

**Serbia****First Programmatic State Owned Enterprises Reform Development Policy Loan****Chair Summary\*****March 24, 2015**

Executive Directors approved an IBRD loan for the Republic of Serbia in the amount of EUR88.3 million (US\$100 million equivalent) for the First Programmatic State Owned Enterprises Reform Development Policy Loan (R2015-0043) on the terms and conditions set out in the President's Memorandum.

Directors supported the operation, noting that reforms of State Owned Enterprises are critical to the success of the government's medium-term macro-fiscal stabilization program and longer-term economic development program. Directors noted the poor growth performance and high unemployment in Serbia, and supported deepening structural reforms in order to create a foundation for economic recovery. Directors welcomed the program's objectives of reducing direct and indirect Government support to the real sector and of enhancing SOE performance, governance and accountability, while mitigating the short term impacts. To that end, Directors supported the three pillars of operation, namely: (i) accelerating the restructuring and divestiture program of the Privatization Agency portfolio and selected SOEs operating in the commercial sector; (ii) strengthening the governance, regulatory and institutional framework, and monitoring and transparency arrangements for SOEs; and (iii) mitigating the social and labor market impact of the SOE reform program. Directors urged close engagement with the authorities to ensure consistent, well-sequenced and transparent implementation of the program.

Directors took note of the substantial social and political risks associated with the implementation of these ambitious reforms. They welcomed that the DPL series includes a pillar dedicated to mitigating the social and employment impact of the restructuring program, and that the authorities and the WBG are preparing a project aimed at strengthening Serbia's competitiveness and stimulating job creation in the private sector. Directors welcomed the successful partnership to promote innovation and entrepreneurship with EU funding and encouraged broader IFC engagement in the private sector. Directors recognized the macroeconomic challenges facing Serbia, and welcomed that the recently approved IMF Stand-By Arrangement will provide a necessary policy anchor to help stabilize public finances. Directors underscored the importance of clear communication of the program's benefits to ensure public awareness and country ownership. And finally, capturing and sharing lessons learned from this operation for the benefit of other countries was encouraged.

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\* This summary is not an approved record.