ministry of Economic Development of the Russian Federation; 26 Russian regions; one Russian municipality; and the European Union as represented by the European Commission. Local partners included the National Research University – Higher School of Economics and the Institute for Urban Economics.

Moving Forward

The regions' performance ratings in the defined four business regulation areas provide an excellent platform for dialogue between the public and private sectors in the investment climate area. Based on the RAS results, which also helped to promote dialogue with the federal government, the Ministry of Economic Development and the World Bank signed two additional RAS agreements with the objective of improving investment climate reform in Russia.

Beneficiaries

This project provided a strategic policy tool for the federal, regional, and municipal governments as well as the private sector in the Russian Federation to foster a better business environment. In addition to being a benchmarking or monitoring tool, *Doing Business* has also become a reform policy tool, helping client governments eliminate administrative barriers to investment at the federal and subnational levels in Russia and creating reform competition between regional administrations. The private sector in turn reaped the benefits of the reforms aimed at simplifying business regulatory procedures.

Improving Higher Education: Transforming the Higher School of Economics into an Internationally Recognized Research University

Synopsis

This collaboration between the World Bank and the Higher School of Economics (HSE) has helped to: 1) establish an International Advisory Committee to promote international connections and cooperation in university development; 2) launch comprehensive quality assurance procedures for undergraduate and postgraduate programs, including independent external reviews; 3) increase joint research with international partners; and 4) expand collaboration with international academic partners.

Challenge

This is the second Reimbursable Advisory Service (RAS) engagement between the Bank and the HSE. The first RAS (2008–11) assisted the HSE in developing an institutional strategy. University management subsequently choose an ambitious strategy for the school, presenting a serious challenge and resulting in a request for a second RAS. The current engagement (2012–14) provides advisory support and technical assistance to implement this strategy. Key challenges to be addressed include: 1) the transformation of the HSE from a primarily teaching university to a research university, raising the quality of research by expanding joint studies with international partners; 2) the establishment of institutional procedures and mechanisms of quality assurance to make education programs internationally competitive; and 3) the expansion of the network of start-up and spin-off companies generated by the university. To date, more than 50 start-up companies have been created and are in development.

Solution

To address the challenges facing the HSE, the RAS aimed primarily to utilize international expertise and experience in the area of university development. The technical assistance has involved sharing best international practices, including by attracting international experts and advisors to the university to improve its research capacity. With the Bank's support, the HSE updated its strategic development program in 2013 and received a special grant, provided by the Ministry of Education and Science, through a competition set up by the universities development program. The Bank also helped to establish an internal quality assurance system for academic programs and to raise the quality and standards of HSE research through joint studies with international academics and Bank representatives.

Results

The RAS helped to achieve improvements in several areas:

- In July 2013, the HSE won a national competition and was included in a list of 15 Russian universities that are expected to raise their position in international rankings. The special program designed for the HSE to participate in this competition was prepared with support under the RAS.
- During 2011–14, the HSE significantly increased its international activities. It launched a new joint MA program, arranged visits from distinguished professors from foreign universities, organized study tours to learn best international practices, joined international professional and academic associations, and established institutional partnerships with various universities.
- A culture of international evaluation has been introduced as a regular practice at the university, and international reviews have become a routine practice. A good example of these activities are the regular reviews of educational programs and management practices.
- Capacity for strategic planning and development has increased.
- The HSE has created a number of international research labs, led by renowned international experts, and launched a number of international research projects with foreign universities.

Partners

One of the main objectives of this RAS program was to establish connections between the HSE and international organizations and universities. During RAS implementation, the HSE became a partner of the European University Association (EUA) and the Institutional Management in Higher Education (IMHE), and established partnerships with more than 10 foreign universities, all of which have helped the HSE to implement its strategy. The Bank also supported the development of an online platform for a future Association of Young Universities—hosted at the HSE—that will be used to create different kinds of partnerships with universities all over the world.

Moving Forward

This RAS was formally extended to January 2015. There is a potential for a follow-up RAS program with the HSE to support further implementation of the international competitiveness program. Such engagements would include identifying and targeting academic partners, expanding options for the foreign exchange of staff and students, and promoting broader participation in international research engagements.

Beneficiaries

The faculty, researchers, and students of the HSE have all directly benefited from this engagement.

June 2014

Russian Federation

Global Information and Communications Technology

Leveraging Open Government Data for Transparency and Job Creation

Synopsis

The client opened its government data as part of a World Bank–implemented Open Data Readiness Assessment (ODRA) and an Action Plan, which outlined a set of recommended policies on open data until end-2014. Assessment findings were discussed and analyzed at a seminar of leading international experts and government peers from 16 Russian regions and Kazakhstan in 2013. A concept note for the Open Data Center of Excellence was prepared to strengthen client capacity.

Challenge

Open government is increasingly perceived as a new paradigm for information and communications technology (ICT)-enabled government transformation, as it offers a number of instruments for improved governance. As an early adopter of open government, Ulyanovsk Oblast (region) wanted to leverage open data to allow for a smarter use of government resources while yielding significant benefits to a wide range of stakeholders. Ulyanovsk was keen to become Russia's first region to launch an Open Data Initiative and thus wanted to measure its readiness along several dimensions, including leadership, policy and legal framework, institutional preparedness, supply and demand of government data, data user communities, financing, technology, and skills infrastructure. Although a substantial amount of data was traditionally available for public use, it was never freely published in an accessible manner allowing for easy reuse. In addition, many agencies were not aware of the importance of open government and blocked outside access to their data.

Solution

The Reimbursable Advisory Service (RAS) was designed in November 2012 to help Ulyanovsk Oblast launch its Open Data Initiative in a comprehensive, strategic, and sustainable fashion by focusing on the key dimensions that needed to be addressed in its specific context. The team of leading international experts was tasked with conducting an ODRA, a newly developed diagnostic tool that assesses the key enablers of the growth of an open data supply and usage and allows for their benchmarking against the best open data performers. The assessment findings served as a basis for the design of an Action Plan for the Open Data Initiative and identified a series of datasets that are of particular relevance to the private sector and civil society. The findings were presented at the international "Open Region" seminar in Ulyanovsk in April 2013, attended by government representatives from 16 regions of Russia and Kazakhstan.

Results

During the period from January to June 2013, the following key results were achieved:

- The ODRA laid out a concrete two-year roadmap for the development of a sustainable open data ecosystem to drive government transparency and evidence-based decision making, improve public sector service delivery, increase economic opportunities, and foster citizen engagement in governance.
- This helped catalyze a number of policy decisions and operational and technology innovations in Ulyanovsk Oblast and 16 other Russian regions that participated in the Bank's April 2013 seminar, organized to present the findings of Ulyanovsk's ODRA and launch the Open Data Initiative. The seminar helped raise awareness of international best practices on open government and open data among relevant stakeholders and increase their understanding of the roadmap for open government data implementation.
- In April 2013, Ulyanovsk officially launched its Open Data Initiative following the ODRA roadmap, and the Oblast has achieved positive results in open data implementation since then. For example, it has launched an open data portal, which now has over 200 datasets and a regional open data barometer, and also created a regional ranking of government websites.

Partners

The Government of Ulyanovsk Oblast was the main partner for this project. In addition, the World Bank leveraged its knowledge network to invite experts from the United Kingdom and international and Russian nongovernmental organizations (NGOs), such as the Open Knowledge Foundation, the Information Culture Foundation, the Foundation for Freedom and Information, the Institute of the Information Society, and others, as well as representatives of 16 other Russian regions and the Republic of Kazakhstan, to participate in the launch of the Open Data Initiative, which raised the profile of the region and enabled knowledge sharing.

Moving Forward

Shortly after February–March 2013, when the ODRA was completed and the Action Plan produced, Ulyanovsk Oblast launched its open data portal and became one of the trailblazers in open data on a regional level, which was acknowledged by the federal government and independent experts. Following this successful pilot in Ulyanovsk and bearing in mind the first lessons learned, ODRAs have since been replicated in many other countries (Rwanda, Tanzania, Antigua and Barbuda, Burkina Faso, Peru, and Ethiopia, to name a few).

Beneficiaries

"Open data is a mechanism that can 'bring to life' information owned by the Government, as well as simplify citizens' lives, facilitate policy making, and make the budget process more transparent."

— Svetlana Openysheva, Deputy Governor and Chief of Staff of the Governor and the Government of Ulyanovsk Oblast

Russian Federation

Global Information and Communications Technology

Knowledge Exchange and Capacity Building for Russian e-Government Leaders

Synopsis

The World Bank-Russia information and communications technology (ICT) team delivered a high-level Russia ICT Day Forum and e-Government Leadership Training Program on a just-in-time basis, and prepared an analytical report with recommendations on improving Russia's international ICT rankings under this Reimbursable Advisory Service (RAS) agreement (October–December 2013) with the Ministry of Communications and Mass Media of Russia.

Challenge

The scale and extent of ICT development in Russia is considerable but not well known outside the country. Russia has 76 million Internet users and an e-commerce turnover of US$13 billion a year. The country's e-government performance has already reached the European Union average, despite the challenges of a large population and vast geography. Moreover, its ICT industry boasts world-leading brands, fueled by over 60,000 graduates in science, technology, engineering, and mathematics annually. To raise international awareness of this progress and the future potential of the Russian digital economy and e-government, the Ministry of Communications and Mass Media asked the Bank to organize a knowledge exchange as well as capacity building in digital government and open data for federal and regional government IT leaders, and to prepare a report with recommendations on measures to improve Russia's position in international ICT-related ratings. This was a high-risk venture due to the enormous time pressure and the very high level of the delegation.

Solution

The World Bank's ICT unit organized and delivered, on a just-in-time basis, a high-level Russia ICT Day Forum and e-Government Leadership Training Program in less than one month upon signing the RAS agreement. The Russia ICT Day Forum took place in November 2013 and raised awareness among the international expert community of the significant progress of the ICT industry as well as policies for industry and e-government development in Russia at the federal and regional levels. In addition, the team prepared an analytical report on improving Russia's position in international ICT rankings.

Results

- The forum on November 14, 2013, had a turnout of close to 200 participants, including over 40 Russian delegates, as well as 228 live online viewers from all over the world.

- The e-Government Leadership Training Program featured 22 lectures and presentations by leading e-government experts and U.S. Government officials and practitioners, including site visits (Fairfax County Government Center, United Nations [UN], World Economic Forum [WEF], IBM Institute for Electronic Governance) and special events.

- The Russia ICT Day Forum raised awareness of the development of ICT industry and policy in Russia at the federal and regional levels within the international expert community, who participated at this event in Washington, DC, and in other countries via video broadcast online.

- The forum allowed the Russian participants to learn from the cutting-edge experience of other countries on the implementation of successful ICT projects as well as to obtain practical recommendations for information society development in Russia.

- The team organized a series of consultations for the high-level Russian delegation with experts from the World Bank, UN, and WEF in November 2013, and in less than two months produced an analytical report on improving Russia's position in international ICT rankings, incorporating comments by a number of leading international experts.

Partners
To carry out such a challenging project in less than three weeks, it was essential to mobilize many partners and a large amount of internal and external in-kind resources. To train Russian e-government officials, the team partnered with colleagues from the World Bank, the U.S. Government Services Administration, the office of the Chief Technology Officer of the United States, the UN, and other private and public sector agencies. The WEF hosted training from the New York State Office of Information Technology Services, and the UN Department of Economic and Social Affairs hosted training by the Governance Lab at New York University.

Moving Forward
The project opened doors for negotiations about future collaboration with the Ministry of Communications and Mass Media and other government agencies in Russia in the areas of e-government, open data, rural broadband, and smart transformation. It will serve as an important case study that can be used to demonstrate the World Bank's unique convening power and other capabilities in carrying out challenging and time-sensitive projects.

Beneficiaries
Direct beneficiaries included roughly 45 Russian government officials from federal and regional agencies as well as the international participants of the Russia ICT Day Forum (over 350).

Slovenia

Financial Management

Financial Reporting Technical Assistance Program

Synopsis

The Slovenia Financial Reporting Technical Assistance Program (FRTAP) (October 2008–June 2014) supports a sustainable regulatory and institutional framework that implements, monitors, and enforces the European Union (EU) *acquis communautaire* in corporate financial reporting. FRTAP is a Reimbursable Advisory Service (RAS) managed by the Centre for Financial Reporting Reform (CFRR) in Vienna and funded by the Swiss Government's contribution to the enlarged EU.

Challenge

The 2008 financial crisis brought a series of aftershocks to the system of financial regulation and oversight as well as significant criticism of the financial reporting world regarding the use and relevance of the audit report. Post-crisis, the G20 group of nations underscored the importance of international standards and the robustness of the audit report by insisting on the need to harmonize the major economies' financial reporting systems to prevent a crisis of similar proportions. An effective system of financial reporting is a key element of the information infrastructure and transparency necessary to support investment and lending activities. This provides an essential foundation for private sector development and thus plays an important role in improving competitiveness and supporting sustained economic growth. Corporate financial reporting is also a central part of the EU *acquis communautaire* for a well-functioning common internal market.

Solution

This program provides technical assistance and capacity-development support to financial reporting and audit regulatory institutions in Slovenia. The support is focused on (a) legal reforms, (b) institutional development, and (c) the dissemination of good practices, helping to maintain a stable financial system and attract foreign investment to provide the long-term capital necessary for employment-generating activities.

To achieve the objective, the program is working in the following priority areas:

- Improving the institutional capacity to design and implement a rigorous system of public oversight and quality assurance that promotes the delivery of high-quality audits
- Improving the institutional capacity to implement effectively International Standards on Auditing (ISA)
- Improving the transparency of statutory auditors by supporting the design, development, and implementation of a public register of auditors
- Enhancing the capacity of regulators in International Financial Reporting Standards (IFRS)

Results

During the period 2008–14, the program contributed to implementation of the *acquis communautaire* as it relates to financial reporting, namely:

1. Implementation of public oversight and quality assurance systems:

- Designing the Agency for Public Oversight of Auditing (APOA), which started operations in 2009;

- Translating the revised ISA and improving audit methodologies through an audit software system (in 2010–11 and follow-up in 2014);
- Improving technical capacity through regional activities in audit oversight and quality assurance, and creating and steering a regional community of practice of audit oversight bodies and professional accountancy organizations;
- Providing business English language training (2013–14);
- Supporting APOA in relation to its membership in the International Forum of Independent Audit Regulators (IFIAR).

2. Implementation of a public register for statutory auditors and audit firms:

- Developing specification and functionalities for the register.

3. Implementation of IFRS:

- Business English language training (2013–14);
- Executive IFRS seminar for financial regulators in June 2013 in partnership with the International Accounting Standards Board (IASB);
- *Accounting and Auditing Report on the Observance of Standards and Codes* (A&A ROSC) to measure overall country progress in corporate financial reporting reforms (to be finalized in June 2014).

Partners

This program is supported by a CHF 1.5 million RAS agreement between Slovenia and the World Bank (through its CFRR) funded by a grant from Switzerland through its contribution to the enlarged EU. The key development partner is the Swiss Secretariat for Economic Affairs (SECO).

Key program partners in Slovenia: Ministry of Finance, APOA, Slovenian Institute of Auditors (SIA), Bank of Slovenia, and the insurance and securities regulators.

CFRR works closely with a range of external partners: the European Commission, international standard setters (IASB, International Auditing and Assurance Standards Board [IAASB], International Federation of Accountants [IFAC]), and other EU and member states institutions.

Moving Forward

FRTAP continues until June 2014. A possible extension is under consideration and would allow CFRR to go on providing technical assistance to enhance financial reporting and auditing capacity in Slovenia. The next phase of the program will include the following activities:

- ROSC Accounting and Auditing report
- Technical assistance to financial sector regulators in strengthening their capacity to enforce financial reporting by regulated entities
- Regional activities in the area of IFRS for financial sector and audit oversight and quality assurance, jointly with other FRTAP countries (Poland, Latvia, and Czech Republic)
- Analysis of domestic and international regulations in selected areas to support the Finance Ministry in adopting recently changed EU Accounting and Audit Directives

Beneficiaries

Program beneficiaries include individual accountants, auditors, officials, regulators, academics, and institutions, including SIA, APOA, Bank of Slovenia, the Insurance Supervision Agency (AZN), and the Securities Market Agency (ATVP). Working with these institutions, the program reaches a wide range of stakeholders that are involved in the preparation, audit, and use of financial information, including auditors and audit firms, small and medium-sized companies, large corporations, and financial institutions. Slovenian beneficiaries provided a significant in-kind contribution (training facilities, logistical and organizational support, professional staff) to support FRTAP activities, and will be responsible for carrying forward, on a sustainable basis, many of the program initiatives.