



## 1. Project Data

**Project ID**  
P104749

**Project Name**  
JUSTICE SECTOR SUPPORT PROJECT

**Country**  
Croatia

**Practice Area(Lead)**  
Governance

**L/C/TF Number(s)**  
IBRD-78880

**Closing Date (Original)**  
30-Jun-2015

**Total Project Cost (USD)**  
38,980,000.00

**Bank Approval Date**  
06-Apr-2010

**Closing Date (Actual)**  
30-Jun-2016

	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	36,300,000.00	0.00
Revised Commitment	23,319,469.49	0.00
Actual	21,399,747.59	0.00

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## 2. Project Objectives and Components

### a. Objectives

The Project Development Objective is to improve the efficiency of the Borrower's justice system (Loan Agreement, Schedule 1, p.5). This is materially identical to the objective stated in the Project Appraisal Document (PAD, p. 3).

**b. Were the project objectives/key associated outcome targets revised during implementation?**  
No



**c. Will a split evaluation be undertaken?**

No

**d. Components**

The project consisted of three components:

**A. Improving the Efficiency of the Court System** (appraisal: EUR 14.68 million; at restructuring: EUR 4 million; actual: EUR 4.00 million)

This component supported the following activities: (i) Rehabilitation and renovation of three courthouses, including provision of access for persons with disabilities; (ii) Court resource management capacity building; (iii) Modernization of operational information technology (IT) systems for decision-making and performance in courts; (iv) Refinement of case management standards, guidelines, processes, and practices; and (v) Improving the efficiency and enforcement of judicial decisions.

**B. Improving the Efficiency of the State Attorney's Office (SAO)** (appraisal: EUR 7.73 million; at restructuring: 9.00 million; actual: EUR 9.00 million)

This component supported the following activities: (i) Rehabilitation of SAO and Office for the Suppression of Corruption and Organized Crime facilities; (ii) Institutional capacity strengthening for the SAO; and (iii) Case management and IT systems including automating case management and tracking;

At restructuring, three sub-components were added: (i) Upgrading the case tracking system (CTS); (ii) Enhancing CTS operational efficiency and automatization; and (iii) Preparing, enabling, and facilitating national roll out of the upgraded CTS.

**C. Strengthening Management Functions of the Ministry of Justice (MOJ)** (appraisal: EUR 1.58 million; at restructuring: EUR 3.2 million; actual: EUR 3.2 million)

This component supported the following activities: (i) Strengthening justice sector resource management and performance management capacity; (ii) Strengthening MOJ information systems and use in management decision making.

At restructuring, support to an inmate information system was cancelled, and activities to support court enforcement were modified at restructuring, with the following activities added:

(i). Analysis of the court and prosecution network and recommendations; (ii). An infrastructure stock taking; (iii). Development of justice sector performance indicators and (iv.) Activities related to reforms of personal bankruptcy (added at second restructuring).

**D. Support for Project Management and Implementation** (appraised EUR 1.2 million; at restructuring: EUR 8.00; actual EUR 0.80 million)

This component supported the following activities (i) Project monitoring and evaluation (M&E) and



change management and outreach; (ii) Operating costs; and (iii) User surveys and the Preparation Advance.

Funding to this component was cut after restructuring, resulting in the reduction of Project Implementation Unit (PIU) staff, with no changes in activities.

#### **e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

*Project Cost.* The project was financed by a loan from the International Bank for Reconstruction and Development (IBRD). The estimated cost at appraisal was US\$36.3 million (EUR 26.0 million), and the actual cost was US\$21.41 (EUR 17.0 million). During the 2013 restructuring, the Borrower requested the cancellation of EUR 9.0 million of the original loan. The cancelled amount reflected the cancellation of civil works originally planned under Component A, due to a number of factors including architectural design issues which led to implementation delays, changes in Government administration, shifting priorities, and budget ceilings imposed as a result of the global financial crisis.

*Financing and Borrower Contribution.* At appraisal, IBRD financing was estimated at US\$36.3 million (EUR 26.0 million), and the actual IBRD financing was US\$21.41 (EUR 17.0 million). At appraisal, Borrower financing was estimated at EUR 1.91 million, and the actual Borrower financing was EUR 1.00 million; EUR 0.9 million of that contribution was cancelled at restructuring.

The Ministries of Foreign Affairs of the Kingdom of the Netherlands and the Kingdom of Norway were Partners to the Project, providing financing for preparation activities, the justice sector public expenditure and institutional review, and exploratory work on public-private partnerships for the proposed development of the Zagreb Judicial Square (Netherlands, EUR 1.00 million), and for the designs of the proposed Zagreb Judicial Square (Norway, unspecified amount).

*Dates.* The Project was approved by the Board on April 6, 2010 and became effective on July 6, 2010. There were two restructurings, on December 22, 2013 and May 30, 2015. The first restructuring in 2013 involved the cancellation of the civil works for component A. The second restructuring enabled the Project to support the Government's personal bankruptcy reform agenda and extended case management and information and communication technology (ICT) rollouts that supported the new court network. No midterm review was conducted. The Project was expected to close on June 30, 2015 but was extended by one year to June 30, 2016.

### **3. Relevance of Objectives & Design**

#### **a. Relevance of Objectives**

At appraisal, the objective was aligned with the Bank's and Borrower's development priorities. The World



Bank Group's Country Partnership Strategy (CPS, FY09-12) cited Croatia's accession into the European Union (EU) as the country's foremost priority and identified reform of the judiciary and public administration as critical to the country's EU accession agenda. The CPS supported this objective through Pillar 2 (Strengthening Private Sector-Led Growth and Accelerating EU Convergence), citing activities incorporated into the Project, and included the objectives of enhancing public sector governance and improving the investment climate. The Government of Croatia's development priorities were correspondingly focused on advancing EU accession, which included legal and institutional changes required by the accession process.

The Project objective responded directly to recommendations made in the 2009 European Commission Progress Report (p. 52), which identified specific efficiency gaps in the justice sector. The Project further addressed benchmarking gaps on efficiency for Croatia relative to other European countries, which was important for improving the investment climate. It focused on efficiency issues where the Bank is said to enjoy a comparative advantage, and where improvements would also improve the overall integrity of the judicial system. The Project also followed two prior Bank operations in the justice sector related to bankruptcy and real property.

At closing, the PDO remained relevant to the WBG's CPS (FY 14-17), which noted the importance of further reducing the backlog of court cases for creating a business-friendly environment, in support of the Pillar on competitiveness of the current CPS period. □ After changes in Government administration along with fiscal pressures in the wake of the financial crisis, shifting Borrower priorities were evident. The ICR states that "the client's priorities had changed and interest had waned" after restructuring, resulting in dropped project components, significant reduction of the loan, and the introduction of new project activities, but there was no change in the PDO (ICR p. 4-5; Annex 2, p. 28).

## **Rating**

Substantial

### **b. Relevance of Design**

The PDO was clearly stated and broadly aligned with the Project's components and outputs, with activities that strengthened the efficiency of the justice sector, including some areas where large implementation gaps are evident in transition countries (skills, physical facilities, and information systems). However, while there was broad alignment between the PDO and Project components, some activities were cancelled at restructuring, and other activities were added that were not clearly linked to the original objective or designed with appropriate outputs and indicators.

□

The results framework identified several areas for improving efficiency such as reducing processing times and backlogs and developing resource management plans. The intermediate outcomes reflecting increased speed and throughput of cases were well-linked to the efficiency objective, though the associated indicators might have taken into account the potential effects of exogenous factors such as fluctuations in case volume. The civil works, resource management, and change management activities could have been linked in a causal



chain to the desired efficiency outcomes. □ An explanation of the targeted increases in IT system uptake as an indicator of improvements made to IT system functioning would be helpful. As stated in the ICR (p. 7), training and change management could have been better designed and more front-loaded to better address resistance of judges and other stakeholders; the focus on civil works may have detracted from pursuing those needed initiatives, as well as from timely analysis and stock-taking activities for the sector.

□

As pointed out in the summary of the Borrower's ICR (ICR, Annex 7) it was sometimes difficult to precisely attribute specific results to project support especially in a complex institutional environment such as this, with an ICT operation that profoundly affected the way the sector works. The results framework was revised during the 2013 restructuring to address this.

□

The choice of lending instrument was well reasoned and explained clearly in the PAD and ICR, which cited the advantages over both a larger investment operation and a policy-based lending program. In addition, there was specific consideration given to risks, additionality, and other comparative advantages offered by the Bank.

**Rating**  
Modest

#### 4. Achievement of Objectives (Efficacy)

##### **Objective 1**

##### **Objective**

To improve the efficiency of the Borrower's justice system

##### **Rationale**

The results framework in the PAD (Annex 3) lists three key dimensions of the objective: reduced case backlogs and disposal ratios in project financed courts and SAO offices; reduced processing times in project financed courts; and improved user ratings. While these dimensions do not reflect justice sector efficiency comprehensively, the rationale for pursuing a narrow set of efficiency objectives was appropriate to the country context. This review will assess achievement of outputs and outcomes in each of these dimensions.

##### **Reduced case backlogs and disposal ratios in project financed courts and SAO offices**

##### *Outputs:*

- Municipal court facilities in Pula were rehabilitated and renovated. The target was rehabilitation and renovation of three courthouses in Split, Karlovac, and Pula, but the two civil works in Split and Karlovac were cancelled during the first restructuring in 2013.
- A new integrated case management system (ICMS) was piloted and implemented



- Resource development plans developed in thirty municipal and county courts. The target of thirty courts (set at the 2013 restructuring) was achieved. Consolidated and modernized SAO facilities in Zagreb and Pula with some delays.
- Institutional capacity strengthening activities related to management and investigative procedures including study tours, workshops, and conferences
- Upgraded and updated operational information systems. A CTS was introduced, with planned SAO-led trainings and workshops in Zagreb and regional centers.

*Outcomes:*

- Court case backlogs were reduced by 20.3%, from the baseline of 437,892 to 349,051, achieving the 15% reduction target. The clearance rate increased by 16% from 96.39 to 112.16, achieving the 15% increase target. Disposition time was reduced by 15% from 280.18 to 238.13 days, achieving the 15% reduction target.
- Users of the ICMS increased from 4,100 in 2010 to 6,264 in 2016, exceeding the 30% increase target; registered transactions increased from 18,500 to 74,560, exceeding the 20% increase target; and cases registered increased from 467,000 to 6,062,259 in the same period, exceeding the 10% increase target.
- MOJ established the ICMS Helpdesk, which improved implementation of ICMS in the courts and SAOs

**Reduced processing times in project financed courts**

*Outcomes*

- At appraisal, indicators measured processing time at three stages: service of notice to parties, time between first and final hearings, and testimony of expert witnesses. At the 2013 restructuring, the indicator was simplified to measure overall case processing time. Processing times were reduced by 9.8% from 838 days to 756 days, nearly achieving the 10% reduction target.
- Another positive measure of case processing is the Doing Business survey, which ranks Croatia highly: 7 out of 185 countries in 2016. The ranking is driven by the allowance for random assignment of cases, separate small claims procedures, availability of alternative dispute resolution, and low cost for court fees.

**Improved user ratings**

*Outcome*



- User ratings for efficiency declined by 3% from 3.5 to 3.4, not achieving the 10% improvement target. However, the survey measured views of the general public, 85% of whom had no interaction with the justice system. The ICR reports that the private sector is supportive of the ongoing reforms, including improved case management and processing supported by the project.

The main achievements of the project are evident in improvements in case tracking, disposal, and processing as a result of the civil works, IT improvements, and capacity development activities supported by the project. Case backlogs were reduced and case disposal ratios improved in project-financed courts and prosecution offices; processing times were reduced in project-financed courts; and usage of the ICMS and CTS increased in the courts and prosecution offices, respectively. While the survey used to measure user ratings of efficiency did not show improvement, private sector users of the system have been supportive of the improvements. These achievements were substantial overall and can be attributed to project interventions, which were tracked with indicators of relevant improvements in the project-supported institutions and reflected reasoned baselines and targets. The indicators utilized, however, are imperfect measures of efficiency (see Section 10.a) and did not adequately capture important outcomes related the support to MOJ.

**Rating**  
Substantial

## 5. Efficiency

The net economic benefit of the Project is estimated at EUR 6.22 million (IRR 18 percent), which is lower than the EUR 23.0 million (IRR 189 percent) projected in the PAD, which the ICR attributes to differences in the assumptions on costs and benefits in the economic analyses conducted ex ante and ex post. These assumptions could not be verified for this review. The net financial benefit of the Project discounted over a fourteen-year period is estimated at EUR 31.36 (IRR 43 percent), which would justify the project intervention, but again this could not be verified by IEG. The ICR points out that the financial analysis only covers quantifiable aspects, and omits qualitative benefits such as improved prestige of judiciary, improvement of morale among judges, case processing efficiency, maintenance and energy efficiency, the impact of the buildings on the surrounding districts, and access to vulnerable groups such as the disabled.

Information from the ICR indicates that there were some operational inefficiencies. The Project experienced implementation delays and modification of activities after the first restructuring, including cancellation of civil works and ICT upgrades and other activities supporting the MOJ for which procurement was initiated eventually dropped. The project team informed IEG that the civil works were all completed within the project period and within the budget, often coming in slightly under budget. Project overheads were not high, and project management costs and PIU staffing were reduced further during restructuring. For the three civil works activities that were dropped, the largest was dropped intentionally so that it could be picked by another





donor using grant finance, which was an efficient and prudent move by the borrower. For the small TA activities that were started and then dropped (about 4% of total project amount), each of these reached only to the terms of reference stage; procurements were not initiated.

On balance, given the lack of methodological detail of the calculations, efficiency is rated modest.

## Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	189.00	100.00 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	18.00	100.00 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

The relevance of the Project objective was substantial, aligning with CPS strategies at inception and closing to support for Croatia's EC accession agenda and private sector development by improving the efficiency of the country's justice system. The objective is relevant to the Government's commitment to judicial efficiency. The project supported achievements in case tracking, disposal, and processing, which were not enough to affect overall user ratings, but are, according to the ICR, welcome by private sector users; efficacy is rated substantial. Efficiency is modest due to IEG's inability to validate the results of economic and financial analysis, and reported operational inefficiencies.

### a. Outcome Rating

Moderately Satisfactory

## 7. Rationale for Risk to Development Outcome Rating

The civil works completed for this Project are being utilized, and MOJ has allocated budgetary resources for the maintenance of court facilities. The ICT systems supported by the Project are in place, with ICMS and CTS MOJ and SAO have plans to continue upgrades to ICMS and additional budget allocations for training of attorneys and staff. According to the ICR (p. 16), MOJ plans to support upgrading of the ICMS. The project





team told IEG that the government has requested additional financing, a follow-up project and reimbursable advisory services, all focused on pushing the next phase of reform to judicial efficiency

□

The ICR noted that, with the EU accession process completed, there is generally an absence of adequate incentives to maintain a program of reform, and this poses some risk to the sustainability of the Project outcomes going forward.

#### **a. Risk to Development Outcome Rating**

Modest

### **8. Assessment of Bank Performance**

#### **a. Quality-at-Entry**

The Project utilized a Project Preparation Advance that supported capacity building of the PIU, and a number of preparatory activities undertaken prior to effectiveness, including a detailed procurement plan and several procurement packages. This enabled quick initial disbursements after effectiveness that exceeded initial estimates for the first two years of operation. The project preparation period was lengthy, spanning three years, though this was partly due to government changes outside of project control. While there was little analytical work undertaken by the Bank, and no Quality Enhancement Review, the project team informed IEG that the intense activity related to the EU accession process helped to underpin the Project. Project preparation was initially led by the Bank's Legal Practice, but was subsequently remapped to the Public Sector Management group. The Project team made a strong effort to include SAO participation in the Project, which was seen as vital to supporting improvements to the sector.

#### **Quality-at-Entry Rating**

Moderately Satisfactory

#### **b. Quality of supervision**

The Project team devoted adequate staff to address various supervision issues, with a Zagreb-based Senior Economist and a fiduciary and safeguards team that included a Zagreb-based environmental specialist.

□

The Project encountered shifts in the Government's priorities that led to changes in Project design at restructuring. A midterm review was not conducted, which, as the ICR reported, was a missed opportunity to inform the 2013 restructuring and renew commitment to the project. The justice sector public expenditure and institutional review that the PAD considered a critical input to activities related to rationalization of the court network was completed too late to be useful for this purpose, and there was a lack of interest by MOJ in the proposed medium-term expenditure framework.

□

The Project team adapted to the new, and likely unanticipated, priorities that were introduced during



implementation and restructuring. The shifts in activities and priorities through the implementation period, however, curtailed the impact of a more consistent program of reform, particularly in the rationalization of the court network, anticorruption reforms, and change management originally designed into the Project. The results framework was not modified to incorporate the personal bankruptcy reform agenda added at the second restructuring.

The project team told IEG that government requested a comprehensive quality management system to the standard of ISO 9,000 as part of their reimbursable advisory services request in 2016. However, the project team had already been engaged in improving quality of case processing. The introduction of an ICMS brought inherent quality improvements such as random case assignment, integrity in processing, and transparency.

Delays in the Bank's preparation of the justice sector public expenditure and institutional review were an obstacle to better utilization of data for decision making and resource allocation (ICR, p. 17). The project team told IEG that the delay meant that the MOJ had to use other data, including via their own ICMS.

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. Assessment of Borrower Performance**

### **a. Government Performance**

The Project preparation was delayed due to lack of leadership from the Borrower side and a change in Government, and shifts in priorities led to changes in Project focus and activities after restructurings. Overall, the Government's commitment to some activities and costs wavered over the life of the Project, with requests to drop project components, significantly reduce the loan, and introduce new project activities (ICR p. 4-5; Annex 2, p. 28, Annex 7, 42.). The ICR further reports "reform fatigue" among justice sector stakeholders (p. 4).

The Project activities that were implemented proceeded without major issues from the Borrower side. The Government's support to the ICT components in particular resulted in successful adoption in the beneficiary agencies, which is likely to be sustained. Shifts in agency leadership and Government priorities and uneven commitment to M&E led to mixed or inconclusive results in other areas addressed through the Project, such as change management, infrastructure and resource allocation analysis, and other areas of reform.

### **Government Performance Rating**

Moderately Satisfactory

### **b. Implementing Agency Performance**

Changes in the Government appeared to be a contributing factor to uneven MOJ ownership and



commitment to the Project, as well as changes in priorities that led to modifications in Project activities and areas of focus. The Project spanned several election cycles and changes in Ministers of Justice, PIU Directors, and Heads of Sector for ICT. There was more continuity in PIU staffing but a reported disconnect with the MOJ and infrequent steering committee meetings.

□

Implementing agencies remained committed to the ICT reforms, which required the introduction of complex technical processes, organizational change, and a national rollout. ICMS and CTS were implemented in both MOJ and SAO.

### **Implementing Agency Performance Rating**

Moderately Satisfactory

### **Overall Borrower Performance Rating**

Moderately Satisfactory

## **10. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The Project introduced a results framework and plan for monitoring generally suited to the project development objective and captured various dimensions of justice sector efficiency in its outcome indicators, but it missed opportunities to formulate and utilize more precise measures of the intended outcomes. As the ICR indicates, the PDO indicators reflected absolute or unit measures such as case duration in days, numbers of backlogged cases, and clearance rates, rather than indicators reflecting improved productivity or other timeliness gains per unit, such as the average number of resolved cases per judge per year. The Project relied on indicators drawn from national plans and monitoring data already being collected, some of which are also susceptible to attribution issues. An additional shortcoming is the user survey, which should have measured the views of users of the judicial system, rather than the views of the general public.

### **b. M&E Implementation**

The Project utilized existing data for baselines and conducted regular data collection, which was aided in large part by the ICT activities introduced by the Project. User surveys were conducted but results were not reported separately in the ICR for the different agencies supported by the Project. Reports were planned and executed on a timely basis. M&E appeared to reflect good ownership by the stakeholders.

### **c. M&E Utilization**

M&E data were not used to shape project management or subsequent interventions. Large variations in data on progress indicators did not occur.



## M&E Quality Rating

Modest

## 11. Other Issues

### a. Safeguards

This was a Category B project, triggering an Environmental Assessment (OP/BP 4.01). Environment Management Plans were prepared and publicly disclosed. Cultural Property (OPN 11.03/OP 4.11) was triggered due to civil works in historical urban areas subject to potential chance finds. Disclosure Policy (OP 17.50) was also triggered. No significant deviations or waivers from the Bank safeguards procedures occurred. There was some non-compliance with Environmental Management Plan measures and monitoring, including omission of construction of a grease and oil separator for the parking space; the ICR did not specify how this was addressed. No other environmental impacts were reported.

### b. Fiduciary Compliance

Financial management (FM) was adequately maintained throughout the project. Anticorruption mitigation measures were implemented and monitored. FM reports were delivered on time and deemed satisfactory by the Bank. Bank procurement procedures were utilized and PIU management of procurements was rated satisfactory throughout implementation.

### c. Unintended impacts (Positive or Negative)

According to the ICR, the court complex in Pula was constructed on a derelict site that had attracted delinquents and criminal activity. After construction, the safety and character of the neighborhood improved due to lighting and building security.

### d. Other

The civil works included plans, codified in the Legal Agreement, for access for persons with disabilities in the renovated and newly constructed facilities.

## 12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
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Outcome	Satisfactory	Moderately Satisfactory	Modest efficiency
Risk to Development Outcome	Substantial	Modest	No disagreement - in the full ICR report, the same rating ("Moderate") is recorded
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Modest	---

### Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 13. Lessons

IEG draws the following lessons, adapted from those in the ICR:

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- □ Operations with narrow objectives focused on capacity-building and judicial operational efficiency (through support for skills development, physical facilities, and information systems) are better suited to the judicial sector than reform-leading instruments emphasizing structural independence, particularly in transition countries.
- □ Successful implementation of an □ integrated case management system can make a significant contribution to □ legal sector efficiency, particularly in transition countries.
- "Soft investments" in areas such as change management activities are important and often vital to the success of "hard investments" often preferred by the Borrowers.
- □ Midterm Reviews are a vital opportunity to properly restructure a project, renew political commitment, and focus on critical change management activities.

## 14. Assessment Recommended?

Yes

Please explain

Further assessment of the integrated case management system introduced by this Project can shed light on this example of an IT intervention in the sector, as well as on what can work in a challenging IT context generally.



## **15. Comments on Quality of ICR**

The ICR presents needed information clearly and in the proper sections. Information could have been organized more consistently across the components, PDO indicators, and intermediate results, which would have allowed for a clearer understanding of the single but multifaceted PDO, such as the relative success in achieving objectives in the courts compared to the SAO and MOJ, or a more nuanced explanation of performance and other productivity gains not captured by the M&E framework utilized by the Project. It was not clear from the ICR whether several of the activities planned for the Project, and described in the Borrower's completion report, were carried out. The ICR is candid about shortcomings and opportunities missed, and is especially thoughtful in articulating areas where improvements could be made for operations of this kind.

### **a. Quality of ICR Rating**

Modest