

IEG

ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	02/15/2006	
PROJ ID:	P078457		Appraisal	Actual
Project Name:	Sac 2 - Serbia	Project Costs (US\$M)	45	45
Country:	Serbia and Montenegro	Loan/Credit (US\$M)	45	45
Sector(s):	Board: PO - Other social services (25%), Power (25%), General industry and trade sector (25%), Central government administration (25%)	Cofinancing (US\$M)		
L/C Number:	C4017			
		Board Approval (FY)		05
Partners involved :		Closing Date	06/30/2005	06/30/2005
Evaluator:	Panel Reviewer :	Division Manager :	Division :	
Michael R. Lav	Jorge Garcia-Garcia	Kyle Peters	IEGCR	

2. Project Objectives and Components

a. Objectives

To support the Government of the Republic of Serbia in moving to a sustainable growth path including both macroeconomic stability and the implementation of structural reforms .

b. Components (or Key Conditions in the case of Adjustment Loans):

1. macroeconomic stability and growth
2. improving the business climate
3. enhancing the performance of the energy sector
4. strengthening social protection
5. improving public administration

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

The project cost US\$45 million financed by an IDA credit on modified IDA terms (20 year maturity, including 10 years grace period and no acceleration clause). The project was appraised in September 2004, approved by the Board on December 16, 2004, made effective on December 22, 2004, and closed on schedule on June 30, 2005.

3. Relevance of Objectives & Design :

The operation is rooted in the World Bank's Transitional Support Strategy for Serbia from 2001, as updated in August 2002 and February 2004. It follows SAC 1, a Social Sector Adjustment Credit, and two Private and Financial Sector Adjustment credits. SAC 2 furthers the agenda of these previous operations in all sectors and adds a new initiative in public administration. SAC 2 is also consistent with Serbia's PRSP, prepared in 2004. Finally, structural reforms supported by this operation are consistent with the European Union's Stabilization and Association Process framework that guided Serbia's program to harmonize its structures with those of the European Union .

4. Achievement of Objectives (Efficacy) :

All of the structural reforms supported by the project were implemented .

Performance indicators give evidence to progress in achieving the projects objectives :

1. macroeconomic performance - substantial achievement: GDP growth reached 8.6 percent in 2004 (against a projected 6.0 percent for that year) and an estimated 4.6 percent in 2005. The fiscal deficit was cut to the equivalent of 0.3 percent of GDP in 2004 and is projected to be in surplus reaching the equivalent of 1.2 percent of GDP in 2005. Investment as a percentage of GDP increased from 17.6 percent in 2004 to 18.4 percent in 2005.
2. improved business climate - high achievement: 10,000 new limited liability companies were registered in 2005, compared to 6000 in 2004. Entry time for new companies was reduced from 51 days to 15 days in 2005. The average duration of court cases involving contract enforcement was reduced from 1028 days in 2004 to 600 days in 2005, although further progress is clearly needed. Over 60 new laws and decrees were subject to regulatory impact assessments in 2005, an important move towards normal OECD practice.
3. energy sector performance- modest achievement: the electricity company has yet to develop full cost recovery schedules, but tariff adjustments of 10 percent in 2004 and 9.5 percent in 2005 have helped financial viability.

Collection rates for residential consumers increased from 91-92 percent in 2004 to 93 percent in 2005. Collections have not improved from large industrial users. Revenues now cover operating costs, debt service, and part of the investment budget, but further improvements are needed.

4. strengthen social protection - modest achievement: Only 8,000 new beneficiaries have been covered by the Material Support to Families (MOP) program, short of the target of 13,000. Only 17,000 additional families (which are recipients of child benefit, minimum pension, and MOP programs) have benefitted from the 30 percent reduction in their monthly electric bill (up to 300 kWhs), compared to a target of 50,000 expected new beneficiaries. No poverty report was prepared in 2004 as had been foreseen, and poverty data on which to base new programs is not satisfactory.

5. improving public administration - substantial achievement: Government has introduced interim salary system reforms in 2005 which have decompressed wages from 1:4.9 in 2004 to 1:8 in 2005. Public administration reforms based on a newly approved set of basic laws and with new management structures and further pay reforms are being implemented, sometimes with delays, although it is too early for any outcome results to be available.

5. Efficiency :

IEG does not evaluate efficiency for adjustment operations.

6. M&E Design, Implementation, & Utilization:

The project's M&E design is adequate to track improvements in the sectors supported by the project. The Government's matrix of policy actions, including outcome benchmarks, attached to the Letter of Development Policy, is especially useful, as is the Annex 1 of the ICR (Key Performance Indicators).

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

8. Ratings :	ICR	ICR Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:

- 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.
- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

1. The Bank needs to ensure good communications with implementing agencies to ensure that reforms are realistic and that they can be counted on for effective implementation. 2. Extensive and high quality sector work has a substantial payoff in the formulation of effective adjustment operations.

10. Assessment Recommended? Yes No

Why? SAC 2 should be assessed along with SAC 1 and the forthcoming SAC 3 as these are important operations supporting Serbia's transformation in the context of its objective of joining the European Union.

11. Comments on Quality of ICR:

The ICR is clearly written, gives a good context for SAC 2, and makes good use of available performance indicators for assessing progress.